

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP

STATUTORY INFORMATION

Directors' profiles as at 31 October 2010

Keenan, Ross

Ross Keenan has an extensive background in finance, infrastructure, transport and governance as well as involvement with central government and Iwi issues. He holds several directorships in the public and private sectors.

Green, George

George Green is a chartered accountant and has held various senior positions in industry and was lead partner, Management Consulting Services, for Price Waterhouse from 1986. In the early 1980s Mr Green was seconded to the Prime Minister's Advisory Group. He is currently a director of several companies.

Entries made in the interests' register

The following disclosures that a Board member is a director, shareholder, officer or trustee of another company, were made in the Company's interests' register during the period under review.

| Entity | Relationship |
|--|---------------------|
| Ross Keenan | |
| Allied Workforce Group Limited | Chairman |
| Metrowater Limited | Chairman |
| Watercare Services Limited | Dep. Chairman |
| Auckland City Water Limited | Chairman |
| Touchdown Limited | Director |
| Ngai Tahu Holdings Corporation Limited | Director |
| Ngai Tahu Seafood Limited | Chairman |
| Ngai Tahu Tourism Limited | Chairman |
| Ngai Tahu Property Limited | Director |
| Ngai Tahu Tribal Services Limited | Director |
| Ngai Tahu Capital Limited | Director |
| Cabletalk Group Limited | Director |
| Cabletalk Limited | Director |
| Residual No. 2 Limited | Director |
| Residual Limited | Director |
| George Green | |
| Sleepyhead Manufacturing Limited | Chairman |
| Rapaura Vintners Limited | Chairman |
| Morrison Low Holdings Limited | Chairman |
| Morrison Low & Associates Limited | Chairman |
| Morrison Low Consulting Pty Limited | Chairman |
| Parkwood Management Limited | Director |
| Metrowater Limited | Director |
| Pacific Hygiene Limited | Chairman |
| Manukau Leisure Services Ltd | Director |
| Parsley Limited | Director |
| Wonderest Limited | Director |

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Directors' Remuneration

During the period under review, the directors received the following remuneration and benefits:

| | Total Remuneration | |
|------------------------------------|--------------------|----------|
| | Fees | Expenses |
| | \$ | \$ |
| Keenan, Ross | 32,000 | \$287 |
| Green, George | 32,000 | - |
| Total directors' fees and expenses | 64,000 | \$287 |

Use of Company Information by Directors

The Board received no notices during the period from Directors requesting to use Company information received in their capacity as Directors, which would not otherwise be available to them.

Shareholding by Directors

Directors do not hold shares in the Company.

Indemnities and Other Insurances in respect of Directors and Employees

A Directors and Officers indemnity insurance policy has entered into at an annual cost of \$9,810. Seven year run off coverage of the said policy has also entered into due to the disestablishment of the entity cost \$18,300.

Recommended Dividend

No dividends have been paid or recommended during the period. This is consistent with the Company's constitution that does not contemplate such payments.

Donations

No donations have been made during the period.

Employees' Remuneration

During the period, the following number of persons on the permanent establishment of Auckland Regional Transport Network Limited received remuneration in excess of \$100,000 per annum.

| Band | 2010 | 2009 |
|-----------------------|------|------|
| \$100,001 - \$140,000 | 1 | 1 |

Figures over the 16 months have been annualised for comparative purposes. Figures above exclude redundancy payments.

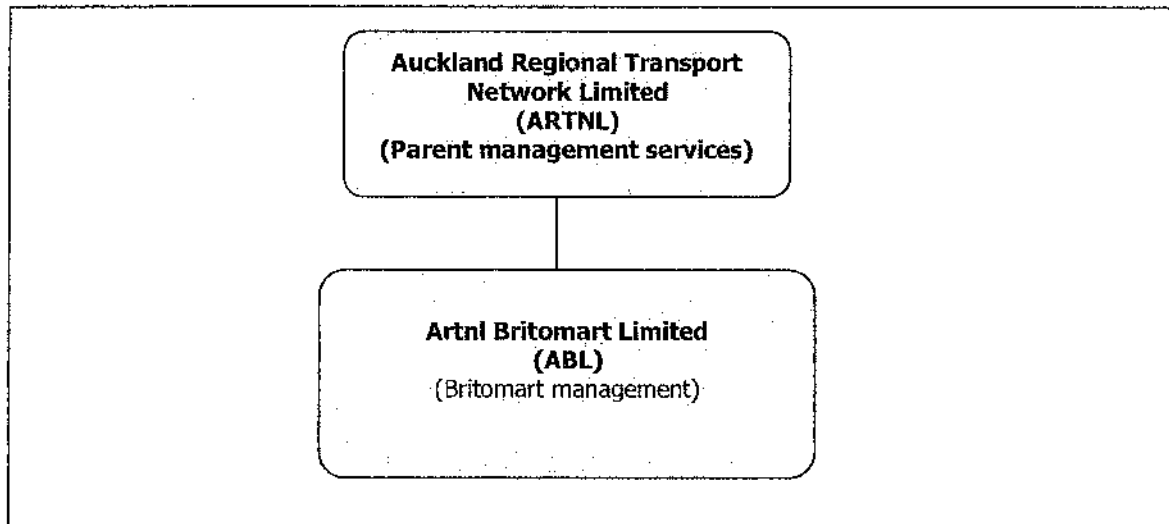
Auditor's Remuneration

All fees paid to auditors as disclosed in note 1 to the financial statements, are in respect of audit services received. Audit fees for the ARTNL Group have been paid for in respect of:

| | 2010 | 2009 |
|---|---------------|---------------|
| | \$ | \$ |
| Auckland Regional Transport Network Limited | 45,000 | 30,000 |
| ARTNL Britomart Limited | 15,000 | 10,000 |
| | <u>60,000</u> | <u>40,000</u> |

Structure of Auckland Regional Transport Network Limited and Group

Auckland Regional Transport Network Limited is the holding company for a group of companies set up by six of the seven councils of the region on 2 July 2001 as part of their joint commitment to improving public passenger transport in the Auckland region. The Group has a key role in providing integrated passenger transport infrastructure for the Auckland region. The Group comprises Auckland Regional Transport Network Limited ("ARTNL") and its 100% owned subsidiary ARTNL Britomart Limited ("ABL").



The following companies traded during the period as referred above.

ARTNL – Overview role for the planning and management of Group assets, funds and operations, development of revenue sources from retail and related commercial opportunities. Participation in regional planning processes relating to the integration and growth of passenger transport and related land development. This includes liaison with shareholders and stakeholders on matters relevant to them.

ABL – Holds the lease and contractual arrangements for access and use of the public transport related assets of the Britomart Transport Centre and precinct area.

Bus operations are managed through a management contract.

The Central Post Office retail facility was developed with ARTNL funds and is managed by ARTNL for the shareholders

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Amalgamation

On 31 December 2008 ARTNL Board resolved that ARTNL Britomart Limited amalgamate with ARTNL Metro Limited and ARTNL Harbour Berths Limited (being directly or indirectly wholly owned by Auckland Regional Transport Network Limited) pursuant to the provisions of Part 13 of the Companies Act 1993 with effect from 31 December 2009 and continue as ARTNL Britomart Limited on the basis that:

- The shares of ARTNL Metro Limited and ARTNL Harbour Berths Limited will be cancelled without payment or other consideration;
- The constitution of the amalgamated company will be the same as the constitution of ARTNL Britomart Limited prior to amalgamation;
- The board is satisfied on reasonable grounds that the amalgamated company will immediately after the amalgamation becomes effective, satisfy the solvency test (as set out in section 4 (3) of the Companies Act 1993); and
- The directors of the amalgamated company will continue to be George William Green and Ross Barry Keenan

Subsequently, the names of ARTNL Metro Limited and ARTNL Harbour Berths Limited were removed from the register on the 11th day of February 2009 by the Registrar of Companies, New Zealand.

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP

GOVERNANCE AND ACCOUNTABILITY STATEMENT

Role of the Board

The shareholders have appointed a governing Board whose responsibilities include:

- Communicating with the Council and other stakeholders to ensure their views are reflected in the Company's planning
- Production of a Statement of Intent, a public and legislative document detailing objectives and performance targets for the Company
- Delegating responsibility for achievement of specific objectives to the management executive through the General Manager
- Monitoring organisational performance towards achieving objectives
- Accounting to shareholders on plans and progress against them
- Maintaining effective systems of internal control
- Managing all residual transfer and transition items including various claims around the assets transferred to ARTA regional ownership.

Board Membership

Board member's appointment and director's remuneration is set by the shareholders. The Board is composed of members who have diverse skills and experience in order to bring a wide range of thought to bear on policy issues. Once appointed, all members are required to act in the best interests of ARTNL. Members acknowledge that the Board must stand unified behind its decisions; individual members have no separate governing role outside the boardroom. Councillors and officers of owning Councils are precluded from being members of the Board. The Company's constitution sets the size of the Board at not less than two or more than seven directors.

Board Committees

The Board has established three standing committees to provide a more detailed level of focus on particular issues. Each committee has been delegated responsibility for governance, that is, policy making and monitoring of the organisation's progress toward meeting objectives stated in policies. Committees do not involve themselves in operational matters. The Board's standing committees include:

| <u>Committee</u> | <u>Meeting frequency</u> |
|--|--------------------------|
| Finance, Audit and Risk Management Committee | Quarterly or as required |
| Safety Committee | Yearly or as required |
| Remuneration Committee | Quarterly or as required |

Shareholder Relations

The Board acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain cognisant of shareholder expectations. These expectations, however, must be balanced against the Board's responsibilities to get on and achieve pragmatic and timely results. The Board and management have met with a Shareholders Representative Group as required during the year to provide opportunities outside of the Annual General Meeting and quarterly briefings to discuss matters relevant to shareholders and the future of the ARTNL Group of Companies. The Board acts in the best interests of the Company in a way that is transparent and shows accountability.

Subsidiary

The ARTNL Board mirrors their responsibilities on its subsidiary and is supported by a corporate group within ARTNL.

Division of Responsibility between the Board and Management

A key to the efficient running of ARTNL is that there is a clear division of roles between Board and management. The Board concentrates on setting policy and strategy then monitors progress toward meeting objectives. Management is concerned with implementing policy and strategy. The Board clearly demarcates these roles by ensuring that the delegation of responsibility and authority to the management team is concise and complete.

The Board meets regularly with management to review and advise on the development of the Company's role in establishing itself and towards providing for a regionally integrated passenger transport infrastructure.

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ARTNL Operations - Residual

A small management group appointed by the Board manages the ARTNL residual activities.

The Board directs the management team by delegating responsibility and authority for the achievement of objectives through setting policy. The Board meets regularly each month with members of the management team to discuss, review and develop work necessary to carry out the objectives of the Company.

Accountability

The directors hold monthly meetings as a formal Board to monitor progress toward its strategic objectives and to ensure that the affairs of ARTNL and its subsidiary are being conducted in accordance with the Board's policies.

Conflicts of Interest

The Board maintains an Interests' Register and ensures Board members and senior management are aware of their obligations to declare interests.

Safety and Risk Management

The Board acknowledges that it is ultimately responsible for the management of risks to the ARTNL Group. The Board has charged the General Manager with developing and operating a risk management programme as significant assets and operations were required. ARTNL has produced for the owner of the Britomart assets a series of recommendations around fire and safety and forward capital and heavy maintenance requirements. The Company views risk management as the responsibility of every employee.

Legislative Compliance

The Board acknowledges its responsibility to ensure the organisation complies with all legislation. The Board has delegated responsibility to the General Manager for the development and operation of a programme to systematically identify compliance issues and ensure all staff are aware of legislative requirements that are particularly relevant to them.

Ethics

The Board has informally adopted a code of ethics and regularly monitors whether staff maintain high standards of ethical behaviour and practice the principles of good corporate citizenship' in their business interaction within and outside the Company.

Monitoring compliance with ethical standards is done through such means as monitoring trends in complaints and disciplinary actions; or any reports or indications that show non-conformance with the principles espoused.

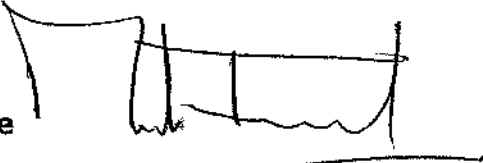
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AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
STATEMENT OF RESPONSIBILITY
FOR 16 MONTHS ENDED 31 OCTOBER 2010

Auckland Transport, as the receiving entity of Auckland Regional Transport Network Limited and group, is responsible for the completion of the financial statements and the judgements used in preparing them.

Auckland Transport confirms that Auckland Regional Transport Network Limited and group established and maintained a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of Auckland Transport, Auckland Regional Transport Network Limited and group's annual financial statements for the 16 month period ended 31 October 2010, fairly reflect the financial performance and financial position of Auckland Regional Transport Network Limited and group.

Name 
Title Chairman
Date: 16/2/11

Name 
Title DIRECTOR
Date: 16/2/11

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AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP STATEMENT OF ACCOUNTING POLICIES FOR 16 MONTHS ENDED 31 OCTOBER 2010

Reporting entity

These are the financial statements of Auckland Regional Transport Network Limited (ARTNL) and the ARTNL Group. The Company is a Council Controlled Organisation, established under the provisions of the Local Government Act 2002. The Company was incorporated on 2 July 2001 and is domiciled in New Zealand

The ARTNL Group consists of the ultimate parent ARTNL and its subsidiary, ARTNL Britomart Limited (100% owned). ARTNL Britomart Ltd has incorporated and is domiciled in New Zealand.

The main functions for ARTNL are planning and management of Group assets, funds and operations, development of revenue sources from retail and related commercial opportunities. Participation in regional planning processes relating to the integration and growth of passenger transport and related land development. This includes liaison with shareholders and stakeholders on matters relevant to them.

The financial statements of ARTNL and Group are for the period ended 31 October 2010.

Basis of Preparation

Statement of Compliance

The financial statements of ARTNL have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

Schedule 4 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, dissolved Auckland Regional Transport Network Limited and group on 31 October 2010. As a consequence of the dissolution of Auckland Regional Transport Network Limited and group, the Company ceased to exist from that date. Accordingly the financial statements have been prepared on a dissolution basis.

The Company and Group are qualifying entities within the Framework for Differential Reporting. The Company and Group qualify on the basis that they are not publicly accountable and there is no separation between the owners and governing body of ARNTL. The Company and Group have taken advantage of all differential reporting concessions available to them with the exception of SSAP 12 Income Taxes.

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 was enacted on 23 May 2009 and provides for the dissolution of Auckland Regional Transport Network Limited and group on 31 October 2010. It also instructs Auckland Regional Transport Network Limited and the receiving entity, Auckland Transport, to prepare accounts for the 16 month period to 31 October 2010.

Comparison with prior period

Because of the change in reporting period, these accounts cannot be entirely compared to the previous year.

Going concern assumption

The dissolution of Auckland Regional Transport Network Limited and group requires the financial statements to be prepared on a dissolution basis, not the normal going-concern basis. All the assets and liabilities of Auckland Regional Transport Network Limited and group have been vested in Auckland Transport. Because the assets and liabilities of Auckland Regional Transport Network Limited and group are relevant to Auckland Transport, no adjustments have been made in the financial statements resulting from the dissolution of Auckland Regional Transport Network Limited and group other than as set out in notes 2, 16 and 18.

Measurement base

The financial statements have been prepared on a historical cost basis.

Accounting policies

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied:

a) Basis of Consolidation

The consolidated financial statements include the parent ARTNL and its subsidiary ARTNL Britomart Limited (ABL). ARTNL and its subsidiary company accounts are consolidated

using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis.

All significant inter-company transactions are eliminated on consolidation.

In 2009, the subsidiaries ARTNL Harbour Berths Limited and ARTNL Metro Limited had been prepared on a disestablishment basis. Any adjustments required in respect of the disestablishment of these subsidiaries have been made within the respective companies.

b) Goods and Services Tax

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

c) Taxation

Income tax expense is charged in the Statement of Financial Performance in respect of current year's earnings after allowing for permanent differences. Deferred tax is determined on a comprehensive basis using the liability method. Deferred tax assets attributable to timing differences or tax losses are only recognised where there is virtual certainty of realisation.

d) Accounts Receivable

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectable debts.

e) Investments

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the statement of financial performance.

f) Fixed Assets

All fixed assets (including work in progress) are recorded at cost, less accumulated depreciation and impairment basis.

g) Depreciation

Depreciation is provided on a straight-line basis on all fixed assets, at a rate which will write off the cost of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

| | Economic life (years) |
|---------------------------------|-----------------------|
| IT Hardware and Software | 3-5 |
| Plant, Equipment and Appliances | 5 |
| Furniture and Fittings | 3-20 |
| Leasehold Improvements | 4-25 |

h) Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

i) Financial Instruments

ARTNL is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, term loan facility, accounts receivable, accounts payable and investment in subsidiaries. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Except for loans, which are recorded at cost, and those items covered by separate accounting policy, all financial instruments are shown at their estimated fair value.

j) Accounts Payable

Creditors and other payables are non-interest bearing and are normally settled on 30 days terms, therefore the carrying value of creditors and other payables approximates their fair value

k) Capital Grants

Grants received for the purpose of capital development are recognised as a separate line in the Statement of Financial Performance and are identified with construction of specific projects to be carried out in the near future. Grants are recognised at the time of work milestone completion. Grants pending satisfaction of conditions are reported as a contingent asset.

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received

l) Operating Revenue

Operating revenue comprises:

- Rental income from Britomart Transport Centre Tenants
- Access fees charged to rail and bus operators for use of the Britomart Transport Centre station and bus precinct respectively
- Funding for operational expenditure and revenue from advertising is recognised at the time earned.
- Interest on Term deposits and current accounts

m) Employee Entitlements

Employee entitlements include provisions for annual leave and executive performance payments. These entitlements are recognised in the Statement of Financial Performance, on the basis of calculations of actual entitlement based on contracts, as they fall due and provided for in the Statement of Financial Position at estimated cost.

n) Changes in Accounting Policies

The financial statements for the 16 months to 31 October 2010 have been prepared on a dissolution basis. Previous financial statements were prepared on a going concern basis.

o) Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted, and are relevant to the Company include:

- NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives the Company the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with

subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company has adopted this standard for the period ending 31 October 2010, and has prepared a single statement of comprehensive income.

p) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Company would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the statement of financial performance

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AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
 STATEMENT OF COMPREHENSIVE INCOME
 FOR 16 MONTHS ENDED 31 OCTOBER 2010

| | Note | Parent | | Group | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2010 \$000 | 2009 \$000 | 2010 \$000 | 2009 \$000 |
| Revenue from Operating activities | 1 | 345 | 288 | 5,690 | 4,393 |
| Expenditure on operating activities | | (290) | (225) | (5,131) | (3,978) |
| Surplus before interest, | | 55 | 63 | 559 | 415 |
| Depreciation, Grants, Write-off of Assets, | | | | | |
| Investments and Subsidiaries and Tax | | | | | |
| Depreciation | 2 | - | - | (188) | (142) |
| Interest Expense | 2 | (12) | - | (13) | - |
| Interest Income | 2 | 261 | 304 | 278 | 328 |
| Write down of Investment in Subsidiary | 2 | - | (4,000) | - | - |
| Surplus/(Deficit) before Tax | | 304 | (3,633) | 636 | 601 |
| Less Tax Expense (Credit) | 3 | - | - | - | - |
| Net Surplus/(Deficit) after Tax | | 304 | (3,633) | 636 | 601 |
| Other Comprehensive Income | | - | - | - | - |
| Total Comprehensive Income | | 304 | (3,633) | 636 | 601 |

STATEMENT OF CHANGES IN EQUITY
 FOR 16 MONTHS ENDED 31 OCTOBER 2010

| | Note | Parent | | Group | |
|-----------------------------------|------|---------------|---------------|---------------|---------------|
| | | 2010 \$000 | 2009 \$000 | 2010 \$000 | 2009 \$000 |
| Balance at 1 July 2009 | | 6,150 | 9,783 | 6,583 | 5,982 |
| Total Comprehensive Income | 4 | 304 | (3,633) | 636 | 601 |
| Balance at 31 October 2010 | | 6,454 | 6,150 | 7,219 | 6,583 |
| This is represented by: | | | | | |
| Share Capital | 4 | 4,818 | 4,818 | 4,818 | 4,818 |
| Retained Earnings | 4 | 1,636 | 1,332 | 2,401 | 1,765 |
| | | 6,454 | 6,150 | 7,219 | 6,583 |

The accompanying accounting policies and notes form part of these financial statements.

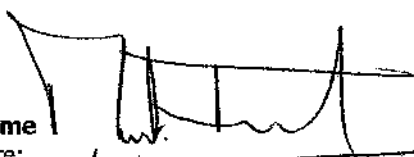
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AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2010

| | Note | Parent | | Group | |
|----------------------------------|------|---------------|---------------|--------------|---------------|
| | | 2010 \$000 | 2009 \$000 | 2,010 - | 2009 \$000 |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and Bank Balances | 5 | 5,724 | 2,658 | 6,394 | 3,283 |
| Other Financial Assets | 6 | - | 2,792 | - | 2,792 |
| Prepayments & Receivables | 8 | 876 | 971 | 135 | 135 |
| Total current assets | | <u>6,600</u> | <u>6,421</u> | <u>6,529</u> | <u>6,210</u> |
| Non Current Assets | | | | | |
| Fixed Assets | 9 | - | - | 1,317 | 1,411 |
| Total non current Assets | | <u>-</u> | <u>-</u> | <u>1,317</u> | <u>1,411</u> |
| Total Assets | | <u>6,600</u> | <u>6,421</u> | <u>7,846</u> | <u>7,621</u> |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Payables and Accruals | 10 | 146 | 271 | 627 | 1,038 |
| Total current liabilities | | <u>146</u> | <u>271</u> | <u>627</u> | <u>1,038</u> |
| NET ASSETS | | <u>6,454</u> | <u>6,150</u> | <u>7,219</u> | <u>6,583</u> |
| Equity | | | | | |
| Share Capital | 4 | 4,818 | 4,818 | 4,818 | 4,818 |
| Retained Earnings | 4 | 1,636 | 1,332 | 2,401 | 1,765 |
| Total Equity | | <u>6,454</u> | <u>6,150</u> | <u>7,219</u> | <u>6,583</u> |

The accompanying accounting policies and notes form part of these financial statements.

Signed on behalf of the Board of Auckland Transport as the receiving entity in terms of Schedule 4 of the Local Government (Tamaki Makaurau Reorganisation) Act 2009.

Name 
Date: 16/2/11

Name 
Date: 16/2/11

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR 16 MONTHS ENDED 31 OCTOBER 2010

| | Parent | | Group | |
|--|---------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$000 | \$000 | \$000 | \$000 |
| Note: 1 Revenue from operating activities | | | | |
| Operating Income | 345 | 288 | 4914 | 3844 |
| Commercial Income | - | - | 774 | 547 |
| Dividend Income | 1 | - | 2 | 2 |
| | 346 | 288 | 5,690 | 4,393 |
| Note: 2 Net Surplus | | | | |
| Net Surplus for the year includes the following | | | | |
| Audit Fees | | | | |
| Current Year | 45 | 30 | 60 | 40 |
| Over provision in prior year | | | | |
| Directors Fees and expenses | 64 | 48 | 64 | 48 |
| Depreciation | | | | |
| Furniture and fittings | - | - | 3 | 3 |
| IT and Computer Software | - | - | 8 | 4 |
| Leasehold improvements | - | - | 177 | 135 |
| | - | - | 188 | 142 |
| Interest Expense | 12 | - | 13 | - |
| Operating Lease costs | 10 | 8 | 43 | 32 |
| Provision for employee entitlement increase/(decrease) | (46) | 35 | (46) | 35 |
| Changes in the provision for doubtful debts | - | - | 5 | 1 |
| Written down investment in subsidiaries to net book value to reflect the reduction in value from the transfer. | | | | |
| ARTNL Metro limited | - | 4,000 | - | - |
| After crediting | | | | |
| Interest income | 261 | 304 | 279 | 328 |

Termination Payments

Salaries include \$16,615 (2009:Nil) of redundancies arising from the dissolution of Auckland Regional Transport Network Limited and group paid in accordance with the Local Government (Auckland Transitional Provisions) Act 2010.

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Note 3 Taxation

| | Parent | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2010 \$000 | 2009 \$000 | 2010 \$000 | 2009 \$000 |
| Operating surpluses/(deficit) before tax | 304 | (3,633) | 636 | 601 |
| Prima facie income tax | 91 | (1,090) | 191 | 180 |
| Add tax effect of permanent differences: | | | | |
| Non assessable grants | - | - | - | - |
| Write down of investment in subsidiary | - | 1,200 | - | - |
| Non deductible write off of asset | - | - | - | - |
| Loss offset | (89) | (100) | - | - |
| Deferred tax not recognised | (2) | 27 | (2) | 24 |
| Tax losses not previously recognised | - | (37) | (189) | (204) |
| | - | - | - | - |
| | - | - | - | - |
| The tax expense/(benefit) is represented by: | | | | |
| Current tax | - | - | - | - |
| Current tax - Prior year | - | - | - | - |
| Deferred tax liability | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |

Deferred Tax Liability/(Asset)

| | | | | |
|------------------------------|---|---|---|---|
| Opening deferred tax balance | - | - | - | - |
| Prior year adjustment | - | - | - | - |

No deferred tax has been recognised due to the transfer of assets to Auckland Regional Transport Authority under section 30 of the Local Government (Auckland) Amendment Act 2004.

Tax losses of \$295,408 will be transferred from ARTNL Britomart Limited to eliminate the current tax liability in Auckland Regional Transport Network Limited.

Accumulated tax losses for the Group of \$517,507 (2009: \$1,107,007) tax effect \$155,252 (2009: \$332,102) are available to carry forward and offset against future taxable income.

| Imputation Credit Account | 2010 | 2009 | 2010 | 2009 |
|--|-------------|-------------|-------------|-------------|
| Balance at the beginning of the year | 144 | 208 | 177 | 241 |
| Prior Year Adjustment | (185) | - | (207) | - |
| Income tax payments during the period | | | | |
| Resident withholding tax | 49 | (64) | 51 | (64) |
| Taxation (refund)/paid | - | - | - | - |
| Imputation credits | - | - | 1 | - |
| Imputation credits paid by IRD | - | - | - | - |
| Balance at end of period | 8 | 144 | 22 | 177 |

At balance date the imputation credits available to shareholders were:

| | | | | |
|--|---|-----|----|-----|
| Through direct shareholding in the Company | 8 | 144 | 22 | 177 |
|--|---|-----|----|-----|

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| | Parent | | Group | |
|--|--------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |

Note 4 : Equity

a) Share Capital

| | | | | |
|---|-------|-------|-------|-------|
| Shares issued and balance as at 30 June | 4,818 | 4,818 | 4,818 | 4,818 |
|---|-------|-------|-------|-------|

The total number of shares in issue at 31 October 2010 was 1,376,515 (2009: 1,376,515). All shares carry equal voting rights and the right to share in any surplus on winding up of the Company. The shares do not carry any fixed dividend rights.

b) Retained Earnings

| | | | | |
|--|-------|---------|-------|-------|
| Accumulated net surplus at beginning of period | 1,332 | 4,965 | 1,765 | 1,164 |
| Net surplus/ (deficit) for the period | 304 | (3,633) | 636 | 601 |
| Accumulated net surplus at end of period | 1,636 | 1,332 | 2,401 | 1,765 |

Note 5 : Cash and Bank Balances

| | | | | |
|------------------------------|-------|-------|-------|-------|
| Cash at Bank | 5,724 | 2,658 | 6,394 | 3,283 |
| Total Cash and Bank Balances | 5,724 | 2,658 | 6,394 | 3,283 |

The Company's cash at bank receives the same interest rate as the money market short term deposit rate. The weighted average effective interest rate was 3.42% (2009: 4.05%)

Note 6: Other Financial Assets

| | | | | |
|------------------------------|---|-------|---|-------|
| Other Financial Assets | - | 2,792 | - | 2,792 |
| Total Other Financial Assets | - | 2,792 | - | 2,792 |

Other financial assets include short-term bank deposits with maturity over 3 months, Current period NIL.

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Note 7: Investment in Subsidiaries

| Subsidiary | Principal activity up until October 2010 | Ownership % | Incorporated | Number of Shares held | | Written Down Value '000 | |
|-------------------------------|--|-------------|--------------|-----------------------|------|-------------------------|------|
| | | | | 2010 | 2009 | 2010 | 2009 |
| ARTNL Britomart Limited (ABL) | Management of the Britomart Transport Centre | 100 % | 30 June 2003 | 100 | 100 | - | - |

| | Parent | | Group | |
|---|---------------|---------------|---------------|---------------|
| | 2010 \$000 | 2009 \$000 | 2010 \$000 | 2009 \$000 |
| Note 8 : Prepayments and Receivables | | | | |
| Trade Debtors | - | - | 102 | 109 |
| Less Provision for Impairment | - | - | (5) | - |
| Prepayments and Accruals | 32 | 8 | 38 | 26 |
| Amount owing from Subsidiaries (refer to note 11) | 844 | 963 | - | - |
| | <u>876</u> | <u>971</u> | <u>135</u> | <u>135</u> |
| Note 9 : Fixed Assets | | | | |
| Furniture and Fittings | - | - | 41 | 41 |
| Less accumulated depreciation | - | - | (38) | (35) |
| | - | - | <u>3</u> | <u>6</u> |
| IT and Computer Software | - | - | 52 | 13 |
| Less accumulated depreciation | - | - | (16) | (8) |
| | - | - | <u>36</u> | <u>5</u> |
| Leasehold Improvements | - | - | 2,086 | 2,031 |
| Less accumulated depreciation | - | - | (808) | (631) |
| | - | - | <u>1,278</u> | <u>1,400</u> |
| Total Fixed assets | - | - | <u>1,317</u> | <u>1,411</u> |

Note 10 : Payables and Accruals

| | | | | |
|--|------------|------------|------------|--------------|
| Trade Creditors | 18 | 7 | 343 | 342 |
| Trade Accruals | 42 | 132 | 198 | 564 |
| <i>Provision for Employee Entitlements</i> | | | | |
| Balance at beginning of the period | 132 | 97 | 132 | 97 |
| Provided during the period | 130 | 109 | 130 | 109 |
| Utilisation during the period | (176) | (74) | (176) | (74) |
| Balance at end of period | <u>86</u> | <u>132</u> | <u>86</u> | <u>132</u> |
| | <u>146</u> | <u>271</u> | <u>627</u> | <u>1,038</u> |

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| Note 11: Related Party Transactions | Parent | | Group | |
|--|---------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| a) Intergroup transactions and balances | \$000 | \$000 | \$000 | \$000 |

The directors of ARTNL is also the directors of ARTNL Britomart Limited

Included in Prepayments and Receivables are the following amounts owing from Auckland City Council

| | | | | |
|-------------------------|------------|------------|----------|----------|
| ARTNL Metro Ltd | | | | |
| ARTNL Britomart Limited | 844 | 963 | - | - |
| | <u>844</u> | <u>963</u> | <u>8</u> | <u>8</u> |

Included in Payables and Accruals are the following amounts owing to:

| | | | | |
|-----------------------|----------|----------|-----------|-----------|
| Auckland City Council | 6 | 5 | 6 | 5 |
| Metro Water Limited | - | - | 13 | 5 |
| | <u>6</u> | <u>5</u> | <u>19</u> | <u>10</u> |

b) Related party transactions

Services were provided to the following related parties:

| | | | | |
|------------------------------|------------|--------------|------------|-----------|
| Auckland City Council | - | - | 112 | 56 |
| ARTNL Britomart Limited | 802 | 1,180 | - | - |
| ARTNL Metro Limited | - | 6 | - | - |
| ARTNL Harbour Berths Limited | - | 51 | - | - |
| | <u>802</u> | <u>1,237</u> | <u>112</u> | <u>56</u> |

Services were provided by the following related parties:

| | | | | |
|-------------------------|-----------|------------|------------|------------|
| Auckland City Council | 77 | 287 | 290 | 287 |
| Metro Water Limited | - | - | 108 | 64 |
| ARTNL Britomart Limited | 6 | - | - | - |
| | <u>83</u> | <u>287</u> | <u>398</u> | <u>351</u> |

The directors of this company were also the directors of ARTNL Harbour Berths Limited, ARTNL Metro Limited, ARTNL Britomart Limited and Metrowater Limited and Auckland City Council is the shareholders of both ARTNL Group and Metrowater Limited.

c) Key management and directors

No directors or senior managers have entered into related party transactions with the group (2009 \$Nil).

No related party transactions have been written off or forgiven during the period (2009: \$Nil).

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Note 12: Commitments

Lease of Britomart Transport Centre

- ARTNL Britomart Limited is party to a Heads of Agreement with Auckland City Council. Under these agreements Auckland City Council leases the Britomart Transport Centre to ARTNL Britomart Limited for 100 years, with ARTNL Britomart Limited being responsible for the operational, maintenance for the Centre.
- ARTNL Britomart Limited manages the bus precinct with Auckland City Council retaining its usual responsibility for the management of the street network. As the issue of funding for asset renewals had not been agreed by the Region when the lease was executed, a trigger clause was included whereby either party can terminate the lease on one months notice after 31 December 2003 if asset renewal funding is not resolved. This matter remains unresolved and is being kept under review. No change in status has been advised by either party.
- Rent commitment: No rent was payable for the first four years of the lease. Thereafter the annual rent is intended to be equivalent to the asset renewal funding requirement, which however has not been used in quantum pending resolution of asset ownership.
- ARTNL policy has has been to make basic provisions for services and advise the owner of the best estimate forward capital and major maintenance requirements.
- Annual agreement was reached with ARTA to fund the operating costs for the management of the Britomart Transport Centre for 2009/10 and similarly has been agreed for 2010/11.

Note 13 : Contingent Assets

There are no contingent assets as at June 2010 (2009: Nil).

Note 14 : Contingent Liability

The shareholders have undertaken to provide financial assistance to the company, if necessary, to ensure that the company and group will meet its debts as they fall due. ARTNL will guarantee all ARTNL Britomart payables and other debt.

Note 15: Fair Value of Financial Instruments

The fair value of financial instruments held as short-term deposits are approximated by the carrying amount disclosed in the Statement of Financial Position.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the return on investments.

ARTNL and the group does not consider there is any significant exposure to interest rate risk on their investments and borrowings. Interest rates on investments and borrowings are disclosed in note 5 and 6 respectively.

There are no interest rate option or swap agreements in place as at 31 October 2010 (2009: \$Nil).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

ARTNL and the group have no exposure to currency risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to ARTNL and the group, resulting in a loss to the Companies.

Financial instruments which potentially subject the Companies to risk consist principally of bank balances, short-term money market deposits and trade receivables.

ARTNL and group manages its exposure to credit risk. The companies invest in financial institutions with high quality ratings and limiting the amount of funds placed with any one financial institution at any one time.

Note 16 : Subsequent Events

Effective 1st November 2010 the functions of ARTNL Group have been taken over by Auckland Transport, a council controlled organization of new Auckland Council, and the ARTNL group has disestablished on 31 October 2010 and transferred its assets and liabilities to Auckland Transport.

Note 17: Breach of Law

Note 17.1: Statement of Intent

During the financial period the company and parent company has prepared and adopted a Statement of Intent covering the period 1 July 2010 to 30 June 2013.

The company is a council-controlled organisation. For the current reporting period the company did not comply with section 68 of the Local Government Act 2002, which requires the annual report of a council-controlled organisation to compare the organisation's actual performance with the planned performance as contained in its Statement of Intent, and explain any variances between the reported performance and the statement of intent. The company has not reported its actual performance against the planned performance as the company is operating Britomart on a cost recovery basis for ARTA as an Interim arrangement pending transfer of Britomart to ARTA under General Transfer Agreement (GTA).

Note 17.2: Breach of Local Government Act 2002

Section 67 of the Local Government Act 2002 requires the board of a council-controlled organisation to deliver its annual report to its shareholder, and make it available to the public, within three months of balance date. Auckland Regional Transport Network Limited and Group did not comply with this requirement by the statutory deadline of 31 January 2011.

The report was completed on 16 February 2011 and was made publicly available as soon as practical after that.

Note 18: Reorganisation of Local Government in Auckland - transfer of assets, liabilities and operations

The reorganisation has impacted upon Auckland Regional Transport Network Limited and group as follows:

- All property belonging to Auckland Regional Transport Network Limited and group has vested in Auckland Transport.
- All money payable to or by Auckland Regional Transport Network Limited and group has become payable to or by Auckland Transport.
- All rights, liabilities, contracts, entitlements and engagements of Auckland Regional Transport Network Limited and group have become the rights liabilities, contracts, entitlements and engagements of Auckland Transport.
- Auckland Transport is delivering the services previously delivered by Auckland Regional Transport Network Limited and group.


Note 19: Amalgamation of subsidiaries

On 31 December 2008 the ARTNL board resolved that ARTNL Britomart Limited amalgamate with ARTNL Metro Limited and ARTNL Harbour Berths Limited (being directly or indirectly wholly owned by Auckland Regional Transport Network Limited) pursuant to the provisions of Part 13 of the Companies Act 1993 with effect from 31 December 2008 and continue as ARTNL Britomart Limited.

The assets and liabilities of ARTNL Metro Limited and ARTNL Harbour Berths Limited were transferred to ARTNL Britomart Limited at their carrying amounts with the net carrying amount recognised in the Statement of Changes in Equity on the basis that the transfers are between companies under common control.

| | Transfer from | Transfer from | Transfer to |
|---------------------------|--|---|--------------------------------------|
| | ARTNL Metro Limited \$000 | ARTNL Harbour Berths Limited \$000 | ARTNL Britomart \$000 |
| Share Capital | 50,007 | 28,569 | 78,576 |
| Retained income/(deficit) | <u>(50,929)</u> | <u>(28,450)</u> | <u>(79,379)</u> |
| Net equity / (deficit) | <u>(922)</u> | <u>119</u> | <u>(803)</u> |

Group intercompany transactions are eliminated on consolidation.

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Audit Report

To the readers of Auckland Regional Transport Network Limited and group's financial statements and performance information for the 16-month period ended 31 October 2010

The Auditor-General is the auditor of Auckland Regional Transport Network Limited and group. The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and performance information included in the report of Auckland Regional Transport Network Limited and group for the 16-month period ended 31 October 2010.

Auckland Regional Transport Network Limited and group's financial statements and performance information have been completed by Auckland Transport pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009.

Qualified Opinion - Omission of performance information

As disclosed in note 17 on page 29, Auckland Regional Transport Network Limited and group did not comply with section 68 of the Local Government Act 2002 due to Auckland Regional Transport Network Limited and group not preparing performance information by which the performance of Auckland Regional Transport Network Limited and group could be measured. Consequently, Auckland Regional Transport Network Limited and group has not prepared performance information that gives a true and fair view of its service achievements.

In our opinion, except for the matter outlined above:

- The financial statements of Auckland Regional Transport Network Limited and group on pages 12 to 29 that are prepared on a dissolution basis:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Auckland Regional Transport Network Limited and group's financial position as at 31 October 2010; and
 - the results of operations and cash flows for the 16-month period ended on that date.
- Based on our examination Auckland Regional Transport Network Limited and group kept proper accounting records.

The audit was completed on 16 February 2011, and is the date at which our opinion is expressed.

The basis of our opinion is explained below and refers to the financial statements being appropriately prepared on a dissolution basis due to the new local government structure for the Auckland region from 1 November 2010. In addition, we outline the responsibilities of Auckland Regional Transport Network Limited and group, Auckland Transport and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. We found a material misstatement in relation to omission of performance information because Auckland Regional Transport Network Limited and group did not produce performance information by which Auckland Regional Transport Network Limited and group's performance could be measured.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by Auckland Regional Transport Network Limited and group, and Auckland Transport;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We did not obtain all the information and explanations we required to support the opinion, as explained above.

The financial statements are appropriately prepared on a dissolution basis due to the new local government structure for the Auckland region from 1 November 2010

On 1 November 2010 the Local Government (Tamaki Makaurau Reorganisation) Act 2009 dissolved Auckland Regional Transport Network Limited and group and vested its assets and liabilities in Auckland Transport.

In forming our opinion, we considered:

- the accounting policy on pages 12 and 13 about the financial statements being prepared on a dissolution basis; and
- the disclosures regarding the effects of dissolution in notes 2 and 18.

We consider the basis of preparation of the financial statements and the related disclosures to be appropriate to Auckland Regional Transport Network Limited and group's circumstances.

Responsibilities of Auckland Regional Transport Network Limited and group, Auckland Transport and the Auditor

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 required the report of Auckland Regional Transport Network Limited and group for the 16 month period ended 31 October 2010 to be prepared by Auckland Regional Transport Network Limited and group and completed by Auckland Transport.

Therefore, Auckland Transport is responsible to ensure that the report of Auckland Regional Transport Network Limited and group includes financial statements that comply with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of Auckland Regional Transport Network Limited and group as at 31 October 2010. They must also give a true and fair view of the results of operations and cash flows for the 16-month period ended on that date. Auckland Transport is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the 16-month period ended 31 October 2010.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, and the Auditor-General being the auditor of Auckland Transport, we have no relationship with or interests in Auckland Regional Transport Network Limited and group.



Handwritten signature of David Walker, dated 2/10/10.

David Walker
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Matters relating to the electronic presentation of the audited financial statements and performance information

This audit report relates to the financial statements and performance information of the Auckland Regional Transport Network Limited and group for the 16-month period ended 31 October 2010 included on the Auckland Transport's website. Auckland Transport's Board is responsible for the maintenance and integrity of Auckland Transport's website. We have not been engaged to report on the integrity of the Auckland Transport's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information as well as the related audit report dated 16 February 2011 to confirm the information included in the audited financial statements and performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.