Auckland Regional Transport Authority Annual Report for the 16 months ended 31 October 2010

STATEMENT OF SERVICE PERFORMANCE

For the 16 months ended 31 October 2010

1 Performance Targets

The high level goals by which ARTA will measure the contribution of its own activities, and those of other agencies, to implementing the Auckland Regional Land Transport Strategy are:

Target by 2016	Actual 12 Month to Jun 09	Actual 12 Month to Jun 10
49% of motorised trips into the CBD by Passenger Transport	32,747 PT trips	42,515 PT trips 48% of motorised trips to CBD
100 million PT boardings per annum[1]	58.6 m	60.6 m
20,000 fewer car trips each morning peak through Travel Plans	6,492	9,619
6% decline in road casualties per 10,000 population, to 29.2[2]	30.5	29.5

Note 1 Dependent upon the PT Network Plan being fully funded

Note 2 Road casualty data is for the calendar years 2008 and 2009. 2008 data has been updated since the 2008/09 Annual Report was published. 2009 data is provisional and may change during the course of 2010

*This measure was not updated for the months from 1 July 2010 to 31 October 2010 as it is only available annually.

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1.1 Patronage targets

Outcome	Performance Measure	Actual	Target		Actual	
		12 Month to Jun 09	12 Month to Jun 10	16 Month to Oct 10	12 Month to Jun 10	16 Month to Oct 10
Total PT patronage growth	Total PT patronage increases by 4%	58,621,000	60,972,000	82,192,000	60,618,000	82,669,000
Made up of:						
	Performance Measure					
RTN patronage growth	Patronage growth on the Northern Express busway service	1,500,000	1,724,000	2,356,000	1,792,000	2,485,000
	Patronage growth on the Western Rail Line	2,709,000	2,858,000	4,044,000	2,933,000	4,106,000
	Patronage growth on the Southern & Eastern rail lines	4,941,000	5,387,000	7,351,000	5,546,000	7,688,000
QTN & LCN patronage growth	Patronage growth on all other bus services	42,482,000	43,966,000	59,128,000	43,303,000	59,059,000
	Patronage growth on ferry services	4,374,000	4,396,000	5,791,000	4,528,000	5,917,000
Targeted services	Patronage growth on school bus services	2,615,000	2,641,000	3,522,000	2,516,000	3,414,000

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1.2 Transport outcome measures

Strategic Challenge	Performance Measure	Target	Actual 12 Month to Jun 09	RLTS Target	Actual 12 Month to Jun 10
Lead implementation of the Auckland Regional Land Transport Strategy	Allocation of funds through the Regional Land Transport Programme reflects ARLTS allocations (cumulative values from 06/07)	30% of transport expenditure is on new road construction	28.0%	30%	24.9%
		32% of transport expenditure is on road maintenance, traffic management and road safety	32.6%	32%	34.7%
		34% of transport expenditure is on passenger transport	36.5%	34%	37.2%
		4% of transport expenditure is on *Travel Demand* Management	2.9%	4%	3.2%

*This measure was not updated for the months from 1 July 2010 to 31 October 2010 as it is only available annually.

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1.3 Customer Service Targets

Strategic Challenge	Performance Measure	Target	Actual 12 Month to Jun 09	Target 12 Month to Jun 10	Actual 12 Month to Jun 10	Target 4 Month to Oct 10	Actual 4 Month to Oct 10
To deliver the step-change in Passenger Transport infrastructure that will enable a world class service offering.	Customer satisfaction scores for Rapid and Quality Transit Networks (RTN and QTN) stops/stations and vehicles	% of RTN customers rating stops/stations and vehicles as good, very good or excellent is improved despite major construction works	90% Stops & Stations 94% Vehicles	83% Stops & Stations 92% Vehicles	91% Stops & Stations 95% Vehicles	90% Stops & Stations 90% Vehicles	91% Stops & Stations 96% Vehicles
Deliver quality Passenger Transport services that meet Aucklanders' expectations, within available funding	Overall Customer satisfaction scores for RTN, QTN and Local Connector Network (LCN). Total of Good, Very good, or Excellent	Maintain overall customer satisfaction above 80%	84%	Above 80%	86%	Above 80%	87%
		RTN satisfaction above 85%	85%	Above 85%	86%	Above 85%	87%
		QTN satisfaction above 80%	83%	Above 80%	88%	Above 80%	88%
		LCN satisfaction above 80%	87%	Above 80%	83%	Above 80%	85%
	Customer rating of value for money of travelling by passenger transport in Auckland	Increase proportion of customers who rate value for money as good, very good or excellent	70%	68%	70%	70%	71%
Improve service punctuality	RTN services arrive at all stations within 5 minutes of scheduled time.	Northern Busway services arrive at destination station within 5 minutes of scheduled time.	98.6%	99%	99%	99%	99.6%
		Western Line rail services arrive at destination station within 5 minutes of scheduled time	87.8%	85%	73.3%#	85%	84.9%
		Southern and Eastern Line rail services arrive at stations within 5 minutes of scheduled time	84.2%	85%	82.0%	85%	79.5%
	High frequency bus corridors offer a 15 minute or better service frequency 7am-7pm weekdays.	Proportion of customers on high frequency corridors boarding services for which there was a wait of more than 15 minutes.					99.6% adherence to 15 minute headway
Improve responsiveness	Closure rates for customer enquiries	Customer enquiries to MAXX and ARTA Enquiry are resolved within timeframes	15,362 cases received. 84% closed within 10 days	85% resolved within timeframe	14,259 cases received. 89% closed within 10 days	90% resolved within timeframe	5,427 cases received. 78% closed within 10 days

The Western Rail Line suffered from severe distruption during the 12 months to June 2010 due to the construction works required to complete the double tracking of the Western Line

Note: Customer services targets were set separately for 12 month ending 30 June 2010 and 4 month ending 31 October 2010

1.4 Cost Effectiveness Target

Strategic Challenge	Performance Measure	Target	Actual 12 Month to Jun 09	Target 12 Month to Jun 10	Actual 12 Month to Jun 10	Target 16 Month to Oct 10	Actual 16 Month to Oct 10
Enhance efficiency by directing resources to Quality Transit Network corridors and by rationalising local bus services using the priorities set out in the PT Network Plan.	Cost per passenger	Rail – less than $ 4.82 per passenger	$ 4.46	$ 5.87	$ 4.89	$5.40	$4.33
		Bus – less than $ 2.12 per passenger	$ 2.00	$ 2.06	$ 1.87	$2.03	$1.72
		Ferry – less than $ 1.39 per passenger	$ 1.13	$ 1.37	$ 1.20	$1.37	$1.40
Change Aucklanders' travel behaviour by developing, promoting and marketing attractive transport options.	Reduction in car trips to TravelWise schools	12,600 fewer car trips in morning peak by 2014 = 5,000 by 08/09. Measured via surveys of TravelWise schools in Term 4.	5,010	5,700	7,205		7,205*
	Reduction in morning peak car trips to TravelWise workplaces/ tertiary institutions	3,500 fewer car trips each morning peak by 2016. Target is 1,400 by 08/09. Measured by repeat surveys.	1,482	2,000	2,414		2,414*

*This measure was not updated for the months from 1 July 2010 to 31 October 2010 as it is only available annually.

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1.5 Targets for delivery of ARTA's work programme

Performance Measure	Target	Actual 12 Month to Jun 09	Target 12 Month to Jun 09	Actual 12 Month to Jun 10	Actual 16 Month to Oct 10
Capital projects implemented to schedule and on budget	Capital projects included in the 2008/09 Funding Agreement are progressed to schedule and within agreed budgets	77.7% (All projects) 84.3% (Controllable projects)	85%	64.0% (All projects) 87% (Controllable projects)	64.0% * (All projects) 87% * (Controllable projects)
Service improvements implemented to schedule and on budget	Service improvements included in the Funding Agreement, are delivered within agreed budgets	Partly Achieved. See detailed report on Programme of Action	Achieved	Partly Achieved.	Achieved
Other significant projects implemented to schedule and on budget	Other projects included in the Funding Agreement are progressed to schedule within agreed budgets	Partly Achieved. See detailed report on Programme of Action	Achieved	Partly Achieved.	Achieved

Projects	Target	Completion Date
Complete the purchase of interim diesel rolling stock to meet patronage demand until the arrival of electric trains	Refurbishment of SA 23 will be complete in September 2010	October 2010
Complete New Lynn Station (part of a major project with funding from ARC, NZTA, KiwiRail and Waitakere City Council)	New Lynn Station will open September 2010	October 2010
Upgrade Kingsland station and improve connections to Eden Park (part of a major project with Auckland City and NZTA)	Kingsland Station will be completed July 2010	August 2010

*This measure was not updated for the months from 1 July 2010 to 31 October 2010 as it is only available annually.

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1.6 Governance Measures

Strategic Challenge	Performance Measure	Target	Actual 12 Month to Jun 09	Actual 12 Month to Jun 10	Actual 16 Month to Oct 10
Build a customer focused organisation with excellent leadership practices, effective teamwork and good processes.	Administration costs managed to budget	Administration costs in any financial year do not exceed the amount approved by the ARC.	Achieved	Achieved	Achieved
	Adherence to capital and operational funding limits	Costs in any financial year do not exceed the amounts approved by the ARC.	Not Achieved	Achieved	Achieved
	Accounting policies are consistent with the ARC Group and all legal and audit requirements are met.	100% compliance as measured by Audit NZ annual audit.	Achieved	Achieved	Achieved
	Policies, procedures and processes consistent with New Zealand Transport Agency's requirements.	100% compliance as measured by New Zealand Transport Agency annual audit.	Achieved	Achieved	Achieved

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AUCKLAND REGIONAL TRANSPORT AUTHORITY
STATEMENT OF RESPONSIBILITY
FOR 16 MONTHS ENDED 31 OCTOBER 2010

Auckland Transport, as the receiving entity of the Auckland Regional Transport Authority, is responsible for the completion of the financial statements for the period ended 31 October 2010, and the judgements used in preparing them.

Auckland Transport confirms that the Auckland Regional Transport Authority 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 Authority's annual financial statements for the 16 month period ended 31 October 2010, fairly reflect the financial performance, financial position, and service performance of the Auckland Regional Transport Authority.

Signed on behalf of Auckland Transport by:

Name:

Title: Chairman

Date: 16/2/11

Name:

Title: DIRECTOR

Date: 16/2/11

Statement Of Accounting Policies

For the 16 months ended 31 October 2010

Reporting Entity

The Auckland Regional Transport Authority (ARTA) was established on 1 July 2004 by the Local Government (Auckland) Amendment Act 2004. It is a body corporate with perpetual succession.

It is also a Council Controlled Organisation as defined by the Local Government Act 2002. The Local Government (Auckland) Amendment Act 2004 defines the Auckland Regional Council (ARC) is to be treated as the sole shareholder of ARTA.

The financial statements are for the 16 months ended 31 October 2010. These financial statements will be presented to the Auckland Transport Board for adoption and will be supported by a letter of Representation from the ARTA Board to the Auckland Transport Board. The financial statements were adopted on 16th February 2011.

Basis of Preparation

These financial statements have been prepared in accordance with section 69(2) of the Local Government Act 2002, which requires the financial statements to comply with generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

ARTA is designated a Public Benefit Entity for the purposes of NZ IFRS on the basis that the primary objective of ARTA is to provide goods or services for the community or social benefit rather than making a financial return.

Going Concern assumption

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 that was enacted on 23 May 2009 provides for the dissolution of ARTA and all local authorities in the Auckland region on 31 October 2010. Note 17 and 23 provides further details. As a consequence of the dissolution of ARTA, the group structure in its current form will also cease to exist. Accordingly the financial statements have been prepared on a dissolution basis. However for reason outlined in Note 23, no significant adjustments have been made to the financial statements because of the dissolution basis of preparation, other than termination payments disclosed in Note 17.

Changes in Accounting Policy

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.

ARTA changed its accounting policy to revalue assets instead of being held at historical costs, both allowed under NZIAS 16. This represents a change in accounting policy under NZ IAS 8. This change is however specifically excluded from the disclosure requirements and retrospective application per NZIAS 8: Changes in accounting policy.

With the exception of the change in accounting policy that is explained above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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The authority has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

NZ IAS 1 *Presentation of Financial Statements* (Revised 2007) replaces NZ IAS 1 *Presentation of Financial Statements* (Issued 2004). 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 nonowner changes separately from transactions with owners. The authority has decided to prepare a single statement of comprehensive income for the 16 months ended 31st October 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

Amendments to NZ IFRS 7 *Financial Instruments: Disclosures.* The amendment introduces a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application.

The authority does not currently hold any Financial assets at fair value except foreign exchange contracts.

NZ IAS 24 *Related Party Disclosures* (revised 2009) replaces NZ IAS 24 *Related party Disclosures* (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. Its effect will be to disclose further information about commitments between related parties.

Standards, amendments, and interpretations that are not yet effective and have not been early adopted.

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the authority, are:

NZ IFRS 9 *Financial instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement.* NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instruments standard NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost of fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. ARTA has not yet assessed the effect of the new standard and expects it will not be early adopted.

Measurement Base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain assets and liabilities as identified in specific policies below. The financial statements are presented in New Zealand dollars.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

ARTA receives revenue from three main sources:

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- Funding from the Auckland Regional Council (ARC);
- Subsidies from the New Zealand Transport Agency (NZTA);
- Fare box recovery from public transport users.

Auckland Regional Council Funding

ARTA is funded by its parent the ARC in order to deliver the agreed annual operational and capital programmes. This funding is recognised as income when the expenditure it covers is incurred i.e. on an accrual basis. ARC requires ARTA to report quarterly to the council finance committee on financial and non-financial performance and to comply with ARC group policies on expenditure.

New Zealand Transport Agency Grants

ARTA receives government grants from NZTA, which funds administration, operational and capital expenditure. Grants distributions from NZTA are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis. Sometimes there are conditions attached to grants provided. NZTA performs a biannual audit on ARTA's processes and if they find an anomaly then ARTA is obliged to pay the relevant funds back.

Fare Income

ARTA receives fare box revenue from certain bus and ferry and all rail services. This revenue is recognised when the ticket is purchased.

Grant Expenditure

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.

Discretionary grants are those grants where ARTA has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of ARTA's decision.

Public Equity

Equity is the shareholder's interest in the organisation and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into accumulated funds and a capital grants reserve to enable clearer identification of the specified uses that the Authority makes of its accumulated surpluses.

Financial Assets

ARTA classifies its financial assets into the following categories:

(i) *Financial assets at fair value through surplus/deficit*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus/deficit on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

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(ii) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when ARTA provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Financial assets at fair value through other comprehensive income and financial assets at fair value through surplus/deficit are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through surplus/deficit category are included in the surplus/deficit in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial assets at fair value through other comprehensive income are recognised in other comprehensive income in the financial assets at fair value through revaluation reserve. When securities classified as financial assets at fair value through other comprehensive income are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Organisation establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of Financial Assets

ARTA assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as financial assets at fair value through equity, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus/deficit - is removed from equity and recognised in the surplus/deficit. Impairment losses recognised in the surplus/deficit on equity instruments are not reversed through the surplus/deficit.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Accounting for Derivative Financial Instruments and Hedging Activities

ARTA uses financial instruments to hedge exposure to foreign exchange. ARTA does not hold or issue derivative financial instruments for trading purposes.

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Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. ARTA designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

- hedges of highly probably forecast transactions (cash flow hedge).

ARTA documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. ARTA also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of hedging derivatives is classified as a non-current asset if the remaining maturity of the hedged item is more than 12 months and as a current asset if the remaining maturity of the hedged item is less than 12 months.

- Fair value hedge

  The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus/deficit.

- Cashflow hedge

  The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus/deficit.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income will be reclassified into surplus/deficit in the same period or periods during which the asset acquired or liability assumed affects surplus/deficit. However, if ARTA expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it will reclassify into profit or loss the amount that is not expected to be recovered.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

For cash flow hedges other than those covered above, amounts that had been recognised in other comprehensive income will be recognised in surplus/deficit in the same periods during which the hedged forecast transaction affects surplus/deficit (for example, when a forecast sale occurs).

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that remains recognised in the statement of comprehensive income from the period when the hedge was effective will remain separately recognised in comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognised in the statement of comprehensive income from the period when the hedge was effective will be recognised in the surplus/deficit.

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Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Trade receivables are due for settlement not more than 30 days from the date of recognition.

A provision for the impairment of receivables is established when there is objective evidence that ARTA will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. Debts which are known to be uncollectible are written off during the period in which they are identified.

Inventories

Inventories such as spare parts, stores and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if applicable) and the estimated costs necessary to make the sale.

Property, Plant and Equipment

Property Plant and Equipment consists of operational assets including land and improvements, rolling stock, wharves, buildings, plant and equipment and fixtures and fittings.

Property, plant and equipment is valued at cost, less accumulated depreciation and impairment losses except for rolling stock, railway stations and buildings, wharves and wharf structures, and land (finance lease) which are carried at re-valued amounts.

(a) Additions and subsequent costs

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to ARTA and the cost of the item can be measured reliably.

Items of Property, Plant and Equipment are capitalised on the basis of the costs incurred to acquire, construct and bring to use the specific physical asset. Direct costs include payments to supplier for the acquisition or construction of an asset, employee costs and an appropriate portion of relevant overheads. Costs that are directly associated with the acquisition and/or construction of the asset controlled by ARTA, and that will generate economic benefits exceeding costs beyond one year, are recognised as Property, Plant and Equipment. These costs are depreciated over their estimated useful lives (see below for useful lives per class of asset).

Costs associated with developing or maintaining Property, Plant and Equipment are recognised as an expense as incurred.

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the ARTA and the cost of the items can be measured reliably.

(b) Depreciation

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Land and assets under construction (work in progress) are not depreciated. Depreciation is provided for other assets on a straight line basis to write off the cost of each asset net of residual value over its useful life.

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

<u>Rolling Stock</u>		
ADK Carriage	6 years	(16.67%)
ADL Carriage	10 years	(10%)
SA/SD Carriage Exterior	15 years	(6.67%)
SA/SD Carriage Interior	7.5 years	(13.33%)
SX Carriages	2 - 6years	(16.67 - 50%)
Locomotives (Leasehold Improvements)	15 years	(6.67%)
<u>Wharves, Piers and Associated Assets</u>		
Wharves and piers	10-50 years	(2-10%)
Signage	3-10 years	(10-33%)
Fencing	2-15 years	(6.67-50%)
<u>Railway Stations and Associated Assets</u>		
Structures	20-50 years	(2-5%)
Signage	3-10 years	(10-33%)
Fencing	2-15 years	(6.67-50%)
<u>Plant, Machinery and Other Equipment</u>		
Cycle Lockers	5 years	(20%)
Furniture, fixtures and other equipment	5.5 – 15.5 years	(6.4 - 18.2%)
Low value assets	1 year	(100%)
Fibre Optic Cable	15.5 years	(6.4%)

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

(c) Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(d) Assets Under Construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

(e) Revaluation

Rolling Stock, Wharf structures, Land (finance lease) and Railway Stations have been revalued for the first time, using the depreciated replacement cost method, to ensure that their carrying amount does not differ materially from fair value, as required by the Auckland Transition Agency, in order to align the accounting policies for the new Auckland Council Group post 31 October 2010.

All other asset classes are carried at depreciated historical cost. Revaluations of Rolling Stock, Wharf structures, Land (finance lease) and Railway Stations have been accounted for on a class-of asset basis.

Revaluation surplus is credited to an asset revaluation reserve in equity for that class of asset and the revaluation decrement is debited to surplus/deficit.

Intangible Assets

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i) Computer software

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by ARTA, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding three years.

ii) Operating leases - Land

The operating leases on land are long term land leases on which stations have been built. They are recognised in the accounts at fair value and amortised over the life of the underlying leases.

Amortisation of Intangible Assets

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each period is recognised in the income statement.

The useful lives and associated amortisation rate of major classes of intangible assets have been estimated as follows:

Computer Software	3 years	(33.3%)
Operational Leases	63 years	(1.6%)

Impairment of Non-Financial Assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or at each balance sheet date. 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. Where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows, and where ARTA would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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 total impairment loss is recognised in the surplus/deficit.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Trade and Other Payables

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These amounts represent liabilities for goods and services provided to the ARTA prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee Benefits

i) Short term benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, accumulating sick leave and other benefits expected to be settled within 12 months of the reporting date are recognised and are measured at the amounts expected to be paid when the liabilities are settled.

ARTA recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that ARTA anticipates it will be used by staff to cover those future absences.

ARTA recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

ii) Long term benefits

Entitlements that are payable beyond 12 months, such as long service leave and gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. A discount rate of 6.85%, and an inflation factor of 3.5% were used. The discount rate is based on bank interest rates with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Leases

<u>Finance Leases</u>

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, ARTA recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether ARTA will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

<u>Operating Leases</u>

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the periods in which they are incurred.

Income Tax

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ARTA is a local authority for income tax purposes but does not currently derive any income from taxable sources, except for port related activities as defined in the Income Tax Act 2007.

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Income tax expense is charged or credited to surplus/deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Functional and Presentation Currency and Foreign Currency Translation

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of ARTA is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through surplus/deficit, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Provisions

Provisions are recognised when ARTA has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Critical Accounting Estimates and Assumptions

In preparing these financial statements ARTA has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the notes to the accounts.

Significant estimates have been made around the useful lives of property, plant, and equipment, as well as the valuation of property plant and equipment. See Note 7.

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Income Statement
For the 16 months ended 31 October 2010

	Note	Actual October 2010 $000	Actual June 2009 $000
Income	1		
Operational grants		274,253	202,322
Capital grants		105,157	73,880
Fare Revenue		39,888	22,764
Other operating revenue		5,302	4,587
Total Income		424,600	303,553
Expenditure	2		
Employee benefits		16,142	11,929
Depreciation and amortisation expense		30,133	18,221
Grants and subsidies		258,695	176,755
Other expenditure		58,177	40,510
Total Operating Expenditure		363,147	247,415
Surplus before tax		61,453	56,138
Income tax (expense)/benefit	19	(2,185)	(440)
Surplus after tax attributable to the authority		59,268	55,698

Note: The Surplus for the 2010 year primarily represents capital grants for the year offset by the depreciation charge. Generally Accepted Accounting Practice requires that capital grants are recognised in the year in which received. The capital expenditure they fund is recorded within fixed assets in the Balance Sheet.

The accounting policies on pages 9 to 19 and the notes on pages 24 to 42 form part of and should be read in conjunction with, these financial statements.

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AUCKLAND REGIONAL TRANSPORT AUTHORITY

Statement of Comprehensive Income
For the 16 months ended 31 October 2010

	Note	Actual October 2010 $000	Actual June 2009 $000
Other Comprehensive Income			
Items net of tax			
Gain on revaluation of PPE	3	40,077	0
Net income recognised directly in equity		40,077	0
Profit for the year	3	59,268	55,698
Total comprehensive income for the year		99,345	55,698
Attributable to the Authority:		99,345	55,698

AUCKLAND REGIONAL TRANSPORT AUTHORITY

Statement Of Changes in Equity
For the 16 months ended 31 October 2010

	Note	Actual October 2010 $000	Actual June 2009 $000
Equity at the Beginning of the Year		265,950	210,252
Total comprehensive income for the year		99,345	55,698
Equity at the end of the Year	3	365,294	265,950

The accounting policies on pages 9 to 19 and the notes on pages 24 to 42 form part of and should be read in conjunction with, these financial statements.

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Balance Sheet
As at 31 October 2010

	Note	Actual October 2010 $000	Actual June 2009 $000
ASSETS			
Current Assets			
Cash and cash equivalents	4	150	105
Debtors and other receivables	5	40,979	43,357
Loans and receivables	9	3,946	19,819
Inventories	18	5,896	5,126
Asset held in trust for NZTA	20	5,041	0
Total Current Assets		56,012	68,407
Non - Current assets			
Property, Plant and Equipment	7	338,373	240,125
Loans and receivables	9	0	1,152
Intangible assets	8	23,153	22,152
Total Non - Current Assets		361,526	263,429
TOTAL ASSETS		417,539	331,836
LIABILITIES			
Current Liabilities			
Creditors and other payables	6	36,750	39,540
Other financial liabilities	9	6,518	19,819
Total Current Liabilities		43,268	59,359
Non - Current Liabilities			
Other financial liabilities	9 & 10	1,416	1,152
Deferred tax	19	7,560	5,375
Total Non - Current Liabilities		8,976	6,527
TOTAL LIABILITIES		52,244	65,886
Equity			
Retained Earnings	3	325,217	265,950
Fixed Assets Revaluation Reserve	3	40,077	0
TOTAL EQUITY		365,294	265,950
TOTAL LIABILITIES AND EQUITY		417,539	331,836

Chairman   Director

The accounting policies on pages 9 to 19 and the notes on pages 24 to 42 form part of and should be read in conjunction with, these financial statements.

Statement Of Cash Flows
For the 16 months ended 31 October 2010

	Note	Actual October 2010 $000	Actual June 2009 $000
Cash Flows from Operating Activities	11		
Cash was provided from:			
ARC Opex Grants		130,370	101,531
ARC Capex Grants		61,266	70,771
ARC funding for IA grants vested in ARTA		17,025	7,711
NZTA Capex Grants		44,675	4,457
NZTA Opex Grants		155,505	104,750
Other Grants and Subsidies		7,163	1,350
Rail Fare Revenue		28,102	18,625
Bus Fare Revenue		11,322	4,436
Ferry Wharf Revenue		3,464	1,998
Other Sundry Operating Income		-402	252
		458,490	315,881
Cash was applied to:			
Payments to Suppliers		-316,891	-222,913
Payments to Employees		-17,178	-12,724
Payments to recipients of IA grants vested in ARTA		-17,025	-7,711
Purchase and Development of NZTA Asset held in Trust		-5,041	0
GST		-3,198	-184
		-359,332	-243,532
Net Cash Flows from Operating Activities		99,157	72,349
Cash Flows from Investing Activities			
Cash was applied to:			
Purchase and Development of Property, Plant & Equipment		(97,476)	(72,210)
Purchase and Development of Intangible Assets		(1,636)	(182)
Net Cash Flows from Investing Activities		(99,112)	(72,392)
Net (Decrease)/Increase in Cash & Cash Equivalents Held		45	(43)
Cash & Cash Equivalents Balances at Beginning of the Year		105	148
Cash & Cash Equivalents Balances at the End of the Year		150	105

The GST (net) component of operating activities reflects the net GST paid and received from Inland Revenue Department. The GST (net) component has been presented on a net basis , as the gross amounts do not provide meaningful information for financial statement purposes.

Reconciliation of Net Surplus with Net Cash Flows from Operating Activities

	2010 $000	2009 $000
Cash was provided from:		
Net Surplus	59,265	55,698
Adjustment for items not involving cash:		
Depreciation and amortisation	30,133	18,221
Revaluation decrement	9,381	
Foreign exchange loss on derivatives	3,988	
Loss/gain on sale of assets	258	236
Impairment of Receivables	26	
Impairment of Property, Plant, & Equipment	168	
Deferred Tax	2,185	440
Movements in working capital:		
Decrease/(Increase) in receivables from ARC	9,913	9,587
Decrease/(Increase) in trade and other receivables	(9,404)	(1,907)
Decrease/(Increase) in inventory	(770)	(2,030)
Decrease/(Increase) in GST	(3,198)	(678)
Decrease/(Increase) in grants receivable from ARC	17,025	7,711
(Decrease)/Increase in trade and other payables	(2,788)	(7,218)
(Decrease)/Increase in grants payable	(17,025)	(7,711)
Net Cash from Operating Activities	99,157	72,349

The accounting policies on pages 9 to 19 and the notes on pages 24 to 42 form part of and should be read in conjunction with, these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1 Income

	16 months to October 2010 $000	12 months to June 2009 $000
ARC Opex Grants	120,457	93,164
ARC Capex Grants	60,380	69,508
NZTA Opex Grants	153,796	109,158
NZTA Capex Grants	44,777	4,373
Other Grants and Subsidies	2,179	2,374
Rail Fare Revenue	28,417	18,281
Bus Fare Revenue	10,993	4,482
Ferry Fare Revenue	478	0
Ferry Wharf Revenue	2,967	2,009
Other Operating Income	156	204
Revenue	424,600	303,553

2 Expenditure

	16 months to 2010 $000	12 months to 2009 $000
Expenses include:		
Audit fees - for financial statement audit	158	99
- for assurance and related services (a)	0	8
Depreciation/Amortisation	30,133	18,221
Directors' fees	412	372
Employee benefit expense (see also note 17)	16,142	11,929
Grants and subsidies	258,695	176,755
Foreign Exchange Gains or Losses	3,988	0
Impairment of receivables	26	0
Impairment of property, plant and equipment	168	0
Revaluation decrement	9,381	
Loss on disposal of fixed assets	258	0
Rental and operating lease costs	11,004	9,450
Other expenses	32,782	30,581
Total operating expenses	363,147	247,415

(a) Audit did not complete any assurance engagements this year

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2 Expenditure (Cont)

Key Management Personnel Compensation

Members of ARTA's executive team (including the CEO and 5 General Managers) and ARTA directors received an aggregated total of $1,888,036 in 2010 and $1,759,355 in 2009 for salaries and other short term employee benefits. There were no post-employment benefits or termination benefits paid in 2010 or 2009.

All Employees Receiving >$100,000

	2010	2009
$100,001 - $110,000	7	7
$110,001 - $120,000	5	7
$120,001 - $130,000	5	3
$130,001 - $140,000	5	4
$140,001 - $150,000	5	4
$150,001 - $160,000	5	2
$160,001 - $170,000	2	
$170,001 - $180,000	2	2
$180,001 - $190,000	1	
$200,001 - $210,000		
$210,001 - $220,000	1	1
$220,001 - $230,000		1
$230,001 - $240,000	3	
$240,001 - $250,000	1	1
$310,001 - $320,000		2
$350,001 - $360,000		1
$360,001 - $370,000	2	

Directors' Fees

	16 months to 2010 $000	12 months to 2009 $000
Mark Ford (Chairman until 31 May 2009)	0	73
Rabin Rabindran (Deputy Chairman and Chair of Risk & Assurance Committee until 31 May 2009, Chairman from June 2009)	107	53
Adrienne Young Cooper (Deputy Chairman from June 2009)	60	36
Peter Brothers (Chairman Risk & Assurance Committee from June 2009)	47	35
Gary Taylor	47	35
Mike Williams	47	35
Mark Benjamin	35	35
Andrew Buxton	35	35
Anthony Marks	35	35
	412	372

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3 Public Equity

	2010 $000	2010 $000	2010 $000	2010 $000	2009 $000	2009 $000	2009 $000	2009 $000
	Retained Earnings		Fixed Asset Revaluation reserve	Total	Retained Earnings		Fixed Asset Revaluation reserve	Total
	Operating Reserve	Capital Grants Reserve			Operating Reserve	Capital Grants Reserve		Total
Opening Balance	4,266	261,684	0	265,950	5,163	205,089	0	210,252
Surplus for the Year	59,268	0	0	59,268	55,698	0	0	55,698
Transfers (to)/from other reserves	(76,319)	76,319	0	0	(56,595)	56,595	0	0
Net revaluation gains - Rolling Stock	0	0	40,077	40,077	0	0	0	0
Closing Balance	(12,786)	338,003	40,077	365,294	4,266	261,684	0	265,950

The Operating Reserve is an accounting reserve that represents non-grant funded operational expenditure. The deficit is mainly made up of $9,381,382 Revaluation decrement and $2,185,000 Taxation expense.
The Capital Grants Reserve is an accounting reserve that represents capital expenditure grants that have not yet been offset by an associated depreciation charge.
The Fixed Asset Revaluation Reserve is a reserve created to reflect the increase in fair value of rolling stock as at 31st October after a revaluation exercise as part of the transition to Auckland Transport. This was required by the Auckland Transition Agency to bring all the accounting policies into line for the new Auckland Council Group.

4 Cash and Cash Equivalents

	2010 $000	2009 $000
Cash at bank and on hand	150	105
Total cash and cash equivalents	**150**	**105**

The carrying value of cash and cash equivalents equals their fair value.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

Cash at bank and on hand	150	105
Total	**150**	**105**

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5 Debtors and Other Receivables

	2010 $000	2009 $000
Trade Debtors	1,401	553
Less: Provision for impairment	-26	0
Net Trade Debtors	1,375	553
Other Receivables:		
Receivables from related parties - ARC	19,063	28,975
Accrued Income	11,049	13,335
Prepayments	5,801	0
GST receivable	3,692	494
Total Trade and Other Receivables	40,979	43,357

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, therefore, the carrying value approximates their fair value.

2010 - 97% of trade receivables are 30 days or less, 1% are 60 days, 2% are 90 days or over
2009 - 93% of trade receivables are 30 days or less, 3% are 60 days, 4% are 90 days or over

Impaired Receivables - Trade

In 2010 there is no impairment of other receivables, however Trade Debtors are deemed impaired and a provision created for $25,708.
In 2009 there was no impairment of trade or other receivables and as such there is no impairment provision.

Past Due - Trade

As at 31 October 2010 trade receivables of $47,440 (2009: $40,000) were past due of which $25,708 was deemed to be impaired.

The aging analysis of these trade receivables is as follows:

	2010 $000	2009 $000
Past due 1-3 months	37	22
Past due 3-6 months	4	17
Past due >6 months	6	1
Total trade receivables past due	47	40
Total current trade receivables	1,375	553
Total impaired receivables	26	0
Total trade receivables	1,401	553

ARTA holds no collateral as security or other credit enhancements over receivables that are past due.
The other classes of receivables do not contain impaired or past due assets.

Bad debts

ARTA has not recognised a loss in respect of bad debts (2009: $0).

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6 Creditors and Other Payables

	2010 $000	2009 $000
Trade creditors	24,498	7,035
Employee Benefit Liabilities (see note 17)	802	1,025
Accrued Expenditure	5,900	31,421
Income In Advance	5,550	59
Total Trade and other payables	36,750	39,540

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore carrying value of these payables approximates their fair value.

7 Property, plant and equipment

2009	Cost 1/7/08 $000	Accumulated depreciation & impairment 1/7/08 $000	Carrying amount 1/7/08 $000	Additions $000	Disposals $000	Transfer from WIP $000	Depreciation expense $000	Impairment losses $000	Carrying amount 30/6/09 $000
Rolling Stock									
- completed capital projects	92,726	26,218	66,508	36,467			13,713		89,263
- work in progress	36,531	0	36,531	38,787		36,467			38,852
Railway Stations and Buildings									
- completed capital projects	22,400	502	21,898	6,204	254		1,091		26,756
- work in progress	8,792	0	8,792	25,993		6,204			28,581
Wharves and Wharf Structures									
- completed capital projects	19,709	555	19,154	1,896			761		20,289
- work in progress	1,997	0	1,997	4,241		1,896			4,342
Plant, Mach & Other Equip									
- completed capital projects	10,986	779	10,207	8,119	3		2,118		16,205
- work in progress	5,698	0	5,698	3,529		8,439			788
Land (finance lease)	15,050		15,050						15,050
Total property, plant and equipment	213,889	28,054	185,835	125,236	257	53,006	17,683	0	240,125

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7 Property, plant and equipment (cont)

2010	Cost 1/7/09 $000	Accumulated depreciation & impairment 1/7/09 $000	Carrying amount 1/7/09 $000	Additions / WIP transfers / Disposals $000	Depreciation expense / Revaluation / Impairment $000	Carrying amount 31/10/10 $000	Cost / Revaluation 31/10/10 $000	Accumulated depreciation & impairment 31/10/10 $000	Carrying amount 31/10/10 $000
Rolling Stock									
- completed capital projects	114,102	(36,823)	77,279	56,212	19,848	153,339	153,339	-	153,339
- locomotive improvement at (	15,091	(3,108)	11,984	110	(1,447)	10,646	15,201	(4,555)	10,646
- work in progress	38,852	-	38,852	(27,927)		10,924	10,924	-	10,924
Railway Stations and Buildings									
- completed capital projects	28,349	(1,594)	26,756	79,392	(7,889)	98,258	98,258	-	98,258
- work in progress	28,581	-	28,581	(24,415)		4,166	4,166	-	4,166
Wharves and Wharf Structures									
- completed capital projects	21,605	(1,316)	20,289	10,268	(2,576)	27,981	27,981	-	27,981
- work in progress	4,342	-	4,342	(2,923)		1,419	1,419	-	1,419
Plant, Mach & Other Equip									
- completed capital projects	19,102	(2,897)	16,205	(6,219)	(4,387)	5,599	10,419	(4,820)	5,599
- work in progress	788	-	788	12,721		13,510	13,510	-	13,510
Land (finance lease)	15,050		15,050		(2,519)	12,531	12,531	0	12,531
Total P, P & E	285,862	(45,737)	240,125	97,218	1,031	338,374	347,748	(9,375)	338,373

Breakdown of above movements:	Additions $000	Transfers $000	Disposals $000	Depreciation expense $000	Revaluation $000	Impairment $000
Rolling Stock						
- completed capital projects		56,212		(20,229)	40,077	
- locomotive improvement at cost		110		(1,447)		
- work in progress	28,394	(56,321)				
Railway Stations and Buildings						
- completed capital projects		79,592	(201)	(2,485)	(5,403)	
- work in progress	48,661	(73,077)				
Wharves and Wharf Structures						
- completed capital projects		10,268		(1,117)	(1,459)	
- work in progress	6,683	(9,606)				
Plant, Mach & Other Equip						
- completed capital projects		(6,161)	(57)	(4,219)		(168)
- work in progress	13,738	(1,016)				
Land (finance lease)					(2,519)	
Total P, P & E	97,476	0	(258)	(29,497)	30,696	(168)

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7 Property, plant and equipment (cont)

Rolling stock, railway stations and buildings, wharves and wharf structures, and Land (finance lease).

There is not considered to be an active market for these specialised and specific assets used in the delivery of the services provided by ARTA. These assets have been valued using the depreciated replacement cost method to determine their fair value. There are a number of estimates and assumptions exercised when valuing specilised assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence, over engineering or surplus capacity of the asset
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets based on age, condition and service potential.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and patronage growth. If useful lives do not reflect the actual consumption of the benefits of the assets, then ARTA could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, asset useful lives have been determined with reference to the external industry guidance and have been adjusted for local conditions based on past experience. Asset inspection, deterioration, and condition-modelling are also carried out regularly as part of asset management activities, which provides further assurance over useful life estimates. The timing and scope of changes to the rolling stock fleet which will occur on electrification of rail lines is uncertain at 31st October 2010, however, once implemented electrification may result in a lower or higer value assigned to diesel driven carriages and the gradual decommissioning of aged diesel rolling stock. This valuation is based on the current electrification timed programme.
- Land is used in conjunction with adjacent specialised assets. Current market prices have been used with adjustment for the access, location and requirements of ARTA.
- The valuation for rollingstock is significantly influenced by the exchange rate from Australian Dollars to New Zeland Dollars. The exchange rate has fluctuated by 4.3% from 30 June 2010 to 31 October 2010 which has a theoretical impact on the valuation of $5.9m.

NZIAS 16 permits public benefit entities to account for revaluation of property, plant, and equipment on a class by class basis. ARTA has exercised this discretion and recorded items using the cost model except where for certain classes the revaluation model provides a closer representation of fair value. In making this determination, ARTA has considered the relevance and reliability of the information - specifically which approach assists in the readability of financial statements, and whether the statements can be arrived at objectively.

The most recent Rolling stock valuations were performed by Independent valuer A Smith of Halcrow Pacific Pty Ltd (Australia), covering $153,339,240 of assets and the valuation is effective 31 October 2010

The most recent rail and buildings, wharves and wharf structures, and land valuations were performed by independent valuers M E Gamby of Telfar Young (Auckland) Ltd in conjunction with Echo Cai of OPUS International Consultants Limited, covering $149,418,869 of assets and the valuation is effective as at 31 October 2010.

The finance leases (see Land (finance lease) above) over the downtown ferry terminal waterspace and land are for an indefinite lease term until such time as ARTA does not comply with the required and permitted use clauses in the finance leases. The land subject to these leases is therefore recognised at its fair value until such time as the leases are not to be renewed in perpetuity.

Rolling stock, railway stations and buildings, wharves and wharf structures, and Land (finance lease) were revalued during the financial year. The net increase in value was $30.696m (2009: $nil).

Impairment losses of $168,382 have been recognised during the financial year (2009: $nil).

There is no restricted property, plant or equipment, nor has any property, plant and equipment been pledged as security for liabilities.

The net carrying amount of land held under finance lease is $12,531,000 (2009: $15,050,000).

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8 Intangible Assets

2009	Cost 1/7/08 $000	Accumulated amortisation & impairment 1/7/08 $000	Carrying amount 1/7/08 $000	Additions $000	Disposals $000	Transfer from WIP $000	Amortisation Charge $000	Impairment losses $000	Carrying amount 30/6/09 $000
Software Development									
- completed capital projects	321	67	254	147			181		220
- work in progress	0	0	0	183		147			36
Operating Lease									0
- land	22,522	268	22,254				357		21,896
Total intangible assets	22,843	335	22,508	330	0	147	538	0	22,152

2010	Cost 1/7/09 $000	Accumulated amortisation & impairment 1/7/09 $000	Carrying amount 1/7/09 $000	Additions $000	Disposals $000	Transfer from WIP $000	Amortisation Charge $000	Impairment losses $000	Carrying amount 31/10/10 $000
Software Development									
- completed capital projects	468	248	220	0			159		61
- work in progress	36	0	36	1,636		0			1,672
Operating Lease									
- land	22,522	626	21,896				477		21,420
Total intangible assets	23,026	874	22,152	1,636	0	0	636	0	23,153

The operating lease intangible has been recognised at its fair value on acquisition and is being amortised over the period of the underlying lease (63 years).
This lease is for the land at each of the railway station sites along the Auckland passenger rail network.
There are no restrictions over the title of ARTA's intangible assets, nor are any intangible assets pledged as security for liabilities.
Management conducted impairment workshops during October 2010 and management concluded that there was no current material impairment indicated.

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9 Financial Assets and Liabilities

a) Financial assets at fair value through surplus/deficit
Currently ARTA does not hold any financial assets in this category.

b) Loans and receivables
This category of financial assets consists of both current and non-current grants receivable from the ARC - these represent the balance of grants receivable from the ARC assumed from Infrastructure Auckland, cash and cash equivalents and debtors and receivables.

The carrying amounts of current grants receivable within one year approximate their fair value.
Non-current grants receivable are not fair-valued but stated at amount payable as the difference between fair value and amount payable is immaterial.

Transport Grants receivable from the ARC

	Fair values 2010 $000	Fair values 2009 $000	Amt receivable 2010 $000	Amt receivable 2009 $000
08/09 - current	0	19,819	0	19,819
09/10 - non-current	0	1,152	0	1,152
10/11 - current	3,946	0	3,946	0
10/11 - non current	0	0	0	0

There were no impairment provisions for loans and receivables. None of the grants are either past due or impaired.

c) Other financial liabilities at amortised cost
This category of financial liabilities consists of both current and non-current grants payable under ARTA's obligations assumed from Infrastructure Auckland and creditors and payables.
The carrying amounts of current grants payable within one year approximate their fair value.
Non-current grants payable are not fair-valued but stated at amount payable as the difference between fair value and amount payable is immaterial.

Transport Grants payable

	Fair values 2010 $000	Fair values 2009 $000	Amt payable 2010 $000	Amt payable 2009 $000
08/09 - current	0	19,819	0	19,819
09/10 - non-current	0	1,152	0	1,152
10/11 - current	3,946	0	3,946	0
10/11 - non-current	0	0	0	0

d) Fair value hierarchy disclosure
None of the transport grants receivable or payable are carried at fair value. For the determination of fair value refer to the accounting policy.

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10 Financial Instrument Risks

ARTA and the ARC have a series of policies to manage the risks associated with financial instruments. ARTA is risk averse and seeks to minimise exposure from its treasury activities. ARTA outsources its treasury management to the ARC under the Support Services Agreement and has established a treasury policy. This policy does not allow any transactions that are speculative in nature to be entered into.
Section 3.1 of the Rules of ARTA prevent ARTA from entering into any material transaction (including any transaction that has or is likely to have the effect of ARTA acquiring rights or incurring obligations which are likely to have a material adverse effect on the financial performance or position of the ARC) without the prior written approval of the ARC

Market Risk

- Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
Borrowings and investments listed at fixed rates of interest expose ARTA to fair value interest rate risk. ARTA currently has no fixed rate borrowings or investments.

Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.
Borrowings and investments issued at variable interest rates expose ARTA to cash flow interest rate.
ARTA currently has no variable rate borrowings. As at the reporting date ARTA had the following variable rate cash and bank investments:

	Weighted Average Interest Rate	**2009 Total**
Cash and bank investments	6.27%	105
		105

	Weighted Average Interest Rate	**2010 Total**
Cash and bank investments	3.38%	150
		150

- Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

ARTA is not exposed to any significant price risk. The ARC manages group price risk by diversification of the group's investment portfolio.

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- Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.
From time to time ARTA purchases professional services and plant and equipment associated with the construction of certain infrastructural assets from overseas which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk may arise.
It is ARTA's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above specified amounts by entering into forward foreign exchange contracts to hedge the foreign currency risk exposure. This means ARTA is able to fix the New Zealand dollar amount payable prior to delivery of the plant and equipment from overseas. These currency/treasury transactions are managed at group level by the ARC.

The ARC manages ARTA's currency risk by:
- establishing a foreign currency hedging policy for each foreign currency denominated asset; and
- specifying the bounds within which each Fund Manager may take on currency exposures relative to their benchmark; and
- engaging one or more currency execution agents to transact the foreign currency exchange transactions, including both spot and forward transactions, at the most favourable rate.

The instruments Fund Managers may use, and the credit worthiness of the counterparties, are detailed in the investment management agreements with respective Fund Managers. Any forward contracts entered into must be with entities that have an appropriate credit rating as determined by an international credit rating agency for counterparty risk and appropriate contractual arrangements (for example, an International Swaps and Derivatives Association (ISDA) agreement) must be in place between the currency fund manager and the counterparty.

The ARC and ARTA have a joint treasury committee (as per the treasury policy of both organisations) who meet to discuss, transact and monitor currency risk.

During the 2010 financial year the main currency for purchase was EURO, in 2009 financial year the main currency for purchase was AUD.

As at 31 October 2010, ARTA has an unrealised foreign currency loss of $3.988m. This relates to forward contracts for both EURO and USD amounts relating to one contract. The curent portion of the unrealised loss is $2.571m and the non-current is $1.416m.

As at 30 June 2009, ARTA had no significant risk and no sensitivity to movements in interest rates, foreign currency or price.

As at 31 October 2010
ARTA's exposure to foreign exchange risk on financial instruments outstanding at reporting date is summarised as follows:

In NZ$M	USD	EUR	TOTAL
Foreign currency risk			
Foreign currency derivatives			
Notional principle (NZ$)	5.918	29.011	34.930
Non-hedge accounted			
Balance	5.918	29.011	34.930
Cash flows in respect of foreign currency are expected to occur as follows			
Not later than one year	5.046	18.355	23.401
Later than 1 year not later than 2 years	0.872	10.657	11.529
	5.918	29.011	34.930

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Foreign currency sensitivity on financial instruments

The following table demonstrates the sensitivity of ARTA's financial instruments at reporting date to a reasonably possible appreciation/depreciation in the United States Dollar and the European Community Euro against the New Zealand Dollar. All other variables are held constant.

As at 31 October 2010

In NZ$M	USD	EUR	TOTAL
On profit before taxation			
5 cents appreciation	-0.374	-2.536	-2.910
5 cents depreciation	0.328	2.108	2.436

SIGNIFICANT FOREIGN EXCHANGE RATES USED AT BALANCE DATE FOR ONE NEW ZEALAND DOLLAR ARE:

	2010	2009
Eurpoean Community Euro	0.5426	N/A
United States Dollar	0.7545	N/A

Sensitivity analysis

The sensitivity analyses shown above are hypothetical and should not be considered predictive of future performance. They only include financial instruments (derivative and non-derivative) and do not include the future forecast hedged transactions. As the sensitivities are only on financial instruments the sensitivites ignore the offsetting impact on future forecast transactions which many of the derivatives are hedging. Changes in fair value can generally not be extrapolated because the relationship of change in assumption to change in fair value may not be linear. In addition, for the purposes of the above analyses, the effect of a variation in a particular assumption is calculated independently of any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, sensitivities to specific events or cirsumstances will be counteracted as far as possible through strategic management actions. The estimated fair values as disclosed should not be considered indicative of future earnings on these contracts.

The following table sets out the contractual undiscounted cash flows for derivative financial instruments

As at 31 October 2010

Principle in NZ$

Forward Contracts	< 6 months $000	6-12 months $000	1-2 years $000	2-5 years $000	> 5 years $000	Total contractual $000	Carrying amount of $000
Foreign exchange							
Inflow	14,127	9,274	11,529	-	-	34,930	-
Outflow	-14,127	-9,274	-11,529	-	-	-34,930	-
Total	-	-	-	-	-	-	-

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Credit Risk

Credit risk is the risk that a third party will default on its obligation to ARTA, causing ARTA to incur a loss.
There are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. ARTA has no significant concentrations of credit risk in relation to debtors and other receivables, except for existing funding arrangements with the ARC.
ARTA monitors trade receivables on a regular basis and impairment allowances are made if risks are identified, so that ARTA is not exposed to any additional default risk on trade receivables.
For the purposes of section 5 of the Local Government Act 2002, the ARC is to be treated as the sole shareholder of ARTA. In addition the ARC manages credit risk associated with cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. Derivative counterparties and cash transactions are limited to high credit quality institutions. The Group has policies in place to limit the amount of cash exposure to any one financial institution.
ARTA has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

ARTA's maximum credit exposure for each class of financial instrument is as follows:

	2010	**2009**
	$000	**$000**
Cash at bank and term deposits	150	105
Debtors and receivables	40,979	43,357
Loans	0	0
Grants receivable	3,946	20,971
Total	45,075	64,433

Liquidity Risk

Liquidity risk is the risk that ARTA will encounter difficulty raising liquid funds to meet commitments as they fall due.
ARTA's liquidity risk is managed by the ARC under the Support Services Agreement and ARTA is funded on an as needed basis by the ARC. ARC's policy on managing liquidity risk is as follows:
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
In meeting its liquidity requirements, the Group maintains a target level of investments that must mature within the next 3 months. To help reduce liquidity risk, the Group manages its cash requirements by forecasting and utilising flexibility in its funding facilities. The Group aims to minimise the cost of capital through effective cash management. It also has a liquidity policy which targets a minimum level of committed funding facilities to net debt.

At 31 October 2010 the ARC confirmed that it had combined committed cash facilities with ANZ, BNZ and Westpac of $40m available to ARTA. (2009: $40m).

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The table below analyses ARTA's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cashflows:

Financial Liabilities - 2010	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cashflows	Carrying amount of liabilities
	$000	$000	$000	$000	$000	$000	$000
As at 30 June 2010							
Payables	36,750					36,750	36,750
Grants payable	3,946					3,946	3,946
Unrealised Losses on FX	1,549	1,023	1,416			3,988	3,988
Total	42,245	1,023	1,416	0	0	44,684	44,684

Financial Liabilities - 2009	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cashflows	Carrying amount of liabilities
	$000	$000	$000	$000	$000	$000	$000
As at 30 June 2009							
Payables	39,540					39,540	39,540
Grants payable	14,596	5,223	1,152			20,971	20,971
Total	54,136	5,223	1,152	0	0	60,511	60,511

The table below analyses ARTA's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounds disclosed in the table below are the contractual undiscounted cashflows:

Financial Assets - 2010	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cashflows	Carrying amount of liabilities
	$000	$000	$000	$000	$000	$000	$000
As at 30 June 2010							
Cash/term deposits	150					150	150
Debtors/receivables	40,973	3,952				44,925	44,925
Total	41,123	3,952	0	0	0	45,075	45,075

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Financial Assets - 2009	< 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total contractual cashflows	Carrying amount of liabilities
	$000	$000	$000	$000	$000	$000	$000
As at 30 June 2009							
Cash/term deposits	105					105	105
Debtors/receivables	57,914	5,263	1,152			64,328	64,328
Total	58,019	5,263	1,152	0	0	64,433	64,433

11 Cashflows

Operating receipts and payments have been presented on a GST exclusive basis.
Generally Accepted Accounting Practice prevents the netting off of monies paid and received except in the case where there is an agency relationship. Receipts and payments, representing monies paid and received on behalf of the territorial authorities (TAs), from New Zealand Transport Agency for roading and bus shelter claims have been netted off in the cashflows from Operating Activities, as such these amounts reflect the activities of the territorial authority not ARTA. The amount netted off relating to TA activities for the 16 months ended 31st October 2010 was $231 million (2009 $171 million).

12 Contingent Assets

ARTA has no contingent assets for the period ended 31 October 2010.
At 30 June 2009 there were no contingent assets.

13 Contingent Liabilities

There are no contingent liabilities as at 31 October 2010.
There were no contingent liabilities as at 30th June 2009.

14 Commitments and Operating Leases

	2010 $000	2009 $000
Capital Commitments		
Approved and Contracted		
- Rolling Stock	844	6,965
- Stations	4,590	13,740
- Wharves	258	963
- Plant, Machinery and Other Equipment	38,648	1,703
	44,340	23,371
Non Cancellable Operating Lease Commitments		
Current Portion	0	1,738
1 - 2 Years	0	0
2 - 5 Years	0	0
	0	1,738

Other Non Cancellable Operating Commitments - Rail Contracts		
Current Portion	1,604	2,400
1 - 2 Years	0	0
2 - 5 Years	0	0
	1,604	2,400
Other Non Cancellable Operating Commitments - (Including Other Transport Contracts)		
Current Portion	123,256	117,469
1 - 2 Years	9,774	28,677
2 - 5 Years	630	2,275
	133,660	148,421

Use of Contracted Services
A significant proportion of services are contracted out to specialist providers. This is done to achieve ARTA's objectives efficiently and effectively.
The Non Cancellable Operating Lease does not exist post 31 October as the lease was between ARTA and ARTNL which are both part of Auckland Transport from 1 November 2010. Rail contracts have been extended to March 2010, with annual renewals available until 2014, and have been transferred to Auckland Transport.

15 Related Party Transactions

ARTA is a wholly owned subsidiary of the ARC.

ARC provides funding to ARTA for operating activities and to purchase property, plant and equipment. The value of these transactions are disclosed in Note 1. Details of current and non-current payables and receivables from related parties are disclosed in notes 5 and 9.

At balance date ARC owed ARTA $19,062,855. ($28,975,043 2009).

At balance date ARTA owed ARC $NIL.

ARTA purchases from the ARC shared services in respect of information technology, treasury management, financial processing services and facilities services. The cost of these services is $3,666,231 for 2010 ($2,685,061 for 2009).

ARC also provides funding to ARTA in order for ARTA to fulfill its responsibilities under the grants assumed from Infrastructure Auckland as at 1 July 2004.

No intercompany balances have been written off in the year.

ARTA entered into transactions with the following entities which their Directors have an interest in:

- Peter Brothers: CEO Manukau Institute of Technology. Total transactions of $45,468 for Manukau station design.

Other than the above transactions and using public transport, no directors, senior management or any entities related to them have entered into transactions with the organisation, other than those on normal business terms.

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16 Events after balance date

There are no events after balance date for the year ended 31 October 2010 which would require noting or adjusting in these financial statements.

There were no events after balance date for the year ended 30 June 2009 which required noting or adjusting in these financial statements.

17 Employee Benefits

Employee Benefit Liabilities	2010	2009
	$000	$000
Gratuities	42	40
Accrued salaries and wages	0	276
Accrued annual leave	620	620
Accrued Accident Compensation	140	89
Total	802	1,025

Employee Benefit Expenses	2010	2009
	$000	$000
Gratuities	2	3
Employee termination benefits	342	0
Salaries and wages	15,797	11,926
Total	16,142	11,929

The employee termination benefits paid relate to the dis-establishment of ARTA as at 31 October 2010 as referred to in Note 23.

18 Inventory

Inventory of $5,896,067 (2009: $5,126,000) comprises spare parts for ARTA's rolling stock; it is held and managed by Kiwi Rail on ARTA's behalf.
The carrying amount of inventories is measured at the lower of cost and net realisable value.
No inventories are pledged as security for liabilities.
The cost of inventories recognised as an expense during the financial year is $4,396,000 (2009: $3,454,000).
There have been no write-downs of inventory to NRV. There have been no reversals of write-downs.

19 Income Tax

Taxation	2010	2009
	$000	$000
Current tax expense	0	0
Adjustments to current tax in prior years	0	0
Deferred tax on temporary differences	2,185	440
Tax expense/(benefit)	2,185	440

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Relationship between tax expense and accounting surplus

Net surplus (deficit) before tax	61,453	56,138
Tax at 30%	18,436	16,841
Plus (less) tax effect of:		
Non-deductible expenditure	0	
Non-taxable income	(18,436)	(16,841)
Prior year adjustment	(113)	
Tax rate adjustment	(540)	
Deferred tax adjustment	2,838	440
Tax expense/(benefit)	2,185	440

Deferred Tax Asset (Liability)

	Prop, Plan and Equip	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance as at 30 June 2008	(4,995)	0	0	60	-4,935
Business acquisition	0	0	0	0	0
Charged to income	(414)	0	0	(26)	(440)
Charged to equity	0	0	0	0	0
Balance as at 30 June 2009	(5,409)	0	0	34	(5,375)
Business acquisition	0	0	0	0	0
Charged to income	(2,480)	0	0	295	(2,185)
Charged to equity	0	0	0	0	0
Balance as at 31 October 2010	(7,889)	0	0	329	(7,560)

20 Asset held in trust for NZTA

ARTA and NZTA have a Memorandum Of Understanding (MOU) covering the Auckland Integrated Ticketing System (AIFS), which ARTA are developing and is funded 100% by NZTA. The MOU states that ARTA shall hold the asset in trust for NZTA until such time as it is completed.

21 Capital Management

ARTA's capital is its equity (or owner's interest), which comprise retained earnings and reserves. Equity is represented by net assets.

The owner's interest is largely managed as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings. The objective of managing these items, as set out in the Local Government (Auckland) Amendment Act (LGAAA) 2004, is for ARTA to plan, fund and develop the Auckland regional land transport system for the Auckland region.

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The LGAAA requires ARTA to operate in a financially responsible manner and have regard to the reasonably foreseeable needs of future generations. ARTA has in place asset management plans for major classes of assets detailing renewals and maintenance programmes and must contribute to the ARC's Long Term Council Community Plan in order for the ARC to make adequate and effective provision to fund ARTA's activities in line with its obligations under the Local Government Act 2002.

ARTA has the following reserves:
Capital Grants Reserve - the capital grants reserve represents capital expenditure grants that have not been offset by an associated depreciation charge.

22 Reporting Period and Comparative Figures

The reporting period is for the 16 months ended 31 October 2010. A 16 month reporting period has been used as required under The Local Government (Tamaki Makaurau Reorganisation) Act 2009

Comparative figures included in the financial statements relate to the 12 month financial year end 30 June 2009 and are therefore not entirely comparable with the 16 month reporting period. Where necessary the comparative figures have been reclassified on a baisis consistent with current disclosure for 2010.

23 Auckland Council - Council Organisations - Local Government (Tamaki Makaurau Reoganisation) Act 2009

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 was enacted on 23 May 2009 and provides for the dissolution of Auckland Regional Transport Authority (ARTA) on 31 October 2010. The Act also directs that ARTA, City / Regional Council and other local authorities in the Auckland Region be dissolved on that date. As a consequence of the dissolution of ARTA, the group structure in its current form ceases to exist. The function, duties and powers of ARTA will be transferred to Auckland Transport (AT).

The Reorganisation Act provides that:
- all property belonging to ARTA will vest in AT.
- all money payable to or by ARTA will become payable to or by AT.
- all rights, liabilities, contracts, entitlements, and engagements of ARTA will become the rights, liabilities, contracts, entitlements, and engagements of AT.

ARTA expects the services it currently delivers to continue to be delivered by the organisational structure put in place by AT and therefore the assets and liabilities of ARTA will be relevant to AT. No significant adjustments have been made to the financial statements because of the dissolution basis of preparation, other than the termination payments disclosed in Note 17.

24 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 shareholders, and make it available to the public, within three month sof balance date. Auckland Regional Transport Authority 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 sooon as practical after that.

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Audit Report

To the readers of Auckland Regional Transport Authority'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 Authority. 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 Authority for the 16-month period ended 31 October 2010.

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

Unqualified Opinion

In our opinion:

- The financial statements of Auckland Regional Transport Authority on pages 9 to 42 that are prepared on a dissolution basis:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - Auckland Regional Transport Authority's financial position as at 31 October 2010; and
    - the results of its operations and cash flows for the 16-month period ended on that date.
- The performance information of Auckland Regional Transport Authority on pages 1to 7 fairly reflects the achievements measured against the performance targets adopted for the 16-month period ended 31 October 2010.

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 Authority, 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. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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 Authority 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 obtained all the information and explanations we required to support our opinion 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 Authority and vested its assets and liabilities in Auckland Transport.

In forming our opinion, we considered:

- the accounting policy on page 9 about the financial statements being prepared on a dissolution basis; and
- the disclosures regarding the effects of dissolution in note 17 on page 40 and note 23 on page 42.

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

Responsibilities of Auckland Regional Transport Authority, Auckland Transport and the Auditor

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

Therefore, Auckland Transport is responsible to ensure that the report of Auckland Regional Transport Authority includes financial statements that comply with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of Auckland Regional Transport Authority as at 31 October 2010. They must also fairly reflect the results of its operations and cash flows for the 16-month period ended on that date. Auckland Transport is also responsible for preparing performance information that fairly reflects 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 Authority.

2/2011

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 Authority 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.