# DUNEDIN RAILWAYS

# STATEMENT OF INTENT

## For the Year Ending 30 June 2027

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## 1. INTRODUCTION

Dunedin Railways Ltd (DRL) is now entering the execution phase of its five-year strategic plan, transitioning the business from post hibernation recovery into operational maturity.

Following the successful re-establishment of core operations, markets, and asset renewal programmes during FY25–FY26, the company's focus for FY27 is on disciplined delivery, operational stability, commercial performance, and strengthening organisational systems and controls.

DRL continues to operate as a wholly owned subsidiary of Dunedin City Holdings Ltd (DCHL), with Dunedin City Council (DCC) providing up to $2 million per annum in equity funding to support track renewal and asset resilience.

This Statement of Intent outlines DRL's operational priorities, performance targets, and financial forecasts for FY27 and the following two years, and reflects the company's commitment to safe operations, strong governance, financial discipline, and sustainable growth.

## 2. OBJECTIVES

As a Dunedin City Council Group company, DRL contributes to the Council's strategic framework and city objectives. With long-term funding support from its shareholder, DRL aims to develop into a high-performing, commercially sustainable tourism business that reflects Dunedin's heritage and brand values.

Our objectives for the year are to:

- Execute against the approved five-year strategic plan to embed disciplined delivery, operational maturity, commercial discipline and organisational capability across the business.
- Deliver safe, reliable and resilient rail operations through disciplined maintenance, renewal investment and asset management.
- Strengthen commercial performance and revenue stability by growing passenger volumes and yield through optimising products, trade partnerships, cruise performance and digital channels.
- Embed strong financial discipline and capital management through robust cashflow forecasting, timely equity funding requests, accurate capital expenditure reporting and strengthened financial controls.
- Strengthen systems, leadership capability and risk discipline to support sustainable growth.
- Maintain strong stakeholder relationships with shareholders, regulators, partners and the Dunedin community.
- Strengthen the Dunedin Railways brand and guest experience through continuous improvement of guest service, presentation standards and tourism product development.

As defined in section 59 of the Local Government Act 2002, the principal objectives of CCOs are to:

a) achieve the objective of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and

b) be a good employer as per clause 36 of Schedule 7 LGA; and

c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

DRL conducts its affairs in accordance with sound business practice. DRL has adopted a target to reduce its carbon emissions by 2030 and will continue to work with DCC/DCHL to identify and scope further opportunities to contribute to Dunedin's citywide goal to be net zero carbon by 2030.

## 3. NATURE AND SCOPE OF ACTIVITIES

The principal activities of Dunedin Railways Ltd (DRL) are to:

- Operate safe, reliable and commercially sustainable rail tourism services, including scheduled services, charters and cruise-related operations.
- Develop, market and deliver high quality visitor experiences that showcase the Taieri Gorge and contribute positively to Dunedin's visitor economy and heritage.
- Maintain, renew and manage the rail corridor, rolling stock and associated infrastructure for which the company is responsible.
- Manage operational safety, regulatory compliance and risk assurance across all rail activities.
- Build strong partnerships with tourism operators, trade partners and stakeholders to support sustainable growth.

During the 2027 financial year, DRL will continue to execute its approved five-year strategic plan, including ongoing track renewal investment, operational maturity initiatives, and grow revenue through targeted product and market development.

Any activity outside the nature and scope of the above would be subject to the prior approval of the shareholder.

## 4. APPROACH TO GOVERNANCE

DRL is governed by a board of independent directors appointed by DCHL. Directors meet regularly to direct and control DRL's proceedings.

The role of a Director of a CCO is defined in the Local Government Act 2002 as "to assist the organisation to meet its objectives and any other requirements in its Statement of Intent." The DRL board operates in accordance with accepted best practice.

## 5. PERFORMANCE TARGETS

| Goal | Objective | Performance Targets |
|---|---|---|
| **Deliver safe, reliable rail operations that build customer confidence and support sustainable growth.** | Maintain high levels of service reliability while embedding mature safety practices and asset resilience. | Scheduled services operate as planned (excluding weather/third party cancellations).<br><br>Lost time incidents are less than two. |
| **Protect and strengthen the long-term resilience of the rail corridor through disciplined asset renewal and capital management.** | Deliver the approved track renewal programme efficiently and transparently. | No unplanned service cancellations attributable to infrastructure failure.<br><br>Track renewal program delivered within approved budget. |

| Goal | Objective | Performance Targets |
|---|---|---|
| **Ensure shareholder equity funding is managed responsibly and transparently.** | Strengthen forecasting discipline and capital reporting accuracy. | 100% of equity funding requests submitted during the financial year will be supported by Board approved cashflow forecasts.<br><br>- Record & report 100% of Capital Expenditure in accordance with approved accounting standards, with no material errors identified through external audit processes. |
| **Improve financial sustainability through disciplined commercial performance.** | Grow passenger volumes and optimise yield in line with the approved strategic plan. | Average revenue per passenger, year on year improvement on FY26 actuals.<br><br>Achieve 41,449 passengers. |
| **Strengthen organisational maturity, systems and risk discipline** | Embed scalable systems, stronger internal controls and risk management. | Risk reviews completed on schedule.<br><br>Resolve 100% of audit findings and control issues within timeframes agreed with Audit New Zealand, with no overdue items at year-end. |
| **Develop fleet to achieve long term product delivery resilience consistent with the objectives in the 5-year strategic plan.** | Strengthen medium-term fleet resilience and organisational maturity. | Fleet resilience and wheelset replacement strategy approved by the Board, including costed delivery pathway, by 30 June 2027.<br><br>Core operational, financial and safety dashboards fully implemented and embedded across the leadership team by 30 June 2027 |
| **Provide outstanding customer service to our valued customers.** | Provide consistent and quality service that exceeds expectations. | Maintain at least 80% customer satisfaction with our in-house customer survey. |
| **Maintain a strategic direction that is consistent with the policies and objectives of the shareholder.** | Ensure Statement of Intent is consistent with objectives of the shareholder. | A draft 2026/2027 Statement of Intent will be submitted to the shareholder by 1 March 2026.<br><br>Ensure that all direct employees are paid at a minimum of the living wage. |
| **Contribute to Council's Strategic Framework and Climate Change and Carbon Neutrality initiatives.** | Contribute to Council's Carbon Neutrality initiatives. | Refresh DRL's carbon emissions & waste reduction strategy. |
| | | Measure and report our Greenhouse Gas (GHG) emissions, waste reduction strategies and targets in our Annual Report. |
| | | Reduce DRL's operational greenhouse gas emissions year-on-year. |
| **Communicate with the shareholder on a 'no surprises' basis** | Consult with the shareholders in a timely manner on strategic or operational matters which could compromise Council's community outcomes. | All relevant matters escalated to the shareholder in a timely manner. |
| | Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage. | All relevant matters reported to the shareholders within 24 hours. |

## 6. FINANCIAL FORECASTS

This section sets out DRL's financial forecasts for the next three financial years.

***Ratio of Shareholder's Funds to Total Assets, and the definition of those terms***

| | Year ending 30/06/27 | Year ending 30/06/28 | Year ending 30/06/29 |
|---|---|---|---|
| Shareholder funds to Total Assets | 67% | 89% | 88% |

"Shareholder Funds" are represented by the paid-up capital, reserves created by the revaluation of specific assets and retained earnings.

"Total Assets" means the aggregate amount of all current and non-current assets.

***Financial Forecast Summary***

| | Year ending 30/06/2027 $'000 | Year ending 30/06/2028 $'000 | Year ending 30/06/2029 $'000 |
|---|---|---|---|
| EBITDA | (1,381) | (666) | (318) |
| Net profit/(loss) after tax | (1,743) | 2,338 | (302) |
| Cash flow from operations | (1,490) | 2,699 | 98 |
| Capital expenditure | 1,217 | 1,200 | 300 |
| Term loans | 900 | NIL | NIL |
| Shareholder's funds | 3,268 | 5,606 | 5,304 |

As a council-controlled organisation that is not a council-controlled trading organisation, the company presents forecast financial statements for the year ending 30 June 2027 and the following two years, as required by section 64(6) of the Local Government Act 2002.

Net profit/(loss) after tax is shown after forecast subvention receipts from other DCHL group companies.

The financial forecasts are prospective and draw on the company's first full year of trading following its period of hibernation, which is being used as a baseline for future projections. The completion of this first year has enabled improved insight into operational performance, demand drivers, and cost behaviour, supporting the refinement of key forecasting assumptions.

The FY27 forecast reflects a prudent approach to revenue and EBITDA, with conservative assumptions applied to visitor demand while still incorporating projected year-on-year growth in line with the company's strategic plan. Notwithstanding this, demand forecasts remain sensitive to external conditions, and a prolonged period of geopolitical uncertainty could materially impact visitor activity and associated revenue. Maintenance expenditure is forecast to increase in FY27 as the company progresses deferred and planned works and continues to build a clearer view of long-term asset requirements. The forecasts also reflect updated funding assumptions, including the expected timing of remaining track funding and progression of DRL's workshop development.

Cost assumptions have been updated to reflect current market conditions, including fuel-related expenses and potential supply-side pressures. However, while these factors have been considered, the forecasts necessarily rely on central assumptions and do not include significant contingency for further escalation or operational disruption arising from geopolitical uncertainty, particularly in relation to fuel supply. Accordingly, the forecasts remain inherently judgement-based and will continue to be refined for future planning and reporting purposes as greater certainty is obtained across demand, delivery timing, and external market conditions.

The prospective financial statements were authorised for issue on 28th May 2026 by the board of DRL. The board is responsible for the information presented, including the underlying assumptions and all other disclosures. The prospective financial statements contain no actual operating results and will not be updated subsequent to presentation in this Statement of Intent.

***Track Renewal Plan & Funding***

| | Year ending 30/06/2027 $'000 | Year ending 30/06/2028 $'000 | Year ending 30/06/2029 $'000 |
|---|---|---|---|
| EBITDA – before track renewals | 438 | 1,208 | 1,613 |
| EBITDA – after track renewals | (1,381) | (666) | (318) |
| Capital expenditure – track renewals | 59 | - | - |
| Operating expenditure – track renewals | 1,820 | 1,875 | 1,930 |
| Total spend track renewal programme | 1,879 | 1,875 | 1,930 |
| Capital Injection / Funding | 2,000 | - | - |

The company's track renewal and infrastructure investment programme is currently subject to audit and review. As a result, associated funding requirements, cost estimates, and delivery timelines remain indicative and are expected to evolve as planning assumptions are refined. The FY2027 forecast aligns with the anticipated scope of work for this period; however, forecasts for subsequent financial years will be further developed once the longer-term track renewal plan has been reviewed and formally approved by the Board.

In 2025, DCC directed DCHL to provide up to $2 million per annum, aligned with DCC's 9-year plan (2025–2034), to support DRL's track renewal programme, with funding delivered through equity injections from DCHL. DRL may access this funding through submission of Board-approved cashflow forecasts outlining the expected timing and scale of renewal-related expenditure.

Track renewal funding has not been explicitly forecast in FY2028 and FY2029, reflecting the assumption that forecast subvention receipts over this period will be sufficient to support planned expenditure. However, subvention funding is subject to change, and the timing and quantum of track renewal investment may vary due to operational performance and programme delivery requirements. Given the seasonal nature of DRL's operations; the timing of expenditure and associated funding requirements may also differ from initial projections. Where variations arise, equity funding may be approved and drawn down as required to ensure alignment with programme delivery, while maintaining appropriate financial oversight and consistency with the agreed funding framework.

| **Forecast Statement of Comprehensive Revenue and Expenses** | **FY2027 Budget 000's** | **FY2028 Budget 000's** | **FY2029 Budget 000's** |
|---|---|---|---|
| Operating Revenue | 5,779 | 6,727 | 7,479 |
| **<u>Less Expenses</u>** | | | |
| Operating Expenses | 7,161 | 7,394 | 7,797 |
| Depreciation | 337 | 367 | 392 |
| Interest Expenses | 24 | 48 | - |
| | 7,522 | 7,809 | 8,189 |
| **Net (Loss)/Profit before Tax** | **(1,743)** | **(1,082)** | **(710)** |
| Less: Tax Expense | - | - | - |
| Add: Subvention receipt | - | 3,420 | 408 |
| **Net (Loss)/Profit after Tax** | **(1,743)** | **2,338** | **(302)** |
| Other Comprehensive revenue and expense: | - | - | - |
| **Total comprehensive revenue and expense for the year** | **(1,743)** | **2,338** | **(302)** |

| **Forecast Statement of Changes in Equity** | **FY2027 Budget 000's** | **FY2028 Budget 000's** | **FY2029 Budget 000's** |
|---|---|---|---|
| Opening Equity | 3,011 | 3,268 | 5,606 |
| Share Capital Contributions | 2,000 | - | - |
| Total comprehensive revenue and expense for the year | (1,743) | 2,338 | (302) |
| **Closing Equity** | **3,268** | **5,606** | **5,304** |

| Forecast Statement of Financial Position | FY2027 Budget 000's | FY2028 Budget 000's | FY2029 Budget 000's |
|---|---|---|---|
| **Equity** | | | |
| Share Capital | 15,097 | 15,097 | 15,097 |
| Accumulated Losses | (11,829) | (9,491) | (9,792) |
| **Total Equity** | **3,268** | **5,606** | **5,304** |
| **Current Assets** | | | |
| Bank balance | 980 | 1,579 | 1,377 |
| Trade and other receivables | 434 | 459 | 445 |
| Total current assets | 1,414 | 2,038 | 1,822 |
| **Non-current Assets** | | | |
| Property, plant & equipment | 3,454 | 4,287 | 4,195 |
| Total non-current assets | 3,454 | 4,287 | 4,195 |
| **Total Assets** | **4,868** | **6,325** | **6,017** |
| **Current Liabilities** | | | |
| Trade & Other Payables | 676 | 695 | 689 |
| Workshop Loan | 900 | - | - |
| Unearned Revenue - Invoiced | 24 | 24 | 24 |
| Total current Liabilities | 1,600 | 719 | 713 |
| **Total Liabilities** | **1,600** | **719** | **713** |
| **Net Assets** | **3,268** | **5,606** | **5,304** |

| **Forecast Cashflow Statement** | **FY2027 Budget 000's** | **FY2028 Budget 000's** | **FY2029 Budget 000's** |
|---|---|---|---|
| **Cash flows from Operating** | | | |
| Cash was provided from: | | | |
| Receipts from customers | 5,619 | 6,692 | 7,484 |
| Income Tax/Subvention | - | 3,420 | 408 |
| Interest Received | 10 | 10 | 10 |
| | 5,629 | 10,122 | 7,902 |
| Cash was disbursed to: | | | |
| Payments to suppliers | 7,095 | 7,375 | 7,804 |
| Interest Paid | 24 | 48 | - |
| Income Tax paid/(received) | - | - | - |
| | 7,119 | 7,423 | 7,804 |
| **Net cash inflows/(outflows) from operating** | **(1,490)** | **2,699** | **98** |
| **Cash flows from Investing** | | | |
| Cash was provided from: | | | |
| Proceeds from Asset Disposals | - | - | - |
| | - | - | - |
| Cash was disbursed to: | | | |
| Capital expenditure | 1,217 | 1,200 | 300 |
| | 1,217 | 1,200 | 300 |
| **Net cash inflows/(outflows) from investing** | **(1,217)** | **(1,200)** | **(300)** |
| **Cash flows from financing** | | | |
| Cash was provided from: | | | |
| Call on Capital | 2,000 | - | - |
| Loan draw downs | 900 | 900 | - |
| | 2,900 | 900 | - |
| Cash was disbursed to: | | | |
| Repayment of borrowings | - | 1,800 | - |
| | - | 1,800 | - |
| **Net cash inflows/(outflows) from financing** | **2,900** | **(900)** | **-** |
| Opening Cash | 787 | 980 | 1,579 |
| Net change in cash | 193 | 599 | (202) |
| Closing cash | **980** | **1,579** | **1,377** |

## 7. ACCOUNTING POLICIES

*General Accounting Policies*

The accounting policies recognised by the External Reporting Board (XRB) for the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

*Particular Accounting Policies*

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in DRL's Annual Report.

## 8. DIVIDEND POLICY

DRL's current policy is not to pay dividends.

## 9. TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder of Dunedin City Holdings Limited.

Dunedin City Holdings Limited is the sole Shareholder in Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited, Dunedin Railways Ltd, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 50% of Dunedin International Airport Limited.

Transactions between the Companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

***Related Party Transactions***

| | |
|---|---|
| Dunedin City Council | Council rates for properties owned by DRL |
| | Lease of Council owned land |
| Dunedin City Holdings Limited | Equity funding<br><br>Functions appropriate between Parent company (DCHL) and subsidiary (DRL) |
| Dunedin City Treasury Limited | Debt facility agreement in place. |

DCHL and its subsidiaries, including DRL, undertake to obtain all debt funding from DCTL, with exceptions as agreed with the Board of DCHL.

## 10. OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD

*Information to be provided to the Shareholder*

| Information | Quarterly | Half Yearly | Annual |
|---|---|---|---|
| Key financial and service performance indicators | ✓ | ✓ | ✓ |
| Statement of Financial Performance | | ✓ | ✓ |
| Statement of Financial Position | | ✓ | ✓ |
| Statement of Cash Flows | | ✓ | ✓ |
| Statement of Movement in Equity | | ✓ | ✓ |
| Notes to the Financial Statements | | ✓ | ✓ |
| Statement of Service Performance against SOI targets | | ✓ | ✓ |
| Directors' Report | | ✓ | ✓ |
| Auditors' Report | | | ✓ |
| Draft Statement of Intent | | | Prior to 1 Mar |
| Final Statement of Intent | | | Prior to 30 Jun |

*Working with the shareholder*

DRL will undertake to keep the Shareholder informed of all substantive matters, as set out in the performance targets above. DRL will work to build a culture of accountability and constructive working practices between DRL, Shareholder, and Ultimate Shareholder as required. It is expected that any conflicts that may arise will be resolved directly between the Shareholder and DRL, in accordance with appropriate governance practices.

*Acquisition / divestment of assets or shares in any company or organisation*

DRL will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to DRL. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that DRL should acquire assets, they will obtain prior approval of the Shareholder where an investment into the new assets exceeds $500,000. For the purpose of this section, "asset(s)" includes a group of assets similar in type, cost and useful life that are purchased together and can be identified and maintained as one asset or group of assets following purchase.

If the Directors intend that DRL should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) they will obtain prior approval of the Shareholder.

The approval of the Shareholder is required before disposal by DRL of any segment of its business, or disposal of any shares in a subsidiary or associated company where the value of the asset to be disposed of exceeds $500,000.

*Compensation sought*

At the request of the Shareholder, the Company may undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities. At present, the Company does not have any activities in respect of which its Board wishes to seek compensation from any local authority.

*Group Facility Use*

DRL will undertake "Group" purchasing of goods and services, unless it is demonstrated conclusively to the Shareholder that the total combined cost of such Group purchasing to the Group and Dunedin City Council (including the costs of ceasing any such Group purchasing), is greater than any alternative identified.

*Other agreements*

DRL will not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council’s ethical position. DRL will assist DCHL in developing a group sponsorship policy, aligned with Council’s strategic framework.

DRL will assess and manage cyber-security risks in a manner appropriate to the sector in which it operates.

DRL will continue its ongoing commitment to supporting the DCHL Intern Director Programme and will remain actively engaged in contributing to the programme’s continued success and the development of future governance capability.

DRL will collaborate closely with DCC, DCHL and Audit New Zealand to incrementally shorten the DCC Group annual reporting timeline.