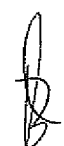


**GREATER WELLINGTON RAIL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

**GREATER WELLINGTON RAIL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

Contents	Page
Directory	2
Directors' Report	3
Income Statement	5
Statement of Changes in Equity	5
Balance Sheet	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Statement of Compliance and Responsibility	13
Audit Report	14



**GREATER WELLINGTON RAIL LIMITED
DIRECTORY
FOR THE PERIOD ENDED 30 JUNE 2007**

Directors

I M Buchanan
Hon M K Shields
T J McDavitt
F R Long
A Blackburn
P Blades

Appointed

03-Aug-06
03-Aug-06
03-Aug-06
03-Aug-06
03-Aug-06
03-Aug-06

Registered Office

142-146 Wakefield Street
Wellington

Auditors

Audit New Zealand
on behalf of the Auditor-General

Solicitors

Chapman Tripp

Bankers

ANZ National Bank Ltd



**GREATER WELLINGTON RAIL LIMITED
DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 JUNE 2007**

The Directors have pleasure in submitting their 2007 Annual Report and Financial Statements.

Principal Activities

The Company's principal activities during the period were the ownership and management of its rail rolling stock assets. The object of the Company is to own and maintain rail rolling stock and to make this available for lease to a commercial rail operator.

The Company was incorporated on 3rd August 2006.

Results and Distributions

**2007
\$000**

Net surplus after tax for the financial period

-

Dividend distribution

-

Disclosure of Interests by Directors

I M Buchanan

Chairperson of Greater Wellington Regional Council

Hon M K Shields

Immediate past Chairperson and current Councillor of Greater Wellington Regional Council

T J McDavitt

Deputy Chairperson of Greater Wellington Regional Council

F R Long

Councillor of Greater Wellington Regional Council

A Blackburn

None

P Blades

None

Directors' Interest Register

Directors have had no interest in any transaction or proposed transaction of the company.

Directors' Use of Company Information

There were no notices from Directors requesting use of Company information received in their capacity as Directors which would not have otherwise been available to them.

Directors' Indemnity and Insurance

The Company's parent company, WRC Holdings Ltd, has arranged insurance to indemnify the Directors from any liability resulting from any act or omission in their capacity as Directors.

**GREATER WELLINGTON RAIL LIMITED
DIRECTORS' REMUNERATION
FOR THE PERIOD ENDED 30 JUNE 2007**

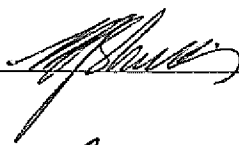
Details of Directors' remuneration are as follows:

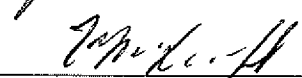
	\$
I M Buchanan	Nil
Hon M K Shields	Nil
T J McDavitt	Nil
F R Long	Nil
A Blackburn	Nil
P Blades	Nil

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 Rudie Tomlinson of Audit New Zealand to undertake the audit.

For and on behalf of the Board

Director  _____ September 21, 2007

Director  _____ September 21, 2007

**GREATER WELLINGTON RAIL LIMITED
INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007**

	Note	2007 \$000
REVENUE		
Grants and Subsidies		2,480
TOTAL OPERATING REVENUE		<u>2,480</u>
EXPENSES		
Audit fees	11	23
Insurance		19
Legal fees		82
Management fees		-
Professional fees		8
Consultancy fees		2,339
Repairs and maintenance		9
Depreciation	5	-
Directors fees	7	-
Other operating expenditure		-
TOTAL EXPENSES		<u>2,480</u>
NET SURPLUS / (DEFICIT) BEFORE TAXATION		-
Taxation expense	2	-
NET SURPLUS / DEFICIT FOR THE PERIOD		<u><u>-</u></u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2007**

	Share Capital	Retained Earnings	Total Attributable to equity holders
	\$000	\$000	\$000
Balance as at 3 August 2006	-	-	-
Net Surplus / (Deficit) for the period		-	-
Distributions to owners during the period		-	-
Balance as at 30 June 2007	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

GREATER WELLINGTON RAIL LIMITED
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 \$000
EQUITY		
Ordinary share capital	3	-
Retained Earnings		-
TOTAL EQUITY		<u>-</u>
Represented by:		
CURRENT ASSETS		
Bank and short term deposits		-
Income due from Greater Wellington Regional Council	5	10,181
Inventories		50
TOTAL CURRENT ASSETS		<u>10,231</u>
NON CURRENT ASSETS		
Property plant and equipment	4	19,809
TOTAL NON CURRENT ASSETS		<u>19,809</u>
TOTAL ASSETS		<u>30,040</u>
CURRENT LIABILITIES		
Accrued Expenditure		10,181
Deferred Income		993
TOTAL CURRENT LIABILITIES		<u>11,174</u>
NON CURRENT LIABILITIES		
Deferred Income		18,866
TOTAL NON CURRENT LIABILITIES		<u>18,866</u>
TOTAL LIABILITIES		<u>30,040</u>
NET ASSETS		<u>-</u>

For and on behalf of the Board

Director  _____ September 21, 2007

Director  _____ September 21, 2007

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



**GREATER WELLINGTON RAIL LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2007**

	Note	2007 \$000
Cash flow from operating activities		
Cash was provided from:		
Grants from Greater Wellington Regional Council		-
Cash was applied to:		
Payments to suppliers		-
Net cash flow from operating activities	8	<u>-</u>
Cash flow from investing activities		
Purchase of Property, Plant & Equipment		-
Purchase of Inventory		-
Net cash flow from investing activities		<u>-</u>
Cash flow from financing activities		
Cash was provided from:		
Movement in Accounts Receivable		-
Cash was applied to:		
Dividend paid to WRC Holdings Ltd		-
Movement in Accounts Payable		-
Net cash flow from financing activities		<u>-</u>
Net increase (decrease) in cash held		<u>-</u>
Add opening cash brought forward		-
Closing cash carried forward		<u>-</u>

All transactions for Greater Wellington Rail Limited were transacted through the intercompany current account with Greater Wellington Regional Council. As such there are no cash movements in the cash flow statement.

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



**GREATER WELLINGTON RAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Greater Wellington Rail Ltd is registered under the Companies Act 1993 and is a wholly owned subsidiary of WRC Holdings Ltd, which in turn is a wholly owned subsidiary of Greater Wellington Regional Council.

The Company is a council controlled trading organisation as defined in section 6 of the Local Government Act 2002.

For the purposes of financial reporting the company is designated as a profit-oriented entity.

STATEMENT OF COMPLIANCE

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit oriented entities.

MEASUREMENT BASE

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Company.

ACCOUNTING POLICIES

The following accounting policies which materially affect the financial statements have been consistently applied.

(a) Revenue Recognition

Revenue is recognised when billed or earned on an accrual basis.

Grants for asset purchases are initially recognised in the balance sheet as deferred income and only recognised in the income statement over periods necessary to match them with the related use over the life of the asset.

Other grants and contributions from territorial local authorities are recognised in the Income Statement when eligibility has been established by the grantor.

(b) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the company has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

**GREATER WELLINGTON RAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

(b) Income Tax - continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Income Statement, 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.

(c) Property Plant and Equipment

Property plant and equipment are recorded at historical cost.

Capital work in progress is calculated on the percentage work completed basis.

(d) Depreciation

Depreciation is provided on a straight line basis on all tangible property, plant and equipment other than capital works in progress, at rates which, will write off assets, less their estimated residual value, over their remaining useful lives.

The useful lives of major classes of assets have been estimated as follows:

Rail Rolling Stock	20 to 35 years
Capital work in progress	Not depreciated.

There has been no depreciation in the period to 30 June 2007 as the first carriages only became operational in the last week of the financial period.

(e) Goods and Services Tax (GST)

The company is part of the Wellington Regional Council GST Group. All items in the financial statements are exclusive of GST.

Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

(f) Inventories

Inventories are valued at the lower of cost or net realisable value.

(g) Changes in Accounting Policies

There have been no changes in accounting policies during the period.

**GREATER WELLINGTON RAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

2. TAXATION

(a) Income tax recognised in profit or loss	2007
Tax expense/(income) comprises:	\$'000
Current tax expense/(income)	-
Subvention payment (receipt)	-
Adjustments recognised in the current period in relation to the current tax of prior periods	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-
Deferred tax expense arising from the write-down, or reversal of previous write-down, of a deferred tax asset	-
Total tax expense/(benefit)	-

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:

(Profit)/loss from operations	-
Income tax expense/(benefit) calculated at 33%	-
Non-deductible expenses	-
Tax impact of imputation credits	-
Unused tax losses and tax offsets not recognised as deferred tax assets	-
Other	-
(Over)/under provision of income tax in previous period	-
Total subvention payment (receipt)	-

The tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. Although for the current period there has been no change in the corporate tax rate when compared with the previous reporting period, from 1 July 2008 the company will be subject to tax at the recently enacted rate of 30%.

(b) Deferred tax balances	2007
	\$'000
Deferred tax assets comprise:	
Tax losses	-
Temporary differences	-
Deferred tax liabilities comprise:	
Temporary differences	-

Greater Wellington Rail Limited does not have any unrecognised tax losses or deductible temporary differences.

(c) Imputation credit account balances	2007
	\$'000
Balance at beginning of the period	-
Balance at end of the period	-

**GREATER WELLINGTON RAIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

3. SHARE CAPITAL

**2007
\$000**

Ordinary Share Capital

10,000 ordinary shares of \$1 each issued but uncalled.

-

4. PROPERTY PLANT AND EQUIPMENT

2007

Cost	Accumulated Depreciation	Net Book Value
\$000	\$000	\$000

Rail Rolling Stock

- - -

Work In Progress

- - -

Total property plant and equipment

- - -

5. INVENTORIES

**2007
\$000**

Spares for rolling stock

50

6. CONTINGENT ASSETS AND LIABILITIES

The Company has no contingent assets or liabilities at 30 June 2007.

7. RELATED PARTY DISCLOSURES

100% of the grants revenue was provided by Greater Wellington Regional Council, the ultimate parent company. At period end the Company is owed \$10,181k by the Wellington Regional Council. No interest is calculated as outstanding balances are settled on a daily basis.

All other transactions with related parties have been carried out on normal commercial terms.

Directors fees:

The Hon M K Shields, Messrs I M Buchanan, T J McDavitt and F R Long, received a salary from Greater Wellington Regional Council in accordance with the Local Government Elected Members Determination of 2006 and any out-of-pocket expenses incurred as set out in Greater Wellington Regional Council's policy on elected members' allowances and expenses.

Other Directors' remuneration paid during the period

**2007
\$**

A Blackburn

nil

P Blades

nil

-

**GREATER WELLINGTON RAIL LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 JUNE 2007**

**8. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO
 NET SURPLUS /(DEFICIT) AFTER TAX**

	2007 \$000
Net surplus after taxation	-
Add back non cash items:	
Depreciation	-
Add /(less) movement in working capital:	
(Increase) / decrease in inventory	(50)
(Increase) / decrease in deferred income	19,859
(Increase) / decrease in revenue due from Greater Wellington Regional Council	(10,181)
Increase / (decrease) in Accrued expenditure	10,181
Add/(less) items classified as investing or financing activities	
Accounts payable related to property plant and equipment	(19,809)
Decrease in provision for dividends relating to financing activities	-
Decrease in Greater Wellington Regional Council current account relating to financing activities	-
Net cash flows from operating activities	<u><u>-</u></u>

All transactions for Greater Wellington Rail Limited were transacted through the intercompany current account with Greater Wellington Regional Council. As such there are no cash movements in the cash flow statement.

9. KEY PERFORMANCE TARGETS - Statement of Intent

Key performance targets are set for the WRC Holdings Group as a whole and are reported on in the WRC Holdings Ltd 2007 Annual Report and Financial Statements.

10. CONTRACTUAL COMMITMENTS

Estimated contractual commitments at balance date but not provided for was \$7.434 million for SE and SW carriages for use on the Wairarapa line.

11. AUDITORS' REMUNERATION

	2007 \$000
Audit New Zealand - audit services	5
Audit New Zealand - other services	18
	<u><u>23</u></u>

**GREATER WELLINGTON RAIL LIMITED
STATEMENT OF COMPLIANCE AND RESPONSIBILITY
FOR THE PERIOD ENDED 30 JUNE 2007**

Compliance

The Directors and management of Greater Wellington Rail Limited 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 Greater Wellington Rail Limited accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

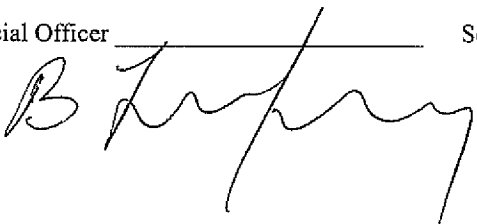
The Directors have authority to sign these financial statements.

The Directors and management of Greater Wellington Rail Limited 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 Greater Wellington Rail, the annual Financial Statements for the period ended 30 June 2007 fairly reflect the financial position and operations of Greater Wellington Rail Limited.

Director  _____ September 21, 2007

Director  _____ September 21, 2007

Chief Financial Officer  _____ September 21, 2007



AUDIT REPORT

**TO THE READERS OF
GREATER WELLINGTON RAIL LIMITED'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2007**

The Auditor-General is the auditor of Greater Wellington Rail Limited (the company). The Auditor-General has appointed me, Rudie Tomlinson, 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, for the period ended 30 June 2007.

Unqualified opinion

In our opinion:

- The financial statements of the company on pages 5 to 12:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the company's financial position as at 30 June 2007; and
 - the results of its operations and cash flows for the period ended on that date.
- The performance information of the company on page 12 gives a true and fair view of the achievements measured against the performance targets adopted for the period ended 30 June 2007.
- Based on our examination the company kept proper accounting records.

The audit was completed on 21 September 2007, and is the date at which our opinion is expressed.

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

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had

found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

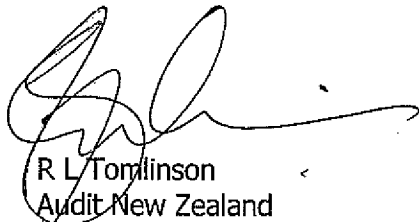
The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company as at 30 June 2007. They must also give a true and fair view of the results of its operations and cash flows for the period ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the period ended 30 June 2007. The Board of Director's responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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

A handwritten signature in black ink, appearing to read 'R. L. Tomlinson', with a long horizontal flourish extending to the right.

R. L. Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand