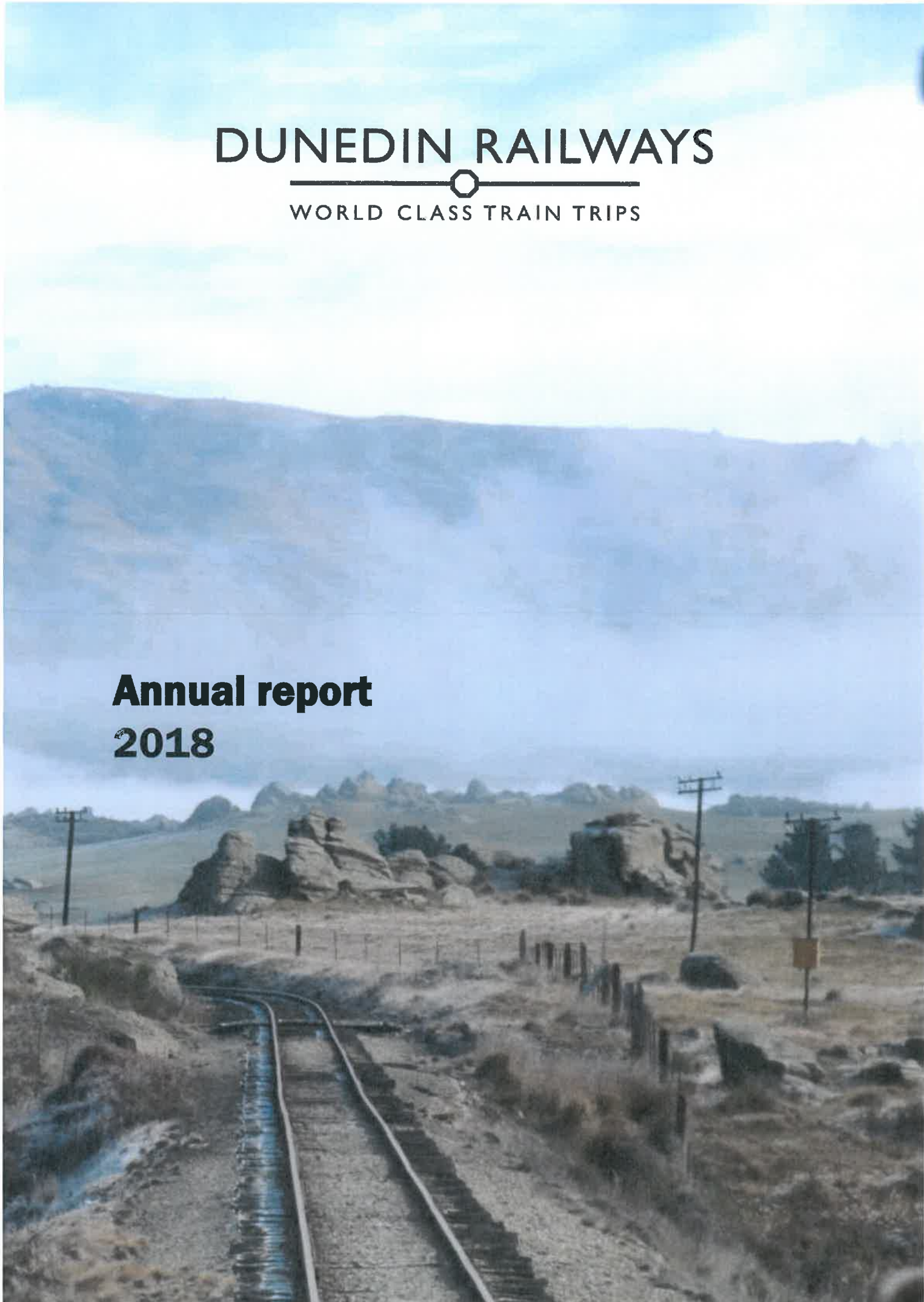


DUNEDIN RAILWAYS

—  —
WORLD CLASS TRAIN TRIPS

**Annual report
2018**



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Chairman and Chief Executives report

Year in review

	2018	2017
Nett profit (loss) pre tax	(354,000)	232,000

Comments:

- The company was affected by a flood in July 2017 which closed the Taieri Gorge line for a period of two months. The repair cost of the flood/slip damage was \$459,000. In addition to the repair cost revenue was \$175,000 below budget during the two month closure period due to the alternative trip offered generating lower revenue due to its price point.
- The company would have delivered a profit in line with its budget were it not for the flood/slip closure.
- The company's revenue is up 9% on the previous year which a good achievement given the lost revenue during the closure period.

Health and safety

The company has made a continued investment in Health and Safety with the appointment of a new role of Health Safety Training and Environment Coordinator in December 2017. This role is to support improvements in Health and Safety across the company.

CEO retirement

CEO Murray Bond retired in October 2017 after 25 years of service. The company notes its thanks for Murray's contribution.



Murray Bond waves farewell

CEO appointment

Craig Osborne was appointed the company CEO in September 2017.



Craig Osborne - CEO

Directors

After 19 years' service Gary Williams retired as a Director on 12 of January 2018.

Judy Bevin was appointed as a Director on 12 January 2018.

Jamie Cargill is spending 2018 with the Board as a DCHL appointed intern



AO passenger carriage purchase and refurbishment

The company purchased six AO passenger carriages from Kiwi Rail in the financial year. The refurbishment has commenced on two carriages with many safety and amenity enhancements. These two carriages will go into service in FY19 to meet the expected increase in cruise ship customers.

Volunteers

The company acknowledge the commitment and contribution the volunteers make to tour cruise ship customers. The Volunteers enhance our cruise ship product with their warmth, knowledge and dedication. For the first time the company appointed a Cruise Leader whose role includes liaising with the volunteers and coordinating the volunteer program.

Company name change

The company changed its name from Taieri Gorge Railway Limited to Dunedin Railways Limited on 1 December 2017. This aligned the company name with the brand and marketing which changed in 2015 to better reflect the company's multiple offerings.

DUNEDIN RAILWAYS
WORLD CLASS TRAIN TRIPS



Members of the gang after laying a section of track.

Track

The track-gang had a busy year following the flood event in July. The clean-up and preventive work took five months with contractors assisting in the early phase.

The ongoing beam replacement program continued as planned with the second and third spans of Bridge Five being completed in June 2018.

The year ahead

The 2019 year is expected to be one of further growth for the company. There is expected to be an increase in the number of Cruise ship visits from 86 in 2018 to 110 in 2019.

Geoff Thomas

Chairman

11 September 2018

Craig Osborne

Chief Executive



The train returning passengers to the Regatta cruise ship with Silver Whisper also visible in Port.

Directors report

For the year ended 30 June 2018

The directors are pleased to present the Annual Report together with the financial statements of the company for the year ended 30 June 2018.

Principal activities of the company

Dunedin Railways Limited operates a tourist train on the Taieri Gorge and Pacific Coastal railway lines and provides other train services, principally for charters and excursions.

Results for the Year Ended 30 June 2018

	Year Ended 30 June 2018	Year Ended 30 June 2017
	\$'000	\$'000
Operating Profit/ (Loss) continuing operations pre-tax	(354)	232
Income Tax Expense/ (Credit)	(94)	60
Profit/ (Loss) from continuing operations	(260)	172

State of affairs

The directors are of the opinion that the state of affairs of Dunedin Railways Limited is satisfactory.

Dividends

The directors have recommended that no dividend be paid for the year ended 30 June 2018.

Reserves

There have been no transfers made to reserves during the year ended 30 June 2018.

Financial statements

The audited financial statements for the year ended 30 June 2018 are attached to this report.

Directors' interests in contracts

Disclosures of interests made by Directors are recorded in the Company's interest register. 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. Details of these declarations are included in the information on Directors section of this report.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2018 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.

Change of Directors

Gary Williams retired and Judy Bevin was appointed as a Director, both on 12 January 2018.

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.

Directors' remuneration

The remuneration paid to Directors during the year was:

Judy Bevin	8,184
Richard Roberts	16,314
Hon. Stan Rodger	16,314
Graeme Smart	16,314
Geoff Thomas (Chairman)	25,164
Gary Williams	8,130
David Wood	16,314
Total	\$106,736

Employees' remuneration

Employees whose remuneration and benefits exceeded \$100,000 for the year ended 30 Jun 2018 Remuneration includes all non-cash benefits and redundancy payment at total cost to the company where applicable.

Remuneration band	Number of employees
\$100,000 - \$110,000	1
\$120,000 - \$130,000	1

Board Risk Committee

The Risk Committee includes three Board members (Richard Roberts, Graeme Smart and Geoff Thomas) and meets quarterly with members of management and others as required. The Committee's principle responsibility is to review and make recommendations to the Board on the appropriateness and effectiveness of the Company's health and safety strategy, performance and governance.

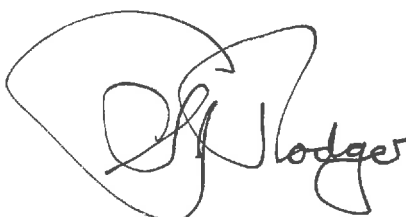
Auditor

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.

On behalf of the Directors



Geoff Thomas
Chairman



Hon. Stan Rodger
Director

11 September 2018

Directors' Interest register

As advised to the company:

Director	Entity	Nature of interest
Judy Bevin	Cancer Society (Otago/Southland) Dunedin New Zealand Masters Games Trust Otago Medical Research Foundation St Clair Golf Club Southern Demonstration & Research Farm Ltd J Bevin Ltd	Board Member Trustee Council Member Board Member Board Member Director
Jamie Cargill (Intern Director)	Pilot Property Ltd	Director
Richard Roberts	Dunedin Airport	Chief Executive
Stan Rodger	University Union Ltd Dunedin Casino Charitable Trustees Third Age Trust Body Corporate 301825	Chair Chair Trustee Committee Member
Graeme Smart	Spike Consulting Ltd (David Webb)	Independent Reviewer of Rail Operating Documents and Training Modules
Geoff Thomas	Dunedin Casinos Management Ltd Dunedin Casinos Ltd Drivers Road Trust Company EG Larkins Trust Company Ltd Fund Manager Holdings Ltd Fund Managers Canterbury Ltd HE Thomas Ltd Institute of Directors NZ Larnach Castle Ltd Otago Chapter of Property Council of NZ Otago Third Age Trust Principals Advice and Support Ltd Thorndean Trustee Co Ltd	Chair Chair Director Director Director Director Director Branch Chair and National Councillor Chair Chair Trustee Chair Director
David Wood	Home of St Barnabas Otago Excursion Train Trust	Accountant Chairman



Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Note	2018 \$000	2017 \$000
Revenue	3	7,547	6,939
Total revenue		7,547	6,939
Less Expenses			
Operating expenses	4	7,400	6,664
Financial expenses	5	42	43
Flood event		459	-
Total expenses		7,901	6,707
Profit (Loss) before tax		(354)	232
Income tax expense (credit)	8	(94)	60
Net Profit (Loss) from continuing operations		(260)	172
Other comprehensive income		-	-
Total comprehensive income		(260)	172
Total comprehensive income for the year is attributable to			
Major shareholder		(187)	124
Minor shareholder		(73)	48
		(260)	172

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 2018

	Note	2018 \$000	2017 \$000
Equity at beginning of year		2,195	2,023
Comprehensive income			
Profit/(Loss) from continuing operations		(260)	172
		1,935	2,195
Less distribution to owners	7	-	-
Equity at the end of the year		1,935	2,195

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

Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000	2017 \$000
Equity			
Share capital	9	1,572	1,572
Retained earnings	10	363	623
Total equity		1,935	2,195
Current liabilities			
Trade and other payables	11	698	400
Provisions	12	378	462
Shareholders advances	13	326	325
Taxation payable	8	-	8
Total current liabilities		1,403	1,195
Non-current liabilities			
Provisions	12	29	19
Deferred tax liability (asset)	14	(21)	72
Term borrowings	15	1,000	335
Total non-current liabilities		1,008	426
Total liabilities		2,410	1,621
Total equity and liabilities		4,345	3,816
Capital attributable to owners			
Major shareholder		1,393	1,580
Minor shareholder		542	615
		1,935	2,195

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

Statement of Financial Position

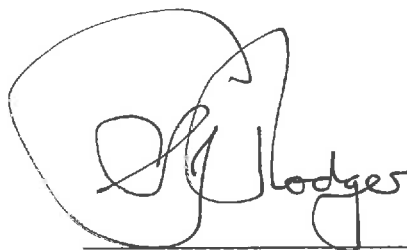
As at 30 June 2018 (continued)

	Note	2018 \$000	2017 \$000
Current assets			
Cash and cash equivalents	18	19	161
Trade and other receivables	19	23	159
Inventories	20	298	184
GST refund receivable		66	3
Total current assets		406	507
Non-current assets			
Property, plant and equipment	21	3,939	3,309
Total non-current assets		3,939	3,309
Total assets		4,345	3,816

For and on behalf of the Board of Directors:



Geoff Thomas
Chairman



Hon Stan Rodger
Director

11 September 2018

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

Statement of Cashflows

For the Year Ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
<i>Cash was provided from</i>			
Receipts from customers		7,480	6,839
		<u>7,480</u>	<u>6,839</u>
<i>Cash was disbursed to</i>			
Payments to suppliers and employees		7,378	6,421
Interest paid		42	43
Income tax paid (received)		7	10
Net GST paid		24	(7)
		<u>7,451</u>	<u>6,467</u>
Net cash inflows/(outflows) from operating activities		<u>29</u>	<u>372</u>
Cash flows from investing activities			
<i>Cash was provided from</i>			
Sale of property, plant and equipment		-	-
		<u>-</u>	<u>-</u>
<i>Cash was disbursed to</i>			
Purchase of property, plant and equipment		836	373
		<u>836</u>	<u>373</u>
Net inflows/(outflows) from investing activities		<u>(836)</u>	<u>(373)</u>

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

Statement of Cashflows

For the Year Ended 30 June 2018 (continued)

		2018	2017
	Notes	\$000	\$000
Cash flows from financing activities			
<i>Cash was provided from</i>			
Proceeds from borrowings		3,085	1,700
		<u>3,085</u>	<u>1,700</u>
<i>Cash was disbursed to</i>			
Repayment of borrowings		2,420	1,650
		<u>2,420</u>	<u>1,650</u>
Net cash inflows/(outflows) from financing activities		<u>665</u>	<u>50</u>
Net increase (decrease) in cash		(142)	49
Cash equivalents and bank overdraft			
Cash and cash equivalents at the beginning of the year		161	112
Cash and cash equivalents at the end of the year	18	<u>19</u>	<u>161</u>
Composition of cash			
Cash and cash equivalents		19	161
Bank overdraft		-	-
Cash and cash equivalents at the end of the year	18	<u>19</u>	<u>161</u>
Represented by: Bank		<u>19</u>	<u>161</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

1. Reporting Entity

The financial statements presented are for the reporting entity Dunedin Railways Limited.

Company Details:

- Incorporated in New Zealand under the Companies Act 1993
- A Council Controlled Trading Organisation as defined in the Local Government Act 2002.
- Registered address of the company is 50 The Octagon, Dunedin.
- Classed as a For-profit entity for financial reporting.

Dunedin Railways Limited. Shareholding interests:

- 72% owned by Dunedin City Holdings who are wholly owned by Dunedin City Council.
- 28% owned by Otago Excursion Train Trust.

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

2. Significant Accounting Policies

Statement of Compliance

The Company is a Tier 2 for-profit entity as defined by the External Reporting Board; expenses less than \$30 million and not publicly accountable, and has reported in accordance with Tier 2 for-profit Accounting Standards (New Zealand equivalents to International Reporting Standards with reduced disclosure requirements).

The financial statements have been prepared in accordance with generally accepted accounting practices in New Zealand (NZ GAAP).

The financial statements were authorised for issue by the Directors on 11 September 2018

Basis of Accounting

The financial statements have been prepared on the historic cost basis.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

Change of Accounting Policies

There have been no changes to accounting policies in the 2018 year.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2018	2017
\$000	\$000

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.

Good and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables and the Cashflow Statement 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 group becomes a party to the contractual provisions of the instrument.

Provisions

A provision is recognised in the balance sheet 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.

Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring that has been communicated to affected parties.

3. Revenue

Sales revenue	7,547	6,939
	<u>7,547</u>	<u>6,939</u>

Revenue Accounting Policy

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).

Revenue from services rendered is recognised 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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2018	2017
\$000	\$000

4. Operating Expenses

Audit fees - audit of annual report	20	20
Contractors, materials & consumables	2,612	2,291
Depreciation	374	319
Directors fees	108	101
Employee expenses	3,189	2,942
Other expenses	1,097	991
	<hr/>	<hr/>
	7,400	6,664

5. Financial Expenses

Interest - related parties	42	43
	<hr/>	<hr/>
	42	43

6. Earnings per Share

Earnings per share from continuing operations (cents per share)	(16.54)	10.96
Number of shares	1,571,900	1,571,900

7. Dividends

Dividends	-	-
	<hr/>	<hr/>
	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018 \$000	2017 \$000
8. Taxation		
Operating surplus/(loss) before tax - continuing operations	(354)	232
Operating surplus/(loss) before income tax	(354)	232
Tax thereon at 28%	(99)	65
<i>Plus / (less) the tax effect on differences</i>		
Revenue not liable for taxation	-	(5)
Expenditure not deductible for taxation	5	-
Under / (over) provision in prior years	-	-
Tax effect of differences	5	(5)
Tax expense	(94)	60
Effective tax rate	26%	26%
<i>Represented by</i>		
<u>Current tax provision</u>		
Prior period adjustment	(1)	-
Current tax movement	-	46
<u>Current deferred tax provision</u>		
Deferred tax movement	(94)	14
(Under) / over tax provision in prior years	1	-
Income Tax	(94)	60

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 profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income 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.

9. Equity – Share Capital

Issued capital		
1,571,900 ordinary shares	1,572	1,572

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018	2017
	\$000	\$000

10. Retained Earnings

Balance at the beginning of the year	623	451
Total comprehensive income	(260)	172
Dividend distributions	-	-
Balance at the end of the year	363	623

11. Trade and Other Payables

Trade payables	691	397
Due to related parties	7	3
	698	400

The directors consider that the carrying amount of trade payables approximates their fair value. Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Trade and Other Payables Accounting Policy

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

12. Provisions

Current

Accruals and debtor prepayments	106	186
Employee entitlements	272	276
	378	462

Non - current

Employee entitlements	29	19
	29	19

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.

Entitlements to long service leave are based on the reasonable likelihood that they will be earned by employees and paid by the company.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2018
\$000

2017
\$000

13. Shareholders Advances

Otago Excursion Train Trust	326	325
	326	325

Shareholder advances are unsecured and non-interest bearing.

14. Deferred Tax Liability

	2018 \$000	2018 \$000	2018 \$000	2018 \$000	2018 \$000	2018 \$000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Closing Balance Sheet Assets</i>	<i>Liabilities</i>	<i>Net</i>
Property, plant and equipment	141	-	1	(67)	142	142
Employee entitlements	(65)	-	(2)	(4)	-	(67)
Provisions and adjustments	(4)	-	-	(92)	-	(4)
Tax losses	-	-	(92)	-	-	(92)
Balance at the end of the year	72	0	(93)	(163)	142	(21)

	2017 \$000	2017 \$000	2017 \$000	2017 \$000	2017 \$000	2017 \$000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Balance Sheet Assets</i>	<i>Liabilities</i>	<i>Net</i>
Property, plant and equipment	135	-	6	-	141	141
Employee entitlements	(73)	-	8	(65)	-	(65)
Provisions and adjustments	(4)	-	-	(4)	-	(4)
Tax losses	-	-	-	-	-	-
Balance at the end of the year	58	0	14	(69)	141	72

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 profit, 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 profits 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 profit nor the accounting profit.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2018	2017
\$000	\$000

15. Term Borrowings

Dunedin City Treasury Limited	1,000	335
	1,000	335
Current	-	-
Non-current	1,000	335
Opening long term borrowings	335	
Plus/less cash flows	665	
Closing long term borrowings	1,000	

Borrowings Accounting Policy

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

16. Capital Expenditure Commitments

Capital expenditure committed at balance date but not provided for in the financial statements	73	-
	73	-

17. Lease Commitments

Non-cancellable operating lease commitments:

Payable within one year	146	89
Payable between one to five years	208	171
Payable later than five years	-	-
	354	260

Leases Accounting Policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2018	2017
\$000	\$000

The Company as Lessee

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

18. Cash and Cash Equivalents

Cash and bank	19	161
	<u>19</u>	<u>161</u>

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.

19. Trade and Other Receivables

Trade receivables	23	158
Due from related parties	-	1
	<u>23</u>	<u>159</u>

The directors consider the carrying amount of trade and other receivables approximates their fair value.

Trade and Other Receivables Accounting Policy

Trade and other receivables are initially measured at fair value and subsequently valued at amortised cost using the effective interest method, less any provision for impairment.

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018	2017
	\$000	\$000

20. Inventory

Raw materials and stores	233	168
Consumables for resale	65	16
Total Inventories	298	184

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

21. Property, Plant and Equipment

	Buildings	Rolling Stock	Track	Plant & Equipment	Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year Ended 30 June 2018:							
Cost or Valuation							
Balance at beginning of period	25	4,791	627	1,209	277	225	7,154
Purchases/revaluation	-	130	77	181	2	730	1,120
Sales/disposals	(4)	(529)	(141)	(526)	-	(112)	(1,312)
Balance at end of period	21	4,392	563	864	279	843	6,962
Accumulated depreciation							
Balance at beginning of period	22	2,557	192	886	188	-	3,845
Depreciation	-	282	10	57	24	-	373
Sales/disposals	(4)	(614)	(141)	(436)	0	-	(1,195)
	18	2,225	61	507	212	0	3,023
Balance at end of period	3	2,167	502	357	67	843	3,939

Year Ended 30 June 2017:

Cost or Valuation

Balance at beginning of period	25	4,638	501	1,128	277	212	6,781
Purchases/revaluation	-	153	126	81	-	13	373
Sales/disposals	-	-	-	-	-	-	-
Balance at end of period	25	4,791	627	1,209	277	225	7,154

Accumulated depreciation

Balance at beginning of period	22	2,324	186	822	172	-	3,526
Depreciation	-	233	6	64	16	-	319
Sales/disposals	-	-	-	-	-	-	-
	22	2,557	192	886	188	0	3,845
Balance at end of period	3	2,234	435	323	89	225	3,309

Notes to the Financial Statements

For the Year Ended 30 June 2018

Property Plant and Equipment Accounting Policy

Property plant and equipment are those assets held by the company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment, is stated at cost less accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, properties under construction and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the asset's cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets, commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

Depreciation rates and methods used are as follows:

	Rate	Method
Buildings	6% to 17%	Straight Line
Rolling stock	2% to 50%	Straight Line
Plant and equipment	3% to 50%	Straight Line
Vehicles	8% to 20%	Straight Line
Track	0% to 50%	Straight Line
Construction in progress	no depreciation charged	

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Impairment of assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate

Notes to the Financial Statements

For the Year Ended 30 June 2018

2018	2017
\$000	\$000

that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Any impairment loss is immediately expensed to the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

22. Related Party Transactions

The Company is 72% owned by Dunedin City Holdings Limited and 28% by the Otago Excursion Train Trust. Dunedin City Holdings Limited is a wholly owned subsidiary of the Dunedin City Council.

The Company undertakes transactions with the Dunedin City Council, other Dunedin City Council controlled entities and Otago Excursion Train Trust.

Amounts receivable from and payable to related parties at balance date are disclosed in notes 11, 13, 15 and 19.

Transactions with the Dunedin City Council

Sales of services to the Dunedin City Council

Ticket sales	134	157
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Purchases of goods and services from the Dunedin City Council

Rates, events, leases	75	77
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Transactions with the Dunedin City Treasury Limited

Term Borrowings (Note 15)	1,000	335
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Interest paid	42	43
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Transactions with the Otago Excursion Train Trust

Shareholders Advance	326	325
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Sales of services to the Otago Excursion Train Trust

Charters / Sales	2	3
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Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018	2017
	\$000	\$000

Other related party transactions during the course of the year:

Mr G M Smart, Director Dunedin Railways Limited, with whom contractor purchases of \$400 were undertaken.

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

22.1 Key Management Personal Remuneration

Key Management Personnel Remuneration

Directors Fees	107	101
Short - term employment benefits	640	616

A new Chief Executive was appointed in September 2017

23. Financial Risk

Loan facility limit – Dunedin City Treasury Limited.	2,500	1,930
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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.

23.1 Capital Management Strategy

The capital of the company is its equity, which is comprised of subscribed capital and retained earnings. Equity is represented by net assets. The company manages its capital to ensure that it will be able to continue to operate as a going concern and optimises the balance of debt to equity on a prudent basis in consultation with its Shareholders.

The Directors perform continual reviews of operating strategies and financial performance, and include in those reviews, any strategies required to protect the capital of the company. The Board seeks to maximise overall returns to their shareholders and maintain the Company's strength.

The Company is required to provide to Dunedin City Holdings Limited an Annual Statement of Intent.

24. Events Subsequent to Balance Date

There are no events subsequent to balance date to disclose.

Statement of service performance

For the year ending 30 June 2018

Safety and compliance

Goals	Objectives	Performance measures	Outcome
To make safety our first priority and provide a safe environment	<p>Maximise safety for all staff and visitors by holding a minimum of 3 Board Health and Safety Committee and 9 Staff Health and Safety Committee meetings per year.</p> <p>Review/audit the Safety System and Risk Register within the company each year.</p> <p>Report on health and safety management and provide statistical data in the monthly board reports.</p>	<p>Number of Health and Safety Committee meetings held per year</p> <p>Safety System and Risk Register has been reviewed/audited.</p> <p>Monthly board reports contain a Health and Safety report.</p>	<p>Achieved.</p> <p>Three Health and safety committee meetings held.</p> <p>Ten staff committee meetings held.</p> <p>Achieved.</p> <p>Reviewed in April 2018. Two internal Audits completed.</p> <p>Achieved.</p> <p>All monthly Board papers contained health and safety reports.</p>
Ensure the Company meets all of its safety, security and environmental obligations	To undertake an annual safety audit as required by NZTA	To pass the safety audit and be issued with a Rail Service Licence.	Achieved. <p>NZTA ordinary safety assessment passed in April 2018. Holding Rail Safety Licence.</p>
Reduce accidents for staff, contractors and customers.	Reduce lost time accident rates.	A minimal accident record not exceeding four work related lost time injuries per 100,000 hours worked	Achieved. <p>4 Lost time injuries and 126,345 hours worked.</p>

Financial

Goals	Objectives	Performance measures	Outcome
Grow the company's revenues from the trading activities	Achieve financial performance that represents an acceptable rate of return on investment for its shareholders.	Revenue increase	<p>Achieved.</p> <p>Revenue increased from \$6,939,000 in FY17 to \$7,547,000 in FY18</p> <p>Not achieved.</p>



		A financial result which is at least break even.	The year resulted in a loss due to additional cost and loss in revenue from the flood.
Improve the Company's equity ratio.	Reduce long term bank debt.	Bank debt reduced from previous year.	Not achieved. Debt increased by \$665,000 primarily due to the flood.
Maintain the Company's economic sustainability through the mitigation of business risk.	On-going monitoring and refinement of the company's risk strategy.	Monthly passenger activity to the Board Financial risk analysis undertaken and mitigation measures reported to the Board as required.	Achieved. Passenger activity and risks reported to the Board Monthly.

Marketing and business objectives

Goals	Objectives	Performance measures	Outcome
Increase passenger numbers using train services	To provide consistent and quality service which exceeds the expectations of customers	Invest in a minimum of 2 promotional campaigns a year with industry partners.	Achieved. 1) "Where the Wild Things Are" – Enterprise Dunedin. 2) Headfirst combo product.
Develop strategies and initiatives to maximise resource use.	Initiatives to maximise the productivity of human resources and capital employed while taking into account potential opportunities and strategic considerations	Carry at least 80 000 passengers on no fewer than 700 trips per annum	Achieved. Over 81,000 passengers and 803 trips.
To develop diversified markets for the company's products	Identify and invest in route development opportunities	Increase in trips to new destinations	Achieved. Rail Touring – ShantyTown and Maitaia.

Customer service

Goals	Objectives	Performance measures	Outcome
Provide outstanding customer service to our valued customers.	To provide consistent and quality service which exceeds the expectations of customers	Monitor Trip Advisor to ensure customer satisfaction levels of 85% or better	Achieved. Trip Advisor satisfaction level of 89.2% achieved.
	Provide high standards of service to our customers and recognise the role the railway plays in connecting our	Investigate the introduction of a new customer service survey	Achieved. Survey implemented.



	customers to the Dunedin experience.		
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Infrastructure

Goals	Objectives	Performance measures	Outcome
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Infrastructure maintenance is carried out without affecting train operations Ensure the future of the company is protected	No delays to regular scheduled passenger operations Continuation of and development of an Asset Management Plan	Not Achieved. Taieri Gorge Trains cancelled for 59 days due to the Flood. Achieved. Framework in place and asset review with third party programmed.

Human resources

Goals	Objectives	Performance measures	Outcome
To retain and value our employees.	Relevant training is provided to staff To recognise and review staff performance Expand company Values and ensure that all staff are fully engaged with the company's Vision, Purpose and Values. Adherence to EEO policy Staff turnover	Increase level of staff training and to update staff files to show individual training records Each senior staff member has an annual performance review. Develop an annual staff engagement survey. No breaches of EEO policy Not to exceed 15%	Achieved. Ongoing with Health Safety Training and Environment Coordinator appointment. Achieved. All reviews complete. Achieved. Survey developed. Achieved. No breaches identified. Achieved. Staff turnover 13%

Shareholders

Goals	Objectives	Performance measures	Outcome
Engage with shareholders annually on	Consult with shareholders on matters	In the annual company's Statement of Intent having	Achieved.

opportunities for the company to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan)	to be included in the company's Statement of Intent.	given consideration to shareholders expectations.	The statement of intent was prepared with input from shareholders.
Bring to the attention of the shareholders any strategic or operational matters where there may be conflict between the Council's community outcomes and those of the company and seek the shareholder's view on these.	Consult with shareholders at the earliest possible time on matters where conflict may or could result.	Number of matters that have been escalated to shareholders.	No matters required to be escalated.
Keep the shareholders informed of all substantive matters.	On a 'no surprises' basis advise shareholders promptly of any substantive matter that has the potential to impact negatively on shareholders and the company with a particular focus on the media.	Number of substantive matters that have been reported to shareholders within 24 hours.	July flood is the only matter that needed to be advised to shareholders.

DCC strategic framework accountabilities

Social and wellbeing

Goals	Objectives	Performance measures	Outcome
Making people feel connected and involved in community and city affairs	Promote and preserve the volunteer input to the business and to ensure that the reasonable needs of this group are met.	Number of volunteer hours to host trips in the year. Continue with a Memorandum of Co-Operation with OETT for the use of volunteer staff	Achieved. Memorandum of Co-Operation with OETT continued.
Be recognised as a positive contributor to our community.	Provide sponsorship to community events and organisations. Facilitate community access to venues.	Free train tickets given to community organisations/events. Continuation of relationship with Cadbury and Childcare Association to run train trips for their events	Achieved. Free tickets continue to be issued. Not Achieved. The Child Care association no longer run their train. The last Cadbury train was in July 2017



		Agree for access to station/train for community activities	Achieved. Ed Sheeran Trains, Farmers Market and school activities.
Building better communities both at a local/geographic level and communities of interest	Support local and wider communities.	Run train services to rural and coastal areas of Dunedin and Otago.	Achieved. Continuation of train services to inland rural areas and on the coastline north of Dunedin.
Promoting good health	To achieve the highest grade in food hygiene.	'Grade A' Dunedin City Council Food Hygiene certificate achieved.	Achieved. 'Grade A' rating certificate achieved.
Promoting a good work/life balance and full employment	Promote staff taking leave	Annual Leave balance stable or falling	Achieved. Leave balance has been reduced in the year.

Economic development strategy

Goals	Objectives	Performance measures	Outcome
Growing the value of "export income" to the City	Maintain and enhance the Company's reputation as being one of the preferred tourist attraction activities in Dunedin to both the domestic and international markets. Using Trip Advisor to promote Taieri Gorge Railway	Domestic and international income earned maintained or grows per annum To monitor company rating on Trip Advisor	Achieved. Revenue increased 9% Achieved. Monitored – Trip advisor rating 89.2%
Increasing the retention of graduates. Building the skills base.	Consider the 'Emerging Director of the Year' initiative held in conjunction with Otago Southland Branch of the Institute of Directors.	Investigate the possibility of having an emerging Director on the Board.	Achieved Intern Director with board for 2018
Establishing strategic projects with other cities/companies	Increase passenger numbers from cruise ships.	What initiatives have been introduced?	Cruise leader appointed. Welcome and education process

	Increase tourist numbers to the city.	Growth in percentage of customers from outside the city.	for on board staff of cruise ships. Not Achieved. Passenger mix local vs visitor remained similar to prior year.
Marketing Dunedin	Review the Marketing plan to increase business. Support Enterprise Dunedin on initiatives to market Dunedin	New Marketing Plan introduced during the year. Develop a customer survey to evaluate customer perceptions. Continue membership of Dunedin Host and partner with other operators for marketing initiatives. Evidence of participation in Enterprise Dunedin marketing campaigns	Achieved. Plan implemented. Achieved. Survey in place. Achieved. A member of Dunedin Host and partnered with several other operators with Wild Dunedin. Achieved. Wild Dunedin and I-site displays.
Linkages beyond our borders	Maintain a tourist link Queenstown to Dunedin.	Continue with Track and Trail train and coach service from and to Queenstown.	Not Achieved – Coach operator ceased.

Environment strategy

Goals	Objectives	Performance measures	Outcome
To be recognised as a positive contributor to our community.	Act as a socially and environmentally responsible corporate citizen. Develop sustainable practices.	Recycle plastic/cardboard waste generated.	Achieved. Cardboard, plastic and glass have been recycled.
Protecting, restoring and enhancing Dunedin's natural heritage, biodiversity, landscapes and ecosystems	Carry out a weed control programme and continually review company operations for environmental issues.	Weed control operation carried out.	Achieved. Weed spraying carried out.
To reduce and monitor emissions.	Improving passenger numbers per litre of fuel	How many passengers per litre of fuel compared to previous year?	Not achieved. 4% increase. More heavy work trains due flood.

Arts and culture strategy

Goals	Objectives	Performance measures	Outcome
Building unity and Community pride by celebrating the city's character, diversity and individuality through arts and culture.	Help ensure ID Fashion is promoted as a truly culturally rich Dunedin event.	Work with ID Fashion committee to ensure event can happen at Dunedin Station while train operations continue	Not Achieved. ID moved to another venue.
	Enhance awareness of the heritage value of Taieri Gorge Railway and Dunedin Railway Station.	Maintain a heritage plaque at Dunedin Railway Station and report to the City any station building heritage deterioration	Achieved. Dunedin Railway Station and the Taieri Gorge were awarded NZ Landmarks status by Heritage NZ.
Utilising existing networks and fostering new connections to facilitate creativity.	Increase number of train services on tracks within the city from the previous year.	Achieved/not achieved.	Achieved. More trips operated in the year due to increase in cruise ships.

Spatial plan

Goals	Objectives	Performance measures	Outcome
Promoting a healthy and safe environment; quality air and water; a connected community; recreation, leisure and learning, opportunities; healthcare, and warm housing.	Continue to make Dunedin look good as a recreation and leisure community through the provision of attractive train services	Measured by the number of trains run and the Trip Advisor rating for the train services	Achieved. Increase in the number of trips due to increase in cruise ships. Trip Advisor rating of 89.2%
Reducing dependence on non-renewable resources	Reduce dependence on use of hydrocarbon-based diesel and petrol	Investigate use of biodiesel	Not achieved. Investigated and not practical at this time.
Celebrating Tangata Whenua and European heritage; actively re-using built heritage.	To enhance the heritage experience by continuing to preserve the heritage aspects of the line and to recognise the heritage nature of rolling stock, structures in the gorge and at Middlemarch.	The Company does not disturb the heritage nature of aspects of the line measured by any complaints.	Achieved. No complaints received.
Protecting significant landscapes; quality architecture.	Carry out a weed control programme.	Weed control program carried out.	Achieved. Weed control carried out periodically.

Maintaining and growing our rural economy, industrial base.	Operating a mechanical workshop and track maintenance team and employing local staff	Retention of in-house maintenance teams.	Achieved. Maintenance teams retained in-house.
An urban form that supports accessibility from a range of modes and sustainable transport choices	Running trains with accessible vehicles to local destinations	Retention of an accessible carriage and access ramps	Achieved. Accessible carriages and access ramps maintained.

Parks and recreation strategy

Goals	Objectives	Performance measures	Outcome
Managing green and open spaces to provide for social interaction and physical health and wellbeing	Maintaining network of walking and cycle tracks, picnic areas and other public amenities.	Running trains to the Strath Taieri to connect with the Rail Trail and provision of toilet facilities at Pukerangi and Middlemarch and on the train.	Achieved. Connections and facilities maintained.
Accessible recreational facilities	Making recreational open spaces and facilities open to all.	Continuation of annual Walk the Gorge initiative	Achieved. Event occurred.

Integrated transport strategy

Goals	Objectives	Performance measures	Outcome
Efficiently and effectively moving freight.	Ability to carry freight	Taking passenger freight on suitable vans and investigating opportunities for bulk freight transport	Achieved. Passenger luggage and bikes transported. Freight options investigated when opportunities arise.
Connectivity of centres	Improving connections within and between centres	Maintenance of a regular train/coach tourist service to and from Queenstown and a train service to and from Oamaru	Achieved - noting coach to Queenstown through other operators.

Three waters strategy

Goals	Objectives	Performance measures	Outcome
Improving the quality of our discharges to minimise the impact on the environment.	Not discharging anything into waterways –notably the Taieri River or Otago Harbour.	No discharges into waterways from operations	Achieved. No discharge to waterways.

Company directory

As at 30 June 2018

Directors

Judy Bevin
Richard Roberts
Hon. Stan Rodger (Deputy Chairperson)
Graham Smart
Geoff R Thomas (Chairperson)
David Wood

Chief Executive

Craig Osborne

Registered office

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New Zealand

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<http://www.dunedinrailways.co.nz>

Bankers

Bank of New Zealand

Solicitors

Anderson Lloyd Lawyers

Taxation advisers

Deloitte

Auditor

Audit New Zealand on behalf of The Auditor-General



Winning Photo in Staff Photo Competition 2018. The Noordam with train
Photographer: Mike Lynch, Loco Engineer:

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 2018

The Auditor-General is the auditor of Dunedin Railways Limited (the company). The Auditor-General has appointed me, Julian Tan, 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.

Opinion

We have audited:

- the financial statements of the company on pages 7 to 25, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income statement, 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 on pages 26 to 33.

In our opinion:

- the financial statements of the company on pages 7 to 25:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 New Zealand International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the company on pages 26 to 33 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 11 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Independent Auditor's Report (Continued)

Basis for our opinion

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 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 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 the 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 for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and the statement of service performance that are free from material 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 intends 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.

Independent Auditor's Report (Continued)

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 evaluate the appropriateness of the reported service performance within the company's framework for reporting its performance.
- 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 and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Independent Auditor's Report (Continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 6 and 34, but does not include 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. We have nothing to report in this regard.

Independence

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

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



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand