2018

EASTLAND COMMUNITY TRUST

FINANCIAL STATEMENTS

Paul Reynolds | Chairman, ECT

Ailsa Cuthbert | Trustee, ECT

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Deloitte.

Independent Auditor's Report

To the Trustees of Eastland Community Trust

Opinion

We have audited the financial statements of Eastland Community Trust (the 'Trust') and its subsidiaries ('the Group'), which comprise the consolidated and separate statement of financial position as at 31 March 2018, and the consolidated and separate statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements, on pages 4 to 57, present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2018, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report.

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

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of other assurance services relating to the audit of regulatory disclosure statements, we have no relationship with or interests in the Trust or any of its subsidiaries. These services have not impaired our independence as auditor of the Trust or Group.

Other information

The Board of Trustees are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated and separate financial statements and the audit report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and consider whether it is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Board of Trustees' responsibilities for the consolidated and separate financial statements

The Board of Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Board of Trustees determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

A further description of our responsibilities for the audit of the consolidated and separate financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Trustees, as a body in accordance with Section 16 of the Trust Deed. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Deloitte Limited
Wellington, New Zealand
29 June 2018

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 31 March 2018

		Group		Parent	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Revenue from exchange transactions	4	85,631	76,020	11,980	11,512
Revenue from non-exchange transactions	4	2,322	2,237	-	-
Total revenue		**87,953**	**78,257**	**11,980**	**11,512**
Operating expenses	5	(16,923)	(14,512)	-	-
Depreciation and amortisation	5	(15,891)	(15,113)	(10)	(4)
Administrative expenses	5	(10,923)	(13,472)	(1,329)	(911)
Personnel expenses	20	(11,724)	(10,941)	(653)	(574)
Finance expenses	5	(5,144)	(5,684)	-	-
Total expenditure		**(60,605)**	**(59,722)**	**(1,992)**	**(1,489)**
Operating surplus		**27,348**	**18,535**	**9,988**	**10,023**
Other non-operating income	6	490	1,576	189	1,391
Other non-operating expenditure	7	(1,561)	(1,115)	-	-
Share of loss of associate	15	(1,501)	-	-	-
Share of loss of joint ventures	16	(417)	(559)	-	-
Surplus before income tax		**24,359**	**18,437**	**10,177**	**11,414**
Income tax expense	8	(7,946)	(6,383)	(1,274)	(1,522)
Net surplus after tax		**16,413**	**12,054**	**8,903**	**9,892**
Other comprehensive revenue and expense					
Cashflow hedges		704	4,720	-	-
Revaluation of property plant and equipment		5,616	(325)	-	-
Revaluation movements of investments		1,249	779	1,249	779
Tax on comprehensive income		(1,208)	(1,287)	-	-
Total other comprehensive revenue and expense		**6,361**	**3,887**	**1,249**	**779**
Total comprehensive revenue for the period		**22,774**	**15,941**	**10,152**	**10,671**
Attributable as:					
Surplus for the year:					
Equity holders of the parent		16,437	12,082	8,903	9,892
Non-controlling interest		(24)	(28)	-	-
		16,413	**12,054**	**8,903**	**9,892**
Total comprehensive revenue:					
Equity holders of the parent		22,798	15,969	10,152	10,671
Non-controlling interest		(24)	(28)	-	-
		22,774	**15,941**	**10,152**	**10,671**

STATEMENT OF ACTUAL AND BUDGET COMPARISON

For the year ended 31 March 2018

	Parent		Parent	
	2018 Actual $'000	2018 Budget $'000	2017 Actual $'000	2017 Budget $'000
Revenue				
Eastland Group Limited capital note interest	2,130	2,130	2,130	2,130
Eastland Group Limited dividends	6,500	6,820	6,135	5,815
Eastland Development Fund Limited interest	709	652	692	-
Prime SPV Limited interest	684	692	441	-
Activate Tairawhiti Limited interest	2	-	-	-
Craigs portfolio	1,433	1,319	1,588	1,340
Forsyth Barr portfolio	461	410	454	452
Investment funds	61	-	72	23
Other income	189	-	1,391	-
Total revenue	**12,169**	**12,023**	**12,903**	**9,760**
Expenditure				
Compliance	(76)	(47)	(37)	(35)
Communications	(73)	(41)	(29)	(40)
Office and operational	(200)	(198)	(185)	(170)
Sponsorship	(53)	(100)	(49)	(100)
Staffing and contractors	(981)	(746)	(617)	(535)
Strategic review and business development investigation	(135)	(250)	(185)	(250)
Board	(235)	(255)	(228)	(260)
Investment monitoring and activities	(239)	(253)	(159)	(160)
Total expenditure	**(1,992)**	**(1,890)**	**(1,489)**	**(1,550)**
Surplus before income tax	**10,177**	**10,133**	**11,414**	**8,210**
Income tax	(1,274)	-	(1,522)	-
Surplus after income tax	**8,903**	**10,133**	**9,892**	**8,210**

Explanation of significant variances

Financial year ended 31 March 2018

Income is down on the SOI budget because the final dividend from Eastland Group Ltd ("EGL") was lower than budgeted. This is a result of higher subvention payments to Prime SPV Ltd ("Prime") and Eastland Development Fund Ltd ("EDFL"), which reduced the amount available for dividends. This reduction in dividend was somewhat offset by higher interest received from Prime and EDFL and better than expected returns from the passive portfolios.

Total operational costs are up around $100,000 on the SOI budget. This increase was expected and relates to the changes made to the organisation structure during the year. The most significant changes were increased staffing costs which was somewhat offset by lower costs associated with business development investigation which was performed by Activate Tairawhiti Ltd.

Financial year ended 31 March 2017

Income was ahead of budget by $3,143,000 an increase of 32.2%. This was as a result of higher than budgeted income from the Craigs investment portfolio, better than expected dividends from Eastland Group Ltd and interest being charged to subsidiary companies. Other income relates to realised gains on sale of investments.

Operational costs were down on budget by $61,000, equating to an decrease of 3.9%. The notable variances were: more staff resulting from trustees' decisions to build capability and capacity within the Trust which increased office, operational and staff costs. Lower than anticipated spending on sponsorship and business development opportunities.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

		Group		Parent	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	11,865	12,399	6,817	7,104
Exchange trade and other receivables	10	10,318	8,535	191	201
Non-exchange trade and other receivables	10	348	258	328	258
Other investments and receivables	18	3,027	1,301	3,027	1,301
Inventory		68	56	-	-
Assets held for sale	12	-	2,438	-	-
Income tax receivable	8	1,404	-	1,404	845
Total current assets		**27,030**	**24,987**	**11,767**	**9,709**
Non-current assets					
Investment properties	13	20,820	14,065	-	-
Investment in subsidiaries	14	-	-	34,760	29,947
Investment in associate	15	10,614	-	-	-
Investment in joint ventures	16	2,570	3,280	-	-
Intangible assets	17	6,229	6,285	-	-
Deferred tax	8	-	-	73	-
Derivative financial instruments	24	4	291	-	-
Other investments and receivables	18	46,309	50,234	75,077	75,183
Property, plant & equipment	11	502,550	448,697	85	9
Total non-current assets		**589,096**	**522,852**	**109,995**	**105,139**
Total assets		**616,126**	**547,839**	**121,762**	**114,848**
LIABILITIES					
Current liabilities					
Liabilities associated with assets held for sale	12	-	2,300	-	-
Derivative financial instruments	24	837	3,413	-	-
Employee entitlements	20	1,703	1,269	16	42
Income tax payable	8	2,614	88	-	-
Payables and accruals	19	15,178	9,987	4,362	2,572
Total current liabilities		**20,332**	**17,057**	**4,378**	**2,614**
Non-current liabilities					
Loans and borrowings	21	210,000	166,000	-	-
Derivative financial instruments	24	9,307	7,722	-	-
Income in advance		367	413	-	-
Deferred tax	8	49,563	48,387	-	-
Total non-current liabilities		**269,237**	**222,522**	**-**	**-**
Total liabilities		**289,569**	**239,579**	**4,378**	**2,614**
Net assets		**326,557**	**308,260**	**117,384**	**112,234**
EQUITY					
Trust capital	25	20,000	20,000	20,000	20,000
Reserves	25	139,306	132,945	8,185	6,936
Non-controlling interest		431	455	-	-
Retained earnings		166,820	154,860	89,199	85,298
Total equity		**326,557**	**308,260**	**117,384**	**112,234**

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the year ended 31 March 2018

				Group			
31 March 2018	Trust capital $'000	Hedge reserve $'000	Asset revaluation reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 01 April	20,000	(7,705)	133,714	6,936	154,860	455	**308,260**
Surplus for year	-	-	-	-	16,437	(24)	**16,413**
Other comprehensive income	-	507	4,605	1,249	-	-	**6,361**
Total comprehensive income	**-**	**507**	**4,605**	**1,249**	**16,437**	**(24)**	**22,774**
Transactions with owners							
Derecognition of reserves	-	-	-	-	666	-	**666**
Movement in controlling interest	-	-	-	-	(140)	-	**(140)**
JV distributions	-	-	-	-	(1)	-	**(1)**
Distributions	-	-	-	-	(6,461)	-	**(6,461)**
Tax effect on distributions	-	-	-	-	1,459	-	**1,459**
Total transactions with owners	**-**	**-**	**-**	**-**	**(4,477)**	**-**	**(4,477)**
Balance at 31 March	**20,000**	**(7,198)**	**138,319**	**8,185**	**166,820**	**431**	**326,557**

				Group			
31 March 2017	Trust capital $'000	Hedge reserve $'000	Asset revaluation reserve $'000	Investment revaluation reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 01 April	20,000	(11,103)	134,004	6,157	145,746	483	**295,287**
Surplus for year	-	-	-	-	12,082	(28)	**12,054**
Other comprehensive income	-	3,398	(290)	779	-	-	**3,887**
Total comprehensive income	**-**	**3,398**	**(290)**	**779**	**12,082**	**(28)**	**15,941**
Transactions with owners							
Movement in non-controlling interest	-	-	-	-	-	-	**-**
Derecognition of reserves	-	-	-	-	319	-	**319**
JV distributions	-	-	-	-	(1)	-	**(1)**
Distributions	-	-	-	-	(4,335)	-	**(4,335)**
Tax effect on distributions	-	-	-	-	1,049	-	**1,049**
Total transactions with owners	**-**	**-**	**-**	**-**	**(2,968)**	**-**	**(2,968)**
Balance at 31 March	**20,000**	**(7,705)**	**133,714**	**6,936**	**154,860**	**455**	**308,260**

STATEMENT OF CHANGES IN NET ASSETS/EQUITY (CONTINUED)

For the year ended 31 March 2018

	Parent						
	Trust capital	Hedge reserve	Asset revaluation reserve	Investment revaluation reserve	Retained earnings	Non-controlling interest	Total equity
31 March 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 01 April	20,000	-	-	6,936	85,298	-	**112,234**
Surplus for year	-	-	-	-	8,903	-	**8,903**
Other comprehensive income	-	-	-	1,249	-	-	**1,249**
Total comprehensive income	**-**	**-**	**-**	**1,249**	**8,903**	**-**	**10,152**
Transactions with owners							
Distributions	-	-	-	-	(6,461)	-	**(6,461)**
Tax effect on distributions	-	-	-	-	1,459	-	**1,459**
Total transactions with owners	**-**	**-**	**-**	**-**	**(5,002)**	**-**	**(5,002)**
Balance at 31 March	**20,000**	**-**	**-**	**8,185**	**89,199**	**-**	**117,384**

	Parent						
	Trust capital	Hedge reserve	Asset revaluation reserve	Investment revaluation reserve	Retained earnings	Non-controlling interest	Total equity
31 March 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 01 April	20,000	-	-	6,157	78,692	-	**104,849**
Surplus for year	-	-	-	-	9,892	-	**9,892**
Revaluations	-	-	-	779	-	-	**779**
Total comprehensive income	**-**	**-**	**-**	**779**	**9,892**	**-**	**10,671**
Transactions with owners							
Distributions	-	-	-	-	(4,335)	-	**(4,335)**
Tax effect on distributions	-	-	-	-	1,049	-	**1,049**
Total transactions with owners	**-**	**-**	**-**	**-**	**(3,286)**	**-**	**(3,286)**
Balance at 31 March	**20,000**	**-**	**-**	**6,936**	**85,298**	**-**	**112,234**

STATEMENT OF CASHFLOWS

For the year ended 31 March 2018

	Note	Group 2018 $'000	Group 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cash flows from operating activities					
Cash provided from:					
Receipts from customers		82,679	75,660	-	-
Dividends received		1,016	1,197	7,516	7,332
Interest received		965	958	4,204	3,061
Other income		189	1,391	189	1,391
		84,849	**79,206**	**11,909**	**11,784**
Cash applied to:					
Payments to suppliers and employees		(39,797)	(36,734)	(1,941)	(1,475)
Interest paid		(8,976)	(7,402)	-	-
Income tax paid		(6,840)	(6,890)	(1,860)	(1,591)
		(55,613)	**(51,026)**	**(3,801)**	**(3,066)**
Net cash flow from operating activities		**29,236**	**28,180**	**8,108**	**8,718**
Cash flows from investing activities					
Cash provided from:					
Distribution from associate		1,180	951	-	-
Proceeds from sale of investment properties		296	669	-	-
Proceeds from sale of property, plant and equipment		960	1,868	-	-
		2,436	**2,537**	**-**	**-**
Cash applied to:					
Purchase of investments		(7,089)	(3,967)	(441)	(1,145)
Purchase of property, plant & equipment		(62,517)	(70,001)	(86)	(3)
Related party advances		-	-	(3,783)	(3,465)
Purchase of investment properties		(818)	(1,255)	-	-
		(70,424)	**(75,223)**	**(4,310)**	**(4,613)**
Net cash flow (used in) from investing activities		**(67,988)**	**(72,686)**	**(4,310)**	**(4,613)**
Cash flows from financing activities					
Cash provided from:					
Borrowings		44,603	52,000	-	-
		44,603	**52,951**	**-**	**-**
Cash applied to:					
Equity distributions		(4,085)	(2,567)	(4,085)	(2,567)
Borrowings		(2,300)	(2,000)	-	-
		(6,385)	**(4,567)**	**(4,085)**	**(2,567)**
Net cash flow from (used in) financing activities		**38,218**	**48,384**	**(4,085)**	**(2,567)**
Net cash flows from continuing operations		(534)	3,878	(287)	1,538
Net (decrease)/increase in cash and cash equivalents		**(534)**	**3,878**	**(287)**	**1,538**
Cash and cash equivalents at beginning of period		12,399	8,521	7,104	5,566
Cash and cash equivalents at end of period	9	**11,865**	**12,399**	**6,817**	**7,104**

STATEMENT OF CASHFLOWS (CONTINUED)
For the year ended 31 March 2018

Reconciliation of the profit for the period with net cash from operating activities

		Group		Parent	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Profit for the period		16,413	12,054	8,903	9,892
Adjusted for:					
Depreciation		15,890	15,113	10	4
Customer contributions and vested assets		(386)	(498)	-	-
Impairment loss		530	3,619	-	-
Loss on sale of fixed assets		1,020	620	-	-
Loss on sale of investment properties		(2)	495	-	-
Income from JV's and associates		552	678	-	-
Change in the fair value of investment property		(298)	(181)	-	-
Accrued Interest		(85)	-	-	-
Capitalised interest		(4,124)	(1,737)	(263)	(1,132)
Tax/deferred tax expense		1,314	1,302	1,274	1,522
		14,411	**19,411**	**1,021**	**394**
Movement in working capital:					
(Increase)/Decrease in trade and other receivables		(1,442)	(121)	2	13
Increase in inventory		(12)	(18)	-	-
Increase/(Decrease) in employee entitlements		460	(540)	-	-
(Decrease) in income in advance		(46)	(53)	-	-
(Decrease) in income tax payable		(188)	(1,811)	(1,860)	(1,591)
(Decrease)/increase in payables and accruals		(360)	(742)	42	10
		(1,588)	**(3,285)**	**(1,816)**	**(1,568)**
Net cash from operating activities		**29,236**	**28,180**	**8,108**	**8,718**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1 REPORTING ENTITY

The Eastland Energy Community Trust ("the Trust") was established on the 7th of May 1993, pursuant to the Energy Companies (Eastland Energy Limited) Vesting Order 1993, upon the vesting in the Trust of the equity and debt securities issued by Eastland Energy Limited. The Trust changed its name to Eastland Community Trust on 6 December 2004. The Trust is governed by the Trust Deed including variations made by Deed Polls. The Trust has a termination date of 80 years from the date of execution of the Trust Deed, unless an earlier date is appointed by Deed by trustees.

The financial statements for the Trust are for Eastland Community Trust as established by Deed. The consolidated financial statements for the Group are for the economic entity comprising Eastland Community Trust and its subsidiaries, associate and joint ventures.

The Group'sprimary operations include electricity distribution and generation, the operation of Gisborne's port and airport, the ownership of strategically located investment properties and investment portfolios.

For the purposes of financial reporting, the Trust is a Public Benefit Entity (PBE) and as such the financial statements and Group financial statements have been prepared in accordance with Tier 1 Public Benefit Entity reporting standards.

2 SUMMARY OF SIGNIFICANT EVENTS DURING THE YEAR

The following significant transactions and events affected the financial performance and position of the Group for the year ended 31 March 2018.

Construction of Te Ahi O Maui

Eastland Generation in partnership with the A8D Trust commenced construction of a 25 MW geothermal power plant in Kawerau. At 31 March 2018 we capitalised directly attributable costs of $121 million. The plant is planned to commence operations by 31 August 2018.

Prime Sawmill

In March 2018 Prime SPV Limited sold the sawmill assets and associated buildings. The sale was executed for $1,732,000 to Far East Sawmill Ltd with an interest free loan of $1,232,000 repayable over three years provided to them.

This transaction resulted in a loss of $744,544 recorded in the current year after a $3.6 million impairment in the 2017 financial year. This reflects contribution to the economic benefits and job opportunities that are expected to be derived. The Sawmill is expected to create 60 direct jobs and contribute to regional GDP once fully operational.

Bank facility

In November 2017 Eastland Group increased its bank facility by $30 million. The facility funds capital projects and is in addition to Eastland Group's existing facility of $210 million and has a maturity of 1 April 2022. Refer to note 21 for further detail on Eastland Group's bank facilities.

Flick Energy Limited

In July 2017, Eastland Energy Solutions Limited, a wholly owned subsidiary of Eastland Group, invested a further $2.5 million in Flick Energy Limited. From that time, Eastland Group owned 22.6% of the common shares of Flick Energy Limited and recognised it as an associate.

Further, in December 2017, Eastland Energy Solutions invested $3 million in Convertible notes issued by Flick Energy Limited. The investment in Flick Energy Limited is disclosed in Note 15, refer to this note for further detail.

Activate Tairawhiti Ltd

Eastland Community Trust acquired 100% of the shares in Activate Tairawhiti Ltd on 1 July 2017 for the consideration of $1. This acquisition was to invest into economic and tourism development in the region, refer to note 14 for further detail.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The Parent financial statements and Group financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Tier 1 PBE Standards, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.
The financial statements are for the year ended 31 March 2018 and were approved by the Trustees on 29 June 2018.

Basis of preparation
The financial statements are prepared on a going concern basis using the historical cost basis except for the following:
- derivative financial instruments are measured at fair value;
- land and buildings, electrical distribution assets, electrical generation assets and logistics assets, are measured at revalued amounts;
- certain other property, plant and equipment is measured at revalued amounts; and
- investment properties are measured at fair value.
- investments are measured at fair value.

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency, and have been rounded to the nearest thousand unless otherwise stated.

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 Revenue and Expense.

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

Significant accounting policies, estimates and judgements
Statement of Cashflows
For the purpose of the Statement of Cashflows, 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 Cashflows:

(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.

(iv) GST is combined with applicable transactions and borrowing repaid and increased are netted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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 Revenue and Expense. 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. Impairment losses are not reversed on goodwill.

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. Outcomes in the next financial period may be different to the assumptions made. It is impracticable to quantify the impact should assumptions be materially different to actual outcomes, which may result in material adjustments to the carrying amounts of investments, goodwill and property, plant and equipment and financial instruments reported in these financial statements.

Accounting policies and information about judgements, estimates and assumptions that have a significant effect on the amounts recognised in the financial statements are disclosed in the following notes:

- Revenue recognition (Note 4)
- Classification of expenditure and valuation of property, plant and equipment (Note 11)
- Valuation of financial instruments (Note 24)

New accounting standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have come into effect during the period ended 31 March 2018. While these may impact some disclosures, none of these are expected to have a material effect on the consolidated financial statements of the Group.

4 REVENUE

POLICIES

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 Revenue and Expense as revenue when all obligations to the customer are satisfied.

(ii) Regulated electricity distribution and electricity generation sales

Revenue from electricity distributed and generated and sold is recognised in the Statement of Comprehensive Revenue and Expense when the electricity has been distributed or sold to the customers. The revenue is net of returns, trade discounts and volume rebates.

(iii) Logistics revenue

Revenue from the sales of logistics is recognised in the Statement of Comprehensive Revenue and Expense 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) Rental income

Rental income from investment property is recognised in the Statement of Comprehensive Revenue and Expense 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.

(v) Dividends received

Dividends received are recognised when the right to receive payments is established. Dividends received from pre-acquisition net surpluses are deducted from the cost of the investment.

(vi) Interest income

Interest income comprises income on funds invested, changes in the fair value of financial assets at fair value through the Statement of Comprehensive Revenue and Expense and gains on hedging instruments that are recognised in the Statement of Comprehensive Revenue and Expense. Interest income is recognised as it accrues, using the effective interest method.

(vii) Non-exchange income

Non-exchange income comprises of income received from another party without directly giving approximate value in return.

JUDGEMENTS

Revenue recognition

The timing of customer payments for services does not always coincide with the timing of delivery of these services. For example customers may pay for services a period of time after the services are delivered. Customers may also prepay for services. Judgement is therefore required in deciding when revenue is to be recognised.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

4 REVENUE (CONTINUED)

NOTE	Group		Parent	
	2018	2017	2018	2017
Revenue from exchange transactions	$'000	$'000	$'000	$'000
Revenue from rendering of services				
Electricity distribution revenue	36,748	34,503	-	-
Logistics revenue	35,913	30,040	-	-
Economic development and tourism services	1,214	-	-	-
Management fees received from related parties	68	69	-	-
Total revenue from rendering of services	**73,943**	**64,612**	**-**	**-**
			-	-
Revenue from sale of goods				
Energy generation	4,669	4,297	-	-
Customer contributions	206	454	-	-
Total revenue from sale of goods	**4,875**	**4,751**	**-**	**-**
Other exchange transaction revenue				
Other income	1,945	1,893	-	-
Rental income	2,805	2,623	-	-
Interest income	1,049	944	4,466	4,180
Dividends received	1,014	1,197	7,514	7,332
Total other exchange transaction revenue	**6,813**	**6,657**	**11,980**	**11,512**
Total revenue from exchange transactions	**85,631**	**76,020**	**11,980**	**11,512**
Revenue from non-exchange transactions				
Other income	2,322	2,237	-	-
Total revenue from non-exchange transactions	**2,322**	**2,237**	**-**	**-**
Total revenue	**87,953**	**78,257**	**11,980**	**11,512**

5 EXPENDITURE

POLICIES

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

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 Revenue and Expense in the period which they are incurred.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

5 EXPENDITURE (CONTINUED)

NOTE		Group		Parent	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Operating expenses					
Electricity distribution expenses		10,532	9,000	-	-
Electricity generation expenses		1,652	2,124	-	-
Logistics operating expenses		3,740	3,388	-	-
Economic development and tourism services operating expenses		999	-	-	-
Total operating expenses		**16,923**	**14,512**	**-**	**-**
Depreciation and amortisation					
Depreciation of property, plant and equipment	11	15,835	15,057	10	4
Amortisation	17	56	56	-	-
Total depreciation and amortisation		**15,891**	**15,113**	**10**	**4**
Administrative expenses					
Administration		9,869	9,172	1,281	886
Impairment losses and bad debt write-offs on trade receivables		30	3,619	-	-
Direct operating expenditure arising on investment properties that generated rental income		734	362	-	-
Auditor's remuneration to Deloitte comprises:					
audit of financial statements		222	268	48	25
audit of commerce commission reporting		68	51	-	-
Total administrative expenses		**10,923**	**13,472**	**1,329**	**911**
Finance expenses					
Interest expense		5,144	5,684	-	-
Total finance expenses		**5,144**	**5,684**	**-**	**-**

Donations of $Nil were made during the financial year (2017: $400) and sponsorships of $161,872 were made during the financial year (2017: $48,902). These are included in administration expenses.

6 NON-OPERATING INCOME

	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Impairment losses recovered	3	4	-	-
Gain on sale of investments	189	1,391	189	1,391
Change in fair value of investment property	298	181	-	-
Total non-operating income	**490**	**1,576**	**189**	**1,391**

7 NON-OPERATING EXPENDITURE

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Loss on sale of investment property	1	495	-	-
Loss on revaluations	500	-	-	-
Loss on sale of property, plant and equipment	1,060	620	-	-
Total non-operating expenditure	**1,561**	**1,115**	**-**	**-**

8 INCOME TAX EXPENSE

POLICIES

Income tax expense is made up of current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Revenue and Expense 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. The Trust has certain investments made through Portfolio Investment Entities and are excluded income for income tax purposes.

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.

NOTE

	Note	Group		Parent	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current tax expense					
Current period		(8,037)	(6,846)	(1,274)	(1,522)
Adjustment for prior periods		132	242	-	-
Total current tax (expense)		**(7,905)**	**(6,604)**	**(1,274)**	**(1,522)**
Deferred tax expense					
Temporary differences for the year		115	416	-	-
Adjustment for prior periods		(156)	(195)	-	-
Total deferred tax (expense)/income		**(41)**	**221**	**-**	**-**
Total income tax (expense)		**(7,946)**	**(6,383)**	**(1,274)**	**(1,522)**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

8 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 is as follows:

	Group				Parent			
	2018 %	2018 $'000	2017 %	2017 $'000	2018 %	2018 $'000	2017 %	2017 $'000
Accounting profit before income tax		24,359		18,437		10,177		11,414
Statutory income tax	(33.0%)	(8,038)	(33.0%)	(6,085)	(33.0%)	(3,358)	(33.0%)	(3,767)
Group eliminations	(6.3%)	(1,532)	(12.5%)	(2,309)	0.0%	-	0.0%	-
Adjustments in respect of previous years	(0.1%)	(24)	0.4%	73	0.0%	-	0.0%	-
Subvention payments	1.7%	420	2.6%	471	0.0%	-	0.0%	-
Non-deductible expenses	(3.6%)	(866)	(4.4%)	(805)	(0.1%)	(10)	(0.2%)	(27)
Non-taxable income	8.6%	2,094	12.3%	2,272	20.6%	2,094	19.9%	2,272
	(32.6%)	**(7,946)**	**(34.6%)**	**(6,383)**	**(12.5%)**	**(1,274)**	**(13.3%)**	**(1,522)**

Note: The Group statutory tax rate is calculated as 33.0%. All subsidiary company's tax rates are 28% and the Trust tax rate is 33%. There is no legal right to offset tax from the Trust with the Group.

Deferred tax assets/(liabilities)

	Group					
	Property plant and equipment	Provisions and accruals	Investment property	Hedge reserve	Other	Total
31 March 2018	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 01 April	(51,737)	371	133	2,921	(75)	**(48,387)**
Amounts recognised in the Statement of Comprehensive Revenue and Expense						
Relating to the current period	(50)	165	-	-	-	**115**
Prior period adjustments	(154)	(2)	-	-	73	**(83)**
Amounts recognised directly in other comprehensive income	(1,011)	-	-	(197)	-	**(1,208)**
Balance at 31 March	**(52,952)**	**534**	**133**	**2,724**	**(2)**	**(49,563)**

	Group					
	Property plant and equipment	Provisions and accruals	Investment property	Hedge reserve	Other	Total
31 March 2017	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 01 April	(51,907)	344	78	4,240	(75)	**(47,320)**
Amounts recognised in the Statement of Comprehensive Revenue and Expense						
Relating to the current period	374	(14)	55	2	-	**417**
Prior period adjustments	(238)	41	-	-	-	**(197)**
Amounts recognised directly in other comprehensive income	34	-	-	(1,321)	-	**(1,287)**
Balance at 31 March	**(51,737)**	**371**	**133**	**2,921**	**(75)**	**(48,387)**

8 INCOME TAX EXPENSE (CONTINUED)

Group deferred tax net liability

The $49.5 million (2017: $48.3 million) net deferred tax liability includes $52.9 million (2017: $51.7 million) that relates to accounting depreciation on property, plant and equipment that has been revalued, with the remaining relating to differences between accounting and tax depreciation rates. As the network and port assets are held for the long term, this liability is unlikely to be realised.

The parent company has recognised other deferred tax assets of $72,797 on tax losses to carry forward (2017: $nil).

9 CASH AND CASH EQUIVALENTS

	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current accounts	11,865	12,333	6,817	7,104
Call deposits	-	66	-	-
Total cash and cash equivalents	**11,865**	**12,399**	**6,817**	**7,104**

10 TRADE AND OTHER RECEIVABLES

DETERMINATION OF FAIR VALUE

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.

NOTE	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Exchange trade and other receivables				
Trade receivables	9,067	7,265	-	-
GST receivable	-	151	-	-
Other receivables	1,251	1,119	191	201
Total exchange trade and other receivables	**10,318**	**8,535**	**191**	**201**

Trade receivables are stated net of impairment loss allowances of $83,737 (2017: $45,463). Trade receivables that are less than three months past due are not considered impaired unless there is evidence to the contrary. No impairment losses have been recognised on related party receivables.

	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Non-exchange trade and other receivables				
Other receivables	348	258	328	258
Total non-exchange trade and other receivables	**348**	**258**	**328**	**258**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

11 PROPERTY, PLANT AND EQUIPMENT

POLICIES

Recognition and measurement

Property, plant and equipment are tangible assets expected to be used during more than one financial period and include spares held for the servicing of other property, plant and equipment.

The initial cost of purchased property, plant and equipment is the value of the consideration given to acquire the property, plant and equipment and the value of other directly attributable costs, which have been incurred in bringing the property, plant and equipment to the location and condition necessary for the intended service.

The initial cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour on the project, financing costs that are attributable to the project and an appropriate proportion of the other directly attributable overheads incurred in bringing the items to working condition for their intended use. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any costs of abnormal waste.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure can be measured reliably and either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time. The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense as incurred.

Land and buildings, electricity distribution, electricity generation equipment and walls, wharves and surfaces are subsequently stated at revalued amounts, less any subsequent accumulated depreciation and impairment losses. Land and buildings, electricity distribution and electricity generation equipment are revalued with sufficient regularity to ensure that the carrying amount of these items does not significantly differ from that which would be determined using fair value at the date of the financial statements. Revaluation assumptions are reviewed annually to ensure fair value is being stated.

Property, plant and equipment is revalued on a cyclical basis. Valuations are carried out by registered valuers. For electricity distribution and electricity generation equipment assets and wharves, walls and surfaces, revaluations are carried out on a cyclical basis not exceeding five years, by independent valuers.

Any movement on revaluation is reflected through reserves for that class of asset unless there is insufficient reserve in which case that would flow through to the Statement of Comprehensive Revenue and Expense.

All other plant and equipment are valued at historical cost.

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 'other administrative expenses', depending on whether a gain or a loss respectively. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings and recognised through other comprehensive income.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation

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

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

● Buildings	40 - 50 years
● Electricity distribution equipment	10 - 70 years
● Electricity generation equipment	15 - 50 years
● Wharves, walls and surfaces	3 - 100 years
● Floating plant	2 - 25 years
●Other plant and equipment	
● Plant and equipment	3 - 20 years
● Motor vehicles	5 - 10 years

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

Exploration and evaluation expenditure

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

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

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

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

Capitalised costs are reviewed at the end of each reporting period to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of the capitalised costs. Exploration and evaluation expenditure is impaired in the Statement of Comprehensive Revenue and Expense 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.

JUDGEMENTS

Classification of expenditure in relation to property, plant and equipment

On initial recognition of items of property, plant and equipment, judgements must be made about whether costs incurred relate to bringing the items to working condition for their intended use, and therefore are appropriate for capitalisation as part of the cost of the item, or whether they should be expensed as incurred. As required by PBE IPSAS 17, Property, Plant and Equipment, management must exercise their judgement to assess the amount of overhead costs which can be reasonably directly attributed to the construction or acquisition of items of property, plant and equipment. For example, employee costs arising directly from such activities are capitalised within the initial cost of property, plant and equipment. Thereafter, judgement is also required to assess whether subsequent expenditure increases the future economic benefits to be obtained from that asset and is therefore also appropriate for capitalisation or whether such expenditure should be treated as maintenance and expensed.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation and impairment of property, plant and equipment

Management must also consider whether any indicators of impairment have occurred which might require impairment testing of the current carrying values of property, plant and equipment. Assessing whether individual assets or a grouping of related assets (which generate cash flows co-dependently) are impaired may involve estimating the future cash flows that those assets are expected to generate. This will in turn involve assumptions, including rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flows.

Revaluations current year

Land and buildings

Port land and buildings were revalued on 31 March 2018 (total fair value of $33.1 million) by an independent valuer; Colliers International. The method of valuation was market-based for non-specialised land assets. The values ranged from $10m2 - $240m2 in the port location and $7.8m2 - $9m2 for rural storage sites. For specialised buildings, Optimised Depreciated Replacement cost (ODRC) was used. For other buildings a comparison was made of contract income to capitalised market yield rates. The range was from $170m2 - $1867m2. The per metre rates were affected by building size and other factors.

Electricity distribution

Electricity distribution assets and related land and buildings were last revalued on 30 November 2017, (fair value $146.7 million) by PricewaterhouseCoopers ("PwC").

The valuation method used was a discounted cash flow basis, using the following key assumptions.

- Default Price Quality Path WACC assumptions 6.19% - 7.28%.
- Closing 2030 Regulatory Asset Base used as the terminal value and discounted back to valuation date.
- Forecast revenue and operating costs.
- Forecast capital projects.

Revaluations prior years

Land and buildings

Network operational land and buildings were valued on 31 March 2016 (total fair value of $4.3 million) by an independent valuer; AON New Zealand Limited. The method of valuation was the market approach. The approaches used were direct comparison, income based, capitalisation and the capitalisation rate or yield.

Eastland Development Fund Limited's Commerce Place property, held for economic development, was valued on 31 March 2016 (total fair value of $3.279 million) by an independent valuer; Kay Maw of Lewis Wright Valuation and Consultancy Limited. The approaches used were direct sales comparison and capitalised income.

Electricity generation equipment

Electricity generation equipment ("Gensets") were revalued at 31 March 2015 (total fair value of $2.2 million) by an independent valuer; Jacobs New Zealand Limited. The valuation used was a discounted cash flow basis, using the following assumptions:

- A nominal post tax discount rate of 8.59%.
- Forecast operating costs were based on current operating costs adjusted for inflation of 2%.
- Revenue forecasts were based on the terms of the Contract Energy agreement together with an assumption on electricity spot price at the time of generation.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Waihi Hydroelectric Scheme (including buildings) was revalued as at 31 March 2017 (total fair value of $15.4 million) by an independent valuer; Jacobs. The valuation used was a discounted cash flow basis, using the following assumptions:

- Outputs were based on an average plant availability of 25.5% of capacity resulting in an average production of 11.19 GV
- Wholesale electricity prices were based on the Gisborne reference nodal price path estimates prepared by an independent consultant; Energylink in April 2016.
- Forecast operating costs are based on current operating costs adjusted for inflation of 2%.
- A major half-life overhaul of the generator and turbine equipment was assumed in the forecast of capital expenditure.
- A nominal post tax discount rate of 8.47% which is reflective of the expectation an investor would expect to receive on private generation projects.
- A corporate tax rate of 28%.

The geothermal plant, owned by Geothermal Developments Limited, was revalued at 31 March 2015 (total fair value of $38.6 million) by an independent valuer; Jacobs New Zealand Limited. The valuation used was a discounted cash flow basis, using the following assumptions:

- Net generation capacity of 8.37 MW.
- Wholesale electricity prices were based on the existing Power Purchase Agreement currently in place and the Kawerau reference nodal price estimates prepared by management taking into consideration independent price path forecasts and prices obtained for long term power purchase agreements.
- Operating costs were based on current operating costs adjusted for inflation of 2%.
- Capital expenditure was derived from the plant's asset management plan, with a new production well expected to be drilled in 2020, control and instrument replacement and refurbishment in 2024, 2029 and 2034.
- A nominal post tax discount rate of 8.59% which was reflective of the expectation an investor would expect to receive on private generation projects.
- A corporate tax rate of 28%.

The impairment assessment at 31 March 2018, has resulted in an impairment being recognised of $1.7 million through Other Comprehensive Income. The main change to the above assumptions is the WACC rate of 8%.

Wharves, walls & surfaces

The Port wharves, walls and surfaces and some other plant and equipment were revalued on 31 March 2016 (total fair value $105.9 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 were 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 log cargos increase from 1 April 2017 following a customer consultation period.
- Operating costs were based on current operating cost to volume ratios plus inflation of 2% per annum.
- Capital expenditures include both maintenance and growth capital expenditure to support the estimated volumes.
- The post-tax discount rate of 8.5% was the weighted average cost of capital (WACC).
- The terminal value was based on free cash flow at 2030 with the valuation tested at terminal value growth rates of 1.5 - 3.5%.
- A corporate tax rate of 28%.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

NOTE

	Group							
	Land & buildings	Electricity distribution equipment	Electricity generation equipment	Wharves, walls & surfaces	Floating plant	Other plant & equipment	Work in progress	Total
31 March 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or fair value								
Balance at 01 April	65,273	155,949	67,658	108,691	18,228	21,265	60,134	497,198
Additions	1,434	6,388	9,932	7	868	2,527	49,377	70,533
Disposals	(426)	(268)	(10)	-	(1,057)	(712)	-	(2,473)
Revaluations	254	(19,112)	-	-	-	(405)	-	(19,263)
Transfers	(5,947)	(8)	-	(11)	-	155	-	(5,811)
Balance at 31 March	**60,588**	**142,949**	**77,580**	**108,687**	**18,039**	**22,830**	**109,511**	**540,184**
Accumulated depreciation								
Balance at 01 April	2,771	20,874	7,152	4,197	4,172	9,335	-	48,501
Disposals	-	(36)	(9)	-	(937)	(530)	-	(1,512)
Impairment	-	-	1,700	-	-	-	-	1,700
Revaluations	(1,839)	(24,468)	-	-	-	(457)	-	(26,764)
Transfers	(3)	-	-	(1)	-	(122)	-	(126)
Depreciation	1,323	5,427	2,772	3,239	1,127	1,947	-	15,835
Balance at 31 March	**2,252**	**1,797**	**11,615**	**7,435**	**4,362**	**10,173**	**-**	**37,634**
At 31 March, net of accumulated depreciation	**58,336**	**141,152**	**65,965**	**101,252**	**13,677**	**12,657**	**109,511**	**502,550**

	Group							
	Land & buildings	Electricity distribution	Electricity generation equipment	Wharves, walls & surfaces	Floating plant	Other plant & equipment	Work in progress	Total
31 March 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or fair value								
Balance at 01 April	60,268	148,839	57,372	106,002	17,434	19,542	13,765	423,222
Additions	3,803	7,476	10,284	2,230	924	2,709	46,369	73,795
Disposals	(1,358)	(389)	(5)	-	(130)	(482)	-	(2,364)
Revaluation/ reclassifications	2,560	23	7	459	-	(504)	-	2,545
Balance at 31 March	**65,273**	**155,949**	**67,658**	**108,691**	**18,228**	**21,265**	**60,134**	**497,198**
Accumulated depreciation								
Balance at 01 April	1,756	15,528	4,423	1,054	3,223	8,009	-	33,993
Disposals	(4)	(85)	(1)	-	(87)	(359)	-	(536)
Revaluation/ reclassifications	(3)	23	6	19	-	(58)	-	(13)
Depreciation	1,022	5,408	2,724	3,124	1,036	1,743	-	15,057
Balance at 31 March	**2,771**	**20,874**	**7,152**	**4,197**	**4,172**	**9,335**	**-**	**48,501**
At 31 March, net of accumulated depreciation	**62,502**	**135,075**	**60,506**	**104,494**	**14,056**	**11,930**	**60,134**	**448,697**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Parent							
	Land & buildings	Electricity distribution	Electricity generation equipment	Wharves, walls & surfaces	Floating plant	Other plant & equipment	Work in progress	Total
31 March 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or fair value								
Balance at 01 April	-	-	-	-	-	39	-	39
Additions	-	-	-	-	-	71	15	86
Balance at 31 March	**-**	**-**	**-**	**-**	**-**	**110**	**15**	**125**
Accumulated depreciation								
Balance at 01 April	-	-	-	-	-	30	-	30
Depreciation	-	-	-	-	-	10	-	10
Balance at 31 March	**-**	**-**	**-**	**-**	**-**	**40**	**-**	**40**
At 31 March, net of accumulated depreciation	**-**	**-**	**-**	**-**	**-**	**70**	**15**	**85**

	Parent							
	Land & buildings	Electricity distribution	Electricity generation equipment	Wharves, walls & surfaces	Floating plant	Other plant & equipment	Work in progress	Total
31 March 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or fair value								
Balance at 01 April	-	-	-	-	-	36	-	36
Additions	-	-	-	-	-	3	-	3
Balance at 31 March	**-**	**-**	**-**	**-**	**-**	**39**	**-**	**39**
Accumulated depreciation								
Balance at 01 April	-	-	-	-	-	26	-	26
Depreciation	-	-	-	-	-	4	-	4
Balance at 31 March	**-**	**-**	**-**	**-**	**-**	**30**	**-**	**30**
At 31 March, net of accumulated depreciation	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**9**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Land and buildings	24,678	26,779	-	-
Electricity distribution	86,661	83,838	-	-
Wharves, Walls & Surfaces	44,297	46,010	-	-
	155,636	**156,627**	**-**	**-**

There are no restrictions on title, and property, plant and equipment pledged as security for liabilities. There is no restriction on the distribution of the balance to owners.

In the year to 31 March 2018 $4,076,038 (2017: $1,736,837) of interest has been capitalised to work in progress. The weighted average interest rate on funds capitalised was 4.30% (2017: 4.45%).

Commitments

As at 31 March 2018, the Group had total commitments payable within the next 12 months of $27.1 million (2017: $19.3 million).

12 ASSETS HELD FOR SALE

POLICIES

Individual non-current non-financial assets (and disposal groups) are classified as held for sale if they are available for immediate sale in their present condition subject only to the customary sales terms of such assets (and disposal groups) and their sale is considered highly probable. For a sale to be highly probable, management must be committed to a sales plan and actively looking for a buyer. Furthermore, the assets (and disposal groups) must be actively marketed at a reasonable sales price in relation to their current fair value and the sale should be expected to be completed within one year. Non-current non-financial assets (and disposal groups) which meet the criteria for held for sale classification are measured at the lower of their carrying amount and fair value less costs to sell and are presented within assets held for sale in the Statement of Financial Position. The comparatives are not re-presented when non-current assets (and disposal groups) are classified as held for sale. If the disposal group contains financial instruments, no adjustment to their carrying amounts is permitted.

NOTE

An investment of $7.4 million was made into Prime SPV Limited to acquire the land, buildings, plant and equipment of the Prime sawmill site with a view to developing a wood processing cluster. When fully operational, it is expected to create as many as 120 direct jobs and inject up to $7.7 million per annum into the local economy.

The the sawmill plant and equipment, and selected buildings were held for sale in the 2017 financial year. To create 60 direct jobs and contribute to regional GDP, Trustees were prepared to accept a lower value than what is recorded in the financial statements. Accordingly, an impairment of $3.6 million was made in the 2017 year against the asset held for sale. This impairment is linked to the economic benefits and job opportunities that are expected to be derived.

The sale was transacted during the 2018 for $1.7 million. This resulted in a loss on sale of $744,544 when compared to the 2017 carrying value. An interest free loan of $1.2 million was made to Far East Sawmill Limited to execute this transaction.

	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Assets and liabilities held for sale				
Prime sawmill property, plant and equipment	-	2,438	-	-
Total current assets	**-**	**2,438**	**-**	**-**
TOTAL ASSETS	**-**	**2,438**	**-**	**-**
Liabilities				
Current liabilities				
Loans and borrowings	-	(2,300)	-	-
Total liabilities associated with assets classified as held for sale	**-**	**(2,300)**	**-**	**-**
Net assets of assets held for sale	**-**	**138**	**-**	**-**

13 INVESTMENT PROPERTIES

POLICIES

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, and not used in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change recognised in the Statement of Comprehensive Revenue and Expense within administrative expenses and disclosed separately in the financial statements.

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.

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 Revenue and Expense.

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 Revenue and Expense.

NOTE	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Opening balance at 1 April	14,065	16,350	-	-
Additions	991	1,255	-	-
Disposals	(470)	(1,164)	-	-
Transfers out to operational property	5,936	(2,557)	-	-
Fair value adjustment	298	181	-	-
Closing balance at 31 March	**20,820**	**14,065**	**-**	**-**

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

They are measured at fair value, based on an annual valuation by an independent valuer; Aon New Zealand.

The fair value is based on a discounted cashflow model using expected market rentals for the highest and best use of the property. An analysis of current property sales is also assessed in determining the value. The investment property that has been revalued is categorised as level 3 in the fair value hierarchy. There have been no transfers between levels.

14 INVESTMENT IN SUBSIDIARIES

POLICIES

Subsidiaries

Subsidiaries are entities controlled, directly or indirectly by the Group. The financial statements of subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation.

Acquisition or disposal during the period

Where a business becomes or ceases to be a part of the Group during the period, the results of the business are included in the consolidated results from the date that control or significant influence commenced until the date that control or significant influence ceased. Where a business is acquired all identifiable assets, liabilities and contingent liabilities are recognised at their fair value at acquisition date. The fair value does not take into consideration any future intentions by the Group.

Goodwill arising on obtaining control of a subsidiary

Where an acquisition results in obtaining control of a subsidiary for the first time, the carrying amount of any previous non-controlling interest held by the Group is first re-measured to fair value and the difference between the carrying amount and the re-measured fair value is recognised in the Statement of Comprehensive Revenue and Expense. Goodwill is then calculated as the sum of the fair value of the consideration paid, the re-measured fair value of the non-controlling interest previously held by the acquirer and the recognised amount of any remaining non-controlling interest in the acquiree held by third parties less the fair value of the total identifiable assets and liabilities of the acquiree at the date of the acquisition.

If the fair value of the total identifiable assets and liabilities acquired exceeds the sum of the fair value of the consideration paid, the re-measured fair value of the non-controlling interest previously held by the acquirer and the recognised amount of any remaining non-controlling interest in the acquiree held by third parties, then a gain representing a bargain purchase is recognised in the Statement of Comprehensive Revenue and Expense.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Transactions eliminated on consolidation

Intra-group advances to and from subsidiaries are recognised at amortised cost within current assets and current liabilities in the separate financial statements of the parent. Subsidiaries' advances from and to the parent are repayable on demand. Any interest income and interest expense incurred on these advances is eliminated in the Statement of Comprehensive Revenue and Expense on consolidation. All intra-group advances are eliminated on consolidation.

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

NOTE		Country of incorporation	Ownership Interest (%)	
			2018	2017
Eastland Group Limited	Infrastructure assets	NZ	100%	100%
Eastland Development Fund Limited	Investment company	NZ	100%	100%
Prime SPV Limited	Investment property	NZ	100%	100%
Activate Tairawhiti Limited	Economic Development	NZ	100%	-
Eastech Limited	Contracting	NZ	100%	100%
Eastland Energy Solutions Limited	Energy Solutions	NZ	100%	100%
Eastland Generation Limited	Electrical generation	NZ	100%	100%
Eastland Investment Properties Limited	Investment property	NZ	100%	100%
Eastland Network Limited	Electrical distribution	NZ	100%	100%
Eastland Port Limited	Port services	NZ	100%	100%
Eastland Port Debarking Limited	Debarker services	NZ	100%	100%
Geothermal Developments Limited	Geothermal generation	NZ	100%	100%
Gisborne Airport Limited	Airport services	NZ	100%	100%
Inner Harbour Marina Limited	Harbour services	NZ	100%	100%
Northland Debarking Limited	Debarker services	NZ	100%	100%
Te Ahi O Maui General Partnership Limited	Geothermal generation	NZ	94%	94%
Te Ahi O Maui Limited Partnership	Geothermal generation	NZ	94%	94%

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. See note 26 for advances from the Trust to subsidiary entities.

On the 1st of July 2017 the Trust acquired 100% of the share in Activate Tairawhiti Ltd, the regions economic and tourism development agency. The assets and liabilities on acquisition are as follows:

	Fair value $'000
Current assets	
Cash and debtors	602
Non-current assets	
Plant and equipment	251
Advances	460
Current liabilities	
Trade and other payables	(293)
Non-current liabilities	
Loans	(1,092)
Net assets	**(72)**
Net cash outflow on acquisition	**Nil**
Total cash flow of acquisition of subsidiaries	**Nil**

15 INVESTMENT IN ASSOCIATE

POLICIES

An associate is where the Group has significant influence over an investment that is neither a controlled entity nor an interest in a joint venture.

Associates are accounted for using the equity method of consolidation. Under the equity method of accounting, interests in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the surplus or deficit of the investment.

NOTE

Details of the Group's associate at the end of the reporting period is as follows:

Name of associate	Principle activity	Place of incorporation	Portion of ownership interest an voting rights held by the Group 2018	2017
Flick Energy Limited	Retail electricity provider	New Zealand	22.6%	18.7%

Part way through the period the investment in this entity moved from an investment to an investment in an associate. The associate is accounted for using the equity method. The following summarised financial information in respect of the Group's interest in the associate is set out below.

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Reconciliation of the interest in the associate recognised in the consolidated financial statements:				
Cost of shares (previously held as an investment)	7,551	-	-	-
Revaluation of shares on recognition as an associate	1,479	-	-	-
Share of changes in net assets	(1,501)	-	-	-
Carrying amount of the Group's interest in the associate	**7,529**	**-**	**-**	**-**
Total investment in associate is made up of:				
Carrying amount of the Group's interest in the associate	7,529	-	-	-
Convertible note	3,085	-	-	-
Total investment in associate	**10,614**	**-**	**-**	**-**

The convertible note was issued by Flick Energy Limited to Eastland Energy Solutions Limited for $3.0 million. The note is repayable on 1 June 2019 and attracts a coupon rate of 10% per annum.

16 INVESTMENT IN JOINT VENTURES

POLICIES

Joint ventures are contractual arrangements with other parties which establish joint control for each of the parties over the related operations, assets or entity. The Group is jointly and severally liable in respect of costs and liabilities, and shares in any resulting profit/(loss) or output.

Joint ventures are accounted for through inclusion of the Group's share of the joint venture's operations in the financial statements, using the equity method of consolidation. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in the Statement of Comprehensive Revenue and Expense. Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTE

Details of the Group's joint ventures at the end of the reporting period is as follows:

			Portion of ownership interest	
Name of joint venture	Principle activity	Place of incorporation	2018	2017
Eastland Debarking	Debarking and anti-sap treatment of export logs stored at the port in Gisborne.	New Zealand	50.0%	50.0%
WET Gisborne	Wood engineering.	New Zealand	49.9%	49.9%

Eastland Debarking is a joint venture accounted for using the equity method with the other 50% share of the joint venture being held by East Coast Forests Limited.

WET Gisborne is a wood processing venture that will obtain a licence to use Wood Engineering Technology and will construct, commission and operate a 50,000 cubic meter plant per annum using the technology on a site in Gisborne. The other 50.1% joint venture partner is Wood Engineering Technology Limited.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Net assets of the joint venture	5,143	6,564	-	-
Proportion of the Group's ownership interest in joint ventures	49.97%	49.97%	-	-
Carrying amount of the Group's interest in the joint venture	**2,570**	**3,280**	**-**	**-**

Significant restrictions

There are no significant restrictions on the ability of the joint venture to transfer funds to the Group in the form of profit sharing.

Commitments

At 31 March, total capital expenditure committed but not yet incurred was $Nil (2017: $Nil).

Contingent Liabilities

At 31 March, total contingent liabilities were $Nil (2017: $Nil).

17 INTANGIBLE ASSETS

POLICIES

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 Revenue and Expense. Impairment losses are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

The useful lives of the goodwill as assessed as indefinite and not amortised, but is tested for impairment each year.

Other intangibles

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

JUDGMENTS

Valuation of goodwill

The carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment requires management to estimate future cash flows to be generated by operating segments to which goodwill has been allocated. Estimating future cash flows entails making judgements including the expected rate of growth of revenues, margins expected to be achieved, the level of future maintenance expenditure required to support these outcomes and the appropriate discount rate to apply when discounting future cash flows.

NOTE

	Group						
	Development rights	Vended assets	Resource consent	Access rights	Other	Goodwill	Total
31 March 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
Balance at 01 April	1,774	1,860	567	1,398	115	1,000	**6,714**
Balance at 31 March	**1,774**	**1,860**	**567**	**1,398**	**115**	**1,000**	**6,714**
Accumulated amortisation and impairment losses							
Balance at 01 April	-	-	51	56	32	290	**429**
Amortisation for the period	-	-	16	28	12	-	**56**
Balance at 31 March	**-**	**-**	**67**	**84**	**44**	**290**	**485**
Carrying value at 31 March	**1,774**	**1,860**	**500**	**1,314**	**71**	**710**	**6,229**

17 INTANGIBLE ASSETS (CONTINUED)

	Group						
	Development rights	Vended assets	Resource consent	Access rights	Other	Goodwill	Total
31 March 2017	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
Balance at 01 April	1,774	1,860	567	1,398	115	1,000	6,714
Balance at 31 March	**1,774**	**1,860**	**567**	**1,398**	**115**	**1,000**	**6,714**
Accumulated amortisation and impairment losses							
Balance at 01 April	-	-	35	28	20	290	373
Amortisation for the period	-	-	16	28	12	-	56
Balance at 31 March	**-**	**-**	**51**	**56**	**32**	**290**	**429**
Carrying value at 31 March	**1,774**	**1,860**	**516**	**1,342**	**83**	**710**	**6,285**

The parent has not recognised any intangible assets (2017: $nil).

The Trustees have assessed and are comfortable with the carrying values of intangible asset.

18 OTHER INVESTMENTS AND RECEIVABLES

DETERMINATION OF FAIR VALUE

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

NOTE	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Capital notes (related parties)	-	-	30,000	30,000
Fixed interest financial instruments	16,972	16,639	16,972	16,639
Listed equities	31,132	29,845	31,132	29,845
Unlisted equities	-	5,051	-	-
Receivables greater than one year	1,232	-	-	-
Total other investments and receivables	**49,336**	**51,535**	**78,104**	**76,484**
Made up as				
Current asset	3,027	1,301	3,027	1,301
Non-current asset	46,309	50,234	75,077	75,183
Total other investments and receivables	**49,336**	**51,535**	**78,104**	**76,484**

The Trust subscribed for $30 million of Capital Notes on 1 April 2010 issued by wholly-owned subsidiary Eastland Group Limited. These were renewed on 1 April 2015, and have an initial term of five years with election dates possibly occurring thereafter subject to 15 months prior notice from the note holder. At election date, Eastland Group may elect to redeem all or part of the notes for equity or cash. The notes incur interest at 7.1% (2017: 7.1%).

A loan of $1,232,000 was given to Far East Sawmill Limitd to execute the sale of the Prime Sawmill assets and associated buildings. This is interest free and to be repaid over three years based on an amount equal to the adjusted EBITDA for the calculation period. If the amount payable for all three calculation periods is less than $1,232,000 then the amount of the shortfall shall be due and payable at the third calculation period.

19 PAYABLES AND ACCRUALS

NOTE	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables	8,457	6,044	106	108
Non-trade payables and accrued expenses	6,000	3,504	4,256	2,464
Interest payable	683	439	-	-
GST payable	38	-	-	-
Total payables and accruals	**15,178**	**9,987**	**4,362**	**2,572**

Trade and other payables generally have terms of 30 days and are interest free. The Board consider the carrying amount of trade and other payables approximates fair value because the amounts due will be settled within 12 months and are interest free.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

20 EMPLOYEE ENTITLEMENTS

POLICIES

Short-term benefits

Short-term benefits, payable within 12 months, 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.

NOTE	Group		Parent	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Provisions for:				
Annual leave	943	821	16	42
Short-term benefits	690	356	-	-
Post-employment benefits	70	92	-	-
Total employee entitlements	**1,703**	**1,269**	**16**	**42**
Expenses recognised in profit or loss				
Wages and salaries	11,177	10,418	634	574
Contributions to defined contribution plans	547	523	19	-
Total personnel expenses	**11,724**	**10,941**	**653**	**574**

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, see Note 24.

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
The borrowings are repayable as follows:				
Within one to five years	210,000	168,300	-	-
Total borrowings	**210,000**	**168,300**	**-**	**-**
Classified as follows:				
Current - associated with assets held for sale	-	2,300	-	-
Non current loans and borrowings	210,000	166,000	-	-
Total borrowings	**210,000**	**168,300**	**-**	**-**

	Group		Parent	
31 March 2018	Drawn $'000	Undrawn $'000	Drawn $'000	Undrawn $'000
Facility A maturing 1 April 2021	210,000	-	-	-
Facility A maturing 1 April 2022	-	30,000	-	-
Facility B maturing 30 June 2019	-	15,000	-	-
	210,000	**45,000**	**-**	**-**
31 March 2017				
Facitlity A maturing 1 April 2021	166,000	44,000	-	-
Facility B maturing 30 June 2018	-	15,000	-	-
	166,000	**59,000**	**-**	**-**

The Group has bank funding from the ANZ Bank, ASB and BNZ. At 31 March 2018 there were total bank facilities of NZD $255 million (2017: $225 million) which are unsecured and subject to a Deed of Negative Pledge. The borrowings are in the name of Eastland Group Limited. The guaranteeing subsidiaries of the Group debt are as follows:

Gisborne Airport Limited
Eastland Port Limited
Eastland Port Debarking Limited
Eastland Network Limited
Eastland Investment Properties Limited
Te Ahi o Maui Limited Partnership
Geothermal Developments Limited
Inner Harbour Marina Limited
Eastech Limited
Northland Debarking Limited
Eastland Generation Limited

These borrowings are rolled over at 90 day intervals spread throughout the year. The interest rates on these borrowings is the BKBM rate at the rollover date plus a margin of 0.86% (2017: 0.86%). At 31 March 2018, the rates on borrowings ranged from 2.78% to 2.87% (2017: 2.77% to 2.94%). Facilities with the ANZ Bank had expiry dates of 1 April 2021 Facility A ($210 million), 1 April 2022 Facility B ($30 million) and a perpetual facility of $15 million which expires 18 months from drawdown. There have been no defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable during the period.

22 CONTINGENCIES

At 31 March 2018, there were no known contingent liabilities (2017: Nil).

23 LEASES

POLICIES

Finance leases

Property, plant and equipment under finance leases, where the Group as lessee assumes substantially all the risks and rewards of ownership, are recognised as non-current assets in the Statement of Financial Position. Leased property, plant and equipment are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment apportioned between the reduction of the outstanding liability and the finance expense. The finance expense is charged to the Statement of Comprehensive Revenue and Expense in each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased property, plant and equipment are depreciated over the shorter of the lease term and the useful life of equivalent owned property, plant and equipment.

Operating leases

(i) As lessee

Payments made under operating leases, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used by the Group under operating leases are not recognised in the Group's Statement of Financial Position.

(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 the investment property policy in note 13.

Leasehold improvements

The cost of improvements to leasehold property are capitalised and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

23 LEASES (CONTINUED)

NOTE

Operating leases receivable

The Group has leased certain investment properties, note 13, and some other land and buildings, under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Less than one year	2,358	2,472	-	-
Between one and five years	4,326	4,922	-	-
More than five years	366	269	-	-
Total operating leases receivable	**7,050**	**7,663**	**-**	**-**

Operating leases payable

The Group leases land and/or buildings in Gisborne, Kawerau, Whakatane and Northland, 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.

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Less than one year	915	906	81	81
Between one and five years	2,710	3,330	-	-
More than five years	9,103	11,310	-	-
Total operating leases payable	**12,728**	**15,546**	**81**	**81**

The Group operating lease payments of $1,094,318 were made during this financial year (2017: $943,852).

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

POLICIES

i) Non-derivative financial instruments

Financial assets

Financial assets consist of cash and cash equivalents, loans and receivables.

Cash and cash equivalents, loans and receivables

Trade receivables, loans, cash and cash equivalents and other receivables are initially recorded at fair value and subsequently measured at amortised cost less impairment. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the inception of the loan or receivable. Discounting is not undertaken when the receivable is expected to be collected within twelve months. A provision for doubtful debts is recognised to allow for the reduction in fair value attributable to expected doubtful or delayed collection of receivables.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intend to either settle on a net basis or realise the asset and settle the liability simultaneously. Cash and cash equivalents comprise cash on hand, cash in banks and short term deposits maturing within three months. 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.

Available-for-sale financial assets

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

Held-to-maturity investments

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

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

Compound financial instruments

Compound financial instruments issued by the Group comprise of Capital Notes that can be converted into share capital or redeemed for cash at the option of the Group.

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

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

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in finance costs in the Statement of Comprehensive Revenue and Expense over the period of the borrowing using the effective interest rate method.

Other financial liabilities comprise trade and other payables. Discounting is not undertaken when the payable is expected to be paid within twelve months. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intend to either settle on a net basis or realise the asset and settle the liability simultaneously.

ii) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate and foreign exchange forwards, swaps and options. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. The resulting gain or loss is recognised in the Statement of Comprehensive Revenue and Expense immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the Statement of Comprehensive Revenue and Expense depends on the nature of the designated hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Revenue and Expense immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The gain or loss relating to both the effective and the ineffective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of Comprehensive Revenue and Expense within finance costs. Changes in the fair value of the underlying hedged fixed rate borrowings attributable to interest rate risk are also recognised in the Statement of Comprehensive Revenue and Expense within finance costs.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the Statement of Comprehensive Revenue and Expense from that date.

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the Statement of Comprehensive Revenue and Expense within finance costs.

Amounts accumulated in equity are recognised as finance costs in the Statement of Comprehensive Revenue and Expense in the periods when the hedged item is recognised in the Statement of Comprehensive Revenue and Expense. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the Statement of Comprehensive Revenue and Expense within finance costs, when the underlying transaction affects earnings. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Thereafter, any cumulative gain or loss previously recognised in equity is only recognised in the Statement of Comprehensive Revenue and Expense when the forecast transaction is ultimately recognised in the Statement of Comprehensive Revenue and Expense. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was previously recognised in equity is recognised immediately in the Statement of Comprehensive Revenue and Expense.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Revenue and Expense within finance costs.

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

iii) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. If there is no contractual obligation to deliver cash or another financial asset, then the instrument is classified as equity. All other instruments are classified as liabilities.

Interest and dividends

Interest paid and dividends paid are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

iv) Impairment of financial assets

The carrying amount of the Group assets are reviewed at balance date to determine whether there is any evidence of impairment. Where assets are deemed to be impaired, the impairment loss is the amount that the carrying amount exceeds its recoverable amount. Impairment losses reduce the carrying amount of assets and are recognised as an expense in the Statement of Comprehensive Revenue and Expense within non-operating expenses.

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.

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.

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 Revenue and Expense within administrative expenses.

JUDGEMENTS

Valuation of financial instruments

Management have estimated the fair value of the Group's financial instruments based on valuation models that use observable market inputs. Following are the key observable inputs that management have applied in reaching their estimates of the fair values of financial instruments and sensitivity analysis detailing the potential future impacts of reasonably possible changes in those observable inputs over the next financial period.

DETERMINATION OF FAIR VALUE

The following methods and assumptions were used to estimate the carrying amount and fair value of each asset class of financial instrument carried at fair value. Where financial instruments are measured at fair value they have been classified at the following levels.

Level 1 : quoted prices (unadjusted) in active markets for assets or liabilities; or

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); or

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Dirivative financial instruments are interest rate swaps, collara and caps. These are based on level 2 fair value methodologies, and were calculated using valuation models applying observable market data such as forward rates and contract rates, discoutned at a rate that reflects the credit risk of various counterparties.

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

NOTE

The Group have comprehensive policies to manage the risks of financial instruments. These outline the objectives and approach the Group applies in its financial risk management processes. They cover, among other things, management of credit risk, interest rate risk, funding risk, liquidity risk, currency risk and operational risk. Non-derivative financial liabilities are categorised as 'amortised cost'. Derivative financial instruments are categorised as 'fair value through profit and loss' unless hedge accounting is applied. Hedge accounting is applied for all derivative financial instruments.

Financial assets and liabilities

		Group						
		Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Available for sale and held to maturity *	Other liabilities at amortised cost	Total carrying amount	Fair value
31 March 2018	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Trade and other receivables	10	-	-	10,666	-	-	10,666	10,666
Derivative financial instrument	24	-	4	-	-	-	4	4
Other Investments and receiva	18	-	-	1,232	48,104	-	49,336	49,336
Cash and cash equivalents	9	11,865	-	-	-	-	11,865	11,865
Convertible note		-	-	-	3,085	-	3,085	3,085
Total financial assets		**11,865**	**4**	**11,898**	**51,189**	**-**	**74,956**	**74,956**
Financial liabilities								
Derivative financial instrument	24	-	(10,144)	-	-	-	(10,144)	(10,144)
Loans and borrowings	21	-	-	-	-	(210,000)	(210,000)	(210,000)
Payables and accruals	19	-	-	-	-	(15,178)	(15,178)	(15,178)
Employee entitlements	20	-	-	-	-	(1,703)	(1,703)	(1,703)
Total financial liabilities		**-**	**(10,144)**	**-**	**-**	**(226,881)**	**(237,025)**	**(237,025)**
Total net financial assets/(liabilities)		**11,865**	**(10,140)**	**11,898**	**51,189**	**(226,881)**	**(162,069)**	**(162,069)**

* Other investments and receivables of $48.1 million are available for sale and the Convertible note of $3.1 million is held to maturity.

		Group						
		Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Available for sale and held to maturity *	Other liabilities at amortised cost	Total carrying amount	Fair value
31 March 2017	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Trade and other receivables	10	-	-	8,793	-	-	8,793	8,793
Derivative financial instrument	24	-	291	-	-	-	291	291
Other Investments and receiva	18	-	-	-	51,535	-	51,535	51,535
Cash and cash equivalents	9	12,399	-	-	-	-	12,399	12,399
Total financial assets		**12,399**	**291**	**8,793**	**51,535**	**-**	**73,018**	**73,018**
Financial liabilities								
Derivative financial instrument	24	-	(11,135)	-	-	-	(11,135)	(11,135)
Loans and borrowings	21	-	-	-	-	(168,300)	(168,300)	(168,300)
Payables and accruals	19	-	-	-	-	(9,987)	(9,987)	(9,987)
Employee entitlements	20	-	-	-	-	(1,269)	(1,269)	(1,269)
Total financial liabilities		**-**	**(11,135)**	**-**	**-**	**(179,556)**	**(190,691)**	**(190,691)**
Total net financial assets/(liabilities)		**12,399**	**(10,844)**	**8,793**	**51,535**	**(179,556)**	**(117,673)**	**(117,673)**

* Other investments and receivables of $51.5 million are available for sale.

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

		Parent						
		Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Available for sale and held to maturity *	Other liabilities at amortised cost	Total carrying amount	Fair value
31 March 2018	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Trade and other receivables	10	-	-	519	-	-	519	519
Other Investments and receiva	18	-	-	-	78,104	-	78,104	78,104
Cash and cash equivalents	9	6,817	-	-	-	-	6,817	6,817
Total financial assets		**6,817**	**-**	**519**	**78,104**	**-**	**85,440**	**85,440**
Financial liabilities								
Payables and accruals	19	-	-	-	-	(4,362)	(4,362)	(4,362)
Employee entitlements	20	-	-	-	-	(16)	(16)	(16)
Total financial liabilities		**-**	**-**	**-**	**-**	**(4,378)**	**(4,378)**	**(4,378)**
Total net financial assets/(liabilities)		**6,817**	**-**	**519**	**78,104**	**(4,378)**	**81,062**	**81,062**

* Other investments and receivables of $48.1 million are available for sale and $30 million is held to maturity.

		Parent						
		Cash and cash equivalents	Cash-flow hedges	Loans and receivables	Available for sale and held to maturity	Other liabilities at amortised cost	Total carrying amount	Fair value
31 March 2017	Notes	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Trade and other receivables	10	-	-	459	-	-	459	459
Other Investments and receiva	18	-	-	-	76,484	-	76,484	76,484
Cash and cash equivalents	9	7,104	-	-	-	-	7,104	7,104
Total financial assets		**7,104**	**-**	**459**	**76,484**	**-**	**84,047**	**84,047**
Financial liabilities								
Payables and accruals	19	-	-	-	-	(2,572)	(2,572)	(2,572)
Employee entitlements	20	-	-	-	-	(42)	(42)	(42)
Total financial liabilities		**-**	**-**	**-**	**-**	**(2,614)**	**(2,614)**	**(2,614)**
Total net financial assets/(liabilities)		**7,104**	**-**	**459**	**76,484**	**(2,614)**	**81,433**	**81,433**

* Other investments and receivables of $46.5 million are available for sale and $30 million is held to maturity.

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Group actively manages interest rate exposures in accordance with policy. In this respect, at least fifty percent of all debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and other derivative instruments. The main objectives are to minimise the cost of total debt, control variations in the interest expense of the debt portfolio from year to year and to match where practicable the interest rate risk profile of debt with the risk profile of the Group's assets. The policy sets parameters for managing the interest rate risk profile.

The Group has elected to apply cash-flow hedging to all of its interest rate swaps, collars and caps on external loans totalling $175 million (2017: $170 million) with terms or maturities dates between 24 and 88 months, interest on a floating rate for fixed interest is between 2.43% to 5.94% (2017: 2.85% to 5.94%). The last cash-flow hedge swap matures on 30 July 2025.

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. The hedge relationships are expected to be highly effective over the life of the swaps.

	Group and Parent	
	2018 Notional Amount $'000	2017 Notional Amount $'000
Interest Rate Swaps (Floating to Fixed)		
Maturing in less than 1 year	-	25,000
Maturing between 1 and 2 years	20,000	-
Maturing between 2 and 5 years	85,000	60,000
Maturing after 5 years	70,000	85,000
	175,000	170,000

Hedge accounting and sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates and foreign exchange rates for both derivatives and non-derivative instruments at balance date. It is assumed that the amount of the liability at balance date was outstanding for the whole year. A one percent increase or decrease is used for interest rates and these changes represent management's current assessment of the reasonably possible change over a year.

Interest rate swaps and collars hedging the floating rate debt are hedge accounted and treated as cash flow hedges and hence any changes in interest rates would have no material impact on profits as changes in the fair value of these swaps and collars are taken through other comprehensive income where the hedge is an effective hedge. The fair value of these interest rate swaps is a $9.4 million loss (2017: $7.8 million loss). A fall of 1% in interest rates would result in a loss in other comprehensive income of $4.3 million (2017: $3.4 million) whereas an increase of 1% in interest rates would result in a gain in other comprehensive income of $4.1 million (201: $3.2 million).

Forward starting interest rate swaps and collars hedging the forecasted floating rate debt are also hedge accounted and treated as cash flow hedges and hence any changes in interest rates would have no material impact on profits as changes in the fair value of these swaps are taken through comprehensive income where the hedge is an effective hedge. The fair value of these interest rate swaps and collars is a $2.5 million loss (2017: $2.0 million loss). A fall of 1% in interest rates would result in a loss in other comprehensive income of $1.8 million (2017: $2.7 million) whereas an increase of 1% in interest rates would result in a gain in other comprehensive income of $1.6 million (2017: $2.5 million).

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk

The Group is exposed to exchange risk through the Te Ahi o Maui construction project. Foreign exchange exposure is primarily managed through entering into derivative forward contracts. The board requires that all foreign currency commitments are hedged into NZD at the time of commitment.

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 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 the Group, 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.

Maturity analysis

		Group					
		<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
31 March 2018	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Trade and other receivables	10	10,666	-	-	-	-	10,666
Derivative financial instruments	24	2	-	2	-	-	4
Other Investments and receivables	18	2,254	773	6,949	6,044	33,316	49,336
Cash and cash equivalents	9	11,865	-	-	-	-	11,865
Convertible note	15			3,085			3,085
Total financial assets		**24,787**	**773**	**10,036**	**6,044**	**33,316**	**74,956**
Financial liabilities							
Derivative financial instruments	24	(723)	(114)	(2,670)	(780)	(5,857)	(10,144)
Loans and borrowings	21	-	-	-	(210,000)	-	(210,000)
Payables and accruals	19	(15,178)	-	-	-	-	(15,178)
Employee entitlements	20	(1,703)	-	-	-	-	(1,703)
Total financial liabilities		**(17,604)**	**(114)**	**(2,670)**	**(210,780)**	**(5,857)**	**(237,025)**
Liquidity gap		**7,183**	**659**	**7,366**	**(204,736)**	**27,459**	**(162,069)**

		Group					
		<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
31 March 2017	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Trade and other receivables	10	8,793	-	-	-	-	8,793
Derivative financial instruments	24	288	-	3	-	-	291
Other Investments and receivables	18	1,301	-	5,820	6,458	37,956	51,535
Cash and cash equivalents	9	12,399	-	-	-	-	12,399
Total financial assets		**22,781**	**-**	**5,823**	**6,458**	**37,956**	**73,018**
Financial liabilities							
Derivative financial instruments	24	(2,737)	(676)	(411)	(2,710)	(4,601)	(11,135)
Loans and borrowings	21	(2,000)	(300)	-	(166,000)	-	(168,300)
Payables and accruals	19	(9,987)	-	-	-	-	(9,987)
Employee entitlements	20	(1,269)	-	-	-	-	(1,269)
Total financial liabilities		**(15,993)**	**(976)**	**(411)**	**(168,710)**	**(4,601)**	**(190,691)**
Liquidity gap		**6,788**	**(976)**	**5,412**	**(162,252)**	**33,355**	**(117,673)**

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

		Parent					
		<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
31 March 2018	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Trade and other receivables	10	519	-	-	-	-	519
Other Investments and receivables		2,254	773	6,949	34,812	33,316	78,104
Cash and cash equivalents	9	6,817	-	-	-	-	6,817
Total financial assets		**9,590**	**773**	**6,949**	**34,812**	**33,316**	**85,440**
Financial liabilities							
Payables and accruals	19	(4,362)	-	-	-	-	(4,362)
Employee entitlements	20	(16)	-	-	-	-	(16)
Total financial liabilities		**(4,378)**	**-**	**-**	**-**	**-**	**(4,378)**
Liquidity gap		**5,212**	**773**	**6,949**	**34,812**	**33,316**	**81,062**

		Parent					
		<6 months	6 -12 months	1-3 years	3-5 years	>5 years	Total
31 March 2017	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Trade and other receivables	10	459	-	-	-	-	459
Other Investments and receivables	-	1,301	-	5,820	6,458	62,905	76,484
Cash and cash equivalents	9	7,104	-	-	-	-	7,104
Total financial assets		**8,864**	**-**	**5,820**	**6,458**	**62,905**	**84,047**
Financial liabilities							
Payables and accruals	19	(2,572)	-	-	-	-	(2,572)
Employee entitlements	20	(42)	-	-	-	-	(42)
Total financial liabilities		**(2,614)**	**-**	**-**	**-**	**-**	**(2,614)**
Liquidity gap		**6,250**	**-**	**5,820**	**6,458**	**62,905**	**81,433**

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.

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.

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 2018 was $83,737 (2017: $45,463). Actual bad debts written off in the Statement of Comprehensive Revenue and Expense were $29,641 (2017: $19,186) 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.

24 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Capital management

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

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

25 CAPITAL AND RESERVES

NOTE

Trust capital

The Trust was established on the 7th of May 1993 pursuant to the Energy Companies (Eastland Energy Limited) Vesting Order 1993 upon the vesting in the Trust of the equity and debt securities issued by Eastland Energy Limited. These amounts form the Trust Capital.

Asset revaluation reserve

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

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.

Investment revaluation reserve

The revaluation reserve relates to the revaluation of investments.

26 RELATED PARTIES

(a) Wholly owned subsidiaries

Eastland Group Limited, Eastland Development Fund Limited, Prime SPV Limited and Activate Tairawhiti Limited are wholly owned by Eastland Community Trust.

(b) Joint ventures

Eastland Debarking and WET Gisborne Limited are joint ventures of the Group.

(c) Trustees' fees

Trustee fees are paid by Eastland Community Trust. Total fees paid excluding GST were $196,480 (2017: $195,475).

M Muir (Chairman)	41,592	P Searle	6,453	Retired 30 June 2017
P Reynolds	25,816	V Thorpe	6,453	Retired 30 June 2017
M Foon	25,816	J Chrisp	19,359	Appointed 1 July 2017
J Clarke	25,816	A Cuthbert	19,359	Appointed 1 July 2017
T Kupenga	25,816			

Mr M Muir gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Group.

Director/Chairman Gisborne Herald Ltd and subsidiaries
Director/Chairman Te Rau Press Ltd
Director/Chairman Gisborne Office Equipment Ltd
Trustee of Tairawhiti Trust
Shareholder/Director Muir Family Holdings Ltd
Director The Wairoa Star Ltd
Director New Zealand Press Association Ltd
Director Activate Tairawhiti Ltd
Shareholder Eastland Group Ltd
Director/Chairman Destination Gisborne Ltd
Trustee of Gisborne Stewart Centre
Trustee of Clark Charitable Trust
Trustee/Chairman of Chelsea Hospital Trust
Board member of the Newspaper Publishers Association
Trustee Eastland Community Trust
Director/Shareholder Prime SPV Ltd
Trustee of Tairawhiti Museum – Gisborne Museum of Art & History
Shareholder Eastland Development Fund Limited

Mr M Foon gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Trust.

MY Gold Investments
MY Trust Investments
Trustee Eastland Community Trust
Chairman Gisborne City Safe
Member Asian CEO Inc
Chair Special Olympics Tairawhiti
Advisory Trustee NZ China Council
Director/Shareholder Alpha12 Ltd
Director/Shareholder Prime SPV Ltd
Shareholder Eastland Group Ltd
Shareholder Gradjobs Ltd
Trustee Arts Foundation
Mayor Gisborne District Council
Member RSG Local Government
Chairman Gisborne Art in Public Places
Chairman Social Sector Trials
Member Institute of Directors
Trustee Te Ha 1769 Sestercentennial Trust
Patron The Duke of Edinburgh's Hillary Award
President NZ Chinese Association
Shareholder Eastland Development Fund Limited
Director/Shareholder Triple Eight Investments Ltd
Trustee Aotearoa Social Enterprises Trust

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

26 RELATED PARTIES (CONTINUED)

Dr P Reynolds gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Director AgResearch Ltd
Deputy Chair Landcare Research Ltd
Chair Our Land & Water Science Challenge
Trustee Sir Peter Blake Trust
Shareholder Eastland Group Ltd
Trustee Eastland Community Trust
Director/Shareholder Prime SPV Ltd
Director WET Gisborne Limited
Shareholder Eastland Development Fund Limited
Chair Enviro-Mark Solutions Ltd

Mr T Kupenga gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Trustee The NZ Archive of Film, Television & Sound
Trustee Te Pariha o Hikurangi Charitable Trust
Director/Shareholder Gizza Look Ltd
Member Ministerial Advisory Group on Charter Schools
Director/Shareholder Waihuka Ltd
Shareholder Eastland Group Ltd
Member Ministerial Whanau Ora Review Panel
Director Te Runanganui o Ngati Porou Trustee Ltd
Director /Shareholder Te Amokura Consultants Ltd
Member Broadcasting Standards Authority
Trustee Eastland Community Trust
Director/Shareholder Prime SPV Ltd
Shareholder Eastland Development Fund Limited

Mr J Clarke gave general notice that he has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Director NZW Wines General Partner Ltd
Trustee The Sunrise Foundation
Director Thos Corson Holdings Ltd
Director Eastwoodhill Trust Board
Trustee Ilfracombe Trust
Shareholder Eastland Group Ltd
Director Activate Tairawhiti Ltd
Director NZ Grapegrowers Ltd
Director New Zealand Winegrowers Inc.
Trustee Eastland Community Trust
Director/Shareholder Prime SPV Ltd
Alternative Civil Defence Controller - GDC
Shareholder Eastland Development Fund Limited
Independent Chair Makauri Aquifer Recharge Ltd

Ms A Cuthbert gave general notice that she has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Associate Director Dragon Capital Group Ltd
Chair Wainui Beach School Board of Trustees
Director/Shareholder Prime SPV Ltd
Shareholder Eastland Development Fund Limited
Shareholder Eastland Group Ltd
Trustee Eastland Community Trust

Dr J Chrisp gave general notice that she has the following interests and will therefore be interested in all transactions between any of them and the Trust.

Trustee Eastland Community Trust
Director/Shareholder Prime SPV Ltd
Shareholder Eastland Development Fund Limited
Shareholder Eastland Group Ltd

26 RELATED PARTIES (CONTINUED)

(d) Key management personnel compensation

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Key management personnel compensation comprises of:				
Short term employee benefits	2,801	2,371	274	181
KiwiSaver and other contributions	217	140	9	5
Total key management personnel compensation	**3,018**	**2,511**	**283**	**186**

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

	2018	2017
100,000 - 109,999	8	6
110,000 - 119,999	4	5
120,000 - 129,999	4	1
130,000 - 139,999	3	7
140,000 - 149,999	5	4
150,000 - 159,999	2	2
160,000 - 169,999	2	1
170,000 - 179,999	4	1
180,000 - 189,999	1	1
190,000 - 199,999	-	-
200,000 - 209,999	-	-
210,000 - 219,999	1	-
220,000 - 229,999	-	1
230,000 - 239,999	-	-
240,000 - 249,999	1	1
250,000 - 259,999	-	-
270,000 - 279,999	-	2
280,000 - 289,999	1	1
300,000 - 319,999	1	1
350,000 - 359,999	1	1
460,000 - 469,999	1	-
590,000 - 599,999	-	1
620,000 - 629,999	1	-

26 RELATED PARTIES (CONTINUED)

(e) Related party transactions

All transactions with controlled subsidiaries have been eliminated on consolidation.

	Group		Parent	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Transactions with subsidiaries and joint ventures				
Dividends received from Eastland Group Ltd	-	-	6,500	6,135
Distributions were paid to Eastland Group Ltd	-	-	-	300
Interest received from Eastland Group Ltd	-	-	2,130	2,130
Interest received from Prime SPV Ltd	-	-	684	440
Interest received from Eastland Development Fund Ltd	-	-	709	692
Interest Received from Activate Tairawhiti Ltd	-	-	2	-
Service agreement with Eastland Development Fund Ltd	-	-	(112)	(105)
Oncharge of costs to Debarking Joint Venture	895	820	-	-
Lease to WET Gisborne Ltd Joint Venture	169	28	-	-
Advances and investment in related parties				
Eastland Development Fund Limited	-	-	8,108	7,026
Prime SPV Limited	-	-	9,221	6,721
Activate Tairawhiti Ltd	-	-	1,230	-

Transactions with other related parties

Transactions have occurred with related parties under a normal supplier relationship at an arm’s length basis. Payments were made to; Searle Family Trust for office lease, the Gisborne Herald for advertising and Gisborne Office Equipment for stationery.

Subvention payments of $1,500,000 were made between Eastland Group Ltd, Prime SPV Ltd and Eastland Development Fund Ltd to maximise tax efficiencies.

Eastland Group Limited and Eastland Development Fund Limited settled the sale and purchase agreement for two sections at Commerce Place for $295,000.

Distributions of [illegible] were made to Eastland Network Charitable Trust

27 GUIDELINES FOR ACCESS TO INFORMATION

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

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

The Trust received 8 requests for information, third party costs of $3,766 were incurred in responding to these requests and as such no recoveries were made.

There were no Trust decisions that were subject to review.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

28 DISTRIBUTIONS PAID OVER $1,000

The Trust Deed requires disclosure of distributions paid over $1,000. Following are the distributions approved during the year with the distributions paid during the year identified by way of an asterix.

Distributions approved by Trustees in current year		Parent 2018 $
Eastland Network Charitable Trust for:		
Eastland Helicopter Rescue Trust	* Paid $350,000	1,750,000
Unitech - the mind lab	*	1,300,000
War Memorial Theatre Trust		1,000,000
Akina Foundation	*	246,600
Gisborne City Vintage Railway Inc	*	200,000
Te Runanga o Turanganui a Kiwa	*	156,000
Inner Fit	*	100,000
Springboard Trust	*	100,000
Longbush Ecological Trust		97,650
Gisborne International Music Competition	* Paid $30,000	90,000
Tairawhiti Environment Centre Inc		70,000
Tairawhiti Connext Charitable Trust	*	62,000
Huringa Pai Charitable Trust	* Paid $14,200	55,760
Ka Pai Kaiti Inc		53,000
Rangiwaho Marae	*	34,800
Gisborne Crime Prevention Camera Trust	*	29,496
Gisborne MV Takitimu Charitable Trust	*	25,427
Swim for Life Tairawhiti		20,000
Taki Rua Productions Society Incorporated	*	18,000
Weetbix TRYathlon Foundation		15,000
New Zealand Blue Light Ventures Inc	*	10,000
St John Gisborne Area Committee	*	10,000
Te Hauora o Turanganui a Kiwa (Turanga Health)	*	10,000
Tolaga Bay Inn Charitable Trust	*	10,000
Waipaoa Station Farm Cadet Training Trust	*	10,000
Gisborne Aviation Preservation Society	*	9,900
Turanganui Schools Maori Cultural Festival	*	8,712
Motu Community Trust	*	8,000
Tolaga Bay Volunteer Fire Brigade	*	7,500
Life Education Trust	*	7,000
Gisborne Returned and Services Association Inc	*	13,000
Tairawhiti Multicultural Council	*	4,000
Gisborne Toy Library	*	2,786
Kahutia Bowling Club	*	1,650
Total		**5,536,281**

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

28 DISTRIBUTIONS PAID OVER $1,000 (CONTINUED)

Distributions to others		Parent 2018 $
Train Me Quality Services Limited		200,000
Eagle Flight Training School	*	187,500
Gisborne Intermediate School		90,000
Surf Life Saving New Zealand		75,000
Surf Life Saving New Zealand	*	60,000
Gisborne Aero Club Inc	*	37,132
Corson Grain Ltd	*	30,000
Horticulture New Zealand	*	30,000
New Zealand Institute Of Biomedical Imaging	*	30,000
OBM Rugby Football Club Inc		30,000
Petfood NZ International Ltd	*	30,000
Pohewa Limited	*	30,000
Aotearoa Social Enterprise Trust	*	30,000
Gisborne Communities of Learning	*	25,000
Gisborne Mountain Bike Club		25,000
Express PR	*	20,000
Gisborne Girls' High School/ Project Ataahua		20,000
Riposte Analytics Ltd	*	15,325
IoD East Coast Subcommittee	*	14,351
E Hoka Taku Manu Taupua	*	10,000
Gisborne Boardriders Club	*	10,000
Poverty Bay A & P Assn	*	10,000
Poverty Bay Blues Incorporated	*	10,000
Rutene Road Kindergarten		10,000
Tairawhiti Maori Netball Association	*	10,000
Taki Rua Productions Society Incorporated	*	10,000
Te Runanganui o Ngati Porou	*	10,000
Tikitiki School Board of Trustees		10,000
Tolaga Bay Area School	*	10,000
Tolaga Bay Bowling Club	*	10,000
Gisborne BMX Club Inc	*	8,228
P.B. Woolcrafters	*	8,000
Gisborne Basketball Association	*	7,000
Gizzy School Lunches	*	6,605
Gisborne/Tairawhiti Science & Technology Fair	*	6,311
Gisborne Rowing Club	*	6,000
Gisborne East Coast Area Floral Art Society of NZ		5,000

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

28 DISTRIBUTIONS PAID OVER $1,000 (CONTINUED)

		Parent 2018
Distributions to others		$
Poverty Bay Hockey Association	*	5,000
Shane Kingsbeer	*	5,000
Whanaufit 2017		5,000
Kanakanaia Security Camera		4,000
Ruatoria Gamers Club	*	4,000
Hikurangi Bioactives Limited Partnership	*	3,525
Tongan Methodist Youth Group	*	3,000
Mangapapa Playcentre	*	2,650
Giant Pumpkin Competition		2,500
Gisborne Civic Brass Band Inc	*	1,500
		1,172,627
Total distributions approved		**6,708,908**
Less Distributions returned or no longer required		
Tourism Eastland		(8,460)
Musical Theatre Gisborne		(10,000)
Wainui Lions Club		(220,000)
Gisborne Girls' HIgh School		(1,200)
Eastland Swim		(2,843)
Eastland Network Charitable Trust		(5,000)
		(247,503)
		6,461,405

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2018

28 DISTRIBUTIONS PAID OVER $1,000 (CONTINUED)

Distributions paid		Parent 2018 $
Approved prior years paid current year		
Eastland Group Ltd	*	300,000
Massey University	*	9,700
Black Fig	*	10,000
Gisborne District Council	*	168,050
Poverty Bay Hunt Incorporated	*	6,600
Hikurangi Huataukina Trust	*	6,000
Te Ha 1769 Sestercentennial Trust	*	100,000
Activate Tairawhiti Regional Development Trust	*	302,000
Gisborne East Coast Area Floral Art Society of NZ	*	5,000
Tairawhiti Voyaging Trust	*	245,000
TMS Sport Promotions Ltd	*	5,000
Matawai School	*	10,000
St John Ruatoria Area Committee	*	250,000
Whakarua Park Trust Board	*	400,000
Gisborne Volunteer Centre	*	10,000
Whangara Angus Stud	*	10,000
Ease Up Tairawhiti	*	10,000
Surf Life Saving New Zealand	*	5,000
Approved prior years paid current year		**1,380,537**
*** Total distributions paid**		**5,327,548**

29 SUBSEQUENT EVENTS

Trustees are unaware of any significant events between the preparation and authorisation of these financial statements as at 29 June 2018.