

DUNEDIN RAILWAYS

WORLD CLASS TRAIN TRIPS



Annual report 2021



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Chair's report

Principal activities of the Company

Until March 2020 Dunedin Railways Ltd (the Company) operated a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin. Covid-19 had a severe impact on the company and it transitioned to hibernation from 1 July 2020. The company's current focus is on maintaining key assets pending further decisions from Dunedin City Council.

Year in review

	Year Ended 30 June 2021	Year Ended 30 June 2020
	\$'000	\$'000
Revenue	1,347	6,515
Net surplus/(loss) for the year	(236)	(6,606)
Shareholders' funds	221	457
Total assets	412	587

Dunedin Railways transitioned to hibernation on 1 July 2020, after the impacts of Covid-19 on the tourism sector compounded existing financial challenges at the company. Dunedin City Council agreed to financially support Dunedin Railways in hibernation by way of a grant as an alternative to complete closure of the business.

Over the 2021 financial year, a hibernation team of seven has focussed on keeping key rolling stock and the Taieri Gorge line maintained.¹ Dunedin Venues Management Ltd have supported the hibernation team and have performed the company's administrative functions.

The directors of Dunedin City Holdings Ltd have assumed roles as directors of the Company over its hibernation period.

With further support from Council in the form of an underwrite, the hibernation resource was temporarily expanded and applied to running passenger services over the 2020/2021 summer in a promotion titled A Summer of Trains Not Planes.

5,719 passengers travelled on 27 services to either Hindon (the "Inlander") or Waitati (the "Seaside"). Passenger surveys recorded a very high level of satisfaction. Themed trains such as the Santa Express were popular, and collaboration with the Waitati community resulted in an excellent experience for customers as well as benefits for the community.

Dunedin Railways Ltd will continue its hibernation operations into the coming financial year, as well as operating a limited schedule of passenger services, pending further decisions from Dunedin City Council as to the company's long-term future.



Keith Cooper

Chair

¹ To support passenger services as far as Hindon, with minimal maintenance between Hindon and Middelmark.



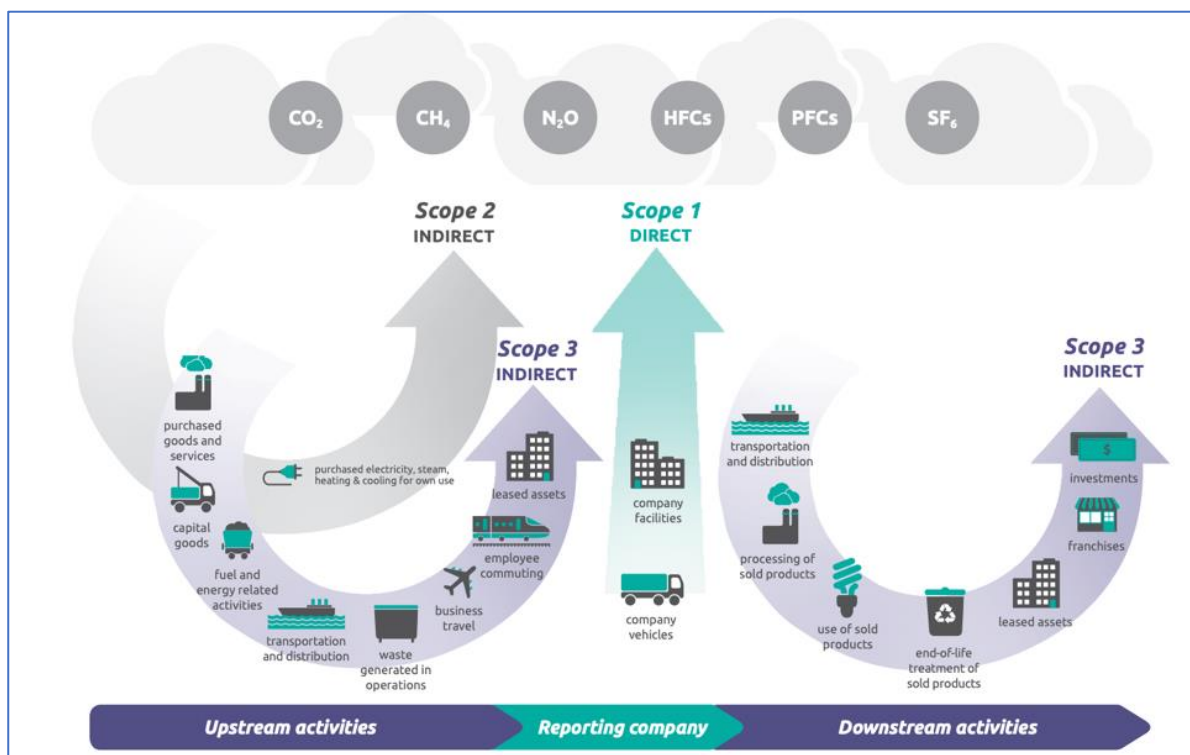
Greenhouse Gas Emissions Summary

During the year we have, for the first time, assessed and measured our Greenhouse Gas (GHG) emissions.

We completed this process with the assistance of external advisors and 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 Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

We have at this stage focussed 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 DRL, 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 DRL office.

The Scope 3 emissions 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

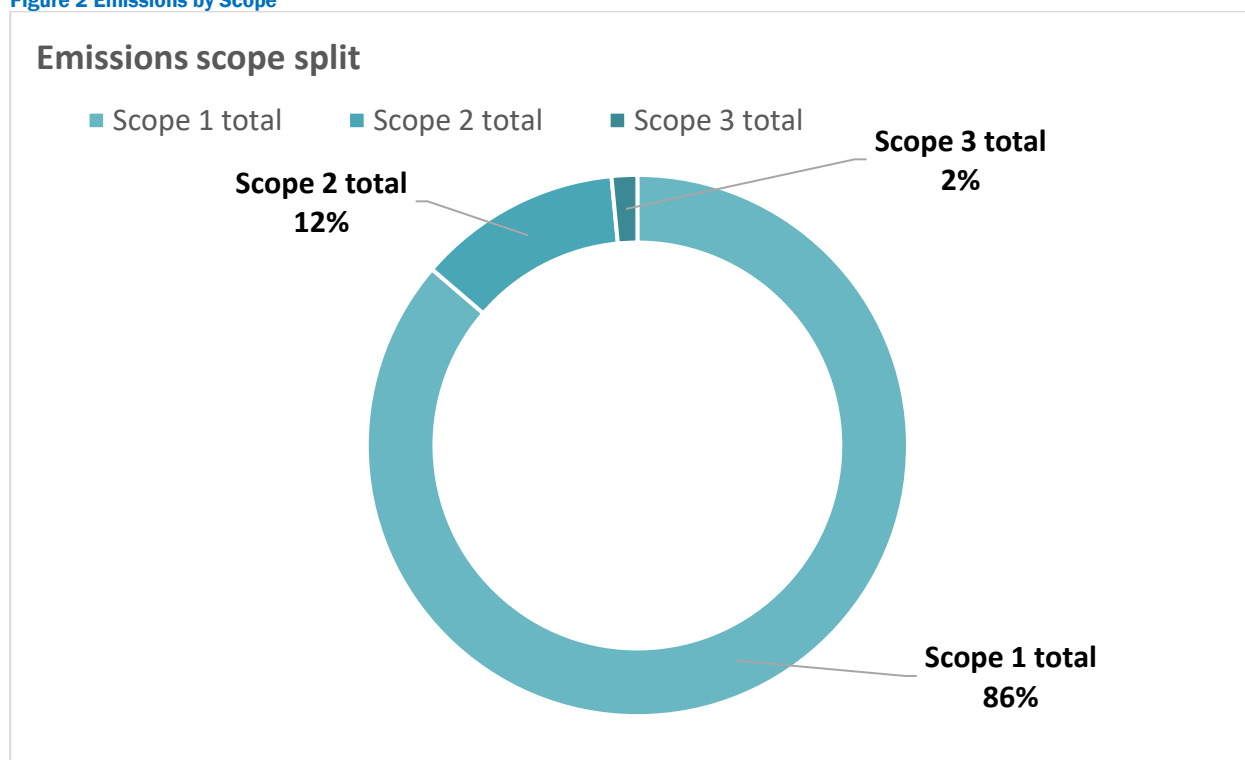
Emissions are reported as tonnes (t) of Carbon Dioxide (CO₂) equivalent (e); or tCO₂-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

DRL's measured GHG emissions for the year end 30 June 2021 are 94 tCO₂-e.

Table 1 Emissions by Scope

Scope	tCO ₂ -e	% of total
Scope 1	81.5	86%
Scope 2	11.5	12%
Scope 3	1.5	2%
Total	94.5	100%

Figure 2 Emissions by Scope



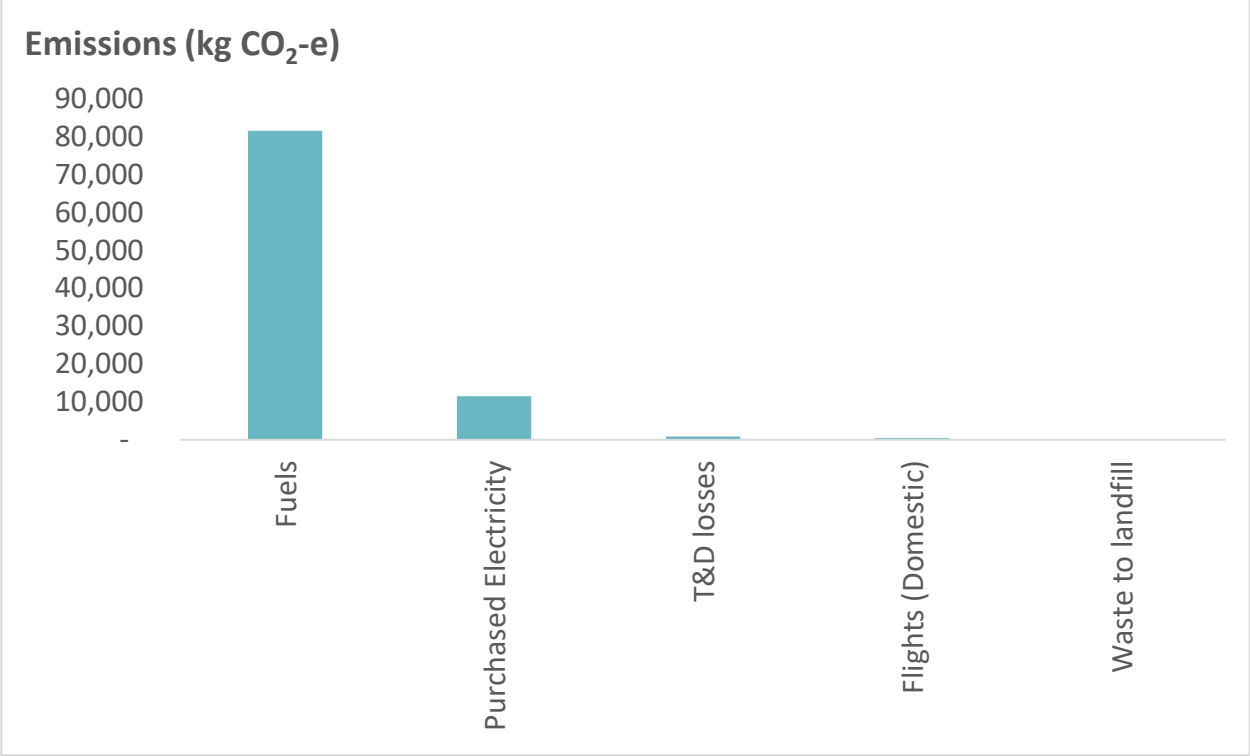
Emissions by Activity

Our top emissions sources are summarised below.

Table 2 Emissions by activity

Category emission source	t CO ₂ -e
Fuels	81.5
Purchased Electricity	11.5
Electricity Transmission	0.9
Flights (Domestic)	0.5
Waste to landfill	0.1
Total	94.5

Figure 3 Emissions by activity



Next Steps

As this is our first footprint, a number of assumptions and estimates have been made when calculating our emissions. It is our intention to measure and manage our footprint on an ongoing basis and to report on this annually. As noted in our 2021-2022 Statement of Intent, next steps include developing emissions and waste reduction strategies and associated targets.

We will also focus on improving the accuracy of our calculations, giving consideration to the most relevant Scope 3 emissions that we track, and implementing measures to reduce our emissions.



Statutory Information

For the year ended 30 June 2021

Directors' interests register

As advised to the Company:

Director	Entity	Nature of interest
Keith Cooper	Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Miller Creative Group Littlebrook Farm Limited	Director Director Director Director Shareholder/Director
Kathleen Grant	Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited NMIT Limited Weltec Limited Whitireia Limited NZ Institute of Skills and Technology Central Lakes Trust Trustee to various client Trusts	Director Director Director Director Director Director Council Member Trustee Trustee
Christopher Hopkins	Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Oakwood Group Limited Our Planit Limited Spade Work Limited GW Batts Trustee Limited JB Frame & Son Limited Bletsoe Securities Limited Southmed Limited INMR Measure Limited Mimeo Industrial Limited Health Central Limited	Director Director Director Director Director Director Director Director Director Shareholder/Director Shareholder/Director Shareholder/Director Chair
Linda Robertson	Central Otago District Council Central Lakes Trust Crown Irrigation Investments Limited Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited NZ Local Government Funding Agency Alpine Energy Limited Central Lakes Direct Limited RML Consulting Limited The Treasury The Treasury	Chair, Audit and Risk Committee Chair Chair Director Director Director Director Director Director Shareholder/Director Risk and Audit Committee Capital Markets Advisory Committee

Richard Thomson	Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Thomson & Cessford Limited Hawksbury Community Living Trust Healthcare Otago Charitable Trust	Director Director Director Shareholder/Director Chair Trustee
Susan Johnstone	Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Shand Thomson Chartered Accountants Office of the Auditor General Johnstone Afforestation Limited Dunedin Diocese Trust Board Various clients through Shand Thomson & Abacus Nominee Companies	Director Director Director Shareholder/Director Audit and Risk Committee Shareholder/Director Trustee Trustee

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 2021 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

The Directors of parent entity, Dunedin City Holdings Limited, were appointed as the Directors of the Company from 1 July 2020, while the Company is in hibernation.

Kathleen Grant ceased to be a Director on 30 June 2021.

Susan Johnstone was appointed a Director on 1 March 2021.



Directors' remuneration

The remuneration paid to Directors during the year was:

	For the year ended 30 June 2021	For the year ended 30 June 2020
Keith Cooper (Chair, appointed 1 July 2020)	-	-
Kathleen Grant (appointed 1 July 2020, ceased 30 June 2021)	-	-
Christopher Hopkins (appointed 1 July 2020)	-	-
Linda Robertson (appointed 1 July 2020)	-	-
Richard Thomson (appointed 1 July 2020)	-	-
Susan Johnstone (appointed 1 March 2021)	-	-
Kevin Winders (ceased 30 June 2020)	-	23,227
Judy Bevin (ceased 30 June 2020)	-	14,923
Richard Roberts (ceased 30 June 2020)	-	14,923
David Wood (ceased 30 June 2020)	-	14,923
Graeme Smart (ceased 30 June 2020)	-	14,923
Hon. Stan Rodger (ceased 30 November 2019)	-	7,740
Total	\$Nil	\$90,659

Employees' remuneration

Employees whose remuneration and benefits exceeded \$100,000 for the year ended 30 June 2021, remuneration includes all non-cash benefits and redundancy payments at total cost to the company where applicable.

	For the year ended 30 June 2021	For the year ended 30 June 2020
Remuneration band	Number of employees	Number of employees
\$100,000 - \$110,000	1	4
\$110,000 - \$120,000	-	5
\$120,000 - \$130,000	-	2
\$190,000 - \$200,000	-	1

Health and Safety

Dunedin Railways operated during the past financial year with zero lost time injuries to staff which was an excellent result. The focus of the Health and Safety system became passenger safety when Dunedin Railways operated a summer program of Trains not Planes. An external audit was conducted with no major findings acting as a catalyst to allow the passenger service to run. Dunedin Railways delivered the summer of Trains not Planes promotion with zero passenger incidents through robust passenger management plans which identified risks and controls that put passenger safety at the forefront.

Dividends

The directors have recommended that no dividend be paid for the year ended 30 June 2021.

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.



Statement of service performance

Performance measures	Achievement
1. Hibernation plan is prepared and reported on to the Board on a quarterly basis.	Compliance to the hibernation plan was reported on at each DRL Board meeting.
2. Target zero lost time injuries.	There were no LTI's during the reporting period.
3. A draft 2021/22 Statement of Intent will be submitted to the Shareholder by 1 March 2021.	The Company's Statement of Intent was submitted within Dunedin City Holdings Limited timeframes after taking into consideration the requirements of Dunedin City Holdings Limited.
4. Establish systems for measuring and publicly reporting carbon emissions by end of FY2021, in a cost effective manner, with a view to then identify and set emissions reductions targets.	The Company has put in place systems and process' for measuring carbon emissions.
5. Consult with the shareholders in a timely manner on DRL strategic or operational matters which could compromise Council's community outcomes.	There were no matters which could compromise community outcomes that required escalation to the Shareholder.
6. Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.	There were no matters, which had the potential to negatively impact on the Shareholder and the Company, that were required to be reported to Dunedin City Holdings Limited.

DRL are committed to, and achieved, paying all employees the living wage (as calculated by the New Zealand Family Centre Social Policy Unit), or more.

	Target	Achievement
Shareholders' Funds to Total Assets	100%	53%
Dividend/Subvention Distributions	0	0
EBITDA	0	(222)
Net Profit after Tax	0	(236)
Cash Flow from Operations	0	(98)
Capital Expenditure	0	0
Term Loans	0	0



Company directory

As at 30 June 2021

Directors

Keith Cooper (Chair)

Christopher Hopkins

Linda Robertson

Richard Thomson

Susan Johnstone – appointed 1 March 2021

Kathleen Grant – retired 30 June 2021

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 Income

For the Year Ended 30 June 2021

	Note	2021 \$000	2020 \$000
Revenue	3	1,347	6,515
Total revenue		1,347	6,515
Less Expenses			
Operating expenses	4	1,583	8,572
Financial expenses	5	-	88
Impairment		-	4,486
Total expenses		1,583	13,146
Profit (Loss) before tax		(236)	(6,631)
Income tax expense (credit)	8	-	(25)
Net Profit (Loss) from continuing operations		(236)	(6,606)
Other comprehensive income		-	-
Total comprehensive income		(236)	(6,606)

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 2021

	Note	2021 \$000	2020 \$000
Equity at beginning of year		457	1,813
Comprehensive income			
Profit/(Loss) from continuing operations		(236)	(6,606)
		221	(4,793)
Capital contributions from owners	9	-	5,250
Less distribution to owners	7	-	-
Equity at the end of the year		221	457

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



Statement of Financial Position

As at 30 June 2021

	Note	2021 \$000	2020 \$000
Equity			
Share capital	9	6,822	6,822
Retained earnings	10	(6,601)	(6,365)
Total equity		221	457
Current liabilities			
Trade and other payables	11	47	36
Contract liabilities	12	12	16
Provisions	13	132	45
Total current liabilities		191	97
Non-current liabilities			
Provisions	13	-	33
Deferred tax liability (asset)	14	-	-
Term borrowings	15	-	-
Total non-current liabilities		-	33
Total liabilities		191	130
Total equity and liabilities		412	587

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



Statement of Financial Position

As at 30 June 2021 (continued)

	Note	2021 \$000	2020 \$000
Current assets			
Cash and cash equivalents	18	131	229
Trade and other receivables	19	9	14
Inventories	20	55	61
Income tax refund receivable		-	25
GST refund receivable		(4)	22
Total current assets		191	351
Non-current assets			
Property, plant and equipment	21	221	236
Intangible assets	22	-	-
Total non-current assets		221	236
Total assets		412	587

For and on behalf of the Board of Directors:



Chair



Director

Date: 29 April 2022

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



Statement of Cashflows

For the Year Ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
<i>Cash was provided from</i>			
Receipts from customers		1,401	6,580
<i>Cash was disbursed to</i>			
Payments to suppliers and employees		1,473	8,994
Interest paid		-	88
Income tax paid (received)		-	25
Net GST movement		26	40
		1,499	9,147
Net cash inflows/(outflows) from operating activities		(98)	(2,567)
Cash flows from investing activities			
<i>Cash was provided from</i>			
Sale of property, plant and equipment		-	-
		-	-
<i>Cash was disbursed to</i>			
Purchase of property, plant and equipment		-	264
		-	264
Net inflows/(outflows) from investing activities		-	(264)

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



Statement of Cashflows

For the Year Ended 30 June 2021 (continued)

	Notes	2021 \$000	2020 \$000
Cash flows from financing activities			
<i>Cash was provided from</i>			
Contributions of capital		-	5,250
Proceeds from borrowings		-	5,274
		-	10,974
<i>Cash was disbursed to</i>			
Repayment of borrowings		-	7,940
		-	7,940
Net cash inflows/(outflows) from financing activities		-	3,034
Net increase (decrease) in cash		(98)	203
Cash equivalents and bank overdraft			
Cash and cash equivalents at the beginning of the year		229	26
Cash and cash equivalents at the end of the year	18	131	229
Composition of cash			
Cash and cash equivalents		131	229
Bank overdraft		-	-
Cash and cash equivalents at the end of the year	18	131	229
Represented by: Cash at bank		131	229

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 2021

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 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 Public Benefit Entity (PBE) for financial reporting.

Company shareholding interests:

- 100% owned by Dunedin City Holdings 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.

These financial statements are the first financial statements presented in accordance with the PBE Tier 2 accounting standards.

2. Significant Accounting Policies

Statement of Compliance

The Company is a Tier 2 Public Benefit 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 PBE 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 29 April 2022.

Basis of Accounting

The financial statements are prepared on a non-going concern basis. The Company ceased operations and was put into hibernation from 1 July 2020. There is a high degree of uncertainty associated with the future of the Company and a decision on the future of the Company will not be known until next year.

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



Notes to the Financial Statements

For the Year Ended 30 June 2021

Change of Accounting Policies

The Company has changed its reporting classification from a for-profit entity to a Public Benefit Entity. The accounting policies have therefore been adjusted from the prior year, to now report as a Public Benefit Entity. The Board do not consider the change to have materially impacted the company or its financial statements, including the written-down value of the company's Inventory, or Property, Plant and Equipment.

Standards Amended or Issued During the Year

There were no standards amended or issued during the year that materially impact the Company.

Standards or Interpretations Not Yet Effective

A number of new standards, amendments, and interpretations have been issued but not yet effective that have not been applied to these financial statements. These standards are to be applied to future financial statements. The impact of the new standards has been assessed as minimal.

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 Company 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.



Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
3. Revenue		
Sales revenue	301	5,963
Government Grants (received from Dunedin City Council)	1,018	-
Covid-19 wage subsidy	28	370
Engineering contract with customer	-	182
	<u>1,347</u>	<u>6,515</u>

Revenue Accounting Policy

Sales revenue

Revenue from ticket sales is recognised in revenue in advance at the fair value of the consideration received. Amounts are transferred to revenue in the Statement of Comprehensive Income 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.

Government Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grants are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grants are satisfied.

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 is recognised in the income statement as performance obligations are met. Contract assets and contract liabilities are included within "trade and other receivables" and "contract liability" respectively on the face of the statement of financial position.



Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
4. Operating Expenses		
Audit fees - audit of annual report	24	23
Contractors, materials & consumables	613	2,721
Depreciation	14	450
Directors fees	-	91
Employee expenses	660	4,803
Other expenses	272	484
	<u>1,583</u>	<u>8,572</u>

5. Financial Expenses

Interest - related parties	-	88
	<u>-</u>	<u>88</u>

Financial Expenses Accounting Policy

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

6. Earnings per Share

Earnings per share from continuing operations (cents per share)	(3.46)	(96.83)
Number of shares	6,821,900	6,821,900

7. Dividends

Dividends	<u>-</u>	<u>-</u>
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Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
Operating surplus/(loss) before tax - continuing operations	(236)	(6,631)
Operating surplus/(loss) before income tax	(236)	(6,631)
Tax thereon at 28%	(66)	(1,856)
<i>Plus / (less) the tax effect on differences</i>		
Revenue not liable for taxation	-	(6)
Expenditure not deductible for taxation	7	-
Under/(over) provision in prior years	-	3
Derecognise deferred tax asset	59	1,834
Tax effect of differences	66	1,831
Tax expense	-	(25)
Effective tax rate	28%	28%
<i>Represented by</i>		
<u>Current tax provision</u>		
Prior period adjustment	-	-
Current tax movement	-	-
<u>Current deferred tax provision</u>		
Deferred tax movement	-	(28)
(Under) / over tax provision in prior years	-	3
Income Tax	-	(25)

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.



Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
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9. Equity – Share Capital

Issued capital

6,821,900 ordinary shares	6,822	6,822
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There were no changes in the Company's issued capital during the year.

10. Retained Earnings

Balance at the beginning of the year	(6,365)	241
Total comprehensive income	(236)	(6,606)
Dividend distributions	-	-
Balance at the end of the year	(6,601)	(6,365)

11. Trade and Other Payables

Trade payables	36	36
Due to related parties	11	-
	47	36

Trade and Other Payables Accounting Policy

Trade and other payables are stated at cost.

12. Contract Liability

Unearned revenue in advance	12	16
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Contract Liability Accounting Policy

Contract liability is initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

The contract liability balance represents where payment has been received but the corresponding performance has not been carried out within the financial year. This is usually associated with mobilisation payments. The 2021 contract liability balance is expected to be released in the financial year 2022 as work is completed and revenue is realised.

Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
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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.

13. Provisions

Current

Accruals and revenue in advance	106	45
Employee entitlements	26	-
	<u>132</u>	<u>45</u>

Non - current

Employee entitlements	-	33
	<u>-</u>	<u>33</u>

14. Deferred Tax Liability

	2021 \$000	2021 \$000	2021 \$000	2021 \$000	2021 \$000	2021 \$000	2021 \$000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Subvention (Receipt)/ Payment</i>	<i>Closing Balance Sheet</i>		<i>Net</i>
					<i>Assets</i>	<i>Liabilities</i>	
Receivables	(11)	-	7	-	(3)	-	(3)
Inventories	(98)	-	-	-	(98)	-	(98)
Property, plant and equipment	130	-	159	-	-	289	289
Employee entitlements	(8)	-	0	-	(7)	-	(7)
Provisions and adjustments	-	-	(6)	-	(6)	-	(6)
Tax losses	-	-	-	-	-	-	-
Derecognise deferred tax asset	(14)	-	(161)	-	114	(289)	(175)
Balance at the end of the year	-	-	-	-	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2021

	2020 \$000	2020 \$000	2020 \$000	2020 \$000	2020 \$000	2020 \$000	2020 \$000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Subvention (Receipt)/ Payment</i>	<i>Closing Balance Sheet</i>		
					<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>
Receivables	-	-	(11)	-	(11)	-	(11)
Inventories	-	-	(98)	-	(98)	-	(98)
Property, plant and equipment	134	-	(4)	-	130	-	130
Employee entitlements	(64)	-	56	-	(8)	-	(8)
Provisions and adjustments	(2)	-	2	-	-	-	-
Tax losses	(43)	-	43	-	-	-	-
Derecognise deferred tax asset	-	-	(14)	-	-	(14)	(14)
Balance at the end of the year	25	-	(25)	-	14	(14)	-

A deferred tax asset has not been recognised in relation to tax losses of \$3,143,281 (tax effect \$880,119) and temporary differences of \$3,541,470 (tax effect \$990,640).

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.

15. Term Borrowings

	2021 \$000	2020 \$000
Dunedin City Treasury Limited	-	-
	-	-
Current	-	-
Non-current	-	-
Opening long term borrowings	-	1,890
Plus/less cash flows	-	(1,890)
Closing long term borrowings	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$000	\$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	20	-
	20	-

17. Lease Commitments

The Company is a lessee for a photocopier and 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.

18. Cash and Cash Equivalents

Cash and bank	131	229
	131	229

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	21	52
Due from related parties	-	-
Less: Provision for impairment of trade receivables	(12)	(38)
	9	14

Disclosed as:

Trade and other receivables	9	14
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Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$000	\$000

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 stated at cost less any allowances for estimated irrecoverable amounts.

20. Inventory

Raw materials and stores	55	61
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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.

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 2021:							
Cost or Valuation							
Balance at beginning of period	-	234	-	-	3	-	237
Purchases	-	-	-	-	-	-	-
Sales/disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance at end of period	-	234	-	-	3	-	237
Accumulated depreciation							
Balance at beginning of period	-	1	-	-	-	-	1
Depreciation	-	14	-	-	1	-	15
Sales/disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
	-	15	-	-	1	-	16
Balance at end of period	-	219	-	-	2	-	221

Notes to the Financial Statements

For the Year Ended 30 June 2021

	Buildings \$'000	Rolling Stock \$'000	Track \$'000	Plant & Equipment \$'000	Vehicles \$'000	Work in Progress \$'000	Total \$'000
Year Ended 30 June 2020:							
Cost or Valuation							
Balance at beginning of period	21	5,336	923	1,020	347	289	7,936
Purchases	-	376	175	45	3	-	599
Sales/disposals	-	(48)	-	-	-	(289)	(337)
Impairment	(21)	(5,430)	(1,098)	(1,063)	(347)	-	(7,961)
Balance at end of period	-	234	-	-	3	-	237
Accumulated depreciation							
Balance at beginning of period	18	2,551	73	590	239	-	3,471
Depreciation	-	284	19	127	20	-	450
Sales/disposals	-	(41)	-	-	-	-	(41)
Impairment	(18)	(2,793)	(92)	(717)	(259)	-	(3,879)
	-	1	-	-	-	-	1
Balance at end of period	-	233	-	-	3	-	236

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.

Notes to the Financial Statements

For the Year Ended 30 June 2021

Depreciation rates and methods used are as follows:

	Rate	Method
Rolling stock	2% to 33%	Straight Line
Plant and equipment	3% to 50%	Straight Line
Vehicles	20% to 22%	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 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.



Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
22. Intangible Assets		
Software		
Cost or Valuation		
Balance at beginning of period	98	98
Purchases	-	-
Sales/disposals	-	-
Balance at end of period	98	98
Accumulated depreciation		
Balance at beginning of period	98	18
Depreciation	-	39
Impairment	-	41
	98	98
Balance at end of period	-	-

Intangible Assets Accounting Policy

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in statement of comprehensive income. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Software 40%

23. 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 5, 11, 15 and 19.



Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$000	2020 \$000
Transactions with the Dunedin City Council		
Sales of services to the Dunedin City Council		
Grant	1,018	-
Ticket sales	11	76
Purchases of goods and services from the Dunedin City Council		
Rates, events, leases	13	54
Transactions with Dunedin City Holdings Limited		
Purchases of goods and services from Dunedin City Holdings Limited		
On charged Consultant Fees	5	-
Transactions with the Dunedin City Treasury Limited		
Interest paid (Note 5)	-	88
Transactions with the Dunedin Venues Management Limited		
Purchases of goods and services from Dunedin Venues Management Limited		
Management Fees	120	-
On charged Consultant and Marketing Fees	98	-
Transactions with Delta Utility Services Limited		
Purchases of goods and services from Delta Utility Services Limited		
Engineering Services	1	-

There were no other related party transactions during the year.

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

Key Management Personnel Remuneration

Director's Fees	-	91
Short - term employment benefits	108	649
Termination benefits	-	37



Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
	\$000	\$000

24. Financial Risk

Loan facility limit – Dunedin City Treasury Limited.	500	4,300
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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.

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 until 30 June 2022 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.

25. Impact of COVID-19

Prior to COVID-19 affecting New Zealand, the Company had been forecasting ongoing losses and required additional equity to maintain its financial viability.

On 11 March 2020 the World Health Organisation declared the outbreak of COVID-19, a pandemic. Travel restrictions were introduced on 14 March and have been in place ever since.

Faced with continued uncertainty regarding international visitors and the risk of insolvency, the difficult decision was made by ultimate shareholder, Dunedin City Council, to hibernate the Company, effective 1 July 2020.

During the 2020/21 financial year a limited Summer programme was run to cater for the domestic market. The continued absence of international visitors means the Company remains in hibernation with a limited operating programme for the 2021/22 Summer.

During the year Dunedin City Council considered alternative operating models for the company. A decision on the future of Dunedin Railways Limited has been deferred 12 months to allow Dunedin City Council to publicly consult on options in early 2022. Dunedin City Holdings Limited has agreed to meet the ongoing costs of hibernation until 30 June 2022.



Notes to the Financial Statements

For the Year Ended 30 June 2021

26. Breach of Statutory reporting deadline

The Company was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 November 2021.

This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of Covid-19, including lockdowns.

27. Events Subsequent to Balance Date

The Company has made 3 share issues since 30 June 2021. Each issue was of 575,000 fully paid shares at \$1 each. The share issues were made on 30 July 2021, 1 November 2021 and 31 January 2022.

Dunedin City Council and Dunedin City Holdings Limited continue to look for alternative operating models that keep Dunedin Railways in the city. A decision on the future of the Company is not expected until next year.

As there is a high degree of uncertainty associated with the future of the Company, the financial statements have been prepared on a non-going concern basis of accounting (as per note 2 basis of accounting).



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 2021

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 are required to audit the financial statements of the Company on pages 12 to 33, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, 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.

We have audited the statement of service performance of the Company on page 10.

Disclaimer of opinion on the financial statements

We do not express an opinion on the financial statements of the Company.

Because of the significance of the matters described in the basis for our disclaimer of opinion on the financial statements section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Qualified opinion on the statement of service performance

In our opinion, except for the possible effects of the matter described in the basis for our qualified opinion on the statement of service performance section of our report, the statement of service performance of the Company on page 10 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 2021.

Our audit was completed late

Our audit was completed on 29 April 2022. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by section 67(5) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinions is explained below, and we draw attention to other matters. 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, and we explain our independence.

Basis for our disclaimer of opinion on the financial statements

As outlined in the accounting policies in note 2 on page 18 and note 25 on page 32, the Company was put into hibernation from 1 July 2020. For the year ended 30 June 2020, the Company's property, plant and equipment and inventory were written-down to \$236,000 and \$61,000 respectively. The Company recognised an associated impairment expense of \$4,486,000 for the year ended 30 June 2020.

Our audit report contained a disclaimer of opinion on the 30 June 2020 financial statements because we were unable to obtain adequate evidence to support the written-down values of these assets and the associated impairment expense.

For the current year, the Board of Directors of the Company has assessed there has been no change in the recoverable amount of the Company's assets from the prior year and no further evidence has been provided to support the amounts recognised as at 30 June 2021 for property, plant and equipment of \$221,000 and inventories of \$55,000.

Additionally, in the current year the Company has changed its classification to a public benefit entity (PBE) for financial reporting purposes. In transitioning to the PBE accounting standards, any changes in accounting policies to comply with PBE accounting standards are accounted for by restating the comparative year financial statements.

The Board of Directors has not adequately assessed and recognised the impact of the transition to the PBE accounting standards. In particular, how the Company's property, plant and equipment and inventories shall be measured under the PBE accounting standards, including the measurement of the recoverable amount of these assets for impairment purposes.

We have not been able to confirm the amount of any reversal of the previously recognised impairment expense that would have been required should the written down value of assets be understated.

As a consequence of the above, the scope of our audit was limited because we are unable to determine whether any adjustments are necessary to the carrying values of the Company's property, plant and equipment and inventories for the current year and comparative year.

Basis for our qualified opinion on the statement of service performance

The statement of service performance contains certain financial related performance measures derived from the financial statements. As a consequence of the impact of the matters above on the financial statements, we were also unable to obtain sufficient appropriate evidence to support the "shareholders' funds to total assets", "EBITDA" and "net profit after tax" financial related performance measures presented on page 10.

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 in respect of the statement of service performance is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matters

Without further modifying our opinion, we draw your attention to the following disclosures in the financial statements.

The financial statements have been prepared on a non-going concern basis

The statement of accounting policies in note 2 on page 18 outlines that the financial statements have been prepared on a non-going concern basis because the Company was put into hibernation from 1 July 2020, and there is a high degree of uncertainty associated with the future of the Company.

Impact of Covid-19

Note 25 on page 32 outlines the impact of Covid-19 on the Company.

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 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 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 are 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

Our responsibility is to carry out an audit of the financial statements 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.

However, because of the matters described in the basis for our disclaimer of opinion on the financial statements section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

The statement of service performance

Our objective is to obtain reasonable assurance about whether 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 the statement of service performance.

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 of the statement of service performance 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 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 the reported statement of service performance within the Company's framework for reporting its performance.

- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and whether the statement of service performance represent the underlying 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.

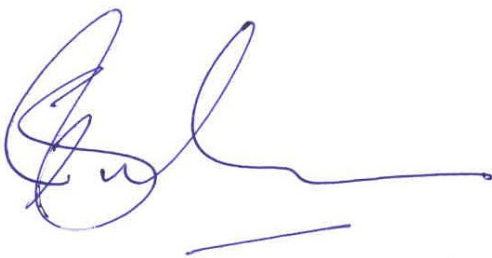
Our responsibilities arise from the Public Audit Act 2001.

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: Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

A Board member of the Company was a member of the Auditor-General's Audit and Risk Committee until December 2021. Since March 2022, another Board member of the Company became a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as the members of the Auditor-General's Audit and Risk Committee have no involvement in, or influence over, the audit of the Company.

Other than the audit, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in the Company.



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