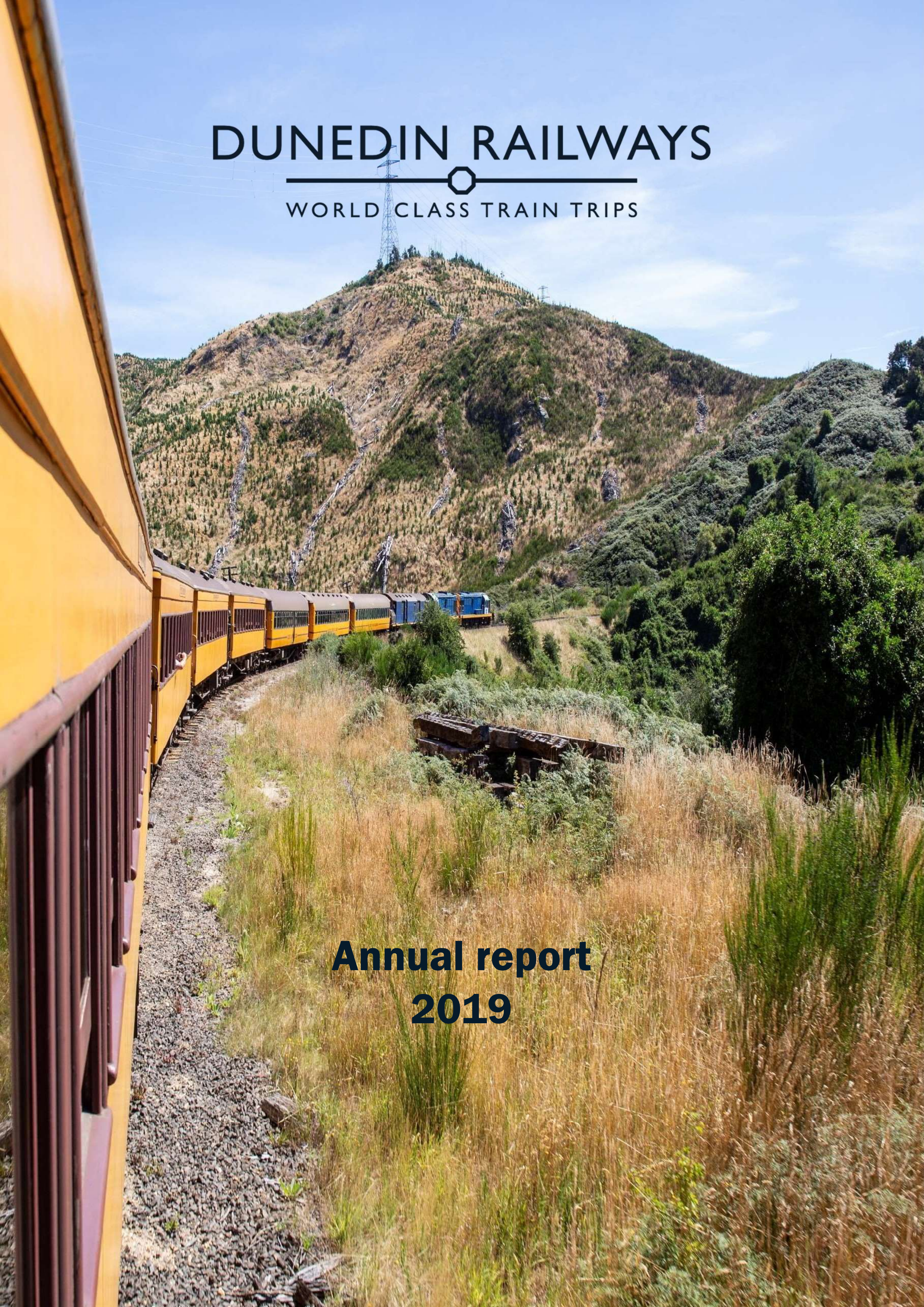
DUNEDIN RAILWAYS

WORLD CLASS TRAIN TRIPS



Annual report 2019

Contents

Chair and Chief Executive's report

Year in review

	Year Ended 30 June 2019 $'000	Year Ended 30 June 2018 $'000
Net profit (loss) after tax	**(122)**	**(260)**

Commentary

i. **Cruise - i**ncreased cruise visits to Dunedin in the year resulted in more cruise passengers.
ii. **Capex** – significant investment expenditure in capital upgrades completing two new ADR carriage refurbishments at a cost of $800,000.
iii. **Repairs and Maintenance –** increased expenditure on locomotives, carriages and infrastructure of track, tunnels and bridges in the year.
iv. **Silver Fern Railcar –** lease of the Railcar ceased as KiwiRail determined that this vehicle is nearing end of life and subsequently these have now been retired. The Silver Fern was a valuable piece of equipment during the period of the lease from 2011 to 2019.
v. **Contract Engineering –** the company undertook some contract engineering work during the year utilising the skills and experience of our engineering team in carriage refurbishment.
vi. **Audit & Risk Committee –** an Audit & Risk Committee was formed during the current year.
vii. **Overall Outcome** was a net loss after tax of $122,000 combined with capital spend has increased borrowings to $1,890,000.

Health, Safety and Training

The company has made continued progress in the current year following on from the appointment of the Health and Safety, Environmental and Training Co-ordinator in the previous year.
There were no major incidents in the year, two Medical Treatment Injuries and two Lost Time Injuries, all of these have been fully investigated, return to work managed and new procedures where applicable implemented.
During the year we have increased our training capabilities and in addition to being able to run all our in-house training requirements we have also provided training to both KiwiRail and other mainline heritage operators.

Volunteers

The company wishes to acknowledge the commitment and contribution the Volunteers make to cruise ship customers. The Volunteers enhance our cruise experience.

Directors

Geoff Thomas retired as a Director and Chair on 12 June 2019 and Kevin Winders was appointed as Director and Chair on the same date.

The year ahead

The 2020 year will be a challenging year for the company and additional equity will be required to ensure the ongoing viability of the business.

Kevin Winders
Chair

Craig Osborne
Chief Executive

Date 2/10/19

Directors' report

For the year ended 30 June 2019

The directors are pleased to present the Annual Report together with the financial statements of the company for the year ended 30 June 2019.

Principal activities of the company

Dunedin Railways Limited operates a tourist train on the Taieri Gorge and Pacific Coastal railway lines and the New Zealand rail network.

Results for the Year

	Year Ended 30 June 2019 $'000	Year Ended 30 June 2018 $'000
Operating Profit/ (Loss) continuing operations pre-tax	(174)	(354)
Less Income Tax Expense/ (Credit)	(52)	(94)
Profit/ (Loss) from continuing operations	**(122)**	**(260)**

State of affairs

The directors are of the opinion that the state of affairs of Dunedin Railways Limited is challenging and additional equity is required to ensure the ongoing viability of the business.

Dividends

The directors have recommended that no dividend be paid for the year ended 30 June 2019.

Reserves

There have been no transfers made to reserves during the year ended 30 June 2019.

Financial statements

The audited financial statements for the year ended 30 June 2019 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 2019 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

Geoff Thomas retired and Kevin Winders was appointed as a Director, both on 12 June 2019.

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:

	For the year ended 30 June 2019	**For the year ended 30 June 2018**
Judy Bevin	16,883	8,184
Richard Roberts	16,883	16,314
Hon. Stan Rodger	16,883	16,314
Graeme Smart	16,883	16,314
Geoff Thomas (Chair) – resigned 12 June 2019	24,965	25,164
Gary Williams	-	8,130
David Wood	16,883	16,314
Kevin Winders (Chair) – appointed 12 June 2019	1,312	-
Total	**$110,692**	**$106,736**

Employees' remuneration

Employees whose remuneration and benefits exceeded $100,000 for the year ended 30 Jun 2019, remuneration includes all non-cash benefits and redundancy payments at total cost to the company where applicable.

Remuneration band	**For the year ended 30 June 2019 Number of employees**	**For the year ended 30 June 2018 Number of employees**
$110,000 - $120,000	1	1
$160,000 - $170,000	1	1

Health and Safety Committee

The Board Health and Safety Committee includes three Board members (Richard Roberts, Graeme Smart and Kevin Winders) 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.

Audit and Risk Committee

The Board Audit and Risk Committee includes two Board members (Judy Bevin and David Wood) and meets regularly with management and others as required. The Committee's principle responsibility is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management (financial), systems (financial) and the internal and external audit process.

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

Kevin Winders
Chair

Hon. Stan Rodger
Director

Date

2/10/19

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 Chair Director and Business Advisor to various clients on a contract basis - no known conflict of interest with current clients.
Richard Roberts	DICKR Investments Ltd Dunedin Airport	Director & Shareholder Chief Executive
Stan Rodger	Body Corporate 301825 Dunedin Casino Charitable Trustees Third Age Trust	Committee Member Chair Trustee
Graeme Smart	Spike Consulting Ltd (David Webb)	Independent Reviewer of Rail Operating Documents and Training Modules
Geoff Thomas	Dunedin Casinos Ltd Dunedin Casinos Management Ltd Drivers Road Trust Company EG Larkins Trust Company Ltd Envirosoil Fulton Hogan Ltd Fund Manager Holdings Ltd Fund Managers Canterbury Ltd HE Thomas Ltd Larnach Castle Ltd Otago Chapter of Property Council of NZ Otago Third Age Trust Principals Advice and Support Queenstown Mall Thorndean Trustee Co. Ltd	Chair & Shareholder Chair & Shareholder Director & Shareholder Director Shareholder Shareholder Director Director Director Chair Chair Trustee Chair Director Director
Kevin Winders	Port Otago Ltd Dunedin Venue Management Ltd Icon Logistics Ltd New Zealand Cruise Association Hamilton Porter JV Ltd	Chief Executive Director Director Board Member Director
David Wood	Home of St Barnabas Otago Excursion Train Trust	Accountant Chairman

Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019 $000	2018 $000
Revenue	3	9,216	7,547
Total revenue		**9,216**	**7,547**
Less Expenses			
Operating expenses	4	9,317	7,400
Financial expenses	5	73	42
Flood event		-	459
Total expenses		**9,390**	**7,901**
Profit (Loss) before tax		**(174)**	**(354)**
Income tax expense (credit)	8	(52)	(94)
Net Profit (Loss) from continuing operations		**(122)**	**(260)**
Other comprehensive income		-	-
Total comprehensive income		**(122)**	**(260)**

	2019	2018
Total comprehensive income for the year is attributable to		
Major shareholder	(88)	(187)
Minor shareholder	(34)	(73)
	(122)	(260)

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 2019

	Note	2019 $000	2018 $000
Equity at beginning of year		**1,935**	**2,195**
Comprehensive income			
Profit/(Loss) from continuing operations		(122)	(260)
		1,813	1,935
Less distribution to owners	7	-	-
Equity at the end of the year		**1,813**	**1,935**

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

Statement of Financial Position

As at 30 June 2019

	Note	2019 $000	2018 $000
Equity			
Share capital	9	1,572	1,572
Retained earnings	10	241	363
Total equity		**1,813**	**1,935**
Current liabilities			
Trade and other payables	11	416	602
Contract liabilities	13	159	96
Provisions	12	508	378
Shareholders advances	14	326	326
Total current liabilities		1,409	1,402
Non-current liabilities			
Provisions	12	22	29
Deferred tax liability (asset)	15	25	(21)
Term borrowings	16	1,890	1,000
Total non-current liabilities		1,937	1,008
Total liabilities		**3,346**	**2,410**
Total equity and liabilities		**5,159**	**4,345**

Capital attributable to owners		
Major shareholder	1,305	1,393
Minor shareholder	508	542
	1,813	1,935

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

Statement of Financial Position

As at 30 June 2019 (continued)

	Note	2019 $000	2018 $000
Current assets			
Cash and cash equivalents	19	26	19
Trade and other receivables	20	37	23
Contract asset	20	187	-
Inventories	21	342	298
GST refund receivable		22	66
Total current assets		614	406
Non-current assets			
Property, plant and equipment	22	4,465	3,939
Intangible assets	23	80	-
Total non-current assets		4,545	3,939
Total assets		**5,159**	**4,345**

For and on behalf of the Board of Directors:

Kevin Winders
Chair

Hon Stan Rodger
Director

Date 2/10/19

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

Statement of Cashflows

For the Year Ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash was provided from			
Receipts from customers		8,983	7,480
Insurance refund		79	-
Subvention receipts		99	-
		9,161	7,480
Cash was disbursed to			
Payments to suppliers and employees		8,849	7,402
Interest paid		77	42
Income tax paid (received)		-	7
		8,926	7,451
Net cash inflows/(outflows) from operating activities		**235**	**29**
Cash flows from investing activities			
Cash was provided from			
Sale of property, plant and equipment		-	-
		-	-
Cash was disbursed to			
Purchase of property, plant and equipment		1,118	836
		1,118	836
Net inflows/(outflows) from investing activities		**(1,118)**	**(836)**

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

Statement of Cashflows

For the Year Ended 30 June 2019 (continued)	Notes	2019 $000	2018 $000
Cash flows from financing activities			
Cash was provided from			
Proceeds from borrowings		4,235	3,085
		4,235	3,085
Cash was disbursed to			
Repayment of borrowings		3,345	2,420
		3,345	2,420
Net cash inflows/(outflows) from financing activities		**890**	**665**
Net increase (decrease) in cash		7	(142)
Cash equivalents and bank overdraft			
Cash and cash equivalents at the beginning of the year		19	161
Cash and cash equivalents at the end of the year	**19**	**26**	**19**
Composition of cash			
Cash and cash equivalents		26	19
Bank overdraft		-	-
Cash and cash equivalents at the end of the year	**19**	**26**	**19**
Represented by: Bank		26	19

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 2019

1. Reporting Entity

The financial statements presented 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 For-profit entity for financial reporting.

Company 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 2 October 2019.

Basis of Accounting

The Board of the company has received a letter of financial support from Dunedin City Holdings Limited. This has enabled the Board to prepare the financial statements on a historical basis using the going concern basis of accounting.

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

Change of Accounting Policies

There has been no change in accounting policy. Policies for the current year and comparative year have been applied on a consistent basis, as the below standards introduced or amended did not materially impact the Company.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Standards Amended or Issued During the Year

NZ IFRS 15, Revenue from Contracts with Customers, addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five-step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. No material change to the revenue levels disclosed was required.

NZ IFRS 9, Financial Instruments, will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 and most of Phase 3 has been completed. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through profit or loss. This new standard had minimal impact on the Company's reporting. As part of implementing the revised standard the Company's determined the historical loss rate on trade receivables balances and provided in the doubtful debt provision for an expected credit loss in the future.

Standards or Interpretations Not Yet Effective

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted and which are relevant to the Company, are:

NZ IFRS 16: Leases

Dunedin Railways has decided not to early adopt. The standard will be adopted from 1 July 2019. The entity intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

The standard removes the classification of leases as either operating or financing lease, for the lessee, effectively treating all leases as finance leases with the exception of certain short-term leases and leases of low value assets. A lease liability equal to the present value of future lease obligations will be recognised on the balance sheet. A right-of use asset will be measured at the amount of the lease liability on adoption.

Note 18 will be redundant, and instead a lease liability disclosure will be used to support the new recognition and treatment.

Notes to the Financial Statements

For the Year Ended 30 June 2019

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.

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

Statutory Reporting Deadline

The Local Government Act 2002 requires the company to deliver an annual report to its shareholder within three months after the end of the financial year, and make available to the public a report on its operations during the year. The company did not meet this reporting deadline for the 2019 financial year.

	2019 $000	2018 $000

3. Revenue

	2019 $000	2018 $000
Sales revenue	8,702	7,547
Engineering contract with customer	514	-
	9,216	7,547

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 Financial Performance when it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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

Engineering contracts with customers

The Company applied IFRS 15, *Revenue from Contracts with Customers*, from the 1 July 2018 and elected to use the modified retrospective approach in that prior year numbers were not restated and any impact to prior year revenue is recognised by an adjustment to opening retained earnings. Other than increased qualitative disclosures regarding revenue, there was no impact on the level of revenue disclosed as a result of adopting this standard and therefore no adjustment to opening retained earnings was required.

The Company derives non-core revenue from engineering work. Each individual contract is considered to have performance obligations which are fulfilled over time. A transaction price is allocated to each performance obligation on stand-alone selling prices. Performance obligations are satisfied upon completion of the individual modules. Where the output is easily measurable (i.e. carriage stripping), revenue is recognised on the output method by reference to the direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract. Where output is not easily measurable, revenue is recognised on the measured input by reference to recoverable costs incurred during the financial year plus the percentage of fees earned. Payment terms are a deposit at the commencement of the contract and the remaining payment due on the 20th of the month following completion. The Company does not expect, at contract inception, that the period between providing the promised services from contracts with customers and when the customer pays for those services to be more than one year. Therefore, the Company applies the NZIFRS 15 practical expedient to not adjust the consideration it expects to receive for the effects of a significant financing component.

Revenue is recognised into 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.

	2019 $000	2018 $000

4. Operating Expenses

	2019 $000	2018 $000
Audit fees - audit of annual report	20	20
Contractors, materials & consumables	3,932	2,612
Depreciation	440	375
Directors fees	111	107
Employee expenses	4,214	3,189
Other expenses	600	1,097
	9,317	7,400

5. Financial Expenses

	2019 $000	2018 $000
Interest - related parties	73	42
	73	42

Financial Expenses Accounting Policy

Finance charges 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.

6. Earnings per Share

	2019	2018
Earnings per share from continuing operations (cents per share)	(7.77)	(16.54)
Number of shares	1,571,900	1,571,900

7. Dividends

	2019 $000	2018 $000
Dividends	-	-
	-	-

	2019 $000	2018 $000

8. Taxation

	2019 $000	2018 $000
Operating surplus/(loss) before tax - continuing operations	(174)	(354)
Operating surplus/(loss) before income tax	(174)	(354)
Tax thereon at 28%	(49)	(99)
Plus / (less) the tax effect on differences		
Revenue not liable for taxation	1	-
Expenditure not deductible for taxation	(4)	5
Tax effect of differences	(3)	5
Tax expense	**(52)**	**(94)**
Effective tax rate	28%	26%
Represented by		
Current tax provision		
Prior period adjustment	-	(1)
Current deferred tax provision		
Deferred tax movement	(48)	(94)
(Under) / over tax provision in prior years	(4)	1
Income Tax	(52)	(94)

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

	2019 $000	2018 $000
Issued capital		
1,571,900 ordinary shares	1,572	1,572

10. Retained Earnings

	2019 $000	2018 $000
Balance at the beginning of the year	363	623
Total comprehensive income	(122)	(260)
Dividend distributions	-	-
Balance at the end of the year	241	363

Notes to the Financial Statements

For the Year Ended 30 June 2019

11. Trade and Other Payables

	2019 $000	2018 $000
Trade payables	407	691
Due to related parties	9	7
	416	698

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

	2019 $000	2018 $000
Current		
Accruals and revenue in advance	218	106
Employee entitlements	290	272
	508	378
Non - current		
Employee entitlements	22	29
	22	29

13. Contract Liability

	2019 $000	2018 $000
Engineering work contracts	59	-
Unearned revenue in advance	100	92
	159	92

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 bot been carried out within the financial year. This is usually associated with mobilisation payments. The 2019 contract liability balance is expected to be released in the financial year 2020 as work is completed and revenue is realised.

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.

	2019 $000	2018 $000

14. Shareholders Advances

	2019 $000	2018 $000
Otago Excursion Train Trust	326	326
	326	326

Shareholder advances are unsecured and non-interest bearing.

The directors consider the carrying amount of trade and other receivables approximates their fair value; however, in line with NZ IFRS 9 the Company has utilised comparable interest rates from other borrowings to perform a formal assessment. No material differences were noted.

15. Deferred Tax Liability

	2019 $000 *Opening Balance Sheet*	2019 $000 *Charged to Equity*	2019 $000 *Charged to Income*	2019 $000 *Subvention (Receipt)/ Payment*	2019 $000 *Closing Balance Sheet Assets*	2019 $000 *Liabilities*	2019 $000 *Net*
Property, plant and equipment	142	-	(8)	-	-	134	134
Employee entitlements	(67)	-	3	-	(64)	-	(64)
Provisions and adjustments	(4)	-	2	-	(2)	-	(2)
Tax losses	(92)	-	(49)	98	(43)	-	(43)
Balance at the end of the year	(21)	-	(52)	98	(109)	134	25

	2018 $000 *Opening Balance Sheet*	2018 $000 *Charged to Equity*	2018 $000 *Charged to Income*	2018 $000 *Subvention (Receipt)/ Payment*	2018 $000 *Balance Sheet Assets*	2018 $000 *Liabilities*	2018 $000 *Net*
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	-	(93)	-	(163)	142	(21)

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.

	2019 $000	2018 $000

16. Term Borrowings

	2019 $000	2018 $000
Dunedin City Treasury Limited	1,890	1,000
	1,890	1,000
Current	-	-
Non-current	1,890	1,000
Opening long term borrowings	1,000	335
Plus/less cash flows	890	665
Closing long term borrowings	1,890	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.

17. Capital Expenditure Commitments

	2019 $000	2018 $000
Capital expenditure committed at balance date but not	-	73
provided for in the financial statements	-	73

18. Lease Commitments

	2019 $000	2018 $000
Non-cancellable operating lease commitments:		
Payable within one year	82	146
Payable between one to five years	51	208
Payable later than five years	-	-
	133	354

The Company is a lessee for the above commitments.

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 Company'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.

	2019	2018
	$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.

19. Cash and Cash Equivalents

	2019	2018
Cash and bank	26	19
	26	19

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.

20. Trade and Other Receivables

	2019	2018
Trade receivables	37	23
Contract asset	187	-
Due from related parties	-	-
Less: Provision for impairment of trade receivables	-	-
	224	23
Disclosed as:	187	23
Trade and other receivables		
Contract asset	37	-
	224	23

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

	2019 $000	2018 $000

Trade and Other Receivables Accounting Policy

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

Contract asset represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at fair value. An expected loss on a contract is recognised immediately in the income statement.

All past due balances are considered collectable, however in line with NZ IFRS 9 the Company applies a simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure credit losses, trade receivables are grouped based on similar credit risk and aging. The expected loss rates factor in the credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for where necessary based on current and forward-looking macroeconomic factors affecting the Company's customers.

21. Inventory

	2019 $000	2018 $000
Raw materials and stores	295	233
Consumables for resale	47	65
Total Inventories	342	298

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.

22. Property, Plant and Equipment

	Buildings $'000	Rolling Stock $'000	Track $'000	Plant & Equipment $'000	Vehicles $'000	Work in Progress $'000	Total $'000
Year Ended 30 June 2019:							
Cost or Valuation							
Balance at beginning of period	21	4,392	563	864	279	843	6,962
Purchases	-	944	360	156	68	151	1,679
Sales/disposals	-	-	-	-	-	(705)	(705)
Balance at end of period	21	5,336	923	1,020	347	289	7,936
Accumulated depreciation							
Balance at beginning of period	18	2,225	61	507	212	-	3,023
Depreciation	-	301	12	83	27	-	423
Impairment	-	25	-	-	-	-	25
	18	2,551	73	590	239	-	3,471
Balance at end of period	3	2,785	850	430	108	289	4,465

22. Property, Plant and Equipment (continued)

	Buildings $'000	Rolling Stock $'000	Track $'000	Plant & Equipment $'000	Vehicles $'000	Work in Progress $'000	Total $'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	-	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
Impairment	(4)	(614)	(141)	(436)	-	-	(1,195)
	18	2,225	61	507	212	-	3,023
Balance at end of period	3	2,167	502	357	67	843	3,939

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 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.

$000

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.

23. Intangible Assets

	Software	Total
	$'000	$'000
Year Ended 30 June 2019:		
Cost or Valuation		
Balance at beginning of period	-	-
Purchases	98	98
Sales/disposals	-	-
Balance at end of period	98	98
Accumulated depreciation		
Balance at beginning of period	-	-
Depreciation	18	18
Impairment	-	-
	18	18
Balance at end of period	80	80

Software for the year ended 30 June 2018 was nil.

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%

	2019	2018
	$000	$000

24. 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, 14, 16 and 20.

	2019 $000	2018 $000
Transactions with the Dunedin City Council		
Sales of services to the Dunedin City Council		
Ticket sales	164	134
Purchases of goods and services from the Dunedin City Council		
Rates, events, leases	88	75
Transactions with the Dunedin City Treasury Limited		
Term Borrowings (Note 15)	1,890	1,000
Interest paid	73	42
Transactions with the Otago Excursion Train Trust		
Shareholders Advance	326	326
Sales of services to the Otago Excursion Train Trust		
Charters / Sales	-	2

	2019 $000	2018 $000

24. Related Party Transactions - Continued

Tax losses of $247,000 transferred to DCTL by subvention payment of $69,000 and loss offset of $178,000.

Tax losses of $105,000 transferred to City Forests Limited by subvention payment of $29,000 and loss offset of $76,000.

Other related party transactions during the course of the year:

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

Key Management Personal Renumeration

	2019 $000	2018 $000
Directors Fees	111	107
Short - term employment benefits	708	640
Termination benefits	22	-

25. Financial Risk

	2019 $000	2018 $000
Loan facility limit – Dunedin City Treasury Limited.	3,500	2,500

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 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.

26. Events Subsequent to Balance Date

On 23 September 2019, Dunedin Railways issued 1,000,000 shares in the Company at $1 per share to existing shareholders as follows:

Entity	Note	Amount
Dunedin City Holdings Limited	1	720,300
Otago Excursion Train Trust	2	279,700
Total		1,000,000

1) Consideration received in cash. The funds were used to repay Dunedin City Treasury Limited debt facility.
2) Consideration in repayment of advance owed to Otago Excursion Train Trust.

Statement of service performance

Performance measures	Achievement
1a. Three Risk committee meetings and nine Staff H&S committee meetings held per year 1b. Conduct an internal audit of the Safety System and Risk Register 1c. Monthly board reports contain a Health and Safety report 1d. Pass the NZTA annual audit and maintain the Rail Service Licence 1e Target Zero lost time injuries (LTI)	Three Risk committee meetings and ten Staff H&S committee meetings were held. Rewrite of the safety system underway at present. Monthly Health and Safety report included in board papers. NZTA assessment completed successfully and Rail service licence maintained. Two LTI's in the current year.
2a Revenue increasing year on year and at least a break-even result is returned	Revenue has increased in the current financial year. The year's result was a loss.
3a. Invest in a minimum of two promotional campaigns a year with industry partners. 3b. Carry at least 80,000 passengers per annum. 3c. Two new business initiatives implemented to improve business performance.	More than two promotional campaigns held during the year. Annual Pax numbers were 107,745 Seasider operated daily at 2pm for the summer season and engineering contracting work undertaken.
4a. Maintain at least an 85% Trip Advisor customer satisfaction rating & 4.5 in overall satisfaction on our in-house customer survey.	Trip Advisor satisfaction level of 4.5/5, 90% achieved. In-house customer survey was not conducted during the year.
5a. No recorded significant delays to regular scheduled train trips. 5b. Maintain an Asset Management Plan.	No significant delays or unplanned extended closures were experienced during the year. Asset management plans in place and maintained.
6a. The Board and/or Management of the company to have engaged with Shareholders in the last year. 6b. All relevant matters that have been escalated to shareholders. 6c. All substantive matters to be reported to shareholders within 24 hours.	The Board and Management have engaged with the shareholders in the last year. All relevant matters have been escalated to shareholders. No substantive matters required to be reported in the current year.
7a. Volunteers provide customer service on-board cruise ship trains. 7b. Record the number of train tickets given to community organisations/events. Maintain relationships with organisations that run train trips for charity events holding at least three per annum. 7c. Help DCC Facilitate the use of the Railway Station for community activities.	Continue to host cruise ship trains successfully with volunteers providing outstanding customer service. Continue to provide opportunities for community organisations and events to fundraise utilising spare capacity on trains. Worked with DCC to assist with activities at the Railway Station.
8a. Grow the number of non-Dunedin resident passengers. 8b. Take part in at least one Enterprise Dunedin initiative with IMA involvement per annum. 8c. Take part in Enterprise Dunedin Marketing activities. 8d. Maintain active memberships of Dunedin Host and the Otago Chamber of Commerce.	Current year revenue growth has grown on non-Dunedin resident passengers. No opportunities presented in the current year but will be doing so in the coming year. Hosted famils for Enterprise Dunedin and also attended TRENZ with Enterprise Dunedin. Continued memberships of both organisations.
9a. Initiate at least two new environmental initiatives per annum.	Cruise ship lunch boxes now all recyclable and replaced single serve water bottles to reduce waste.
10a. Work with ID Fashion Committee to enable their annual event to take place at the Dunedin Railway Station should they decide to hold this again. 10b. Maintain the use of costumed Dunedin Railway Station Ambassadors to welcome cruise ship visitors.	Event no longer held at the Railway Station. Ambassadors have continued to be involved on cruise ship days at the Railway Station.
11a. Ensure that the Company does not disturb the heritage nature aspect of the Taieri Gorge railway line. 11b. Where practical investigate and implement actions to reduce the dependence on diesel (to electricity or other sources of power). 11c. Retain accessible carriage and access ramps. 11d. Access to Dunedin Railway Station and the precinct at Middlemarch is maintained. 11e. Continuation of the tourism link to the start/finish of the Otago Central Rail Trail and other centres.	Working on preserving some Sutton Station etchings to be removed, tidied and then redisplaying these. Continuing to investigate but at this time no viable alternatives available. Car P has wheelchair access and we also use access ramps. Continued access to both areas has been maintained. Tourist link is provided by the linkage with Rail Trail Operators.

Company directory

As at 30 June 2019

Directors

Kevin Winders (Chair)
Judy Bevin
Richard Roberts
Hon. Stan Rodger (Deputy Chair)
Graham Smart
David Wood

Chief Executive

Craig Osborne

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

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 2019

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 statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 6 to 29, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the 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 page 30.

In our opinion:

- the financial statements of the company on pages 6 to 29:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the company on page 30 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 2019.

Our audit was completed on 2 October 2019. 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.

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 the 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.

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 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5 and page 31, 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