



Auckland Regional
Holdings

HALF YEAR REPORT
December 2007

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HIGHLIGHTS AND INTRODUCTION

Highlights for the six-month period to 31 December 2007

- Total six months revenue \$52.3 million - 45% higher than budgeted
- Net surplus after tax 55% up on corresponding period last year
- Distributions to Auckland Regional Council - \$67.8 million
- Long-term investment strategy fully implemented with four macro asset classes
- Ports of Auckland Limited 25-year vision reaffirms strategic importance and global perspective
- New high-calibre board appointed for Sea+City Projects Limited, to drive waterfront development in Auckland's Wynyard Quarter
- Long-term financial commitment confirmed to provide almost \$1 billion to the ARC over 10 years from inception.

Who we are, what we do

Auckland Regional Holdings is an independent statutory investment management entity which is accountable to the Auckland Regional Council (ARC).

Its role is to manage assets for the region and provide funds to the ARC for essential infrastructure - mainly for transport and stormwater programmes.

Auckland Regional Holdings' investment portfolio comprises four macro classes:

Macro Asset Class	Investment
New Zealand Equity – Non-listed	- Ports of Auckland Limited (100%-owned)
New Zealand Property	- 16.9 hectares of waterfront property within Wynyard Quarter - Sea+City Projects Limited (100%-owned) - America's Cup Village Limited (100%-owned)
Diversified Financial Assets	- 50% global equities - 40% global bonds - 10% NZ cash
New Zealand Short-term Cash	- Bank bills and registered certificates of deposit

A critical part of Auckland Regional Holdings' role is to manage its investment portfolio prudently, in the long-term interests and for the benefit of the Auckland region, while optimising investment returns.

It has a long-term funding plan (LTFP) in place to give clarity and more certainty to the ARC around future funding.

Almost \$1 billion has been committed to the ARC over ten years from Auckland Regional Holdings' inception in 2004.

The diversification of investments has been structured to cushion Auckland Regional Holdings from volatility in global and local markets, over the long term.

REPORT OF THE CHAIR AND CHIEF OPERATING OFFICER

It has been a satisfactory six months for Auckland Regional Holdings.

Income from our New Zealand short-term cash investments was higher than expected because of higher interest rates. Total dividends from Ports of Auckland Limited of \$18.8 million, including an in-specie dividend of investment property (valued at \$5.6 million), were \$10.3 million higher than budget.

Total revenue was \$52.3 million for the six-month period which compared favourably with the Long Term Funding Plan budget of \$36.1 million.

Auckland Regional Holdings' total investment portfolio stood at \$1.4 billion at the end of the period and has achieved a 10.7% gross annualised return on investment since inception¹.

Distributions to the Auckland Regional Council

ARH has paid out \$67.8 million to the ARC in the past six months. The ARC decides how the funds will be allocated - currently most of it is spent on transport and stormwater programmes. Auckland Regional Holdings is on track to deliver its funding commitment to the ARC of \$161 million for the 2007/2008 year. This will be the largest annual distribution paid to the ARC which required money up front to tackle the huge backlog of essential investment in transport infrastructure and services.

Investment Portfolio

Auckland Regional Holdings has a dual role: to manage its assets prudently and to act in the long-term interests and for the benefit of the Auckland region.

To achieve this dual responsibility it invests in regional assets of strategic importance – like Ports of Auckland Limited and prime waterfront property in the Wynyard Quarter (formerly known as the Tank Farm) – as well as a diversified portfolio of financial assets which are invested globally and here in New Zealand.

Auckland Regional Holdings has four macro asset classes:

Diversified Financial Assets (DFA)

There has been a big effort in the past six months to complete the reallocation of New Zealand short-term cash investments to the long-term Diversified Financial Assets portfolio which mainly comprises a mix of global equities and bonds. This is now fully implemented. Although Auckland Regional Holdings retains cash investments in New Zealand, it now has significant international financial asset holdings which are managed by eight specialist fund managers selected for their skills and expertise, track record and social and environmentally-responsible investment ethos.

Ports of Auckland Limited (POAL)

Ports of Auckland Limited – New Zealand's largest container port – is a significant investment for Auckland Regional Holdings and is strategically and economically important to the region and the country. POAL has released its vision and future plan which confirms its place as the hub for international exports and imports. POAL is progressing with a major capital investment programme to secure its cost-efficiency and competitiveness and it is extending its port facilities eastward while progressively freeing up land to the west when no longer needed for ports activities. POAL reported good growth in container volume and a satisfactory interim net profit after tax of \$12.6 million for the six-month period to 31 December 2007, which is up 19% on the previous six-month period to 31 December 2006.

¹ 1 July 2004

Investment Property

The 16.9 hectares of prime waterfront property, owned by Auckland Regional Holdings, is within the Wynyard Quarter and is currently going through the process of a plan change to allow the vision to progress for a working fishing port and marine-themed, vibrant village with parks and plazas. Sea+City Projects Limited is the specialist management company set up by Auckland Regional Holdings to drive the largest waterfront urban renewal project in New Zealand for Auckland Regional Holdings, Auckland City Council and the ARC. A new board has just been appointed, headed by experienced chairman, Kerry Stotter. The Sea+City project is also a leading example of a successful exercise in collaboration between Auckland Regional Holdings, Auckland City Council, and the ARC.

New Zealand Short-Term Cash

Income from Auckland Regional Holdings' New Zealand short-term cash investment portfolio was higher than expected. This was due to market increases in short-term interest rates across the six-month period to 31 December 2007.

Outlook

The next six months and year are going to be challenging. There is some uncertainty in the short-term. However, ARH is a long-term investor and we are well positioned with our investment strategy for our overall investment portfolio, to withstand such uncertainty.

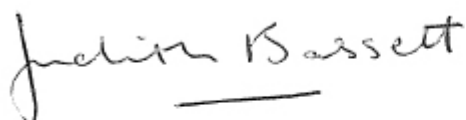
We are starting to see the impact on our international investments. However we are long-term investors and we anticipated volatility in the short-term.

Ports of Auckland Limited has indicated a challenging year ahead in a tough trading environment but has started implementing an investment programme to ensure that plant and infrastructure resources are available to handle future growth. Although Ports of Auckland will continue to pay regular dividends to Auckland Regional Holdings, they will not be at the level of income received in the past from special dividend and transfers which were one-off events.

Although corrections in the property market and the slowdown in the economy will need to be closely monitored and could result in land values being vulnerable to fluctuations in the short-term, we stress that our plans and investments are focused on long-run returns and we have confidence in the future of our waterfront development.

Auckland Regional Holdings has a long-term investment strategy to ensure secure and sustainable funding for the ARC. The investment strategy and plan is now in place. Auckland Regional Holdings has systematically and deliberately invested in New Zealand short term cash, a wide mix of sound and diversified global investments, retained its strategic investment in Ports of Auckland Limited, and consolidated its New Zealand investment in prime Auckland waterfront property. It is well placed to weather future shocks and unpredictable markets.

We have a small team of specialist staff focused on making sure that Auckland Regional Holdings meets its commitment to deliver future funds to the ARC to spend on programmes contributing to the creation of a world-class city and region.



Judith Bassett
Chair



Peter Casey
Chief Operating Officer

INVESTMENT PORTFOLIO SUMMARY

Summary of Investment Portfolio

Auckland Regional Holdings manages a portfolio of investments on behalf of the people of the Auckland region. The market value of this investment portfolio at 31 December 2007 was \$1.4 billion.

The value of the Auckland Regional Holdings' total investment portfolio at 31 December 2007, as well as the forecast portfolio value for the year ending 30 June 2008, is included in Table 1 below:

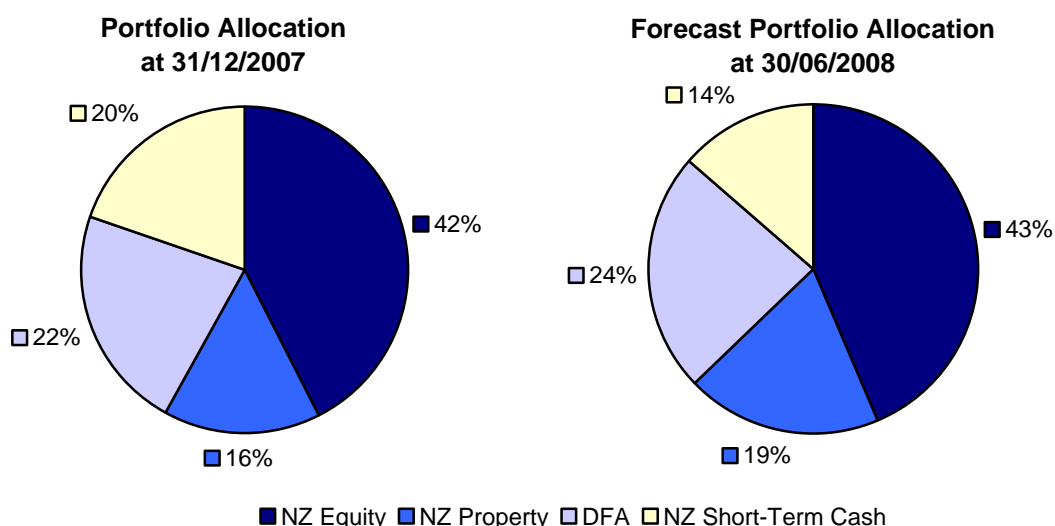
Table 1: Auckland Regional Holdings Investment Portfolio

Investment Portfolio	Actual Value at 31 December 2007 \$m	Forecast Value at 30 June 2008 \$m
POAL (NZ Equity – Non-listed)		
Ports of Auckland Limited	\$587.8	\$591.0
Total POAL (NZ Equity – Non-listed)	\$587.8	\$591.0
NZ Property		
Wynyard Precinct investment property	\$180.6	\$224.3
Sea+City Projects Limited	\$0.3	\$0.1
America's Cup Village Limited	\$21.3	\$23.0
Net Loan to America's Cup Village Limited	\$13.0	\$13.0
Total NZ Property	\$215.2	\$260.4
Diversified Financial Assets Portfolio (DFA)	\$308.9	\$319.3
NZ Short-term Cash		
Portfolio investments	\$270.3	\$178.0
Cash at bank	\$3.7	\$5.8
Total NZ Short-term Cash	\$274.0	\$183.8
Total	\$1,385.9	\$1,354.5

Notes:

1. POAL (NZ Equity – Non-listed) and NZ Property valuations are based on independent valuations undertaken at 30 June 2007. Following internal valuation reviews at 31 December 2007, these values were deemed fair values.
2. DFA and NZ Short-term Cash investments are stated at their fair market values at 31 December 2007
3. The Forecast Value at 30 June 2008 is as per Auckland Regional Holdings' 2007-2017 Long Term Funding Plan.
4. The net reduction in the forecast portfolio value at 30 June 2008 is due to distributions being paid to the ARC, which will be funded by withdrawals from the NZ Short-term Cash portfolio investments.

The following pie charts depict the macro asset allocations within Auckland Regional Holdings' investment portfolio as at 31 December 2007, and the forecast asset allocations at 30 June 2008:



Description of Investments

Ports of Auckland Limited (POAL)	<p>Non-listed company - 100% owned</p> <p>Ports of Auckland Limited owns and operates the Port of Auckland, New Zealand's largest international container port and a major gateway for trade on the North Island's east coast and the regional Port of Onehunga on the west coast. It also owns two inland ports at East Tamaki and Wiri, in South Auckland.</p> <p>POAL owns 19.9% of Northland Port Corporation (NZ) Limited, which operates the Port of Whangarei and part-owns the Northland port of Marsden Point, and 27.5% of United Containers Limited, one of New Zealand's largest container depot businesses, which allows Ports of Auckland to maximise container supply chain efficiencies.</p> <p>POAL provides towage and pilotage services on the Waitemata and Manukau Harbours. It also has a joint venture, North Tugz Limited, which provides towage and pilotage services on the Whangarei Harbour.</p> <p>The Port of Auckland is New Zealand's most balanced port - full import containers make up 55% and full export containers make up 45% of all full containers passing through the port. POAL is a vital contributor to the regional and national economy. Further comprehensive information is available at www.poal.co.nz.</p>
Wynyard Precinct Investment Property	<p>The Wynyard Precinct investment property comprises, at 30 June 2007, 18.5 hectares of land, wharves and water management and seabed rights situated in the Wynyard Precinct on Auckland's waterfront. This investment property is held for rental income from ground leases as well as to facilitate a world class waterfront development which provides quality public amenity and access. The property is the focus of a major redevelopment project and will be rezoned for mixed use in accordance with the new district plan notified by the ACC and Regional Plan Coastal notified by the ARC in July 2007.</p>
Sea+City Projects Limited (SCPL)	<p>Non-listed company – 100% owned</p> <p>Sea+City Projects Limited is a property manager and property redevelopment facilitator, and acts as Auckland Regional Holdings' agent for the Wynyard Precinct investment property. It establishes and manages Auckland Regional Holdings property leases, and is the project director for co-ordinating and facilitating the redevelopment framework and public infrastructure services programmes for the area. Further comprehensive information is available at www.seacity.co.nz.</p>
America's Cup Village Limited (ACVL)	<p>Non-listed company - 100% owned</p> <p>America's Cup Village Limited is a property investment company owning land and water management and seabed rights on Halsey Street at the Auckland Viaduct.</p>
Loan to ACVL	<p>This is an interest-bearing loan, at commercial rates, to America's Cup Village Limited.</p>
Diversified Financial Assets Portfolio (DFA)	<p>The diversified financial assets portfolio is a long-term portfolio of liquid financial investments that are actively managed by specialist fund managers. The DFA comprises 50% global equities, 40% global bonds and 10% New Zealand cash.</p>
Portfolio Investments	<p>Portfolio investments include highly liquid cash and short-term fixed interest securities, primarily bank deposits and registered certificates of deposit, which are managed by external fund managers.</p>
Cash at Bank	<p>Cash at bank includes funds held on call and available for working capital requirements.</p>

RETURN ON INVESTMENT PORTFOLIO

Auckland Regional Holdings manages its investments to optimise total investor returns within certain risk parameters, over the long term. The annualised total gross return on economic value since inception on 1 July 2004 was 10.7%.

The total market value of Auckland Regional Holdings' investment portfolio on 31 December 2007 was \$1.4 billion.

The valuation and total return on the overall investment portfolio for the six-month period ended 31 December 2007 is summarised in Table 2 below to indicate economic performance of the portfolio.

Table 2: Investment Portfolio Valuation and Returns

	NZ Equity– Non-listed (POAL)	NZ Property²	Diversified Financial Assets (DFA)	NZ Short- Term Cash	Total Investment Portfolio
At 31 December 2007	\$m	\$m	\$m	\$m	\$m
Total investments at market value (as per the financial statements)	\$587.8	\$215.2	\$308.9	\$274.0	\$1,385.9
Total gross return for the 6-month period ³	2.3%	2.1%	6.3%	4.5%	2.8%
Annualised gross return since inception on 1 July 2004					10.7%

² Investment property was only included in Auckland Regional Holdings' investment portfolio from 1 April 2007.

³ Returns are not annualised



Auckland Regional
Holdings

INTERIM FINANCIAL STATEMENTS

For the Six-Month Period Ended 31 December 2007

(UNAUDITED)

AUCKLAND REGIONAL HOLDINGS

Interim Financial Statements

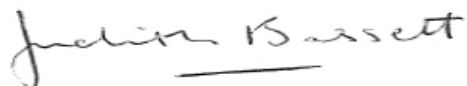
For the Six-Month Period Ended 31 December 2007

The Board is pleased to present the fourth set of interim financial statements of Auckland Regional Holdings and Group consolidating Ports of Auckland Limited, Sea+City Projects Limited and America's Cup Village Limited for the six-month period ended 31 December 2007.

These financial statements have been prepared in accordance with the Financial Reporting Act 1993 and New Zealand Equivalents to International Financial Reporting Standards.

The Board of Auckland Regional Holdings accepts responsibility for the preparation of the financial statements and the judgements used in them. The Board of Auckland Regional Holdings accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board of Auckland Regional Holdings, the financial statements on pages 11 to 30 fairly reflect the financial position of Auckland Regional Holdings as at 31 December 2007 and its financial performance and cash flows for the six-month period ended 31 December 2007.



Judith Bassett
Chair
27 March 2008



Kerry Stotter
Assurance and Risk Committee Chair
27 March 2008

AUCKLAND REGIONAL HOLDINGS
INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

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AUCKLAND REGIONAL HOLDINGS
INCOME STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

		Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006	ARH Budget 6 Months to 31 December 2007
	Note	\$000	\$000	\$000	\$000	\$000
Revenue	4	118,976	101,665	52,260	31,264	36,057
Other Income	5	217	523	0	0	0
Share of Profit from Associate and Joint Venture		1,167	673	0	0	0
Total Income		120,360	102,861	52,260	31,264	36,057
Expenses (excluding finance costs)	6	63,914	59,336	8,451	3,491	5,877
Finance Costs		14,018	11,474	0	0	0
Net Profit before Tax		42,428	32,051	43,809	27,773	30,180
Taxation Expense	6	5,441	4,794	629	0	683
Net Profit after Tax		36,987	27,257	43,180	27,773	29,497

The Notes to the Financial Statements on pages 16 - 30 form an integral part of, and should be read in conjunction with, these Financial Statements.

AUCKLAND REGIONAL HOLDINGS
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

		Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006
	Note	\$000	\$000	\$000	\$000
Equity at the Beginning of the Period	7	1,119,272	1,057,759	1,337,183	1,262,429
Cash Flow Hedges (net of tax)	9	596	1,290	0	0
Available-for-Sale Financial Assets* (net of tax)	9	607	1,740	37	(213)
Net Income Recognised Directly in Equity		1,203	3,030	37	(213)
Net Profit for the Period		36,987	27,257	43,180	27,773
Distributions to the ARC	10	(54,182)	(26,592)	(54,182)	(26,592)
Total Recognised Income and Expenses for the Period		(15,992)	3,695	(10,965)	968
Equity at the End of the Period		1,103,280	1,061,454	1,326,218	1,263,397

*** Available-for-Sale Financial Assets**

To comply with New Zealand Equivalents to International Financial Reporting Standards, ARH's equity investments in subsidiary companies have been classified as 'Available-for-sale financial assets' by default. However, ARH has no intention of selling these investments.

The Notes to the Financial Statements on pages 16 - 30 form an integral part of, and should be read in conjunction with, these Financial Statements.

AUCKLAND REGIONAL HOLDINGS
BALANCE SHEET - CONSOLIDATED GROUP
AS AT 31 DECEMBER 2007 (UNAUDITED)

		Group 31 December 2007	Group 31 December 2006	Group 30 June 2007
	Note	\$000	\$000	\$000
Current Assets				
Cash and Cash Equivalents	19	4,825	6,943	6,801
POAL Inventories		2,080	1,663	2,082
Current Tax Assets		3,767	3,016	7,100
Trade and Other Receivables		19,727	24,426	22,753
Rental Paid in Advance	12	5,539	0	0
POAL Derivative Financial Instruments		206	0	96
Investments and Other Financial Assets	11	162,076	532,728	192,214
Sub-Total Current Assets		198,220	568,776	231,046
Non-Current Assets Held for Sale	12	3,050	0	98,586
Total Current Assets		201,270	568,776	329,632
Non-Current Assets				
Investment Properties	12	224,455	263,001	262,414
Goodwill	15	46,006	46,006	46,006
Property, Plant and Equipment		669,762	678,934	653,662
Other Intangible Assets		2,521	2,660	2,479
POAL Investments Accounted for Using the Equity Method	14	6,122	9,176	7,265
POAL Derivative Financial Instruments		9,074	2,916	8,618
Investments and Other Financial Assets	11	447,355	27,684	362,240
Rental Paid in Advance	12	35,430	0	0
Total Non-Current Assets		1,440,725	1,030,377	1,342,684
Total Assets		1,641,995	1,599,153	1,672,316
Current Liabilities				
POAL Interest Bearing Liabilities	19	2,588	0	0
Trade and Other Payables		16,142	16,120	17,399
Income in Advance		352	18	92
Rental Received in Advance	12	182	0	0
Current Tax Liabilities		710	0	348
Provisions		8,236	8,373	9,123
POAL Derivative Financial Instruments		68	289	139
ARC Distributions Payable	10	49,893	79,757	69,458
Total Current Liabilities		78,171	104,557	96,559
Non-Current Liabilities				
Rental Received in Advance	12	152	0	0
POAL Interest Bearing Liabilities		360,266	342,544	362,156
Provisions	13	15,099	2,698	15,187
Deferred Tax Liabilities		49,086	51,797	49,191
ARC Distributions Payable	10	35,941	36,103	29,951
Total Non-Current Liabilities		460,544	433,142	456,485
Total Liabilities		538,715	537,699	553,044
Net Assets		1,103,280	1,061,454	1,119,272
Public Equity				
Reserves	9	9,400	2,920	8,197
Retained Earnings	8	1,093,880	1,058,534	1,111,075
Public Equity		1,103,280	1,061,454	1,119,272

The Notes to the Financial Statements on pages 16 - 30 form an integral part of, and should be read in conjunction with, these Financial Statements.

AUCKLAND REGIONAL HOLDINGS
BALANCE SHEET - AUCKLAND REGIONAL HOLDINGS
AS AT 31 DECEMBER 2007 (UNAUDITED)

		ARH 31 December 2007	ARH 31 December 2006	ARH 30 June 2007
	Note	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Current Assets				
Cash and Cash Equivalents	19	3,746	144	1,545
Trade and Other Receivables		979	28	729
Rental Paid in Advance	12	5,539	0	0
Investments and Other Financial Assets	11	162,076	532,728	192,214
Sub-Total Current Assets		172,340	532,900	194,488
Non-Current Assets Held for Sale	12	0	0	87,418
Total Current Assets		172,340	532,900	281,906
Non-Current Assets				
Trade and Other Receivables		15,107	14,781	15,107
Investment Properties	12	180,629	0	213,021
Property, Plant and Equipment		77	131	101
Other Intangible Assets		3	9	7
Investments and Other Financial Assets	11	1,026,448	855,226	943,676
Rental Paid in Advance	12	35,430	0	0
Total Non-Current Assets		1,257,694	870,147	1,171,912
Total Assets		1,430,034	1,403,047	1,453,818
Current Liabilities				
Trade and Other Payables		4,159	23,790	3,772
Income in Advance		352	0	92
Rental Received in Advance	12	182	0	0
Current Tax Liabilities		111	0	338
Provisions		26	0	24
ARC Distributions Payable	10	49,893	79,757	69,458
Total Current Liabilities		54,723	103,547	73,684
Non-Current Liabilities				
Rental Received in Advance	12	152	0	0
Provisions	13	13,000	0	13,000
ARC Distributions Payable	10	35,941	36,103	29,951
Total Non-Current Liabilities		49,093	36,103	42,951
Total Liabilities		103,816	139,650	116,635
Net Assets		1,326,218	1,263,397	1,337,183
Public Equity				
Reserves	9	246	34,476	209
Retained Earnings	8	1,325,972	1,228,921	1,336,974
Public Equity		1,326,218	1,263,397	1,337,183

The Notes to the Financial Statements on pages 16 - 30 form an integral part of, and should be read in conjunction with, these Financial Statements.

AUCKLAND REGIONAL HOLDINGS
CASH FLOW STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

	Note	Group 6 Months to 31 December 2007 \$000	Group 6 Months to 31 December 2006 \$000	ARH 6 Months to 31 December 2007 \$000	ARH 6 Months to 31 December 2006 \$000
Cash Flows from Operating Activities					
<i>Cash was provided from:</i>					
Receipts from Customers (inclusive of GST)		106,745	87,244	5,724	0
Realised Gains on Foreign Exchange Transactions		0	731	0	0
Dividends Received		3,956	1,517	15,331	10,866
Interest Received		777	183	1,268	15
		111,478	89,675	22,323	10,881
<i>Cash was applied to:</i>					
Payments to Suppliers and Employees (inclusive of GST)		65,237	60,210	4,357	3,922
Income Tax Paid		2,310	4,532	856	0
Interest / Finance Costs Paid		13,476	10,841	0	0
		81,023	75,583	5,213	3,922
Net Cash Flows from Operating Activities	20	30,455	14,092	17,110	6,959
Cash Flows from Investing Activities					
<i>Cash was provided from:</i>					
Withdrawals from Portfolio Investments		271,800	37,800	271,800	37,800
Sale of Property, Plant and Equipment		513	758	0	0
Sale of Investment Property		91,418	0	83,300	0
Repayment of Related Party Loans		0	650	0	0
Advances from Subsidiaries		0	0	0	1,050
		363,731	39,208	355,100	38,850
<i>Cash was applied to:</i>					
Deposits to Portfolio Investments		300,000	3,849	300,000	3,848
Purchase of Property, Plant and Equipment		25,256	34,197	7	9
Purchase of Investment Properties		1,100	0	0	0
Purchase of Intangible Assets		389	374	0	0
Capitalised Investment Property Costs		2,248	2,009	2,245	0
Payments for Interest in Joint Venture Partnership		0	247	0	0
Repayment of Advances from Subsidiaries		0	0	0	100
Loans to Related Parties		0	2,400	0	0
		328,993	43,076	302,252	3,957
Net Cash Flows from Investing Activities		34,738	(3,868)	52,848	34,893
Cash Flows from Financing Activities					
<i>Cash was provided from:</i>					
Proceeds from Borrowings		5,000	36,000	0	0
		5,000	36,000	0	0
<i>Cash was applied to:</i>					
Repayment of Borrowings		7,000	0	0	0
Distributions to the ARC		67,757	41,962	67,757	41,962
		74,757	41,962	67,757	41,962
Net Cash Flows from Financing Activities		(69,757)	(5,962)	(67,757)	(41,962)
Total Net Cash Flows for the period		(4,564)	4,262	2,201	(110)
Cash and cash equivalents at beginning of the period		6,801	2,681	1,545	254
Cash and cash equivalents at end of the period	19	2,237	6,943	3,746	144

The Notes to the Financial Statements on pages 16 - 30 form an integral part of, and should be read in conjunction with, these Financial Statements.

AUCKLAND REGIONAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

1. REPORTING ENTITY AND PRINCIPAL ACTIVITY

Auckland Regional Holdings (ARH) is a profit-oriented statutory investment management entity. ARH was established on 1 July 2004 with all assets, liabilities and obligations, other than transport and stormwater grant liabilities, vested from Infrastructure Auckland pursuant to the Local Government (Auckland) Amendment Act 2004 (LGAAA04). The functions of ARH are to:

- (a) own, directly or indirectly, and manage assets (including funds) in the long-term interests of the Auckland region;
- (b) provide funds to the Auckland Regional Council (ARC) in accordance with ARH's long-term funding plan prepared under section 21 of the LGAAA04;
- (c) make land transport assets available to assist the Auckland Regional Transport Authority (ARTA) to achieve ARTA's objective; and
- (d) undertake such other functions as are given to it by the LGAAA04 or any other Act, or are authorised by its Statement of Intent.

These financial statements consolidate the results of ARH (the parent entity) and its subsidiary companies, including their subsidiaries, associates and joint ventures (referred to as "the ARH Group" or "the Group"). ARH's subsidiary companies include:

- Ports of Auckland Limited (POAL) - 100% shareholding;
- Sea+City Projects Limited (SCPL), formerly Northern Disposal Systems Limited (NDSL) - 100% shareholding; and
- America's Cup Village Limited (ACVL) - 100% shareholding.

2. BASIS OF PREPARATION

These interim financial statements have been prepared on the basis of historical cost, modified to include the revaluation of certain assets and liabilities.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or events is reported.

These interim financial statements of the ARH Group are for the six-month period ended 31 December 2007. They have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand International Accounting Standard (NZ IAS) 34 on Interim Financial Reporting. These interim financial statements have been presented in a condensed format and include significant statements and note disclosures only, in accordance with the standards for interim reporting.

3. PARTICULAR ACCOUNTING POLICIES

The same accounting policies and methods of computation as followed in these interim financial statements were followed in the most recent set of annual financial statements issued for the year ended 30 June 2007.

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

(a) Principles of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The assets, liabilities and contingent liabilities of the subsidiary are measured at their fair value at the date of acquisition, irrespective of any minority interest. Any excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly to the Income Statement in the period of acquisition.

In preparing the consolidated financial statements, all transactions, balances and unrealised profits and losses on transactions between group entities are eliminated.

AUCKLAND REGIONAL HOLDINGS
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ii) POAL Associates

Associates are all entities over which POAL has significant influence but not control, generally evidenced by a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. POAL's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

POAL's share of its associate's post-acquisition profits or losses are recognised in the Income Statement, and its share of post acquisition movements in reserves are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment in the consolidated financial statements.

When POAL's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, POAL does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of POAL's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by POAL.

(iii) POAL Joint ventures

The interest in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the jointly controlled entity is recognised in the Income Statement, and the share of movements in reserves is recognised in reserves in the Balance Sheet.

Profits or losses on transactions establishing the jointly controlled entity and transactions with the joint venture are eliminated to the extent of the POAL's ownership interest until such time as they are realised by the jointly controlled entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). These financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

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 Income Statement, except in some instances when they are deferred in equity as qualifying cash flow hedges.

(c) Revenue recognition

Revenue is recognised as follows:

(i) Sales of services

Sales of services are recognised at fair value in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

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(d) Income tax

ARH is generally exempt from paying income tax in New Zealand; however ARH's subsidiaries are standard tax-payers. ARH's exemption from income tax does not include any income derived from port-related commercial undertakings.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Leases

(i) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

(ii) The Group is the lessor

Assets leased to third parties under operating leases are included within investment properties and property, plant and equipment in the Balance Sheet. Leased property, plant and equipment is depreciated over its expected useful lives on a basis consistent with non-leased property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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 interest bearing liabilities in current liabilities on the Balance Sheet.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value, and are subsequently measured at amortised cost, less provision for doubtful debts.

The ability to collect trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

(i) POAL inventories

Raw material and stores, work in progress 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 costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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(j) Non-Current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(k) Distributions to the Auckland Regional Council (ARC)

ARH recognises distributions to the ARC in the Statement of Changes in Equity at the time either a cash distribution has been made, or when a funding request has been approved.

(l) Investments and other financial assets

The Group classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose for which the investments and other financial assets were acquired. The Group determines the classification at initial recognition and re-evaluates this designation at each reporting date.

Classification

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss 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 the Group. The Group's policy is to designate a financial asset if the asset is subject to frequent changes in fair value and the performance of the asset is evaluated on a fair value basis in accordance with a documented investment strategy. Derivatives are also categorised as financial assets at fair value through profit or loss 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, otherwise they are classified as non-current assets.

(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 the Group 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. Loans and receivables are included in trade and other receivables in the Balance Sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available for sale financial assets, comprising equity securities, are non derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

Policy

Purchases and sales of assets are recognised at trade date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets 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 profit or loss' category are included in the Income Statement in the period in which they arise.

Equity shares held by the Group, which are classified as being available-for-sale financial assets, are stated at fair value after adjustment for impairment, if any. Unrealised gains and losses arising from changes in the fair value of the shares classified as available-for-sale are recognised in equity in the available-for-sale financial assets revaluation reserve. Where this results in a negative balance in these reserves which is not expected to reverse because there is objective evidence that it is permanent, the cumulative loss is charged to the Income Statement. When shares classified as available-for-sale are sold, the accumulated fair value adjustments are included in the Income Statement.

AUCKLAND REGIONAL HOLDINGS
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(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. 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. POAL 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 probable forecast transactions (cash flow hedges).

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

(i) Fair value hedge

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

POAL applies only fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of the interest rate swap that hedges fixed interest rate borrowing is recognised in the Income Statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the Income Statement within other gains / (losses) - net. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the Income Statement over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the Cash Flow Hedge Reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of the interest rate swap that hedges variable interest rate borrowings is recognised in the Income Statement within finance costs when the related interest expense is recognised. When a forecast transaction that is hedged results in the recognition of an item of property, plant and equipment, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost of the item of property, plant and equipment. The deferred amounts are ultimately recognised in the Income Statement when the item of plant, property and equipment is depreciated.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(n) Property, plant and equipment

Land, buildings and wharves (except for investment properties) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings and wharves. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Pavements are stated at deemed cost based on a valuation performed as at 30 June 2005 by an external independent valuer less depreciation. Land, buildings, wharves and pavements were all revalued at 30 June 2005 by external independent valuers. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

AUCKLAND REGIONAL HOLDINGS
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Increases in the carrying amounts arising on revaluation of land, buildings and wharves are credited to other reserves in equity. To the extent that the increase reverses a decrease previously recognised in the Income Statement, the increase is first recognised in the Income Statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Income Statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Freehold Buildings	30 - 50 years
- Wharves	50 - 100 years
- Plant and equipment	5 - 20 years
- Pavement	25 - 85 years
- Other equipment	2 - 20 years

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

An asset's carrying value is written down immediately, to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. When revalued assets are sold, the Group's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(o) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. They are not used in the production or supply of goods or services or for administration purposes and are not held for sale in the ordinary course of business. Investment properties are carried at fair value, representing open market value determined annually by independent valuers. Changes in fair values are recorded in the Income Statement.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate / joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately on the Balance Sheet. Goodwill on acquisitions of associates is included in investments in associates. Goodwill on acquisitions of joint ventures is included in investments in joint ventures. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in the operation by each primary reporting segment.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line bases over their estimated useful lives (three to five years).

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group and that will probably contribute to future economic benefits beyond one year are capitalised. Capitalised costs include external direct costs of materials and services, payroll and direct payroll-related costs for employees' (including contractors) time spent on the project. These costs are amortised on a straight line basis over their estimated useful lives (three to five years).

(q) Trade and other payables

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

AUCKLAND REGIONAL HOLDINGS
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(r) POAL borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless POAL has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) POAL borrowing costs

Borrowing costs are expensed, except for costs incurred for the construction of any qualifying asset which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(t) Provisions

Provisions are recognised when: the Group 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.

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) POAL Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government stock with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(v) Goods and Services Tax (GST)

Where GST is payable or recoverable, revenue and expenditure is stated net of GST. Any irrecoverable GST input tax on expenditure is recognised as part of the related asset or expense. Where GST is payable or recoverable, items in the Balance Sheet are stated net of GST with the exception of receivables and payables which are stated with GST included. In the Cash Flow Statement, all cash payments and receipts are inclusive of GST, where applicable.

(w) Comparative figures

Comparative figures are, where appropriate, reclassified so as to be consistent with the figures presented for the current period.

There is a difference between the comparatives as shown in these interim financial statements for the six months ended 31 December 2006 and the previously published Interim Financial Statements for the Six-Month Period Ended 31 December 2006. It relates to POAL Investments Accounted for Using the Equity Method and only affects the Consolidated Group financial statements.

- In the published Interim Financial Statements for the Six-Month Period Ended 31 December 2006:

POAL Investments Accounted for Using the Equity Method as at 31 December 2006 were \$10,544,000
Goodwill as at 31 December 2006 was \$45,843,000
Opening Retained Earnings as at 1 July 2006 was \$1,059,075,000

- In the comparatives in these Interim Financial Statements for the Six-Month Period Ended 31 December 2007

POAL Investments Accounted for Using the Equity Method as at 31 December 2006 is \$9,176,000
Goodwill as at 31 December 2006 is \$46,006,000
Opening Retained Earnings as at 1 July 2006 is \$1,057,869,000

These differences have arisen due to the conversion to NZ IFRS which came into effect for the ARH Group from 1 July 2006. When the Interim Financial Statements for the Six-Month Period Ended 31 December 2006 were published, one of ARH's subsidiary companies had not finalised one aspect of their conversion. In prior periods dividends of \$1,369,000 received from the joint venture were accounted for in the Group financial statements as a reduction in the investment in the joint venture, rather than revenue to the Group. Under previous NZ GAAP this error was corrected in the period it was discovered (the year ended 30 June 2006). Under NZ IFRS the 2005 opening balance sheet has been adjusted to reflect the correction of the error. As this had an impact on the fair value of assets acquired by ARH when purchasing 100% of the shares of POAL (as mentioned in note 14) Goodwill has also been recalculated.

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	Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
4. REVENUE				
Service and Rental Income	90,128	81,293	5,180	0
Interest Revenue	18,380	19,913	18,871	20,398
Dividend Income	2,228	459	19,969	10,866
Realised Net Gains/Losses on Financial Assets	4,157	0	4,157	0
Unrealised Net Gains/Losses on Financial Assets	4,083	0	4,083	0
Total Revenue	118,976	101,665	52,260	31,264

Effective 15 July 2007, investment properties valued at \$5.6m were transferred by way of an in-specie distribution from POAL to ARH. The in-specie distribution of \$5.6m is included in ARH's dividend income of \$19.9m

Beginning 28 July 2007, ARH began transitioning some of its New Zealand Short-Term Cash Portfolio Investments to its newly established Diversified Financial Asset Portfolio (the DFA). Revenue from the DFA is included in Interest Revenue, Dividend Revenue and Realised and Unrealised Net Gains/Losses above.

5. OTHER INCOME

Gain on Sale of Property, Plant and Equipment	217	523	0	0
Total Other Income	217	523	0	0

6. DISCLOSURE OF SPECIFIC EXPENSES FOR AUCKLAND REGIONAL HOLDINGS

Taxation Expense

ARH is generally exempt from paying income tax. However it is currently not exempt from paying income tax on income derived from port-related commercial undertakings. The taxation expense recognised in ARH's Income Statement above for the six months ended 31 December 2007, and in the budget column for the same period, relates to the rental income from investment properties leased for port-related commercial undertakings from 1 April 2007.

Expenses (excluding finance costs)

Included in Expenses for the six-month period ended 31 December 2007 is notional rental expenditure of \$2.8m. This has arisen due to the accounting treatment for the sale and leaseback of investment property as explained in note 12, and was not included in ARH's budget.

7. EQUITY AT THE BEGINNING OF THE PERIOD

	Group 6 Months to 30 June 2007	ARH 6 Months to 30 June 2007
	<u>\$000</u>	<u>\$000</u>
Opening Balance at 1 January 2007	1,061,454	1,263,397
<i>Movements for the Six Months to 30 June 2007</i>		
Net Profit after Tax	72,473	127,985
Distributions to the ARC	(19,932)	(19,932)
Cash Flow Hedges Gain / (Loss) (net of tax)	3,998	0
Available-for-Sale Financial Assets Gain / (Loss) (net of tax)	1,279	(34,267)
Closing Balance at 30 June 2007 = Equity at the beginning of the period 1 July 2007	1,119,272	1,337,183

The above reconciliation shows the movements in equity between the closing balance of the comparative interim period at December 2006 and the opening balance of the current interim period at 1 July 2007. 31

AUCKLAND REGIONAL HOLDINGS
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	Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
8. RETAINED EARNINGS				
Opening Balance	1,111,075	1,057,869	1,336,974	1,227,740
Net Profit for the Period	36,987	27,257	43,180	27,773
Distributions to the ARC Recognised During the Period	(54,182)	(26,592)	(54,182)	(26,592)
Closing Balance	1,093,880	1,058,534	1,325,972	1,228,921

9. RESERVES

Cash Flow Hedge Reserve

Opening Balance	5,466	178	0	0
Revaluation Gain	596	1,290	0	0
Closing Balance	6,062	1,468	0	0

Available-for-Sale Financial Assets Revaluation Reserve

Opening Balance	2,731	(288)	209	34,689
Revaluation Gain / (Loss)	607	1,740	37	(213)
Closing Balance	3,338	1,452	246	34,476

Total Reserves

	9,400	2,920	246	34,476
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Cash Flow Hedge Reserve

This reserve relates to gains or losses on a hedging instrument for a cash flow hedge that are recognised directly in equity, as described in accounting policy note 3(m) for derivatives. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Available-for-Sale Financial Assets Revaluation Reserve

This reserve relates to the unrealised movement in the fair values of investments and other financial assets, classified by default as available-for-sale to comply with NZ IFRS. Fair value movements are recorded in this reserve as described in note 3 (m). Where this results in a negative balance in this reserve which is not expected to reverse, the cumulative net loss is charged as an expense to the Income Statements. When shares classified as available-for-sale are sold, the accumulated fair value adjustment are included in the Income Statement.

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	Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
10. DISTRIBUTIONS TO THE ARC				
Opening Balance - Payable at 1 July	99,409	131,230	99,409	131,230
<i>Plus Distributions Recognised:</i>				
Distributions for Grants	0	0	0	0
General Distributions	54,182	26,592	54,182	26,592
Total Distributions Recognised in Equity for the Period	54,182	26,592	54,182	26,592
<i>Less Distributions Paid Out:</i>				
Distributions for Grants	(11,265)	(15,370)	(11,265)	(15,370)
General Distributions	(56,492)	(26,592)	(56,492)	(26,592)
Total Cash Distributions Paid in the Period	(67,757)	(41,962)	(67,757)	(41,962)
Closing Balance - Payable at 31 December	85,834	115,860	85,834	115,860
Incorporated in:				
ARC Distributions Payable - Current	49,893	79,757	49,893	79,757
ARC Distributions Payable - Non Current	35,941	36,103	35,941	36,103
Total distributions payable to the ARC	85,834	115,860	85,834	115,860

Distributions for Grants

Distributions for grants relate to the ARH's Board commitment in the 2005 Financial Year to provide ongoing funding to the ARC for grants made by the former Infrastructure Auckland, which are primarily to local councils. Under the Local Government (Auckland) Amendment Act 2004, the liabilities for these grants were vested in the ARC and ARTA.

11. INVESTMENTS AND OTHER FINANCIAL ASSETS

**FINANCIAL ASSETS AT FAIR VALUE THROUGH
PROFIT OR LOSS**

Current Assets

New Zealand Short-Term Cash Portfolio Investments	162,076	532,728	162,076	532,728
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Non-Current Assets

New Zealand Short-Term Cash Portfolio Investments	108,218	0	108,218	0
Diversified Financial Asset Portfolio Investments	308,857	0	308,857	0

**Total Financial Assets at Fair Value
Through Profit or Loss**

	579,151	532,728	579,151	532,728
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AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-Current Assets

ARH Investments in Unlisted Equity Securities

Ports of Auckland Limited	0	0	587,800	797,400
Sea+City Projects Limited	0	0	288	23,086
America's Cup Village Limited	0	0	21,285	34,740

POAL Investment in Listed Equity Securities

Northland Port Corporation (NZ) Limited	30,280	27,684	0	0
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Total Available-for-Sale Financial Assets

	30,280	27,684	609,373	855,226
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Total Investments and Other Financial Assets

	609,431	560,412	1,188,524	1,387,954
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Presented as:

Investments and Other Financial Assets - Current	162,076	532,728	162,076	532,728
Investments and Other Financial Assets - Non Current	447,355	27,684	1,026,448	855,226

Total Investments and Other Financial Assets

	609,431	560,412	1,188,524	1,387,954
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AUCKLAND REGIONAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

11. INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Auckland Regional Holdings Investments in Subsidiary Companies	Opening Balances as at 1 July 2007	Capital Returned	Revaluation to Fair Value	Value as at 31 December 2007
	\$000	\$000	\$000	\$000
Ports of Auckland Limited *	587,800	0	0	587,800
Sea+City Projects Limited	71	0	217	288
America's Cup Village Limited	22,980	(1,515)	(180)	21,285
Total	610,851	(1,515)	37	609,373

Auckland Regional Holdings Investments in Subsidiary Companies	Opening Balances as at 1 July 2006	Capital Returned	Revaluation to Fair Value	Value as at 31 December 2006
	\$000	\$000	\$000	\$000
Ports of Auckland Limited	797,400	0	0	797,400
Sea+City Projects Limited	23,057	0	29	23,086
America's Cup Village Limited	34,982	0	(242)	34,740
Total	855,439	0	(213)	855,226

*** Ports of Auckland Limited (POAL)**

An independent valuation of ARH's equity investment in POAL was completed by PricewaterhouseCoopers as at 30 June 2007. At that date the Directors of ARH determined the fair value of the equity investment in POAL to be \$587.8m.

As at 31 December 2007 ARH has undertaken a review of the valuation of its equity investment in POAL and concludes that there has been no impairment in the value.

AUCKLAND REGIONAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

11. INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

SIGNIFICANT ACTIVITY OPERATING STATEMENTS OF ARH AND SUBSIDIARY COMPANIES

For the Six-Month Period Ended 31 December 2007

	Total 2007 \$000	ARH 2007 \$000	POAL 2007 \$000	SCPL 2007 \$000	ACVL 2007 \$000	Eliminations * 2007 \$000
Revenue	118,976	52,260	87,045	1,168	1,314	(22,811)
Other Income	217	0	217	0	0	0
Share of Profit from Associate and Joint Venture	1,167	0	1,167	0	0	0
	120,360	52,260	88,429	1,168	1,314	(22,811)
Expenses (excluding finance costs)	63,914	8,451	57,306	843	38	(2,724)
Finance Costs	14,018	0	14,018	0	701	(701)
Net Profit before Tax	42,428	43,809	17,105	325	575	(19,386)
Taxation Expense	5,441	629	4,534	108	170	0
Net Profit after Tax	36,987	43,180	12,571	217	405	(19,386)
Net Assets	1,103,280	1,326,218	318,856	288	21,285	(563,367)

For the Six-Month Period Ended 31 December 2006

	Total 2006 \$000	ARH 2006 \$000	POAL 2006 \$000	SCPL 2006 \$000	ACVL 2006 \$000	Eliminations * 2006 \$000
Revenue	101,665	31,264	81,504	82	314	(11,499)
Other Income	523	0	523	22	0	(22)
Share of Profit from Associate and Joint Venture	673	0	673	0	0	0
	102,861	31,264	82,700	104	314	(11,521)
Expenses (excluding finance costs)	59,336	3,491	55,691	61	115	(22)
Finance Costs	11,474	0	11,473	0	634	(633)
Net Profit before Tax	32,051	27,773	15,536	43	(435)	(10,866)
Taxation Expense	4,794	0	4,973	14	(193)	0
Net Profit after Tax	27,257	27,773	10,563	29	(242)	(10,866)
Net Assets	1,061,454	1,263,397	549,451	23,086	34,740	(809,220)

* This represents the elimination, on consolidation of the group, of transactions that occurred between group entities.

AUCKLAND REGIONAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

12. INVESTMENT PROPERTY SALES

At 30 June 2007 ARH owned investment properties valued at \$300.4m.

As disclosed in the financial statements for the year ended 30 June 2007, ARH entered into a series of arrangements in June 2007 for property transactions with the Auckland City Council (Auckland City) and the Auckland Regional Council (ARC) to enable the redevelopment of the Auckland Central Business District waterfront area known as Wynyard Precinct.

The agreement included the sale of properties to be developed as public space from ARH to Auckland City and the ARC for the agreed cash net compensation amount of \$74.3 million (excluding GST). ARH will receive specific stopped roads from Auckland City, which become ARH investment properties, and the purchase price for these properties has been netted off in the aforementioned cash compensation amount. The property sales and purchases were completed in July and August 2007.

In accordance with the agreed arrangements, the day-to-day operational management of the properties sold to Auckland City and the ARC, including the termination of existing lessees, is to be managed by ARH, through its agent and subsidiary company – Sea+City Projects Limited, until the properties transfer to Auckland City and the ARC over the period from 2009 to 2025 as they become vacant. ARH continues to collect rental receipts, however the degree of control that ARH has over the properties is limited to managing the existing tenants off the sites and is not that of a natural owner. Auckland City has registered compensation certificates over the land to protect their rights as the owner. Should ARH be late in delivering any of the properties to Auckland City, then ARH will be liable to pay compensation. ARH does not have any substantial acts to complete in relation to the property transactions. Accordingly, for accounting purposes the property sales have been treated as a sale with leaseback arrangements.

Accounting Treatment for Property Transactions

ARH has transferred the equitable interest in the properties to be developed as public space, on the completion dates - being the dates when the cash proceeds were received for the property sales.

Due to the transfer dates for the properties being later than the completion dates, the sales have been treated as a Sale and Leaseback arrangement under NZ IAS 17. ARH has derecognised the particular investment properties and is leasing the properties back until the transfer dates. The cash proceeds received represent the net amount of the fair value for the properties, less prepaid rental. The prepaid rental will be amortised on an annual basis with a notional rental expense for the public space and a notional rental income for the stopped roads being recognised in ARH's Income Statement.

The value of the properties sold, net of properties purchased, during the period is \$117.6m. The value of rental paid in advance, net of rental received in advance is \$43.3m. The rental paid in advance that has been recognised as expenditure in the Income Statement for the six months to 31 December 2007 is \$2.8m. The rental received in advance that has been recognised as income in the Income Statement for the six months to 31 December 2007 is \$0.1m. The total rental paid in advance asset as at 31 December 2007 is \$41.0m. The total rental paid in advance liability as at 31 December 2007 is \$0.3m.

	Properties sold to Auckland City / ARC	Properties Purchased from Auckland City	Net Total
	\$000	\$000	\$000
Current value of properties sold / purchased	122,152	4,557	117,595
Cash compensation amount received / paid	78,418	4,118	74,300
Effective rental paid in advance / received in advance	43,734	439	43,295
Amortised as rental expense / rental income for six months to 31 December 2007	2,765	105	2,660
Total asset / liability of rental paid in advance / received in advance as at 31 December 2007	40,969	334	40,635
Incorporated in:			
Current asset / liability (expected to be amortised within 12 months)	5,539	182	5,357
Non-Current asset / liability (expected to be amortised within 12 months)	35,430	152	35,278
Total asset / liability of rental paid in advance / received in advance as at 31 December 2007	40,969	334	40,635

13. NON-CURRENT PROVISIONS

Included in Non-Current Liabilities is a provision of \$13m which relate to ARH's future obligation to remediate its investment properties over the long term.

AUCKLAND REGIONAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

	Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
14. POAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
United Containers Limited	3,871	3,278	0	0
North Tugz Limited	2,251	5,898	0	0
Total POAL Investments Accounted for Using the Equity Method	6,122	9,176	0	0

15. GOODWILL

Goodwill	46,006	46,006	0	0
Total Goodwill	46,006	46,006	0	0

Goodwill has arisen on consolidation due to the difference between the consideration paid by ARH (\$169.6m) and the net asset value (\$124.8m) of the 20% additional shareholding in Ports of Auckland Limited acquired over a series of step acquisitions from June 2005 to August 2005, concluding with 100% shareholding on 5 August 2005. Acquisition costs of \$1.16m were capitalised and also form part of goodwill.

In accordance with NZ IFRS Goodwill is tested annually for impairment. No impairment losses have been recognised. Goodwill will continue to remain on the Balance Sheet in the future unless there are impairment losses.

16. CAPITAL COMMITMENTS

a) Capital Commitments

Commitments at the end of the period not provided for in the financial statements

	13,381	27,899	0	0
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ii) Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases as follows:

Within one year	112	255	65	65
Later than one year but not later than five years	32	144	32	97
Total Operating Lease Commitments	144	399	97	162

17. CONTINGENT LIABILITIES

Auckland Regional Holdings (ARH) and America's Cup Village Limited (ACVL)

At 30 June 2007 ARH and ACVL had been joined as the eighth and ninth defendants respectively, in an action brought by Mr Christopher Hook (the plaintiff) against various companies and individuals associated with the development of Gulf Harbour, relating to events that occurred in 1997 and 1998. ARH and ACVL vigorously opposed the claim and in March 2007 the High Court struck out the action. Mr Hook has appealed the decision. ARH and ACVL have been advised by legal counsel that, quite apart from any defence on the merits, both ARH and ACVL retain good standing and limitation defences.

Also as 30 June 2007, a related action had been brought by Mr Richard Phillips and is being held back by the court pending the outcome of Mr Hook's appeal.

On 7 September 2007 another related action has been bought by Lochmara Ventures and this is also being held back by the court pending the outcome of Mr Hook's appeal.

Given the remote possibility of these actions proceeding, the Directors consider that it is not necessary, nor appropriate, to make any provision for the action.

Apart from those stated, there are no other contingent liabilities.

AUCKLAND REGIONAL HOLDINGS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2007 (UNAUDITED)

18. SUBSEQUENT EVENTS

On 18 February 2008, the Directors of POAL approved an interim dividend payable to ARH of \$9.5m. The dividend was received by ARH on 20 February 2008.

	Group 6 Months to 31 December 2007	Group 6 Months to 31 December 2006	ARH 6 Months to 31 December 2007	ARH 6 Months to 31 December 2006
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the period as per the Cash Flow Statement are disclosed in the Balance Sheet as follows:

Cash and Cash Equivalents	4,825	6,943	3,746	144
POAL Interest Bearing Liabilities (Bank Overdraft)	(2,588)	0	0	0
Total Cash and Cash Equivalents at the End of the Period per the Cash Flow Statement	2,237	6,943	3,746	144

20. RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Net Profit After Tax	36,987	27,257	43,180	27,773
Non-cash Items				
Depreciation and amortisation	9,126	8,254	31	37
Net loss/(gain) on sale of property, plant and equipment	(210)	304	0	0
Capitalised income on portfolio investments	(25,907)	(19,748)	(25,907)	(19,748)
Capitalised interest on loan to subsidiary	0	0	0	(634)
Non cash dividends	0	0	(5,571)	0
Fair value movements in derivatives	(536)	2,246	0	0
Items Classified as Investing / Financing Activities				
Capital items included in working capital movements	2,907	1,105	1,032	2
Movements in joint ventures and associates	1,143	385	0	0
Movements in borrowing allocated to interest paid	110	115	0	0
Cash dividends recognised as capital return	0	0	1,515	0
Movements in Working Capital Items				
(Increase) / Decrease in trade and other receivables	3,090	(4,711)	(249)	(26)
(Increase) / Decrease in inventories	2	(297)	0	0
(Increase) / Decrease in rental paid in advance	2,766	0	2,766	0
(Decrease) / Increase in trade and other payables	(2,233)	(838)	383	(444)
(Decrease) / Increase in income in advance	260	0	260	0
(Decrease) / Increase in provisions	(75)	(110)	2	(1)
(Decrease) / Increase in current income tax liability	3,696	716	(227)	0
(Decrease) / Increase in deferred income tax liability	(566)	(586)	0	0
(Decrease) / Increase in rental received in advance	(105)	0	(105)	0
Net Cash Flows from Operating Activities	30,455	14,092	17,110	6,959

DIRECTORY

Directors

Judith Bassett
Chair

Joce Jesson
Deputy Chair

Peter Hubscher

Kerry Stotter
Assurance & Risk Committee Chair

Paul Walbran

Management Team

Peter Casey
Chief Operating Officer

Aimee Comer
Business Development and
Planning Manager

Michele Harpham
Senior Financial Accountant

Thomas Kelly
Corporate and Legal Manager

Kellie Maitland
Investments and Finance Manager

Karen Musham (on parental leave)
Business Development and
Planning Manager

Auckland Regional Holdings

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Buddle Findlay

Bankers

National Bank of New Zealand

Auditors

A Burgess (Deloitte) on behalf of the
Office of the Auditor-General

Subsidiaries

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Sea+City Projects Limited

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