

**Greater Wellington Rail Limited  
Financial Statements  
for the year ended 30 June 2016**

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## Directory

### Directors

P M Lamason (Chairperson)  
S H Sharif (deputy)  
P Blades  
B H Donaldson  
P D Swain  
F H Wilde  
C R Laidlaw  
N Wilson

### Appointed

23 November 2010  
19 August 2015  
3 August 2006  
11 December 2013  
11 December 2013  
14 November 2007  
3 May 2016  
3 May 2016

### Resigned

09 March 2016  
06 March 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 2016 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**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Net surplus / (deficit) after tax for the financial year	<u><b>(33,754)</b></u>	<u><b>(13,251)</b></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**

99.8%

**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**

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**

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**

2.2

**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**

2.4

**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**

2.3

**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 37,077 km

**Planned Target**

MDBF Ganz fleet: 8,500 km

**Actual Performance**

MDBF 12,685 km

**Planned Target**

MDBF Carriage fleet: 45,000 km

**Actual Performance**

MDBF 76,127 km

## 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. 30 units have arrived in New Zealand and 28 of those were in service as at 30th June 2016, the general feedback from GWRL and KiwiRail personnel was positive with no major issues reported.

### Planned Target

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

### Actual Performance

Performance of the KiwiRail train maintainers was regularly monitored throughout the year through regular meetings and reporting.

### 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 improved from last year.

### Planned Target

Implement year four of the five year 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 2015/16 included:

- Completion of Upper Hutt Station rebuild (building & platform)
- Extended Paraparaumu & Petone Park & Ride, commenced works at Upper Hutt and Trentham Stations
- Upgraded Ava North pedestrian bridge to include new staircases and renovation to the walking deck
- Completion of safety repairs to the handrails and deck section on the Wingate pedestrian bridge
- Repairs and upgrades carried out at Featherston, Wingate, Epuni, Kenepuru and Maymorn station buildings / shelters
- 12 stations were fitted with CCTV cameras, PA and customer emergency call points & 13 stations were fitted with PA and customer emergency call points

### 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**

	<b>Actual 2016</b>	<b>Target 2016</b>	<b>Actual 2015</b>
Return on equity (1)	(7.4)%	(4.6)%	(6.3)%
Return on assets (2)	(5.7)%	(3.7)%	(4.7)%

(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 2016:

P M Lamason  
Councillor of Wellington Regional Council

P Blades

B H Donaldson  
Councillor of Wellington Regional Council

C R Laidlaw  
Councillor of Wellington Regional Council

N Wilson  
Councillor of Wellington Regional Council

S Sharif

**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  
27 September, 2016



Director  
27 September, 2016



**Greater Wellington Rail Limited**  
**Statement of Comprehensive Revenue and Expense**  
**For the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Revenue</b>			
Total revenue	2	<u>16,924</u>	17,060
Loss on disposal and revaluation of rail infrastructure assets	3	<u>(222)</u>	(238)
<b>Expenditure</b>			
Audit fees	4	17	21
Insurance		1,296	1,195
Depreciation		16,602	15,400
Consultancy fees		502	292
Directors fees	5	10	6
Legal fees		42	27
Professional fees		43	19
Repairs and maintenance		9,645	11,403
Inventory adjustment		4,901	27
Other operating expenses		5,314	4,014
Interest Expense		<u>167</u>	<u>62</u>
Total operating expenses		<u>38,539</u>	<u>32,466</u>
Net surplus / (deficit) before tax		(21,837)	(15,644)
Income tax benefit / (expense)	6	<u>(11,917)</u>	<u>2,393</u>
<b>Net surplus / (deficit) after tax</b>		<u>(33,754)</u>	<u>(13,251)</u>
<b>Total comprehensive revenue and expenditure</b>		<u>(33,754)</u>	<u>(13,251)</u>
<b>Other comprehensive revenue and expenditure</b>			
Gain on revaluation of transport infrastructure assets		-	-
Deferred tax recognised in reserves		-	-
<b>Total comprehensive income for the year</b>		<u>(33,754)</u>	<u>(13,251)</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 2016**

	Share Capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to equity holders \$'000
<b>Equity as at 1 July 2015</b>	85,743	5,057	165,199	255,999
<b>Total comprehensive revenue and expenditure</b>				
- Net surplus / (deficit) after tax	-	-	(33,754)	(33,754)
- Revaluation reserve transfer	-	(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>131,445</u>	<u>333,155</u>

	Share Capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to equity holders \$'000
<b>Equity as at 1 July 2014</b>	62,303	5,057	178,450	245,810
<b>Total comprehensive revenue and expenditure</b>				
- Net surplus / (deficit) after tax	-	-	(13,251)	(13,251)
- Gain on the revaluation of rail assets	-	-	-	-
Equity contribution by the owners during the year	23,440	-	-	23,440
<b>Equity as at 30 June 2015</b>	<u>85,743</u>	<u>5,057</u>	<u>165,199</u>	<u>255,999</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 2016**

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1	1
Trade and other receivables		111	2,285
Inventories	7	12,277	12,133
Current account Wellington Regional Council		-	3,004
Assets held for sale	8	-	-
<b>Total current assets</b>		<u>12,389</u>	<u>17,423</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	417,143	313,642
Deferred tax assets	10	-	1,779
<b>Total non-current assets</b>		<u>417,143</u>	<u>315,421</u>
<b>Total assets</b>		<u>429,532</u>	<u>332,844</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and payables		4,081	3,113
Current account Wellington Regional Council		8,427	-
<b>Total current liabilities</b>		<u>12,508</u>	<u>3,113</u>
<b>Non-current liabilities</b>			
Deferred taxation liability	10	83,870	73,732
<b>Total non-current liabilities</b>		<u>83,870</u>	<u>73,732</u>
<b>Total liabilities</b>		<u>96,378</u>	<u>76,845</u>
<b>Net assets</b>		<u>333,154</u>	<u>255,999</u>
<b>EQUITY</b>			
Ordinary share capital	11	196,673	85,743
Reserves	12	5,037	5,057
Retained earnings	12	131,444	165,199
<b>Total equity</b>		<u>333,154</u>	<u>255,999</u>

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



Director  
September 27, 2016



Director  
September 27, 2016

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 2016**

Notes	2016 \$'000	2015 \$'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>	<b>13</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	(110,930)	(23,440)
Issue of ordinary share capital	110,930	23,440
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	1
<b>Cash, cash equivalents &amp; bank overdraft at year end</b>	<b>1</b>	<b>1</b>

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.

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

	2016 \$'000	2015 \$'000
Grants and subsidies revenue (non-exchange)	13,005	14,963
Rental - Trains (exchange)	3,742	2,020
Interest received (exchange)	54	77
other (exchange)	123	-
	16,924	17,060

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

	2016 \$'000	2015 \$'000
Loss on disposal of rail assets	(222)	(238)

**4 Audit fees**

	2016 \$'000	2015 \$'000
Audit services		
- Audit New Zealand	17	21

**5 Related party transactions**

100% of the grants revenue was provided by Wellington Regional Council, the ultimate parent company. At year end the Company owes \$8,426,696.20 to Wellington Regional Council (2015: The company is owed \$3,004,000 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.

**Directors' fees**

P M Lamason, B Donaldson, F H Wilde, P D Swain, N Wilson, and C Laidlaw received councillor's remuneration from Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2015, any out of pocket expenses incurred are set out in Wellington Regional Council's policy on elected members' allowances and expenses.

	2016 \$000	2015 \$000
P Lamason	1	2
S Sharif	4	-
P Blades	5	4
	10	6



## 6 Income tax

	2016 \$'000	2015 \$'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	11,897	(2,393)
Adjustments recognised in the current period in relation to the deferred tax of prior periods	<u>20</u>	<u>-</u>
<b>Total income tax (benefit) / expense</b>	<b><u>11,917</u></b>	<b><u>(2,393)</u></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	<b>(21,837)</b>	<b>(15,644)</b>
Income tax (benefit) / expense calculated at 28%	<b>(6,114)</b>	<b>(4,380)</b>
Non-deductible expenses	<b>5,012</b>	<b>4,283</b>
Non assessable income	<b>(3,674)</b>	<b>(4,187)</b>
Temporary differences	<b>16,673</b>	<b>1,892</b>
(Over) / under provision of income tax in previous period	<u><b>20</b></u>	<u><b>(1)</b></u>
<b>Income tax expense</b>	<b><u>11,917</u></b>	<b><u>(2,393)</u></b>

The 2016 financial statements do not include any loss offsets received from other group companies (2015: Nil).

## 7 Inventories

	2016 \$'000	2015 \$'000
Spares for rolling stock	<b><u>12,277</u></b>	<b><u>12,133</u></b>

## 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 sold in 2016/17. These trains no longer in use and are fully depreciated as at 30 June 2016.

**9 Property, plant and equipment**

	Work in progress \$'000	Rolling stock \$'000	Transport infrastructure \$'000	Total \$'000
<b>At 1 July 2014</b>				
Cost	25,118	231,302	47,767	304,187
Valuation	-	(6,329)	7,024	695
Accumulated depreciation	-	-	(7)	(7)
<b>Net book amount</b>	<b>25,118</b>	<b>224,973</b>	<b>54,784</b>	<b>304,875</b>
<b>Year ended 30 June 2015</b>				
Opening net book amount	25,118	224,973	54,784	304,875
Transfers	(5,286)	363	4,923	-
Additions	19,044	535	4,826	24,405
Written off	-	-	(238)	(238)
Transfer to assets held for sale	-	-	-	-
Depreciation expense	-	(12,416)	(2,984)	(15,400)
<b>Closing net book amount</b>	<b>38,876</b>	<b>213,455</b>	<b>61,311</b>	<b>313,642</b>
<b>At 30 June 2015</b>				
Cost	38,876	225,871	64,302	329,049
Accumulated depreciation	-	(12,416)	(2,991)	(15,407)
<b>Net book amount</b>	<b>38,876</b>	<b>213,455</b>	<b>61,311</b>	<b>313,642</b>
<b>Year ended 30 June 2016</b>				
Opening net book amount	38,876	213,455	61,311	313,642
Revaluation surplus/(deficit)	-	-	-	-
Transfers	(29,769)	27,643	2,126	-
Additions	30,803	84,131	5,411	120,345
Written off	-	-	(242)	(242)
Depreciation expense	-	(12,972)	(3,630)	(16,602)
<b>Closing net book amount</b>	<b>39,910</b>	<b>312,257</b>	<b>64,976</b>	<b>417,143</b>
<b>At 30 June 2016</b>				
Cost	39,910	342,386	64,586	446,882
Valuation	-	(4,923)	6,957	2,034
Accumulated depreciation	-	(25,206)	(6,567)	(31,773)
<b>Net book amount</b>	<b>39,910</b>	<b>312,257</b>	<b>64,976</b>	<b>417,143</b>

**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

	2016 \$'000	2015 \$'000	
<b>Deferred tax assets comprise:</b>			
Tax losses	2,766	1,779	
Total deferred tax assets	2,766	1,779	
	2016 \$'000	2015 \$'000	
<b>Deferred tax liabilities comprise:</b>			
Temporary differences	-	-	
Total deferred tax liabilities	(86,636)	(73,732)	
	Property, plant and equipment \$'000	Tax losses \$'000	Total \$'000
<b>At 1 July 2014</b>	(75,515)	1,169	(74,346)
Charged to income	1,783	610	2,393
<b>At 30 June 2015</b>	(73,732)	1,779	(71,953)
<b>At 1 July 2015</b>	(73,732)	1,779	(71,953)
Charged to income	(12,904)	987	(11,917)
<b>At 30 June 2016</b>	(86,636)	2,766	(83,870)

The Company does not have any unrecognised tax losses or deductible temporary differences (2015: Nil).

The company has no imputation credits at the balance date (2015: Nil)

## 11 Share capital

	2016 Shares	2015 Shares	2016 \$'000	2015 \$'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, partly called	5,600,000	5,600,000	5,600	5,600
170,200,000 \$1 shares, partly called	139,424,024	37,164,024	139,424	37,164
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	4,250,000	6,700	4,250
10,100,000 \$1 shares partly called	6,220,000	-	6,220	-
	196,673,307	85,743,307	196,673	85,743

## 12 Reserves and retained earnings

	2016 \$'000	2015 \$'000
<b>(a) Reserves</b>		
Property, plant and equipment revaluation reserve	<u>5,037</u>	<u>5,057</u>
<b>(b) Retained earnings</b>		
Balance 01 July	165,198	178,450
Net deficit for the year	<u>(33,754)</u>	<u>(13,251)</u>
Balance 30 June	<u>131,444</u>	<u>165,199</u>

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

	2016 \$'000	2015 \$'000
<b>Net surplus (deficit) after taxation</b>	<b>(33,754)</b>	<b>(13,251)</b>
<b>Add back non-cash items:</b>		
Depreciation	16,602	15,400
Inventory adjustment	4,901	27
Impairment of fixed assets	-	-
(Gain)/loss on sale of fixed assets	222	238
Revaluation of rail assets	-	-
<b>Add /(less) movement in working capital:</b>		
(Increase) / decrease revenue in Accounts Receivable	-	665
(Increase) / decrease in inventory	(5,045)	(1,887)
(Increase) / decrease in accrued expenditure	968	(2,687)
Increase / (decrease) in taxation liability	11,917	(2,393)
(Increase) / decrease in revenue due from Greater Wellington Regional Council	2,174	1,846
Increase / (decrease) in accrued revenue	-	-
<b>Add/(less) items classified as investing or financing activities</b>		
Accounts payable related to property plant and equipment	(120,346)	(24,432)
(Increase) / decrease in Greater Wellington Regional Council current account relating to financing activities	11,431	3,034
Increase in share capital	<u>110,930</u>	<u>23,440</u>
<b>Net cash inflow from operating activities</b>	<u>-</u>	<u>-</u>

## 14 Contingent asset and liabilities

The contingent liabilities of the Company at 30 June 2016 were nil (2015: \$Nil)

At balance date there was uncalled capital of \$37,055,976 relating to: 8,000,000 \$1 shares called up to 70 cents, 30,775,976 \$1 shares uncalled and 3,880,000 \$1 shares uncalled. (2015: 137,885,976 \$1 shares uncalled and 8,000,000 \$1 shares called up to 70 cents)

## 15 Commitments

Estimated contractual commitments at balance date but not provided were \$1,590,000 (2015: \$13,863,000).

**15 Commitments (continued)**

Capital commitments were \$20,775,147 (2015: \$136,599,000).

## 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

Inventories of Greater Wellington Rail Limited were sold to the new rail operator at its cost on 3 July 2016.

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.

**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.

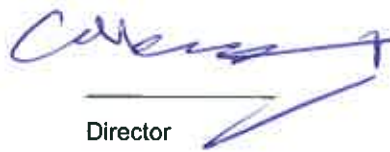
The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

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 2016 fairly reflect the financial position and operations of the Company.



Director

September 27, 2016



Director

September 27, 2016



Chief Financial Officer

September 27, 2016

**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 2016

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 her behalf.

#### Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 8 to 21, that comprise the statement of financial position as at 30 June 2016, 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:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; 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 Accounting Standards.
- The performance information of the company 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 2016.

Our audit was completed on 27 September 2016. This is the date at which our opinion is expressed.

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

## **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information.

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

## **Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Accounting Standards. The Board of Directors is also responsible for preparation of the performance information for the company.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting 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  
Wellington, New Zealand

