



2011 ANNUAL REPORT

FINANCIALS

Eastland Group

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 OF DIRECTORS.

Role of the Board of Directors

The Board of Directors (the Board) 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 Audit and 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 Performance Remuneration 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.

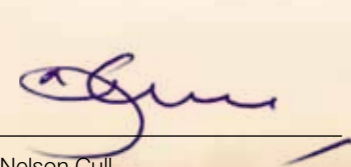
Directors' Interests Register

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 2011

The directors are pleased to present the Financial Statements of Eastland Group Limited for the year ended 31 March 2011
For and on behalf of the Board of Directors:



Nelson Cull
Director



Roger Taylor
Director

25 May 2011

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Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	GROUP 2011 \$'000	PARENT 2011 \$'000
Revenue	6	72,896	-
Cost of sales		(29,475)	-
Gross profit		43,421	-
Other operational income	7	274	4,200
Administrative expenses	8	(12,433)	(1,486)
Depreciation		(8,493)	-
Net total costs		(20,652)	2,714
Net results from operating activities		22,769	2,714
Finance income	10	219	11,351
Finance expenses	10	(11,417)	(11,370)
Net finance costs		(11,198)	(19)
Profit before income tax		11,571	2,695
Income tax expense	11	(3,604)	452
Profit for the year		7,967	3,147
Profit for the year is attributable to:			
Equity holders of the parent		8,000	3,147
Non-controlling interest		(33)	-
		7,967	3,147
Other comprehensive income			
Cash flow hedges		(1,413)	(1,413)
Revaluation movements		48,603	-
Tax on comprehensive income		(11,641)	390
Other comprehensive income for the period, net of income tax		35,549	(1,023)
Total comprehensive income for the period		43,516	2,124

Statement of Financial Position

AS AT 31 MARCH 2011

	Notes	GROUP 2011 \$'000	PARENT 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	2,075	(27)
Trade and other receivables	13	8,884	715
Related party receivables	29	-	8,871
Income tax refundable		468	1,398
Property held for sale	18	5,230	-
Inventory	14	7,004	-
Total current assets		23,661	10,957
Non-current assets			
Property, plant & equipment	16	282,564	-
Deferred tax asset		-	605
Investment properties	19	16,968	-
Derivatives	15	473	473
Investment in subsidiaries		-	23,900
Intercompany advances		-	108,962
Intangibles	17	21,320	-
Total non-current assets		321,325	133,940
TOTAL ASSETS		344,986	144,897
LIABILITIES			
Current Liabilities			
Derivatives	15	192	192
Employee entitlements	9	1,303	-
Income in advance		319	-
Trade and other payables	20	7,442	1,141
Total current liabilities		9,256	1,333
Non-current liabilities			
Loans and borrowings	21	97,400	97,400
Derivatives	15	5,398	5,398
Income in advance		722	-
Deferred income tax liabilities	22	40,241	-
Capital notes	23	30,000	30,000
Total non-current liabilities		173,761	132,798
TOTAL LIABILITIES		183,017	134,131
NET ASSETS		161,969	10,766
EQUITY			
Issued capital		15,400	15,400
Hedge reserve		(3,581)	(3,581)
Property, plant and equipment reserve		116,255	-
Non-controlling interest		128	-
Retained earnings		33,767	(1,053)
TOTAL EQUITY		161,969	10,766

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	GROUP 2011 \$'000	PARENT 2011 \$'000
Issued capital			
Opening balance		-	-
Acquisitions	34	15,400	15,400
Closing balance		15,400	15,400
Hedge reserve			
Opening balance		-	-
Acquisitions	34	(2,558)	(2,558)
Fair value movements: cash flow derivatives (net of deferred tax)		(980)	(980)
Change in deferred tax rate on opening balance/acquisitions		(43)	(43)
Closing balance		(3,581)	(3,581)
Property, plant and equipment reserve			
Opening balance		-	-
Acquisitions	34	79,683	-
Disposals		(515)	-
Revaluation of property, plant and equipment (net of deferred tax @ 28%)		34,584	-
Change in deferred tax rate on acquisitions		2,503	-
Closing balance		116,255	-
Non-controlling interest			
Opening balance		-	-
Establishment of non-controlling interest		161	-
Profit/(loss) for the year		(33)	-
Closing balance		128	-
Retained earnings			
Opening balance		-	-
Acquisitions	34	29,967	-
Profit/(loss) for the year		8,000	3,147
Equity dividends		(4,200)	(4,200)
Closing balance		33,767	(1,053)
Balance at 31 March 2011		161,969	10,766

Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	GROUP 2011 \$'000	PARENT 2011 \$'000
Cash flows from operating activities:			
Receipts from customers		71,737	(146)
Dividends received from associates		-	4,200
Payments to suppliers and employees		(39,554)	(1,315)
Interest paid		(11,115)	(11,154)
Income tax paid		(1,936)	(9)
Interest received		152	11,284
Net cash flow from/(used in) operating activities		19,284	2,860
Cash flows from investing activities:			
Purchase of intangibles		(815)	-
Purchase of property, plant & equipment		(11,890)	-
Purchase of derivatives		66	-
Capitalised interest		(20)	-
Purchase of investment properties		42	-
Net cash flow from/(used in) investing activities		(12,617)	-
Cash flows from financing activities:			
Proceeds from bank borrowings		(1,700)	-
Bank borrowings repaid		-	(1,900)
Cash acquired from acquisition of subsidiaries	34	1,308	-
Intercompany advances received		-	3,213
Equity dividends paid		(4,200)	(4,200)
Net cash flow from/(used in) financing activities		(4,592)	(2,887)
Net (decrease) increase in cash and cash equivalents		2,075	(27)
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		2,075	(27)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2011

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.

This is the first year of operation of this entity. 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 2011 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 operate Gisborne Airport and investment property services.

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 25 May 2011.

(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. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

2 BASIS OF PREPARATION (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 way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are no longer recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise 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.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 Companies

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eastland Network Limited

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 Balance Sheet date.

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 Limited

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 Balance Sheet date. 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 within administrative expenses 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 – 15 years
• Motor vehicles	5 – 10 years
• Helicopters	2 – 25 years
• Other plant and equipment	5 – 20 years
• Wharves, walls and surfaces	3 – 100 years
• Floating Plant	25 years

Depreciation methods, useful lives and residual values are reassessed on an annual basis.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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 is 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 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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. In the year to 31 March 2011 \$19,705 has been capitalised as a result of this change in accounting policy. The rate of capitalisation used was the effective borrowing rate for the Group of 8.57% for the year ended 31 March 2011.

(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) Intangibles

(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 are 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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.

(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).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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

A new policy has been added regarding exploration and evaluation and the borrowing costs policy has been amended in regard to capitalised interest costs.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP 2011 \$'000	PARENT 2011 \$'000
6 REVENUE		
Electricity line revenue	29,387	-
Customer contributions	1,928	-
Rendering of services	20,131	-
Sale of goods	12,853	-
Property rentals	3,093	-
Energy sales	5,484	-
Other sales	20	-
Total revenue	72,896	-
7 OTHER OPERATIONAL INCOME		
Other income	254	-
Impairment losses recovered	20	-
Dividends received	-	4,200
Total operational income	274	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	187	-
Impairment losses on intangible assets	40	-
Loss on revaluation	45	-
Loss on sale of property, plant and equipment	177	-
Amortisation of intangible assets	1	-
Direct operating expenditure arising on investment properties that generated rental income	345	-
<i>Auditor's remuneration to Deloitte comprises:</i>		
- audit of financial statements	285	79
- other services	30	-
Other	11,211	1,407
Total administrative expenses	12,433	1,486

The audit fees are for work done regarding the annual financial statements. The other audit-related services related to financial accounting issues in relation to a Group project.

9 EMPLOYEE ENTITLEMENTS

Liability for annual leave	668	-
Liability for other short-term benefits	534	-
Liability for post-employment benefits	101	-
Total employee benefit liability	1,303	-

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

Expenses recognised in profit or loss

Wages and salaries	9,143	-
Contributions to defined contribution plans	129	-
Total employee entitlement expenses	9,272	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP 2011 \$'000	PARENT 2011 \$'000
10 FINANCE INCOME AND EXPENSES		
Interest income on cash and cash equivalents	152	11,284
Fair value gains on derivative instruments at fair value through profit or loss	67	67
Total finance income	219	11,351
Interest expense on financial liabilities measured at amortised cost	11,266	11,284
Net foreign exchange losses	151	86
Total finance expense	11,417	11,370
Net finance costs	(11,198)	(19)
11 INCOME TAX EXPENSE		
Current tax expense		
Current period	(2,201)	472
Adjustment for prior periods	205	-
Total current tax (expense)/income	(1,996)	472
Deferred tax expense		
Temporary differences for the year	(1,780)	(20)
Reduction in tax rate	399	-
Adjustment for prior periods	(227)	-
Total deferred tax (expense)/income	(1,608)	(20)
Total income tax (expense)/income	(3,604)	452

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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 2011, is as follows:

		GROUP		PARENT	
		2011		2011	
	%	\$'000	%	\$'000	\$'000
Accounting profit before income tax		11,571		2,695	
At the statutory income tax rate of 30%	(30.00%)	(3,471)	(30.00%)	(809)	
Acquired adjustments in respect of current income tax of previous years	1.77%	205	0%	-	
Fair value revaluation on fixed assets	0.14%	16	0%	-	
Non-deductible expenses	(1.22%)	(141)	0%	-	
Adjustments in respect of changes to buildings tax depreciation	(8.34%)	(965)	0%	-	
Change of income tax rate to 28%	3.46%	400	0%	-	
Tax exempt income	3.04%	352	47%	1,260	
Tax expense	(31.15%)	(3,604)	16.75%	452	

Note: The tax rate has changed from 30% to 28% effective from 1 April 2011.

	GROUP		PARENT	
	2011		2011	
	\$'000		\$'000	\$'000
Imputation Credits				
Imputation credits at 1 April 2010	-		-	
Acquired imputation credits	4,501		4,501	
New Zealand tax payments, net of refunds	1,938		1,938	
Imputation credits attached to dividends paid	(1,800)		(1,800)	
Imputation credits at 31 March	4,639		4,639	

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

	GROUP		PARENT	
	2011		2011	
	\$'000		\$'000	\$'000

12 CASH AND CASH EQUIVALENTS

Current accounts	624	(145)
Petty cash	3	-
Call deposits	1,448	118
Total cash and cash equivalents	2,075	(27)

Bank balances earn interest at floating rates based on daily bank deposit rates. Refer to Note 21 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 2011 were as follows:

- NZD denominated 2.5% - 3.0%
- USD denominated 0.0%

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP	PARENT
	2011	2011
	\$'000	\$'000

13 TRADE AND OTHER RECEIVABLES

Trade receivables	6,678	-
Customer deposits	103	-
Other receivables	2,103	715
Total trade and other receivables	8,884	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 \$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 27 (f). No impairment losses have been recognised on related party receivables.

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
Balance at beginning of year	-	-
Impairment losses recognised	75	-
Total impairment allowance	75	-

	GROUP	PARENT
	2011	2011
	\$'000	\$'000

14 INVENTORY

Consumables	5	-
Work in progress	4,385	-
Finished goods	2,614	-
Total inventory	7,004	-

There is no inventory pledged as security for liabilities.

	GROUP	PARENT
	2011	2011
	\$'000	\$'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	192	192
Total current liabilities: derivatives	192	192

Non-current liabilities: derivatives held for cash-flow hedging	5,398	5,398
Total non-current liabilities: derivatives	5,398	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 18 interest rate swaps, collars and caps on external loans totalling \$155 million in compliance with NZ IAS 39 (\$90 million of these have start dates ranging from 30/07/2011 to 30/06/2016).

The terms of the interest rate swaps, collars and caps are between 24 and 69 months and swap interest on a floating rate for fixed interest of between 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 21). Any ineffective portion of cash flow hedges is removed from equity and recognised immediately in the statement of comprehensive income (2011: 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 27 (c).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

16 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 March 2011		GROUP							Total
	Land & Buildings	Electricity Distribution	Electricity Generation Equipment	Wharves Walls & Surfaces	Floating Plant	Other Plant & Equipment	Work In Progress	\$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 2011		PARENT							Total
	Land & Buildings	Electricity Distribution	Electricity Generation Equipment	Wharves Walls & Surfaces	Floating Plant	Other Plant & Equipment	Work In Progress	\$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 April 2010, net of accumulated depreciation	-	-	-	-	-	-	-	-	
Additions from business combinations	-	-	-	-	-	-	-	-	
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 & impairment	-	-	-	-	-	-	-	-	
Net carrying amount	-	-	-	-	-	-	-	-	

There are no restrictions on title, and property, plant and equipment pledged as security for liabilities. Regarding the revaluation surplus this has changed by \$49.36 million this year 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 classes of asset which are reflected in the statement of comprehensive income.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Eastland Network Limited

Operational Land and buildings were valued on 31 March 2010 (\$5.63 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 \$130.06 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	PARENT
	2011	2011
	\$'000	\$'000
Land and buildings	1,714	-
Electricity distribution	97,535	-
	99,249	-

Eastland Port Limited

Land and buildings were last revalued on 31 March 2009 (total fair value of \$29.35 million) by an independent valuer, Logan Property. 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 cash flow 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 cash flow 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	PARENT
	2011	2011
	\$'000	\$'000
Land and buildings	10,911	-
Wharves, Walls & Surfaces	8,335	-
	19,246	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
17 INTANGIBLE ASSETS		
Cost		
Balance at 1 April 2010	-	-
Acquisitions	815	-
Acquisitions through business combinations	20,545	-
Balance at 31 March 2011	21,360	-
Amortisation and impairment losses		
Balance at 1 April 2010	-	-
Amortisation for the year	1	-
Impairment losses	39	-
Balance at 31 March 2011	40	-
Carrying values		
At 1 April 2010	-	-
At 31 March 2011	21,320	-

Amortisation and impairment charge

Impairment losses are recognised in administrative expenses in the statement of comprehensive income. The amortisation of the airport Obstruction survey is over a five year period. As the development rights were acquired part way through the current 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, 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.

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
The aggregate carrying amounts of goodwill allocated to each unit are as follows:		
Skysales Aviation (NZ) Limited	1,859	-
Geothermal Developments Limited	17,937	-
Port Weighbridge (owned by Eastland Port Limited)	500	-
Inner Harbour Marina Limited	210	-
Total goodwill	20,505	-

Skysales Aviation (NZ) Limited

In accordance with NZ IAS 36, the goodwill of the Skysales Aviation (NZ) acquisition has been tested for impairment. Three alternate scenarios were run based on projected cash flows 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 Net Present Value (NPV) under the three alternate scenarios management used pre tax discount rates of 14.75%, 15.75% and 16.75% with inflation assumed at 3% per annum. This analysis produced NPV's of between \$3.29 million and \$3.89 million, therefore showing that under all scenarios the goodwill is not impaired.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

17 INTANGIBLE ASSETS (CONTINUED)**Geothermal Developments Limited**

In accordance with NZ IAS 36, the goodwill of the Geothermal Developments acquisition has been tested for impairment. The valuation model used in the purchase was updated to reflect management's latest estimates. The base case assumption for electricity revenue growth is the current off take price plus inflation at 3% through to 2036. Operating costs are based on actual for the year ended 31 March 2011 plus inflation at 2.5% per annum. The terminal value has been calculated as the year 25 cash flow at the year 25 discount factor. The model uses a 25 year period as this is considered to represent the remaining useful life of this asset. A discounted cash flow valuation of \$46.2 million applying a post-tax Weighted Average Cost of Capital (WACC) of 8.94% compares with an acquisition cost of \$40.4 million, 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 January 2011 year to date cash flows and management's assessment of future performance of the cash generating unit using best estimates of market conditions over the next five years. In calculating NPV under the three alternate scenarios management used per truck charge rate of \$7.50 and \$7.50 + 1.5% annual increases, pre tax discount rates of 15.14% and 16.14% with inflation assumed at 2.5% per annum. This analysis produced NPV's of between \$2.1 million and \$3.2 million clearly in excess of the goodwill of \$0.5 million, meaning that the goodwill relating to the weighbridge acquisition is not impaired.

Inner Harbour Marina Limited

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

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

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

As disclosed in note 21, 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, all that remains is for the final subdivision to take place and final settlement to be completed. This is expected to take place in the 2012 year. The investment property above was revalued to fair value at 31 March 2011 and the operational land and buildings were last revalued as part of the last cycle and are believed to represent fair value.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
19 INVESTMENT PROPERTIES		
Opening balance at 1 April 2010	-	-
Additions	815	-
Additions ex business combinations	18,063	-
Disposals	(9)	-
Transfers to property held for sale	(1,789)	-
Fair value adjustment	(112)	-
Closing balance at 31 March	16,968	-

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

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

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

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

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
20 TRADE AND OTHER PAYABLES		
Trade payables	3,244	-
Non-trade payables and accrued expenses	3,181	258
Interest payable	883	883
GST payable	134	-
Total trade and other payables	7,442	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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
21 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 27.		
Non-current bank borrowings	97,400	97,400
Total bank borrowings	97,400	97,400

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

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

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

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

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

22 DEFERRED TAX ASSETS AND LIABILITIES

	GROUP		
	Assets	Liabilities	Net
	2011	2011	2011
	\$'000	\$'000	\$'000
Recognised deferred tax assets and liabilities:			
Property plant & equipment	47	(41,384)	(41,337)
Investment property	70	-	70
Derivatives	605	-	605
Provisions	378	-	378
Other items	43	-	43
Net tax (liabilities)/assets	1,143	(41,384)	(40,241)
PARENT			
	Assets	Liabilities	Net
	2011	2011	2011
	\$'000	\$'000	\$'000
Recognised deferred tax assets and liabilities:			
Derivatives	605	-	605
Net tax (liabilities)/assets	605	-	605
Deferred tax movements for the year:			
Through equity:			
- Property, plant and equipment		(12,100)	-
- On subsidiary acquisition		(25,888)	1,230
- Cash flow hedge derivatives		(645)	(645)
		(38,633)	585
Through profit or loss:			
- Property, plant and equipment		(2,026)	-
- Derivatives		(20)	20
- Other		469	-
- Accounts receivable		47	-
- Provisions		149	-
- Prior periods		(227)	-
		(1,608)	20
Total deferred tax movements for the year		(40,241)	605

Group deferred tax net liability

The \$40.24 million net deferred tax liability includes \$41.33 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 crystallised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

23 CAPITAL NOTES

The Company has issued one tranche 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.

24 CONTINGENT LIABILITIES**Eastland Network Limited**

At 31 March 2011, Eastland Network Limited (ENL) had a contingent liability of \$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 Limited held a registered lease for the harbour basin with the Gisborne District Council. This lease expired in September 2010 and under the provisions of the Foreshore and Seabed Act 2004, this lease could not be renewed. Eastland Port Limited 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.

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 2012 and is not expected to have a material impact on Geothermal Developments Limited.

25 COMMITMENTS

At 31 March 2011, the Group had total capital commitments of \$6.7 million made up of:

Log yard project \$5.1 million

Breakwater refurbishment \$0.8 million

Airport carpark extension \$0.3 million

Business intelligence software \$0.2 million

Land purchase \$0.3 million

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
26 RECONCILIATION OF THE PROFIT FOR THE PERIOD WITH NET CASH FROM OPERATING ACTIVITIES		
Profit for the period	7,967	3,147
Adjustments for:		
Depreciation	8,493	-
Customer contributions	(1,928)	-
Impairment loss/(gain)	227	-
Loss on sale of fixed assets	177	-
Change in the fair value of investment property	112	-
Change in fair value of derivatives	(67)	(67)
Tax expense	3,604	(452)
	10,618	(519)
Movement in working capital:		
(Increase)/decrease in trade and other receivables	569	(146)
(Increase)/decrease in aircraft deposits paid	1,092	-
(Increase)/decrease in tax refundable	-	(10)
(Increase)/decrease in inventory	1,404	-
Increase/(decrease) in income in advance	114	-
Increase/(decrease) in employee entitlements	41	-
Increase/(decrease) in income tax payable	(1,930)	-
Increase/(decrease) in trade and other payables	(591)	388
	699	232
Net cash from operating activities	19,284	2,860

27 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, caps 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
27 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)		
The Group holds the following financial instruments:		
Financial assets		
Cash and cash equivalents	2,075	(27)
Loans and receivables:		
- Related party receivables	-	8,871
- Trade and other receivables	8,884	715
Derivative instruments (interest rate swaps):		
- Held as cash-flow hedges	473	473
Total financial assets	11,432	10,032
Financial liabilities		
Non-derivative liabilities at amortised cost:		
- Trade and other payables	(7,442)	(1,141)
- Bank borrowings: long term	(97,400)	(97,400)
- Employee entitlements	(1,303)	-
- Capital notes	(30,000)	(30,000)
Derivative instruments (interest rate swaps):		
- Held as cash flow hedges	(5,590)	(5,590)
Total financial liabilities	(141,735)	(134,131)

(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 2011.

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.

Credit risk in relation to customers is spread across the Group with the largest customers by dollar 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 2011 was \$76,000. Actual bad debts written off in the statement of comprehensive income were \$187,000 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

27 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**(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 21. 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 exposure arises on external borrowings (see note 21). 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 \$324,000. A decrease of 100 basis points on borrowings would result in an increase in profit before tax of \$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.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

27 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)**(e) Classification and fair values**

Year ended 31 March 2011

	GROUP							
	Notes	At fair value through profit or loss \$'000	Cash and cash equivalents \$'000	Cash flow hedges \$'000	Loans and receivables \$'000	Other liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
Financial assets								
Derivatives								
(interest rate swaps, caps and 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 and collars)	15	-	-	(5,590)	-	-	(5,590)	(5,590)
Bank borrowings: long term	21	-	-	-	(97,400)	-	(97,400)	(97,400)
Trade and other payables	20	-	-	-	(7,442)	-	(7,442)	(7,442)
Employee entitlements	9	-	-	-	(1,303)	-	(1,303)	(1,303)
Capital notes	23	-	-	-	(30,000)	-	(30,000)	(30,000)
Total financial liabilities		-	-	(5,590)	(136,145)	(141,735)	(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.

Year ended 31 March 2011

	PARENT							
	Notes	At fair value through profit or loss \$'000	Cash and cash equivalents \$'000	Cash flow hedges \$'000	Loans and receivables \$'000	Other liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
Financial assets								
Derivatives (interest rate swaps, caps and collars)	15	-	-	473	-	-	473	473
Related party receivables	29	-	-	-	8,871	-	8,871	8,871
Trade and other receivables	13	-	-	-	715	-	715	715
Cash and cash equivalents	12	-	(27)	-	-	-	(27)	(27)
Total financial assets		-	(27)	473	9,586	-	10,032	10,032
Financial liabilities								
Derivatives (interest rate swaps, caps and collars)	15	-	-	(5,590)	-	-	(5,590)	(5,590)
Bank borrowings: long term	21	-	-	-	(97,400)	-	(97,400)	(97,400)
Trade and other payables	20	-	-	-	(1,141)	-	(1,141)	(1,141)
Capital notes	23	-	-	-	(30,000)	-	(30,000)	(30,000)
Total financial liabilities		-	-	(5,590)	(1,141)	(127,400)	(134,131)	(134,131)
Total net financial assets/(liabilities)		-	(27)	(5,117)	8,445	(127,400)	(124,099)	(124,099)

Estimation of fair values

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

27 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

(f) Age analysis of financial assets

Year ended 31 March 2011	GROUP					Total \$'000
	Current \$'000	60 days \$'000	90 days \$'000	180 days \$'000	>1 year \$'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.

Year ended 31 March 2011	PARENT					Total \$'000
	Current \$'000	60 days \$'000	90 days \$'000	180 days \$'000	>1 year \$'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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

27 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

(g) Maturity analysis

Year ended 31 March 2011	Notes	GROUP					Total \$'000
		<6 months \$'000	6-12 months \$'000	1-3 years \$'000	3-5 years \$'000	>5 years \$'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	21	-	-	(97,400)	-	-	(97,400)
Trade and other payables	20	(7,442)	-	-	-	-	(7,442)
Employee entitlements	9	(1,303)	-	-	-	-	(1,303)
Capital notes	23	-	-	-	(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)

Year ended 31 March 2011	Notes	PARENT					Total \$'000
		<6 months \$'000	6-12 months \$'000	1-3 years \$'000	3-5 years \$'000	>5 years \$'000	
Financial assets							
Derivatives (interest rate swaps, caps and collars)	15	-	-	-	-	473	473
Related party receivables	29	8,871	-	-	-	-	8,871
Trade and other receivables	13	715	-	-	-	-	715
Cash and cash equivalents	12	(27)	-	-	-	-	(27)
Total financial assets		9,559	-	-	-	473	10,032
Financial liabilities							
Derivatives (interest rate swaps, caps and collars)	15	(192)	-	(1,924)	(3,406)	(67)	(5,589)
Bank borrowings: long term	21	-	-	(97,400)	-	-	(97,400)
Trade and other payables	20	(1,141)	-	-	-	-	(1,141)
Capital notes	23	-	-	-	(30,000)	-	(30,000)
Total financial liabilities		(1,333)	-	(99,324)	(33,406)	(67)	(134,130)
Liquidity gap		8,226	-	(99,324)	(33,406)	406	(124,098)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

27 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED**(h) Fair value measurements recognised in the statement of financial position**

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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).

Year ended 31 March 2011

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

28 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS**Those with measurement impact:**

Name	Impact
NZ IAS 12	We have chosen to early adopt the amendments to this standard which has an effective date of 01 January 2012. The financial impact of this change is a reduction in deferred tax expense and deferred tax liability of \$1.65 million.

Those with disclosure impact:

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

Name	Impact
NZ IAS 27	The amendments relate primarily to accounting for non-controlling interests and the loss of control of a subsidiary. As this is the first year in which a non-controlling interest has been a factor for the group there is no change to previous treatment.
NZ IFRS 3	This amendment alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other Standards notably NZ IAS 28 and NZ IAS 31.

Those with no impact:

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

Name	Nature of amendment
NZ IFRIC 17	Distribution of Non-cash Assets to Owners - Clarifies that a dividend payable should be recognised when it is appropriately authorised and is no longer at the discretion of the entity. An entity should measure the dividend payable at the fair value of the net assets to be distributed. An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss when the distribution is made. An entity should provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. This applies to pro rata distributions of non-cash assets except for common control transactions.
NZ IFRIC 18	This interpretation is particularly relevant to the utility sector where an entity receives an item of PP&E (or cash to construct) from a customer and this in turn is used to connect the customer to the network or provide ongoing access to services. It clarifies when the definition of an asset is met, recognition and measurement of an asset, identification of separately identifiable services, recognition of revenue and accounting for cash transfers from customers.
NZ Specific Omnibus amendments	Minor amendments made regarding; granting additional disclosure exemptions to qualifying entities, requiring solvency reserves under NZ IFRS 4 Insurance Contracts and providing guidance on the IFRS compliance statement in prospective financial statements under FRS 42 Prospective Financial Statements.
Improvements to NZ IFRS 2009	Minor amendments made regarding; disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations, current/non-current classification of convertible instruments, classification of expenditures on recognised assets, classification of leases of land and buildings, unit of accounting for goodwill impairment test, measuring the fair value of an intangible asset acquired in a business combination, treating loan prepayment penalties as closely related embedded derivatives, scope exemptions for business combination contracts, cash flow hedge accounting, disclosure of information about segment assets, the scope of IFRIC 9 and revised IFRS 3, amendment to the restriction on the entity that can hold hedging instruments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

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

Improvements to NZ IFRS 2008 - Loss of Control of a Subsidiary	Make amendments to NZ IFRS 1 and NZ IFRS 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.
NZ IFRS 2	Clarifies that the accounting in the individual financial statements of an entity that enters into a share-based payment arrangement that will be settled by another entity within the consolidated group.
NZ IAS 32	Rights, options and warrants otherwise meeting the definition of equity instruments, which are issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.
NZ IAS 34	The scope has been amended to apply if an entity is required or elects to publish an interim financial report in accordance with NZ IFRS.

STANDARDS AND INTERPRETATIONS ISSUED, NOT YET EFFECTIVE

At the date of authorisation of the financial statements of the Group for the year ended 31 March 2011 were on issue but not yet effective:

	Standard/Interpretation	Financial periods effective date commencing on or after
IFRIC 19	Extinguishing Liabilities with Equity Instruments	1 July 2010*
NZ IAS 24	Related Party Disclosures (revised 2009)	1 January 2011*
IFRIC 14	Amendments - Prepayments of a Minimum Funding Requirement	1 January 2011*
NZ IFRS 9	Financial Instruments	1 January 2013*
NZ IFRS 3 and NZ IAS 27	Improvements to Business Combinations and Consolidated Financial Statements	1 July 2010*
Various	Improvements to other standards	1 January 2011*
NZ IAS 26	Accounting and Reporting by Retirement Benefit Plans	1 April 2011*
NZ IFRS 7	Financial Instruments - Disclosures	1 July 2011*

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

With the exception of IFRS 3 and IAS 27 the directors anticipate that the above Standards and Interpretations will have no material impact on the financial statements of the Group in the period of initial application. It is likely that the changes arising from NZ IFRS 3 and IAS 27 will affect the recognition, measurement, and classification of amounts recognised in the Group financial statements. However it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

29 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.

Other than payment of interest and dividends there were no material transactions with the Trust during the year.

(b) Key management personnel compensation

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
Key management personnel compensation comprises of:		
Short-term employee benefits	1,439	-
Total key management personnel compensation	1,439	-

(c) Directors' fees

Directors' fees are paid by Gisborne Airport Limited to the Directors, as the Directors of the Group. Total fees paid were \$228,500. There are no separate fees paid in respect of the subsidiaries.

(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 Matt 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.

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 \$4,275 (including GST).

(e) Employee related parties

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

	GROUP	PARENT
	2011	2011
	\$'000	\$'000
D Murphy	24	-
B Penny	41	-
	65	-

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

29 RELATED PARTIES (CONTINUED)**(f) Other related party transactions (continued)**

	PARENT
	2011
	\$'000
(i) Gisborne Airport Limited	
Current accounts receivable	8,871

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

Eastland Group holds a current receivable account with Gisborne Airport Limited. Gisborne Airport provides the management services to the other entities in the Group. There are borrowings of \$685,988 (2010: \$0) owing to the parent company.

There was also a receivable balance owing from the Debarker Joint Venture of \$4,847 (2010: \$0) at 31 March 2011.

Rent is also received from Eastland Investment Properties Limited for a rented property of \$14,931 (2010: \$0). Rental income was also received from Eastland Port Limited for log storage of \$30,000 (2010: \$25,000).

(ii) Eastland Port Limited

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

Gisborne Airport Limited provided management services to Eastland Port Limited. Fees for these services amounted to \$0.65 million (2010: \$0.73 million).

During the year, Gisborne Airport Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2011 the balance was \$2.59 million (2010: \$2.14 million). Advances outstanding from Eastland Group Limited at 31 March 2011 were \$13.1 million (2010: \$13.1 million). Interest paid to the parent company during the year totalled \$1.76 million (2010: \$0.78 million).

Dividends were paid to the parent company during the year totalling \$800,000 (2010: \$0).

Further income was generated by the storage of logs at the Airport of \$30,000 (2010: \$25,000).

There was also a receivable balance owing from the Debarker Joint Venture of \$14,308 (2010: \$11,422) at 31 March 2011.

(iii) Eastland Network Limited

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

Gisborne Airport Limited provided management services to Eastland Network Limited. Fees for these services amounted to \$2.38 million (2010: \$2.43 million).

Gisborne Airport Limited leases office space in Eastland Network Limited's Carnarvon Street premises for which an annual rent of \$80,088 is charged (2010: \$80,088). Eastech Limited also leases office space from Eastland Network Limited for which an annual rent of \$34,492 is charged (2010: \$25,869).

During the year, Gisborne Airport Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2011, the balance was \$7.54 million (2010: \$27.93 million).

Advances outstanding from Eastland Group Limited at 31 March 2011 were \$47.82 million (2010: \$47.82 million). Interest paid to the parent company during the year totalled \$5.49 million (2010: \$4.24 million).

During the year Eastland Network Limited made purchases from Eastech Limited totalling \$2.16 million (2010: \$1.67 million) and made sales to Eastech Limited of \$21,616 (2010: \$16,407).

Dividends were paid to the parent company during the year totalling \$3.4 million (2010: \$0).

The balance owing to Eastech Limited at 31 March was \$398,293 (2010: \$ 354,845) and receivable from Eastech Limited was \$1,449 (2010: \$2,382).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

29 RELATED PARTIES (CONTINUED)**(iv) Flightline Aviation Limited**

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

Gisborne Airport Limited provided management services to Flightline Aviation Limited. Fees for these services amounted to \$61,007 (2010: \$180,064).

During the year, Flightline Aviation Limited made sales of \$58,647 (2010: \$296,184) to Skysales Aviation (NZ) Limited. Flightline Aviation Limited has also made purchases of \$235,546 (2010: \$153,140) from Skysales Aviation (NZ) during the year.

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

During the year, Gisborne Airport Limited has received deposits from and made advances to Flightline Aviation Limited via a current account. At 31 March 2011 the balance was \$1.13 million receivable (2010: \$2.22 million payable). Advances outstanding from Eastland Group Limited at 31 March 2011 were \$2.68 million (2010: \$2.68 million). No interest was paid to the parent company during the year (2010: \$133,948).

(v) Eastech Limited

Eastech Limited is 100% owned by Eastland Group Limited.

Gisborne Airport Limited provides management services to Eastech Limited. Fees for these services amounted to \$82,130 (2010: \$36,000).

During the year, Eastech Limited made purchases of \$21,616 (2010: \$16,408) from Eastland Network Limited and made sales to Eastland Network Limited of \$2.16 million (2010: \$1.68 million).

Eastech Limited also rents workshop and office space from Eastland Network Limited totalling \$34,492 for this financial year (2010: \$25,869).

During the year, Gisborne Airport Limited has received deposits from and made advances to Eastech Limited. Interest paid to the parent company during the year totalled \$171,429 (2010: \$8,587). During the year, Gisborne Airport Limited has managed some of the payables and receivables of each subsidiary through a current account. At 31 March 2011, the balance was \$1.37 million receivable (2010: \$0.94 million).

(vi) Skysales Aviation (NZ) Limited

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

Gisborne Airport Limited provides management services to Skysales Aviation (NZ) Limited. Fees for these services amounted to \$118,811 (2010: \$180,533).

During the year, Skysales Aviation (NZ) Limited made purchases of \$58,647 (2010: \$296,184) from Flightline Aviation Limited and made sales to Flightline Aviation Limited of \$235,546 (2010: \$153,140).

At 31 March 2011, there is a current account balance of \$727,397 payable to Flightline Aviation Limited.

During the year, Gisborne Airport Limited has made advances to Skysales Aviation (NZ) Limited. Advances outstanding at 31 March 2011 were \$1.99 million (2010: \$1.99 million). No interest was paid to the parent company during the year (2010: \$217,724).

During the year, Gisborne Airport Limited has received deposits from and made advances to Skysales Aviation (NZ) Limited. The balance at 31 March 2011 was \$1.73 million payable (2010: \$8.22 million payable).

(vii) Eastland Generation Limited

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

During the prior year, Eastland Generation Limited has made advances to Geothermal Developments Limited. Advances outstanding at 31 March 2011 were \$24.29 million (2010: \$24.29 million). Interest paid on these loans during the year totalled \$0.00 (2010: \$364,564).

Advances outstanding from Eastland Group Limited at 31 March 2011 were \$42.20 million (2010: \$42.21 million). Interest paid on these loans during the year totalled \$1.93 million (2010: \$0.63 million). During the year, Gisborne Airport Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2011, the balance was \$3.51 million (2010: \$0.69 million).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

29 RELATED PARTIES (CONTINUED)

(viii) Geothermal Developments Limited

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

During the prior year, Eastland Generation Limited has made advances to Geothermal Developments Limited. Advances outstanding at 31 March 2011 were \$24.29 million (2010: \$24.29 million). Interest paid on these loans during the year totalled \$0.00 (2010: \$364,564). During the year, Gisborne Airport Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2011, the balance was \$3.60 million (2010: \$1.94 million).

Gisborne Airport Limited provides management services to Geothermal Developments Limited. Fees for these services amounted to \$117,615 (2010: \$0).

(ix) Eastland Investment Properties Limited

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

Gisborne Airport Limited provides management services to Eastland Investment Properties Limited. Fees for these services amounted to \$122,399 (2010: \$0).

(x) Inner Harbour Marina Limited

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

During the year, Gisborne Airport Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2011, the balance was \$230,740 (2010: \$132,364).

(xi) Eastland Port Debarking Limited

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

Gisborne Airport Limited provides management services to Eastland Port Debarking Limited. Fees for these services amounted to \$17,560 (2010: \$0).

There was also a payable balance owing Eastland Port Limited of \$14,308 (2010: \$11,422) at 31 March 2011 and a balance owing to Gisborne Airport Limited of \$4848 (2010: \$0).

During the year, Gisborne Airport Limited has managed the payables and receivables of each subsidiary through a current account. At 31 March 2011, the balance was \$674,738 (2010: \$1.02 million).

30 ISSUED CAPITAL AND RESERVES

(a) Issued capital

1,000 ordinary shares have been authorised and issued to the Eastland Community Trust for \$15.4 million on 1 April 2010, representing the book value of shares issued by Gisborne Airport Limited, Eastland Port Limited and Eastland Network Limited as at 31 March 2010.

There was no other 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.

(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 \$4.2 million were paid during the year. The dividend paid per share is \$4,200.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

31 INVESTMENT IN SUBSIDIARIES

	Country of incorporation	Ownership Interest (%) 2011
Eastland Infrastructure Limited - (name changed to Gisborne Airport Limited on 28 February 2011)	New Zealand	100%
Eastech Limited	New Zealand	100%
Eastland Debarking Limited (bare trustee - non-trading)	New Zealand	50%
Eastland Generation Limited	New Zealand	100%
Eastland Port Debarking Limited	New Zealand	100%
Eastland Investment Properties Limited	New Zealand	100%
Eastland Network Limited	New Zealand	100%
Eastland Port Limited	New Zealand	100%
Flightline Aviation Limited	New Zealand	100%
Geothermal Developments Limited	New Zealand	100%
Inner Harbour Marina Limited	New Zealand	100%
Skysales (NZ) Limited	New Zealand	100%
Te Ahi O Maui General Partnership Limited	New Zealand	100%
Te Ahi O Maui Limited Partnership	New Zealand	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.

32 OPERATING LEASES

(a) Operating leases receivable

The Group leases out its investment properties (refer to note 19) and some other land and buildings, under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	GROUP 2011 \$'000	PARENT 2011 \$'000
Less than one year	2,987	-
Between one and five years	3,097	-
More than five years	1,014	-
Total operating leases receivable	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 Limited 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

32 OPERATING LEASES (CONTINUED)**(b) Operating leases payable (continued)**

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

Operating lease payments of \$471,787 were made during this financial year.

33 BUSINESS COMBINATIONS

There were no business combinations in the current year.

(a) Prior year

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

Fair value of net assets acquired and goodwill at the time of purchase were as follows:

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

There was no goodwill on acquisition.

- (ii) On the 23rd June 2009 the assets of Transfield Gisborne were purchased by Eastech Limited, (a subsidiary of the Company). Eastech commenced in business on 1 July 2009.

	\$'000
Plant and equipment	121
Tools/live line equipment	35
Vehicles	194
Purchase price	350

There was no goodwill on acquisition.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

33 BUSINESS COMBINATIONS CONTINUED

- (iii) On the 13th January 2010 Eastland Group Limited (Subsidiary of Gisborne Airport Limited) purchased 100% of the shares of Geothermal Developments Limited. The shares were purchased for the value of \$42.2 million. Fair value of net assets at acquisition date were as follows:

	Note	Book Value	Fair Value Adjustment	Fair Value
Current assets				
Cash and bank balances		1,177	-	1,177
Trade and other receivables		1,609	(233)	1,376
Non-current assets				
Plant and Equipment	16	23,475	-	23,475
Current liabilities				
Trade and other payables		(303)	-	(303)
Non-current liabilities				
Deferred tax liability		-	(1,034)	(1,034)
		25,958	(1,267)	24,691
Goodwill on acquisition				
				17,936
Less cash and bank balances				
				(1,177)
Net cash outflow on acquisition				
				41,450
Total cash flow of acquisition of subsidiaries				
				41,450

The total acquisition cost of \$41.45 million, is supported by an independently prepared valuation which has been tested by management and the board as part of the decision making process to proceed with this acquisition.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

34 ACQUISITION OF SUBSIDIARIES**Analysis of assets and liabilities acquired**

The shares in the subsidiaries below were transferred to Eastland Group Limited on 1 April 2010 at the fair values shown below.

	Eastland Network Limited			Eastland Port Limited			Gisborne Airport Limited		
	Book Value \$000	Fair Value Adjustment	Fair Value on acquisition	Book Value \$000	Fair Value Adjustment	Fair Value on acquisition	Book Value \$000	Fair Value Adjustment	Fair Value on acquisition
Current assets	29,671	-	29,671	6,824	-	6,824	23,289	-	23,289
Non-current assets	153,858	-	153,858	62,799	-	62,799	110,763	-	110,763
Current liabilities	24,505	-	24,505	14,753	-	14,753	38,637	-	38,637
Non-current liabilities	73,033	-	73,033	14,561	-	14,561	99,223	-	99,223
Net assets	85,991	-	85,991	40,309	-	40,309	(3,808)	-	(3,808)

Included in current assets is a balance of \$1.31 million of cash and cash equivalents.

35 JOINT VENTURE

The port group 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.

	2011 \$'000
Debarker	
Revenue	1,180
Expenses	(513)
Net Income	667
	2011 \$'000
Current assets	736
Current liabilities	(73)
Non-current assets	9
Non-current liabilities	-
	672

Commitments

At 31 March 2011, total capital expenditure committed but not yet incurred was nil.

Contingent Liabilities

At 31 March 2011, total contingent liabilities were nil.

Impairment

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



**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 30 to 72, which comprise the consolidated and separate statement of financial position of Eastland Group Limited, as at 31 March 2011, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and the provision of accounting and taxation advice, 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 30 to 72:

- 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 2011, and their financial performance and cash flows for the year then ended.

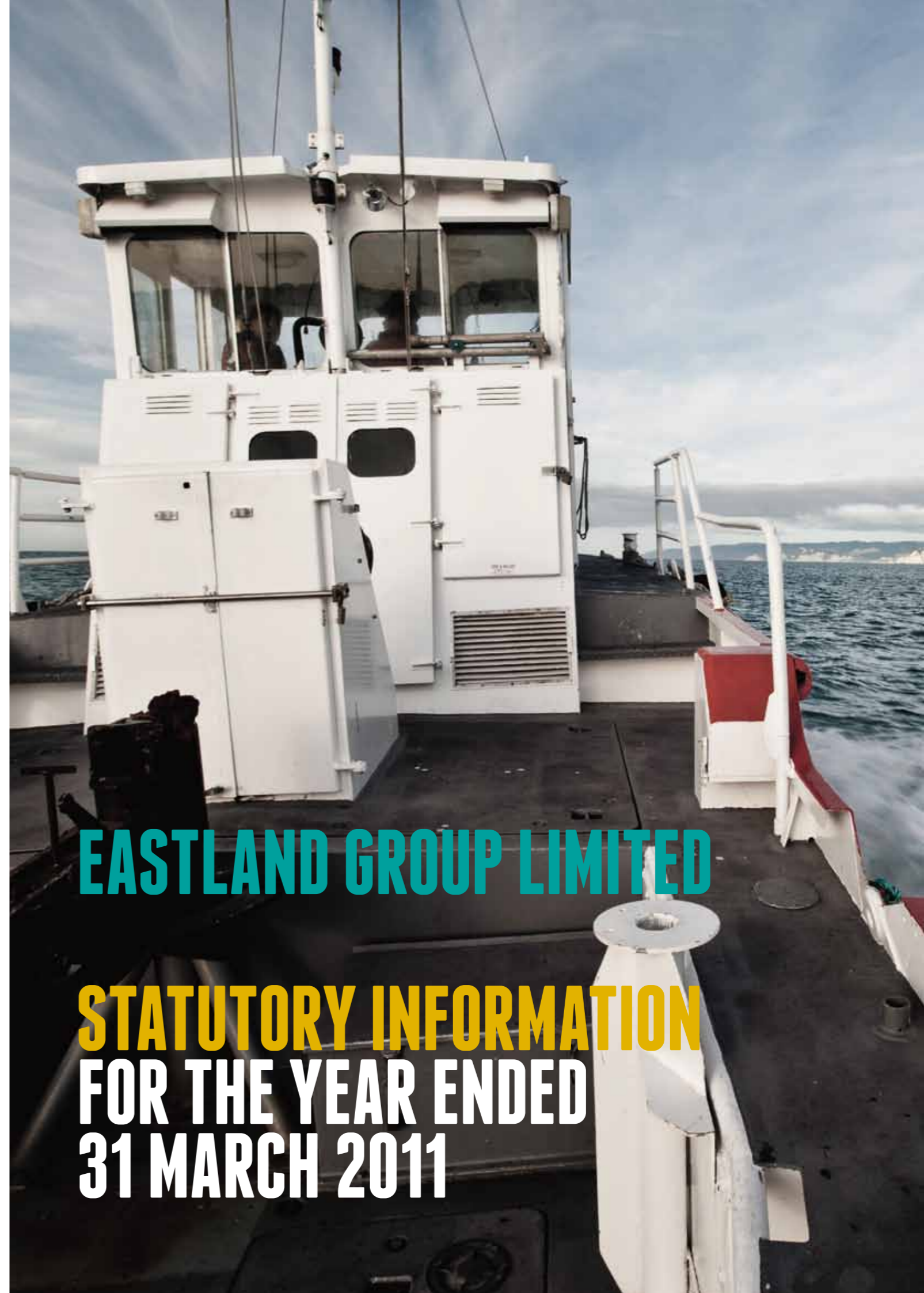


Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants
25 May 2011
Hamilton, New Zealand



EASTLAND GROUP LIMITED

**STATUTORY INFORMATION
FOR THE YEAR ENDED
31 MARCH 2011**

Statutory Information

FOR THE YEAR ENDED 31 MARCH 2011

Directors and remuneration

The following persons held office as a Director during the year:

N J P Cull (Chairman)
W J Clarke
V J Dark
R N Taylor
S W Stevens (resigned 1 May 2011)
J M Rae (appointed 1 February 2011)
T W Taylor (retired 31 January 2011)

During the year the Chairman received Directors fees of \$59,000, S Stevens received Directors fees of \$37,500, T Taylor received Directors fees of \$27,500, J Rae received Directors fees of \$5,500 and each of the other directors received Directors fees of \$33,000 for a total of \$228,500. They received no other remuneration as Directors.

Entries recorded in the interests register

a) Entries recorded in the interests register

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
LANZAFUELS NEW ZEALAND LIMITED
EASTLAND PORT LIMITED
GISBORNE AIRPORT LIMITED
EASTLAND NETWORK LIMITED
EASTLAND GROUP LIMITED
STONEWOOD HOMES WEST AUCKLAND LIMITED
SWIMMING NZ (Board Advisor)

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
EASTWOODHILL TRUST BOARD

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

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:

TE KAIRANGA WINES LIMITED
MIDLAND PARK CHAMBERS 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
McLEOD VINEYARD LIMITED
THE NEW ZEALAND SYMPHONY ORCHESTRA
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

Statutory Information (continued)

FOR THE YEAR ENDED 31 MARCH 2011

a) Entries recorded in the interests register (cont'd)

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

b) Share dealings of directors

No Director has sold or acquired shares during the year.

c) Loans to directors

No loans have been made to Directors.

d) 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 from criminal actions. Certain executives are similarly insured.

Donations

The Group made donations of \$450 during the year.

Employees' remuneration

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

390,000 - 400,000	1
230,000 - 240,000	1
210,000 - 220,000	1
180,000 - 190,000	1
150,000 - 160,000	2
140,000 - 150,000	1
130,000 - 140,000	1
120,000 - 130,000	2
110,000 - 120,000	3
100,000 - 110,000	1

Change in accounting policy

There have been no changes in accounting policies. These financial statements are prepared in accordance with NZIFRS.

Auditor's remuneration

During the year the following amounts were paid to Deloitte, the auditors of the Company:

Company	Audit work	Other services
Eastland Group Ltd	\$285,000	\$30,000

Company Information

FOR THE YEAR ENDED 31 MARCH 2011

Board of Directors

Nelson Cull (Chairman)
John Clarke
Vernon Dark
Roger Taylor
Shaan Stevens
John Rae

Chief Executive

Matt Todd

Corporate Executive Team

Andrew Gaddum
Ben Gibson
Brent Stewart
Gavin Murphy
Jeremy King

Auditors

Deloitte

Lawyers

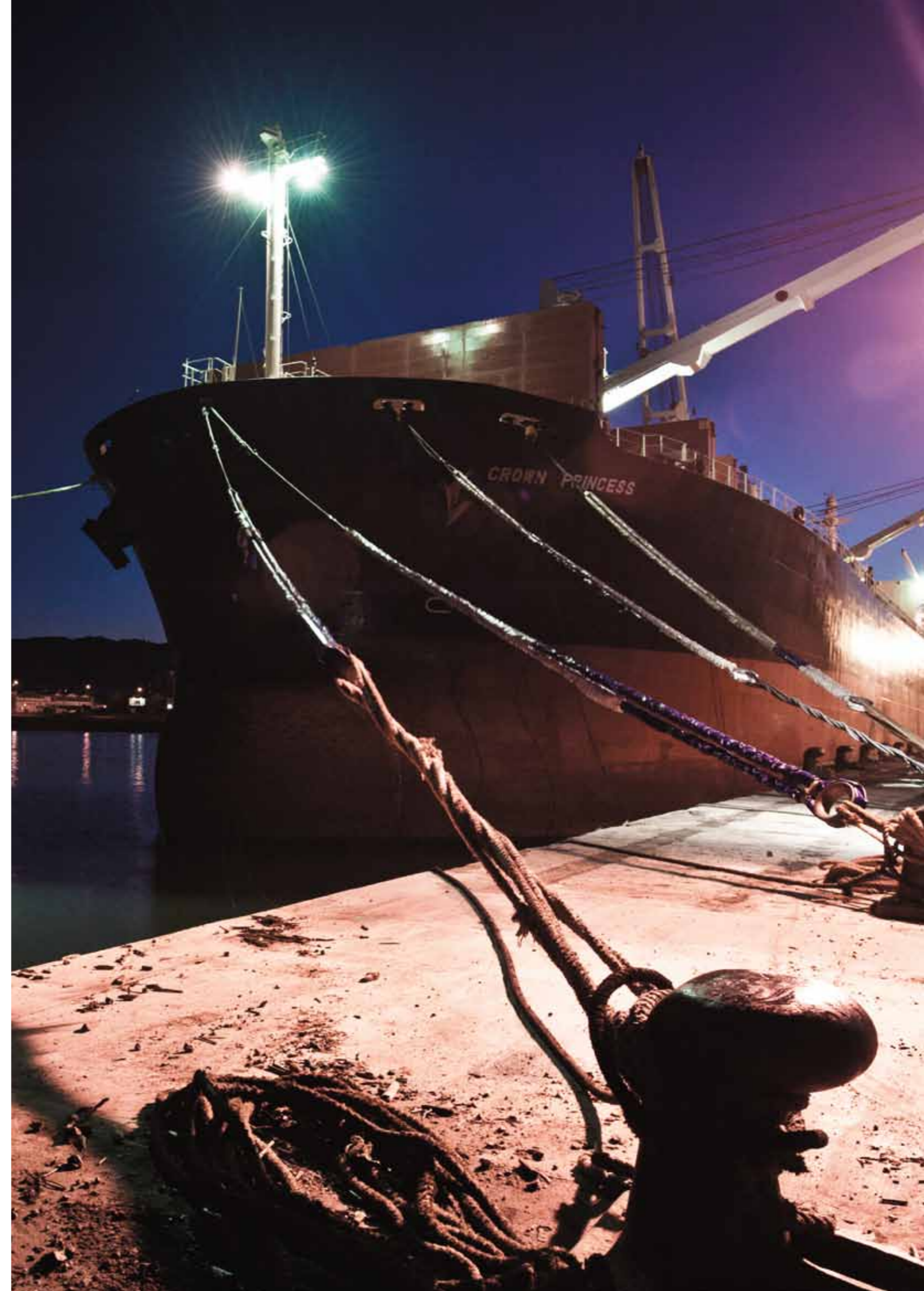
Chapman Tripp

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Westpac Banking Corporation
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