ANNUAL REPORT 2012

Eastland Group

ANNUAL REPORT 2012

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HIGHLIGHTS

TOTAL REVENUE

$76.2M

UNDERLYING PROFIT TO

$8.7M UP BY 8.2%

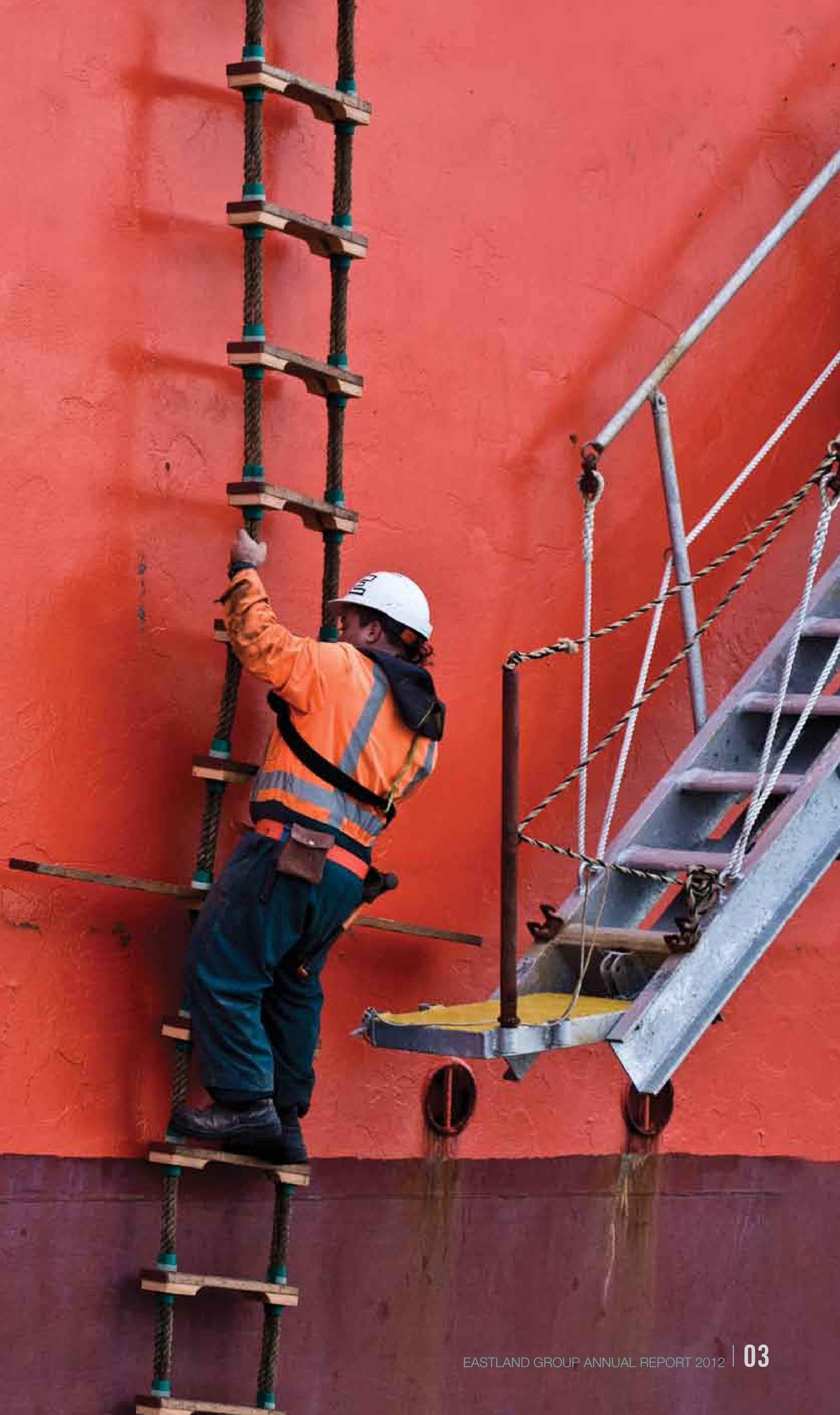
12.6% INCREASE IN OVERALL PORT EXPORT VOLUMES WITH A 18% INCREASE IN NON-LOG EXPORTS.

TOTAL ANNUAL ENERGY DISTRIBUTED BY THE NETWORK

305 GWHRS

45% REDUCTION IN BANK FACILITY COSTS FOLLOWING COMPLETION OF THE REFINANCING IN DECEMBER 2011

NETWORK AND GENERATION ACCREDITATION GAINED FOR THE NEW PUBLIC SAFETY MANAGEMENT SYSTEM REGULATION



YEAR IN REVIEW

"AT A HIGH LEVEL EASTLAND GROUP'S ASPIRATION IS SIMPLE AND AUDACIOUS; TO BE ONE OF NEW ZEALAND'S GREAT COMPANIES."

Overview

Eastland Group's performance over the past 12 months has featured a number of significant highlights, all of which help position the company for an exciting future. The challenges we have faced over the year have been positive ones associated with delivering on our growth aspirations.

The subsidiary businesses that make up Eastland Group have performed well in what remain tough economic times. Not only is the Group profitable, it is poised for continued growth.

Strategic intent

All businesses within the Group must deliver value to our shareholders, customers and stakeholders and we expect our businesses to achieve returns greater than their Weighted Average Cost of Capital, and to target upper quartile returns in their respective sectors.

Growth will not come at the expense of our existing businesses, which we will nurture and expand as we continue to strive for operational excellence.

The strategic business model for each sector in which we operate is asset intensive. Sectors will be developed by growing opportunities within each business, as well as those upstream and downstream in the value chain. Growth may be organic or through acquisition, amalgamation, or new development.

At a high level Eastland Group's aspiration is simple and audacious; to be one of New Zealand's great companies.

Financial performance

Revenues for the company continued to grow and at $76.23m were 4.6% ahead of the previous year, while operating cashflows (excluding interest received/paid and taxation) increased by 5.0% to $33.78m.

The company's underlying profit was 8.6% ahead of the previous year at $8.7m.

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

Total assets have increased from $344.99m to $353.83m and shareholders' equity has increased from $161.97m to $164.32m.

Bank refinancing

During the year our existing bank debt facilities of $125m were replaced under a competitive process. While the company does not have a formal credit rating, the lending margins obtained underscore the quality of the Eastland Group businesses, with conservative gearing and strong operating cashflows.

Dividends

The company has continued its trend over recent years of growing the dividend paid to its shareholder Eastland Community Trust. This year dividend distributions of $4.4m were made to ECT, up from $4.2m the previous year.

Shareholder value

Since Eastland Group's formation into a more diversified and growth focused entity in 2003, the company has grown its total assets from $88m to $353.83m. More importantly, we have also grown shareholder value. Compound annual growth in shareholder value (growth in equity book value plus dividends) has been 19% per annum.

Eastland Group - Value added	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equity	41,924	53,402	68,603	70,518	99,967	106,336	116,756	122,460	161,969	164,320
Cumulative dividend		1,450	6,498	9,344	13,794	17,394	21,194	25,194	29,394	33,794
Annual dividend		1,450	5,048	2,846	4,450	3,600	3,800	4,000	4,200	4,400
Shareholder Value added		12,928	20,249	4,761	33,899	9,969	14,220	9,704	43,709	6,751
Percentage Increase		27.12%	33.19%	6.84%	39.77%	9.66%	12.75%	8.11%	30.73%	4.14%
Average Increase	**19.5%**									

"OUR PEOPLE ARE CRITICAL FOR SUCCESS."

New capital

This growth has been achieved by leveraging the balance sheet without recourse to the shareholder to provide additional equity. While the company's current gearing is not aggressive it is considered appropriate.

Eastland Group has a number of significant and exciting opportunities for growth. These are driven by our desire to develop existing businesses as well as a pipeline of opportunities for new investment – all of which require funding. This new growth can't be funded with additional debt so we have worked with our shareholder on other ways of sourcing new capital. Companies experiencing sustained growth are often partly funded by ceasing or reducing dividend payments and retaining earnings, however Eastland Group's shareholder has an ongoing need for dividend distributions.

Eastland Community Trust could provide new equity but feels it would be more prudent to diversify some of its investment away from Eastland Group, and over time become less concentrated on one entity. Consequently, and in discussion with the shareholder, the company has agreed to investigate bringing in a minority cornerstone shareholder and new equity into Eastland Group.

New investment

The company is currently assessing a range of business development opportunities. These range from projects that will augment and grow capacity from our existing business, to those that will provide new and incremental revenue streams.

These projects are within the regulated and unregulated energy arena as well as our logistics businesses. Over the next five years the company is forecasting capital expenditure investment of $192m, which is $123.1m over and above the forecast depreciation of $68.9m. These projects are not all certain but are assessed as having a high probability of success. While some may not make a positive final investment decision there will be others, as yet unknown or not fully assessed, that will take their place.

The most notable single project is the Te Ahi O Maui geothermal project. Building on the experience and capability the company has gained by acquiring the 9MW Geothermal Developments power station in Kawerau, we are now working with our partners to develop a second geothermal power station on the same geothermal field.

This plant and the associated infrastructure will be situated on a piece of land close to the existing plant, with its own proven production well estimated to be capable of powering a 15MW power station. It is hoped that this project will be at or near final investment decision by the end of the next financial year.

Health and safety

Our people are our number one asset and we believe providing a safe and healthy environment is critical for success. Sending our team home safely each evening to their families is non-negotiable. To this end the past 12 months has seen a concerted effort to improve the company's health and safety processes and culture, a process which is ongoing.

Community

We recognise we have a role to play within the communities in which we operate. Eastland Group is a commercial entity with commercial goals, yet we also have a wider stewardship and leadership role within the community. As a good corporate community citizen Eastland Group will operate in a way that respects and utilises the principles of a quadruple bottom line: being economically profitable, socially responsible, culturally appropriate and environmentally sustainable.

Our team

We place great stock on recruitment, retention and the development of our people. Few businesses in a provincial New Zealand setting can offer the level of human capability and capacity that Eastland Group can. As an employer we aim to attract and retain outstanding people who value what the organisation can offer them professionally, as well as the lifestyle benefits offered by our unique location.

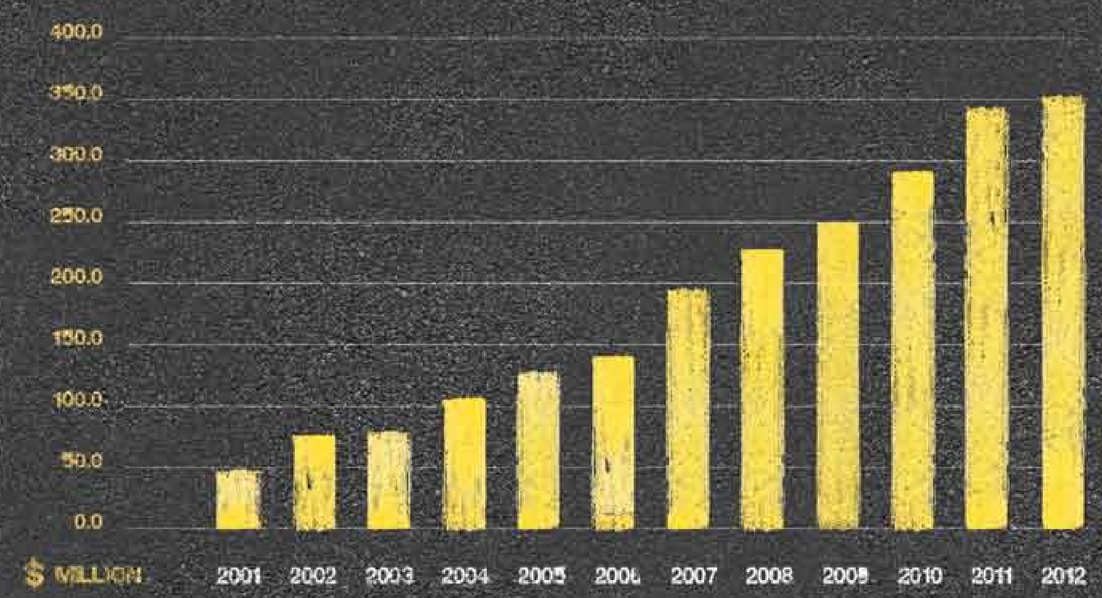
During the year Vern Dark retired after being a director since 2003 and Shaan Stevens resigned. The company would like to thank Vern and Shaan for their contribution to Eastland Group. They were replaced by Mike Glover and Anne Blackburn respectively, and the company would like to extend a warm welcome to them.

Finally we would like to thank our board of directors, senior management and staff for their contribution throughout the year.

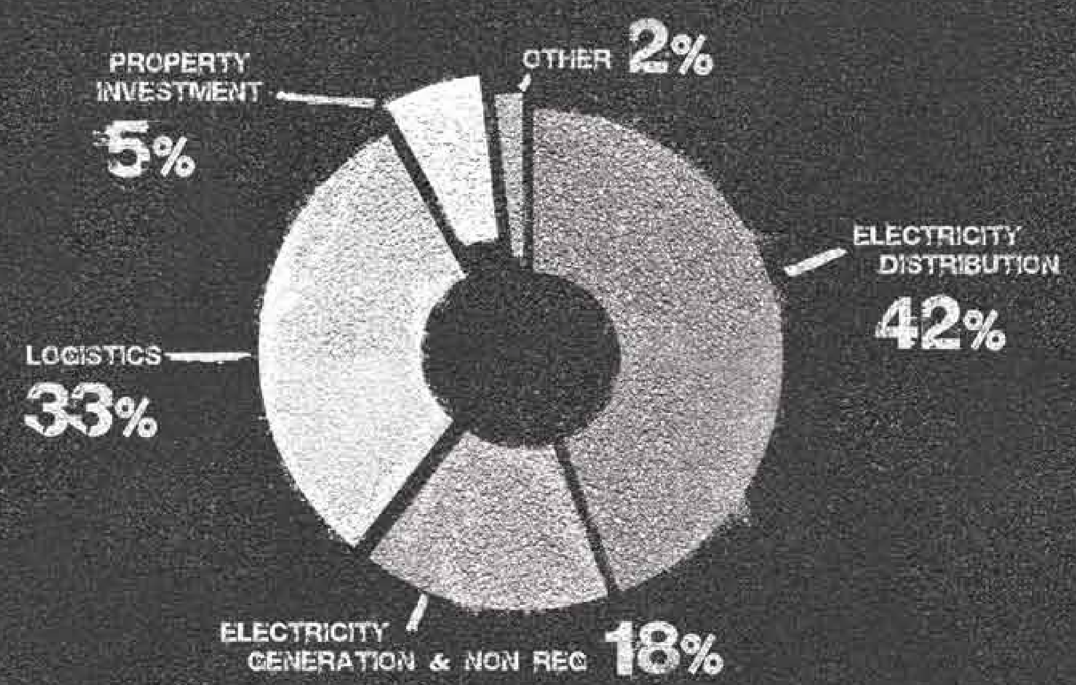
Nelson Cull
Chairman

Matt Todd
Group Chief Executive

TOTAL ASSETS



ASSETS BY SECTOR



WHO IS EASTLAND GROUP?

EASTLAND NETWORK

Supplies electricity distribution services to 25,000 customers on the East Coast of the North Island.

EASTLAND GENERATION

Owns and operates a portfolio of hydro, geothermal and diesel generators on the East Coast and in the Bay of Plenty, including Geothermal Developments Limited and a controlling interest in Te Ahi O Maui Limited Partnership, which has rights to develop new geothermal power stations.

EASTECH LIMITED

Supplies electricity line construction and maintenance services.

EASTLAND PORT

Gisborne's seaport providing logistical services to exporters and importers of product, with a predominant focus on the burgeoning forestry industry. These services include cold stores and dry stores as well as Eastland Port Debarking Limited which owns a 50% interest in the on-port debarker and anti-sapstain facility.

EASTLAND INVESTMENT PROPERTIES

Owns and manages a portfolio of commercial property that has strategic or operation value to other Eastland Group businesses. Includes Inner Harbour Marina Limited which owns the marina facilities within Gisborne Harbour.

GISBORNE AIRPORT

Leases and operates Gisborne's regional airport.

"THE CHALLENGES WE HAVE FACED HAVE BEEN POSITIVE ONES ASSOCIATED WITH DELIVERING ON OUR GROWTH ASPIRATIONS."

FLIGHTLINE AVIATION

Provides aircraft sales, servicing and parts throughout New Zealand and the South Pacific.

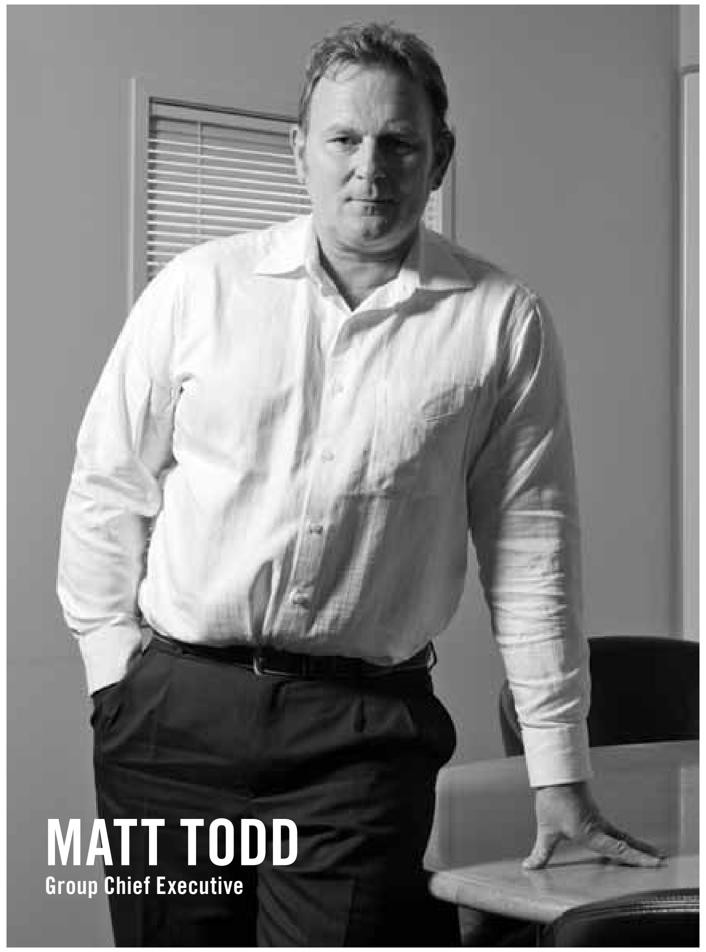
SKYSALES (NZ)

Provides Robinson and MD helicopter sales, servicing and parts throughout New Zealand and the South Pacific.

EASTLAND GROUP SHARED SERVICES

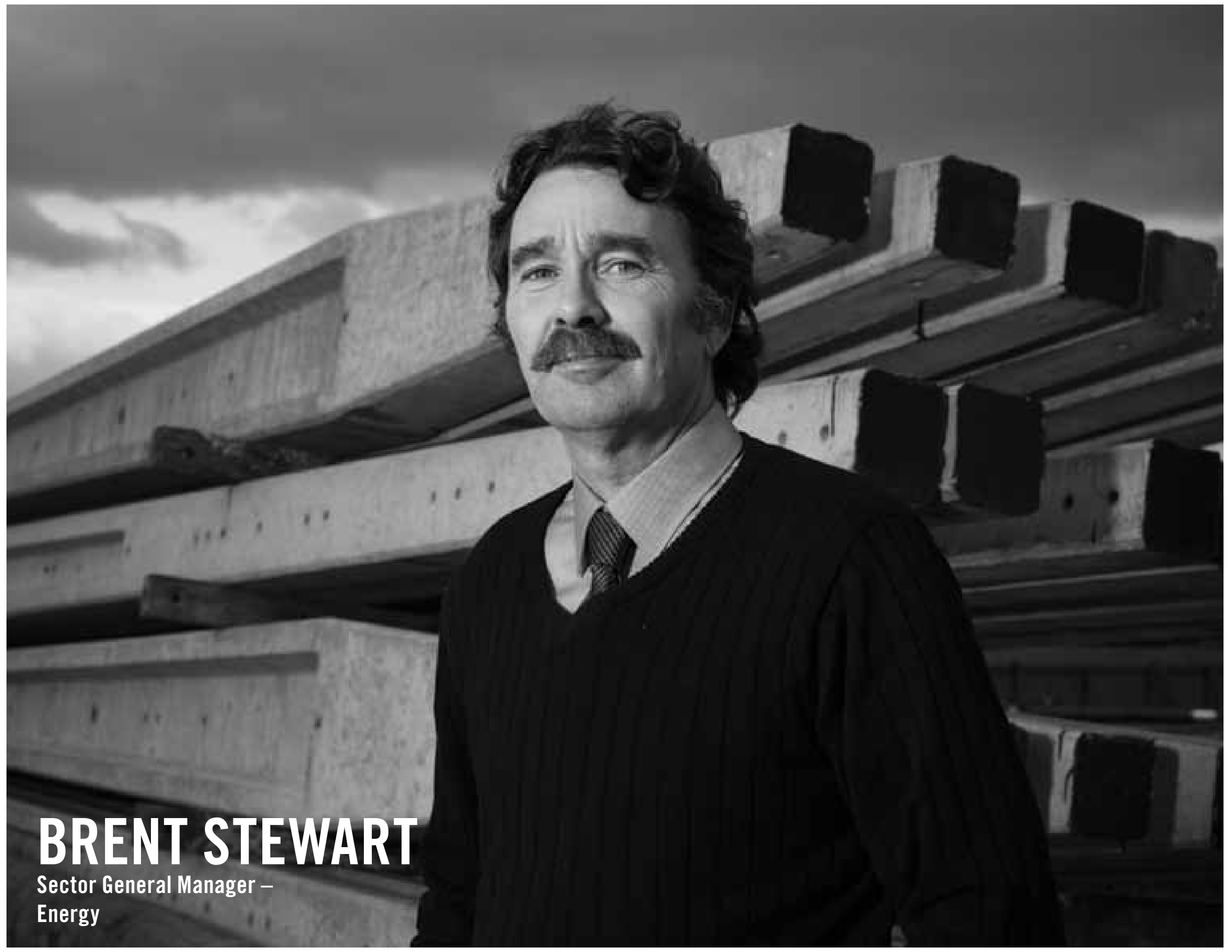
Provides many of the corporate services and intellectual horsepower required by the Company's businesses.

SENIOR MANAGEMENT TEAM



MATT TODD
Group Chief Executive

ANDREW GADDUM
Sector General Manager –
Logistics



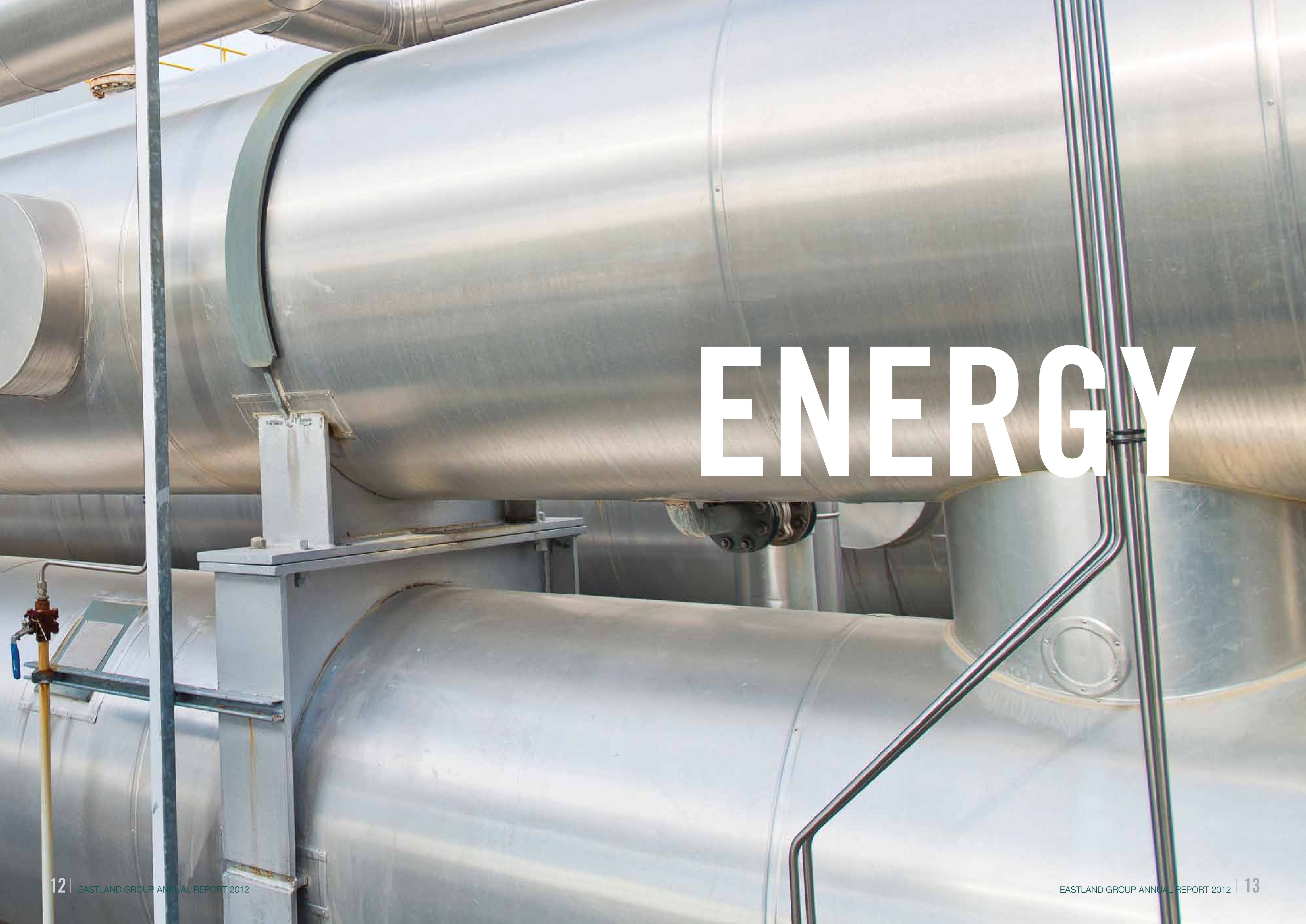
BRENT STEWART
Sector General Manager –
Energy

GAVIN MURPHY
General Manager –
Business Development

BEN GIBSON
General Manager –
Commercial

JEREMY KING
Chief Financial Officer

CHRISTOPHER BREEN
General Manager –
Business Support Services



ENERGY

ENERGY

DESPITE CHALLENGING TIMES IT HAS BEEN ANOTHER GOOD YEAR BOTH FINANCIALLY AND OPERATIONALLY FOR OUR NETWORK, GENERATION, AND CONTRACTING BUSINESSES.

TOTAL ANNUAL ENERGY DISTRIBUTED BY THE NETWORK

305 GWhrs

2% AHEAD OF 299 GWHRS TARGET

Overview

A slight reduction (-2%) in electricity consumption by domestic customers on the previous year was offset by a corresponding increase in consumption by non-domestic customers. The total annual energy distributed by the network was 305 GWhrs: 2% ahead of the 299 GWhrs target.

Highlights:

- **Total network energy distribution ahead of budget**
- **Maintenance and capital expenditure under budget**
- **Public Safety Management System implemented**
- **New pipeline to the geothermal generation station in Kawerau completed**
- **Completion of main penstock valve refurbishments at the Waihi Hydro Generation Scheme**
- **Continued investigation and development of generation opportunities**
- **Additional line mechanic resourcing and vegetation management crew for Eastech Ltd**

Regulated network

In accordance with recent amendments to the Electricity Act and Electricity Safety Regulations, work was completed on the development and implementation of a Public Safety Management Plan.

The plan applies to energy sector network and generation assets. It aims to ensure that the assets covered are designed, built and managed in such a way that they will not pose any significant risks to members of the public or their property.

At the time of writing the Energy Sector Public Safety Management Plan has achieved provisional accreditation. This follows a third party audit of the plan against NZ 7901:2008 Electricity and Gas Industries – Safety Management Systems for Public Safety, as required by the Electricity (Safety) Regulations 2010.

Domestic & commercial developments

There was a noticeable drop in the number of residential housing developments during the year with only one semi-rural subdivision (8 sections) and 16 urban infill sections requiring connection to the network. In the previous year there were four new/greenfield domestic developments and 127 sections connected.

The number of new commercial developments requiring connection to the network did not decline to the same extent as domestic developments. Upgraded and/or new reticulation was installed to meet the requirements of seven significant non-domestic sites. This included installing 500 kVA of capacity at a light industrial development in Aerodrome Road, 750 kVA of capacity in the Gisborne CBD for a new retail complex and 300 kVA for a retirement village in Lytton West.

Developer-funded reticulation installed during the year resulted in distribution assets with an installation cost of $550,000 being vested in Eastland Network. Net growth in the number of customer connections for the year was 53, rising from 25,514 to 25,567.

Maintenance and capital expenditure

Maintenance and capital expenditure on the network was successfully managed with actual spend under budget. A number of reticulation upgrade projects were undertaken as well as projects from a continuing programme to meet load growth and security requirements within the Gisborne and Wairoa urban areas.

In Gisborne this included significant 11kV/400V pole replacement projects in the Elgin, Te Hapara and Wainui areas, and the overlay of 11kV cabling within the CBD.

In Wairoa township a number of ground mount transformers were replaced or upgraded, along with 400V distribution upgrades, to increase the capacity and security of supply in the town centre.

NETWORK EBITDA

RETURN ON ASSETS

(MILLION)	2009	2010	2011	2012
EBITDA $	14 M	13 M	16 M	15 M
TOTAL ASSETS $	157 M	170 M	153 M	155 M
RETURN ON ASSETS	8.9%	7.6%	10.5%	9.6%

ENERGY

Overhead-to-underground conversion

Work continued on our programme of overhead-to-underground conversion projects in urban areas along main arterial routes and/or those with high amenity value.

Completed projects include:

- Lytton Road (between Byron Street and Aberdeen Road) – removal of overhead road crossings
- Aberdeen Road (Stanley Road, Cook Street and Herbert Road) – full undergrounding at significant intersections
- Ormond Road (between Fox Street and Sheehan Street) – removal of overhead road crossings

Asset replacement

Our planned programme of aged asset replacement continued in rural Gisborne and Wairoa.

Of significance was the completion of a maintenance and asset renewal project in the greater Waingake area. This included the replacement of 11kV and 400V poles, the upgrading of transformers, and the removal of redundant overhead plant.

Energy generation

Waihi Hydro Generation Scheme

The Waihi Hydro Generation Scheme's annual production of 10.227 GWhrs was slightly below the 11.0 GWhrs target. This decrease was due to annual rainfall being 12% below average, and downtime associated with a project to refurbish the main penstock values on both A and B machines, which after 27 years of continuous service were showing signs of wear.

The valves, which are over 1.5m in diameter, had to be transported to Tokoroa for machining in an engineering shop specialising in equipment of this type and size. The successful completion of this project is part of an ongoing programme to maintain the effectiveness and efficiency of the Waihi Hydro scheme.

Diesel generation

Six 1 MWe diesel generators located at strategic locations within Eastland Network's distribution network together generated 337,658 kWhrs. Most of this production was for maintaining supply to customers during faults and scheduled maintenance shutdowns, or to reduce maximum demand at Transpower supply points.

Geothermal – Kawerau

This year was Geothermal Developments Ltd's (GDL) second full year of operation under Eastland Generation's ownership. The GDL plant in Kawerau is a 9MW geothermal power station that, with the use of Ormat binary technology and full geothermal fluid reinjection, represents the latest in renewable geothermal power development.

During the year a 200m pipeline was installed to link the scheme's existing geothermal bore, KA24, to a second bore on the field, KA19. This linking pipeline enables the supplementing of the existing KA24 bore with an additional fuel source, ensuring ongoing fuel availability and maximising plant output.

Contracting

Network field services contracting entity Eastech Ltd also completed its second full year of trading. The company was formed after a decade of outsourcing all network maintenance and construction work.

Based in Gisborne, Wairoa and on the East Coast, Eastech met and/or exceeded all financial, service and health and safety targets. Working from a now proven sustainable base, Eastech's capabilities were enhanced during the year through the resourcing of a second line mechanic team and a specialist vegetation management crew.

Further plans are in place to grow Eastech and supplement the existing pool of locally based contractors used to carry out network maintenance and fault work.

"THE PLANT IN KAWERAU IS A GEOTHERMAL POWER STATION THAT REPRESENTS THE LATEST IN RENEWABLE GEOTHERMAL POWER DEVELOPMENT."

Planning for future demand

Development work continued on projects aimed at increasing the amount of embedded generation connected to our distribution network. This is part of our planning to meet future regional demand growth and ongoing business development.

We continued to investigate wind, biomass, and large, small and micro scale hydro generation opportunities in the Gisborne and Wairoa regions. A number of exclusive exploration and monitoring agreements were also negotiated with landowners to facilitate ongoing research.

LOGISTICS

LOGISTICS

EASTLAND PORT CONTINUES TO PROVIDE FIT FOR PURPOSE INFRASTRUCTURE AS VOLUMES CONTINUE TO GROW.

Highlights:

- **Major projects completed**
- **Record tonnage through the port**
- **Major increase in debarker volume**

Overview

More records fell for the Port this year with total export volumes reaching 1.7m tonnes, 200,000 tonnes ahead of the previous year. The Port's log exports again made up the lion's share of our export volume at just under 1.65m tonnes.

A pleasing aspect of the increased export volumes was the fact that non-log exports grew by 18% on the previous year, driven mainly by an increase in plywood exports. The increase in export volumes resulted in operational earnings (EBITDA) reaching \$12.8m compared with \$10.1m the previous year.

Forestry exports

It was a fickle year on the log export scene with the Chinese market coming off the boil and a subsequent drop in pricing. This significantly affected local forest owners with harvest volumes from wood lots and managed forests dropping significantly. However, some of this harvesting capacity was picked up by the Port's two biggest customers, Hikurangi Forest Farms and Ernslaw One, which maintained the growth in harvested volumes.

There was some movement in the local forestry ownership scene with the transfer of around 10,000ha of forest from Australian based New Forests to Malaysian owned Timber Grow – sister company to Ernslaw One. Timber Grow has moved quickly to secure a spot as the Port's third largest forest owner/exporter.

Pricing review

The Port completed its pricing review during the year and is on track to achieve a sustainable return on both its current and future invested capital. The pricing review used a building block approach, from the ground up, arriving at a pricing structure that will see the Port meet its cost of capital.

Infrastructure update

Infrastructure development plans are now in full swing and further significant works are set to be completed over the next five years. The Port Users Efficiency Group is effectively helping to smooth traffic flows through the day and identifying areas for improvements in productivity and truck turnaround times. There is still a lot of work to be done in this area but the group is working well together and the concept has been adopted at a number of other ports around the country.

Key projects

The past year saw the completion of three key projects:

Matawhero Log Yard

This 3ha log storage yard is purpose built with its own weighbridge, log scaling station and trailer gantry. The facilities on-site mean it can operate completely independently of the Port, providing both extra storage and some redundancy for on port operations. The yard can store 30,000 tonnes of logs and has already neared capacity on several occasions.

Inner Breakwater Refurbishment

This project involved reconstructing the end of the inner breakwater and capping the existing structure. During construction a storm caused significant damage to the construction works, highlighting just how exposed the breakwater is; testament to the protection provided to the Port by this key piece of infrastructure, originally built in the 1880s. The completed works now form a platform for the reconstruction of the outer breakwater, due to start next year.

LOGISTICS

Main Log Yard Stage 2 Asphalt

The push to seal the main log yard continued in earnest with the completion of Stage 2. The asphalt has already made a significant difference to the storage capacity in the yard, lifting efficiency in the order of 20%. The unique contract, with its seven year warranty period, awarded to Downer is working extremely well for both parties. The final section of asphalt will be completed by March 2013.

Cold stores

The Port's cold store contract was successfully renegotiated with Heinz Wattie's for another five years.

Debarking

Our joint venture with East Coast Forests on the debarking plant continues to go from strength to strength with 135,000 tonnes processed during the year – a staggering 93% increase on the previous year.

Gisborne Airport

Also of note during the year was the movement of the Gisborne Airport operation under the logistics banner. The Airport and its management team were a welcome addition to the sector, providing the opportunity for greater synergies and economies of scale.

During the year the Airport's paid parking area was further extended to increase capacity as the existing area struggled to cope with additional parking demand associated with peak aircraft movements. The extension has been well received by the public, with an alternate exit gate also providing back-up to the existing gate.

Management continue to work on overlay options for the main runway with a view that work will commence on this project in the next financial year.

Community sponsorship

The Port's diverse range of sponsorship programmes during the year demonstrate our enduring commitment to contributing to our community.

We are proud to have provided support to the following groups and individuals:

- **Eastland Wood Council Forestry Awards**
- **Tatapouri Sports Fishing Club Marlin and Tuna Hunt**
- **Darryl Fitzgerald Olympic kayaker**
- **Enviroschools programme**

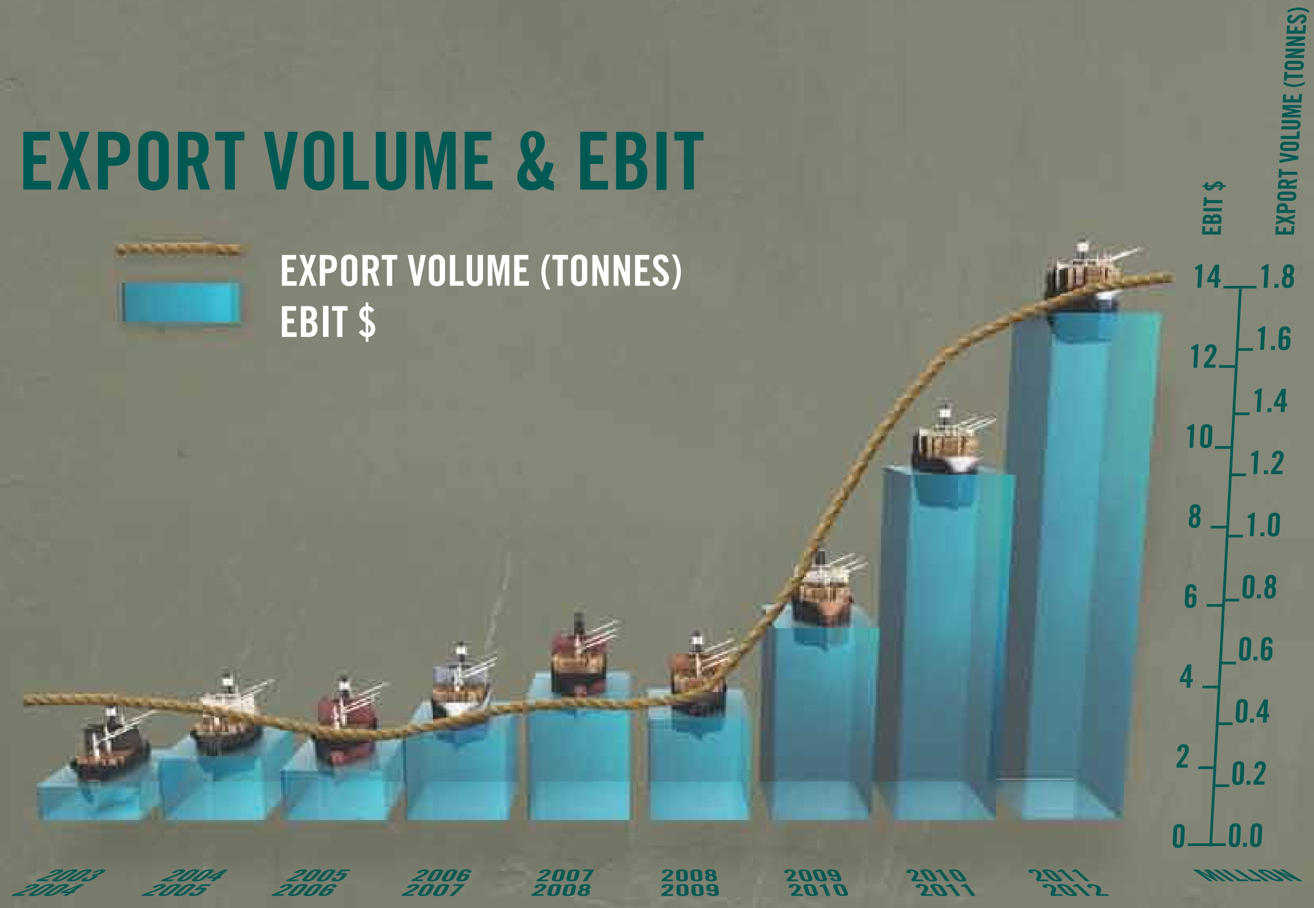
Looking ahead

The ongoing instability in the world economy continues to provide uncertainty for commodity exports, yet to date the Tairawhiti region has weathered the economic storm better than most.

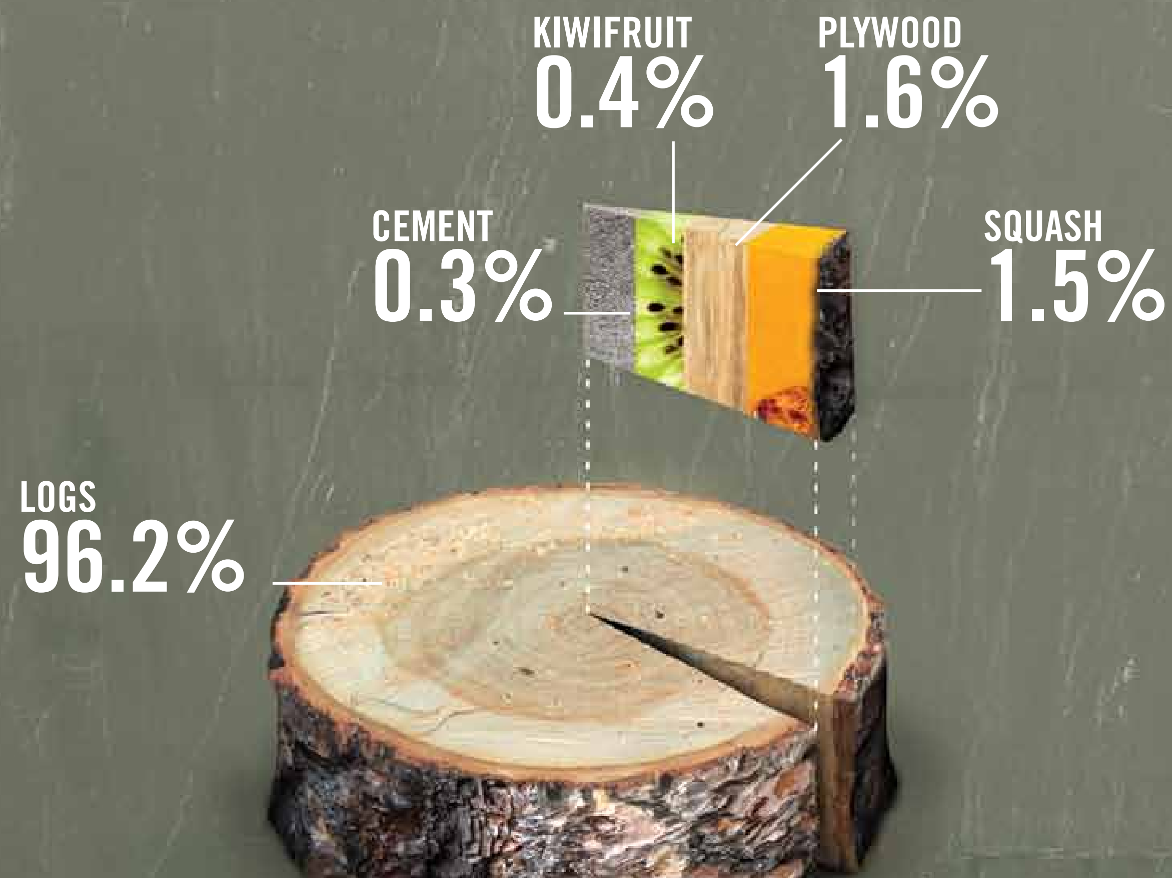
We are confident that the diverse nature of the region's primary product base will continue to support this. We expect to see our export volumes grow through the coming year as we develop our capacity and improve efficiency in partnership with both our customers and key contractors.

"THE ASPHALT HAS ALREADY MADE A SIGNIFICANT DIFFERENCE TO THE STORAGE CAPACITY IN THE YARD, LIFTING EFFICIENCY IN THE ORDER OF 20%."

EXPORT VOLUME & EBIT



VOLUMES EXPORTED / IMPORTED THROUGH EASTLAND PORT



"WE AIM TO ATTRACT AND RETAIN OUTSTANDING PEOPLE WHO VALUE WHAT THE ORGANISATION CAN OFFER THEM PROFESSIONALLY"

COMMUNITY

WE ARE PROUD OF OUR ACTIVE ROLE IN OUR COMMUNITY, AND PURSUE GOOD CORPORATE CITIZENSHIP IN A RANGE OF WAYS.

Eastland Group boosts the economic activity of the East Coast region by spending more than $20m a year in the local community on goods and services from a wide range of providers. We have over 70 locally based staff and pay over $10m in wages and salaries annually. The Group has attracted new people to the area, helped ex-East-Coasters to return – not that it's hard and employed many locals.

Sponsorship

As part of our continuing sponsorship programme, we allocate a budget at the beginning of each financial year, set some criteria around the types of areas we would like to align ourselves with then work to maximise the value both to the company and the receiving entity. Primarily we are seeking to establish long-term sponsorship arrangements with key segments of the community.

Inspirational Speakers

One such commitment is our sponsorship of the Gisborne Chamber of Commerce's Innovation and Inspirational Speakers Series until 2014. This series brings in high achieving New Zealanders to share their experience and advice.

Marlin and Tuna Hunt

Eastland Port sponsors the annual Marlin and Tuna Hunt run by the Tatapouri Sports Fishing Club – one of New Zealand's largest fishing clubs.

Speedway

We are proud to support the Gisborne Speedway, one of the region's best attended summer sports. During the year we renewed the speedway's three year sponsorship. The season's opening night was a highlight on the Gisborne events calendar with thousands turning out to the Eastland Group Raceway to enjoy the fireworks and action on the track.

Harbour the Beat Jazz, Blues & Roots Festival

This popular two-day music festival attracted record numbers this year, bringing international and local acts to the vibrant cultural hub that is the Inner Harbour area. Our support of this fantastic community event is one of the ways we can contribute to a richly diverse community arts scene.

We also assisted with making it possible for internationally acclaimed singer Caitlin Smith to spend a morning doing vocal training with students at Campion College.

Enviroschools

Eastland Port's support of the Enviroschools programme continued this year with 50 cubic metres of compost and mulch being donated to eight schools. The Port takes its environmental responsibility seriously and is pleased to have an opportunity to support Gisborne children who are learning first-hand about the benefits of recycling, feeding the land and gardening.

ORGANISATIONAL PREPAREDNESS PROGRAMME

OUR ORGANISATIONAL PREPAREDNESS PROGRAMME FOCUSES ON RESILIENCE IN THE ADVENT OF ADVERSITY.

Developing a risk management culture

As an organisation we want to introduce and sustain a continuing conversation about risk – how we respond to risk, take advantage of it and prevent it. The need to keep questioning things, from the details of maintenance procedures to one's sense of the worst that could go wrong, is at the heart of a successful safety and business continuity culture.

Eastland Group recognises that for both safety and business constancy to be key organisational norms, we need to broaden our understanding of the impact of an event and the risks to our staff, operations, commercial outcomes, reputation, stakeholders, and organisational stability.

Background

During the year we undertook a review of how well the Group is prepared and able to deal with adversity, with a focus on operational responsiveness and organisational preparedness. This included a review of our wider crisis and emergency response practices, including health and safety.

The review found that the Group is well placed to operationally counter a physical crisis or emergency event; we can keep the network going, maintain port functions and respond to health and safety issues.

But from an organisational perspective there was an opportunity to improve and to develop our business continuity capability, such that we are prepared to deal with issues such as maintaining critical systems, continuing invoicing, paying bills and staff wages, and communicating to our stakeholders.

As with most organisations in New Zealand, a lot of consideration had gone into the management of a crisis – the immediate response and the first 24 hours – but it is the period beyond the immediate response that provides us with an opportunity to improve.

Organisational Preparedness Programme

As a result of the review's findings, we have developed an Organisational Preparedness Programme focusing on organisational resilience in the advent of adversity – be it economic, physical, reputational, political or financial.

The programme will enable us to develop a prepared response to an event that threatens the Group's functioning in any way.

A framework for organisational resiliency

The programme comprises seven elements that together will provide a framework around which we can build organisational resiliency. The elements are further divided into either prevention or response categories.

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 & Working Groups

The board also establishes other committees when it deems it is prudent to do so and contributes to project specific working groups in support of management.

Directors' Interests Register

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

EASTLAND GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The directors are pleased to present the Financial Statements of Eastland Group Limited for the year ended 31 March 2012
For and on behalf of the Board of Directors:

Nelson Cull	Roger Taylor
Director	Director

30 May 2012

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2012

		GROUP		PARENT	
		2012	2011	2012	2011
	Notes	$'000	$'000	$'000	$'000
Revenue	6	76,227	72,896	4,623	-
Cost of sales		(29,217)	(29,475)	-	-
Gross profit		**47,010**	**43,421**	**4,623**	**-**
Other operational income	7	197	274	4,400	4,200
Administrative expenses	8	(17,098)	(12,433)	(9,473)	(1,486)
Depreciation	16	(10,611)	(8,493)	(329)	-
Net total costs		**(27,512)**	**(20,652)**	**(5,402)**	**2,714**
Net results from operating activities		**19,498**	**22,769**	**(779)**	**2,714**
Finance income	10	258	219	10,738	11,351
Finance expenses	10	(10,729)	(11,417)	(10,700)	(11,370)
Net finance costs		**(10,471)**	**(11,198)**	**38**	**(19)**
Profit before income tax		**9,027**	**11,571**	**(741)**	**2,695**
Income tax (expense)/income	11	(3,712)	(3,604)	712	452
Subvention payment		-	-	(867)	-
Profit for the year		**5,315**	**7,967**	**(896)**	**3,147**
Profit for the year is attributable to:					
Equity holders of the parent		5,393	8,000	(896)	3,147
Non controlling interest		(78)	(33)	-	-
		5,315	**7,967**	**(896)**	**3,147**
Other comprehensive income					
Cash flow hedges		(1,455)	(1,413)	(1,455)	(1,413)
Revaluation movements		2,247	48,603	-	-
Tax on comprehensive income		271	(11,641)	408	390
Other comprehensive income for the period, net of income tax		**1,063**	**35,549**	**(1,047)**	**(1,023)**
Total comprehensive income for the period		**6,378**	**43,516**	**(1,943)**	**2,124**

Statement of Financial Position

AS AT 31 MARCH 2012

		GROUP		PARENT	
		2012	2011	2012	2011
	Notes	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	739	2,075	-	-
Trade and other receivables	13	9,792	8,884	439	715
Related party receivables	30	-	-	7,401	8,871
Income tax refundable		-	468	2,864	1,398
Property held for sale	18	3,827	5,230	-	-
Inventory	14	7,321	7,004	-	-
Total current assets		**21,679**	**23,661**	**10,704**	**10,984**
Non-current assets					
Property, plant & equipment	16	294,751	282,564	1,082	-
Deferred tax asset	23	-	-	1,501	605
Investment properties	20	16,026	16,968	-	-
Derivatives	15	-	473	-	473
Investment in subsidiaries		-	-	22,023	23,900
Intercompany advances		-	-	108,326	108,962
Intangible assets	17	20,890	21,320	-	-
Loan receivable	19	486	-	486	-
Total non-current assets		**332,153**	**321,325**	**133,418**	**133,940**
TOTAL ASSETS		**353,832**	**344,986**	**144,122**	**144,924**
LIABILITIES					
Current liabilities					
Cash and cash equivalents	12	-	-	1,887	27
Derivatives	15	614	192	614	192
Employee entitlements	9	1,714	1,303	442	-
Income in advance		1,233	319	-	-
Income tax payable		1,263	-	-	-
Trade and other payables	21	8,265	7,442	1,472	1,141
Total current liabilities		**13,089**	**9,256**	**4,415**	**1,360**
Non-current liabilities					
Loans and borrowings	22	100,500	97,400	100,500	97,400
Derivatives	15	5,954	5,398	5,954	5,398
Income in advance		669	722	-	-
Deferred income tax liabilities	23	39,304	40,241	-	-
Capital notes	24	30,000	30,000	30,000	30,000
Total non-current liabilities		**176,427**	**173,761**	**136,454**	**132,798**
TOTAL LIABILITIES		**189,516**	**183,017**	**140,869**	**134,158**
NET ASSETS		**164,316**	**161,969**	**3,253**	**10,766**
EQUITY					
Issued capital		15,400	15,400	15,400	15,400
Hedge reserve		(4,628)	(3,581)	(4,628)	(3,581)
Asset revaluation reserve		118,175	116,255	-	-
Non-controlling interest		510	128	-	-
Retained earnings		34,859	33,767	(7,519)	(1,053)
TOTAL EQUITY		**164,316**	**161,969**	**3,253**	**10,766**

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	GROUP 2012 $'000	GROUP 2011 $'000	PARENT 2012 $'000	PARENT 2011 $'000
Issued capital					
Opening balance		15,400	-	15,400	-
Acquisitions	31	-	15,400	-	15,400
Closing balance		**15,400**	**15,400**	**15,400**	**15,400**
Hedge reserve					
Opening balance		(3,581)	-	(3,581)	-
Acquisitions		-	(2,558)	-	(2,558)
Fair value movements: cash flow derivatives (net of deferred tax)		(1,047)	(980)	(1,047)	(980)
Change in deferred tax rate on opening balance/acquisitions		-	(43)	-	(43)
Closing balance		**(4,628)**	**(3,581)**	**(4,628)**	**(3,581)**
Asset revaluation reserve					
Opening balance		116,255	-	-	-
Acquisitions		-	79,683	-	-
Disposals (net of deferred tax @ 28%)		(328)	(515)	-	-
Revaluation of property, plant and equipment (net of deferred tax@ 28%)		2,248	34,584	-	-
Change in deferred tax rate on acquisitions		-	2,503	-	-
Closing balance		**118,175**	**116,255**	**-**	**-**
Non-controlling interest					
Opening balance		128	-	-	-
Movement in Non-controlling interest		456	161	-	-
Prior period adjustment	36	4	-	-	-
Profit/(loss) for the year		(78)	(33)	-	-
Closing balance		**510**	**128**	**-**	**-**
Retained earnings					
Opening balance		33,767	-	(1,053)	-
Acquisitions/JV Distribution		309	29,967	(1,170)	-
Prior period adjustments	36	(210)	-	-	-
Profit/(loss) for the year		5,393	8,000	(896)	3,147
Equity dividends	31	(4,400)	(4,200)	(4,400)	(4,200)
Closing balance		**34,859**	**33,767**	**(7,519)**	**(1,053)**
Balance at 31 March 2012		**164,316**	**161,969**	**3,253**	**10,766**

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	GROUP 2012 $'000	GROUP 2011 $'000	PARENT 2012 $'000	PARENT 2011 $'000
Cash flows from operating activities:					
Receipts from customers		75,795	71,737	2,387	(146)
Dividends received from subsidiaries		-	-	4,400	4,200
Payments to suppliers and employees		(42,016)	(39,554)	(2,354)	(1,315)
Interest paid		(11,206)	(11,115)	(10,826)	(11,154)
Income tax paid		(2,815)	(1,936)	(2,181)	(9)
Interest received		122	152	10,734	11,284
Net cash flows from/(used in) operating activities		**19,880**	**19,284**	**2,160**	**2,860**
Cash flows from investing activities					
Purchase of intangibles		(1,047)	(815)	-	-
Purchase of property, plant & equipment		(17,549)	(11,890)	(1,412)	-
Proceeds from sale of property, plant and equipment		482	-	-	-
Loan receivable		-	-	-	-
Related party advances		(2,005)	-	(2,005)	-
Purchase of derivatives		-	66	-	-
Capitalised interest		-	(20)	-	-
Proceeds from sale of investment property		1,000	-	-	-
Purchase of investment properties		(1,105)	42	-	-
Net cash flows from/(used in) investing activities		**(20,224)**	**(12,617)**	**(3,417)**	**-**
Cash flows from financing activities:					
Proceeds from bank borrowings		3,100	(1,700)	3,100	-
Bank borrowings repaid		-	-	-	(1,900)
Cash acquired from acquisition of subsidiaries		-	1,308	-	-
Intercompany advances received		-	-	697	3,213
Distributions from associates		308	-	-	-
Equity dividends paid		4,400)	(4,200)	(4,400)	(4,200)
Net cash flows from/(used in) financing activities		**(992)**	**(4,592)**	**(603)**	**(2,887)**
Net (decrease)/increase in cash and cash equivalents		(1,336)	2,075	(1,860)	(27)
Cash and cash equivalents at beginning of period		2,075	-	(27)	-
Cash and cash equivalents at end of period		**739**	**2,075**	**(1,887)**	**(27)**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2012

1 REPORTING ENTITY

Eastland Group Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993. The Company's registered office is at 172 Carnarvon Street, Gisborne.

Financial statements for the Company and consolidated financial statements are presented. The consolidated financial statements of Eastland Group Limited as at, and for the year ended, 31 March 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group's principal activities are to distribute electricity, invest in, develop and produce electricity from renewable and other energy sources, provide port services, provide an electrical fault contracting business, aviation sales and services as well as Gisborne Airport and investment property ownership and management.

Eastland Group Limited is a wholly owned subsidiary of the Eastland Community Trust.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 30 May 2012.

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

(e) Principles of consolidation

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

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

2 BASIS OF PREPARATION (CONTINUED)

(e) Principles of consolidation (continued)

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

Instruments at fair value through profit or loss

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

Trade and other receivables

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

Interest-bearing borrowings

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

Trade and other payables

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compound financial instruments

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

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

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

(ii) Derivative financial instruments

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

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately to the Statement of Comprehensive Income within finance expenses. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on revaluation to fair value is recognised immediately in the Statement of Comprehensive Income within finance expenses. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash flow hedges

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

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

(b) Property, plant and equipment

(i) Recognition and measurement

Eastland Group Limited

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eastland Network Ltd

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

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

Land and building revaluations are carried out on a cyclical basis that does not exceed three years, by independent valuers. For electricity distribution and electricity generation equipment assets, revaluations are carried out on a cyclical basis not exceeding five years, by independent valuers. The basis of valuation is discussed in notes 4 and 16.

Eastland Port Ltd

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

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount of these items does not significantly differ from that which would be determined using fair value at the date of the financial statements. For land and buildings revaluations are carried out on a cyclical basis not exceeding three years, by an independent valuer. Port wharves walls and surfaces are revalued on a cyclical basis not exceeding five years by independent valuers. The basis of valuation is discussed in notes 4 and 16.

(ii) Reclassification to investment property

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

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Exploration and evaluation expenditure

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

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

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

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

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

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

(d) Investment property

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

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

(e) Impairment

(i) Financial assets

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

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

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

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

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

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

(ii) Non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(f) Provisions

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

(g) Revenue

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

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

(i) Customer contributions

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

(ii) Sales of goods

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

(iii) Sales of services

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

(iv) Management fee

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

(v) Rental income

Rental income from investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Finance income and expenses

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

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

All borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for use. All other borrowing costs are recognised in the profit or loss section of the Statement of Comprehensive Income in the period which they are incurred. The change is not retrospective and no changes have been made to prior periods as a result of the amended accounting policy.

(i) Income tax expense

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

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

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

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

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

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

(j) Intangible assets

(i) Goodwill

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

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

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

(ii) Other intangibles

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

(i) Short-term benefits

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

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

(ii) Termination benefits

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

(l) Investment in subsidiaries

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

(m) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

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

(n) Inventory

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

(o) Leases

(i) As lessee

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) As lessor

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

(p) Goods and Services Tax (GST)

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

(q) Share capital

Ordinary shares are classified as equity.

(r) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's and the Group's Statement of Financial Position in the period in which the dividends are approved by the Directors.

(s) Joint ventures

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

(t) Prior period errors

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

(u) Statement of Cash Flows

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

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

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

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

4 DETERMINATION OF FAIR VALUES

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

(a) Property, plant and equipment

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

Electricity distribution plant and equipment and port wharves, walls and surfaces, are valued using optimised depreciated replacement cost methodology.

4 DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Investment property

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

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

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

(d) Derivatives

The fair value of interest rate swaps is based on broker quotes obtained by the Group's treasury advisors, Bancorp Treasury Services Limited.

These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using the Bloomberg discount factor.

(e) Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in 3 (j) above.

The recoverable amounts of cash-generating units have been determined based on discounted cash flow calculations. These calculations require the use of estimates (note 17).

5 CHANGES IN ACCOUNTING POLICIES

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

FOR THE YEAR ENDED 31 MARCH 2012

		GROUP		PARENT	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
6	**REVENUE**				
	Electricity line revenue	30,180	29,387	-	-
	Customer contributions	146	1,928	-	-
	Rendering of services	23,647	20,131	-	-
	Sale of goods	12,474	12,853	-	-
	Property rentals	3,437	3,093	-	-
	Energy sales	5,656	5,484	-	-
	Ripple relays	14	-	-	-
	Vested assets income	597	-	-	-
	Related party management fees	34	-	4,582	-
	Other sales	42	20	41	-
	Total revenue	**76,227**	**72,896**	**4,623**	**-**
7	**OTHER OPERATIONAL INCOME**				
	Other income	164	254	-	-
	Impairment losses recovered	16	20	-	-
	Gain on disposal of assets	5	-	-	-
	Change in fair value of investment property	12	-	-	-
	Dividends received	-	-	4,400	4,200
	Total operational income	**197**	**274**	**4,400**	**4,200**
8	**ADMINISTRATIVE EXPENSES**				
	Administrative expenses include:				
	Change in fair value of investment property	-	112	-	-
	Impairment losses and bad debt write-offs on trade receivables	22	187	-	-
	Impairment losses on intangible assets	1,859	40	-	-
	Provision of loan receivable	1,519	-	1,519	-
	Loss on revaluation	266	45	-	-
	Loss on sale of property, plant and equipment	43	177	-	-
	Loss on sale of investment property	331	-	-	-
	Amortisation of intangible assets	4	1	-	-
	Direct operating expenditure arising on investment properties that generated rental income	461	345	-	-
	Auditor's remuneration to Deloitte comprises:				
	- audit of financial statements	239	285	105	79
	- other services	-	30	-	-
	Other	12,354	11,211	7,849	1,407
	Total administrative expenses	**17,098**	**12,433**	**9,473**	**1,486**

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

Donations of $10,846 were made during the financial year (2011: $450).

FOR THE YEAR ENDED 31 MARCH 2012

		GROUP		PARENT	
		2012 $'000	2011 $'000	2012 $'000	2011 $'0006
9	**EMPLOYEE ENTITLEMENTS**				
	Liability for annual leave	801	668	120	-
	Liability for other short-term benefits	820	534	301	-
	Liability for post-employment benefits	93	101	21	-
	Total employee benefit liability	**1,714**	**1,303**	**442**	**-**
	Expenses recognised in profit or loss				
	Wages and salaries	9,778	9,143	2,180	-
	Contributions to defined contribution plans	227	129	195	-
	Total employee entitlement expenses	**10,005**	**9,272**	**2,375**	**-**

Employees remuneration

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

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

		GROUP 2012	GROUP 2011	PARENT 2012	PARENT 2011
10	**FINANCE INCOME AND EXPENSES**				
	Interest income on cash and cash equivalents	122	152	10,624	11,284
	Net foreign exchange gains	132	-	110	-
	Fair value gains on derivative instruments at fair value through profit or loss	4	67	4	67
	Total finance income	**258**	**219**	**10,738**	**11,351**
	Interest expense on financial liabilities measured at amortised cost	10,700	11,266	10,700	11,284
	Net foreign exchange losses	29	151	-	86
	Total finance expense	**10,729**	**11,417**	**10,700**	**11,370**
	Net finance costs	**(10,471)**	**(11,198)**	**38**	**(19)**
11	**INCOME TAX EXPENSE**				
	Current tax expense				
	Current period	(4,207)	(2,201)	(73)	472
	Adjustment for prior periods	(143)	205	224	-
	Total current tax (expense)/income	**(4,350)**	**(1,996)**	**151**	**472**
	Deferred tax expense				
	Temporary differences for the yea	593	(1,780)	561	(20)
	Reduction in tax rate	-	399	-	-
	Adjustment for prior periods	45	(227)	-	-
	Total deferred tax (expense)/income	**638**	**(1,608)**	**561**	**(20)**
	Total income tax (expense)/income	**(3,712)**	**(3,604)**	**712**	**452**

11 INCOME TAX EXPENSE (CONTINUED)

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

	GROUP				PARENT			
	2012		2011		2012		2011	
	%	$'000	%	$'000	%	$'000	%	$'000
Accounting profit before income tax		**9,027**		**11,571**		**(741)**		**2,695**
At the statutory income tax rate of 28%	(28.00%)	(2,528)	(30.00%)	(3,471)	(28.00%)	207	(30.00%)	(809)
Acquired adjustments in respect of current income tax of previous years	(1.09%)	(98)	1.77%	205	(30.25%)	224	0.00%	-
Fair value revaluation on fixed assets	0.00%	-	0.14%	16	0.00%		0.00%	-
Non-deductible expenses	(12.03%)	(1,086)	(1.22%)	(141)	128.45%	(952)	0.00%	-
Adjustments in respect of changes to buildings tax depreciation	0.00%	-	(8.34%)	(965)	0.00%	-	0.00%	-
Change of income tax rate to 28%	0.00%	-	3.46%	400	0.00%	-	0.00%	-
Tax exempt income	0.00%	-	3.04%	352	(166.26%)	1,232	46.75%	1,260
	(41.12%)	**(3,712)**	**(31.15%)**	**(3,604)**	**(96.06%)**	**712**	**16.75%**	**452**

	GROUP		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Imputation credits				
Imputation Credits as at 1 April 2011	4,639	-	4,639	-
Acquired imputation credits	-	4,501	-	4,501
New Zealand tax payments, net of refunds	2,815	1,938	2,815	1,938
Imputation credits attached to dividends paid	(1,892)	(1,800)	(1,892)	(1,800)
Imputation credits at 31 March	**5,562**	**4,639**	**5,562**	**4,639**

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

12 CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current accounts	(1,811)	624	(2,619)	(145)
Petty cash	5	3	3	-
Call deposits	2,545	1,448	729	118
Total cash and cash equivalents	**739**	**2,075**	**(1,887)**	**(27)**

Bank balances earn interest at floating rates based on daily bank deposit rates. Refer to Note 22 for further discussion on the Group's funding facilities.

The Group is party to funding and banking facilities made available to related companies. Since April 2010 the related companies' cash receipts and payments have been made through the bank accounts of Eastland Group Limited, who provides treasury services to the Group.

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

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

13 TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade receivables	7,277	6,678	48	-
Customer deposits	287	103	-	-
Other receivables	2,228	2,103	391	715
Total trade and other receivables	**9,792**	**8,884**	**439**	**715**

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

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

Trade receivables are stated net of impairment loss allowances of $29,991 (2011: $75,542). Trade receivables that are less than three months past due are not considered impaired. For an aging analysis of trade receivables see note 28 (f). No impairment losses have been recognised on related party receivables.

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

14 INVENTORY

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

There is no inventory pledged as security for liabilities.

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

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

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

The interest rate swaps, collars and caps that have been designated as cash-flow hedges affect profit and loss at the same time as the underlying interest expense is recognised on the retrospective borrowings (see note 22). Any ineffective portion of cash-flow hedges is removed from equity and recognised immediately in the Statement of Comprehensive Income (2012: Nil). The hedge relationships are expected to be highly effective over the life of the swaps.

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

16 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2012 — GROUP

	Notes	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 2011, net of accumulated depreciation		37,852	134,414	9,459	62,460	2,780	29,629	5,970	282,564
Additions		1,112	5,210	83	13,567	8	1,445	(2,033)	19,392
Disposals		-	(521)	(1)	-	-	(467)	-	(989)
Revaluations		2,217	-	-	-	-	-	-	2,217
Revaluation of property held for sale	18	2,185	-	-	-	-	-	-	2,185
Transfers to investment property		-	-	-	-	-	(7)	-	(7)
Transfers between asset classes		(1,625)	-	-	1,681	-	(56)	-	-
Depreciation charge for the year		(637)	(4,156)	(702)	(2,728)	(309)	(2,079)	-	(10,611)
At 31 March 2012, net of accumulated depreciation		**41,104**	**134,947**	**8,839**	**74,980**	**2,479**	**28,465**	**3,937**	**294,751**
At 31 March 2012									
Cost or fair value		41,832	147,204	12,386	79,790	3,671	36,269	3,937	325,089
Accumulated depreciation and impairment		(728)	(12,257)	(3,547)	(4,810)	(1,192)	(7,804)	-	(30,338)
Net carrying amount		**41,104**	**134,947**	**8,839**	**74,980**	**2,479**	**28,465**	**3,937**	**294,751**

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 March 2011 — GROUP

	Land & Buildings $'000	lectricity 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 2010, net of accumulated depreciation	-	-	-	-	-	-	-	-
Additions from business combinations	40,909	132,497	10,125	14,145	2,474	29,019	-	229,169
Additions	1,695	6,923	31	454	599	2,098	5,970	17,770
Disposals	(771)	(914)	-	-	-	(80)	-	(1,765)
Revaluations	-	-	-	48,865	-	495	-	49,360
Transfer to property held for sale	(3,441)	-	-	-	-	-	-	(3,441)
Transfers to investment property	(36)	-	-	-	-	-	-	(36)
Depreciation charge for the year	(504)	(4,092)	(697)	(1,004)	(293)	(1,903)	-	(8,493)
At 31 March 2011, net of accumulated depreciation	**37,852**	**134,414**	**9,459**	**62,460**	**2,780**	**29,629**	**5,970**	**282,564**
At 31 March 2011								
Cost or fair value	38,806	142,589	12,318	64,353	3,662	35,701	5,970	303,399
Accumulated depreciation and impairment	(954)	(8,175)	(2,859)	(1,893)	(882)	(6,072)	-	(20,835)
Net carrying amount	**37,852**	**134,414**	**9,459**	**62,460**	**2,780**	**29,629**	**5,970**	**282,564**

Year ended 31 March 2012 — PARENT

	Land & Buildings $'000	lectricity 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 2011, net of accumulated depreciation	-	-	-	-	-	-	-	-
Additions	1	-	-	-	-	455	12	468
Transfers from Group Companies	113	-	-	-	-	830	-	943
Depreciation charge for the year	(3)	-	-	-	-	(326)	-	(329)
At 31 March 2012, net of accumulated depreciation	**111**	**-**	**-**	**-**	**-**	**959**	**12**	**1,082**
At 31 March 2012								
Cost or fair value	128	-	-	-	-	2,200	12	2,340
Accumulated depreciation and impairment	(17)	-	-	-	-	(1,241)	-	(1,258)
Net carrying amount	**111**	**-**	**-**	**-**	**-**	**959**	**12**	**1,082**

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

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

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

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 March 2011 — PARENT

	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 2010, net of accumulated depreciation	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Transfer to property held for sale	-	-	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-	-	-
At 31 March 2011, net of accumulated depreciation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2011								
Cost or fair value	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-
Net carrying amount	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Eastland Network Limited

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

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

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

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

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Eastland Port Limited

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

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

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

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

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

17 INTANGIBLE ASSETS

	GROUP 2012 $'000	GROUP 2011 $'000	PARENT 2012 $'000	PARENT 2011 $'000
Cost				
Balance at 1 April 2011	21,360	-	-	-
Acquisitions	1,433	815	-	-
Acquisitions through business combinations	-	20,545	-	-
Balance at 31 March 2012	**22,793**	**21,360**	**-**	**-**
Amortisation and impairment losses				
Balance at 1 April 2011	40	-	-	-
Amortisation for the year	4	1	-	-
Impairment losses	1,859	39	-	-
Balance at 31 March 2012	**1,903**	**40**	**-**	**-**
Carrying values				
At 1 April 2011	21,320	-	-	-
At 31 March 2012	**20,890**	**21,320**	**-**	**-**

17 INTANGIBLE ASSETS (CONTINUED)

Amortisation and impairment charge

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

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

Impairment testing for cash-generating units containing goodwill

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

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

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

Skysales Aviation (NZ) Limited

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

Geothermal Developments Limited

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

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

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

Port Weighbridge

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

17 INTANGIBLE ASSETS (CONTINUED)

Inner Harbour Marina Limited

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

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

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

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

Eastland Group Limited has advanced to Innovations Development Group (IDG) a total Of USD $1.65 million which, as at 31 March 2012 had a carrying value of NZD $2.0 million. USD $400k of this loan is repayable in 6 monthly instalments, once management fees payable to IDG in accordance with the TAOM project development agreement are paid to them. It is expected that these repayments will commence during the 2012/13 financial year. The remaining US $1.25 million is repayable within 5 years either in cash or by the exercise of an option held by EGL to invest in a Hawaiian based geothermal project controlled by IDG. After taking into consideration the stage that the TAOM and Hawaiian projects are at as at 31 March 2012, and in accordance with the requirements of New Zealand International Financial Reporting Standards, the Directors have decided to provide for the USD $1.25 million as at this date and will continue to monitor this on an on-going basis for indication of reversal of this provision. There is a general charge over the IDG interest in TAOM as security for the USD $1.25 million loan.

	GROUP 2012 $'000	GROUP 2011 $'000	PARENT 2012 $'000	PARENT 2011 $'000
20 INVESTMENT PROPERTIES				
Opening balance at 1 April	16,968	-	-	-
Additions	1,105	815	-	-
Additions from business combinations	-	18,063	-	-
Disposals	(1,278)	(9)	-	-
Transfers in from Property, plant and equipment	7	-	-	-
Depreciation	(7)	-	-	-
Transfers to property held for sale	(781)	(1,789)	-	-
Fair value adjustment	12	(112)	-	-
Closing balance at 31 March	**16,026**	**16,968**	**-**	**-**

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

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

The valuation undertaken was based on an investment property approach to fair value. The investment property approach to fair value is based on current market rentals and an analysis of current property sales in order to arrive at an appropriate yield for each investment property. The determination of the fair values of the investment properties was determined by reference to observable market data.

	GROUP 2012 $'000	GROUP 2011 $'000	PARENT 2012 $'000	PARENT 2011 $'000
21 TRADE AND OTHER PAYABLES				
Trade payables	4,794	3,244	496	-
Non-trade payables and accrued expenses	2,787	3,181	169	258
Interest payable	672	883	672	883
GST payable	12	134	135	-
Total trade and other payables	**8,265**	**7,442**	**1,472**	**1,141**

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 Group Limited, who provides treasury services to the Group.

22 LOANS AND BORROWINGS

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

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

22 LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Terms and conditions of outstanding loans for the Group are as follows:

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

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

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

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

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

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

23 DEFERRED TAX ASSETS AND LIABILITIES

GROUP

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

PARENT

Recognised deferred tax assets and liabilities:	Assets 2012 $'000	Liabilities 2012 $'000	Net 2012 $'000	Assets 2011 $'000	Liabilities 2011 $'000	Net 2011 $'000
Property plant & equipment	-	(74)	(74)	-	-	-
Derivatives	1,443	-	1,443	605	-	605
Provisions	132	-	132	-	-	-
Net tax (liabilities)/assets	**1,575**	**(74)**	**1,501**	**605**	**-**	**605**

23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	GROUP		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax movements for the year:				
Through equity:				
- Property, plant and equipment	(106)	(12,100)	-	-
- On subsidiary acquisition	-	(25,888)	(72)	1,230
- Cash-flow hedge derivatives	406	(645)	406	(645)
	300	**(38,633)**	**334**	**585**
Through profit or loss:				
- Property, plant and equipment	363	(2,026)	(2)	-
- Derivatives	-	(20)	-	20
- Other	431	469	431	-
- Accounts receivable	-	47	-	-
- Provisions	(201)	149	132	-
- Prior periods	45	(227)	-	-
	638	**(1,608)**	**561**	**20**
Total deferred tax movements for the year	**938**	**(40,241)**	**895**	**605**

Group deferred tax net liability

The $39.337 million (2011: $40.241 million) net deferred tax liability includes $41.249 million (2011: $41.337 million) that relates to accounting depreciation on property, plant and equipment revalued, with the remaining differences between accounting and tax depreciation rates. As the network and port assets are held for the long term, this liability is unlikely to be realised.

24 CAPITAL NOTES

The Company has issued one tranch of capital notes on 1 April 2010 of $30 million to the Eastland Community Trust. This issue is for five years and incurs interest at 8.6% paid quarterly. At the end of this period the Company may elect to redeem all or part of the notes for cash. If the Company 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 the note held to ordinary shares based on a predetermined formula contained in the capital notes Deed.

25 CONTINGENT LIABILITIES

Eastland Network Limited

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

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

Eastland Port Limited

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

Gisborne Airport Limited

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

25 CONTINGENT LIABILITIES (CONTINUED)

Geothermal Developments Limited

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

Eastland Generation Limited

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

Eastland Group Limited

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

26 COMMITMENTS

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

Log yard project $6.7 million (2011: $5.1 million)
Breakwater refurbishment $Nil (2011: $0.8 million)
Airport carpark extension $Nil (2011: $0.3 million)
Business intelligence software $Nil (2011: $0.2 million)
Land purchase $Nil (2011: $0.3 million)
Hangar construction $0.08 million (2011: $Nil)
Esplanade project $0.1 million (2011: $Nil)

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

	GROUP		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Profit for the period	**5,315**	**7,967**	**(896)**	**3,147**
Adjustments for:				
Depreciation	10,620	8,493	330	-
Customer contributions and vested assets	(742)	(1,928)	-	-
Impairment loss/(gain)	1,865	227	1,877	-
Loss on sale of fixed assets	374	177	-	-
Non-controlling interest	78	112	-	-
Provision for loss/(gain) loan receivable	1,519	-	1,519	-
Change in the fair value of investment property	266	-	-	-
Change in fair value of derivatives	(4)	(67)	(4)	(67)
Interest capitalised to fixed assets	(294)	-	-	-
Tax expense	3,746	3,604	154	(452)
	17,428	**10,618**	**3,876**	**(519)**
Movement in working capital:				
(Increase)/decrease in trade and other receivables	(729)	569	(2,237)	(146)
(Increase)/decrease in aircraft deposits paid	(184)	1,092	-	-
(Increase)/decrease in tax refundable	-	-	-	(10)
(Increase)/decrease in inventory	(317)	1,404	-	-
Increase/(decrease) in income in advance	861	114	-	-
Increase/(decrease) in employee entitlements	411	41	442	-
Increase/(decrease) in income tax payable	(2,861)	(1,930)	(2,181)	-
Increase/(decrease) in trade and other payables	(44)	(591)	3,156	388
	(2,863)	**699**	**(820)**	**232**
Net cash from operating activities	**19,880**	**19,284**	**2,160**	**2,860**

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

- credit risk
- liquidity risk
- market risk

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

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

Risk management is carried out under policies approved by the Board of Directors. These policies provide principles for overall risk management, as well as policies covering specific areas such as interest rate risk.

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

The Group holds the following financial instruments:

		GROUP		PARENT	
		2012	2011	2012	2011
	Notes	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	12	739	2,075	-	-
Loans and receivables:					
- Loan receivable	19	486	-	486	-
- Related party receivables	30	-	-	7,401	8,871
- Trade and other receivables	13	9,792	8,884	439	715
Derivative instruments (interest rate swaps):					
- Held as cash-flow hedges	15	-	473	-	473
Total financial assets		**11,017**	**11,432**	**8,326**	**10,059**
Financial liabilities					
Non-derivative liabilities at amortised cost:					
- Cash and cash equivalents	12	-	-	(1,887)	(27)
- Trade and other payables	21	(8,265)	(7,442)	(1,472)	(1,141)
- Bank borrowings: long term	22	(100,500)	(97,400)	(100,500)	(97,400)
- Employee entitlements	9	(1,714)	(1,303)	(442)	-
- Capital notes	24	(30,000)	(30,000)	(30,000)	(30,000)
Derivative instruments (interest rate swaps):					
- Held as cash-flow hedges	15	(6,568)	(5,590)	(6,568)	(5,590)
Total financial liabilities		**(147,047)**	**(141,735)**	**(140,869)**	**(134,158)**

(a) Credit risk

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

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

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

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Trade and other receivables are analysed in note 13.

(b) Liquidity risk

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

The Group's cash management function is managed at Group level with all cash transactions and funding taking place as part of the Group's treasury function. Eastland Group Limited has sufficient funding and banking facilities available to meet the liquidity requirements of the Group. For details of the funding and banking facilities arranged by Eastland Group Limited, please refer to note 22. The Group has entered into interest rate swaps, caps and collars to hedge its exposure to variability in interest rate payments on these borrowings. This is discussed further below.

(c) Market risk

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

(i) Cash flow interest rate risk

The Group's main interest rate risk exposure arises on external borrowings (see note 22). All borrowings are at variable interest rates, which expose the Group to cash flow interest rate risk.

The Group adopts a policy of ensuring that a portion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps, caps and collars. For further details on interest rate swaps, caps and collars refer to note 15.

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

(ii) Foreign exchange rate risk

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

(iii) Price risk

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

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(d) Capital management

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

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

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

(e) Classification and fair values

At 31 March 2012

		GROUP						
	Notes	At fair value through profit or loss	Cash and cash equivalents	Cash flow hedges	Loans and receivables	Other liabilities at amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Derivatives (interest rate swaps, caps, collars)	15	-	-	-	-	-	-	-
Related party receivables	30	-	-	-	-	-	-	-
Loan receivable	19	-	-	-	486	-	486	486
Trade and other receivables	13	-	-	-	9,792	-	9,792	9,792
Cash and cash equivalents	12	-	739	-	-	-	739	739
Total financial assets		**-**	**739**	**-**	**10,278**	**-**	**11,017**	**11,017**
Financial liabilities								
Derivatives (interest rate swaps, caps, collars)	15	-	-	(6,568)	-	-	(6,568)	(6,568)
Bank borrowings: long term	22	-	-	-	-	(100,500)	(100,500)	(100,500)
Trade and other payables	21	-	-	-	-	(8,265)	(8,265)	(8,265)
Employee entitlements	9	-	-	-	-	(1,714)	(1,714)	(1,714)
Capital notes	24	-	-	-	-	(30,000)	(30,000)	(30,000)
Total financial liabilities		**-**	**-**	**(6,568)**	**-**	**(140,479)**	**(147,047)**	**(147,047)**
Total net financial assets/(liabilities)		**-**	**739**	**(6,568)**	**10,278**	**(140,479)**	**(136,030)**	**(136,030)**

Estimation of fair values

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

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(e) Classification and fair values (continued)

At 31 March 2011

		GROUP						
	Notes	At fair value through profit or loss	Cash and cash equivalents	Cash flow hedges	Loans and receivables	Other liabilities at amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Derivatives (interest rate swaps, caps, collars)	15	-	-	473	-	-	473	473
Trade and other receivables	13	-	-	-	8,884	-	8,884	8,884
Cash and cash equivalents	12	-	2,075	-	-	-	2,075	2,075
Total financial assets -			**2,075**	**473**	**8,884**	**-**	**11,432**	**11,432**
Financial liabilities								
Derivatives (interest rate swaps, caps, collars)	15	-	-	(5,590)	-	-	(5,590)	(5,590)
Bank borrowings: long term	22	-	-	-	-	(97,400)	(97,400)	(97,400)
Trade and other payables	21	-	-	-	-	(7,442)	(7,442)	(7,442)
Employee entitlements	9	-	-	-	-	(1,303)	(1,303)	(1,303)
Capital notes	24	-	-	-	-	(30,000)	(30,000)	(30,000)
Total financial liabilities		**-**	**-**	**(5,590)**	**-**	**(136,145)**	**(141,735)**	**(141,735)**
Total net financial assets / (liabilities)		**-**	**2,075**	**(5,117)**	**8,884**	**(136,145)**	**(130,303)**	**(130,303)**

Estimation of fair values

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

At 31 March 2012

		PARENT						
	Notes	At fair value through profit or loss	Cash and cash equivalents	Cash flow hedges	Loans and receivables	Other liabilities at amortised cost	Total carrying amount	Fair value
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Derivatives (interest rate swaps, caps, collars)	15	-	-	-	-	-	-	-
Loan receivable	19	-	-	-	486	-	486	486
Related party receivables	30	-	-	-	7,401	-	7,401	7,401
Trade and other receivables	13	-	-	-	439	-	439	439
Total financial assets		**-**	**-**	**-**	**8,326**	**-**	**8,326**	**8,326**
Financial liabilities								
Cash and cash equivalents	12	-	(1,887)	-	-	-	(1,887)	(1,887)
Derivatives (interest rate swaps, caps, collars)	15	-	-	(6,568)	-	-	(6,568)	(6,568)
Bank borrowings: long term	22	-	-	-	-	(100,500)	(100,500)	(100,500)
Trade and other payables	21	-	-	-	-	(1,472)	(1,472)	(1,472)
Employee entitlements	9	-	-	-	-	(442)	(442)	(442)
Capital notes	24	-	-	-	-	(30,000)	(30,000)	(30,000)
Total financial liabilities		**-**	**(1,887)**	**(6,568)**	**-**	**(132,414)**	**(140,869)**	**(140,869)**
Total net financial assets / (liabilities)		**-**	**(1,887)**	**(6,568)**	**8,326**	**(132,414)**	**(132,543)**	**(132,543)**

Estimation of fair values

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

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

At 31 March 2011

PARENT	Notes	At fair value through profit or loss	Cash and cash equivalents	Cash flow hedges	Loans and receivables	Other liabilities at amortised cost	Total carrying amount	Fair value
Financial assets								
Derivatives (interest rate swaps, caps, collars)	15	-	-	473	-	-	473	473
Related party receivables	30	-	-	-	8,871	-	8,871	8,871
Trade and other receivables	13	-	-	-	715	-	715	715
Total financial assets		**-**	**-**	**473**	**9,586**	**-**	**10,059**	**10,059**
Financial liabilities								
Cash and cash equivalents	12	-	(27)	-	-	-	-	(27)
Derivatives (interest rate swaps, caps, collars)	15	-	-	(5,590)	-	-	(5,590)	(5,590)
Bank borrowings: long term	22	-	-	-	-	(97,400)	(97,400)	(97,400)
Trade and other payables	21	-	-	-	(1,141)	-	(1,141)	(1,141)
Capital notes	24	-	-	-	-	(30,000)	(30,000)	(30,000)
Total financial liabilities -		**-**	**(27)**	**(5,590)**	**(1,141)**	**(127,400)**	**(134,131)**	**(134,158)**
Total net financial assets / (liabilities)		**-**	**(27)**	**(5,117)**	**8,445**	**(127,400)**	**(124,072)**	**(124,099)**

Estimation of fair values

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

(f) Age analysis of financial assets

At 31 March 2012

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

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

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(f) Age analysis of financial assets (continued)

At 31 March 2011

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

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

At 31 March 2012

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

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

At 31 March 2011

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

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

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(g) Maturity analysis

At 31 March 2012

GROUP	Notes	<6 months $'000	6-12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
Financial assets							
Derivatives (interest rate swaps, caps and collars)	15	-	-	-	-	-	-
Loan receivable	19	-	-	486	-	-	486
Related party receivables	30	-	-	-	-	-	-
Trade and other receivables	13	9,792	-	-	-	-	9,792
Cash and cash equivalents	12	739	-	-	-	-	739
Total financial assets		**10,531**	**-**	**486**	**-**	**-**	**11,017**
Financial liabilities							
Derivatives (interest rate swaps, caps and collars)	15	-	(614)	(4,105)	(1,024)	(825)	(6,568)
Bank borrowings: long term	22	-	-	(3,500)	(97,000)	-	(100,500)
Trade and other payables	21	(8,265)	-	-	-	-	(8,265)
Employee entitlements	9	(1,714)	-	-	-	-	(1,714)
Capital notes	24	-	-	-	(30,000)	-	(30,000
Total financial liabilities		**(9,979)**	**(614)**	**(7,605)**	**(128,024)**	**(825)**	**(147,047)**
Liquidity gap		**552**	**(614)**	**(7,119)**	**(128,024)**	**(825)**	**(136,030)**

At 31 March 2011

GROUP	Notes	<6 months $'000	6-12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
Financial assets							
Derivatives (interest rate swaps, caps and collars)	15	-	-	-	-	473	473
Trade and other receivables	13	8,884	-	-	-	-	8,884
Cash and cash equivalents	12	2,075	-	-	-	-	2,075
Total financial assets		**10,959**	**-**	**-**	**-**	**473**	**11,432**
Financial liabilities							
Derivatives (interest rate swaps, caps and collars)	15	(192)	-	(1,925)	(3,406)	(67)	(5,590)
Bank borrowings: long term	22	-	-	(97,400)	-	-	(97,400)
Trade and other payables	21	(7,442)	-	-	-	-	(7,442)
Employee entitlements	9	(1,303)	-	-	-	-	(1,303)
Capital notes	24	-	-	-	(30,000)	-	(30,000)
Total financial liabilities		**(8,937)**	**-**	**(99,325)**	**(33,406)**	**(67)**	**(141,735)**
Liquidity gap		**2,022**	**-**	**(99,325)**	**(33,406)**	**406**	**(130,303)**

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(g) Maturity analysis (continued)

At 31 March 2012

PARENT	Notes	<6 months $'000	6-12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
Financial assets							
Derivatives (interest rate swaps, caps and collars)	15	-	-	-	-	-	-
Loan receivable	19	-	-	486	-	-	486
Related party receivables	30	7,401	-	-	-	-	7,401
Trade and other receivables	13	439	-	-	-	-	439
Total financial assets		**7,840**	**-**	**486**	**-**	**-**	**8,326**
Financial liabilities							
Cash and cash equivalents	12	(1,887)	-	-	-	-	(1,887)
Derivatives (interest rate swaps, caps and collars)	15	-	(614)	(4,105)	(1,024)	(825)	(6,568)
Bank borrowings: long term	22	-	-	(3,500)	(97,000)	-	(100,500)
Trade and other payables	21	(1,472)	-	-	-	-	(1,472)
Employee entitlements	9	(442)	-	-	-	-	(442)
Capital notes	24	-	-	-	(30,000)	-	(30,000)
Total financial liabilities		**(3,801)**	**(614)**	**(7,605)**	**(128,024)**	**(825)**	**(140,869)**
Liquidity gap		**4,039**	**(614)**	**(7,119)**	**(128,024)**	**(825)**	**(132,543)**

At 31 March 2011

PARENT	Notes	<6 months $'000	6-12 months $'000	1-3 years $'000	3-5 years $'000	>5 years $'000	Total $'000
Financial assets							
Derivatives (interest rate swaps, caps and collars)	15	-	-	-	-	473	473
Related party receivables	30	8,871	-	-	-	-	8,871
Trade and other receivables	13	715	-	-	-	-	715
Total financial assets		**9,586**	**-**	**-**	**-**	**473**	**10,059**
Financial liabilities							
Cash and cash equivalents	12	(27)	-	-	-	-	(27)
Derivatives (interest rate swaps, caps and collars)	15	(192)	-	(1,925)	(3,406)	(67)	(5,590)
Bank borrowings: long term	22	-	-	(97,400)	-	-	(97,400)
Trade and other payables	21	(1,141)	-	-	-	-	(1,141)
Capital notes	24	-	-	-	(30,000)	-	(30,000)
Total financial liabilities		**(1,360)**	**-**	**(99,324)**	**(33,406)**	**(67)**	**(134,158)**
Liquidity gap		**8,226**	**-**	**(99,324)**	**(33,406)**	**406**	**(124,099)**

28 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(h) Fair value measurements recognised in the Statement of Financial Position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	GROUP			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 March 2012				
Financial assets at FVTPL				
Derivative financial assets	-	-	-	-
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(6,568)	-	(6,568)
	-	**(6,568)**	**-**	**(6,568)**

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

	GROUP			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 March 2011				
Financial assets at FVTPL				
Derivative financial assets	-	473	-	473
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(5,590)	-	(5,590)
	-	**(5,117)**	**-**	**(5,117)**

	PARENT			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 March 2012				
Financial assets at FVTPL				
Derivative financial assets	-	-	-	-
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(6,568)	-	(6,568)
	-	**(6,568)**	**-**	**(6,568)**

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

	PARENT			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 March 2011				
Financial assets at FVTPL				
Derivative financial assets	-	473	-	473
Financial liabilities at FVTPL				
Derivative financial liabilities	-	(5,590)	-	(5,590)
	-	**(5,117)**	**-**	**(5,117)**

29 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Those with measurement impact:

Amendments to NZ IAS 12 - Income Taxes	This standard was early adopted in the 2011 financial statements. During that year there was a financial impact of a reduction in deferred tax expense and deferred tax liability of $1.65 million.

Those with no impact:

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

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

29 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

STANDARDS AND INTERPRETATIONS ISSUED, NOT YET EFFECTIVE

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

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

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

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

30 RELATED PARTIES

(a) Parent and ultimate controlling party

The immediate and the ultimate controlling party is Eastland Community Trust. The Group is 100% owned by Eastland Community Trust.

Payments were made during the year of $2.587 million of interest on Capital notes of $30 million, and dividends paid of $4.4 million (see note 31(d)).

(b) Key management personnel compensation

	GROUP		PARENT	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Key management personnel compensation comprises of:				
Salaries	1,586	1,439	808	-
Total key management personnel compensation	**1,586**	**1,439**	**808**	**-**

30 RELATED PARTIES (CONTINUED)

(c) Directors' fees

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

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

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

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

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

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

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

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

30 RELATED PARTIES (CONTINUED)

(c) Directors' fees (continued)

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

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

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

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

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

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

30 RELATED PARTIES (CONTINUED)

(c) Directors' fees (continued)

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

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

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

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

30 RELATED PARTIES (CONTINUED)

(d) Chief Executive

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

From time to time Matthew Todd flies himself on Eastland Group Limited business using his own aircraft. On these occasions payment is made to Matthew Todd's company Matt Todd Holdings Limited. The agreed rate is equivalent to the ruling aero club hire charge for a similar aircraft. Payments made during the year totalled $6,680 plus GST (2011: $4,275).

(e) Employee related parties

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

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

(f) Other related party transactions

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

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

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

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

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

(i) Gisborne Airport Limited

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

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

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

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

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

30 RELATED PARTIES (CONTINUED)

(ii) Eastland Port Limited

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

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

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

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

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

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

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

(iii) Eastland Network Limited

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

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

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

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

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

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

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

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

(iv) Flightline Aviation Limited

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

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

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

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

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

30 RELATED PARTIES (CONTINUED)

(v) Eastech Limited

Eastech Limited is 100% owned by Eastland Group Limited.

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

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

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

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

(vi) Skysales Aviation (NZ) Limited

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

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

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

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

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

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

(vii) Eastland Generation Limited

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

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

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

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

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

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

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

30 RELATED PARTIES (CONTINUED)

(viii) Geothermal Developments Limited

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

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

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

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

(ix) Eastland Investment Properties Limited

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

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

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

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

(x) Inner Harbour Marina Limited

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

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

(xi) Eastland Port Debarking Limited

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

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

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

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

(xii) Te Ahi O Maui (TAOM)

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

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

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

(xiii) Innovative Developments Group (IDG)

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

Eastland Group Limited has made a loan advance of $2.005 million (USD $1.65 million) to IDG, the carrying amount of this loan is $486k. Refer to Note 19 for more detail. This loan is interest free. The value of the notional interest not charged is $34,046. This loan is in US Dollars, unrealised foreign exchange losses on this loan are $93,641 at 31 March 2012. This loan is associated with a contract option to investment in further geothermal power station development.

30 RELATED PARTIES (CONTINUED)

(xiv) East Coast Farms Limited (ECFL)

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

31 ISSUED CAPITAL AND RESERVES

(a) Issued capital

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

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

(b) Asset revaluation reserve

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

(c) Cash flow hedging reserve

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

(d) Dividends paid

Dividends of $4.4 million were paid during the year (2011: $4.2 million). The dividend paid per share is $4,400 (2011: $4,200).

32 INVESTMENT IN SUBSIDIARIES

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

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

33 OPERATING LEASES

(a) Operating leases receivable

The Group leases out it's investment properties (refer to note 20) and some other land and buildings, under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

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

(b) Operating leases payable

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

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

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

	GROUP 2012 $'000	GROUP 2011 $'000	PARENT 2012 $'000	PARENT 2011 $'000
Less than one year	437	432	-	-
Between one and five years	1,634	1,656	-	-
More than five years	3,159	3,501	-	-
Total operating leases payable	**5,230**	**5,589**	**-**	**-**

Operating lease payments of $487,651 were made during this financial year (2011: $471,787).

34 BUSINESS COMBINATIONS

There were no business combinations in the current year.

(a) Prior year

There were no business combinations in the previous year.

35 JOINT VENTURE

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

Eastland Debarking Joint Venture

	2012 $'000	2011 $'000
Revenue	2,247	1,180
Expenses	(910)	(513)
Net Income	**1,337**	**667**

	2012 $'000	2011 $'000
Current assets	1,479	736
Current liabilities	(163)	(73)
Non-current assets	72	9
Net assets	**1,388**	**672**

Commitments

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

Contingent Liabilities

At 31 March 2012, total contingent liabilities were Nil.

Impairment

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

36 PRIOR PERIOD ERRORS

(a) Tax Payable		199,512	Cr
Tax Expense	199,512		Dr

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

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

Eastland Generation share of loss	10,000		Dr
Eastland Generation Equity on TAOM		10,000	Cr
NCI Share of Loss	4,000		Dr
NCI Equity		4,000	Cr

37 SUBSEQUENT EVENTS

There have been no subsequent events.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EASTLAND GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Eastland Group Limited and group on pages 32 to 80, which comprise the consolidated and separate statements of financial position of Eastland Group Limited, as at 31 March 2012, the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in Eastland Group Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 32 to 80:

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

Deloitte.

Report on Other Legal and Regulatory Requirements

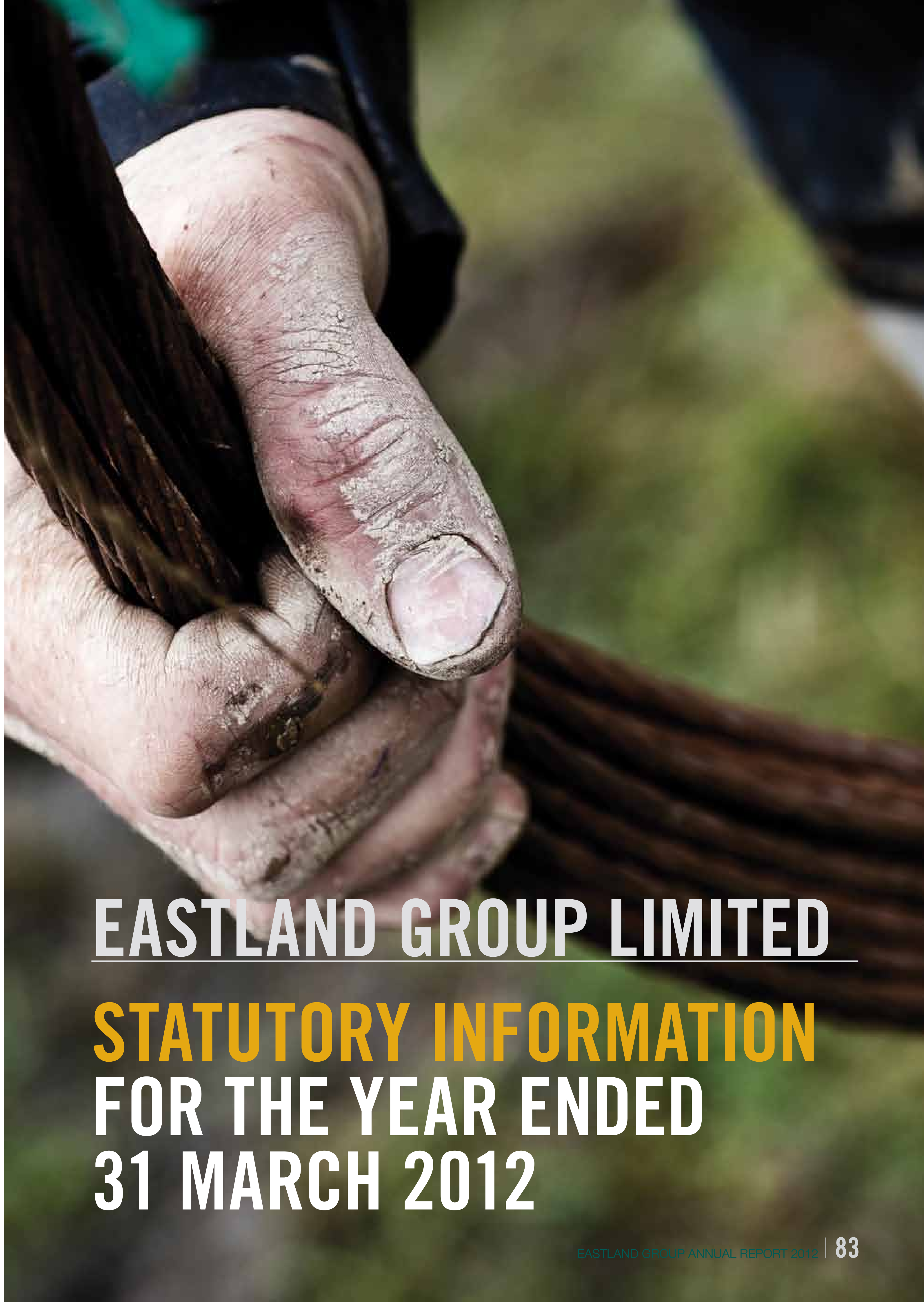
We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

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

Deloitte

Chartered Accountants
30 May 2012
Hamilton, New Zealand

This audit report relates to the financial statements of Eastland Group Limited and group for the year ended 31 March 2012 included on Eastland Group Limited's website. The Board of Directors are responsible for the maintenance and integrity of Eastland Group Limited's website. We have not been engaged to report on the integrity of Eastland Group Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 May 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



EASTLAND GROUP LIMITED

STATUTORY INFORMATION FOR THE YEAR ENDED 31 MARCH 2012

Statutory Information (other)

FOR THE YEAR ENDED 31 MARCH 2012

a) Share dealings of directors

No Director has sold or acquired shares during the year.

b) Loans to directors

No loans have been made to Directors.

c) Directors indemnity and insurance

The Company has insured all its Directors against liabilities to other parties that may arise from their position as directors. The insurance does not cover liabilities arising form criminal actions. Certain executives are similarly insured.

Company Information

FOR THE YEAR ENDED 31 MARCH 2012

Board of Directors

Nelson Cull (Chairman)
John Clarke
Roger Taylor
John Rae
Michael Glover
Anne Blackburn

Chief Executive

Matt Todd

Corporate Executive Team

Andrew Gaddum
Ben Gibson
Brent Stewart
Gavin Murphy
Jeremy King
Christopher Breen

Auditors

Deloitte, Hamilton

Lawyers

Chapman Tripp
Buddle Findlay
Simpson Grierson
Te Nahu Lovell & Co Ltd
Rainey Collins

Bankers

ANZ National Bank
ASB Bank
Bank Of New Zealand
Westpac Banking Corporation

Registered Office

172 Carnarvon St, PO Box 1048
Gisborne, New Zealand
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F: 06 867 8563
E: admin@eastland.co.nz
W: www.eastland.co.nz

www.eastland.co.nz