

ANNUAL REPORT

2019



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1. Note from the Board

We are pleased to present this annual report for the New Zealand Railways Corporation (the Corporation). As stated in previous Annual Reports, a restructure of the Crown's investment in rail operations and a change to the Corporation's role took effect from 31 December 2012. That restructure transferred the KiwiRail business into a new corporate group separate from the Corporation - KiwiRail Holdings Limited and its subsidiaries, leaving the Corporation holding railway land but no railway infrastructure assets. In this Annual Report, KiwiRail Holdings Limited and its subsidiaries are referred to as "KiwiRail". KiwiRail is the State-Owned Enterprise (SOE) responsible for the financial performance of the Crown's investment in rail operations.

The Corporation's primary role is to make available railway land to KiwiRail, in accordance with the Corporation's powers under the New Zealand Railways Corporation Act 1981 (NZRC Act) and other legislation, and to account for the value of the land in its financial statements. As set out in its Statement of Corporate Intent, the Corporation is not expected to derive any return from the land and is not expected to operate a rail business. It has leased the railway land to KiwiRail for a long term and for nominal consideration, to enable KiwiRail to enjoy the commercial benefit of the land and support the Crown's investment in rail operations as a whole.

To minimise its costs and avoid duplication of work with KiwiRail, the Corporation has also entered into a Management Agreement under which KiwiRail provides corporate and administrative services to the Corporation for a nominal charge.

In the period since the previous Annual Report, the Corporation has successfully performed its role in supporting the creation of a sustainable rail business in New Zealand.



2. Board of Directors

Chair, Brian Corban

Brian Corban joined the Board in April 2019 and was appointed Chair in July 2019. Brian is also the Chair of the KiwiRail Board. Brian is an Auckland-based company director and lawyer. He has previously served as Deputy Chair of NZRC/KiwiRail in 2008. He was appointed a Distinguished Fellow of the Institute of Directors in New Zealand in 2014.

Brian is the Chair of West Auckland Trusts Services Limited, the Melanesian Mission Trust Board and a number of private companies including Corban family companies. He is a past Chairman of Television New Zealand, Radio New Zealand, Genesis Energy, WEL Energy and numerous other companies.

Director, Greg Miller

Greg Miller joined the Board in November 2018 and was appointed Group Chief Executive of KiwiRail in May 2019. Before this he served as Chair of the KiwiRail Board following 32-years in supply chain logistics domestically and abroad. Through his work as a Managing Director and Chief Executive of Toll, he led large global supply chain strategies across multiple transport modes including rail, road, ports sea and air freight services, establishing business across Asia, USA, Australia and the Pacific. He holds several directorships in New Zealand technology companies, bio sciences and in the dairy sector. He is a director of the ASEAN Business Council, and a Fellow of the Chartered Institute of Transport and Logistics. Greg is of Nga Puhi/Ngai Te Rangi/Rongowhakaata descent. Greg resigned from the Board with effect from 31 August 2019.

Director, Nicola Greer

Nicola Greer joined the NZRC Board in July 2019. Nicola is a former director of Heartland Bank and was part of the future director programme with Auckland Airport. She is an experienced finance and banking executive having worked with a broad range of large banking corporations, private equity firms, and funds across New Zealand, Australia, UK and Europe. She also has a significant background in the New Zealand commercial property market, successfully developing and owning commercial property across a variety of sectors including retail, office, education, hospitality, and industrial.

3. Governance

The Corporation is a statutory corporation constituted under the NZRC Act and is not a company, so it does not have shares or shareholders. It is also a state-owned-enterprise listed in Schedule 1 to the SOE Act. Its responsible Ministers are the Minister of Finance and the Minister for State-Owned Enterprises. Those Ministers are referred to in this report as the “Shareholding Ministers”, to reflect the terminology used in the SOE Act. The Board of the Corporation is accountable to the Shareholding Ministers.

The Corporation and KiwiRail are expected to work together and communicate openly, which is assisted by the Chair of the Corporation also being the Group Chief Executive of KiwiRail. This reflects the expectation of the Shareholding Ministers and the applicable legislation.

Executive management

The Corporation does not have any employees. The Corporation has entered into a Management Agreement under which KiwiRail provides corporate and administrative services to the Corporation for a nominal charge.

The Corporation is required by the NZRC Act to have a General Manager. This role is usually performed by an employee of KiwiRail at no cost to the Corporation.

Statutory compliance

The Board oversees compliance with the Corporation’s statutory obligations (with assistance from KiwiRail under the Management Agreement), including the following obligations:

- preparing financial statements and arranging for their audit by the Auditor-General;
- submitting an annual report, half-yearly report and Statement of Corporate Intent to Shareholding Ministers each year in accordance with the SOE Act;
- dealing with any requests for information made to the Corporation under the Official Information Act 1982 (though most information previously held by the Corporation has been vested in KiwiRail); and
- maintaining adequate records in accordance with the Public Records Act 2005.

General governance

The Board also:

- ensures there are ‘no surprises’ for the Shareholding Ministers (in accordance with Treasury’s Owner’s Expectations Manual);
- manages any conflicts of interest;
- monitors the performance of KiwiRail under the Management Agreement;
- arranges for directors’ and officers’ insurance cover and directors’ indemnities, in accordance with section 7A of the NZRC Act; and
- holds Board meetings as it deems necessary to perform its role.

In view of the limited activities of the Corporation:

- there are no standing sub-committees of the Board; and
- the Board meets quarterly, or with such greater frequency as it may determine from time to time.

4. Activities of the Corporation

Railway land

The Corporation's only significant asset is railway land. That railway land is leased to KiwiRail on terms that give KiwiRail comprehensive rights to enjoy the land and primary responsibility for managing the land. The Corporation therefore has a minimal ongoing role in managing the land (as the Crown's agent). The Corporation continues to have responsibility to include the value of railway land in its financial statements.

In this annual report "railway land" refers to all Crown land held for railway purposes except that which is administered by Land Information New Zealand and is no longer needed for railway purposes.

Under the lease KiwiRail can undertake many activities in relation to the land without requiring the consent or involvement of the Corporation. KiwiRail also carries the legal risks associated with use of the land.

KiwiRail is able to sub-lease railway land for periods of time within the term of the lease. The Corporation expects that KiwiRail will undertake sub-leasing activity that meets KiwiRail's business interests and that complies with the Corporations' statutory obligations regarding railway land.

If KiwiRail requires additional land to conduct its business, it may purchase land in its own name or may require the Corporation to acquire new land. KiwiRail may arrange for the Corporation to purchase new land and lease it to KiwiRail on the same terms as the existing lease. KiwiRail may also request the Corporation to exercise its powers to compulsorily acquire additional land and lease it to KiwiRail. Whenever KiwiRail does exercise such powers under the lease to require the Corporation to purchase additional land:

- the purchase cost of the land (including associated expenses) is funded by KiwiRail and regarded as an increase in equity for the Corporation.
- the Corporation is required to lease to KiwiRail any land that is acquired on the same terms as the existing lease.

KiwiRail may also identify railway land that should be sold and request the Corporation to sell it, surrender it from the lease and provide the sale proceeds to KiwiRail. When KiwiRail requests that the Corporation sell land, the Corporation:

- relies on KiwiRail to find a prospective buyer and negotiate sale terms conditional on satisfaction of all requisite statutory approvals and clearances for sale (and the Corporation is not expected to evaluate the value of the proposal against any alternatives);
- seeks a report from KiwiRail on the effect of the proposal on the future development of the railway;
- complies with applicable statutory obligations, including obtaining the consent of the Minister responsible for the NZRC Act;
- seeks confirmation from KiwiRail that all requisite statutory approvals and clearances for sale have been met;
- considers how such a sale would impact upon the Corporation's functions contained in section 12 of the NZRC Act, in particular, its function to arrange for safe and efficient rail freight and passenger transport services in New Zealand; and
- complies with its obligation under the lease to provide to KiwiRail proceeds from the sale of land surrendered from the lease.

The Shareholding Ministers expect that the proceeds from selling any railway land should go to KiwiRail to support its business as the SOE responsible for the financial performance of the Crown's investment in rail operations. As a result of the reduction in the Corporation's asset base, the Corporation will recognise an asset distribution to the Crown equivalent to the net sales proceeds realised from the sale. The Crown will recognise an increase in the equity of KiwiRail for the same amount.

The Corporation is not expected to consider acquiring or selling railway land when it is not requested by KiwiRail.

5. Performance & Comparative Information

Section 15(2) of the SOE Act requires that the annual report include a comparison of the performance of the Corporation with its Statement of Corporate Intent.

The following matters are set out in the Corporation's Statement of Corporate Intent as relevant to measuring the performance of the Corporation:

- The Shareholding Ministers do not expect the Corporation to make an operating surplus, make any return on capital, or return a dividend.
- When the Corporation sells land and the sale proceeds of land surrendered from the lease are provided to KiwiRail, the Corporation may make an accounting loss.
- The Corporation shall comply with its obligations under the lease, the SOE Act, the NZRC Act and other relevant legislation.
- The Corporation shall only incur expenditure which it will be able to meet.

By way of comparison to these measures:

- No dividend will be paid to the Crown in respect of the financial year ended 30 June 2019.
- For the financial year ended 30 June 2019 all operating costs incurred by the Corporation were covered by the management fee from KiwiRail, resulting in no operating surplus or loss.
- The Corporation has complied with its obligations under the lease and relevant legislation in all material respects.
- The Corporation has not incurred expenditure that it has been unable to meet when due.

6. Audited Financial Statements and Auditor’s Report

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Statement of Financial Performance

For the financial year ended 30 June 2019

	Note	2019	2018
		\$000	\$000
Operating revenue	2	68	88
Operating expenses	3	68	88
Operating surplus		-	-
Net (loss)/gain on sale of land	4	(1,027)	1,387
Net (deficit)/surplus		(1,027)	1,387

Statement of Comprehensive Revenue and Expense

For the financial year ended 30 June 2019

	Note	2019	2018
		\$000	\$000
Net (deficit)/surplus		(1,027)	1,387
Other comprehensive revenue and expense			
Revaluation of property, plant and equipment	5	-	-
Total comprehensive revenue and expense		(1,027)	1,387

The accompanying notes form part of these financial statements.

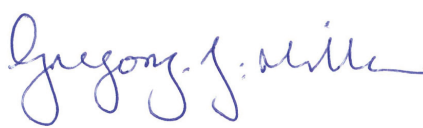
Statement of Financial Position

As at 30 June 2019

	Note	2019	2018
		\$000	\$000
Current assets			
Cash and cash equivalents		1	1
Trade and other receivables		18	8
Assets held for sale	6	1,228	-
		1,247	9
Non-current assets			
Property, plant and equipment	5	3,515,521	3,521,615
		3,515,521	3,521,615
TOTAL ASSETS		3,516,768	3,521,624
Current liabilities			
Trade and other liabilities		18	8
		18	8
TOTAL LIABILITIES		18	8
Equity			
Equity capital		1,532,446	1,532,446
Retained earnings		(1,417,087)	(1,418,253)
Asset revaluation reserve		3,401,391	3,407,423
		3,516,750	3,521,616
TOTAL LIABILITIES AND EQUITY		3,516,768	3,521,624



Brian Corban
Chair
13 August 2019



Greg Miller
Director
13 August 2019

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2019

	Note	Equity Capital	Retained Earnings	Asset Revaluation Reserve	Total
		\$'000	\$'000	\$'000	\$'000
As at 1 July 2017		1,532,446	(1,416,685)	3,407,594	3,523,355
Net surplus for the year		-	1,387	-	1,387
Total comprehensive revenue and expense		-	1,387	-	1,387
Release of revaluation reserve to retained earnings		-	171	(171)	-
Transactions with owners					
Sale and purchase of land	4	-	(3,126)	-	(3,126)
As at 30 June 2018		1,532,446	(1,418,253)	3,407,423	3,521,616
Net deficit for the year		-	(1,027)	-	(1,027)
Total comprehensive revenue and expense		-	(1,027)	-	(1,027)
Release of revaluation reserve to retained earnings		-	6,032	(6,032)	-
Transactions with owners					
Sale and purchase of land	4	-	(3,839)	-	(3,839)
As at 30 June 2019		1,532,446	(1,417,087)	3,401,391	3,516,750

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the financial year ended 30 June 2019

	2019	2018
	\$000	\$000
Cash flows from operating activities		
<i>Proceeds from:</i>		
Receipts from customers from non-exchange transactions	58	171
<i>Proceeds utilised for:</i>		
Payments to suppliers and employees	(58)	(175)
Net cash flow from operating activities	-	(4)
Cash flow from investing activities		
<i>Proceeds from:</i>		
Sale and swap of property, plant and equipment	3,839	4,802
<i>Proceeds utilised for:</i>		
Purchase of property, plant and equipment	-	(1,676)
Net cash flow from investing activities	3,839	3,126
Cash flows from financing activities		
<i>Proceeds from:</i>		
Land acquisitions	-	1,676
<i>Proceeds utilised for:</i>		
Sale/transfer of land	(3,839)	(4,802)
Net cash flow from financing activities	(3,839)	(3,126)
Net decrease in cash and equivalents	-	(4)
Cash and cash equivalents at the beginning of the year	1	5
Cash and cash equivalents at the end of the year	1	1

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2019

1. CORPORATION INFORMATION

(a) REPORTING ENTITY

New Zealand Railways Corporation ("Corporation") is a statutory corporation established pursuant to the New Zealand Railways Corporation Act 1981 and is included within the First Schedule of the State-Owned Enterprises Act 1986. The Corporation is designated as a Public Sector Public Benefit Entity (PBE) defined as "a reporting entity whose primary objective is to provide goods and services for community or social benefit and where equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders". The Corporation's parent is the New Zealand Crown.

The primary objective of the Corporation is to make available approximately 17,800 hectares of railway land to KiwiRail Holdings Limited to enjoy the commercial benefit of the land for nominal consideration.

The financial statements are for the year ended 30 June 2019 and were authorised for issue by the Board of Directors on 13 August 2019.

(b) BASIS OF PREPARATION

The Corporation's financial information is prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for Public Sector PBEs reporting under Tier 2 of the PBE Standards. The Corporation does not have public accountability and is not large as defined in the Accounting Standards Framework of the External Reporting Board.

The financial information also complies with the New Zealand Railways Corporation Act 1981 and the State-Owned Enterprises Act 1986.

The financial statements have been prepared on a historical cost basis, except for land that is measured at fair value.

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

Changes in accounting policies

There have been no changes to accounting policies during the year.

(c) INCOME TAX

The Corporation is exempt from income tax as a public authority.

(d) GOING CONCERN

The financial statements are prepared on a going concern basis. The Board of Directors is not aware of any material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern.

Notes to the Financial Statements (continued)

For the financial year ended 30 June 2019

2. OPERATING REVENUE

	2019	2018
	\$000	\$000
Operating revenues from non-exchange transactions	68	88
Total operating revenue	68	88

Operating revenue consists solely of management fees charged to KiwiRail Holdings Limited (KHL) under the Management Agreement. In accordance with the Management Agreement any operating costs incurred by the Corporation are charged to KHL as management fees, such that the Corporation makes no operating surplus or deficit.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable by the Corporation and represents amounts receivable for goods and services provided in the normal course of business once significant risk and rewards of ownership have been transferred to the buyer.

3. OPERATING EXPENSES

	2019	2018
	\$000	\$000
Directors' fees (refer to note 9)	39	60
Insurance	21	20
Audit fees	8	8
Total operating expenses	68	88

Notes to the Financial Statements (continued)

For the financial year ended 30 June 2019

4. SALE AND PURCHASE OF LAND

From time to time the Corporation may sell parcels of railway land. Under the lease agreement with KiwiRail Limited (part of the KiwiRail Holdings Limited Group (the Group)) entered into on 31 December 2012, the Group may identify railway land that should be sold and request the Corporation to sell it or surrender it from the lease. The sale proceeds are provided to the Group to support its business as the State-Owned Enterprise responsible for the financial performance of the Crown's investment in rail operations. The Corporation may incur an accounting loss following the sale of railway land because the value of the land is in the Corporation's asset base.

Where land has previously been revalued any gain or loss is based on the valuation and any revaluation reserve relating to the land sold is released through the Statement of Changes in Equity.

Similarly, the Group can identify new parcels of land that are required for rail purposes. The Group will fund the acquisition of the land and can transfer it to the Corporation to be included within the lease.

The sale and purchase of land are treated as common control transactions as the Crown is the ultimate parent of the Group and the Corporation. The sale of the Corporation's land and the transfer of the proceeds are regarded as a reduction in equity of the Corporation whilst the Group's acquisition of land for the Corporation is treated as an increase in equity of the Corporation.

The following represents the financial impact of land sold and purchased after the vesting date which impacts the current financial year.

	2019	2018
	\$000	\$000
Net proceeds from land sold	(3,754)	(4,802)
Net proceeds from land swap		
Land given up	(165)	-
Land acquired	80	-
Net	(85)	-
Cost of land acquisitions	-	1,676
Net impact of sale and purchase of land charged to equity	(3,839)	(3,126)

	2019	2018
	\$000	\$000
Carrying value of land sold	(4,765)	(3,415)
Carrying value given up from land swap	(101)	-
Net proceeds from sale of land	3,839	4,802
Net (loss)/gain on sale of land recognised in Statement of Financial Performance	(1,027)	1,387

Notes to the Financial Statements (continued)

For the financial year ended 30 June 2019

5. PROPERTY, PLANT AND EQUIPMENT

	Land
Cost:	\$000
Balance at 1 July 2017	3,519,565
Additions	1,676
Transfer from asset held for sale	374
Balance at 30 June 2018	3,521,615
Additions	-
Disposals	(4,765)
Land swaps	(101)
Transfer to asset held for sale	(1,228)
Balance at 30 June 2019	3,515,521

(i) Recognition and Measurement

Property, plant and equipment is recognised on purchase or construction at cost and is subsequently revalued on a class basis to fair value. The Corporation holds one type of asset, land, and land is not depreciated.

Where an asset is acquired for nil or nominal consideration the asset is recognised initially at fair value. Revenue from the non-exchange transaction measured as the amount of increase in net assets recognised by the Corporation is recognised in surplus or deficit.

(ii) Revaluation

Land is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. Fair value is determined from market-based evidence by an external, independent valuer. Valuations are undertaken in accordance with the standards issued by the New Zealand Property Institute with the following bases of valuation adopted:

- *Rail corridor* – land associated with the rail corridor is valued based on adjacent use ('across the fence'), as an approximation of fair value.

Any revaluation increase arising on the revaluation of land is credited to the revaluation reserve of the asset class. If a revaluation decrease for the same asset class was previously recognised in surplus or deficit, the revaluation increase should be recognised as a credit to surplus or deficit up to the extent of the decrease previously charged. Any excess is credited to the revaluation reserve of the asset class.

A decrease in carrying amount arising on the revaluation of a class of asset is charged as an expense to the net surplus or deficit to the extent that it exceeds the balance, if any, held in the asset class revaluation reserve relating to a previous revaluation of that class of asset.

Other additions between revaluations are recorded at cost.

Land is revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The last revaluation was carried out by independent valuers, Jones Lang LaSalle (JLL) as at 30 June 2017. JLL have relevant qualifications and experience.

(iii) De-recognition

Realised gains and losses arising from de-recognition of property, plant and equipment are recognised in the net surplus or deficit in the period in which the transaction occurs. The gain or loss is calculated as the difference between the carrying amount of the asset and the net disposal proceeds received (if any). Any balance attributable to the de-recognised asset in the asset revaluation reserve is transferred to retained earnings.

Notes to the Financial Statements (continued)

For the financial year ended 30 June 2019

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(iv) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine if there is any indication of impairment. For land that is identified to be contaminated the asset will be tested for impairment by comparing its recoverable service amount to its carrying amount. The recoverable service amount of an asset is the higher of its value in use and its fair value less costs to sell. If an asset's carrying amount exceeds its recoverable service amount the asset is impaired and the carrying amount is written down to the recoverable amount.

6. ASSETS HELD FOR SALE

Where an asset's carrying amount is to be recovered through a sale transaction rather than continuing use it is classified as held for sale and separately identified as a current asset on the Statement of Financial Position. Assets held for sale are held at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are not depreciated.

As at 30 June 2019, \$1,228,000 of assets have been identified as held for sale (2018: nil).

7. LEASE COMMITMENTS

Operating lease commitments as lessor

Operating leases are defined as leases under which substantially all the risks and rewards of ownership of the applicable asset or assets remain with the lessor. Operating lease payments and receipts are recognised in the operating surplus or deficit in accordance with the pattern of benefits derived or received.

The Corporation has, along with the Crown, granted a long-term lease (the "Core Lease") to KiwiRail Limited (KRL), a company in the Group for nominal consideration, under which KRL can enjoy the commercial benefit of the land. KRL has primary responsibility for administering the land. Under the Core Lease it can undertake many activities in relation to the land without requiring the consent or involvement of the Corporation.

The Corporation does not have any other operating lease commitments as lessor at 30 June 2019 (2018: nil).

8. CAPITAL AND OTHER COMMITMENTS

The Corporation has no commitments for capital purchases at 30 June 2019 (2018: nil).

9. RELATED PARTY TRANSACTIONS

The ultimate parent of the Corporation is the Crown.

Significant transactions with government-related entities

There were no capital or grant funds received during the current financial year (2018: nil).

The Corporation has received \$68,000 in management fees from KHL representing reimbursement of the Corporation's expenses for the financial year ended 30 June 2019 (2018: \$88,000).

Significant transactions with government-related entities

For the year ended 30 June 2019, the Corporation had no significant transactions, individually or collectively, with government-related entities (2018: nil).

Notes to the Financial Statements (continued)

For the financial year ended 30 June 2019

9. RELATED PARTY TRANSACTIONS (continued)

Transactions with key management personnel

Key management personnel for the Corporation is defined as Directors. Key management personnel of the Corporation may be directors or officers of other companies or organisations with whom the Corporation may transact. Such transactions are all carried out independently on normal commercial terms. There were no such transactions during 2019 (2018: nil).

Other than fees paid to Directors for their role on the Board there were no short-term employee benefits, termination benefits or post-employment benefits paid to key management personnel in 2019 (2018: nil).

Employee remuneration

The Corporation does not have any employees.

The Directors earned the following fees during the year:

	2019	2018
	\$000	\$000
Greg Miller	20	-
Brian Corban	3	-
Sharon Shea	8	15
Paul East	8	15
Trevor Janes	-	30
Total Directors' fees	39	60

Greg Miller was appointed to the Board effective 1 November 2018 and Brian Corban was appointed to the Board effective 15 April 2019. Trevor Janes term as Chair ended 30 June 2018. Sharon Shea and Paul East's term as Directors ended on 31 December 2018.

10. CONTINGENT LIABILITIES

Treaty of Waitangi claims

Claims lodged under the Treaty of Waitangi Act 1975, in respect of land and other assets currently or previously administered by the Corporation, have not been recognised in these financial statements. Since 1 July 1993 such claims are considered to be the responsibility of the Crown rather than that of the Corporation and administered by the Office of Treaty Settlements, Ministry of Justice. The outcome of these claims is uncertain at this stage and an estimate of financial effect is not practicable.

Option to purchase land at rear of Wellington Railway Station

Right of purchase over land at the rear of the Wellington Railway Station - valuation discussions will continue with the Taranaki Whannui Ki Te Upoko O Te Ika and The Port Nicholson Block Settlement Trust, which has an option to purchase land at the rear of the station building until 2019. The process relating to the option to purchase is expected to be finalised by December 2019 with valuation and highest and best use costs to be established to underpin value prior.

11. EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events subsequent to balance date.

INDEPENDENT AUDITOR'S REPORT

To the readers of the New Zealand Railways Corporation's financial statements for the year ended 30 June 2019

The Auditor General is the auditor of the New Zealand Railways Corporation (the Corporation). 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 of the Corporation on his behalf.

Opinion

We have audited the financial statements of the Corporation on pages 10 to 19, that comprise the statement of financial position as at 30 June 2019, the statement of financial performance, 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.

In our opinion the financial statements of the Corporation:

- present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 13 August 2019. 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, 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

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

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

In preparing the financial statements, the Board of Directors is responsible on behalf of the Corporation for assessing the Corporation'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 there is an intention to liquidate the Corporation or to cease operations, or there is no realistic alternative but to do so.

The Board of Director's responsibilities arise from the State-Owned Enterprises Act 1986.

Responsibilities of the auditor for the audit of the financial statements

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

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

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

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, 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 Corporation'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 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 Corporation'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, 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 Corporation to cease to continue as a going concern.
 - We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 4 to 8 and 22, but does not include the financial statements, and our auditor's report thereon.

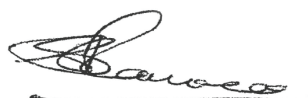
Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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 Corporation in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standards 1 (revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



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

7. Additional Information

Director Remuneration

Refer to note 9 of the financial statements for the total remuneration paid to the Directors during the financial year ended 30 June 2019.

The Corporation has effected directors' and officers' liability insurance to cover the Corporation's Directors.

The Corporation indemnifies the Directors for liabilities for acts or omission made in their capacity as Directors, to the extent permitted by section 7A of the NZRC Act.

Employee Remuneration

As at 30 June 2019 the Corporation does not have any employees.

