

**Greater Wellington Rail Limited  
Financial Statements  
for the year ended 30 June 2018**

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## **Directory**

### **Directors**

S H Sharif (Chairperson)  
P M Lamason (Deputy)  
B H Donaldson  
R W G Blakeley  
I D McKinnon  
N O Leggett

### **Appointed**

19 August 2015  
23 November 2010  
11 December 2013  
14 December 2016  
14 December 2016  
12 October 2017

### **Registered office**

Shed 39, 2 Fryatt Quay,  
Pipitea, Wellington 6011

### **Auditor**

Jacques Coetzee  
Audit New Zealand  
on behalf of the Auditor-General

### **Bankers**

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their 2018 Annual Report and Financial Statements.

**Principal Activities**

Greater Wellington Rail Limited's (the Company) principal activities during the period were the ownership and management of its rail rolling stock and rail infrastructure assets. The objectives of the Company are to own and maintain rail rolling stock and rail infrastructure and to make these available for lease to a commercial rail operator.

The Company was incorporated on 3rd August 2006.

**Results and Distributions**

	2018 \$'000	2017 \$'000
Net surplus / (deficit) after tax for the financial year	<u>(13,829)</u>	<u>(14,699)</u>

## STATEMENT OF SERVICE PERFORMANCE

### Operational Performance Targets

#### Planned Target

Percentage of scheduled services delivered (reliability) greater than or equal to 99.5%

#### Actual Performance

99.4% (2017: 99.8%)

Contractually we have a new measure that excludes services which have left early, or does not stop at all stations, this is results in performance of 97.5% (2017: 97.2%)

#### Planned Target

Average condition ratings for rolling stock - EMU Fleet: less than or equal to 2.5/5.0 (1 = very good; 5 = very poor)

#### Actual Performance

2.0\* (2017: 2.0)

#### Planned Target

Average condition ratings for rolling stock - Carriage Fleet: less than or equal to 2.5/5.0 (1 = very good; 5 = very poor)

#### Actual Performance

2.9\*\* (2017: 3.0)

#### Planned Target

Average condition ratings for stations (buildings & shelters): less than or equal to 2.5/5.0 (1 = very good; 5 = very poor)

#### Actual Performance

2.3 (2017: 2.4)

#### Planned Target

Average condition ratings for subways / over-bridges: less than or equal to 2.5/5.0 (1 = very good; 5 = very poor)

#### Actual Performance

2.5 (2017: 2.5)

#### Planned Target

Average condition rating for car parks: less than or equal to 2.5/5.0 (1 = very good; 5 = very poor)

#### Actual Performance

2.5 (2017: 2.4)

#### Planned Target

Rail assets are maintained in accordance with maintenance schedules as per the asset management plan

#### Actual Performance

Rail assets are maintained in accordance with maintenance schedules and contracts

#### Planned Target

Mean distance between failure(MDBF) Matangi fleet: 40,000 km

#### Actual Performance

MDBF 33,854 km (2017: 41,157 km)

#### Planned Target

MDBF Carriage fleet: 80,000 km

#### Actual Performance

MDBF 70,860 km (2017: 97,993 km)

**Other Targets**

**Planned Target**

Deliver train maintenance services within approved budgets through an operations and maintenance contract ensuring that train availability and reliability targets are met.

**Actual Performance**

Train maintenance was delivered within budget, but fleet availability and reliability was below targets.

**Planned Target**

Deliver infrastructure cleaning, maintenance and security services within approved budgets through various contracts ensuring asset condition does not deteriorate.

**Actual Performance**

Contracts are in place for station cleaning and minor maintenance and security services. These contracts were regularly monitored throughout the year. Overall asset condition has continued to improve.

**Planned Target**

Implement rail infrastructure asset renewals and like-for-like replacement programme in accordance with the asset investment priority framework.

**Actual Performance**

Continuing to implement the five year renewals of rail station assets in 2017/18 included:

- Replacement of Ava and Manor Park Station Shelter
- Cosmetic upgrade of Kenepuru pedestrian bridge
- Porirua Station refurbishment
- Completion of Park & Ride expansion at Pomare

**Financial performance targets**

	Actual 2018	Target 2018	Actual 2017
Shareholder fund to total asset(1)	81.0 %	81.7 %	80.0 %
Operating costs are maintained overall within budget	Yes	Yes	Yes

(1) Based on total equity divided by total assets.

**Relevant entries in the Interests Register**

Disclosure of interests by Directors for the year ended 30 June 2018:

**P M Lamason**

Wellington Regional Council (Councillor)

Hutt Mana Charitable Trust (Deputy Chair and Trustee)

She Trust (Trustee)

Britannia House (Trustee)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

Hutt Valley District Health Board

**B H Donaldson**

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

**I D McKinnon**

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

**R W G Blakeley**

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Greater Wellington Rail Limited (Director)

Capital and Coast District Health Board (Member)

**S H Sharif**

Motor Trades Association Group (Director)

Flirtey Limited (Director)

Coastal Oil Logistics Limited (Independent advisor)

Greater Wellington Rail Limited (Director)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Animal Control Products Limited (Director)

NZ Standards Board Approval Board (Member)

NZ Institute of Safety Management Inc (Member of Advisory Board)

MTA Group Investments Limited (Director)

Everest Enterprises Limited (Director and shareholder)

**N O Leggett**

WRC Holdings Limited (Director)  
Port Investments Limited (Director)  
Greater Wellington Rail Limited (Director)  
Hutt Mana Charitable Trust (Trustee)  
Spark Foundation (Chairperson)  
NZ Alcohol Beverages Council (Executive Director)  
Collins Commercial Limited (Broker)

**Directors' Interest Register**

Directors have had no interest in any transaction or proposed transaction of the Company.

**Directors' Use of Company Information**

There were no notices from Directors requesting use of Company information received in their capacity as Directors which would not have otherwise been available to them.

**Directors' Indemnity and Insurance**

The Company's parent company, WRC Holdings Ltd, has arranged insurance to indemnify the Directors from any liability resulting from any act or omission in their capacity as Directors.

**Auditor**

The Auditor-General is the appointed auditor in accordance with section 15 of the Public Audit Act 2001 and section 70 of the Local Government Act 2002. The Auditor-General has appointed Jacques Coetzee of Audit New Zealand to undertake the audit.

For and on behalf of the Board.



Director  
28 September, 2018



Director  
28 September, 2018



**Greater Wellington Rail Limited**  
**Statement of Comprehensive Revenue and Expense**  
**For the year ended 30 June 2018**

	Notes	2018 \$'000	2017 \$'000
<b>Revenue</b>			
Total revenue	2	<u>18,784</u>	<u>16,811</u>
<b>Expenditure</b>			
Depreciation		18,572	18,513
Audit Fees	4	18	17
Directors Fees	5	16	13
Repairs and Maintenance		14,771	13,728
Rates and Insurance		611	490
Other Operating Expenses		2,950	2,505
Inventory adjustment		-	127
Tax services		36	31
Legal Fees		35	24
Interest Expense		43	153
Loss on disposal of asset	3	<u>406</u>	<u>92</u>
Total operating expenses		<u>37,458</u>	<u>35,693</u>
Net surplus / (deficit) before tax		(18,674)	(18,882)
Income tax benefit / (expense)	6	<u>4,845</u>	<u>4,183</u>
<b>Net surplus / (deficit) after tax</b>		<u>(13,829)</u>	<u>(14,699)</u>
<b>Total comprehensive revenue and expenditure</b>		<u>(13,829)</u>	<u>(14,699)</u>
<b>Other comprehensive revenue and expenditure</b>			
Loss on impairment of infrastructure asset		-	(124)
Deferred tax recognised in reserves		-	50
		<u>-</u>	<u>(74)</u>
<b>Total comprehensive income for the year</b>		<u>(13,829)</u>	<u>(14,773)</u>

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

**Greater Wellington Rail Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2018**

	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to equity holders \$'000
<b>Equity as at 1 July 2017</b>	214,453	4,908	116,799	336,160
<b>Total comprehensive revenue and expenditure</b>				
- Net surplus / (deficit) after tax	-	-	(13,829)	(13,829)
- Revaluation reserve movement	-	-	-	-
Transfers	-	-	-	-
Deferred tax on other comprehensive revenue	-	-	-	-
Equity contribution by the owners during the year	7,450	-	-	7,450
<b>Equity as at 30 June 2018</b>	<u>221,903</u>	<u>4,908</u>	<u>102,970</u>	<u>329,781</u>
<b>Equity as at 1 July 2016</b>	196,673	5,037	131,444	333,154
<b>Total comprehensive revenue and expenditure</b>				
- Net surplus / (deficit) after tax	-	-	(14,699)	(14,699)
- Revaluation reserve movement	-	(125)	-	(125)
Transfers	-	(54)	54	-
Deferred tax on other comprehensive revenue	-	50	-	50
Equity contribution by the owners during the year	17,780	-	-	17,780
<b>Equity as at 30 June 2017</b>	<u>214,453</u>	<u>4,908</u>	<u>116,799</u>	<u>336,160</u>

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

**Greater Wellington Rail Limited**  
**Statement of Financial Position**  
**As at 30 June 2018**

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1	1
Trade and other receivables	7	97	100
Current account Wellington Regional Council		<u>2,170</u>	<u>687</u>
<b>Total current assets</b>		<u>2,268</u>	<u>788</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	406,788	418,323
Intangible assets	10	<u>158</u>	<u>-</u>
<b>Total non-current assets</b>		<u>406,946</u>	<u>418,323</u>
<b>Total assets</b>		<u>409,214</u>	<u>419,111</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and payables		<u>4,641</u>	<u>3,314</u>
<b>Total current liabilities</b>		<u>4,641</u>	<u>3,314</u>
<b>Non-current liabilities</b>			
Deferred taxation liability	9	<u>74,792</u>	<u>79,637</u>
<b>Total non-current liabilities</b>		<u>74,792</u>	<u>79,637</u>
<b>Total liabilities</b>		<u>79,433</u>	<u>82,951</u>
<b>Net assets</b>		<u>329,781</u>	<u>336,160</u>
<b>EQUITY</b>			
Ordinary share capital	11	221,903	214,453
Reserves	12	4,908	4,908
Retained earnings	12	<u>102,970</u>	<u>116,799</u>
<b>Total equity</b>		<u>329,781</u>	<u>336,160</u>

For, and on behalf of, the Board of Directors.



Director  
28 September, 2018



Director  
28 September, 2018

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

**Greater Wellington Rail Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

	2018	2017
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Rent income	6,599	6,166
Interest received	1	4
Subsidiary revenue	12,184	10,639
Sale of inventory	<u>-</u>	<u>12,149</u>
	<u>18,784</u>	<u>28,958</u>
<b>Cash was applied to:</b>		
Payments to suppliers	(17,472)	(17,564)
Interest paid	<u>(42)</u>	<u>(152)</u>
<b>Net cash flow from operating activities</b>	13 <u>1,270</u>	<u>11,242</u>
<b>Cash flow from investing activities</b>		
Purchase of property, plant & equipment	(7,079)	(19,909)
Purchases of intangible assets	<u>(158)</u>	<u>-</u>
<b>Net cash flow from investing activities</b>	<u>(7,237)</u>	<u>(19,909)</u>
<b>Cash flow from financing activities</b>		
<b>Cash was provided from:</b>		
Issue of ordinary share capital	7,450	17,780
Movement in accounts receivable	-	-
<b>Cash was applied to:</b>		
Movement in current account Wellington Regional Council	<u>(1,483)</u>	<u>(9,113)</u>
<b>Net cash flow from financing activities</b>	<u>5,967</u>	<u>8,667</u>
<b>Net increase (decrease) in cash, cash equivalents &amp; bank overdraft</b>	-	-
Add opening increase/(decrease) in cash, cash equivalents & bank overdraft	<u>1</u>	<u>1</u>
<b>Cash, cash equivalents &amp; bank overdraft at year end</b>	<u>1</u>	<u>1</u>

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

## 1 Summary of significant accounting policies

### (a) Basis of preparation

#### REPORTING ENTITY

Greater Wellington Rail Ltd is registered under the Companies Act 1993 and is a wholly owned subsidiary of WRC Holdings Ltd, which in turn is a wholly owned subsidiary of the Wellington Regional Council. Greater Wellington Rail Ltd principal address is 2 Fryatt Quay, Wellington, New Zealand.

The Company is a council controlled trading organisation as defined in section 6 of the Local Government Act 2002.

Greater Wellington Rail Ltd provides rail rolling stock and infrastructure assets to the Greater Wellington region for community and social benefits through a rail operator, rather than to make a financial return. Accordingly Greater Wellington Rail has designated its self as public benefit entities (PBE's) and applies New Zealand Tier 1 Public Sector Public Benefit accounting standards (PBE Accounting Standards).

The financial statements have been prepared on the going concern basis. Accounting policies have been applied consistently throughout the period.

The directors are in receipt of a letter of ongoing support from its ultimate controlling entity the Greater Wellington Regional Council. As a result, the directors consider it appropriate to prepare the financial statements on a going concern basis. Also, refer to note 16, liquidity risk for financial instruments.

#### STATEMENT OF COMPLIANCE

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are prepared in accordance with Tier 1 PBE accounting standards, and comply with PBE Standards.

#### MEASUREMENT BASE

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Company.

Unless otherwise stated, all amounts are rounded to \$000 and are expressed in New Zealand currency.

#### ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (b) Revenue recognition

Revenue is recognised when billed or earned on an accrual basis.

Grants are recognised in the statement of comprehensive revenue and expenses when eligibility has been established by the grantor.

### (c) Finance costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

### (d) Income tax

#### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the company has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

## 1 Summary of significant accounting policies (continued)

### Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposit held at call with banks.

### (f) Receivables

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

### (g) Property, plant and equipment

#### Accounting policy

Property, plant, and equipment consist of:

Operational assets – These include buildings and plant and equipment.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the company. Each asset class includes all items that are required for the network to function. For example, rail infrastructure includes subways and carparks.

Rail Rolling Stock - These include carriages, luggage vans and Matangi trains.

## 1 Summary of significant accounting policies (continued)

### Revaluation

Operational assets and rail infrastructural and rolling stock are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. They are revalued every five years.

GWRL public transport rail station infrastructural assets and its Ganz Mavag rolling stock were independently valued by John Freeman, FPINZ, TechRICS, MACostE, Registered Plant and Machinery Valuer, a Director of Bayleys Valuations Limited as at 30 June 2014 using Optimised Depreciated Replacement Cost (ODRC) methodology.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

### Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

### Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

### Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than capital works in progress, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Operational Plant & Equipment	2 to 20 years
Rail Rolling Stock	5 to 35 years
Rail Infrastructure	5 to 50 years
Capital work in progress	Not depreciated.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

## 1 Summary of significant accounting policies (continued)

### Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

#### *Value in use for non-cash-generating assets*

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

#### *Value in use for cash-generating assets*

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

### (h) Intangible assets

#### **Accounting policy**

##### *Software acquisition and development*

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the company's website are recognised as an expense when incurred.

##### *Amortisation*

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 that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

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

Computer Software	2 to 5 years
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## **1 Summary of significant accounting policies (continued)**

### **Impairment of intangible assets**

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

### **(i) Leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

### **(j) Goods and Services Tax (GST)**

The Company is part of the Wellington Regional Council GST Group. All items in the financial statements are exclusive of GST.

Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

### **(k) Payables**

Short-term creditors and other payables are recorded at their face value.

### **(l) Significant Assumptions and Estimates**

In preparing these financial statements, we have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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.

In the process of applying the accounting policies, we have made judgements or estimates relating to the estimated useful life of property, plant and equipment. The judgements are disclosed in the notes to the Financial Statements.

**2 Revenue from exchange and non-exchange transactions**

	2018 \$'000	2017 \$'000
Rental - Trains (exchange)	6,599	6,166
Grants & subsidies revenue (non-exchange)	12,184	10,639
Interest received (exchange)	1	4
Other (exchange)	-	2
	<b>18,784</b>	<b>16,811</b>

**3 Gain / (loss) on rail assets**

	2018 \$'000	2017 \$'000
Loss on disposal of rail assets	(406)	(92)

**4 Audit fees**

	2018 \$'000	2017 \$'000
Audit services		
- Audit New Zealand	18	17

**5 Related party transactions**

100% of the grants revenue was provided by Wellington Regional Council, the ultimate parent company. At year end the Company is owed \$2,170,000 by Wellington Regional Council (2017: The Company is owed \$686,577 by Wellington Regional Council). Interest is calculated on the outstanding balances utilising a monthly floating 30 day rate bill rate.

The company pays a management fee of \$53,000 (2017: \$53,000) to Wellington Regional Council for administrative and management services, meeting expenses and travel reimbursement.

All other transactions with related parties have been carried out on normal commercial terms.

P M Lamason, B H Donaldson, I D McKinnon and R W G Blakeley received councillor remuneration from Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2018, any out of pocket expenses incurred are set out in Wellington Regional Council's policy on elected members' allowances and expenses.

**Directors' fees**

	2018 \$'000	2017 \$'000
P M Lamason	-	3
S H Sharif	11	8
P D Blades	-	2
N O Leggett	5	-
	<b>16</b>	<b>13</b>

## 6 Income tax

	2018	2017
	\$'000	\$'000
<b>(a) Tax (benefit) / expense comprises:</b>		
Current tax expense / (income)	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(4,490)	(2,811)
Adjustments recognised in the current period in relation to the deferred tax of prior periods	(355)	(1,372)
<b>Total income tax (benefit) / expense</b>	<u>(4,845)</u>	<u>(4,183)</u>

**(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:**

(Deficit) / surplus from operations before tax	<u>(18,674)</u>	(18,882)
Income tax (benefit) / expense calculated at 28%	(5,229)	(5,287)
Non-deductible expenses	3,409	2,991
Non assessable income	(3,409)	(2,976)
Temporary differences	739	2,461
(Over) / under provision of income tax in previous period	(355)	(1,372)
<b>Income tax expense</b>	<u>(4,845)</u>	<u>(4,183)</u>

The 2018 financial statements do not include any loss offsets received from other group companies (2017: Nil).

## 7 Trade and other receivables

	2018	2017
	\$'000	\$'000
Trade customers (exchange)	382	100
Less: provision for impairment of receivables	(285)	-
	<u>97</u>	<u>100</u>

## 8 Property, plant and equipment

	Rolling stock \$'000	Transport infrastructure \$'000	Work in Progress \$'000	Total \$'000
<b>Year ended 30 June 2017</b>				
Opening net book amount	312,257	64,976	39,910	417,143
Revaluation surplus	-	(125)	-	(125)
Transfers	35,647	791	(36,438)	-
Additions	13,219	380	6,310	19,909
Written off	-	(171)	-	(171)
Depreciation expense	(14,646)	(3,867)	-	(18,513)
Transfers	-	80	-	80
<b>Closing net book amount</b>	<b>346,477</b>	<b>62,064</b>	<b>9,782</b>	<b>418,323</b>
<b>At 30 June 2017</b>				
Cost	386,328	72,364	9,782	468,474
Accumulated depreciation	(39,851)	(10,300)	-	(50,151)
<b>Net book amount</b>	<b>346,477</b>	<b>62,064</b>	<b>9,782</b>	<b>418,323</b>
<b>Year ended 30 June 2018</b>				
Opening net book amount	346,477	62,064	9,782	418,323
Revaluation / Impairment	-	-	-	-
Transfers	1,274	4,514	(5,906)	(118)
Additions	1,033	1,550	4,572	7,155
Written off	(4,715)	-	-	(4,715)
Depreciation expense	(14,522)	(4,050)	-	(18,572)
Depreciation retired	4,715	-	-	4,715
<b>Closing net book amount</b>	<b>334,262</b>	<b>64,078</b>	<b>8,448</b>	<b>406,788</b>
<b>At 30 June 2018</b>				
Cost	383,920	78,429	8,448	470,797
Accumulated depreciation	(49,658)	(14,351)	-	(64,009)
<b>Net book amount</b>	<b>334,262</b>	<b>64,078</b>	<b>8,448</b>	<b>406,788</b>

### Valuation of property, plant and equipment

16 of the 42 Ganz Mavag trains were sold in April 2014. The Board decided to dispose of the remaining balance of 26 Ganz Mavag trains. These trains were no longer in use and are fully depreciated.

## 9 Deferred tax

2018  
\$'000                      2017  
\$'000

The balance comprises temporary differences attributable to:

**Deferred tax assets comprise:**

Tax losses	7,985	5,990
Temporary differences	80	-
<b>Total deferred tax assets</b>	<b>8,065</b>	<b>5,990</b>

2018  
\$'000                      2017  
\$'000

**Deferred tax liabilities comprise:**

Temporary differences	(82,857)	(85,627)
<b>Total deferred tax liabilities</b>	<b>(82,857)</b>	<b>(85,627)</b>

	Property, plant and equipment \$'000	Tax losses \$'000	Provisions \$'000	Total \$'000
<b>At 1 July 2016</b>	(86,636)	2,766	-	(83,870)
Charged to income	959	3,224	-	4,183
Charged to equity	50	-	-	50
<b>At 30 June 2017</b>	<b>(85,627)</b>	<b>5,990</b>	<b>-</b>	<b>(79,637)</b>

**Movements - Entity**

	Property, plant and equipment \$'000	Tax losses \$'000	Provisions \$'000	Total \$'000
<b>At 1 July 2017</b>	(85,627)	5,990	-	(79,637)
Charged to income	2,770	1,995	80	4,845
Charged to equity	-	-	-	-
<b>At 30 June 2018</b>	<b>(82,857)</b>	<b>7,985</b>	<b>80</b>	<b>(74,792)</b>

The Company does not have any unrecognised tax losses or deductible temporary differences (2017: Nil).

The company has no imputation credits at the balance date (2017: Nil)

## 10 Intangible assets

	2018 Computer software \$'000	2017 Computer software \$'000
Additions	158	-
Closing net book amount	<u>158</u>	<u>-</u>
Cost	158	-
Accumulated amortisation and impairment	-	-
Net book amount	<u>158</u>	<u>-</u>

## 11 Share capital

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
<b>(a) Share capital</b>				
<b>Ordinary shares</b>				
22,170,000 \$1 shares, fully paid	22,170,000	22,170,000	22,170	22,170
5,309,283 \$1 shares, fully paid	5,309,283	5,309,283	5,309	5,309
8,000,000 \$1 shares, fully called	8,000,000	8,000,000	8,000	8,000
170,200,000 \$1 shares, partially called	158,374,024	150,924,024	158,374	150,924
11,250,000 \$1 shares, fully paid	11,250,000	11,250,000	11,250	11,250
6,700,000 \$1 shares, fully paid	6,700,000	6,700,000	6,700	6,700
10,100,000 \$1 shares fully paid	10,100,000	10,100,000	10,100	10,100
	<u>221,903,307</u>	<u>214,453,307</u>	<u>221,903</u>	<u>214,453</u>

## 12 Reserves and retained earnings

	2018 \$'000	2017 \$'000
<b>(a) Reserves</b>		
Property, plant and equipment revaluation reserve	<u>4,908</u>	<u>4,908</u>
<b>(b) Retained earnings</b>		
Balance 01 July	116,799	131,444
Net deficit for the year	(13,829)	(14,699)
Transfer to reserves	-	54
Balance 30 June	<u>102,970</u>	<u>116,799</u>

### 13 Reconciliation of cash flows from operating activities to net surplus / (deficit) after tax

	2018 \$'000	2017 \$'000
<b>Net surplus (deficit) after taxation</b>	<b>(13,829)</b>	<b>(14,699)</b>
<b>Add back non-cash items:</b>		
Depreciation	18,572	18,513
Inventory adjustment	-	127
(Gain)/loss on sale of fixed assets	41	92
Deferred tax	(4,845)	(4,183)
<b>Add /(less) movement in working capital:</b>		
(Increase) / decrease in inventory	-	12,149
(Increase) / decrease in accrued expenditure	1,328	(768)
Increase / (decrease) in other items	3	11
<b>Add/(less) items classified as investing or financing activities</b>		
Increase in share capital	-	-
<b>Net cash inflow from operating activities</b>	<b>1,270</b>	<b>11,242</b>

### 14 Contingent asset and liabilities

The contingent liabilities of the Company at 30 June 2018 were nil (2017: \$Nil).

At balance date there was uncalled capital of \$11,825,976 relating to 11,825,976 \$1 shares uncalled. (2017: uncalled capital of \$19,275,976 relating to 19,275,976 \$1 shares uncalled).

### 15 Commitments

The amount of contractual commitments is as follows:

#### Capital commitments

	2018 \$'000	2017 \$'000
Rail infrastructure - work in progress	1,409	1,191
Rail rolling stock - work in progress	70,233	70,220
	<b>71,642</b>	<b>71,411</b>

#### Operating leases as leasee

The company lease buildings and plant and equipment in the normal course of its business. These leases have a non-cancellable term of between 1 to 25 years. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2018 \$'000	2017 \$'000
Not later than one year	34	17
Later than one year and not later than five years	90	67
Later than five years	338	348
	<b>462</b>	<b>432</b>

## 15 Commitments (continued)

### Operating leases as lessor

The company leases its trains and buildings under operating leases. These leases have a non-cancellable term of between 1 to 25 years. The future aggregated minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2018 \$'000	2017 \$'000
Not later than one year	6,212	6,112
Later than one year and not later than five years	25,769	25,384
Later than five years	<u>13,546</u>	<u>14,059</u>
	<u>45,527</u>	<u>45,555</u>

## 16 Financial risk management

### (a) Market risk

The interest rate risk is limited to the bank balance.

### (b) Currency risk

The Company has no currency risk. Contracts are denominated in New Zealand dollars. Any currency risk is managed by the Wellington Regional Council on the Company's behalf. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

### (c) Fair value 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.

### (d) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The bank account is at a variable interest rate. The Company has no investments or borrowings exposed to market interest rate risk.

### (e) Credit risk

The only credit risk is on Wellington Regional Council, the Company's owner. Credit risk is the risk that a third party will default on its obligation causing a loss to occur.

### (f) Liquidity risk

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Greater Wellington Regional Council provides funds as and when commitments fall due. The company also has an ongoing Letter of Support from the Council undertaking to provide financial support to the Company for any unforeseen expenditure that could place the Company into a cash deficit position.

## 17 Events occurring after the balance date

There were no other subsequent events up to the date of these financial statements, which would affect the amounts or disclosures in the financial statements.



**Compliance**

The Directors and management of the Company confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with except for:

The Board has complied with section 67(1) of the Local Government Act 2002 which requires the annual report to be completed within three months after the end of the financial year.

**Responsibility**

The Directors and management of the Group accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Directors have authority to sign these financial statements.

The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of the Company, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2018 fairly reflect the financial position and operations of the Company.

Director

28 September, 2018

Director

28 September, 2018

Chief Financial Officer

28 September, 2018

## Independent Auditor's Report

### To the readers of Greater Wellington Rail Limited's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Greater Wellington Rail Limited (the company). The Auditor-General has appointed me, Jacques Coetzee, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

#### Opinion

We have audited:

- the financial statements of the company on pages 8 to 23 that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 4 to 5.

In our opinion:

- the financial statements of the company on pages 8 to 23:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
- The performance information of the company on pages 4 to 5 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

## **Basis for opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

## **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 24 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

## **Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.



Jacques Coetzee  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand