

New Zealand
Railways Corporation

HALF-YEAR REPORT

1 JULY 2019 - 31 DECEMBER 2019



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Chair's Report



I am pleased to present this half-yearly report for the New Zealand Railways Corporation ("**Corporation**") for the six months ended 31 December 2019.

In the six months ended 31 December 2019, the Corporation continued to support the creation of a sustainable rail business in New Zealand.

As set out in its Statement of Corporate Intent, the Corporation holds the rail estate on behalf of the Crown. It is not expected to derive any return from the land and is not expected to operate a rail business. It continues to lease the rail estate to KiwiRail Limited a wholly owned subsidiary of KiwiRail Holdings Limited ("**KiwiRail**") 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. The lease to KiwiRail was renewed in June 2014, meaning that KiwiRail now has a secure leasehold tenure over the rail estate until the end of 2070.

To minimise costs and avoid duplication of work with KiwiRail, there is a Management Agreement under which KiwiRail provides corporate and administrative services to the Corporation for a nominal charge. The unaudited half-yearly financial statements attached to this report show that the Corporation's operating costs have been fully offset by the charge payable by KiwiRail in accordance with the Management Agreement.

Excluding timing differences, year to date operating costs are generally in line with budget.

A handwritten signature in blue ink, appearing to read "Brian Corban".

Brian Corban CNZM, QSO
Chair

Statement of Financial Performance

For the six months ended 31 December 2019

	Note	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
		\$000	\$000	\$000
Operating revenues	2	47	43	68
Operating expenses	3	47	43	68
Operating surplus		-	-	-
Net gain/(loss) on sale of land	4	-	101	(1,027)
Net surplus/(deficit)		-	101	(1,027)

Statement of Comprehensive Revenue and Expense

For the six months ended 31 December 2019

	Note	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
		\$000	\$000	\$000
Net surplus/(deficit)		-	101	(1,027)
Other comprehensive revenue and expense				
Revaluation of property, plant and equipment		-	-	-
Total comprehensive revenue and expense		-	101	(1,027)

The accompanying notes form part of these financial statements.

Statement of Financial Position

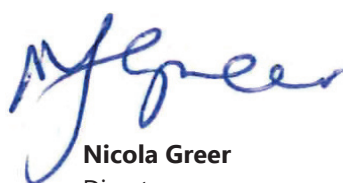
As at 31 December 2019

	Note	31 Dec 2019 (Unaudited)	31 Dec 2018 (Unaudited)	30 June 2019 (Audited)
		\$000	\$000	\$000
Current assets				
Cash and cash equivalents	1	1	1	1
Trade receivables	40	36	36	18
Assets held for sale	1,228	-	-	1,228
	1,269	37	37	1,247
Non-current assets				
Property, plant and equipment	3,515,521	3,518,989	3,518,989	3,515,521
	3,515,521	3,518,989	3,518,989	3,515,521
TOTAL ASSETS		3,516,790	3,519,026	3,516,768
Current liabilities				
Trade and other liabilities	40	36	36	18
	40	36	36	18
Equity				
Equity capital	1,532,446	1,532,446	1,532,446	1,532,446
Retained earnings	(1,417,087)	(1,418,302)	(1,418,302)	(1,417,087)
Asset revaluation reserve	3,401,391	3,404,846	3,404,846	3,401,391
	3,516,750	3,518,990	3,518,990	3,516,750
TOTAL LIABILITIES AND EQUITY		3,516,790	3,519,026	3,516,768


Brian Corban CNZM, QSO

Chair

11 February 2020


Nicola Greer

Director

11 February 2020

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the six months ended 31 December 2019

	Note	Equity Capital	Retained Earnings	Asset Revaluation Reserve	Total
As at 1 July 2018 (Audited)		\$000	\$000	\$000	\$000
Net surplus for the period		1,532,446	(1,418,253)	3,407,423	3,521,616
		-	101	-	101
Other comprehensive revenue and expense					
Release of revaluation reserve to retained earnings		-	2,577	(2,577)	-
Total comprehensive revenue and expense		-	2,678	(2,577)	101
Transactions with owners					
Sale and purchase of land	4	-	(2,727)	-	(2,727)
As at 31 December 2018 (Unaudited)		1,532,446	(1,418,302)	3,404,846	3,518,990
Net deficit for the period		-	(1,128)	-	(1,128)
Other comprehensive revenue and expense					
Release of revaluation reserve to retained earnings		-	3,455	(3,455)	-
Total comprehensive revenue and expense		-	2,327	(3,455)	(1,128)
Transactions with owners					
Sale and purchase of land	4	-	(1,112)	-	(1,112)
As at 30 June 2019 (Audited)		1,532,446	(1,417,087)	3,401,391	3,516,750
Net surplus for the period		-	-	-	-
Other comprehensive revenue and expense					
Release of revaluation reserve to retained earnings		-	-	-	-
Total comprehensive revenue and expense		-	-	-	-
Transactions with owners					
Sale and purchase of land	4	-	-	-	-
As at 31 December 2019 (Unaudited)		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 six months ended 31 December 2019

	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
	\$000	\$000	\$000
Cash flows from operating activities			
<i>Proceeds from:</i>			
Receipts from customers from non-exchange transactions	14	15	58
<i>Proceeds utilised for:</i>			
Payments to suppliers and employees	(14)	(15)	(58)
Net cash used in operating activities	-	-	-
Cash flows from investing activities			
<i>Proceeds from:</i>			
Sale and swap of property, plant and equipment	-	2,727	3,839
<i>Proceeds utilised for:</i>			
Purchase of property, plant and equipment	-	-	-
Net cash flow from investing activities	-	2,727	3,839
Cash used in financing activities			
<i>Proceeds from:</i>			
Land acquisitions	-	-	-
<i>Proceeds utilised for:</i>			
Sale/transfer of land	-	(2,727)	(3,839)
Net cash used in financing activities	-	(2,727)	(3,839)
Net decrease in cash and equivalents	-	-	-
Cash and cash equivalents at the beginning of the period	1	1	1
Cash and cash equivalents at the end of the period	1	1	1

Notes to the Financial Statements

For the six months ended 31 December 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 primary objective of the Corporation is to make available approximately 17,700 hectares of railway land to KiwiRail Holdings Limited to enjoy the commercial benefit of the land for nominal consideration.

The interim financial statements are for the six months ended 31 December 2019 and were authorised for issue by the Board of Directors on 11 February 2020.

(b) BASIS OF PREPARATION

Statement of compliance

These interim financial statements for the six months ended 31 December 2019 have been prepared in accordance with PBE IAS 34 *Interim Financial Reporting*. They comply with the New Zealand Railways Corporation Act 1981 and the State-Owned Enterprises Act 1986.

These unaudited, condensed interim financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Corporation's Annual Report for the year ended 30 June 2019.

The financial statements have been prepared on a historical cost basis, except for land and buildings that are 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 in accounting policies in the current financial year. All policies have been applied on a basis consistent with those used in previous periods. There were no new accounting standards and interpretations issued effective from 1 July 2019 applicable to the Corporation.

Notes to the Financial Statements

For the six months ended 31 December 2019

2. OPERATING REVENUES

	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
	\$000	\$000	\$000
Operating revenues from non-exchange transactions	47	43	68
Total operating revenues	47	43	68

Operating revenue consists solely of management fees charged to KiwiRail Holdings Limited under the Management Agreement. In accordance with the Management Agreement any operating costs incurred by the Corporation are charged to KiwiRail Holdings Limited 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

	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
	\$000	\$000	\$000
Directors' fees	25	22	39
Insurance	21	21	21
Audit fees	-	-	8
Travel expenses	1	-	-
Total operating expenses	47	43	68

Notes to the Financial Statements

For the six months ended 31 December 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 a 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 is 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.

	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
	\$000	\$000	\$000
Net proceeds from land sold	-	(2,642)	(3,754)
Net proceeds from land swap			
Land given up	-	(165)	(165)
Land acquired	-	80	80
Net	-	(85)	(85)
Cost of land acquisitions	-	-	-
Net impact of sale and purchase of land charged to equity	-	(2,727)	(3,839)

	6 months ended 31 Dec 2019 (Unaudited)	6 months ended 31 Dec 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
	\$000	\$000	\$000
Carrying value of land sold/transferred	-	(2,526)	(4,765)
Carrying value given up from land swap	-	(100)	(101)
Net proceeds from sale of land	-	2,727	3,839
Net gain on sale and purchase of land recognised in Statement of Financial Performance	-	101	(1,027)

Notes to the Financial Statements

For the six months ended 31 December 2019

5. 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.

