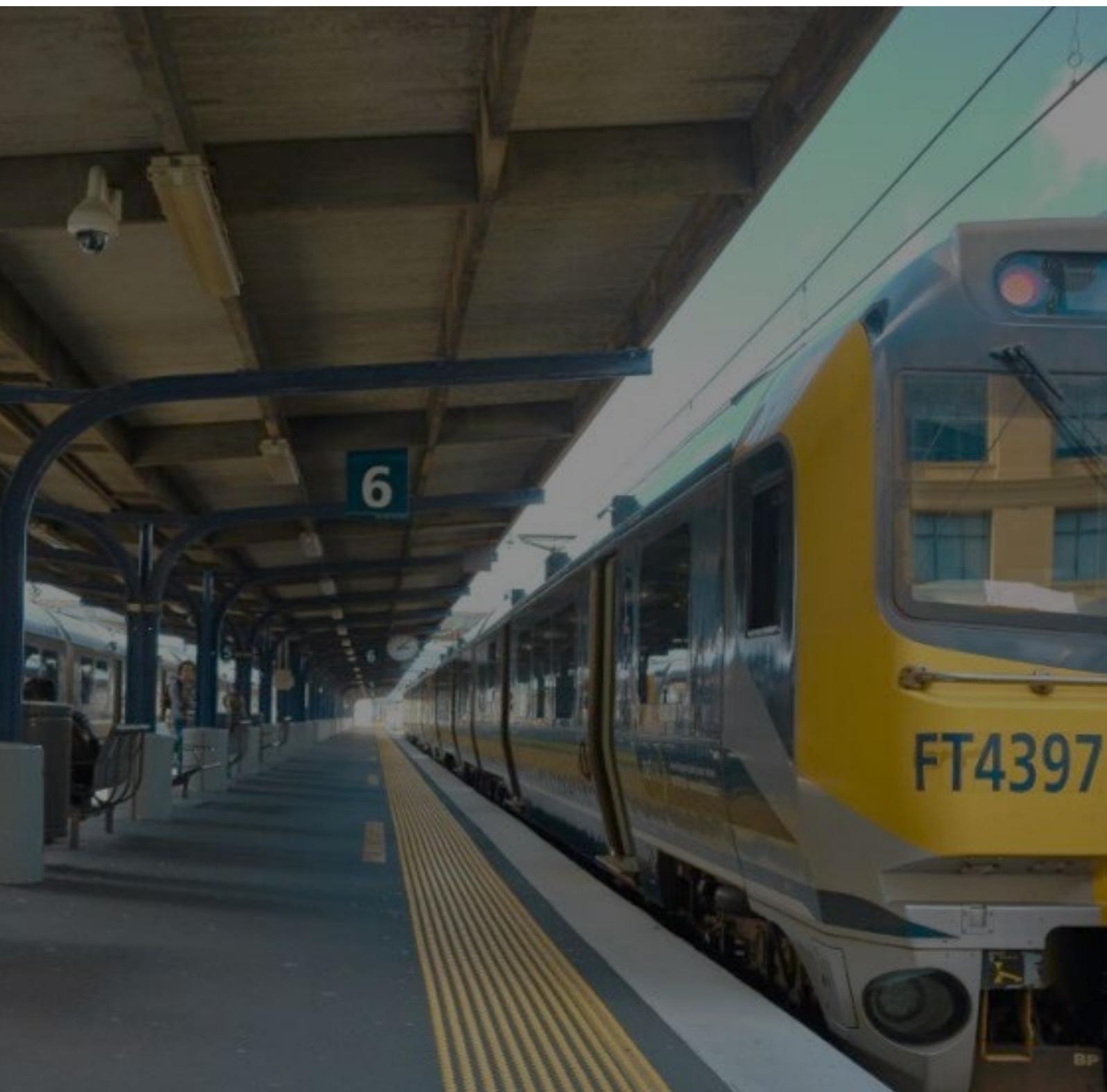


**Greater Wellington Rail Limited
Financial Statements
for the year ended 30 June 2023**



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Directory

Directors

C Kirk-Burnnand (Chairperson)
H M Mexted
N S W Ward
N O Leggett
D Lee
T Nash
D Bassett
P M Lamason
R W G Blakeley
G Hughes

Appointed

20 November 2019 (Chairperson from 24 November 2022)
24 June 2019
24 June 2019
12 October 2017
24 November 2022
24 November 2022
24 November 2022
23 November 2010 (ceased 24 November 2022)
14 December 2016 (ceased 24 November 2022)
20 November 2019 (ceased 24 November 2022)

Registered office

100 Cuba Street Te Aro, 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 2023 Annual Report and Financial Statements.

Principal Activities

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

GWRL was incorporated on 3rd August 2006.

Results and Distributions

	2023 \$'000	2022 \$'000
Net surplus / (deficit) after tax for the financial year	<u>(24,191)</u>	<u>(19,960)</u>

Statement of Service Performance

Operational Performance Targets

Level of Service	2022/23 Result	2022/23 Target	2021/22 Result
Percentage of passengers who are satisfied with their current trip	94%	≥93%	96%
Percentage of customers who are satisfied with the condition of the station	90% ¹	≥92%	93%
Percentage of customers who are satisfied with the inside temperature of vehicles	93%	≥93%	95%
Percentage of passengers who are satisfied with the condition of the vehicle fleet	96%	≥92%	97%
Percentage of passengers who are satisfied with overall station	94%	≥92%	96%
Percentage of customers who are satisfied with the cleanliness of the trains	89% ¹	≥91%	92%
Percentage of passengers who are satisfied with provision of shelter from weather at shelter/station	84%	≥84%	85%
Percentage of customers who are satisfied with their personal safety at station	91% ¹	≥93%	93%
Percentage of passengers who are satisfied with information about service delays or disruptions	53% ¹	≥73%	66%
ROLLING STOCK- ASSET MANAGEMENT			
Matangi Mean Distance between failure	66,529 km	≥40,000km	50,262 km
Carriage - Mean distance between failure	95,446 km	≥80,000km	73,352 km
RAIL FIXED ASSET - ASSET MANAGEMENT			
Percentage of pedestrian bridges and subways which meet at least 67% of NBS earthquake rating	79% ²	88%	75%
Percentage of stations with CCTV coverage	96%	96%	96%
Average condition grade of:			
Station buildings and shelter	1.5	≤2.5	1.5
Structures (subways & bridges)	2.4	≤2.5	2.4
Park & Ride	2.1	≤2.5	2.1
Percentage of assets in condition grade 4 (Poor) or worse			
Station buildings and shelters	1.0%	≤5%	2.3%
Structures (subways & bridges)	5.4%	≤8%	5.4%
Park & Ride	5.0%	≤8%	4.8%

1. The customer satisfaction survey was undertaken in May 2023.
2. The addition of the new Trentham Subway into the asset population saw an improved result in 2022/23 compared to 2021/22, however the 2022/23 target was not met due to seismic strengthening work underway not being completed at Epuni and Taita by 30 June 2023.

Financial performance targets

	Actual 2023	Target 2023	Actual 2022
Operating expenditure (\$ million)	53.7	39.1	46.3
Capital expenditure (\$ million)	19.1	18.0	13.9
Shareholder fund to total asset*	81.5%	83.1%	81.1%

* Shareholders' Funds (or equity) is defined as the total issued capital plus the balance of undistributed profits and capital reserves.

* Total Assets are defined as all the recorded current and non-current assets of GWRL at their current value as determined by the GWRL's Accounting Policies.

Relevant entries in the Interests Register

Disclosure of interests by Directors for the year ended 30 June 2023:

C Kirk-Burnnand

Autostop Holdings Limited (Shareholder & Director)
Autostop Tasman Limited (Director)
Autostop Caspian Limited (Director)
Autostop Baltic Limited (Director)
Autostop Pacific Limited (Director)
Autostop Arctic Limited (Director)
Autostop Group Limited (Director)
Autostop Motors Limited (Director)
Patricia McDonnell Trustee Company Limited (Shareholder & Director)
PI North Limited (Director)
PI Ross Limited (Director)
Porirua Foundation Administration Limited (Director)
Property Logic Limited (Shareholder & Director))
WRC Holdings Limited (Director)
Wellington Regional Council (Councillor)

D Bassett

Wellington Regional Council (Councillor)
WRC Holdings Limited (Director)
H2O New Zealand Limited (shareholder & Director)
The Terrace – Martinborough Limited (shareholder & Director)

D Lee

Wellington Regional Council (Councillor)
CoGo Connecting Good Limited (shareholder)
WRC Holdings Limited (Director)

T Nash

Wellington Regional Council (Councillor)
E-Bike Subscription Limited (shareholder & Director)
Shelter New Zealand Limited (shareholder & Director)
Portable Hospitality Limited (shareholder & Director)
WRC Holdings Limited (Director)
Wellington Regional Council (Councillor)

N O Leggett

WRC Holdings Limited (Director)
Hutt Mana Charitable Trust (Trustee)
Infrastructure New Zealand (Chief Executive)
Aspiring Futures Foundation (Trustee)
Wellington Water (Director)
Hango Aro Rau Workforce Development Council (member)
Buttevant Trust (Trustee & beneficiary)

H M Mexted

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

N S W Ward

WRC Holdings Limited (Director)
St John of God Hauora Trust (Board Member)
McIntosh Ward & Associates Limited (Shareholder & Director)

P M Lamason (ceased 24 November 2022)

Wellington Regional Council (Councillor)
WRC Holdings Limited (Director)
Hutt Valley District Health Board (Member)

R W G Blakeley (ceased 24 November 2022)

Wellington Regional Council (Councillor)
WRC Holdings Limited (Director)
Capital and Coast District Health Board (Member)
Transpower New Zealand Limited (Director)

G Hughes (ceased 24 November 2022)

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

Directors' Interest Register

Directors have had no interest in any transaction or proposed transaction of Greater Wellington Rail Limited (GWRL).

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

29 September 2023



Director

29 September 2023

Greater Wellington Rail Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Revenue			
Total revenue	2	<u>22,485</u>	<u>21,625</u>
Expenditure			
Depreciation	6,7	29,854	24,625
Audit Fees	3	65	28
Directors Fees	4	25	25
Repairs and Maintenance		14,852	16,496
Rates and Insurance		1,081	860
Other Operating Expenses		6,380	4,186
Tax services		35	29
Legal Fees		53	1
Loss on disposal of asset		961	-
Interest Expense		<u>447</u>	<u>89</u>
Total operating expenses		<u>53,753</u>	<u>46,339</u>
Net surplus / (deficit) before tax		(31,268)	(24,714)
Income tax benefit / (expense)	5	<u>7,074</u>	<u>4,754</u>
Net surplus / (deficit) after tax		<u>(24,194)</u>	<u>(19,960)</u>
Other comprehensive revenue and expenditure			
Revaluation reserve movement		(14,594)	70,900
Deferred tax recognised in reserves	8	<u>4,084</u>	<u>(19,852)</u>
		<u>(10,510)</u>	<u>51,048</u>
Total comprehensive income for the year		<u>(34,704)</u>	<u>31,088</u>

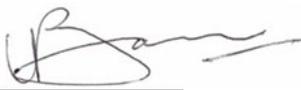
Greater Wellington Rail Limited
Statement of Changes in Equity
For the year ended 30 June 2023

	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to equity holders \$'000
Equity as at 1 July 2022	282,403	99,186	32,842	414,431
Total comprehensive revenue and expenditure				
- Net surplus / (deficit) after tax	-	-	(24,191)	(24,191)
- Revaluation reserve movement	-	(14,594)	-	(14,594)
Deferred tax on other comprehensive revenue	-	4,084	-	4,084
Equity contribution by the owners during the year	20,200	-	-	20,200
Equity as at 30 June 2023	<u>302,603</u>	<u>88,676</u>	<u>8,648</u>	<u>399,927</u>
Equity as at 1 July 2021	268,003	48,138	52,802	368,943
Total comprehensive revenue and expenditure				
- Net surplus / (deficit) after tax	-	-	(19,960)	(19,960)
- Revaluation reserve movement	-	70,900	-	70,900
Deferred tax on other comprehensive revenue	-	(19,852)	-	(19,852)
Equity contribution by the owners during the year	14,400	-	-	14,400
Equity as at 30 June 2022	<u>282,403</u>	<u>99,186</u>	<u>32,842</u>	<u>414,431</u>

Greater Wellington Rail Limited
Statement of Financial Position
As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		2	-
Current account Wellington Regional Council		-	561
Total current assets		<u>2</u>	<u>561</u>
Non-current assets			
Property, plant and equipment	6	486,323	512,648
Intangible assets	7	4	7
Total non-current assets		<u>486,327</u>	<u>512,655</u>
Total assets		<u>486,329</u>	<u>513,216</u>
LIABILITIES			
Current liabilities			
Accrued expenses and payables		1,462	3,117
Current account Wellington Regional Council		429	-
Total current liabilities		<u>1,891</u>	<u>3,117</u>
Non-current liabilities			
Deferred taxation liability	8	84,511	95,668
Total non-current liabilities		<u>84,511</u>	<u>95,668</u>
Total liabilities		<u>86,402</u>	<u>98,785</u>
Net assets		<u>399,927</u>	<u>414,431</u>
EQUITY			
Ordinary share capital	9	302,603	282,403
Reserves		88,676	99,186
Retained earnings		8,648	32,842
Total equity		<u>399,927</u>	<u>414,431</u>

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



Director
29 September, 2023



Director
29 September, 2023

Greater Wellington Rail Limited
Statement of Cash Flows
For the year ended 30 June 2023

Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities		
Rent income	7,125	6,664
Interest received	1	-
Subsidies revenue	<u>15,359</u>	<u>14,961</u>
	<u>22,485</u>	<u>21,626</u>
Cash was applied to:		
Payments to suppliers	(24,145)	(22,042)
Interest paid	<u>(447)</u>	<u>(89)</u>
Net cash flow from operating activities	10 <u>(2,107)</u>	<u>(505)</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(19,081)	(13,904)
Purchases of intangible assets	<u>-</u>	<u>-</u>
Net cash flow from investing activities	<u>(19,081)</u>	<u>(13,904)</u>
Cash flow from financing activities		
Cash was provided from:		
Movement in current account - Wellington Regional Council	990	9
Issue of ordinary share capital	<u>20,200</u>	<u>14,400</u>
Net cash flow from financing activities	<u>21,190</u>	<u>14,409</u>
Net increase (decrease) in cash, cash equivalents & bank overdraft	<u>2</u>	<u>-</u>
Add opening balance in cash, cash equivalents & bank overdraft	<u>-</u>	<u>-</u>
Cash, cash equivalents & bank overdraft at year end	<u>2</u>	<u>-</u>

1 Summary of significant accounting policies

(a) Basis of preparation

REPORTING ENTITY

Greater Wellington Rail Ltd (GWRL) 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. GWRL principal address is 100 Cuba Street, Wellington, New Zealand.

GWRL is a council-controlled trading organisation (CCTO) as defined in section 6 of the Local Government Act 2002.

GWRL provides rail rolling stock and infrastructure assets to the Greater Wellington Region Council for community and social benefits through a rail operator, rather than to make a financial return. Accordingly, GWRL has designated itself as public benefit entity (PBE) 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, 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 financial statements have been prepared on a historical basis, modified by the revaluation of rolling stock & infrastructure assets.

The financial statements are presented in New Zealand dollars and all amounts are rounded to nearest thousand dollars (\$'000) unless otherwise stated.

ACCOUNTING POLICIES

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

Accounting standards adopted in the current year

Public Benefit Entity International Public Sector Accounting Standard (PBE IPSAS) 41 - Financial Instruments

PBE IPSAS 41 supersedes PBE IPSAS 29 Financial Instruments: Recognition and Measurement. GWRL has adopted PBE IPSAS 41 with a date of application at 1 July 2022. The main changes between PBE IPSAS 29 and PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

Information about the transition to PBE IPSAS 41 is disclosed in Note 14.

There is no impact on the measurement basis or carrying values of any of GWRL's financial instruments arising from the adoption of PBE IPSAS 41.

(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.

(c) Goods and Services Tax (GST)

GWRL 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.

2 Revenue from exchange and non-exchange transactions

Accounting policy

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.

	2023 \$'000	2022 \$'000
Rental - Trains (exchange)	7,125	6,664
Grants & subsidies revenue (non-exchange)	15,359	14,961
Interest received (exchange)	1	-
	<u>22,485</u>	<u>21,625</u>

3 Audit fees

	2023 \$'000	2022 \$'000
Audit New Zealand - audit services	<u>65</u>	<u>28</u>

4 Related party transactions

100% of the grants revenue was provided by Wellington Regional Council, the ultimate parent company. At year end GWRL owed \$429,000 to Wellington Regional Council (2022: Wellington Regional Council owed \$561,000 to GWRL). 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 \$446,723 (2022: \$88,991)

GWRL pays a management fee of \$55,736 (2022: \$55,736) 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, R W G Blakeley, G Hughes, D Lee, T Nash, D Bassett and C Kirk-Burnnand received councillor remuneration from Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2022 & 2023, any out of pocket expenses incurred are set out in Wellington Regional Council's policy on elected members' allowances and expenses.

Directors' fees

	2023 \$'000	2022 \$'000
N O Leggett	8	8
H M Mexted	8	8
N S W Ward	8	8
	25	25

5 Income tax

Accounting policy

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 GWRL 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 GWRL 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 GWRL 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.

	2023 \$'000	2022 \$'000
(a) Tax (benefit) / expense comprises:		
Current tax expense / (income)	-	-
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(7,073)	(4,754)
Adjustments recognised in the current period in relation to the deferred tax of prior periods	-	-
Total income tax (benefit) / expense	(7,073)	(4,754)

(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	(31,268)	(24,714)
Income tax (benefit) / expense calculated at 28%	(8,754)	(6,920)
Non-deductible expenses	4,299	4,189
Non assessable income	(4,299)	(4,189)
Temporary differences	1,680	2,166
Income tax expense	(7,074)	(4,754)

The 2023 financial statements do not include any loss offsets received from other group companies (2022: Nil).

6 Property, plant and equipment

Accounting policy

Property, plant, and equipment consist of:

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by GWRL. Each asset class includes all items that are required for the network to function. For example, Rail infrastructure includes subways and carparks. Rail Rolling Stock includes carriages, luggage vans and Matangi trains

Revaluation

Rail infrastructure 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 to five years. GWRL public transport rail station infrastructural assets and rolling stock were independently valued by Mike Morales, FPINZ, FNZIV, PINZ Registered Plant and Machinery Valuer, and Paul Butchers, BBS, FPINZ, FNZIV, both Directors of Bayleys Valuations Limited as at 30 June 2023 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 GWRL 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 GWRL 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	20-30 years
- Rail Infrastructure	4-150 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.

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.

Non Cash Generating Assets

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.

Cash Generating Assets

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.

6 Property, plant and equipment (continued)

	Transport		
	Rolling stock	infrastructure	Total
Year ended 30 June 2023			
Opening net book amount	365,970	146,677	512,647
Additions/ transfers	2,533	16,738	19,271
Loss on disposal asset	-	(962)	(962)
Work in progress movement	1,504	(1,692)	(188)
Movement in fair value	13,981	(28,575)	(14,594)
Net depreciation expense	<u>(24,207)</u>	<u>(5,644)</u>	<u>(29,851)</u>
Closing net book amount	<u>359,781</u>	<u>126,542</u>	<u>486,323</u>

At 30 June 2023

Cost/Revaluation	359,781	126,542	486,323
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount	<u>359,781</u>	<u>126,542</u>	<u>486,323</u>

Year ended 30 June 2022			
Opening net book amount	343,826	108,639	452,465
Additions/Transfer	5,800	1,054	6,859
Loss on disposal asset	-	-	-
Work in progress movement	1,243	5,805	7,049
Movement in estimated fair value	34,900	36,000	70,900
Net depreciation expense	<u>(19,799)</u>	<u>(4,821)</u>	<u>(24,625)</u>
Closing net book value	<u>365,970</u>	<u>146,677</u>	<u>512,648</u>

At 30 June 2022

Cost	365,970	146,677	512,648
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount	<u>365,970</u>	<u>146,677</u>	<u>512,648</u>

	Transport		
	Rolling stock	infrastructure	Total
	\$'000	\$'000	\$'000

At 30 June 2023

Work in Progress

Opening balance 1 July 2022	2,568	14,913	17,481
Additions	4,040	15,046	19,086
Transfer	<u>(2,536)</u>	<u>(16,738)</u>	<u>(19,274)</u>
Closing balance 30 June 2023	<u>4,072</u>	<u>13,221</u>	<u>17,293</u>

At 30 June 2022

Opening balance 1 July 2021	1,325	9,108	10,433
Additions	1,243	5,805	7,048
Transfer	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance 30 June 2022	<u>2,568</u>	<u>14,913</u>	<u>17,481</u>

8 Deferred tax

	2023 \$'000	2022 \$'000
Deferred tax assets comprise:		
Tax losses	20,231	17,901
Total deferred tax assets	20,231	17,901

	2023 \$'000	2022 \$'000
Deferred tax liabilities comprise:		
Temporary differences	(104,742)	(113,569)
Total deferred tax liabilities	(104,742)	(113,569)

	Property, plant and equipment \$'000	Tax losses \$'000	Provisions \$'000	Total \$'000
At 1 July 2022	(113,569)	17,901	-	(95,668)
Charged to income	4,743	2,330	-	7,073
Charged to equity	4,084	-	-	4,084
At 30 June 2023	(104,742)	20,231	-	(84,511)

	Property, plant and equipment \$'000	Tax losses \$'000	Provisions \$'000	Total \$'000
At 1 July 2021	(95,835)	15,265	-	(80,570)
Charged to income	2,118	2,636	-	4,754
Charged to equity	(19,852)	-	-	(19,852)
At 30 June 2022	(113,569)	17,901	-	(95,668)

GWRL does not have any unrecognised tax losses or deductible temporary differences (2022: Nil).

GWRL has no imputation credits at the balance date (2022: Nil)

9 Share capital

	2023 Shares	2022 Shares	2023 \$'000	2022 \$'000
(a) Share capital				
Ordinary shares				
10,000 shares unpaid	10,000	10,000	-	-
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 fully paid	19,000,000	19,000,000	19,000	19,000
3,500,000 \$1 shares fully paid	3,500,000	3,500,000	3,500	3,500
12,100,000 \$1 shares fully paid	12,100,000	12,100,000	12,100	12,100
17,300,000 \$1 shares fully paid	17,300,000	17,300,000	17,300	14,074
14,800,000 \$1 shares fully paid	14,800,000	-	14,800	-
3,000,000 \$1 shares partly paid	3,000,000	-	2,174	-
	303,439,283	285,639,283	302,603	282,403

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

	2023 \$'000	2022 \$'000
Net surplus (deficit) after taxation	(24,194)	(19,960)
Add back non-cash items:		
Depreciation	29,854	24,625
(Gain)/loss on sale of fixed asset	961	-
Deferred tax	(7,073)	(4,754)
Add /(less) movement in working capital:		
(Increase) / decrease in accrued expenditure	(1,654)	(415)
Add/(less) items classified as investing or financing activities		
Increase in share capital	-	-
Net cash inflow from operating activities	(2,106)	(505)

11 Contingent asset and liabilities

The contingent liabilities of GWRL on 30 June 2023 were nil (2022: \$Nil).

Contingent asset

At balance date there was uncalled capital of \$825,976 relating to 825,976 \$1 shares uncalled. (2022: uncalled capital of \$3,225,976 relating to 3,225,976 \$1 shares uncalled).

12 Commitments

(a) Capital commitments

The amount of contractual commitments is as follows:

	2023 \$'000	2022 \$'000
Rail rolling stock - heavy maintenance	48,207	52,379
	48,207	52,379

b) Leases

Accounting policy

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.

Operating leases as lessee

GWRL 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:

	2023 \$'000	2022 \$'000
Not later than one year	39	39
Later than one year and not later than five years	118	123
Later than five years	428	457
	585	619

Operating leases as lessor

GWRL 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:

	2023 \$'000	2022 \$'000
Not later than one year	7,319	7,166
Later than one year and not later than five years	7,599	14,695
Later than five years	24	62
	14,942	21,923

13 Financial risk management

(a) Market risk

The interest rate risk is limited to the bank balance.

(b) Currency risk

GWRL has no currency risk. Contracts are denominated in New Zealand dollars. Any currency risk is managed by the Wellington Regional Council on GWRL'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. GWRL has no investments or borrowings exposed to market interest rate risk.

(e) Credit risk

Credit risk is the risk that a third party will default on its obligation causing a loss to occur.

GWRL is exposed to credit risk only on the current account balance owed by its ultimate parent - Greater Wellington Regional Council (GWRC). Lifetime expected credit losses on this balance have been assessed as nil.

(f) Liquidity risk

Liquidity risk represents GWRL's ability to meet its contractual obligations. GWRL evaluates its liquidity requirements on an ongoing basis. In general, GWRL 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. GWRL also has an ongoing Letter of Support from the Council undertaking to provide financial support to GWRL for any unforeseen expenditure that could place GWRL into a cash deficit position.

14 Financial Instruments - Adoption of PBE IPSAS 41

GWRL is required to adopt PBE IPSAS 41 with effect from 1 July 2022.

There is no impact on the measurement basis or carrying values of any of GWRL's financial instruments arising from the adoption of PBE IPSAS 41.

On the date of initial application of PBE IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined in the tables below.

	Measurement classification		30 June 2022	1 July 2022	Adoption adjustment
Financial Assets	PBE IPSAS 29	PBE IPSAS 41	\$'000	\$'000	
Current Account	Loan & receivables	Amortised cost	561	561	-
Financial liabilities					
Accrual expenses & payables	Other financial liabilities	Amortised cost	3,117	3,117	-

Additional information in relation to subsequent measurement classification assessment

PBE IPSAS 41 requires financial assets to be subsequently measured at fair value through surplus or deficit (FVTSD), amortised cost, or fair value through other comprehensive revenue and expense (FVTOCRE). This classification is based on the business model for managing financial instruments, and whether the payments are for solely payments of principal or interest on the principal amount outstanding.

GWRL assessed the business model for holding financial assets at the date of initial application and determined that all of these are held to collect contractual cash flows that are solely payments of principal and interest in line with basic lending arrangements. Therefore, financial assets are subsequently measured at amortised cost.

15 Events occurring after the reporting 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 GWRL confirm that all the statutory requirements of the Local Government Act 2002 in relation to the financial report have been complied with.

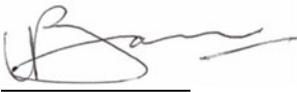
Responsibility

The Directors and management of GWRL 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.

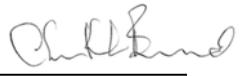
The Directors and management of GWRL accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of GWRL, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2023 fairly reflect the financial position and operations of GWRL.



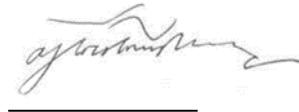
Director

29 September, 2023



Director

29 September, 2023



Chief Financial Officer

29 September, 2023

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 2023

The Auditor-General is the auditor of Greater Wellington Rail Limited (the company). The Auditor-General has appointed me, Clint Ramoo, 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 9 to 24, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 4 and 5.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 Reporting Standards; and
- the performance information of the company on pages 4 and 5 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. 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, we comment on other information, and we explain our independence.

Basis for our 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 based on these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 3, 6 to 8 and 25, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand