

2006/07 Annual Report of

Auckland Regional Transport Network Ltd



CHAIRMAN'S LETTER FOR YEAR ENDED 30 JUNE 2007

Dear Shareholders

As I write this letter to you the transfer of the Harbour Berths and The Ferry Assets have just taken place. The date of transfer was Monday 1st of October 2007. While appreciating that this has been a lengthy process the Directors believe that it was necessary to ensure the shareholders assets are protected into the future and the maximum value of the shareholders funds realised.

The plan is that the Britomart Station and associated assets will be transferred in the next few months once the arrangements have been agreed between Auckland City Council and the Auckland Regional Council.

The key financial milestones were achieved in the year resulting in a group EBITDA surplus of \$735,000 on Revenues of \$8,585,000. A positive operating cash flow surplus of \$1,770,000 was achieved which was satisfactory given the circumstances we have been operating under. We have enjoyed a good working relationship with Auckland Regional Holdings regarding project funding as the transition progressed.

The company continued to operate the Ferry Facilities and retained and interest in the development of the rail station network over the year conjunction with ARTA.

Our relationship with ARTA has been one of co-operation given the complexity of responsibilities and ongoing rail development throughout the year and we thank Board Chairman Mark Ford for his effort in assisting the Transition Process.

The company directly funded commercial and retail activities in the Britomart transport facility, this provided a satisfactory return for both the owners and the Region.

We have seen the completion of the Papakura Station and over bridge and Panmure Station and the work completed on the Middlemore over bridge as part of our designated works under the original Infrastructure Auckland grants.

We have identified the need for restorative work on Pier 1 and 2 at the Downtown Ferry Terminal and this work will be carried out in the near future with funds made available from ARTA.

Directors and Staff Contribution.

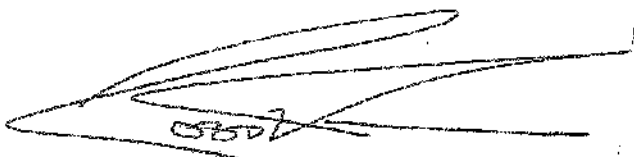
The cooperation from staff has been excellent given the uncertainty of ownership they along with several contractor staff have continued to ensure that the responsibilities have been professionally performed. On behalf of the Board and Shareholders, I would like to thank them for their continued efforts to ensure that the business objectives have been met in the year.

Director Ross Jewell retired on the 30th of November 2006, leaving George Green and myself as the two Directors. We have jointly accepted the Chairman's role over the last year.

Shareholders Support

I wish to acknowledge the support given by Auckland City in helping facilitate the transition process. This has been a lengthy process and we have found Auckland City officers to be of assistance in expediting the changes.

For and on the behalf of the Board



Ross B Keenan
Chairman

8 October 2007

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP

STATUTORY INFORMATION

Directors' profiles as at 30 June 2007

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	
Southern Travel Group Limited	Chairman
Allied Workforce Group Limited	Chairman
Cabletalk Group Limited	Chairman
Metrowater Limited	Chairman
Auckland District Health Board	Deputy Chairman
Counties Manukau District Health Board	Deputy Chairman
Waitemata District Health Board	Deputy Chairman
Ngai Tahu Holdings Group	Director
George Green	
Sleepyhead Manufacturing Limited	Chairman
Rapaura Vintners Limited	Chairman
Morrison Low Associates Limited	Chairman
Morrison Low Consulting Pty Limited	Chairman
Parkwood Management Limited	Director
Metro Water Limited	Director

Directors' Remuneration

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

	Total Remuneration	
	Fees	Expenses
	\$	\$
Keenan, Ross	55,000	4,523
Green, George	34,834	-
Jewell, Ross (resigned 30 November 2006)	19,583	-
Total directors' fees and expenses	<u>109,417</u>	<u>4,523</u>

Use of Company Information by Directors

The Board received no notices during the year 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 been entered into at an annual cost of \$14,150.

Recommended Dividend

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

Donations

No donations have been made during the year.

Employees' Remuneration

During the year, there were no persons on the permanent establishment who received remuneration in excess of \$100,000. Employees fall into the following salary bands (>\$100,000):

Band	2007	2006
\$110,001 - \$120,000	-	1
\$150,001 - \$160,000	-	1
\$230,001 - \$240,000	-	1

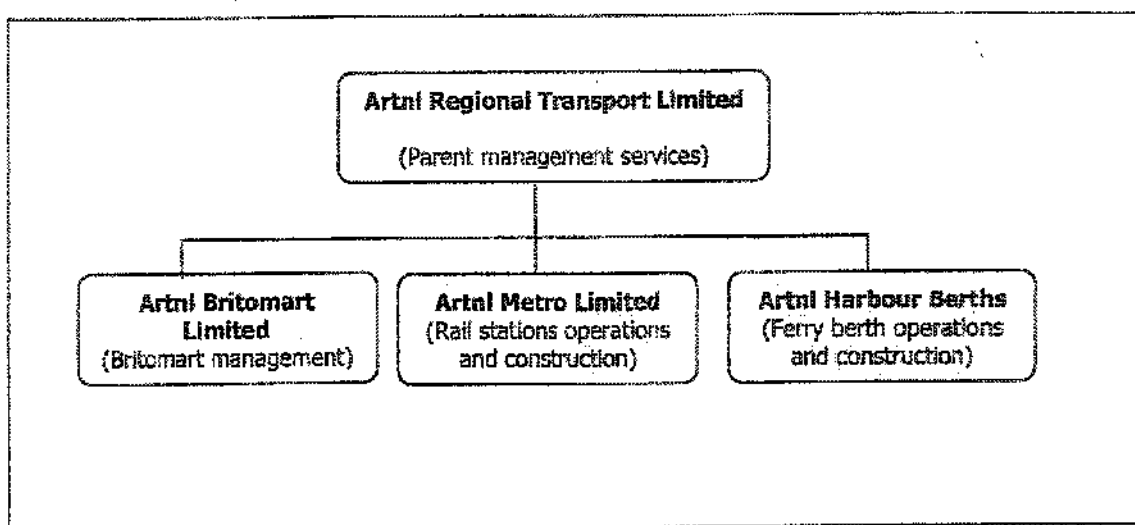
Auditor's Remuneration

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:

	2007	2006
	\$	\$
Auckland Regional Transport Network Limited	29,565	24,255
ARTNL Britomart Limited	15,000	9,922
ARTNL Metro Limited	10,000	9,922
ARTNL Harbour Berths Limited	10,000	11,025
	<u>64,565</u>	<u>55,124</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 subsidiaries ARTNL Harbour Berths Limited ("AHB"), ARTNL Metro Limited ("AML") and ARTNL Britomart Limited ("ABL").



The following companies traded during the year with their primary role to act as implementers.

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, negotiation with the Crown in respect of access to the rail corridor and stations, and regional passenger transport planning activities involving the ARC, ARTA and Territorial Authorities.

AHB – Owns (in part), develops and manages an integrated network of ferry terminals within the Auckland region to facilitate a comprehensive ferry service network in accordance with the Regional Ferry Strategy.

AML – Leases, manages and is upgrading 38 passenger rail stations within the Auckland region ensuring the provision of safe access for operator(s) and passengers to rail station facilities.

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 and train terminal operations are managed through a lease.

Shelf Companies

At the 30 May 2006 Board meeting the Directors passed a special resolution approving the deregistration of ARTNL No 1 Limited, ARTNL No 2 Limited, ARTNL No 3 Limited and Rail Access SPV Limited. The dates of the deregistration of the above companies, by the Registrar of Companies, occurred as follows: ARTNL No 1 Limited, ARTNL No 3 Limited and Rail Access SPV Limited 28 July 2006 and ARTNL No2 Limited on 8 August 2006.

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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
- Providing and assisting with the development of the strategic direction of the ARTNL Group.

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:

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<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.

Subsidiaries

The ARTNL Board mirrors their responsibilities on all subsidiaries 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.

ARTNL Operations

A management team appointed by the Board manages the ARTNL Group of Companies. This management team comprises the General Manager, managers for finance and administration, and safety, supported by project managers with specific responsibility for

operations and development projects for rail infrastructure, Britomart Transport facility and ferry terminals.

The Board directs the management team by delegating responsibility and authority for the achievement of objectives through setting policy. The Board meets regularly during 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 subsidiaries 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 are required. A key activity during the year has been safety reviews of assets under the stewardship of the ARTNL Group and the development of policy focused on this area to ensure safe operation of assets for the benefit of all users.

The Board recognises that risks change over time as business circumstances change and to this end, policy and associated programmes are reviewed on a regular basis. 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.

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
STATEMENT OF RESPONSIBILITY
FOR THE YEAR ENDED 30 JUNE 2007


The Board and management of ARTNL accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Board and management of ARTNL accepts responsibility for establishing and maintaining a system of Internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of the Board and management of ARTNL the annual Financial Statements for the year ended 30 June 2007 fairly reflect the financial position and operations of ARTNL.



Ross Keenan
Director
24 October 2007



George Green
Director
24 October 2007

AUDIT REPORT

TO THE READERS OF
AUCKLAND REGIONAL TRANSPORT NETWORK LTD AND GROUP'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Auckland Regional Transport Network Ltd (the company) and group. The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company and group, on his behalf, for the year ended 30 June 2007.

Qualified opinion – Omission of performance information because of no Statement of Intent

As stated in note 16.2 on page 30, the company and group did not have a Statement of Intent for the period commencing 1 July 2006. Normally the Statement of Intent would outline the performance targets and other measures by which the performance of the company and group could be measured. Because the company and group did not have a Statement of Intent for the period commencing 1 July 2006 the company and group has been unable to prepare 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 the company and group on pages 12 to 30:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the company and group's financial position as at 30 June 2007; and
 - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 24 October 2007, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors 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 our 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.

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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 the omission of performance information because the company did not produce a Statement of Intent against which the company's performance targets and other measures would have been 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 the Board of Directors;
- 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. We did not obtain all the information and explanations we required to support the opinion, as explained above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 30 June 2007. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2007. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

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.

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Independence

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

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.



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

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AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2007

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.

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.

The financial statements of ARTNL and group have been prepared on the basis that the entity and group are a going concern. Also, refer to note 15.

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 subsidiaries ARTNL Harbour Berths Limited (AHB), ARTNL Metro Limited (AML) and ARTNL Britomart Limited (ABL). ARTNL and its subsidiary companies' 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.

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 initially recorded at cost.

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
Canopies	20
Leasehold Improvements	4-25
Leased Assets	33-80
Wharf Supports	5-33
Buildings	5-67

g) Depreciation - continued

Economic life (years)

Station Improvements

▪ Amenity Improvements, line markers and access paths	10
▪ Fencing and footbridges	30-50

Station Upgrades

▪ CCTV	5
▪ Bins, seats, bollards and signage	15
▪ Lighting and asphaltic concrete	20
▪ Landscaping	25
▪ Shelters	30
▪ Platforms	66

h) Leases

Finance Leases

Leases that effectively transfer to the Company, substantially all the risks and benefits incidental to ownership of the leased items are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments.

The leased assets and the corresponding lease liabilities are recognised in the Statement of Financial Position. The leased assets are depreciated over the period the Company is expected to benefit from their use.

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 and a term loan facility. 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) 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.

k) Operating Revenue

Operating revenue comprises:

- Operating grants
- Fees charged to ferry operators for use of terminals and wharves and rental income from related land and buildings
- 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.

l) Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the ARTNL Group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Company and Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities are those activities relating to changes in equity and debt capital structure of the Company and Group.

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) Comparatives

Certain comparatives with the 2006 Annual Report have been reclassified to conform with presentation of the 2007 report.

o) Changes in Accounting Policies

There were no changes in accounting policies in the financial year under review, and all policies have been applied on bases consistent with the prior year.

p) International Financial Reporting Standards

The ARTNL Group will adopt the New Zealand equivalents to the International Financial Reporting Standards from 1 July 2007

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
 STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2007

	Note	Parent		Group	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Revenue from operating activities		859	1,640	8,585	9,451
Expenditure on operating activities	1	(1,268)	(1,721)	(7,850)	(8,773)
Surplus/(Deficit) before Interest, Depreciation, Grants, Write-off of Assets, Investments and Subsidiaries and Tax		(409)	(81)	735	678
Depreciation	1	(16)	(20)	(175)	(1,522)
Interest Expense	1	(7)	(6)	(7)	(6)
Interest Income	1	268	131	364	215
Grants for Capital Projects		10,518	25,349	10,518	25,349
Write down of Investment in Subsidiary	1	(7,800)	(61,928)	-	-
Write-off of Asset	1	-	-	(10,706)	(63,762)
Surplus/ (Deficit) before Tax		2,554	(36,555)	729	(39,048)
Less Tax Expense	2	(2)	-	(2)	(40)
Net Surplus/ (Deficit) after Tax		2,556	(36,555)	731	(39,008)

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
 STATEMENT OF MOVEMENTS IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2007

	Note	Parent		Group	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
Net Surplus/ (Deficit) and Total Recognised Revenue and Expenses for year	3	2,556	(36,555)	731	(39,008)
Total contributions from owners		-	(182)	-	(182)
Movements in equity		2,556	(36,737)	731	(39,190)
Equity at beginning of year		7,647	44,384	5,026	44,216
Equity at end of year		10,203	7,647	5,757	5,026
This is represented by:					
Share Capital	3	4,818	4,818	4,818	4,818
Retained Earnings	3	5,385	2,829	939	208
		10,203	7,647	5,757	5,026

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

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

	Notes	Parent		Group	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Equity					
Share Capital	3	4,818	4,818	4,818	4,818
Retained Earnings	3	5,385	2,829	939	208
Total Equity		<u>10,203</u>	<u>7,647</u>	<u>5,757</u>	<u>5,026</u>
REPRESENTED BY:					
ASSETS					
Current Assets					
Cash and Bank Balances	4	4,104	3,646	5,343	4,932
Prepayments & Receivables	6	5,716	4,014	2,349	2,224
Income Tax Refund	2	105	58	113	58
Investments in Subsidiaries	5	562	206	-	-
Fixed Assets	7	59	74	1,822	1,779
Total current assets		<u>10,546</u>	<u>7,998</u>	<u>9,627</u>	<u>8,993</u>
LIABILITIES					
Current Liabilities					
Payables and Accruals	8	343	351	3,870	3,967
Deferred Tax Liability	2	-	-	-	-
Total current liabilities		<u>343</u>	<u>351</u>	<u>3,870</u>	<u>3,967</u>
NET ASSETS		<u>10,203</u>	<u>7,647</u>	<u>5,757</u>	<u>5,026</u>

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

For and on behalf of the Board


Director
24 October 2007


Director
24 October 2007

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AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

	Note	Parent		Group	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Operating Income		882	1,731	9,106	9,278
Interest received		243	131	339	220
		<u>1,125</u>	<u>1,862</u>	<u>9,445</u>	<u>9,498</u>
<i>Cash was applied to:</i>					
Suppliers and employees		(1,999)	(2,344)	(7,932)	(7,444)
Taxation paid		(45)	(26)	(45)	(26)
GST refund/(paid)		(45)	(10)	304	(87)
		<u>(2,089)</u>	<u>(2,380)</u>	<u>(7,673)</u>	<u>(7,557)</u>
Net cash inflow/ (outflow) from operating activities	14	(964)	(518)	1,772	1,941
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Disposal of fixed assets		-	-	5	-
<i>Cash was applied to:</i>					
Purchase of fixed assets		(1)	(1)	(10,945)	(26,092)
Repayment of term loan		-	-	-	-
Investment in subsidiaries		(8,156)	(22,420)	-	-
		<u>(8,157)</u>	<u>(22,421)</u>	<u>(10,940)</u>	<u>(26,092)</u>
Net cash (outflow) from investing activities		(8,157)	(22,421)	(10,940)	(26,092)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Grants		9,579	24,792	9,579	24,792
		<u>9,579</u>	<u>24,792</u>	<u>9,579</u>	<u>24,792</u>
<i>Cash was applied to:</i>					
Share Capital repurchase		-	(182)	-	(182)
		<u>-</u>	<u>(182)</u>	<u>-</u>	<u>(182)</u>
Net cash inflow (outflow) from financing activities		9,579	24,610	9,579	24,610
Net (decrease)/increase in cash held		458	1,671	411	459
Add opening cash balance		3,646	1,975	4,932	4,473
Cash at end of period		<u>4,104</u>	<u>3,646</u>	<u>5,343</u>	<u>4,932</u>
Represented by:					
Cash on hand and at bank		4,104	3,646	5,343	4,932
		<u>4,104</u>	<u>3,646</u>	<u>5,343</u>	<u>4,932</u>

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

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED AND GROUP
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

	Parent		Group	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Note 1 : Net Surplus				
Net surplus for the year includes the following:				
After charging				
Audit fees				
Current year	30	27	65	58
Under provision in prior year	-	-	-	-
Directors fees and expenses	114	139	114	139
Depreciation				
Leased Assets	-	-	2	43
Furniture and Fittings	10	10	38	79
IT and Computer Software	5	9	6	12
Leasehold Improvements	-	-	128	106
Plant	1	1	1	4
Wharf Supports	-	-	-	105
Stations	-	-	-	814
Canopies	-	-	-	43
Buildings	-	-	-	316
	<u>16</u>	<u>20</u>	<u>175</u>	<u>1,522</u>
Interest expense	7	6	7	6
Operating lease costs	76	75	122	75
Bad debts written off/ (Recovered)	-	-	2	(3)
Changes in the provision for doubtful debts	-	-	(20)	20
Write down of investment in subsidiaries to net book value to reflect the reduction in value from the transfer referred to in Note 15				
Artnl Metro Limited	-	33,990	-	-
Artnl Harbour Berths Limited	7,800	27,938	-	-
	<u>7,800</u>	<u>61,928</u>	<u>-</u>	<u>-</u>
Write off of Assets :				
Buildings			9,308	37,046
Fibre Optic Cable			693	9,952
Footbridge			4	2,496
Furniture, Fittings & Equipment			104	967
Wharf Supports			597	8,209
Canopies			-	619
Land			-	4,473
			<u>10,706</u>	<u>63,762</u>
After crediting				
Interest income	268	131	364	215

	Parent		Group	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Note 2 : Taxation				
Operating surplus before tax	2,554	(36,555)	729	(39,048)
Prima facie income tax	842	(12,068)	240	(12,886)
Add/(subtract) tax effect of permanent differences:		12,084	-	12,222
Non assessable grants	(3,471)	-	(3,471)	-
Write down of Investment in Subsidiary	2,574	-	-	-
Non deductible write off of asset	-	-	3,533	-
Interest				
Prior Year Adjustment	(1)	-	(1)	-
Tax losses not recognised		(16)		624
Deferred tax asset write off	54	-	(303)	-
Income tax expense	(2)	-	(2)	(40)
The tax expense/(benefit) is represented by:				
Current tax	-	-	-	-
Current tax - Prior Year	(2)	-	(2)	-
Deferred tax liability	-	-	-	-
	(2)	-	(2)	-
Deferred Tax Liability/(Asset)				
Opening deferred tax balance	-	(55)	-	40
Prior Year Adjustment	-	13	-	-
Movement	-	42	-	(40)
	-	-	-	-
Tax effect of accumulated tax losses not recognised	(64)	(24)	615	(889)

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

Accumulated tax losses of \$194,000 tax effect \$64,000, are available to carry forward and offset against future tax income.

Accumulated tax losses for the Group of \$1,863,000, tax effect \$615,000, are available to carry forward and offset against future taxable income.

Imputation Credit Account

Balance at the beginning of the year	97	39	107	42
Prior Year Adjustment	-	-	(2)	-
Income tax payments during the year				
Resident withholding tax	47	58	51	60
Taxation (refund)/paid	-	-	-	-
Imputation credits	-	-	11	5
Imputation credits paid by IRD				
Balance at end of year	<u>144</u>	<u>97</u>	<u>167</u>	<u>107</u>
At balance date the Imputation credits available to shareholders were:				
Through direct shareholding in the Company	<u>144</u>	<u>97</u>	<u>167</u>	<u>107</u>

	Parent		Group	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Note 3 : Equity

a) Share Capital

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Shares issued and balance as at 30 June

4,818	4,818	4,818	4,818
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The total number of shares in issue at 30 June 2007 was 1,376,515 (2006: 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 year
 Net surplus/ (deficit) for the year
 Accumulated net surplus at end of year

2,829	39,384	208	39,218
2,556	(36,555)	731	(39,010)
5,385	2,829	939	208

Note 4 : Cash and Bank Balances

Cash at Bank
 Total Cash and Bank Balances

4,104	3,646	5,343	4,932
4,104	3,646	5,343	4,932

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 6.98% (2006: 6.55%)

The Company has a \$3,600,000 credit facility with the Commonwealth Bank.

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Note 5: Investment in Subsidiaries

Subsidiary	Principal activity	Ownership %	Incorporated	Number of Shares held		Written Down Value '000	
				2007	2006	2007	2006
ARTNL Harbour Berths Limited	Ferry terminal owner and operator	100 %	21 June 2002	28,568,804 *1	28,143,756	562	206
ARTNL Britomart Limited	Management of the Britomart Transport Centre	100 %	30 June 2003	100	100	-	-
ARTNL Metro Limited	Management and development of 39 passenger railway stations in the Auckland region	100 %	31 October 2002	44,919,602 *2	37,188,351	-	-

* During 2006/07 the following companies were capitalised by Auckland Regional Transport Network Limited:
 1 ARTNL Harbour Berths Limited with \$425,048 for 425,048 shares (2006: \$5,268,243 for 5,268,243 shares)
 2 ARTNL Metro Limited with \$7,731,251 for 7,731,251 shares (2006: \$17,151,784 for 17,151,784 shares.)

The following shelf companies were deregistered by the Registrar of Companies after a special resolution passed by the Board of Directors in May 2006.

ARTNL No.1 Limited	Shelf company	100 %	30 June 2003	-	100	-	-
ARTNL No.2 Limited	Shelf company	100 %	30 June 2003	-	100	-	-
ARTNL No.3 Limited	Shelf company	100 %	30 June 2003	-	100	-	-
Rail Access SPV Limited	Shelf company	100 %	19 June 2003	-	100	-	-

Actual deregistration of the above companies by the Register of Companies occurred during the months of July and August 2006

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	Parent		Group	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Note 6 : Prepayments and Receivables				
Trade Debtors	1,604	667	2,123	1,746
Prepayments and Accruals	48	40	226	478
Amount owing from Subsidiaries (refer to note 9)	4,064	3,307	-	-
	<u>5,716</u>	<u>4,014</u>	<u>2,349</u>	<u>2,224</u>
Note 7 : Fixed Assets				
Furniture and Fittings	98	98	159	108
Less accumulated depreciation	(46)	(37)	(69)	(38)
	<u>52</u>	<u>61</u>	<u>90</u>	<u>70</u>
IT and Computer Software	64	64	77	64
Less accumulated depreciation	(58)	(52)	(58)	(52)
	<u>6</u>	<u>12</u>	<u>19</u>	<u>12</u>
Plant	6	5	6	136
Less accumulated depreciation	(5)	(4)	(5)	(4)
	<u>1</u>	<u>1</u>	<u>1</u>	<u>132</u>
Leasehold Improvements	-	-	2,031	1,785
Less accumulated depreciation	-	-	(365)	(260)
	<u>-</u>	<u>-</u>	<u>1,666</u>	<u>1,525</u>
Buildings	-	-	50	41
Less accumulated depreciation	-	-	(4)	(1)
	<u>-</u>	<u>-</u>	<u>46</u>	<u>40</u>
Total Fixed assets	<u>59</u>	<u>74</u>	<u>1,822</u>	<u>1,779</u>
Note 8 : Payables and Accruals				
Trade Creditors	55	139	1,458	1,693
Trade Accruals	194	176	2,317	1,636
<i>Provision for Employee Entitlements</i>				
Balance at beginning of year	36	57	36	99
Provided during the year	97	74	96	74
Utilisation during the year	(39)	(95)	(39)	(137)
Balance at end of year	<u>94</u>	<u>36</u>	<u>93</u>	<u>36</u>
Shareholder advances on workstreams	-	-	2	2
	<u>343</u>	<u>351</u>	<u>3,870</u>	<u>3,357</u>

Parent		Group	
2007	2006	2007	2006
\$000	\$000	\$000	\$000

Note 9 : Related Party Transactions

a) Intergroup transactions and balances

Included in Prepayments and Receivables are the following amounts owing from:

Auckland City Council	-	37	-	37
Manukau City Council	-	237	-	239
ARTNL Britomart Limited	4,064	3,306	-	-
	<u>4,064</u>	<u>3,580</u>	<u>-</u>	<u>276</u>

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

Auckland City Council	9	11	9	441
Metro Water Limited	-	-	8	5
	<u>9</u>	<u>11</u>	<u>17</u>	<u>446</u>

b) Related party transactions

Services were provided to the following related parties:

Auckland City Council	306	164	306	198
Manukau City Council	-	244	2	251
Waitakere City Council	-	-	-	18
ARTNL Britomart Limited	1,479	1,096	-	-
ARTNL Metro Limited	448	825	-	-
ARTNL Harbour Berths Limited	499	623	-	-
	<u>2,732</u>	<u>2,952</u>	<u>308</u>	<u>467</u>

Services were provided by the following related parties:

Auckland City Council	820	144	896	614
City Park Services	1	2	1	2
Manukau City Council	-	-	145	-
Metro Water Limited	-	-	84	61
	<u>821</u>	<u>146</u>	<u>1,126</u>	<u>677</u>

c) Key management and directors

No directors or senior managers have entered into related party transactions with the group. (2006: 3,250)

No related party transactions have been written off or forgiven during the year (2006: \$Nil).

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	Parent		Group	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Note 10 : Commitments				
Capital				
Fibre Optic Cable Installation	-	-	155	850
Rail Station Upgrades Group 2	-	-	119	7,492
Stage II Double Tracking (Stations)	-	-	-	-
Stations Improvements - Rail	-	-	-	-
Station Improvements - PA System	-	-	-	92
Station security and Communications	-	-	-	18
Total	-	-	274	8,452
Leases				
<i>Anticipated payments under non-cancellable operating leases:</i>				
Current	-	75	-	75
One to two years	-	-	-	-
Two to five years	-	-	-	-
Total	-	75	-	75

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 and asset renewal requirements 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. However, 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 is payable for the first four years of the lease. Thereafter the annual rent is equivalent to the asset renewal funding requirement.

Note 11 : Contingent Assets

ARTNL was granted funds by Infrastructure Auckland, which are now being administered by ARTA toward the completion of certain projects. ARTNL is subject to a number of conditions prior to being eligible to draw down the grants. The conditions to be satisfied are:

Project Name	Conditions	Total Grant Awarded \$000	Amounts drawn down \$000	Amount outstanding \$000
Regional Ferry Terminal	<ul style="list-style-type: none">• Proof of completion of work at date of draw down of funds granted	30,350	29,048	1,302
Group 1 Railway Stations	<ul style="list-style-type: none">• Prior to draw down of agreed tranches of the grant, proof of solvency signed by the directors of ARTNL or of any subsidiary that is undertaking the project is to be provided• Proof of completion of work at date of draw down of funds granted	25,545	23,201	2,344
Phase One Rail Corridor Upgrades (Part 1)	<ul style="list-style-type: none">• Agreement and sign off by ARTNL and the Auckland Regional Council to an Interim Business Plan for the delivery of interim rail services within the Auckland region• Crown providing access to the rail corridor of the Auckland region• Provision of a commitment to the renewal of the assets constructed• Proof of completion of work at date of draw down of funds granted	16,630	16,289	341
TOTAL CONTINGENT ASSETS		72,525	68,538	3,987

It is expected that all conditions will be met within the next financial year (except for the Group 1 Railway Stations, which are expected to be completed in 2008) and that the work on the above projects will be completed and paid for by the grants provided.

Note 12 : Contingent Liability

ARTNL Metro Limited has an equity deficit of \$5.018M as at 30 June 2007. (2006: deficit \$2.901M). The considered view of the Directors of ARTNL Metro Limited is that, after making due enquiry there is a reasonable expectation that the company and group has adequate resources to continue operations at existing levels for the next 12 months from the date of the financial statements

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 Metro payables and other debt.

Note 13 : 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 4 and 14 respectively.

There are no interest rate option or swap agreements in place as at 30 June 2007 (2006: 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 14 : Reconciliation of Net Surplus to Net Operating Cash Flows

	Parent		Group	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Net Surplus (Deficit) after Tax	2,556	(36,555)	731	(39,008)
<i>Cash flows derived from non-operating activities and included in Surplus/ Deficit</i>				
Grants	(10,518)	(24,792)	(10,518)	(24,792)
<i>Items not involving cash flows</i>				
Depreciation	16	20	175	1,522
Write down investment in subsidiaries	7,800	61,928	-	-
Loss on disposal of fixed assets	-	-	-	-
Write-off of assets	-	-	10,706	63,762
Movement in deferred taxation	-	-	-	(40)
<i>Impact of changes in working capital</i>				
(Decrease)/increase in accounts payable	(12)	131	984	2,164
(Increase)/decrease in accounts receivable	(806)	(1,250)	(306)	(1,667)
Net cash flow from operating activities	(964)	(518)	1,772	1,941

Note 15 : Post Balance Date Events

Subsequent to year end, the shareholders of ARTNL finalised a transfer agreement relating to the assets and businesses of two of its subsidiaries, AHBL and AML. The agreement also provides for negotiations (in a separate transfer agreement) in respect of the transfer of the Britomart rail station and the terms of the Britomart Rail Station Lease from the ACC to the ARC.

Execution of the transfer agreement in its present form will result in the transfer (for no consideration) to the ARC (or its nominee), the ACC and the MCC of substantially all of the assets (including liabilities and obligations relating to these assets from the date of transfer) of AHBL and AML.

Upon the transfer of assets, the transfer agreement stipulates that the ARTNL shareholders shall procure the liquidation of AHBL and AML and as soon as possible, unless any of the companies are required to remain in existence for the purposes of performing ongoing obligations in terms of the agreement.

The transfer agreement was signed on 3 July 2007 for settlement to take place on 1 October 2007. In anticipation of settlement, the Board has considered it prudent to write down certain assets of AHBL and AML to reflect the fact that the transfer will be for no consideration. ARTNL's investments in AHBL and AML have been written down accordingly.

The financial statements of ARTNL and group have been prepared on the basis that the entity and group are a going concern. The Directors have reviewed budgets, projected cash flows and other relevant material and on the basis of this review are confident that the entity and the group has adequate resources to continue in operational existence for the foreseeable future.

Note 16: Breach of Law

Note 16.1: Annual reporting deadlines

Section 57 of the Local Government Act 2002 requires the Board to deliver to the shareholders, and make available to the public, its annual report within 3 months of the balance date. This requirement was not complied with. This requirement was not complied with due to the uncertainty of the date of transfer of assets to ARTA and the accepted accounting treatment to be followed relating to the assets to be transferred.

Note 16.2: Statement of Intent

Section 64 of the Local Government Act 2002 requires the company and group to prepare a Statement of Intent. The company and group did not prepare a Statement of Intent for the period 1 July 2006 to 30 June 2007 due to the uncertainty surrounding the company and group's ongoing operations. It was originally anticipated that the disestablishment of the company and group would be completed prior to the required dates to prepare and adopt the Statements of Intent covering the period 1 July 2006 to 30 June 2007. The consequence is that the Statement of Service Performance cannot be prepared for the current year.

During the financial year the company and group has prepared and adopted a Statement of Intent covering the period 1 July 2007 to 30 June 2010.

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THE AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED GROUP

Statement

of

Intent

For the

Three year period 1 July 2008 to 30 June 2011

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The Auckland Regional Transport Network Limited Group

STATEMENT OF INTENT

FOR THE THREE YEAR PERIOD 1 JULY 2008 TO 30 JUNE 2011

1. INTRODUCTION

As required by the Local Government Act, this document is a statement to the Shareholders of the Board's intentions for the next 3 years in relation to Auckland Regional Transport Network Limited (ARTNL) and its subsidiaries (the Group). Subject to the following paragraph, this Statement of Intent will be reviewed and updated annually.

The Shareholders established ARTNL on 2 July 2001 as part of their joint commitment to improving public passenger transport in the Auckland region. The Group comprises ARTNL and its 100% owned subsidiaries ARTNL Harbour Berths Limited ("AHBL"), ARTNL Metro Limited ("AML") and ARTNL Britomart Limited ("ABL").

Pursuant to a Transfer Agreement relating to the assets and businesses of AHBL and AML the assets and businesses of AHBL and AML were transferred to the Auckland Regional Transport Authority ("ARTA") on 1 October 2007.

It is recognised that the operation of the Group will continue to be impacted by the non binding Outline Agreement which provides for the reorganisation of the ownership and control of the ABL assets and business. While the precise details of some aspects of this reorganisation are yet to be finalised, it is likely that ABL's assets and associated obligations will be transferred to ARTA by asset transfer, and the Group companies will then be wound up by way of voluntary liquidation. Accordingly, this Statement of Intent is subject to the ongoing reorganisation of the Group and it is possible that many of the forecast activities of the Group detailed in this Statement of Intent will only be undertaken for a limited period. The focus of the Group will be on ensuring continuity of operations and on an orderly transition of the ABL assets and operations to ARTA followed by a managed liquidation of the Group.

This Statement of Intent has been developed between ARTNL and its Shareholders on the basis that the Group may hold, manage and operate rail transport assets. The Statement of Intent is a public document, which sets out the accountability relationship between the Shareholders and ARTNL. It identifies the agreed objectives and performance targets for the Group against which the Board reports on the Group's performance to the Shareholders during the year and ultimately to the public through its audited Annual Report.

2. NATURE, SCOPE AND GOVERNANCE OF THE GROUP

2.1 Business purpose

Vision Statement

World class passenger transport for a world class region.

2.2 Nature and Scope of Activities to be undertaken by the Group

Scope of Activities

The remaining assets of the Group (being the assets of ABL) are likely to be transferred under an asset transfer agreement to ARTA and the Group companies subsequently wound up by way of voluntary liquidation. Accordingly, the objectives and activities of the Group during the term of this Statement of Intent will include:

- Managing the assets of the Group and ensuring continuity of operations until completion of the reorganisation;
- cooperating with and assisting the Shareholders to implement the Outline Agreement or any other proposal for reorganisation or disposition of the assets of the Group. This may include

entering into transactions necessary to dispose of the Group's assets as contemplated by the Outline Agreement;

- cooperating with and assisting the Shareholders, ARC and ARTA with the orderly transition of management of the ARTNL Group to ARTA;
- cooperating with the Shareholders in any voluntary liquidation of the Group; and
- Performing services as may be contracted from time to time, from Shareholders or other sources.

The Statement of Intent includes functions that may devolve from a result of future changes and the ongoing reorganisation of the Group.

2.3 Governance of the Group

It is acknowledged that the responsibilities and duties of the Board as set out below will be impacted by the ongoing reorganisation of the Group as contemplated by the Outline Agreement or any other proposal for reorganisation or disposition of the remaining assets of the Group. The intended reorganisation may necessitate ARTNL board approval of formal and/or informal relationships between the respective boards of ARTNL and ARTA which may be deemed necessary by the ARTNL board to assist the Shareholders to achieve a well managed transition of the operational management of the Group from the ARTNL Group to ARTA.

The business and affairs of each company making up the Group are governed under the direction of the Board of Directors in accordance with this Statement of Intent. Certain decisions of ARTNL and its subsidiaries require approval of the Shareholders as set out in the Constitution. Each company in the Group shall be operated on an independent and transparent basis.

The Board meets at least monthly to make decisions concerning the Group.

3. OBJECTIVES AND PERFORMANCE

The Local Government Act 2002 requires that the principal objective of the Group as a council-controlled organisation is to:

(a) Achieve the objectives of its shareholders, both commercial and non-commercial (as set out in this Statement of Intent)

(b) Be a good employer

(c) Exhibit a sense of social and environmental responsibility by having regard to the interests of the community and by endeavouring to accommodate or encourage these when able to do so

(d) Conduct its affairs in accordance with sound business practice.

ARTNL considers the application of 'sound business practice' will best enable it to deliver and exceed its performance objectives, in a way that best supports the Auckland region's passenger transport strategies.

In accordance with its constitution, the Group aims to operate:

- In a manner which contributes to and gives effect to the Auckland Regional Growth Strategy and the Regional Land Transport Strategy
- In a manner which is economically, socially, and environmentally responsible
- For the long-term benefit of the Shareholders and citizens and ratepayers of the Auckland region.

In carrying out the above the Group will take into account the principles of Local Government triple bottom line requirements. This means the Group can achieve balanced social, economic and environmental outcomes including prudent fiscal responsibility and stewardship.

Subject to the impact of any reorganisation pursuant to the Outline Agreement, the following table presents the Group's objectives and performance measures and targets for the next 3 financial years in relation to the objectives of the Group. Each performance measure contributes to a triple bottom line outcome and is represented by a supporting activity:

<p>Objective (Primary focus) (all objectives being subject to the impact of any reorganisation pursuant to the Outline Agreement)</p> <p>Provide prudent financial management for long term financial sustainability of the business and its assets</p>	<p>Triple Bottom Line Outcome</p> <p>Economic</p>	<p>Performance Targets (What we are trying to achieve for the next 3 financial years)</p> <p>Performance Measure (How we are measured)</p> <p>Achieve a breakeven financial result in cash terms each year meeting cash out goings as they fall due</p>	<p>All</p>	<p>Supporting Activity</p> <p>Corporate, Britoma</p>
<p>Develop and operate Britomart Transport Centre in accordance with the standards set out in agreements with Auckland City Council and ARC</p>	<p>Economic</p> <p>Social</p> <p>Environmental</p>	<p>Revenue and funding arrangements are in place that ensures solvency of the companies in the Group and to minimise the need for debt or shareholder funding.</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Shareholder funds to total assets at not less than [90%] subject to the impact of any reorganisation pursuant to the Outline Agreement or any agreement executed in furtherance of the principles agreed in that document Approved asset management plans and capital projects are funded <p>Seek to develop sources of revenue from commercial sources to reduce public funding of ARTNL Group</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Maximise net revenues, subject to the impact of any reorganisation pursuant to the Outline Agreement or any agreement executed in furtherance of the principles agreed in those documents <p>To manage the business efficiently with a view to maintaining prices for services at the minimum levels consistent with approved pricing policies</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Pricing of access to transport infrastructure is in accordance with approved pricing methodology for monopoly assets and at market for other assets 	<p>All</p>	<p>Britomart</p>
<p>The Britomart Transport Centre rail station and bus interchange is managed and operated in accordance with standards set out in agreements with Auckland City Council and ARC.</p>	<p>Economic</p>	<p>This is measured by:</p> <ul style="list-style-type: none"> Agencies satisfaction with standards achieved in accordance with transitional arrangements agreed with ARTA. 	<p>Britomart</p>	<p>Britomart</p>

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Objective (Primary focus) (all objectives being subject to the impact of any reorganisation pursuant to the Outline Agreement)	Triple Bottom Line Outcome	Performance Targets (What we are trying to achieve for the next 3 financial years)	Supporting Activity Corporate, Britomar
Promote effective working relationships with key partners	Economic Environmental Social	<p>Achieve an effective relationship with multiple stakeholders on matters of significance to the</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Channels of communication with stakeholders are open and relationships are strengthening All public requests for information are addressed, subject to matters of commercial sensitivity and confidentiality under the terms of Official Information Act. 	Britomar
	Social	<p>Assist in any consultation with Tangata Whenua on major issues likely to affect them</p> <p>This is measured by:</p> <ul style="list-style-type: none"> As required by the Shareholders Representatives Group 	Corporate
Develop and evolve organisational structure and key competencies	Economic Environmental Social	<p>Meet the group's statutory requirements</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Compliance with law 	All
	Social	<p>To act as a good employer and develop target complement of staff</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Employment of staff supporting operations, rail expertise, infrastructure planning, revenue development, contract management and financial analysis as appropriate in the context of the proposed Reorganisation. Taking all practical steps to provide employees with safe working conditions Maintain an EEO policy consistent with best management practice <p>Develop tools to mitigate risk and monitor/improve business performance</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Develop and implement a risk management plan relevant to the major functions of ABL within 12 months 	All
	Environmental	<p>To act in a manner which minimises the adverse impact of the Group's operations on the environment and, where possible, enhances the environment</p> <p>This is measured by:</p> <ul style="list-style-type: none"> Compliance with requirements of resource consents 	Britomar

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<p>Objective (Primary focus) (all objectives being subject to the impact of any reorganisation pursuant to the Outline Agreement)</p> <p>A safety programme is implemented to fulfil safety accountabilities</p>	<p>Triple Bottom Line Outcome</p> <p>Performance Targets (What we are trying to achieve for the next 3 financial years)</p> <p>Performance Measure (How we are measured)</p>	<p>Supporting Activity</p> <p>Corporate, Britoma</p>
<p>Social Economic</p>	<p>A Safety Programme is developed in relation to public transport infrastructure assets that the Group owns or manages</p> <p>This is measured by:</p> <ul style="list-style-type: none"> ▪ Safety levels of the Group's infrastructure are satisfactory to Shareholders and meet relevant statutory requirements and standards contained in Asset Management Plans. 	<p>Britomart</p>

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4. OTHER INFORMATION REQUIRED BY THE LOCAL GOVERNMENT ACT 2002

4.1 Shareholders Funds

ARTNL has raised capital from Shareholders of \$4.8 million (paid in full) and \$19.3 million (uncalled) to support the Groups activities through to 2009, on the assumption that external funding will be maximised.

Subject to the ongoing reorganisation of the Group the Group's main source of revenue will be from access fees, operational activities and other related sources. The Group may incur debt, where it is commercially appropriate to do so in the context of the ongoing reorganisation of the Group pursuant to the Outline Agreement.

The target ratio of Consolidated Shareholders Funds to Total Assets for the Group shall be not less than:

	2008/09	2009/10	2010/11
Shareholders Funds to Total Assets	90%	90%	90%

Note

Consolidated Shareholders funds are defined as Issued and Paid Up Capital plus Revaluation Reserve and Retained Earnings. Total Assets are defined as Net book value of Current Assets, Investments and Fixed Assets as disclosed in the Group's Consolidated Statement of Financial Position.

provided that this target ratio may be impacted by and adjusted as a result of the ongoing reorganisation of the Group pursuant to the Outline Agreement.

Issued and Paid Up Capital at 1 March 2008 was \$[4,817,802].

4.2 Accounting Policies

The Local Government Act 2002 and the Financial Reporting Act 1993 require the Board to prepare financial statements that comply with the Companies Act and Financial Reporting Act. The Local Government Act 2002 also requires the Board to report the performance targets and other measures by which the performance of the Group can be judged in relation to its objectives.

The financial statements of the Group will be prepared on a historical cost basis using the going concern assumption and will comply with the Financial Reporting Standards and Generally Accepted Accounting Principles.

The Group adopted the New Zealand equivalents to the International Financial Reporting Standards from 1 July 2007.

4.3 Auditor's Responsibilities

Section 70 of the Local Government Act 2002 requires the Office of the Controller and Auditor-General to audit the financial statements and performance information presented by the Board and to express an independent opinion on the financial statements and the performance information and report its opinion to Shareholders.

4.4 Application of Surplus Funds

The ability to make distributions is restricted by the constitutions of the Group.

4.5 Reports to Shareholders

The Board will report regularly to the Shareholders as follows:

Annual Statement of Intent - ARTNL will provide a draft and final Statement of Intent (SOI) for the Group in accordance with the time frames in the Local Government Act 2002.

Quarterly Management Reports - Management reports for the Group will be provided within one month at the end of September, December, March and June quarters, including:

The unaudited Consolidated Statement of Financial Position as at the end of the preceding quarter, and the Consolidated Statement of Financial Performance, Consolidated Statement of

Cash Flows and a Consolidated Capital Expenditure Summary for the year to date and the preceding quarter. These statements will include comparative budget data and variances.

The statutory obligation to provide Shareholders with a half-year report and annual report on operations will be met by the management report for the December and June quarters respectively.

Quarterly Briefing Meetings - The Group will meet the requirements of the Local Government Act, the Companies Act and the reasonable requirements of the Shareholders.

4.6 Procedure for Acquisition of Shares

In accordance with the constitution, ARTNL and its subsidiaries may acquire their own shares.

4.7 Events Requiring Shareholder Approval

The following events require Shareholder approval, prior to being carried out by ARTNL or any of its subsidiaries:

- Final adoption of each Statement of Intent and modification of any Statement of Intent;
- Any sale, assignment or disposition of any part of the Auckland Region Transport Corridor which is not contemplated by an Indicative Asset Management Plan;
- Any grant of a Security Interest over any part of the Auckland Region Transport Corridor which is not contemplated by an Indicative Funding Plan;
- Any issue of shares, convertible securities or options;
- Any Major Transaction or Unanimous Consent Transaction;
- Any Substantial Transaction (not being a Major Transaction or Unanimous Consent Transaction).

4.8 Activities For Which The Group Seeks Compensation From Any Local Authority

The Group may:

- lease strategic passenger transport assets to any of the local authorities in the Auckland region
- manage strategic passenger transport assets on behalf of any of the local authorities in the Auckland region

4.9 Directors Estimate of Commercial Value

In order to facilitate the asset transfers, assets were written off to nil value. The Directors' estimate of the book value of the Shareholders' investment in ARTNL at 1 March 2008 was \$[5.25million] being the equity position after realising ARTNL's assets and paying off all amounts due.

These figures are based on unaudited financial statements. The Directors have not requisitioned an independent valuation of the Shareholders' investment.

4.10 Disposal of Assets

The Group is required to obtain Shareholders approval for:

- the sale of any asset if its value is greater than 25% of the value of the relevant company's assets before the sale.
- Agreement will be sought from North Shore City Council where the assets owned by that council are affected by any disposal.

4.11 Other Information:

The shareholding of ARTNL, as at 1 March 2008 was as follows:

Shareholder	Holding %
Auckland City Council	63.65%
Manukau City Council	22.17%
Waitakere City Council	14.18%
Total	100.00%

The constitution also allows for other local authorities in the Auckland region to become shareholders.

DIRECTORY

AUCKLAND REGIONAL TRANSPORT NETWORK LIMITED (Parent), **ARTNL Harbour Berths Limited** (a 100 % subsidiary), **ARTNL Metro Limited** (a 100 % owned subsidiary) **ARTNL Britomart Limited** (a 100 % subsidiary).

Registered Office

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Postal Address

Private Box 899
Shortland Street
Auckland 1030

Auditors

Audit New Zealand (on behalf of the Controller and Auditor-General).