

DUNEDIN RAILWAYS



STATEMENT OF INTENT

For the Year Ending 30 June 2026

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1. INTRODUCTION

Dunedin Railways Ltd (DRL) is developing a strategic plan to rebuild its rail tourism business, leveraging its heritage and brand identity to foster community engagement and economic growth.

This Statement of Intent outlines DRL's strategic direction and a commitment to develop a long-term strategy and a robust business model, transitioning from hibernation to operational maturity. Having been hibernated during the Covid-19 pandemic restrictions, DRL has made strides toward recovery and is committed to a sustainable future. On 29 January 2025, Dunedin City Council (DCC) resolved to direct Dunedin City Holdings Ltd (DCHL) to fund renewals of the Taieri Gorge rail corridor up to \$2 million per annum.

DRL is a wholly owned subsidiary of Dunedin City Holdings Ltd (DCHL) which is wholly owned by Dunedin City Council (DCC).

This SoI sets out DRL's planned activities and financial forecasts for the next three years. It includes performance measures and targets, which will be reported against in DRL's 2026 Annual Report.

2. OBJECTIVES

As a Dunedin City Council Group company, DRL aims to contribute to the Council's strategic framework and help achieve city objectives. With long-term funding support from its shareholder, DRL aims to be a market leader in Dunedin's tourism sector while embodying the city's heritage and brand values. Our objectives include:

- Developing and delivering a comprehensive strategic plan to transition the business from hibernation to operational maturity;
- Developing a comprehensive marketing strategy, enhancing product and brand positioning, strengthening market engagement and reconnecting with the tourism trade;
- Working towards achieving financial sustainability, assuming continued support for track renewals;
- Developing sustainable operating infrastructure and enhancing Risk and Safety management; and
- Building strong stakeholder relationships.

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

DRL will operate and redevelop its rail tourism business, focusing on enhancing passenger experiences. A priority will be placed on re-establishing direct relationships with key customer markets impacted during the pandemic to drive sales and improve brand positioning. The company will continue to invest in maintenance and renewal of its rolling stock and track infrastructure.

DRL runs a public schedule regularly, so we remain a vital part of our community and tourist experience. DRL's undertaking of any activity of a nature or scope outside of this would be subject to the shareholder's prior approval.

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
A sustainable future for Dunedin Railways and rail excursions through the Taieri Gorge.	Develop long-term strategy and a robust model.	Complete long-term strategic plan.
Manage the track maintenance plan to support our operational plan.	Ensure the safety, reliability, and efficiency of DRL's infrastructure. Maintenance is carried out without affecting train operations.	Track maintenance plan in place. Board monitors changes to plan and approves material changes to budget. No unplanned delays to regular scheduled passenger operations.
Ensure the health and safety of our people.	Reduce harm to employees, contractors, and passengers.	Lost time incidents are less than two.
Marketing and brand awareness.	Drive passenger growth.	Complete strategic marketing plan.
Increase passenger numbers through relationships with tourism operators.	Re-establish customer relationships and grow market share.	Increase passenger numbers to 35,000 in 2026/27.
Be recognised as a positive contributor to our community.	Strengthen local ties.	Maintain relationships with key community stakeholders.
Provide outstanding customer service to our valued customers.	Provide consistent and quality service that exceeds expectations.	Maintain an average TripAdvisor rating of 4 stars or higher.
DRL maintains 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. Ensure that all direct employees are paid at living wage or above.
Contribute to Council's Strategic Framework and Climate Change and Carbon Neutrality initiatives	Contribute to Council's Carbon Neutrality initiatives.	Refine and continue to implement DRL's carbon emissions and waste reduction strategies.
		Measure and publicly report our Greenhouse Gas (GHG) emissions in our Annual Report.
Communicate with the shareholder on a 'no surprises' basis	Consult with the shareholders in a timely manner on DRL strategic or operational matters which could compromise Council's community outcomes.	No such matters that were not 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.	No such matters that were not 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 30/06/2026	Year ending 30/06/2027	Year ending 30/06/2028
Shareholder's Funds to Total Assets	90%	92%	94%

"Shareholder's 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.

Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders.

	Year ending 30/06/2026	Year ending 30/06/2027	Year ending 30/06/2028
Dividend distributions	Nil	Nil	Nil

Other Financial Forecasts

	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000	Year ending 30/06/2028 \$'000
EBITDA	(1,788)	(1,500)	(847)
Net profit/(loss) after tax	(2,101)	(1,362)	1,130
Cash flow from operations	(1,736)	(831)	1,688
Capital expenditure	215	1,000	1,000
Term loans	Nil	Nil	Nil
Shareholder's funds	2,473	3,111	4,241

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 2026 and the following two years, as required by section 64(6) of the Local Government Act 2002.

The financial information is prospective. Actual results are likely to vary from the information presented and the variations may be material. Since the business is transitioning from hibernation to operational maturity, operating revenue and expenditure forecasts reflect significant assumptions in respect of growth in passenger numbers, number of trips, passenger loading and pricing strategy. The company is developing a strategic marketing plan, which will inform future forecasts and operational execution, but there is inherent uncertainty in these assumptions. The company also plans significant investment in track renewals and operational infrastructure. As plans develop further and the company builds capability, there may be variations in phasing, which may impact on financial performance and funding requirements. Whilst forecasts indicate equity injections being required from DCHL, the shareholder, in FY26 and FY27, the actual amount and timing of equity funding required might vary.

The prospective financial statements were authorised for issue on 18 June 2025 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.

Forecast Statement of Comprehensive Revenue and Expenses

	FY2026 Budget 000's	FY2027 Budget 000's	FY2028 Budget 000's
Operating revenue	4,856	5,547	6,536
<u>Less Expenses</u>			
Operating expenses	6,644	7,047	7,383
Depreciation	313	537	550
	6,957	7,584	7,933
Net (Loss)/Profit before Tax	(2,101)	(2,037)	(1,397)
Less: tax expense	-	-	-
Add: subvention receipt	-	675	2,527
Net (Loss)/Profit after Tax	(2,101)	(1,362)	1,130
Other comprehensive revenue and expense:	-	-	-
Total Comprehensive Revenue and Expenses for the year	(2,101)	(1,362)	1,130

Forecast Statement of Changes in Equity

	FY2026 Budget 000's	FY2027 Budget 000's	FY2028 Budget 000's
Opening equity	2,574	2,473	3,111
Share capital contributions	2,000	2,000	-
Total comprehensive revenue and expenses for the year	(2,101)	(1,362)	1,130
Closing Equity	2,473	3,111	4,241

Forecast Statement of Financial Position**Equity**

Share capital

Accumulated losses

Total Equity**Current Assets**

Bank balance

Trade and other receivables

Total current assets

Non-current Assets

Property, plant & equipment

Total non-current assets

Total Assets**Current Liabilities**

Trade and other payables

Provision for Tax

Total current Liabilities

Total Liabilities**Net Assets**

	FY2026 Budget 000's	FY2027 Budget 000's	FY2028 Budget 000's
Share capital	14,097	16,097	16,097
Accumulated losses	(11,624)	(12,986)	(11,856)
Total Equity	2,473	3,111	4,241
<u>Current Assets</u>			
Bank balance	222	391	1,079
Trade and other receivables	134	159	144
Total current assets	356	549	1,223
<u>Non-current Assets</u>			
Property, plant & equipment	2,381	2,845	3,294
Total non-current assets	2,381	2,845	3,294
Total Assets	2,737	3,394	4,517
<u>Current Liabilities</u>			
Trade and other payables	264	283	276
Provision for Tax	-	-	-
Total current Liabilities	264	283	276
Total Liabilities	264	283	276
Net Assets	2,473	3,111	4,241

Forecast Cashflow Statement**Cash flows from Operating**

Cash was provided from:

Receipts from customers

Income tax/subvention

Interest received

4,842

5,511

6,526

-

675

2,527

29

11

26

4,871

6,197

9,078

Cash was disbursed to:

Payments to suppliers

Income tax paid/(received)

6,634

7,028

7,390

-

-

-

6,634

7,028

7,390

Net cash inflows/(outflows) from operating**(1,763)****(831)****1,688****Cash flows from Investing**

Cash was provided from:

Proceeds from asset disposals

-

-

-

-

-

-

Cash was disbursed to:

Capital expenditure

215

1,000

1,000

215

1,000

1,000

Net cash inflows/(outflows) from investing**(215)****(1,000)****(1,000)****Cash flows from financing**

Cash was provided from:

Call on capital

Loan draw downs

2,000

2,000

-

-

-

-

2,000

2,000

-

Cash was disbursed to:

Repayment of borrowings

-

-

-

-

-

-

Net cash inflows/(outflows) from financing**2,000****2,000****-**

Opening cash

200

222

391

Net change in cash

22

169

688

Closing cash**222****391****1,079**

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. COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in DRL is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

10. 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
	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.

11. 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 that in which it operates.