

**Greater Wellington Rail Limited  
Financial Statements  
for the year ended 30 June 2017**

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## Directory

### Directors

S H Sharif (Chairperson)  
P M Lamason (Deputy)  
P Blades  
B H Donaldson  
R W G Blakeley  
I D McKinnon  
C R Laidlaw  
N Wilson

### Appointed

19 August 2015  
23 November 2010  
3 August 2006  
11 December 2013  
14 December 2016  
14 December 2016  
3 May 2016  
3 May 2016

### Resigned

15 December 2016  
  
14 December 2016  
14 December 2016

### Registered office

Shed 39, 2 Fryatt Quay,  
Pipitea, Wellington 6011

### Auditor

Andy Burns  
Audit New Zealand  
on behalf of the Auditor-General

### Bankers

ANZ Bank New Zealand Ltd

The Directors have pleasure in submitting their 2017 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**

	2017	2016
	\$'000	\$'000
Net surplus / (deficit) after tax for the financial year	<b>(14,699)</b>	<b>(33,754)</b>

**STATEMENT OF SERVICE PERFORMANCE**

**Operational Performance Targets**

**Planned Target**

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

**Actual Performance**

99.8% (2016: 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 97.2%

**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\* (2016: 1.3)

**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**

3.0\*\* (2016: 2.2)

**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**

2.4 (2016: 2.2)

**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 (2016: 2.4)

**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**

2.4 (2016: 2.3)

**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: 35,000 km

**Actual Performance**

MDBF 41,157 km (2016: 37,077 km)

**Planned Target**

MDBF Carriage fleet: 45,000 km

**Actual Performance**

MDBF 97,993 km (2016: 76,127 km)

\* Formal condition assessments of the Matangi EMU fleet were not undertaken in the 2016/17 year. Formal condition assessments of the trains are undertaken every 3 years due to the minimal fluctuate year on year. The last condition ratings was undertaken on the Matangi 1 fleet in 2014/15, when it was established to be 2.5. The next formal review will be conducted in the 2017/18 year. However, based on observations and desktop assessment of the Maintenance Management Information System, it is believed that the Matangi 1 fleet has a condition rating of 3.0 (currently due for Heavy Maintenance C2 Check), and the newly procured Matangi 1 is still in a relatively new condition rating of 1.0. So average fleet condition is expected to be now approximately 2.0.

\*\* Formal condition assessments of the carriage fleet were not undertaken in the 2016/17 year. Formal condition assessments of the trains are undertaken every 3 years due to the minimal fluctuate year on year. The last condition ratings was undertaken on the carriage fleet in 2014/15, when it was established to be 2.5. The next formal review will be conducted in the 2017/18 year. However, based on observations and desktop assessment of the Maintenance Management Information System, it is believed that the carriage fleet has an average condition rating of 3.0. The fleet was scheduled for a mid-life refurbishment, but has been delayed due to commitments of work to be undertaken by the new operator/maintainer to improve the reliability and condition of the fleet.

## Other Targets

### Planned Target

Deliver the second tranche of Matangi trains and M1 retrofit programme in accordance with the supply contract.

### Actual Performance

The project team actively managed the contract for the provision of the second tranche of 35 new two car Matangi trains, the last unit entered service in September 2016.

### Planned Target

Deliver train maintenance services within approved budgets through a contract with Transdev ensuring that train availability and reliability targets are met.

### Actual Performance

Train maintenance was delivered within budget, with availability and reliability targets met.

### 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 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 2016/17 included:

- Replacement of Pukerua Bay Station Shelter
- Seismic upgrades completed on pedestrian bridges at Tawa, Ava North and Heretaunga, bringing the NBS above the required standard of 34%
- Taita Station refurbished both internally and externally, along with seismic strengthening
- Masterton Station refurbishment
- Completion of Park & Ride expansion at Upper Hutt, Trentham and Solway, partial opening of Waikanae
- Relocation of Rail Monitoring Centre to Wellington Station, and installation of CCTV system at Taita

### Planned Target

Maximise leasing and advertising revenue streams (within overall Council policy).

### Actual Performance

Carriages are leased and any advantages of advertising opportunities are taken as they arise.

**Financial performance targets**

	2017 \$'000	2016 \$'000	
	Actual 2017	Target 2017	Actual 2016
Return on equity (1)	(5.6)%	(5.0)%	(7.4)%
Return on assets (2)	(4.4)%	(4.2)%	(5.7)%

(1) Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.

(2) Based on earnings before interest and tax divided by average assets.

**Relevant entries in the Interests Register**

Disclosure of interests by Directors for the year ended 30 June 2017:

**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)

**B H Donaldson**

Councillor of Wellington Regional Council

Port Investments Limited (Director)

WRC Holdings Limited (Director)

**I D McKinnon**

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

**R W G Blakeley**

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

**S H Sharif**

Motor Trades Association Group (Director)

Flirtey Limited (Director)

Coastal Oil Logistics Ltd (Director - HSSE committee )

NZ Standards Board Approval Board (Member)

NZ Institute of Safety Management (Chair)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

**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 Andy Burns of Audit New Zealand to undertake the audit.

For and on behalf of the Board.



Director  
12 October, 2017



Director  
12 October, 2017



**Greater Wellington Rail Limited**  
**Statement of Comprehensive Revenue and Expense**  
**For the year ended 30 June 2017**

	Notes	2017 \$'000	2016 \$'000
<b>Revenue</b>			
Total revenue	2	<u>16,811</u>	<u>16,924</u>
Loss on disposal of rail infrastructure assets	3	<u>(92)</u>	<u>(222)</u>
<b>Expenditure</b>			
Depreciation		18,513	16,602
Audit Fees	4	17	17
Directors Fees	5	13	10
Repairs and Maintenance		13,728	9,645
Rates and Insurance		490	1,479
Other Operating Expenses		2,505	5,633
Inventory adjustment		127	4,901
Tax services		31	43
Legal Fees		24	42
Interest Expense		153	167
Total operating expenses		<u>35,601</u>	<u>38,539</u>
Net surplus / (deficit) before tax		(18,882)	(21,837)
Income tax benefit / (expense)	6	<u>4,183</u>	<u>(11,917)</u>
Net surplus / (deficit) after tax		<u>(14,699)</u>	<u>(33,754)</u>
<b>Total comprehensive revenue and expenditure</b>		<u>(14,699)</u>	<u>(33,754)</u>
<b>Other comprehensive revenue and expenditure</b>			
Loss on impairment of infrastructure asset		(124)	-
Deferred tax recognised in reserves		<u>50</u>	<u>-</u>
		<u>(74)</u>	<u>-</u>
<b>Total comprehensive income (expense) for the year</b>		<u>(14,773)</u>	<u>(33,754)</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 2017**

	Share Capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to equity holders \$'000
<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>
<b>Equity as at 1 July 2015</b>	85,743	5,057	165,198	255,998
<b>Total comprehensive revenue and expenditure</b>				
- Net surplus / (deficit) after tax	-	-	(33,754)	(33,754)
- Gain on the revaluation of rail assets	-	(20)	-	(20)
Equity contribution by the owners during the year	110,930	-	-	110,930
<b>Equity as at 30 June 2016</b>	<u>196,673</u>	<u>5,037</u>	<u>131,444</u>	<u>333,154</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 2017**

	Notes	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1	1
Trade and other receivables		100	111
Inventories	7	-	12,277
Current account Wellington Regional Council		687	-
Assets held for sale	8	-	-
<b>Total current assets</b>		<u>788</u>	<u>12,389</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	<u>418,323</u>	<u>417,143</u>
<b>Total non-current assets</b>		<u>418,323</u>	<u>417,143</u>
<b>Total assets</b>		<u>419,111</u>	<u>429,532</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and payables		3,314	4,081
Current account Wellington Regional Council		-	8,427
<b>Total current liabilities</b>		<u>3,314</u>	<u>12,508</u>
<b>Non-current liabilities</b>			
Deferred taxation liability	10	<u>79,637</u>	<u>83,870</u>
<b>Total non-current liabilities</b>		<u>79,637</u>	<u>83,870</u>
<b>Total liabilities</b>		<u>82,951</u>	<u>96,378</u>
<b>Net assets</b>		<u>336,160</u>	<u>333,154</u>
<b>EQUITY</b>			
Ordinary share capital	11	214,453	196,673
Reserves	12	4,908	5,037
Retained earnings	12	<u>116,799</u>	<u>131,444</u>
<b>Total equity</b>		<u>336,160</u>	<u>333,154</u>

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



Director  
October 12, 2017



Director  
October 12, 2017

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 2017

Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>		
Grants from Wellington Regional Council	-	-
<b>Cash was applied to:</b>		
Payments to suppliers	-	-
<b>Net cash flow from operating activities</b>	13      -	-
<b>Cash flow from investing activities</b>		
Purchase of property, plant & equipment	-	-
Purchase of inventory	-	-
Deferred tax	-	-
<b>Net cash flow from investing activities</b>	-	-
<b>Cash flow from financing activities</b>		
<b>Cash was provided from:</b>		
Movement in current account Wellington Regional Council	(17,780)	(110,930)
Issue of ordinary share capital	17,780	110,930
Movement in accounts receivable	-	-
<b>Cash was applied to:</b>		
Dividend paid to WRC Holdings Ltd	-	-
Movement in accounts payable	-	-
Movement in deferred tax	-	-
<b>Net cash flow from financing activities</b>	-	-
<b>Net increase (decrease) in cash, cash equivalents &amp; bank overdraft</b>	-	-
Add opening increase/(decrease) in cash, cash equivalents & bank overdraft	1	-
<b>Cash, cash equivalents &amp; bank overdraft at year end</b>	1	-

Most transactions for Greater Wellington Rail Limited were transacted through the intercompany current account with Wellington Regional Council. As such there are few cash movements in the cash flow statement.

## 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).

#### 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) 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.

#### 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.

## **1 Summary of significant accounting policies (continued)**

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.

### **(d) Property, plant and equipment**

Property plant and equipment are initially recorded at historical cost. Acquired assets are revalued to fair value.

Capital work in progress is calculated on the percentage work completed basis.

Depreciation is provided on a straight line basis on all tangible property, plant and equipment other than capital works in progress, at rates which, will write off assets, less their estimated residual value, over their remaining useful lives.

The useful lives 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.

### **(e) 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.

### **(f) Inventories**

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost adjusted when applicable for any loss of service potential.

### **(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposit held at call with banks, other short term highly liquid investments with original maturities of 3 months or less.

### **(h) 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.

## **1 Summary of significant accounting policies (continued)**

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.

Please note that there has been a reclassification of expenses in the 2016 year to align with 2017 figures

## 2 Revenue from exchange and non-exchange transactions

	2017 \$'000	2016 \$'000
Rental - Trains (exchange)	6,166	3,742
Grants & subsidies revenue (non-exchange)	10,639	13,005
Interest received (exchange)	4	54
Other (exchange)	2	123
	<b>16,811</b>	<b>16,924</b>

## 3 Gain / (loss) on rail assets

	2017 \$'000	2016 \$'000
Loss on disposal of rail assets	(92)	(222)
	<b>(92)</b>	<b>(222)</b>

## 4 Audit fees

	2017 \$'000	2016 \$'000
Audit services		
- Audit New Zealand	17	17
	<b>17</b>	<b>17</b>

## 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 \$686,577.16 by Wellington Regional Council (2016: The company owed \$8,426,696.20 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 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's remuneration from Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2016, any out of pocket expenses incurred are set out in Wellington Regional Council's policy on elected members' allowances and expenses.

### Directors' fees

	2017 \$000	2016 \$000
P Lamason	3	1
S Sharif	8	4
P Blades	2	5
	<b>13</b>	<b>10</b>



## 6 Income tax

2017  
\$'000

2016  
\$'000

### (a) Tax (benefit) / expense comprises:

Current tax expense / (income)	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(2,811)	11,897
Adjustments recognised in the current period in relation to the deferred tax of prior periods	(1,372)	20
<b>Total income tax (benefit) / expense</b>	<b>(4,183)</b>	<b>11,917</b>

### (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	(18,882)	(21,837)
Income tax (benefit) / expense calculated at 28%	(5,287)	(6,114)
Non-deductible expenses	2,991	5,012
Non assessable income	(2,976)	(3,674)
Temporary differences	2,461	16,673
(Over) / under provision of income tax in previous period	(1,372)	20
<b>Income tax expense</b>	<b>(4,183)</b>	<b>11,917</b>

The 2017 financial statements do not include any loss offsets received from other group companies (2016: Nil).

## 7 Inventories

2017  
\$'000

2016  
\$'000

Spares for rolling stock	-	12,277
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All spares for rolling stock were transferred to the new rail operator on 03 July 2016

## 8 Assets held for sale

The company entered into an agreement for the sale and purchase of its 42 Ganz Mavag trains on 19 June 2013.

16 Ganz Mavag trains were sold in April 2014.

The balance of 26 Ganz Mavag trains are anticipated to be disposed of in 2017/18. These trains are no longer in use and are fully depreciated as at 30 June 2017.

Subsequent to balance date the Board has decided to scrap the remaining Ganz Mavag trains.

## 9 Property, plant and equipment

	Rolling stock \$'000	Transport infrastructure \$'000	Work in Progress \$'000	Total \$'000
<b>Year ended 30 June 2016</b>				
Opening net book amount	213,455	61,311	38,876	313,642
Transfers	27,643	2,126	(29,769)	-
Additions	84,131	5,411	30,803	120,345
Written off	-	(242)	-	(242)
Depreciation expense	(12,972)	(3,630)	-	(16,602)
Closing net book amount	<u>312,257</u>	<u>64,976</u>	<u>39,910</u>	<u>417,143</u>
<b>At 30 June 2016</b>				
Cost	342,386	64,586	39,910	446,882
Valuation	(4,923)	6,957	-	2,034
Accumulated depreciation	(25,206)	(6,567)	-	(31,773)
Net book amount	<u>312,257</u>	<u>64,976</u>	<u>39,910</u>	<u>417,143</u>
<b>Year ended 30 June 2017</b>				
Opening net book amount	312,257	64,976	39,910	417,143
Revaluation / Impairment	-	(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)
Depreciation retired	-	80	-	80
Closing net book amount	<u>346,477</u>	<u>62,064</u>	<u>9,782</u>	<u>418,323</u>
<b>At 30 June 2017</b>				
Cost	391,251	65,586	9,782	466,619
Valuation	(4,923)	6,778	-	1,855
Accumulated depreciation	(39,851)	(10,300)	-	(50,151)
Net book amount	<u>346,477</u>	<u>62,064</u>	<u>9,782</u>	<u>418,323</u>

### Valuation of property, plant and equipment for Greater Wellington Rail Limited (GWRL)

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.

## 10 Deferred tax

2017  
\$'000

2016  
\$'000

### Deferred tax assets comprise:

Tax losses	5,990	2,766
Total deferred tax assets	5,990	2,766

2017  
\$'000

2016  
\$'000

### Deferred tax liabilities comprise:

Temporary differences	-	-
Total deferred tax liabilities	(85,627)	(86,636)

	Property, plant and equipment \$'000	Tax losses \$'000	Total \$'000
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At 1 July 2015	(73,732)	1,779	(71,953)
Charged to income	(12,904)	987	(11,917)
At 30 June 2016	(86,636)	2,766	(83,870)

### Movements - Entity

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

The Company does not have any unrecognised tax losses or deductible temporary differences (2016: Nil).

The company has no imputation credits at the balance date (2016: Nil)

## 11 Share capital

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
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### (a) Share capital

#### Ordinary shares

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	5,600,000	8,000	5,600
170,200,000 \$1 shares, partly called	150,924,024	139,424,024	150,924	139,424
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	6,220,000	10,100	6,220
	214,453,307	196,673,307	214,453	196,673

## 12 Reserves and retained earnings

	2017 \$'000	2016 \$'000
<b>(a) Reserves</b>		
Property, plant and equipment revaluation reserve	4,908	5,037
<b>(b) Retained earnings</b>		
Balance 01 July	131,444	165,198
Net deficit for the year	(14,699)	(33,754)
Transfer to reserves	54	-
Balance 30 June	116,799	131,444

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

	2017 \$'000	2016 \$'000
<b>Net surplus (deficit) after taxation</b>	<b>(14,699)</b>	<b>(33,754)</b>
<b>Add back non-cash items:</b>		
Depreciation	18,513	16,602
Inventory adjustment	127	4,901
Impairment of fixed assets	-	-
(Gain)/loss on sale of fixed assets	92	222
Revaluation of rail assets	-	-
<b>Add/(less) movement in working capital:</b>		
(Increase) / decrease revenue in Accounts Receivable	-	-
(Increase) / decrease in inventory	12,150	(5,045)
(Increase) / decrease in accrued expenditure	(769)	968
Increase / (decrease) in taxation liability	(4,183)	11,917
(Increase) / decrease in revenue due from Greater Wellington Regional Council	11	2,174
Increase / (decrease) in accrued revenue	-	-
<b>Add/(less) items classified as investing or financing activities</b>		
Accounts payable related to property plant and equipment	(19,909)	(120,346)
(Increase) / decrease in Greater Wellington Regional Council current account relating to financing activities	(9,113)	11,431
Increase in share capital	17,780	110,930
<b>Net cash inflow from operating activities</b>	<b>-</b>	<b>-</b>

## 14 Contingent asset and liabilities

The contingent liabilities of the Company at 30 June 2017 were nil (2016: \$Nil)

At balance date there was uncalled capital of \$19,275,976 relating to: 19,275,976 \$1 shares uncalled. (2016: 37,055,976 \$1 shares uncalled and 8,000,000 \$1 shares called up to 70 cents)

## 15 Commitments

Capital commitments were \$71,410,545 (2016: \$20,775,147).

## 16 Financial risk management

### (a) Market risk

The interest rate risk is limited to the bank balance.

### 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.

### 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.

### 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.

### (b) 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.

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Wellington Regional Council provides funds as and when commitments fall due and consequently there is no liquidity risk.

## 17 Impairment and overdue receivables

There were no receivables past due and no impairments on receivables.

## 18 Accrued expenditures

Accrued expenditures are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of these approximates their fair value.

## 19 Events occurring after the balance date

With the exception of the matter disclosed in note 8 relating to the disposal of Ganz Mavag, 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 not 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.

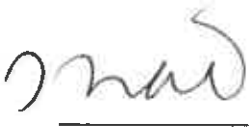
**Responsibility**

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.

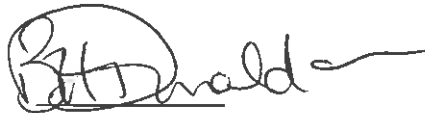
The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

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 2017 fairly reflect the financial position and operations of the Company.



Director

October 12, 2017



Director

October 12, 2017



Chief Financial Officer

October 12, 2017

**Auditors' report**

To the shareholders of Greater Wellington Rail Limited

## Independent Auditor's Report

### To the readers of Greater Wellington Rail Limited's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Greater Wellington Rail Limited (the company). The Auditor-General has appointed me, Andy Burns, 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 20 that comprise the statement of financial position as at 30 June 2017, 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 3 to 6.

In our opinion:

- The financial statements of the company on pages 8 to 20:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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 Entities Accounting Standards.
- The performance information of the company on pages 3 to 6 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 2017.

Our audit was completed on 12 October 2017. 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.

## **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.



Andy Burns  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand