

**Greater Wellington Rail Limited
Financial Statements
for the year ended 30 June 2020**

Contents

	Page
Directory	2
Directors' report	3
Financial statements	9
Statement of comprehensive revenue and expense	10
Statement of changes in equity	11
Statement of financial position	12
Statement of cash flows	12
Notes to the financial statements	13
1 Summary of significant accounting policies	19
2 Revenue from exchange and non-exchange transactions	19
3 Gain / (loss) on rail assets	19
4 Audit fees	19
5 Related party transactions	20
6 Income tax	20
7 Prior period adjustment	20
8 Trade and other receivables	21
9 Property, plant and equipment	22
10 Intangible assets	23
11 Deferred tax	24
12 Share capital	24
13 Reconciliation of cash flows from operating activities to net surplus / (deficit) after tax	24
14 Contingent asset and liabilities	25
15 Commitments	26
16 Financial risk management	26
17 Events occurring after the balance date	27
Statement of compliance and responsibility	27
Auditors' report	28

Directory

Directors

S H Sharif (Retired 7 December 2018)
P M Lamason (Chairperson)
B H Donaldson (until 20 November 2019)
R W G Blakeley
I D McKinnon (until 20 November 2019)
H M Mexted
N S W Ward

N O Leggett
G Hughes

C Kirk-Burnnand

Appointed

12 August 2015
23 November 2010
11 December 2013
14 December 2016
14 December 2016
24 June 2019
24 June 2019

12 October 2017
20 November 2019

20 November 2019

Registered office

Shed 39, 2 Fryatt Quay,
Pipitea, Wellington 6011

Auditor

Clint Ramoo
Audit New Zealand
on behalf of the Auditor-General

Bankers

ANZ Bank New Zealand Ltd

Directors' report

The Directors have pleasure in submitting their 2020 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

	2020 \$'000	(Restated) 2019 \$'000
Net surplus / (deficit) after tax for the financial year	<u>(16,853)</u>	<u>(16,701)</u>

STATEMENT OF SERVICE PERFORMANCE

Operational Performance Targets

Level of Service	2019/20 Target	2019/20 Result*	2018/19 Result
Percentage of passengers who are satisfied with their current trip	≥92%	93%	89%
Percentage of customers who are satisfied with the cleanliness of the trains	≥93%	93%	93%
Percentage of passengers who are satisfied with the overall station	≥91%	96%	94%
Percentage of passengers who are happy with the cleanliness of the station	≥85%	90%	89%
Percentage of customers feel safe while using the station facility	≥89%	94%	91%
Percentage of passengers who are satisfied with the information at the station	≥89%	89%	86%
Matangi Mean Distance between failure	≥40,000km	56,463km	38,123
Carriage - Mean distance between failure	≥80,000km	201,262km	80,829

*The annual passenger satisfaction survey is normally undertaken in May each year across the regional public transport network (rail, bus and ferry services). For 2019/20 this survey could not be satisfactorily undertaken due to the COVID-19 Alert Level 3 and 2 restrictions which were in place during May 2020. The physical distancing requirements for public transport during this time meant that it was not possible for surveyors to carry out the in-person engagement required for the survey. Also, due to significantly lower passenger numbers there would not have been a comparative sample size for this period against previous years.

An interim survey, using the same methodology as the annual survey, was carried out in November 2019 (pre-COVID-19 disruptions) across the whole rail network. These results are therefore comparable to the full-year results normally generated from the annual survey in May. The November 2019 'interim' results indicate that pre-COVID-19 disruptions we achieved all our rail customer satisfaction targets.

Percentage of stations with CCTV coverage	81%	96%	81%
Percentage of pedestrian bridges and subways which meet at least 67% of NBS earthquake rating	36%	52%	44%
Average condition grade of:			
Station buildings and shelter	≤2.5	1.7	2.3
Structures (subways & bridges)	≤2.5	2.4	Not achieved
Park & Ride	≤2.5	2.2	2.3
Percentage of assets in condition grade 4 (Poor) or worse			
Station buildings and shelters	10%	0%	Not achieved
Structures (subways & bridges)	12%	16%**	Not achieved
Park & Ride	29%	10%	13.7%
** Bridge works were delayed due to the COVID-19 lockdown restrictions.			

Financial performance targets

	Actual 2020	Target 2020	(Restated) Actual 2019
Operating expenditure (\$ million)	40.5	39.7	37.5
Capital expenditure (\$ million)	16.5	20.6	13.6
Shareholder fund to total asset(1)	80.6%	83.0%	80.0%

(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 2020:

P M Lamason

Wellington Regional Council (Councillor)

Port Investments Limited (Director)

WRC Holdings Limited (Director)

Hutt Valley District Health Board (Member)

B H Donaldson (Until 20 November 2020)

Wellington Regional Council (Councillor)

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)

Capital and Coast District Health Board (Member)

Transpower New Zealand Limited

N O Leggett

WRC Holdings Limited (Director)
Port Investments Limited (Director)
Hutt Mana Charitable Trust (Trustee)
MITO Industry Training (Director)
Road Transport Forum (Chief Executive)
Bulterant Trust (Trustee & Beneficiary)

H M Mexted

WRC Holdings Limited (Director)
Port Investments Limited (Director)
New Zealand Walking Access Commission (Board Member)
Glenora Limited (Shareholder)

N S W Ward

WRC Holdings Limited (Director)
Port Investments Limited (Director)
Youth Hostel Association (Director)
St John of God Hauora Trust (Board Member)
McIntosh Ward & Associates Limited (Shareholder & Director)

G Hughes

Hamana Trustees Limited (Shareholder)
Rostrevor Roof Limited (Shareholder)
Collingwood Rentals Limited (Director)
Irico Limited (Director)
Port Investments Limited (Director)
WRC Holdings Limited (Director)
Collingwood Promotions Limited (Shareholder)

C Kirk-Burnnand

Autostop Holdings Limited (Shareholder)
Autostop Tasman Limited (Shareholder)
Autostop Caspian Limited (Director)
Autostop Baltic Limited (Shareholder)
Autostop Pacific Limited (Shareholder)
Autostop Arctic Limited (Shareholder)
James McDonnell Limited (Shareholder)
McDonnell Farming Company (Ohau) Limited (Shareholder)

Patricia McDonnell Trustee Company Limited (Shareholder)

PI North Limited (Director)

PI Ross Limited (Director)

Porirua Foundation Administration Limited (Director)

Portview Forest GP Limited (Shareholder)

Property Logic Limited (Shareholder)

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

Insurance is in place 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 Clint Ramoo of Audit New Zealand to undertake the audit.

For and on behalf of the Board.



Director
30 November, 2020



Director
30 November, 2020

Greater Wellington Rail Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2020

	Notes	2020 \$'000	Restated 2019 \$'000
Revenue			
Total revenue	2	<u>19,397</u>	<u>18,005</u>
Expenditure			
Depreciation and amortisation		20,830	18,961
Audit Fees	4	18	18
Directors Fees	5	21	12
Repairs and Maintenance		13,819	13,219
Rates and Insurance		826	819
Other Operating Expenses		4,902	3,847
Tax services		45	26
Legal Fees		3	7
Interest Expense		16	47
Loss on disposal of asset	3	-	523
Total operating expenses		<u>40,480</u>	<u>37,479</u>
Net surplus / (deficit) before tax		(21,083)	(19,474)
Income tax benefit / (expense)	6, 7	4,230	2,773
Net surplus / (deficit) after tax		<u>(16,853)</u>	<u>(16,701)</u>
Other comprehensive revenue and expenditure			
Revaluation reserve movement		-	60,262
Deferred tax recognised in reserves		-	(16,874)
		<u>-</u>	<u>43,388</u>
Total comprehensive income for the year		<u>(16,853)</u>	<u>26,687</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 2020

	Share capital \$'000	Other reserves \$'000	(Restated) Retained earnings \$'000	Total attributable to equity holders \$'000
Equity as at 1 July 2019	234,603	48,138	86,426	369,168
Total comprehensive revenue and expenditure				
- Net surplus / (deficit) after tax	-	-	(16,853)	(16,855)
- Revaluation reserve movement	-	-	-	-
Deferred tax on other comprehensive revenue	-	-	-	-
Equity contribution by the owners during the year	17,000	-	-	17,000
Equity as at 30 June 2020	<u>251,603</u>	<u>48,138</u>	<u>69,573</u>	<u>369,313</u>
Equity as at 1 July 2018	221,903	4,908	102,970	329,781
Total comprehensive revenue and expenditure				
- Net surplus / (deficit) after tax	-	-	(16,702)	(16,701)
- Revaluation reserve movement	-	60,262	-	60,262
- Transfers	-	(158)	158	-
Deferred tax on other comprehensive revenue	-	(16,874)	-	(16,874)
Equity contribution by the owners during the year	12,700	-	-	12,700
Equity as at 30 June 2019	<u>234,603</u>	<u>48,138</u>	<u>86,426</u>	<u>369,168</u>


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

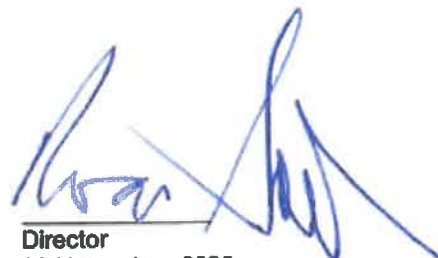
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Greater Wellington Rail Limited
Statement of Financial Position
As at 30 June 2020

	Notes	2020 \$'000	Restated 2019 \$'000
ASSETS			
Current assets			
Trade and other receivables	8	-	268
Current account Wellington Regional Council		<u>1,550</u>	<u>-</u>
Total current assets		<u>1,550</u>	<u>268</u>
Non-current assets			
Property, plant and equipment	9	456,878	461,244
Intangible assets	10	<u>14</u>	<u>17</u>
Total non-current assets		<u>456,892</u>	<u>461,261</u>
Total assets		<u>458,442</u>	<u>461,529</u>
LIABILITIES			
Current liabilities			
Accrued expenses and payables		4,465	2,518
Current account Wellington Regional Council		<u>-</u>	<u>950</u>
Total current liabilities		<u>4,465</u>	<u>3,468</u>
Non-current liabilities			
Deferred taxation liability	7,11	<u>84,663</u>	<u>88,893</u>
Total non-current liabilities		<u>84,663</u>	<u>88,893</u>
Total liabilities		<u>89,128</u>	<u>92,361</u>
Net assets		<u>369,314</u>	<u>369,168</u>
EQUITY			
Ordinary share capital	12	251,603	234,603
Reserves		48,139	48,139
Retained earnings		<u>69,572</u>	<u>86,426</u>
Total equity		<u>369,314</u>	<u>369,168</u>

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


 Director
 30 November, 2020


 Director
 30 November, 2020

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 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Rent income		6,439	6,390
Interest received		4	4
Subsidies revenue		12,955	11,611
Receipts from customers		268	-
		<u>19,666</u>	<u>18,005</u>
Cash was applied to:			
Payments to suppliers		(17,689)	(20,243)
Interest paid		(16)	(47)
Net cash flow from operating activities	13	<u>1,961</u>	<u>(2,285)</u>
Purchase of property, plant & equipment		(16,461)	(13,536)
Purchases of intangible assets		-	-
Cash flow from financing activities			
Cash was provided from:			
Movement in current account Wellington Regional Council		(2,500)	3,120
Issue of ordinary share capital		17,000	12,700
Net cash flow from financing activities		<u>14,500</u>	<u>15,820</u>
Net increase (decrease) in cash, cash equivalents & bank overdraft		-	(1)
Add opening balance in cash, cash equivalents & bank overdraft		-	1
Cash, cash equivalents & bank overdraft at year end		<u>-</u>	<u>-</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 (the Company) 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 itself 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.

STATEMENT OF COMPLIANCE

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 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) 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.

COVID-19 Pandemic Impact

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. On 21 March, Prime Minister Jacinda Ardern introduced a country-wide alert level system to deal with the coronavirus outbreak. There are four alert levels, with level 1 being the least risk of infection and 4 the highest. On Wednesday 25 March the New Zealand Government raised its Alert Level to 4 which is a full lockdown of non-essential services. The country moved down to alert level 3 on 28 April.

GW Rail is classified as an essential service provider and continued to operate during this period. As the entity's operations are not customer facing the impact of the lockdown was limited. There were also no variations to leasing agreements with third parties.

1 Summary of significant accounting policies (continued)

(c) 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.

(d) Finance costs

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

(e) 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.

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.

(f) Cash and cash equivalents

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

1 Summary of significant accounting policies (continued)

(g) 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.

(h) Property, plant and equipment

Accounting policy

Property, plant, and equipment consist of:

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 car parks.

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

1 Summary of significant accounting policies (continued)

Revaluation

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 three years.

GWRL public transport rail station infrastructural assets and 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 2019 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 company 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 company 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:

Rail Rolling Stock	5 to 30 years
Rail Infrastructure	3 to 150 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.

(i) 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	3 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.

(j) 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.

(k) 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.

(l) Payables

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

2 Revenue from exchange and non-exchange transactions

	2020 \$'000	2019 \$'000
Rental - Trains (exchange)	6,439	6,390
Grants & subsidies revenue (non-exchange)	12,954	11,611
Interest received (exchange)	<u>4</u>	<u>4</u>
	<u>19,397</u>	<u>18,005</u>

3 Gain / (loss) on rail assets

	2020 \$'000	2019 \$'000
Loss on disposal of rail assets	<u>-</u>	<u>(523)</u>

4 Audit fees

	2020 \$'000	2019 \$'000
Audit New Zealand - audit services	<u>18</u>	<u>18</u>

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 \$1,550,000 by Wellington Regional Council (2019: Wellington Regional Council is owed \$950,000 by the company). Interest is calculated on the outstanding balances utilising a monthly floating 30 day rate bill rate. The net interest paid to Wellington Regional Council during the year is \$11,977 (2019:\$42,618).

The company pays a management fee of \$54,048 (2019: \$53,196) 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, R W G Blakeley, G Hughes and C Kirk-Burnnand received councillor remuneration from Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2019, any out of pocket expenses incurred are set out in Wellington Regional Council's policy on elected members' allowances and expenses.

Directors' fees

	2020 \$000	2019 \$000
S H Sharif	-	6
N O Leggett	7	6
H M Mexted	7	-
N S W Ward	<u>7</u>	<u>-</u>
	<u>21</u>	<u>12</u>

6 Income tax

	2020 \$'000	Restated 2019 \$'000
(a) Tax (benefit) / expense comprises:		
Current tax expense / (income)	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(4,230)	(2,853)
Adjustments recognised in the current period in relation to the deferred tax of prior periods	-	80
Total income tax (benefit) / expense	(4,230)	(2,773)
 (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	(21,084)	(19,474)
Income tax (benefit) / expense calculated at 28%	(5,903)	(5,453)
Non-deductible expenses	3,625	3,248
Non assessable income	(3,625)	(3,248)
Temporary differences	1,673	2,600
(Over) / under provision of income tax in previous period	-	80
Income tax expense	(4,230)	(2,773)

The 2020 financial statements do not include any loss offsets received from other group companies (2019: Nil).

7 Prior period adjustment

The company has in the current year, recognised a prior period adjustment in the deferred tax calculation. The adjustment arose from an exclusion of certain transfers from assets under construction to completed assets from the balance of the Initial Recognition Exemption (IRE). The financial statements of 2019 have been restated. The effect of the restatement on those financial statements is summarised below:

	2019 \$'000
Statement of comprehensive revenue and expense	
Increase in income tax benefit	1,680
Decrease in reported deficit	1,680
 Statement of Financial Position	
Reduction in deferred tax liability	1,680
Increase retained earnings	1,680

8 Trade and other receivables

	2020 \$'000	2019 \$'000
Trade customers (exchange)	-	268
Less: provision for impairment of receivables	-	-

9 Property, plant and equipment

	Rolling stock	Transport infrastructure	Work in Progress	Total
Cost	383,920	78,429	8,448	470,797
Accumulated depreciation	(49,658)	(14,351)	-	(64,009)
Year ended 30 June 2019				
Opening net book amount	334,262	64,078	8,448	406,788
Revaluation surplus	41,994	18,269	-	60,263
Transfers	-	-	-	-
Additions	4,026	14,058	(4,407)	13,677
Written off	(1,559)	(1,486)	-	(3,045)
Net depreciation expense	(13,398)	(3,041)	-	(16,439)
Closing net book amount	<u>365,325</u>	<u>91,878</u>	<u>4,041</u>	<u>461,244</u>
Cost	365,325	91,878	4,041	461,244
Valuation	-	-	-	-
Accumulated depreciation	-	-	-	-
Year ended 30 June 2020				
Opening net book amount	365,325	91,878	4,041	461,244
Revaluation / Impairment	-	-	-	-
Additions/Transfers	-	3,683	12,777	16,460
Written off	-	-	-	-
Net depreciation expense	(16,645)	(4,181)	-	(20,826)
Closing net book amount	<u>348,680</u>	<u>91,380</u>	<u>16,818</u>	<u>456,878</u>
At 30 June 2020				
Cost	365,325	95,561	16,818	477,704
Accumulated depreciation	(16,645)	(4,181)	-	(20,826)
Net book amount	<u>348,680</u>	<u>91,380</u>	<u>16,818</u>	<u>456,878</u>

10 Intangible assets

	Computer software \$'000
Year ended 30 June 2019	
Cost	158
Opening net book amount	158
Additions	2
Acquisition of subsidiary	(143)
Closing net book amount	17
At 30 June 2019	
Cost	17
Net book amount	17
	2020 Computer software \$'000
Year ended 30 June 2020	
Opening net book amount	17
Additions	-
Disposal and transfer	-
Amortisation charge (note 4)	(3)
Closing net book amount	14
At 30 June 2020	
Cost	17
Accumulated amortisation and impairment	(3)
Net book amount	14



11 Deferred tax

	2020 \$'000	Restated* 2019 \$'000
Deferred tax assets comprise:		
Tax losses	12,187	10,351
Temporary differences	-	-
Total deferred tax assets	12,187	10,351
	2020 \$'000	2019 \$'000
Deferred tax liabilities comprise:		
Temporary differences	-	-
Total deferred tax liabilities	(96,850)	(99,244)

	Property, plant and equipment \$'000	Tax losses \$'000	Provisions \$'000	Total \$'000
At 1 July 2018	(82,857)	7,985	80	(74,792)
Charged to income	487	2,366	(80)	2,773
Charged/(credited) to other comprehensive income	(16,874)	-	-	(16,874)
At 30 June 2019	(99,244)	10,351	-	(88,893)

	Property, plant and equipment \$'000	Tax losses \$'000	Provisions \$'000	Total \$'000
At 1 July 2019	(99,244)	10,351	-	(88,893)
Charged to income	2,394	1,836	-	4,230
At 30 June 2020	(96,850)	12,187	-	(84,663)

The Company does not have any unrecognised tax losses or deductible temporary differences (2019: Nil).

The company has no imputation credits at the balance date (2019: Nil)

*Refer to note 7 for an explanation of a restatement to the 2019 deferred tax.

12 Share capital

	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
(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 paid	8,000,000	8,000,000	8,000	8,000
170,200,000 \$1 shares, fully paid	170,200,000	170,200,000	170,200	170,200
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
19,000,000 \$1 shares partly paid	17,874,024	874,024	17,874	874
3,500,000 \$1 shares uncalled	-	-	-	-
	<u>251,603,307</u>	<u>234,603,307</u>	<u>251,603</u>	<u>234,603</u>

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

	2020 \$'000	Restated 2019 \$'000
Net surplus (deficit) after taxation	(16,854)	(16,701)
Add back non-cash items:		
Depreciation	20,830	18,960
Inventory adjustment	-	-
(Gain)/loss on sale of fixed asset	-	523
Deferred tax	(4,230)	(2,773)
Add /(less) movement in working capital:		
(Increase) / decrease in inventory	-	-
(Increase) / decrease in accrued expenditure	1,947	(2,122)
Increase / (decrease) in account receivable	268	(172)
Add/(less) items classified as investing or financing activities		
Increase in share capital	-	-
Net cash inflow from operating activities	<u>(1,961)</u>	<u>(2,285)</u>

14 Contingent asset and liabilities

The contingent liabilities of the Company at 30 June 2020 were nil (2019: \$Nil).

At balance date there was uncalled capital of \$4,625,976 relating to 4,625,976 \$1 shares uncalled. (2019: uncalled capital of \$18,125,976 relating to 18,125,976 \$1 shares uncalled).

15 Commitments

The amount of contractual commitments is as follows:

Capital commitments

	2020 \$'000	2019 \$'000
Rail infrastructure	-	-
Rail rolling stock - heavy maintenance	63,370	67,847
	<u>63,370</u>	<u>67,847</u>

Operating leases as lessee

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:

	2020 \$'000	2019 \$'000
Property, plant and equipment	27	29
Later than one year and not later than five years	108	88
Later than five years	313	332
	<u>448</u>	<u>449</u>

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:

	2020 \$'000	2019 \$'000
Not later than one year	6,404	6,309
Later than one year and not later than five years	26,633	26,223
Later than five years	107	6,921
	<u>33,144</u>	<u>39,453</u>

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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.

Responsibility

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

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 2020 fairly reflect the financial position and operations of the Company.

Director

30 November, 2020

Director

30 November, 2020

Chief Financial Officer

30 November, 2020

Auditors' report

To the shareholders of Greater Wellington Rail Limited

