DUNEDIN RAILWAYS

WORLD CLASS TRAIN TRIPS

Annual Report 2025

Contents

Dunedin Railways

Chair's Report

For the Year ended 30 June 2025

Principal activities of the Company

Dunedin Railways Ltd has continued its transition from hibernation to becoming a fully operational, tourism-focused enterprise. From 1 July 2025, the Company will commence full operations, with a clear focus on delivering high-quality, heritage-based visitor experiences that contribute meaningfully to Dunedin's tourism economy.

Heritage train services on the Taieri Gorge and Coastal routes have resumed, and our strategic focus is on developing a sustainable, vibrant tourism offering to both local and overseas visitors. This reflects our commitment to building a self-sufficient business that is both economically viable and regionally valuable.

In January 2025, the Dunedin City Council instructed Dunedin City Holdings to provide funding support of up to $2 million per annum. The adoption of the Strategic Plan in early 2025 provides a roadmap to commercial sustainability.

Year in Review

	Year Ended 30 June 2025 $'000	Year Ended 30 June 2024 $'000
Revenue	5,527	2,416
Net surplus / (deficit) for the year	1,141	(1,355)
Shareholders' funds	2,696	305
Total assets	3,326	657

FY25 marked a year of momentum and meaningful progress. A key highlight was the reopening of the line to Pukerangi in October 2024, thereby re-establishing a significant section of the Taieri Gorge journey for the first time since hibernation. This milestone was met with strong public interest and rising demand.

Passenger numbers grew to 31,824 in FY25, up from 25,002 in FY24, with significant growth over the summer period. This positive trend reflects increasing market confidence and the appeal of our unique rail experiences.

In parallel, the Company re-established its presence within the tourism trade by participating in key events and reconnecting directly with domestic and international wholesalers, agents, cruise and tour operators. These engagements have begun to yield future bookings and long-term partnerships.

Operationally, we began strengthening internal capability by introducing dedicated roles in marketing and trade, while realigning existing functions to better suit the needs of a customer-focused tourism business. These changes are pivotal in our shift from an asset maintenance focus to business development and growth.

FY25 was, fundamentally, a foundation year. We restored core services, re-engaged with the broader tourism ecosystem, and built the internal capability needed for growth. These efforts position Dunedin Railways strongly for the next phase of development under our new strategic direction.

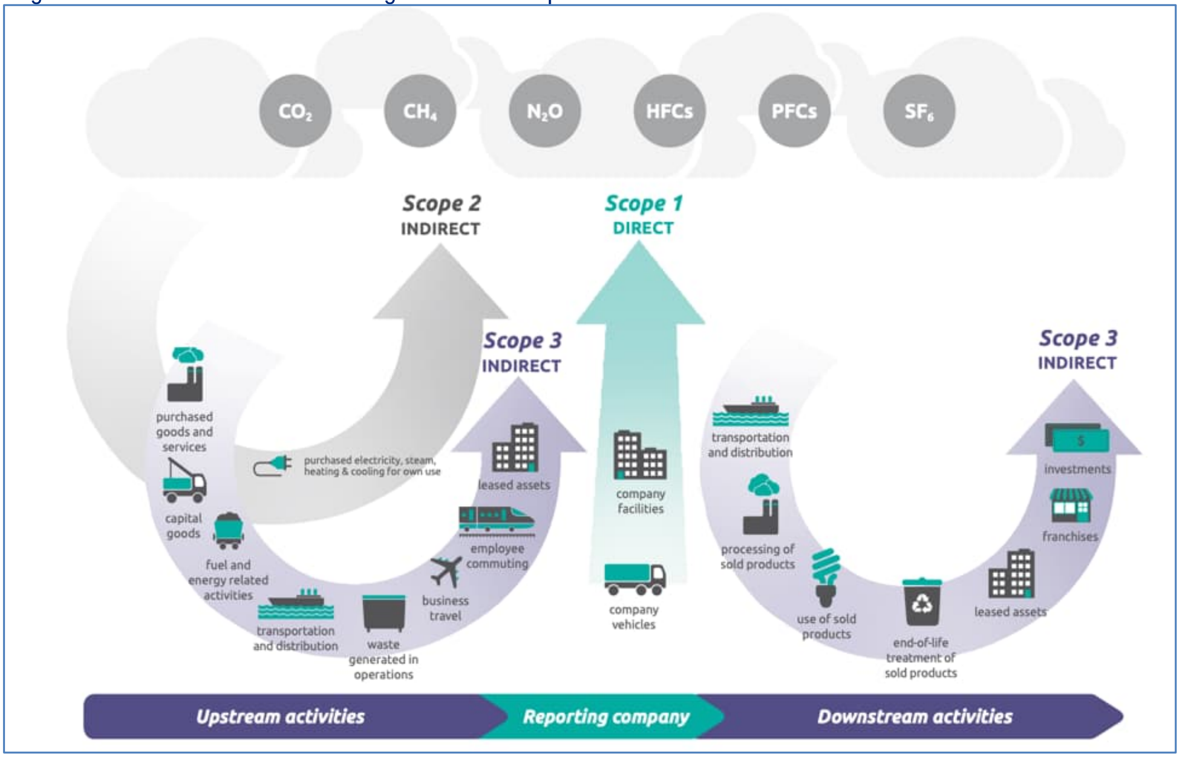
Adrian Januszkiewicz
Chair

Greenhouse Gas Emissions

During the year we have assessed and measured our Greenhouse Gas (GHG) emissions. We completed this process in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

Dunedin Railways created its first GHG inventory in the 2021 financial year and have been developing it further each year. We have at this stage focused on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

Figure 1 Source: GHG Protocol - Figure 1.1 of Scope 3 Standard



Scope 1 emissions are direct emissions that are operationally controlled by the Company, including:

- Mobile combustion emissions related to operating the trains.
- Mobile combustion emissions related to maintenance vehicles.

Scope 2 emissions are indirect GHG emissions from imported energy, including purchased electricity that is consumed at the railway yard and the Dunedin Railway Station.

To provide alignment across the Dunedin City Holdings Limited (DCHL) group of companies a consistent set of **Scope 3 emission** categories have been applied.

Our Scope 3 emissions include the following:

- Waste generated in our offices.
- Business travel
- Freight transportation
- Electricity transmission and distribution losses

At this stage we have not captured the indirect emissions from our suppliers and contractors. We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

Results

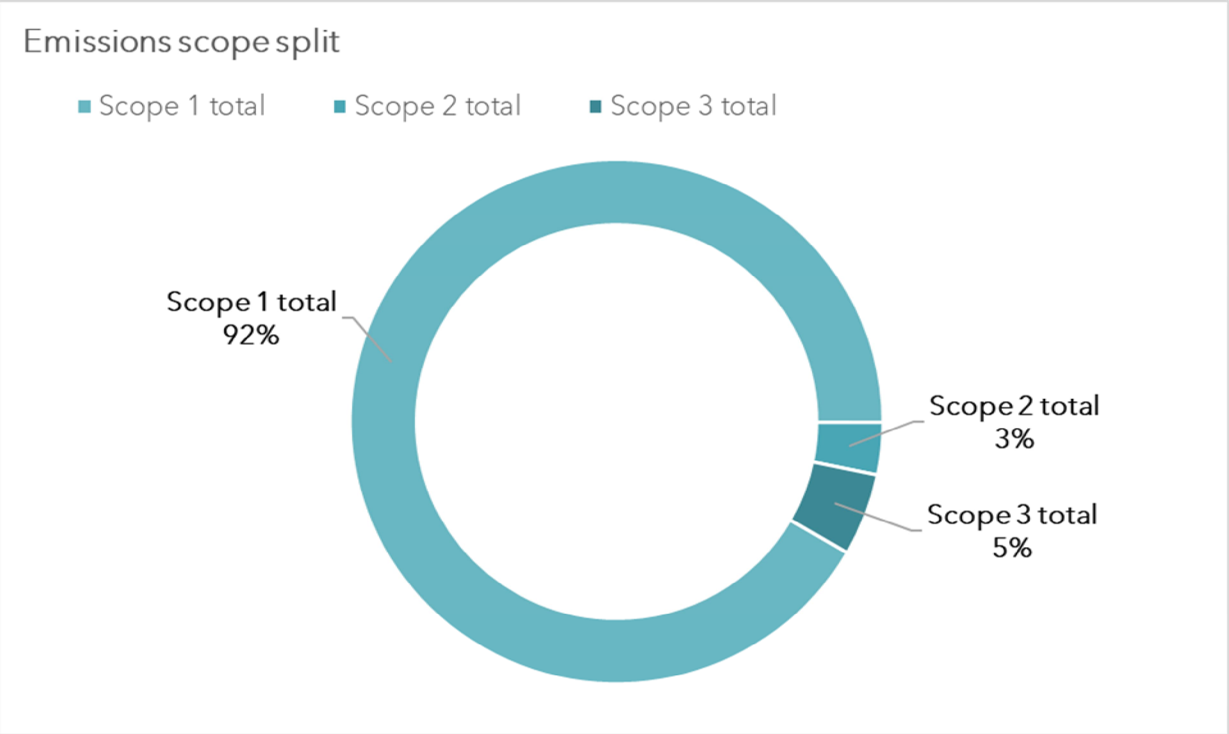
Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-e. “Carbon dioxide equivalent” is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

The Company measured GHG emissions for the year end 30 June 2025 are 379.9 tCO2-e.

Table 1 Emissions by Scope

	tCO2-e	% of total
Scope 1	348.4	92%
Scope 2	12.2	3%
Scope 3	19.3	5%
TOTAL	379.9	100%

Figure 2 Emissions by Scope

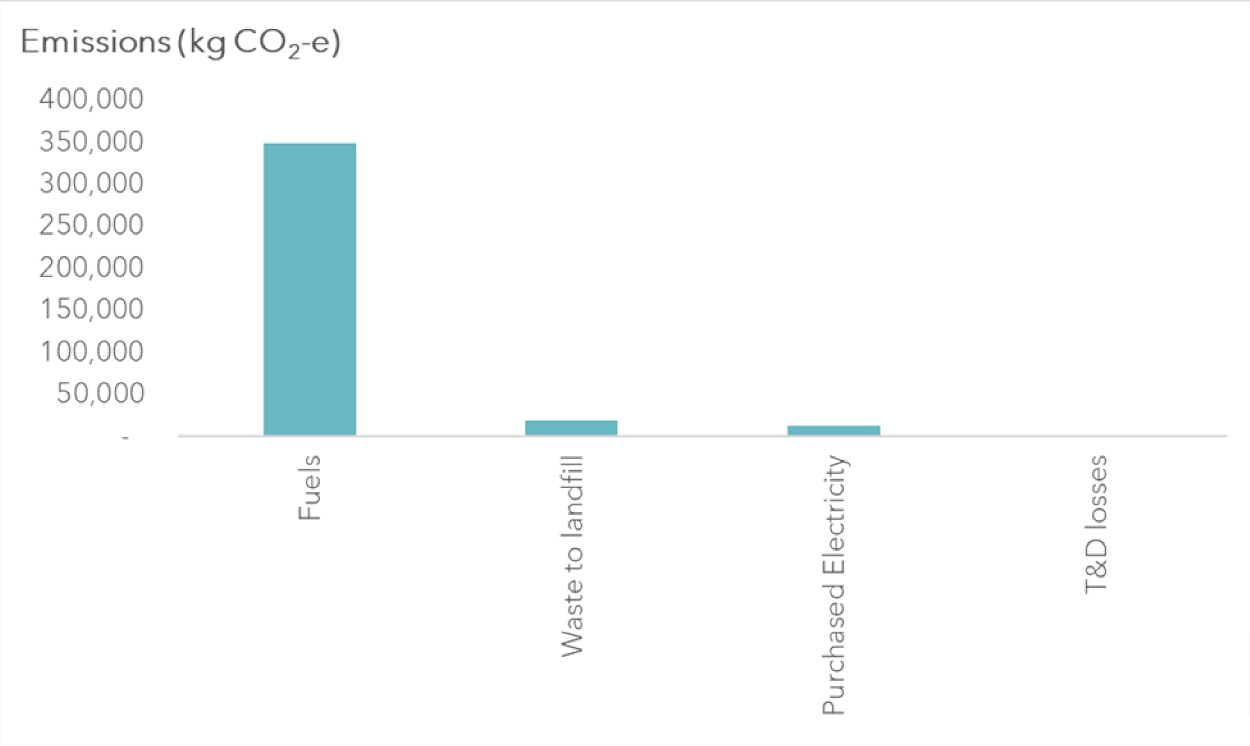


Emissions by Activity

Our top emissions sources are summarised below.

Table 2 Emissions by activity	2025
	tCO-e
Fuels	348.4
Waste to Landfill	18.4
Purchased Electricity	12.2
T&D Loss	0.9
TOTAL	379.9

Figure 3 Emissions by activity



Reporting against baseline

The Company has taken an alternative approach to reporting against its baseline, in recognition of the varied operational profile the Company has had over recent years and could have over the next few years. Under this approach, emissions are monitored and reported as emissions "per train trip". This allows the Company to target emission reduction, while minimising the impact from the volume of train trips operated.

Emissions "per train trip" in the 2025 year, and the baseline year, are reported below.

	2025	Baseline (FY21)
Train Trips Operated	269	27
Total Company emissions (tCO2-e)	379.9	94.5
Emissions per Train Trip	1.4	3.5

Carbon Reduction Strategy

During the 2022 financial year the Company developed an emissions reduction strategy and associated targets.

The strategy set an emissions reduction target to reduce our emissions by the year 2030. The emissions reduction target that we set is to achieve 46% reduction in our emissions per train trip by 2030, from our baseline of the 2021 financial year. As shown above we have achieved a 60% reduction in emissions per trip in 2025. The Company will continue to seek opportunities to reduce this further.

The Company's emissions reduction strategy focuses on gross emissions reduction which is demonstrated through the actions we have taken this year, as outlined in the following table.

Target Initiative	Progress
Investigate opportunity to reduce diesel usage of the Company's power vans, by modifying the van to use regenerative power from the wheels when breaking	The Diesel generator used to power the workshop has now been eliminated, and the workshop is running off mains power.
Investigate electricity supply options of potential future workshop sites	Electricity supply options have been investigated, although not pursued at this stage pending decisions about future workshop sites which will be considered as part of future operating model work.
Review operational processes to determine where improvements can be made to reduce electricity and fuel usage: • Electricity usage at Wingatui station and throughout locations on the Taieri Gorge line • Use of heavy fuel oil • Petrol usage on the Company's maintenance vehicle	Further investigation has not been pursued at this stage pending decisions about future workshop sites which will be considered as part of future operating model work. • Electricity at Wingatui and along the Taieri Gorge line is less than 1% of overall GHG emissions; little opportunity to significantly reduce emissions. • No alternatives to heavy fuel oil have been identified at this time. • Potential to replace company vehicles with hybrid models also dependent on future operating model.
Implement waste strategy	Achieved. See below.

The Company has adopted a target to be net zero carbon by 2030, as a contribution to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030. Over the 2026 financial year we will continue engaging with our shareholders DCHL and Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with Dunedin City Council to identify alternative or complementary opportunities to contribute to the Dunedin City Council's city-wide net zero carbon goal.

Waste Reduction Strategy

The Company also developed a Waste Reduction Strategy in the 2022 financial year. This strategy records Dunedin Railways' commitment to reducing the volume of waste disposed of to landfill, per train trip, year-on year.

In the 2025 financial year we set three activity-based targets, as reported below:

Target Initiative	Progress
Measure our waste, which will allow us to monitor and report our performance	Waste measured in 2025 was 4,900kg Waste should be proportional to passengers carried. The Company carried 31,824 passengers in 2025, which is 0.2kg of waste per passenger (pp). Total passengers carried in 2024 was 25,002 and total waste measured was 9,007kg. The waste pp was 0.4kg meaning there was 50% reduction pp.

The Company will continue to work on reducing its waste footprint in the coming year.

Zero Carbon

DCHL companies have been directed by the Dunedin City Council to reduce their organisational footprint. The companies have also committed to working alongside the Dunedin City Council to support city wide emissions reduction, as set out in the DCHL Carbon Reduction roadmap.

Dunedin City Wide Zero Carbon Targets

In 2019, the Dunedin City Council declared a climate emergency and brought forward its climate mitigation targets for the city as a whole. There are two targets as follows:

Target 1:
• Net zero carbon by 2030 (excluding biogenic methane):

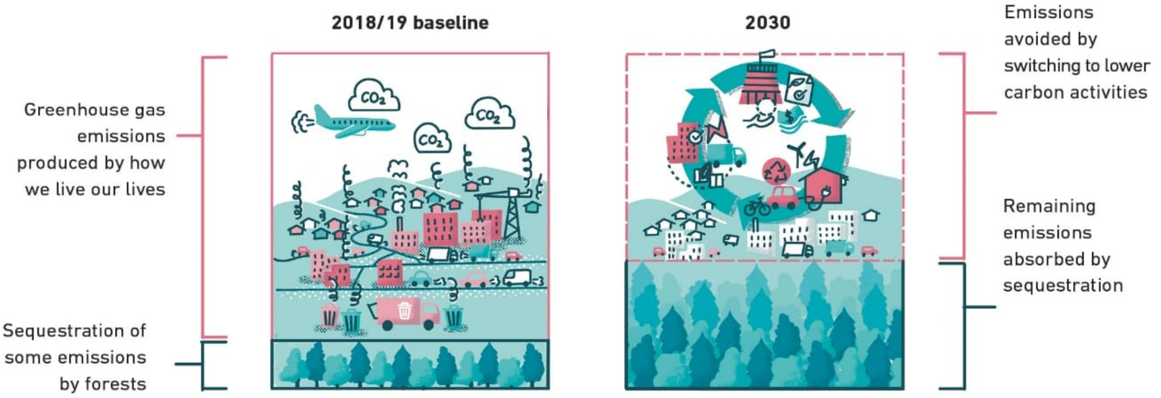
Net zero carbon means that any greenhouse gases (excluding biogenic methane) emitted into the atmosphere in Ōtepoti Dunedin are in balance with the amount of carbon absorbed out of the atmosphere by trees, also known as sequestration.

Target 2:
• Reduce biogenic methane emissions:

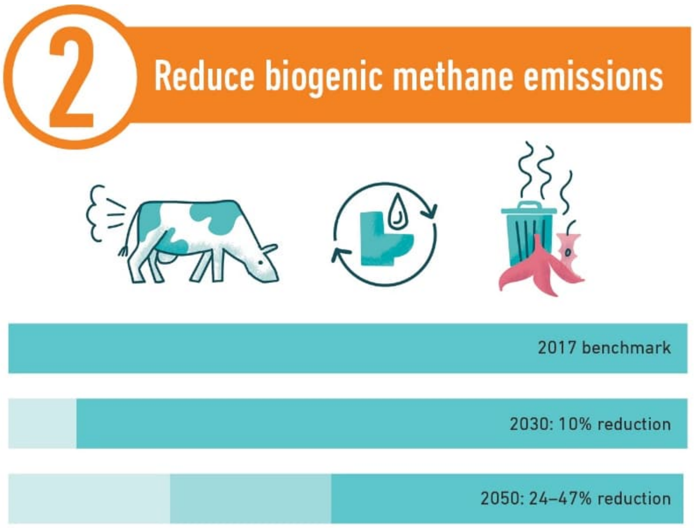
Biogenic methane is methane produced and released from living organisms like plants and animals. In 2021/22, 85% of the Dunedin City Territorial Area biogenic methane was generated by ruminant animals in agriculture, and 15% generated by waste to landfill and wastewater. The city's biogenic methane reduction targets are the same as the central government targets:
• 10% reduction from 2017 levels by 2030.
• 24-47% reduction from 2017 levels by 2050.

1 Net Zero Carbon by 2030

Dunedin can achieve net zero carbon (excluding biogenic methane) through reducing its total emissions by 40% and increasing its carbon sequestration by 64% upon 2018/19 levels. This would require significant reductions in emissions from transport, stationary energy, agriculture, and industrial processes and product use.



Net zero carbon means that any greenhouse gases (excluding biogenic methane) we emit into the atmosphere in Dunedin are in balance with the amount of carbon absorbed out of the atmosphere by trees, also known as sequestration.



Dunedin's biogenic methane reduction targets are the same as the central government targets

The **Zero Carbon Plan** sets out how Dunedin can achieve these two targets if everyone works together across the city.

The good news is, people and businesses in Dunedin have already been taking action.

Addressing climate change will take all of us. Work is underway at all levels - from international agreements, to national and city-level action, to organisations and households.

These two targets apply to the Dunedin City Territorial Area. Emissions are calculated using a predominately production-based methodology- the Global Protocol for Community-Scale Greenhouse Gas Inventories BASIC+. Emissions include those from stationary energy (e.g. electricity, coal, or biomass), transport, waste, industrial processes and product use, and the agriculture and forestry sectors.

The Global Protocol for Community-Scale Greenhouse Gas Inventories BASIC+ is production-based methodology which means it focuses on the emissions produced within the territorial area (such as petrol vehicles, livestock, and burning LPG in the city). It also includes emissions from electricity use and cross-boundary transport.

Globally produced emissions that relate to consumption in the city are excluded (e.g., embodied emissions relating to products produced elsewhere but consumed within the geographic area, such as imported food products, cars, phones, clothes etc.).

The city's emission footprint is calculated every three years, with the most recent footprint being calculated for the 2021/2022 financial year. The next scheduled footprint calculation will be completed for 2024/25.

Dunedin Railways

Statutory Information

For the Year ended 30 June 2025

Directors' interests register

As advised to the Company:

Director	Declaration of Interests
Tim Loan 3 October 2022 – present	Director, Dunedin City Holdings Ltd Director, Dunedin City Treasury Ltd Director, Dunedin Stadium Property Ltd Director & Shareholder, Abbot Insurance Brokers Southern Ltd Director, Finance Now Ltd (including subsidiary companies: TW Financial Services Operations Ltd) The Warehouse Financial Services Ltd and SBS Money Ltd Director & Shareholder, LWB Holdings Ltd Director, Presbyterian Support Southland Holding Company Ltd Director, Presbyterian Support Southland Retirement Villages Ltd Chair, H&J Smith Holdings Ltd (including subsidiary companies: H&J Smith Ltd, H&J Smith Parking Building Ltd, Outdoor World Ltd, Outdoor Adventures Ltd (dormant), H&J's Hardware Ltd (dormant), Southern Department Stores Ltd (dormant), Shotover Hardware Ltd, Symphony Retailing Ltd, Cross Roads Properties Ltd, H&J.'s Electrical Ltd, H&J's Properties Ltd, H&J Smith Corporate Ltd, H&J Smith Finance Ltd)
Greg Anderson 1 July 2023 - present	Director, Dunedin City Holdings Ltd Director, Dunedin City Treasury Ltd Director, Dunedin Stadium Property Ltd Director, Holmes GP Products Ltd (including related entities: Switchback GP Ltd, Whoosh GP Ltd, Whoosh Hold GP Ltd) Director and Shareholder, Northington Partners Ltd (including subsidiary companies Northington Agricapital Ltd, NPL Investments Ltd and NPL No.1 Holdco Ltd) Director and Shareholder, Cultivate Ventures GP Ltd (including related entity NPL No. 2 LP Ltd) Director and Shareholder, NZ Drinks Holdings Ltd (including subsidiary NZ Drinks Ltd) Director and Shareholder, Hedgebook Ltd Director and Shareholder, Stirling Sports Ltd Director and Shareholder, Reliable Foundations Holdings Ltd (including subsidiary companies and related entities: Reliable Foundations NZ Ltd, Reliable Foundations (South Island) Ltd, RFL Earthworks NZ Ltd, RFL Earthworks (South Island) Ltd, Reliable Foundations GP Ltd, NPL No.1 LP Ltd) Director and Shareholder, Agri Realty Ltd Director and Shareholder, Ra Tuatahi No. 1 Ltd Trustee, St Margaret's College Foundation
Susie Johnstone 1 March 2021 - present	Director, Dunedin City Holdings Ltd Director, Dunedin City Treasury Ltd Director, Dunedin Stadium Property Ltd Director & Shareholder, Shand Thomson Chartered Accountants Trustee, Dunedin Diocese Trust Board Trustee, Clutha Community Foundation Director, SDH GP Ltd Trustee of various client trusts through Shand Thomson & Abacus Nominee Companies

Chris Milne 1 July 2023 - present	Director, Dunedin City Holdings Ltd Director, Dunedin City Treasury Ltd Director, Dunedin Stadium Property Ltd Director and Shareholder, Murray & Company Ltd (including an advisory role to KiwiRaiL Holdings Ltd) Chair, CSO Foundation Trust
Adrian Januszkiewicz 1 November 2024 – present	Director and Shareholder, Adminis Ltd (including subsidiary companies: Adminis Custodial Nominees Ltd, ACNL Nominees No.1 Ltd, Adminis Investors Nominees Ltd, Adminis Funds Ltd Director and Shareholder, Alpine Guides Fox Glacier Ltd (including subsidiary and JV companies: Aoraki Glacier Guiding LP Ltd, Aoraki Glacier Guiding Ltd, Mount Cook Glacier Guiding General Partner Ltd, Fox Glacier Guides Ltd, Westland Property Ltd) Chair and Shareholder, Adventure Group Ltd (including subsidiary companies: Canyon Explorers Ltd, Queenstown Adventure Centre Ltd, Via Ferrata Queenstown Ltd, Via Ferrata Queenstown NZ Ltd, Canyoning Queenstown Ltd) Trustee, Jadran Family Trust Director and Shareholder, Jadran Consulting Ltd Trustee, Caliber Trust Trustee on Board, Wakatipu High School Advisory Trustee, Wakatipu High School Foundation Chair, Director, and Shareholder, Folio Solutions Ltd Director and Shareholder, RCT Group Ltd (including subsidiary company: Rotorua Canopy Tours Ltd, Million Dollar Cruise Ltd, Queenstown Cruises Ltd) Shareholder, Reikorangi Forest Ltd

Directors' interests in contracts

Disclosures of interests made by Directors are recorded in the Company's interest register (above). These general disclosures of interests are made in accordance with s140 (2) of the Companies Act 1993 and serve as notice that the Directors may benefit from any transaction between the Company and any of the disclosed entities.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2025 or existed at that date are disclosed in the related parties' section of this report.

Directors' benefits

No Director has received or become entitled to receive a benefit since the end of the previous financial period other than a benefit included in the Directors remuneration received or due and receivable by the Directors as shown in the financial statements.

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

Directors' insurance

The Company has arranged policies of the Directors' Liability Insurance which ensure generally that the Directors will incur no monetary loss as a result of action undertaken by them as Directors, provided that they operate within the law.

Change of Directors

Adrian Januszkiewicz was appointed as Chair with effect 1 November 2024.

Directors' remuneration

The remuneration paid to Directors during the year was:

	For the year ended 30 June 2025 $000	For the year ended 30 June 2024 $000
Tim Loan (appointed 3 October 2022)	-	-
Greg Anderson (appointed 1 July 2023)	-	-
Susie Johnstone (appointed 1 March 2021)	-	-
Chris Milne (appointed 1 July 2023)	-	-
Adrian Januszkiewicz (Chair, appointed 1 November 2024)	33	-
Total	33	-

Employees' remuneration

Data relating to employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2025 is provided below. Remuneration includes all non-cash benefits and redundancy payments at total cost to the Company where applicable.

Remuneration band	For the year ended 30 June 2025 Number of employees	For the year ended 30 June 2024 Number of employees
$180,000 - $189,999	1	-
$130,000 - $139,999	1	1
$110,000 - $119,999	1	-
$100,000 - $109,999	3	1

Gender Diversity

The table below shows the number of male and female personnel at the Company, at Board, Management and staff levels, as at 30 June 2025.

	Male	Female
Board	4	1
Management	3	3
All other employees (includes permanent and casual)	15	5

Health and Safety

The Company continues to place high priority on health and safety. This financial year, health and safety work included the management of cruise ship passengers to and from Port Chalmers. Using the previously developed passenger management plans and analysing incidents recorded against our risk register allowed us to focus on controlling the risks that were contributing to the highest number of incidents. Significant work was completed on updating the Triggered Action Response Plans (TARPs) and the alerting system to manage response to possible operating incidents, weather events and natural disaster events in the Taieri Gorge. This work resulted in the Company receiving the NZTA Heritage and Tourist Rail Operators Award. NZTA conducted an external audit in December 2023 which resulted in no non-conformance's being found in the Company's compliance with the HSWA Act and Railways Act.

Dividends

The directors have recommended that no dividend be paid for the year ended 30 June 2025.

Auditor

The Auditor-General is appointed as Auditor pursuant to s70 of the Local Government Act 2002. The Auditor-General has contracted the audit to Audit New Zealand.

Dunedin Railways

Statement of Service Performance

For the Year ended 30 June 2025

Performance Measures	Achievement
Track is open to Pukerangi by 1 October 2024.	Achieved
Lost time incidents are less than two.	Achieved
No delays to regular scheduled passenger operations. Continuation of and further development of the Asset Management Plan.	Achieved
Run no fewer than 130 public trips per annum and service no fewer than 60 cruise ships per annum.	Not Achieved - There were 58 cruise ships serviced during the year.
Establish relationships with no less than five tour operators.	Achieved
Increase passenger numbers from tour operators to 20% of total public passengers.	Not Achieved - There was insufficient trade facing activity during the year.
Train tickets are given to community organisations/events. Agree for access to station/train for community activities.	Achieved
Maintain at least 80% customer satisfaction with our in-house customer survey.	Achieved
A draft 2025/2026 Statement of Intent will be submitted to the shareholder by 1 March 2025.	Achieved
Ensure that all direct employees are paid at living wage or above.	Achieved
Refine and continue to implement DRL's carbon emissions strategy developed in 2022 and publicly report progress.	Achieved - Emissions per trip reduced from 1.7 tCO_2-e in FY2024, to 1.4 tCO_2-e in FY2025.
Refine and continue implementing DRL's waste reduction strategy developed in 2022 and publicly report progress.	Achieved - Reduced plastic waste on Food & Beverage packaging. Waste to landfill reporting is included in the Annual Report.
Measure and publicly report our Greenhouse Gas (GHG) emissions and progress towards our emissions and waste reduction strategies and targets in our Annual Report.	Achieved - Reporting in the Sustainability section of the Annual Report.
No such matters that were not escalated to the shareholder in a timely manner.	Achieved
No such matters that were not reported to the shareholders within 24 hours.	Achieved

Financial Performance

	Target $000	Achievement $000
Shareholders' Funds to Total Assets	100%	81%
Dividend/Subvention Distributions	-	-
EBITDA	(1,836)	1,188
Net Surplus / (Deficit) after Tax	(1,887)	1,141
Cash Flow from Operations	(1,796)	(859)
Capital Expenditure	125	179
Term Loans	-	-
Shareholder's Funds	462	2,696

Company Directory

Directors
Adrian Januszkiewicz (Chair) (appointed 01 Nov 2024)
Tim Loan
Greg Anderson
Susan Johnstone
Chris Milne
Shane Ellison (appointed 1 July 2025)
Phil O'Connell (appointed 25 September 2025)

Registered Office
50 The Octagon
Dunedin
New Zealand

Bankers
Westpac Banking Corporation

Solicitors
Anderson Lloyd Lawyers

Taxation Advisers
Deloitte

Auditor
Audit New Zealand on behalf of the Controller and Auditor-General

Statement of Comprehensive Revenue and Expense

For the Year ended 30 June 2025

	Note	Actual 2025 $000	Budget 2025 $000	Actual 2024 $000
Operating Revenue	3	3,204	2,866	2,398
Impairment Reversal	4	2,297	-	-
Interest received from funds on deposit		26	17	18
Total Revenue		5,527	2,883	2,416
Less Expenses				
Operating Expenses	5	4,386	4,770	3,771
Total Expenses		4,386	4,770	3,771
Surplus/(Deficit) Before Tax		1,141	(1,887)	(1,355)
Income Tax Expense (Credit)	6	-	-	-
Net surplus (deficit) from continuing operations		1,141	(1,887)	(1,355)
Other Comprehensive Revenue and Expense		-	-	-
Total Comprehensive Revenue and Expense		1,141	(1,887)	(1,355)

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

Statement of Changes in Equity

For the Year ended 30 June 2025

	Note	Actual 2025 $000	Budget 2025 $000	Actual 2024 $000
Equity at the Beginning of the Year		305	349	560
Comprehensive Revenue and Expense Surplus/(Deficit) from continuing operations		1,141	(1,887)	(1,355)
		1,446	(1,538)	(795)
Capital Contributions from Owners	7	1,250	2,000	1,100
Equity at the End of the Year		2,696	462	305

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

Statement of Financial Position

As at 30 June 2025

	Note	Actual 2025 $000	Budget 2025 $000	Actual 2024 $000
Equity				
Share Capital	7	12,097	12,847	10,847
Retained Earnings	8	(9,401)	(12,385)	(10,542)
Total Equity		2,696	462	305
Represented by:				
Current Liabilities				
Trade and Other Payables	9	451	200	257
Provisions	10	178	73	95
Total Current Liabilities		630	273	352
Non Current Liabilities				
Deferred Tax Liability (Asset)	11	-	-	-
Total Non-Current Liabilities		-	-	-
Total Liabilities		630	273	352
Total Equity and Liabilities		3,326	735	657

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

Statement of Financial Position

As at 30 June 2025 (continued)

	Note	Actual 2025 $000	Budget 2025 $000	Actual 2024 $000
Current Assets				
Cash and Cash Equivalents	14	430	202	217
Trade and Other Receivables	15	47	28	55
Inventories	16	167	32	44
Income Tax		8	24	6
GST Refund Receivable		23	-	18
Total Current Liabilities		676	286	340
Non-Current Assets				
Property, Plant and Equipment	17	2,650	449	317
Total Non-Current Assets		2,650	449	317
Total Assets		3,326	735	657

For and on behalf of the board of directors:

Chair

Director

Date: 29 September 2025

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

Statement of Cash Flows

For the Year ended 30 June 2025

	Note	Actual 2025 $000	Budget 2025 $000	Actual 2024 $000
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from Customers		3,212	3,297	2,714
Interest Received		26	17	18
		3,238	3,314	2,732
Cash was disbursed to:				
Payments to Suppliers and Employees		4,091	5,107	3,910
Income Tax Paid (Received)		2	-	2
Net GST Movement		4	2	34
		4,097	5,109	3,946
Net Cash Flows from Operating Activities		(859)	(1,795)	(1,214)
Cash Flows from Investing Activities				
Cash was provided from:				
Sale of Property, Plant and Equipment		-	-	-
		-	-	-
Cash was disbursed to:				
Purchase of Property, Plant and Equipment		179	125	87
		179	125	87
Net Cash Flows from Investing Activities		(179)	(125)	(87)

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

Statement of Cash Flows

For the Year ended 30 June 2025 (Continued)

	Note	Actual 2025 $000	Budget 2025 $000	Actual 2024 $000
Cash Flows from Financing Activities				
Cash was provided from:				
Contributions of Capital		1,250	2,000	1,100
Proceeds from Borrowing		-	-	-
		1,250	2,000	1,100
Cash was disbursed to:				
Repayment of Borrowings		-	-	-
		-	-	-
Net Cash Flows from Financing Activities		1,250	2,000	1,100
Net Increase / (Decrease) in Cash Held		213	80	(201)
Cash and Cash Equivalents at the Beginning of the Year		217	122	418
Cash and Cash Equivalents at the End of the Year	14	430	202	217
Composition of Cash				
Cash and Cash Equivalents		430	202	217
Bank Overdraft		-	-	-
Cash and Cash Equivalents at the End of the Year	14	430	202	217

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

1. Reporting Entity

The financial statements are for the reporting entity Dunedin Railways Limited (the Company).
Company Details:

- Incorporated in New Zealand under the Companies Act 1993
- A CCO as defined in the Local Government Act 2002.
- Registered address of the Company is 50 The Octagon, Dunedin.
- Classed as a Public Benefit Entity (PBE) for financial reporting.

Company shareholding interests:

- 100% owned by Dunedin City Holdings Limited which is wholly owned by Dunedin City Council.

The financial statements are presented in New Zealand dollars (the functional currency of the Company) and have been rounded to the nearest thousand.

2. Material Accounting Policies

Statement of Compliance

The Company has opted to prepare the annual report as a Tier 2 Public Benefit entity as defined by the External Reporting Board; expenses less than $33 million and not publicly accountable and has reported in accordance with PBE Standards RDR (New Zealand equivalents to International Reporting Standards with reduced disclosure requirements).

The financial statements were authorised for issue by the Directors on 29 September 2025.

Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the LGA 2002, which includes the requirements to comply with generally accepted accounting practice in New Zealand.

The financial statements have been prepared on an historical cost basis.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2025 and the comparative information for the year ended 30 June 2024.

2. Material Accounting Policies (Continued)

Going Concern

In the prior period the financial statements were prepared on a non-going concern basis. The accounting policies set out below have been applied consistently throughout the year on the basis the entity is a going concern. To further address uncertainty over going concern, the Directors of the Company obtained a letter of support from its shareholder Dunedin City Holdings Limited stating that any funding needed to ensure that the Company can meet its obligations in the normal course of business will be provided for a period of at least 12 months following the signing of the Company's FY25 financial statements.

Standards Amended or Issued During the Year

During the period, there were no new or amended accounting standards which materially affected the Company or its reporting.

Standards or Interpretations Not Yet Effective

No new accounting standards or interpretations that will become effective after the period are expected to have a material impact on the Company.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Company has made judgements and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and judgments are continually evaluated.

Critical judgement in applying accounting policies

In the application of the company's accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Furthermore, information about areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes:

- Useful lives of Property, Plant and Equipment (Note 17)
- Fair value of Property, Plant and Equipment (Note 17)

2. Material Accounting Policies (Continued)

Changes in accounting policies

There have been no changes in the company's accounting policies since the date of the last audited financial statements. Accounting policies have been applied consistently to all years presented in these financial statements.

Good and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for trade receivables and trade payables which are stated on a GST inclusive basis.

Financial Instruments

Financial instruments are contracts that give rise to financial assets or liabilities that are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

	2025 $000	2024 $000

3. Operating Revenue

Sales Revenue	3,204	2,398
	3,204	2,398

Revenue Accounting Policy

Sales revenue

Revenue from ticket sales is recognised as revenue in advance at the fair value of the consideration received. Amounts are transferred to revenue in the Statement of Comprehensive Revenue and Expense when it is probable that the economic benefits associated with the transaction will flow to the entity.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer and when the revenue can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and goods and services tax (GST).

	2025 $000	2024 $000

4. Impairment Reversal

	2025 $000	2024 $000
Property Plant & Equipment	2,201	-
Inventory	96	-
	2,297	-

The company ceased operations and was put into hibernation from 1 July 2020 due to uncertainty associated with the future of the company. The company has been reporting as a non-going concern since 30 June 2020. An impairment of the company's property, plant, equipment and inventory totaling $4.486 million was recognised on that date.

During 2025, the Dunedin City Council gave direction to Dunedin City Holdings Limited to provide funding annually to the company for the next nine years. This funding will be used alongside commercial revenue streams whilst the company establishes a viable operating model. As a result of this funding support, the company has been able to develop a strategic plan and now operates as a going concern. In accordance with PBE IPSAS 21 para 68 and PBE IPSAS 12 para 42, the company has reversed the impairment loss up to the carrying value of its property, plant, equipment and inventory, as if no impairment had been recognised in 2020.

5. Operating Expenses

	2025 $000	2024 $000
Audit Fees - Audit of Annual Report	94	39
Contractors, Materials & Consumables	1,961	1,928
Depreciation	47	33
Employee Expenses	1,898	1,464
Other Expenses	386	306
	4,386	3,771

	2025 $000	2024 $000

6. Taxation

	2025 $000	2024 $000
Operating Surplus/(Deficit) before Tax - Continuing Operations	1,141	(1,355)
Operating Surplus/(Deficit) before Income Tax	1,141	(1,355)
Tax thereon at 28%	319	(379)
Plus/(Less) the Tax Effect on Differences		
Expenditure not Deductible for Taxation	-	-
Under/(Over) Provision in Prior Years	-	-
Deferred Tax Asset	-	379
Tax Losses Utilised	(319)	-
Tax Effect of Differences	(319)	379
Tax Expense	-	-
Effective Tax Rate	0%	0%
Represented by		
Current Tax Provision	-	-
Prior Period Adjustment	-	-
Current Tax Movement	-	-
Current Deferred Tax Provision		
Deferred Tax Movement	-	-
(Under)/Over Tax Provision in Prior Years	-	-
Income Tax	-	-

Taxation Accounting Policy

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from net profit as reported in the income statement because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

	2025 $000	2024 $000

7. Equity

	2025 $000	2024 $000
Share Capital		
Shares on issue $1 per share	12,097	10,847
Called and fully paid Capital:		
Opening Balance	10,847	9,747
Capital Contributions from Owners	1,250	1,100
Balance at the end of the year	12,097	10,847
Uncalled capital	-	-

Fully paid ordinary shares carry one vote per share, carry a right to dividends and, upon wind up, a pro rata share of the Company's net assets.

8. Retained Earnings

	2025 $000	2024 $000
Balance at the Beginning of the Year	(10,542)	(9,187)
Total Comprehensive Revenue and Expense	1,141	(1,355)
Dividend Distributions	-	-
Balance at the End of the Year	(9,401)	(10,542)

9. Trade and Other Payables

	2025 $000	2024 $000
Trade Payables	254	84
Due to Related Parties	8	22
Accruals and Revenue in Advance	189	151
	451	257

Trade and Other Payables Accounting Policy
Trade and Other Payables are Stated at Cost.

	2025 $000	2024 $000

10. Provisions

	2025 $000	2024 $000
Current		
Employee Entitlements	178	95
	178	95

Employee Entitlements Accounting Policy

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

11. Deferred Tax Liability

2025	$000 Opening Balance Sheet	$000 Charged to Equity	$000 Charged to Revenue	$000 Subvention (Receipt)/ Payment	$000 Closing Assets	$000 Liabilities	$000 Net
Receivables	-	-	-	-	-	-	-
Inventories	(98)	-	27	-	(71)	-	(71)
Property, Plant and Equipment	(581)	-	700	-	119	-	119
Employee Entitlements	(23)	-	(24)	-	(47)	-	(47)
Provision and Adjustments	-	-	(2)	-	(2)	-	(2)
Tax Losses	(2,271)	-	(382)	-	(2,653)	-	(2,653)
Derecognise Deferred Tax Asset/Deferred Tax Liability	2,973	-	(319)	-	2,654	-	2,654
	-	-	-	-	-	-	-

2024	$000 Opening Balance Sheet	$000 Charged to Equity	$000 Charged to Revenue	$000 Subvention (Receipt)/ Payment	$000 Closing Assets	$000 Liabilities	$000 Net
Receivables	-	-	-	-	-	-	-
Inventories	(98)	-	-	-	(98)	-	(98)
Property, Plant and Equipment	(673)	-	92	-	(581)	-	(581)
Employee Entitlements	(14)	-	(9)	-	(23)	-	(23)
Provision and Adjustments	-	-	-	-	-	-	-
Tax Losses	(1,809)	-	(462)	-	(2,271)	-	(2,271)
Derecognise Deferred Tax Asset/Deferred Tax Liability	2,594	-	379	-	2,973	-	2,973
	-	-	-	-	-	-	-

	2025 $000	2024 $000

11. Deferred Tax Liability (Continued)

Deferred Tax Asset not recognised

	2025	2024
Tax Losses	9,465	8,110
Tax Effect	2,650	2,271
Temporary Differences	16	2,507
Tax Effect	4	702

Deferred Tax Accounting Policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax surplus nor the accounting surplus.

12. Capital Expenditure Commitments

The company has no capital commitments as at 30 June 2025 (2024: $nil)

13. Lease Commitments

The Company leases part of the DCC Rotary Park and an EFTPOS terminal. Both leases are considered short-term, low value assets. The company does not currently hold any further lease commitments.

Leases Accounting Policy

Assets held under leases are treated as operating leases. Rentals payable are expensed on a straight-line basis over the term of the relevant lease.

	2025 $000	2024 $000

14. Cash and Cash Equivalents

	2025 $000	2024 $000
Cash and Bank	430	217
Deposit with DCTL	-	-
	430	217

Cash and Cash Equivalents Accounting Policy

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts or short-term borrowings are shown within the cash or cash equivalents figure in either the current liabilities or current assets of the balance sheet.

15. Trade and Other Receivables

	2025 $000	2024 $000
Trade Receivables	35	25
Prepayments	12	31
Due from Related Parties	-	-
Less: Expected Credit Losses	-	(1)
	47	55
Disclosed as:		
Trade and Other Receivables	47	55

Trade and Other Receivables Accounting Policy

Trade and other receivables are stated at cost less any allowances for expected credit losses.

16. Inventory

	2025 $000	2024 $000
Raw Materials and Stores	142	44
Consumables for Resale	25	-
	167	44

Inventory Accounting Policy

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

17. Property, Plant and Equipment

	Buildings $'000	Rolling Stock $'000	Track $'000	Plant & Equipment $'000	Vehicles $'000	Work in Progress $'000	Total $'000
Year Ended 30 June 2025:							
Cost or Valuation							
Balance at Beginning of Period	-	254	-	149	3	-	406
Purchases	-	36	-	123	20	-	179
Sales/Disposals	-	-	-	-	-	-	-
Impairment Reversal	21	5,315	1,097	1,118	348	-	7,898
Balance at End of Period	21	5,605	1,097	1,389	371	-	8,483
Accumulated Depreciation							
Balance at Beginning of Period	-	57	-	29	3	-	89
Depreciation	-	18	-	28	1	-	47
Sales/Disposals	-	-	-	-	-	-	-
Impairment Reversal	18	4,065	212	1,064	338	-	5,697
	18	4,140	212	1,120	342	-	5,833
Balance at End of Period	3	1,465	885	269	29	-	2,650

	Buildings $'000	Rolling Stock $'000	Track $'000	Plant & Equipment $'000	Vehicles $'000	Work in Progress $'000	Total $'000
Year Ended 30 June 2024:							
Cost or Valuation							
Balance at Beginning of Period	-	234	-	85	3	-	322
Purchases	-	20	-	64	-	-	84
Sales/Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance at End of Period	-	254	-	149	3	-	406
Accumulated Depreciation							
Balance at Beginning of Period	-	42	-	11	3	-	56
Depreciation	-	15	-	18	-	-	33
Sales/Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
	-	57	-	29	3	-	89
Balance at End of Period	-	197	-	120	-	-	317

17. Property, Plant and Equipment (Continued)

Property, Plant and Equipment Accounting Policy

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in surplus or deficit.

Depreciation is calculated to write off the cost of the assets less their residual values using the straight-line method over their useful lives and is recognised in surplus or deficit. The assets residual values and useful lives are reviewed at the end of each reporting period. The useful lives and associated depreciation rates of major classes of property, plant and equipment have been estimated as follows:

Buildings 0% - 17%   Rolling stock 2% - 33%   Track 2% - 10%   Plant & equipment 5% - 70%   Vehicles 8% - 21%

An impairment loss of $2.2m previously recognised under PBE IPSAS 21 was reversed during the year ended 31 June 2025, following confirmation of going concern status. The asset's recoverable service amount increased, and the reversal was recognised in the Surplus or Deficit.

In accordance with PBE IPSAS 21 para 68, the Company has reversed the impairment loss up the carrying value of the assets as if no impairment had been recognised in 2020.

The Company assesses at each reporting date, whether there is an indication that a non-cash generating asset may be impaired. If any indication exists, the Company estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use. Where the carrying amount exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

In determining fair value less costs to sell, the company assesses market value based on the best available information.

	2025 $000	2024 $000

18. Related Party Transactions

The Company is 100% owned by Dunedin City Holdings Limited. Dunedin City Holdings Limited is a wholly owned subsidiary of the Dunedin City Council. The Company undertakes transactions with the Dunedin City Council and other Dunedin City Council controlled entities.

Amounts receivable from and payable to related parties at balance date are disclosed in notes 9 and 15.

	2025 $000	2024 $000
Transactions with the Dunedin City Council		
Purchase of Goods and Services from the Dunedin City Council		
Rates, Events, Leases	1	6
Other Expenditure	5	-
Revenue from Goods and Services provided to the Dunedin City Council		
Ticket Revenue	46	28
Transactions with the Dunedin City Treasury Limited		
Interest Received	3	1
Funds held on Behalf of the Company	-	-
Transactions with the Dunedin Venues Management Limited		
Purchase of Goods and Services from Dunedin Venues Management Limited		
Management Fees	100	200
Expenses Oncharged	32	41
Transactions with Delta Utility Services Limited		
Purchase of Goods and Services from Delta Utility Services		
Contractor Services	-	2
Transactions with Jadran Consulting		
Purchase of Consulting Services from Jadran Consulting		
Consulting Services	6	-

There were no other related party transactions during the period.

No related party debts have been written off or forgiven during the period.

Notes to the Financial Statements

For the Year ended 30 June 2025

	2025 $000	2024 $000
Key Management Personnel Remuneration		
Short - term Employment Benefits	656	185
Short - term Directors	33	-

19. Financial Instruments

Accounting Policy

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Capital Risk Management

Dunedin City Treasury Limited co-ordinates access to domestic markets for all group members. They monitor and manage the financial risks relating to the operations of the Company. These risks include market risk, credit risk and liquidity risk.

Liquidity risk represents the Company’s ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis and has credit lines to meet these requirements.

	2025 $000	2024 $000
Loan Facility - Dunedin City Treasury Limited	500	500

20. Explanation of major variances against budget and prior year

Explanation for major variances from the Company's 2024/25 budget and prior year figures are as follows:

Statement of Comprehensive Income and Expenses

Operating revenue for the year was $3.2m compared to the budgeted of $2.9m. This is a result of more train trips and passenger numbers for the year than expected.

Total operating expenses were $4.4m compared to the budgeted $4.8m due to switching food and beverages providers and fewer services provided by buses than expected. Operating expenses have increased from $3.8m to $4.4m due to the company coming out of hibernation.

The impairment reversal of $2.3m for Property, Plant and Equipment and Inventories was not included in the budget as there was uncertainty whether the company would become a going concern again.

20. Explanation of major variances against budget and prior year (Continued)

Statement of Financial Position
Capital Contributions for the year were $1.25m compared to the budgeted $2m. This is due to the better than expected operating results, decreasing the need for additional funding.

Cash at the end of the year was $439k compared to $201k budget and $217k in prior year due to better operating results than expected.

PPE at the end of the year was $2.7m compared to the budgeted $449k, and Inventories was $167k compared to the budgeted $32k, due to the impairment reversal not being budgeted for the reason set out above. No major assets have been purchased or disposed of in the current year.

Trade and other payables were $451k compared to $257k in the prior year due to the company coming out of hibernation and having higher monthly expenses.

21. Events Subsequent to Balance Date

There have been no material events subsequent to the reporting date that would require adjustment to, or disclosure in, these financial statements.

22. Contingent Liabilities

The Company has no contingent liabilities as at 30 June 2025. (2024: $nil)

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin Railways Limited's financial statements and statement of service performance for the year ended 30 June 2025

The Auditor-General is the auditor of Dunedin Railways 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 the statement of service performance of the Company on his behalf.

We have audited:

- the financial statements of the Company on pages 15 to 34, that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company for the year ended 30 June 2025 on page 13.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report:

- the financial statements of the Company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2025; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime.
- the statement of service performance:
    - accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures by which the Company's performance can be judged in relation to the Company's objectives in its statement of intent for the year ended 30 June 2025; and
    - has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

Our audit was completed on 29 September 2025. This is the date at which our qualified opinion is expressed.

Basis for our qualified opinion

Financial statements: our work over the comparative information was limited as we expressed a disclaimer of opinion in the prior period, and our work over the reversal of the impairment recognised in the current year was limited

We draw your attention to the fact we expressed a disclaimer of opinion on the 30 June 2024 financial statements.

As outlined in note 4 on page 24, the Company was put into hibernation on 1 July 2020, and the Company recognised an impairment expense of $4,486,000 on property, plant, and equipment and inventory for the year ended 30 June 2020. We were unable to obtain sufficient appropriate audit evidence to support the written-down values of these assets and the associated impairment expense. As a consequence, we were unable to determine whether any adjustments to the values of Company's property, plant and equipment and inventories were necessary. This limitation still existed at 30 June 2024.

Our opinion on the current period's financial statements is qualified because of the possible effects of these matters on the comparability of the current period's figures and the comparative information.

During the financial year ended 30 June 2025, the Board of Directors determined that it was appropriate for the impairment previously recognised to be reversed, as the indicators that resulted in the assets being written down no longer existed. The Company has recognised an impairment reversal of $2,297,000 within total revenue during the year ended 30 June 2025.

Our work over the impairment reversal recognised in 2025 was limited. While we obtained sufficient assurance over property, plant and equipment and inventories as at 30 June 2025, any misstatement of the carrying value of property, plant and equipment and inventories as at 30 June 2024, would consequently affect the value of the impairment reversal recognised in the year ended 30 June 2024.

As a result, we are unable to obtain sufficient audit assurance to support the impairment reversal amount recognised in total revenue for the year ended 30 June 2025.

Statement of service performance: Limited evidence to support the "EBITDA" and "Net surplus/(deficit) after tax" performance measures

The statement of service performance contains certain financial performance measures derived from the financial statements. Due to the limitation over the impairment reversal amount described above, we were also unable to obtain adequate evidence to support the *EBITDA* and *Net surplus/(deficit) after tax* financial performance measures presented on page 13.

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 for the audit of the financial statements and the statement of service performance* 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 qualified opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance in accordance with the Act.

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

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, 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 and the statement of service performance.

For the budget information reported in the financial statements and in the statement of service performance, our procedures were limited to checking that the information agreed to the Company's statement of intent.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and assess whether the statement of service performance achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

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 all of the information included in the annual report other than the financial statements and the statement of service performance, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance 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.

As described in the *Basis for our qualified opinion* section above, we are unable to obtain assurance that the reported reversal of impairment recognised in the statement of comprehensive revenue and expense is materially correct. Accordingly, the other information that includes financial information about the Company may be materially misstated with respect to these matters.

Independence

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

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

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand