DUNEDIN RAILWAYS

WORLD CLASS TRAIN TRIPS

Annual report 2022

Contents

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 coastal 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 and operating a limited schedule of services, pending Dunedin City Council decisions about the Company's long-term future.

The directors of Dunedin City Holdings Ltd (DCHL) have assumed roles as directors of the Company over its hibernation period, and DCHL has been instructed by DCC to fund the Company over financial years 2022, 2023 and 2024.

Year in review

	Year Ended 30 June 2022 $'000	**Year Ended 30 June 2021 $'000**
Revenue	258	1,347
Net surplus/(deficit) for the year	(1,608)	(236)
Shareholders' funds	338	221
Total assets	501	412

Over the 2022 financial year, a small hibernation team has focussed on keeping key rolling stock and the Taieri Gorge Line maintained[1]. Dunedin Venues Management Ltd have managed the hibernation team and have performed the Company's administrative functions.

The Company also operated a limited schedule of passenger services. Covid-19 restrictions meant the Company operated fewer services than anticipated, although over the 2022 financial year 3,150 passengers travelled on Dunedin Railways services, to either Hindon, Waitati or Oamaru.

The Company has been pleased to receive positive feedback about these services. Themed trains such as the Santa Express were popular, and continued collaboration with the Waitati community has resulted in excellent experiences for customers as well as benefits for the community.

The Company's financial results are broadly in line with forecasts and reflect the Company's semi-hibernated status.

Dunedin Railways Ltd looks forward to being able to operate a moderately expanded schedule of services in the 2023 financial year, as cruise ships return to Dunedin.

Keith Cooper

Chair

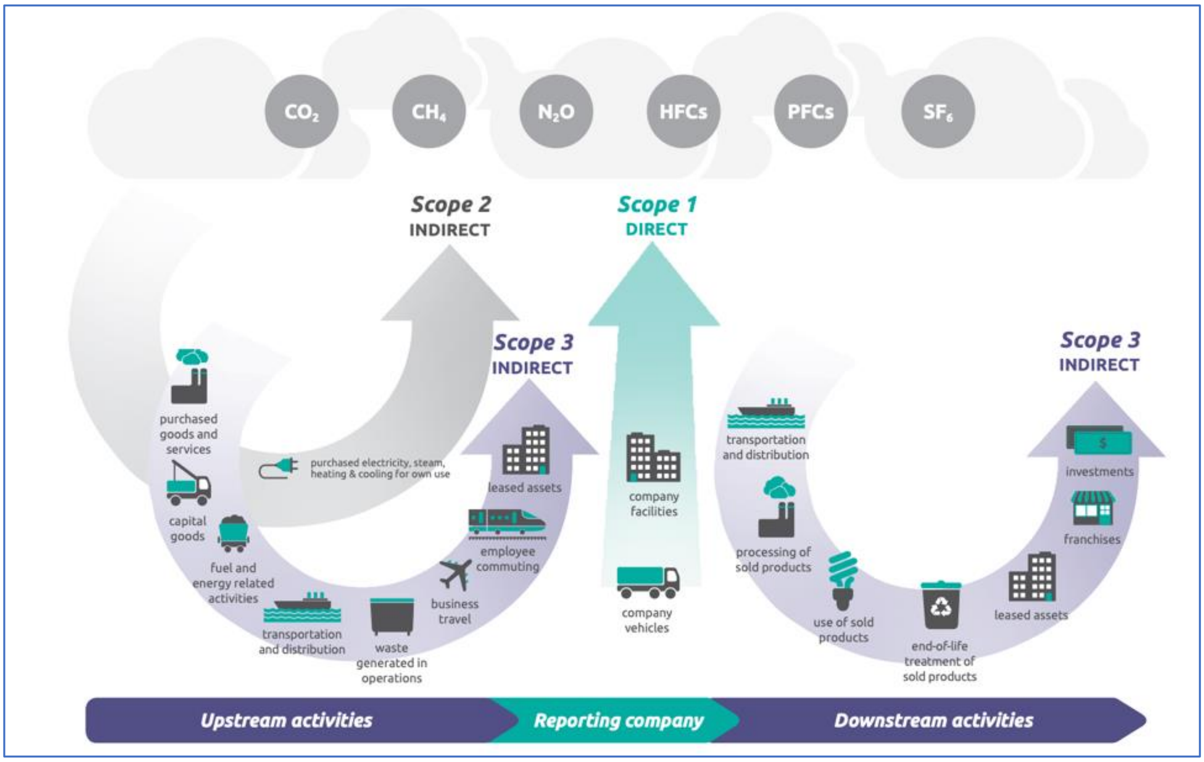
[1] To support passenger services as far as Hindon, with minimal maintenance between Hindon and Middlemarch.

Greenhouse Gas Emissions Summary

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

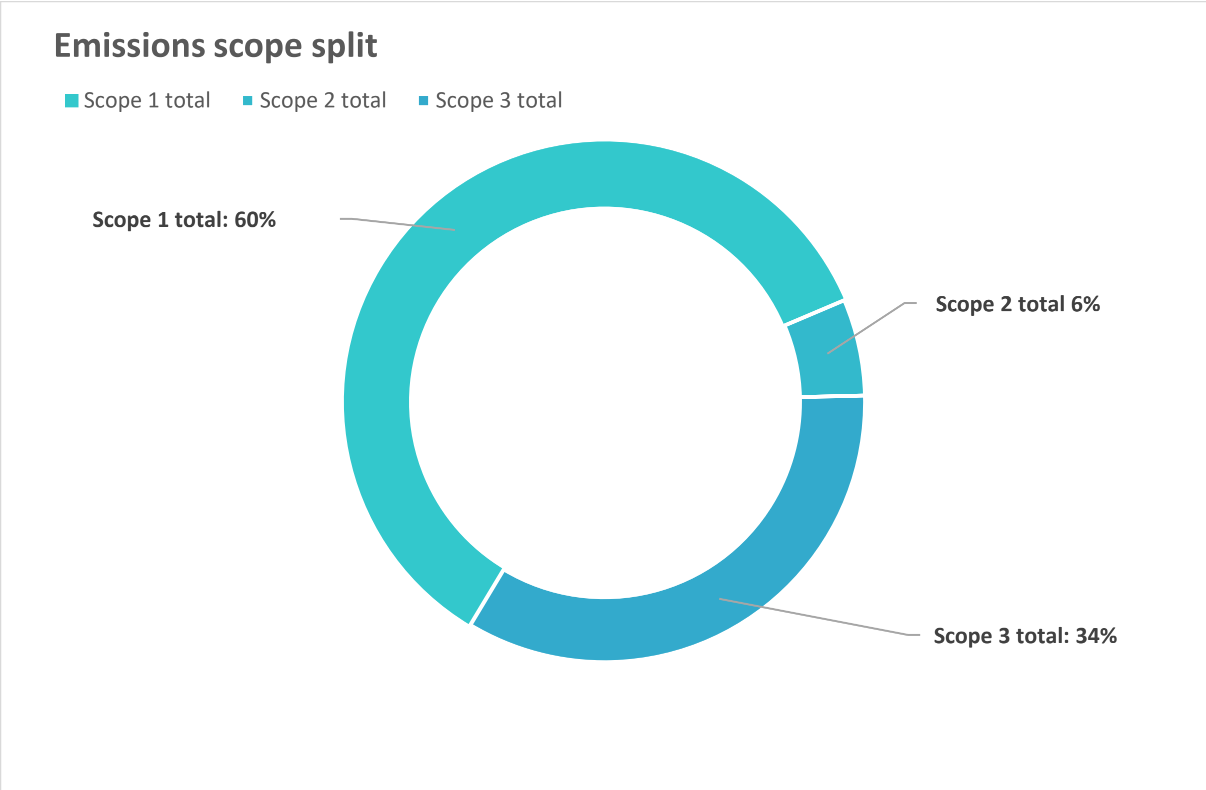
Emissions are reported as tonnes (t) of Carbon Dioxide (CO_2) equivalent (e); or tCO_2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

DRL's measured GHG emissions for the year end 30 June 2022 are 164.4 tCO_2-e.

Table 1 Emissions by Scope

Scope	tCO2-e	% of total
Scope 1	98.6	60%
Scope 2	9.9	6%
Scope 3	55.9	34%
Total	164.4	100%

Figure 2 Emissions by Scope



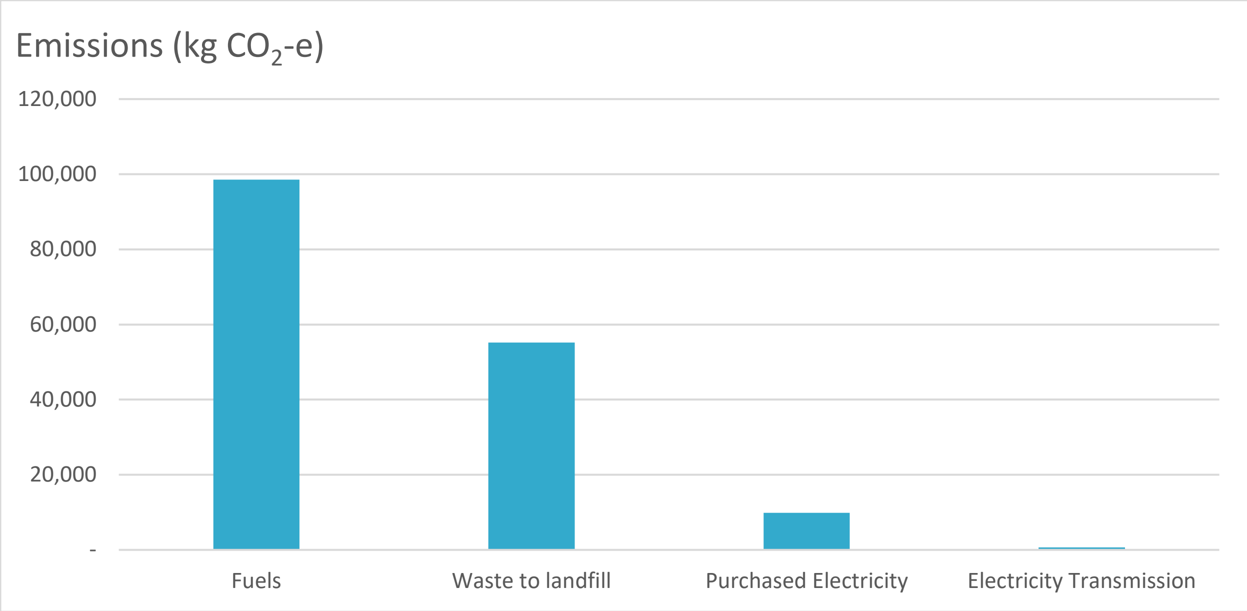
Emissions by Activity

Our top emissions sources are summarised below.

Table 2 Emissions by activity

Category emission source	t CO2-e
Fuels	98.6
Waste to landfill	55.2
Purchased Electricity	9.9
Electricity Transmission	0.7
Total	164.4

Figure 3 Emissions by activity



Dunedin Railways' steps towards reducing carbon emissions and waste

During the year the Company developed strategies and targets for reducing our GHG emissions and waste. Our emissions targets have been informed by best practice guidance, including:

- The most globally recognised standard for emissions reduction target setting, the Science Based Targets Initiative (SBTI), which aligns reduction targets with the Paris Agreement objective of limiting global warming to no more than 1.5C by 2030
- Focussing first and foremost on reducing Direct (scope 1 and 2) emissions as opposed to Indirect (Scope 3) emissions.
- Capturing significant Scope 3 emissions and identifying opportunities to reduce these in future.

The main focus of our strategy relates to fuel and purchased electricity, as emissions from those activities make up the vast majority of the Company's emissions. During the 2023 financial year the Company intends to look into the emissions reduction potential and feasibility of reducing diesel use, and reviewing our operational efficiency. The Company has set a goal of reducing its "emissions per train trip" measure from the 2022 baseline of 3.5tCO2-e per trip.

The Company will also measure its waste for the 2023 financial year, as well as undertake initiatives to reduce passenger waste on train trips and waste at the Dunedin Railways workshop.

Next Steps

The Company has adopted a target to be net zero carbon by 2030, as a contribution to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030. Over the 2023 financial year we will be building on our existing work to develop a roadmap to 2030. We will engage with our shareholders DCHL and Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with Council to identify alternative or complementary opportunities to contribute to the Dunedin City Council's city-wide net zero carbon goal.

Statutory Information

For the year ended 30 June 2022

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	Chair Chair Director Director Shareholder/Director
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 Veritide Limited Farra Engineering Limited CompanyHQ Limited	Director – ceased 24 June 2022 Director – ceased 24 June 2022 Director – ceased 24 June 2022 Director Director Director Director Director – ceased 5 November 2021 Director Shareholder/Director Shareholder/Director Shareholder/Director Chair Director – appointed 1 August 2021 Director – appointed 1 October 2021 Director – appointed 3 September 2021
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 Kiwi Wealth companies comprising of: Kiwi Wealth Management Limited, Kiwi Wealth Investments General Partnership Limited, Kiwi Investment Management Limited, Kiwi Wealth Limited, Portfolio Custodial Nominees Limited Office of the Auditor General	Chair, Audit and Risk Committee Chair Chair Director Director Director Director Director Director Shareholder/Director Risk and Audit Committee Capital Markets Advisory Committee Director – appointed 12 July 2021 Audit & Risk Committee – appointed January 2022

Richard Thomson	Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Thomson & Cessford Limited Hawksbury Community Living Trust (and subsidiary entities) Healthcare Otago Charitable Trust Central Otago Health Services Limited	Director Director Director Shareholder/Director Chair Trustee Director – appointed 6 December 2021
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 Clutha Community Foundation Various clients through Shand Thomson & Abacus Nominee Companies	Director Director Director Shareholder/Director Audit and Risk Committee – ceased December 2021 Shareholder/Director Trustee 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 2022 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

Christopher Hopkins' term as a Director ceased on 24 June 2022.

Directors' remuneration

The remuneration paid to Directors during the year was:

	For the year ended 30 June 2022	For the year ended 30 June 2021
Keith Cooper (Chair, appointed 1 July 2020)	-	-
Kathleen Grant (appointed 1 July 2020, ceased 30 June 2021)	-	-
Christopher Hopkins (appointed 1 July 2020, ceased 24 June 2022)	-	-
Linda Robertson (appointed 1 July 2020)	-	-
Richard Thomson (appointed 1 July 2020)	-	-
Susan Johnstone (appointed 1 March 2021)	-	-
Total	**$Nil**	**$Nil**

Employees' remuneration

The Company does not employ a Chief Executive in its current semi-hibernated state.

Employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2022, remuneration includes all non-cash benefits and redundancy payments at total cost to the Company where applicable.

	For the year ended 30 June 2022	For the year ended 30 June 2021
Remuneration band	**Number of employees**	**Number of employees**
$120,000 - $129,999	1	-
$100,000 - $109,999	-	1

Gender Diversity

The table below shows the number of male and female personnel at Dunedin Railways Ltd, at Board, Management and staff levels, as at 30 June 2022.

	Male	Female
Board	2	2
Management	1	0
All employees	6	0

Health and Safety

The focus of Health and Safety was on the management of COVID protocols, the traffic light system and keeping up to date with Ministry of Health guidelines. This effected some passenger services which were not able to operate under orange or red settings. An external audit was conducted with no major findings acting as a catalyst to allow passenger service to run. Dunedin Railways Ltd 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 2022.

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.	Achieved. Compliance to the hibernation plan was reported on at each Dunedin Railways Ltd Board meeting.
2. Target zero lost time injuries (LTI).	Not Achieved. There was one LTI during the reporting period.
3. A draft 2022/23 Statement of Intent will be submitted to the Shareholder by 1 March 2022.	Achieved. The draft Statement of Intent was submitted to the Shareholder by 1 March 2022.
4. Systems for measuring and publicly reporting carbon emissions are established. DRL will develop an emissions reduction strategy and associated targets for inclusion in its 2022/23 Statement of Intent.	Achieved. Systems for measuring and reporting emissions are established. Emissions reduction strategy and targets developed; achievement of them is a performance measure in 2022/2023 Statement of Intent.
5. DRL will develop a waste reduction strategy and associated targets for inclusion in its 2022/2023 Statement of Intent.	Achieved. Waste reduction strategy and targets developed; achievement of them is a performance measure in 2022/2023 Statement of Intent.
6. Consult with the shareholders in a timely manner on DRL strategic or operational matters which could compromise Council's community outcomes.	Achieved. There were no matters which could compromise community outcomes that required escalation to the Shareholder.
7. Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.	Achieved. 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.

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

	Target $000	Achievement $000
Shareholders' Funds to Total Assets	66%	67%
Dividend/Subvention Distributions	0	0
EBITDA	(1,855)	(1,592)
Net Surplus / (Deficit) after Tax	(1,869)	(1,608)
Cash Flow from Operations	164	(1,631)
Capital Expenditure	0	66
Term Loans	0	0

Company Directory

As at 30 June 2022

Directors

Keith Cooper (Chair)
Linda Robertson
Richard Thomson
Susan Johnstone

Registered office

50 The Octagon
Dunedin
New Zealand

Bankers

Westpac Banking Corporation

Solicitors

Anderson Lloyd Lawyers

Taxation advisers

Deloitte

Auditor

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

Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2022

	Note	2022 $000	2021 $000
Revenue	3	254	1,347
Interest received from funds on deposit		4	-
Total revenue		**258**	**1,347**
Less Expenses			
Operating expenses	4	1,866	1,583
Total expenses		**1,866**	**1,583**
Surplus (Deficit) before tax		**(1,608)**	**(236)**
Income tax expense (credit)	6	-	-
Net Surplus (Deficit) from continuing operations		**(1,608)**	**(236)**
Other Comprehensive Revenue and Expense		-	-
Total Comprehensive Revenue and Expense		**(1,608)**	**(236)**

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 2022

	Note	2022 $000	2021 $000
Equity at beginning of year		**221**	**457**
Comprehensive Revenue and Expense			
Surplus/(Deficit) from continuing operations		(1,608)	(236)
		(1,387)	221
Capital contributions from owners	7	1,725	-
Equity at the end of the year		**338**	**221**

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

Statement of Financial Position

As at 30 June 2022

	Note	2022 $000	2021 $000
Equity			
Share capital	7	8,547	6,822
Retained earnings	8	(8,209)	(6,601)
Total equity		**338**	**221**
Current liabilities			
Trade and other payables	9	60	47
Contract liabilities	10	14	12
Provisions	11	89	132
Total current liabilities		163	191
Non-current liabilities			
Deferred tax liability (asset)	12	-	-
Total non-current liabilities		-	-
Total liabilities		**163**	**191**
Total equity and liabilities		**501**	**412**

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

Statement of Financial Position

As at 30 June 2022 (continued)

	Note	2022 $000	2021 $000
Current assets			
Cash and cash equivalents	15	159	131
Trade and other receivables	16	21	9
Inventories	17	37	55
Income tax refund receivable		-	-
GST refund receivable		13	(4)
Total current assets		230	191
Non-current assets			
Property, plant and equipment	18	271	221
Intangible assets	19	-	-
Total non-current assets		271	221
Total assets		**501**	**412**

For and on behalf of the Board of Directors:

Chair

Director

Date: 30 November 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 2022	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Cash was provided from			
Receipts from customers		244	1,401
Interest received		3	-
		247	1,401
Cash was disbursed to			
Payments to suppliers and employees		1,769	1,473
Income tax paid (received)		-	-
Net GST movement		109	26
		1,878	1,499
Net cash inflows/(outflows) from operating activities		**(1,631)**	**(98)**
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		66	-
		66	-
Net inflows/(outflows) from investing activities		**(66)**	**-**

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

Statement of Cashflows

For the Year Ended 30 June 2022 (continued)	Notes	2022 $000	2021 $000
Cash flows from financing activities			
Cash was provided from			
Contributions of capital		1,725	-
Proceeds from borrowings		-	-
		1,725	-
Cash was disbursed to			
Repayment of borrowings		-	-
		-	-
Net cash inflows/(outflows) from financing activities		**1,725**	**-**
Net increase (decrease) in cash		**28**	**(98)**
Cash equivalents and bank overdraft			
Cash and cash equivalents at the beginning of the year		131	229
Cash and cash equivalents at the end of the year	**15**	**159**	**131**
Composition of cash			
Cash and cash equivalents		159	131
Bank overdraft		-	-
Cash and cash equivalents at the end of the year	**15**	**159**	**131**
Represented by: Cash at bank		159	131

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 2022

1. Reporting Entity

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

Company Details:

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

Company shareholding interests:

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

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

These financial statements have been prepared in accordance with the PBE standards Reduced Disclosure Regime (RDR).

2. Significant Accounting Policies

Statement of Compliance

The Company has opted to prepare the annual report as a Tier 2 Public Benefit entity as defined by the External Reporting Board; expenses less than $30 million and not publicly accountable and has reported in accordance with PBE Standards RDR (New Zealand equivalents to International Reporting Standards with reduced disclosure requirements).

The financial statements 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 30 November 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 2022

2. Significant Accounting Policies (Continued)

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 $000	2021 $000

3. Revenue

Sales revenue	241	301
Government Grants (received from Dunedin City Council)	-	1,018
Covid-19 wage subsidy	13	28
	254	1,347

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 Revenue and Expense when it is probable that the economic benefits associated with the transaction will flow to the entity.

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

Government Grants

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 Statement of Comprehensive Revenue and Expense as performance obligations are met. Contract assets and contract liabilities are included within “Trade and other receivables” and “Contract liabilities” respectively on the face of the Statement of Financial Position.

4. Operating Expenses

Audit fees - audit of annual report	29	24
Contractors, materials & consumables	847	613
Depreciation	16	14
Employee expenses	777	660
Other expenses	197	272
	1,866	1,583

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 $000	2021 $000

5. Earnings per Share

Earnings per share from continuing operations (cents per share)	(18.81)	(3.46)
Number of shares	8,546,900	6,821,900

6. Taxation

Operating Surplus/(Deficit) before tax - continuing operations	(1,608)	(236)
Operating Surplus/(Deficit) before income tax	(1,608)	(236)
Tax thereon at 28%	(450)	(66)
Plus / (less) the tax effect on differences		
Expenditure not deductible for taxation	-	7
Under/(over) provision in prior years	-	-
Derecognise deferred tax asset	450	59
Tax effect of differences	450	66
Tax expense	**-**	**-**
Effective tax rate	28%	28%
Represented by		
Current tax provision		
Prior period adjustment	-	-
Current tax movement	-	-
Current deferred tax provision		
Deferred tax movement	-	-
(Under) / over tax provision in prior years	-	-
Income Tax	-	-

Taxation Accounting Policy

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 $000	2021 $000

7. Equity – Share Capital

Issued capital		
8,546,900 ordinary shares	8,547	6,822

1,725,000 ordinary shares were issued during the year.

8. Retained Earnings

Balance at the beginning of the year	(6,601)	(6,365)
Total comprehensive revenue and expense	(1,608)	(236)
Dividend distributions	-	-
Balance at the end of the year	(8,209)	(6,601)

9. Trade and Other Payables

Trade payables	60	36
Due to related parties	-	11
	60	47

Trade and Other Payables Accounting Policy

Trade and other payables are stated at cost.

10. Contract Liability

Unearned revenue in advance	12	12
Due to related parties	2	-
	14	12

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 2022 contract liability balance is expected to be released in the financial year 2023 as work is completed and revenue is realised.

Notes to the Financial Statements

For the Year Ended 30 June 2022

11. Provisions

	2022 $000	2021 $000
Current		
Accruals and revenue in advance	54	106
Employee entitlements	35	26
	89	132

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.

12. Deferred Tax Liability

	2022 $000	2022 $000	2022 $000	2022 $000	2022 $000	2022 $000	2022 $000
	Opening Balance Sheet	*Charged to Equity*	*Charged to Revenue*	*Subvention (Receipt)/ Payment*	Closing *Balance Sheet*		
					Assets	*Liabilities*	*Net*
Receivables	(3)	-	3	-	(0)	-	(0)
Inventories	(98)	-	-	-	(98)	-	(98)
Property, plant and equipment	(876)	-	105	-	(771)	-	(771)
Employee entitlements	(7)	-	(1)	-	(8)	-	(8)
Provisions and adjustments	(6)	-	6	-	0	-	0
Tax losses	(880)	-	(563)	-	(1,443)	-	(1,443)
Derecognise deferred tax asset	1,870	-	450	-	2,320	-	2,320
Balance at the end of the year	-	-	-	-	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2022

12. Deferred Tax Liability (Continued)

	2021	2021	2021	2021	2021	2021	2021
	$000	$000	$000	$000	$000	$000	$000
	Opening Balance Sheet	*Charged to Equity*	*Charged to Revenue*	*Subvention (Receipt)/ Payment*	*Closing Balance Sheet Assets*	*Liabilities*	*Net*
Receivables	(11)	-	7	-	(3)	-	(3)
Inventories	(98)	-	-	-	(98)	-	(98)
Property, plant and equipment	(1,035)	-	159	-	(876)	-	(876)
Employee entitlements	(8)	-	0	-	(7)	-	(7)
Provisions and adjustments	-	-	(6)	-	(6)	-	(6)
Tax losses	(696)	-	(184)	-	(880)	-	(880)
Derecognise deferred tax asset	1,848	-	24	-	1,870	-	1,870
Balance at the end of the year	-	-	-	-	-	-	-

A deferred tax asset has not been recognised in relation to tax losses of $5,154,919 (tax effect $1,443,377) and temporary differences of $3,136,928 (tax effect $878,340).

Deferred Tax Accounting Policy

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

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

13. Capital Expenditure Commitments

	2022	2021
	$000	$000
Capital expenditure committed at balance date but not	-	20
provided for in the financial statements	-	20

Notes to the Financial Statements

For the Year Ended 30 June 2022

14. Lease Commitments

The Company leases 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.

15. Cash and Cash Equivalents

	2022 $000	2021 $000
Cash and bank	159	131
	159	131

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.

16. Trade and Other Receivables

Trade receivables	20	21
Due from related parties	2	-
Less: Expected credit losses	(1)	(12)
	21	9
Disclosed as:		
Trade and other receivables	21	9

Trade and Other Receivables Accounting Policy

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 $000	2021 $000

17. Inventory

	2022 $000	2021 $000
Raw materials and stores	37	55

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.

18. 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 2022:							
Cost or Valuation							
Balance at beginning of period	-	234	-	-	3	-	237
Purchases	-	-	-	66	-	-	66
Sales/disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance at end of period	-	234	-	66	3	-	303
Accumulated depreciation							
Balance at beginning of period	-	15	-	-	1	-	16
Depreciation	-	14	-	1	1	-	16
Sales/disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
	-	29	-	1	2	-	32
Balance at end of period	-	205	-	65	1	-	271

Notes to the Financial Statements

For the Year Ended 30 June 2022

18. 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 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

Property, Plant and Equipment Accounting Policy

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

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

Rolling stock 2% - 33% Plant & Equipment 6% - 14% Vehicles 21%

PBE IPSAS 21 *Impairment of non-cash generating assets*, classifies that cash-generating assets are those assets that are held with the primary objective of generating a commercial return, and non-cash generating assets are those that are not. Given the Company’s hibernation state and current shift in focus away from generating a commercial return, it has classified its property, plant and equipment as non-cash generating assets.

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

18. Property, Plant and Equipment (Continued)

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

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment deficits may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable service amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

19. Intangible Assets

	2022 $000	2021 $000
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	98
Depreciation	-	-
Impairment	-	-
	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 revenue and expense. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Software 40%

Notes to the Financial Statements

For the Year Ended 30 June 2022

20. Related Party Transactions

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

Amounts receivable from and payable to related parties at balance date are disclosed in notes 9, 10 and 16.

	2022 $000	2021 $000
Transactions with the Dunedin City Council		
Sales of services to the Dunedin City Council		
Grant	-	1,018
Ticket sales	7	11
Purchases of goods and services from the Dunedin City Council		
Rates, events, leases	6	13
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 received	1	-
Transactions with the Dunedin Venues Management Limited		
Purchases of goods and services from Dunedin Venues Management Limited		
Management Fees	200	120
Expenses oncharged	33	98
Transactions with Delta Utility Services Limited		
Purchases of goods and services from Delta Utility Services Limited		
Engineering Services	-	1
Transactions with Shand Thomson Limited		
Sales of services to Shand Thomson Limited		
Charter Services	2	-

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

Short - term employment benefits	120	108

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 $000	2021 $000

21. Financial Risk

Loan facility limit – Dunedin City Treasury Limited.	500	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 until 30 June 2023 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 Company is required to provide to Dunedin City Holdings Limited an Annual Statement of Intent.

22. Impact of COVID-19

Prior to COVID-19 affecting New Zealand, the Company had been forecasting ongoing deficits 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. 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 also meant the Company remained in hibernation with a limited operating programme for the 2021/22 Summer.

During the 2021/22 financial year Dunedin City Council resolved that Dunedin City Holdings Limited will meet the ongoing costs of hibernation until 30 June 2024. A decision on the future of Dunedin Railways Limited, after 30 June 2024, is still unknown.

Notes to the Financial Statements

For the Year Ended 30 June 2022

23. Events Subsequent to Balance Date

The Company has made two share issues since 30 June 2022, each of 600,000 fully paid shares at $1 each. The share issues were made on 1 July 2022, and 1 November 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).

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin Railways Limited's financial statements and statement of service performance for the year ended 30 June 2022

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 31, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

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 matter 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 2022.

Our audit was completed on 30 November 2022. This is the date at which our opinion is expressed.

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 22 on page 30, the Company 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 its future will not be known until next year.

In the year ended 30 June 2020, the Company substantially impaired the carrying amount of its property, plant and equipment and inventory assets to their recoverable amount (based on scrap value or sale value). These impaired values were also the basis for reporting these assets in the 30 June 2021 financial statements, which are presented as comparative information.

Our audit report contained a disclaimer of opinion on the 30 June 2020 and 30 June 2021 financial statements because we were unable to obtain adequate evidence to support the written-down values of these assets.

For the current year, the Board of Directors of the Company has assessed that 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 2022 for property, plant and equipment of $271,000 and inventories of $37,000. Further, because of the high degree of uncertainty surrounding the future of the Company, it is difficult to assess the value of the assets' remaining service potential.

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 22 on page 30 outlines the ongoing 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