

# DUNEDIN RAILWAYS

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WORLD CLASS TRAIN TRIPS



## **Annual report 2020**



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## Chair's report

### Principal activities of the Company

Until March 2020, Dunedin Railways Ltd (the Company) operated a tourist and excursion train on the Taieri Gorge railway line and on the Seaside line north of Dunedin.

### Year in review

	Year Ended 30 June 2020	Year Ended 30 June 2019
	\$'000	\$'000
Revenue	6,515	9,216
Net surplus/(loss) for the year	(6,606)	(122)
Shareholders' funds	457	1,813
Total assets	587	5,159

The Company entered the 2020 financial year with a focus on developing a sustainable business model. The Company was forecasting ongoing losses and had signalled additional equity would be required to ensure the ongoing viability of the business. The Board were focussed on preparing a business turnaround plan and developing a sustainable business model for discussion with shareholders.

In context of its existing challenges, the Company was unable to weather the forecast impacts of Covid-19 on the tourism sector. Even with support such as the wage subsidy, the seasonality of the business and its reliance on international travellers meant the business was facing insolvency and required immediate action. The outlook for international travel indicated there was little chance of reprieve on the horizon, and the Company was not in a position to pivot to new products or markets. Even a significant surge in domestic travel would not have been enough to sustain the Company as it was structured.

In April 2020, Dunedin City Council (DCC) agreed that DRL be put into hibernation. Hibernation was an alternative to complete closure of the business. Hibernating the Company allowed its iconic assets to be retained while potential sustainable options for the future were identified and evaluated. DCC agreed to support the ongoing costs of mothballing the Company.

Hibernation of the Company at the request of the DCC as Shareholder, also required the Board to re-assess the value of its assets. The Board considered the potential to earn revenue from the assets was minimal, given the company's transition to hibernation and wider uncertainty in the tourism sector.

The Board also considered the hypothetical net realisable value of the assets. Dunedin Railways' assets are relatively specialist and, in some instances, unique – for example, its heritage rolling stock and in situ Taieri Gorge track assets. This makes it difficult to obtain externally verified market values of these assets.

On balance, and with the benefit of industry and commercial knowledge, the Board considered it appropriate to write-down the Company's fixed assets to \$297,000, being the Board's best estimate of the net realisable value after any costs of disposal. An associated impairment expense of \$4,486,000 has been recorded in the attached financial statements.

The significance of these amounts and the unavailability of externally verified market values has led Audit New Zealand to advise they are unable to form an audit opinion on Dunedin Railways' 2020 financial statements, and a qualified opinion on the Statement of Service Performance.



The Board remains comfortable that the value it has ascribed to the Company's assets is appropriate, given the Company's current circumstances.

As part of this change to hibernation, the Otago Excursion Train Trust (OETT) decided to sell its 28% shareholding in the Company to Dunedin City Holdings Limited (DCHL). DCHL has been the sole shareholder of the company since April 2020.

Hibernating the Company resulted in the loss of 50 jobs. The Company, DCHL and DCC all acknowledge the impact of this decision on staff and their families. The contribution of staff to the Company over many years and their professionalism during the period from March to June 2020 is deeply appreciated.

The Company also wishes to acknowledge the commitment and contribution volunteers made to the business.

## The year ahead

The Company has been in hibernation mode since 1 July 2020. All assets have been retained and are being maintained. Six staff remain employed by the Company, to actively maintain key assets during hibernation.

Focus has now turned to identifying and evaluating options for sustainable tourism offerings based on the Company's assets. This work is being led by Dunedin Venues Management Ltd (DVML), a sibling company, with experience and expertise the tourism and visitor sector. A Reference Group has been established to ensure broad input at an early stage.

We expect to provide a report to Council setting out options for the Company's future in early 2021. Decisions will then be for Dunedin City Council to make.

During November 2020, it was announced that limited rail services will operate using the assets of Dunedin Railways (the Trains Not Planes promotion), from 20 December 2020 to 31 March 2021.

We acknowledge the strong community passion for Dunedin Railways Ltd and the Taieri Gorge train trip which is foremost in the director's minds.



**Keith Cooper**

Chair



## Statutory information

For the year ended 30 June 2020

### Directors' interests register

As advised to the Company:

Director	Entity	Nature of interest
<b>Kevin Winders</b>	Port Otago Ltd Icon Logistics Ltd New Zealand Cruise Association Hamilton Porter JV Ltd	Chief Executive Director Board Member Director
<b>Judy Bevin</b>	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.
<b>Richard Roberts</b>	DICKR Investments Ltd Dunedin International Airport Ltd	Director & Shareholder Chief Executive
<b>David Wood</b>	Home of St Barnabas Otago Excursion Train Trust Retirement Villages Residents Association NZ	Accountant Chairman National Treasurer
<b>Graeme Smart</b>	Spike Consulting Ltd (David Webb)	Independent Reviewer of Rail Operating Documents and Training Modules
<b>Stan Rodger</b>	Body Corporate 301825 Dunedin Casino Charitable Trustees Third Age Trust	Committee Member Chair 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 2020 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.



## Directors' remuneration

The remuneration paid to Directors during the year was:

	For the year ended 30 June 2020	For the year ended 30 June 2019
Kevin Winders (Chair)	23,227	1,312
Judy Bevin	14,923	16,883
Richard Roberts	14,923	16,883
David Wood	14,923	16,883
Graeme Smart	14,923	16,883
Hon. Stan Rodger (ceased 30 November 2019)	7,740	16,883
Geoff Thomas	-	24,965
<b>Total</b>	<b>\$90,659</b>	<b>\$110,692</b>

## Change of Directors

The Directors listed above ceased to be Directors of the Company on 30 June 2020. The Directors of parent entity, Dunedin City Holdings Limited, were appointed as the Directors of the Company from 1 July 2020, while the Company is in hibernation.

## Employees' remuneration

Employees whose remuneration and benefits exceeded \$100,000 for the year ended 30 June 2020, remuneration includes all non-cash benefits and redundancy payments at total cost to the company where applicable.

	For the year ended 30 June 2020	For the year ended 30 June 2019
Remuneration band	Number of employees	Number of employees
\$100,000 - \$110,000	4	-
\$110,000 - \$120,000	5	1
\$120,000 - \$130,000	2	-
\$160,000 - \$170,000	-	1
\$190,000 - \$200,000	1	-

## Health and Safety

The Board Health and Safety Committee 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. The Company made continued progress this year in the area of Health and Safety. There were three major incidents in the year, two Medical Treatment Injuries and one Lost Time Injury. All these incidents have been fully investigated, return to work managed and new procedures where applicable implemented. Health and safety remains a key focus of the Company's operations while in hibernation.

## Audit and Risk

The Board Audit and Risk Committee 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.

## Dividends

The directors have recommended that no dividend be paid for the year ended 30 June 2020.

## 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
1a. Three Risk committee meetings and nine Staff H&S committee meetings held per year 1b. Conduct an internal audit of the Safety System 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)	Two Risk committee meetings and eight Staff H&S committee meetings were held. There was some disruption caused by Covid-19. An internal audit of the safety system was completed. All Board reports included a Health and Safety report. The Rail Service Licence has been maintained. The annual NZTA assessment has been delayed due to Covid-19. One LTI's in the current year.
2a. Achieve the level of agreed annual budget	The results for the year were significantly below budget.
3a. Identify and undertake a minimum of two promotional campaigns a year 3b. Achieve the agreed annual budget of passengers per annum 3c. Two new initiatives implemented to improve business performance	More than two promotional campaigns were undertaken during the year. Annual passenger numbers were below budget prior to Covid-19 and ceased altogether when overseas tourism was cancelled as a result of Covid-19. No new initiatives were implemented to improve business performance.
4a. Maintain at least an 85% Trip Advisor customer satisfaction rating and 4.5 out of 5 in overall satisfaction on our in-house customer survey	Trip Advisor satisfaction level of 90% achieved. In-house customer survey was not conducted during the year.
5a. No recorded significant delays to regular scheduled train trips due to maintenance issues 5b. Maintain an Asset Management Plan	No significant delays due to mechanical issues were experienced during the year. A 10-year Asset Management Plan is in place.
6a. Meet with Shareholders at least once per year 6b. All relevant matters have been escalated to shareholders 6c. All substantive matters have been reported to shareholders within 24 hours	The Chair and Chief Executive met with the Shareholders regularly during the year. All relevant matters have been escalated to shareholders. All substantive matters have been reported to shareholders.
7a. Volunteers have opportunities to provide customer service on-board cruise ship trains 7b. Record the number of train tickets given to community organisations/events as sponsorship 7c. Maintain relationships with organisations that wish to have access to the Taieri Gorge 7d. Help DCC facilitate the use of Dunedin Railway Station for community activities	Volunteers provided customer service on board cruise ship trains and completed vegetation clean up during the year. 108 train tickets were given to community organisations/events as sponsorship during the year. Continued to provide opportunities for community organisations and events to have access to the Taieri Gorge. Worked with DCC to assist with community activities at the Dunedin Railway Station.
8a. Maximise the number of non-Dunedin resident passengers 8b. Take part in at least one Enterprise Dunedin initiative with IMA involvement per annum 8c. Support at least two Enterprise Dunedin Marketing activities 8d. Be an active member of both Dunedin Host and the Otago Chamber of Commerce	As a result of the Covid-19 pandemic non-Dunedin resident passenger numbers were down on prior year. The Company took part in at least one Enterprise Dunedin initiative with IMA involvement during the year. The Company supported at least two Enterprise Dunedin Marketing activities during the year. Continued memberships of both organisations.
9a. Consider at least two new environmental initiatives per annum 9b. When practical investigate and implement actions to reduce the dependence on diesel (to electricity or other sources of power)	Introduced recycling of plastic at the workshop, and electrical power efficiency at the station with the use of timer switches. Investigation work has been undertaken during the year to reduce the dependence on diesel.
10a. Hold at least one event or initiative or provide assistance to an event focused on Art, Heritage or Culture	No opportunities presented in the current year.
11a. Ensure that the Company does not disturb the heritage nature aspect of the Taieri Gorge railway line 11d. Retain accessible carriage and access ramps.	The Company has continued to ensure that the heritage nature aspect of the Taieri Gorge railway line is not disturbed. During the year the Company still had an operational carriage with wheelchair access and uses access ramps.
12. Access to Dunedin Railway Station platform and the Railway Station precinct at Middelmarsh is maintained	Public access to both areas has been maintained. However, the Company's services to Middelmarsh were cancelled during the year and all services ceased from March 2020 as a result of the Covid-19 pandemic.
13. Continuation of the tourism link to the start/finish of the Otago Central Rail Trail and other centres	A tourist link is provided by use of a minibus from Pukerangi to Middelmarsh.
14. Report the proportion of the Company's workforce receiving the living wage (as calculated by the New Zealand Family Centre Social Policy Unit).	During the year the Company reached agreement with the rail and transport union (RMTU) to pay union members the living wage.



## Statement of service performance continued

	Target	Achievement
Shareholders' Funds to Total Assets	37%	78%
Dividend/Subvention Distributions	0	0
EBITDA	624	(1,607)
Net Profit after Tax	41	(6,606)
Cash Flow from Operations	542	(2,567)
Capital Expenditure	825	264
Term Loans	2,046	0

## Company directory

As at 30 June 2020

### Directors

Kevin Winders (Chair)

Judy Bevin

Richard Roberts

David Wood

Graham Smart

### 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





## Statement of Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 \$000	2019 \$000
Revenue	3	6,515	9,216
<b>Total revenue</b>		<b>6,515</b>	<b>9,216</b>
Less Expenses			
Operating expenses	4	8,572	9,317
Financial expenses	5	88	73
Impairment	26	4,486	-
<b>Total expenses</b>		<b>13,146</b>	<b>9,390</b>
<b>Profit (Loss) before tax</b>		<b>(6,631)</b>	<b>(174)</b>
Income tax expense (credit)	8	(25)	(52)
<b>Net Profit (Loss) from continuing operations</b>		<b>(6,606)</b>	<b>(122)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(6,606)</b>	<b>(122)</b>
<b>Total comprehensive income for the year is attributable to</b>			
Major shareholder		(6,606)	(88)
Minor shareholder		-	(34)
		<b>(6,606)</b>	<b>(122)</b>

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 2020

	Note	2020 \$000	2019 \$000
<b>Equity at beginning of year</b>		<b>1,813</b>	<b>1,935</b>
<b>Comprehensive income</b>			
Profit/(Loss) from continuing operations		(6,606)	(122)
		(4,793)	1,813
Capital contributions from owners	9	5,250	-
Less distribution to owners	7	-	-
<b>Equity at the end of the year</b>		<b>457</b>	<b>1,813</b>

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



## Statement of Financial Position

As at 30 June 2020

	Note	2020 \$000	2019 \$000
<b>Equity</b>			
Share capital	9	6,822	1,572
Retained earnings	10	(6,365)	241
<b>Total equity</b>		<b>457</b>	<b>1,813</b>
<b>Current liabilities</b>			
Trade and other payables	11	36	416
Contract liabilities	13	16	159
Provisions	12	45	508
Shareholders advances	14	-	326
Total current liabilities		97	1,409
<b>Non-current liabilities</b>			
Provisions	12	33	22
Deferred tax liability (asset)	15	-	25
Term borrowings	16	-	1,890
Total non-current liabilities		33	1,937
<b>Total liabilities</b>		<b>130</b>	<b>3,346</b>
<b>Total equity and liabilities</b>		<b>587</b>	<b>5,159</b>
<b>Capital attributable to owners</b>			
Major shareholder		587	1,305
Minor shareholder		-	508
		587	1,813

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



## Statement of Financial Position

As at 30 June 2020 (continued)

	Note	2020 \$000	2019 \$000
<b>Current assets</b>			
Cash and cash equivalents	19	229	26
Trade and other receivables	20	14	37
Contract asset	20	-	187
Inventories	21	61	342
Income tax refund receivable		25	-
GST refund receivable		22	22
Total current assets		351	614
<b>Non-current assets</b>			
Property, plant and equipment	22	236	4,465
Intangible assets	23	-	80
Total non-current assets		236	4,545
<b>Total assets</b>		<b>587</b>	<b>5,159</b>

For and on behalf of the Board of Directors:



Chair



Director

Date 30 November 2020

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



## Statement of Cashflows

For the Year Ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
<i>Cash was provided from</i>			
Receipts from customers		6,580	8,983
Insurance refund		-	79
Subvention receipts		-	99
		6,580	9,161
<i>Cash was disbursed to</i>			
Payments to suppliers and employees		8,994	8,849
Interest paid		88	77
Income tax paid (received)		25	-
Net GST movement		40	-
		9,147	8,926
<b>Net cash inflows/(outflows) from operating activities</b>		<b>(2,567)</b>	<b>235</b>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from</i>			
Sale of property, plant and equipment		-	-
		-	-
<i>Cash was disbursed to</i>			
Purchase of property, plant and equipment		264	1,118
		264	1,118
<b>Net inflows/(outflows) from investing activities</b>		<b>(264)</b>	<b>(1,118)</b>

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



## Statement of Cashflows

For the Year Ended 30 June 2020 (continued)

	Notes	2020 \$000	2019 \$000
<b>Cash flows from financing activities</b>			
<i>Cash was provided from</i>			
Contributions of capital		5,250	-
Proceeds from borrowings		5,724	4,235
		<u>10,974</u>	<u>4,235</u>
<i>Cash was disbursed to</i>			
Repayment of borrowings		7,940	3,345
		<u>7,940</u>	<u>3,345</u>
<b>Net cash inflows/(outflows) from financing activities</b>		<u>3,034</u>	<u>890</u>
<b>Net increase (decrease) in cash</b>		<b>203</b>	<b>7</b>
<b>Cash equivalents and bank overdraft</b>			
Cash and cash equivalents at the beginning of the year		26	19
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<u><b>229</b></u>	<u><b>26</b></u>
<b>Composition of cash</b>			
Cash and cash equivalents		229	26
Bank overdraft		-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<u><b>229</b></u>	<u><b>26</b></u>
Represented by: Cash at bank		<u>229</u>	<u>26</u>

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



## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 1. Reporting Entity

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

Company Details:

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

Company shareholding interests:

- 100% owned by Dunedin City Holdings who are 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.

### 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 30 November 2020.

#### Basis of Accounting

The financial statements are prepared on a non-going concern basis of accounting and the impact is described in note 27. The Company ceased operations and was put into hibernation from 1 July 2020 (refer also to note 27). 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 early next year.

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 2020**

### Standards Amended or Issued During the Year

#### *NZ IFRS 16: Leases*

In the current year, the Company has adopted NZ IFRS 16 Leases. The entity has applied the modified retrospective approach and not restated 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 is recognised on the balance sheet. A right-of use asset is measured at the amount of the lease liability on adoption. Lease commitments note is now redundant, and instead a lease liability disclosure is used to support the new recognition and treatment.

### Standards or Interpretations Not Yet Effective

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

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Company has made judgements and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and judgments are continually evaluated.

### Good and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables and the Cashflow Statement which are stated on a GST inclusive basis.

### Financial Instruments

Financial instruments are contracts that give rise to financial assets or liabilities that are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

### Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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





## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$000	2019 \$000
<b>3. Revenue</b>		
Sales revenue	5,963	8,702
Covid-19 wage subsidy	370	-
Engineering contract with customer	182	514
	<u>6,515</u>	<u>9,216</u>

### Revenue Accounting Policy

#### *Sales revenue*

Revenue from ticket sales is recognised in revenue in advance at the fair value of the consideration received. Amounts are transferred to revenue in the Statement of Comprehensive Income when it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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).

#### *Covid-19 wage subsidy*

The Covid-19 wage subsidy was a subsidy applied for through the Ministry of Social Development (MSD) during the Covid-19 lockdown. The Company met the criteria to be eligible for the subsidy. The wage subsidy was accounted for in line with NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The wage subsidy was physically received during the 2020 financial year and has been recognised in full in the period most significantly impacted by the Covid-19 lockdown.

#### *Engineering contracts with customers*

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 20<sup>th</sup> 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.

## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$000	\$000

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.

### 4. Operating Expenses

Audit fees - audit of annual report	23	20
Contractors, materials & consumables	2,721	3,932
Depreciation	450	440
Directors fees	91	111
Employee expenses	4,803	4,214
Other expenses	484	600
	<u>8,572</u>	<u>9,317</u>

### 5. Financial Expenses

Interest - related parties	88	73
	<u>88</u>	<u>73</u>

#### 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

Earnings per share from continuing operations (cents per share)	(96.83)	(7.77)
Number of shares	6,821,900	1,571,900

### 7. Dividends

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

For the Year Ended 30 June 2020

	2020 \$000	2019 \$000
<b>8. Taxation</b>		
Operating surplus/(loss) before tax - continuing operations	(6,631)	(174)
Operating surplus/(loss) before income tax	(6,631)	(174)
Tax thereon at 28%	(1,856)	(49)
<i>Plus / (less) the tax effect on differences</i>		
Revenue not liable for taxation	(6)	-
Expenditure not deductible for taxation	-	1
Under/(over) provision in prior years	3	(4)
Derecognise deferred tax asset	1,834	-
Tax effect of differences	1,831	(3)
<b>Tax expense</b>	<b>(25)</b>	<b>(52)</b>
Effective tax rate	28%	28%
<i>Represented by</i>		
<u>Current tax provision</u>		
Prior period adjustment	-	-
Current tax movement	-	-
<u>Current deferred tax provision</u>		
Deferred tax movement	(28)	(48)
(Under) / over tax provision in prior years	3	(4)
Income Tax	(25)	(52)

### Taxation Accounting Policy

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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



## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$000	2019 \$000
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### 9. Equity – Share Capital

#### Issued capital

6,821,900 ordinary shares	6,822	1,572
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During the year the following changes occurred in the Company's issued capital:

- On 23 September 2019, the Company issued 1,000,000 shares in the Company at \$1 per share to existing shareholders.
- On 21 April 2020, Dunedin City Holdings Limited purchased Otago Excursion Train Trust's total share allocation.
- On 30 June 2020, the Company issued 4,250,000 shares in the Company at \$1 per share to its sole existing shareholder, Dunedin City Holdings Limited.

### 10. Retained Earnings

Balance at the beginning of the year	241	363
Total comprehensive income	(6,606)	(122)
Dividend distributions	-	-
Balance at the end of the year	(6,365)	241

### 11. Trade and Other Payables

Trade payables	36	407
Due to related parties	-	9
	36	416

#### 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.

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.

### 12. Provisions

#### Current

Accruals and revenue in advance	45	218
Employee entitlements	-	290
	45	508

#### Non - current

Employee entitlements	33	22
	33	22

## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$000	2019 \$000
<b>13. Contract Liability</b>		
Engineering work contracts	-	59
Unearned revenue in advance	16	100
	<u>16</u>	<u>159</u>

### 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 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.

## 14. Shareholders Advances

Otago Excursion Train Trust	-	326
	<u>-</u>	<u>326</u>

Shareholder advances are unsecured and non-interest bearing.

On 23 September 2019, the Company issued 1,000,000 shares in the Company at \$1 per share to existing shareholders. As part of this transaction, the remaining advance from Otago Excursion Train Trust's was settled.



## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 15. Deferred Tax Liability

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

	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Subvention (Receipt)/ Payment</i>	<i>Closing Balance Sheet</i>		
					<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>
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

A deferred tax asset has not been recognised in relation to tax losses of \$2,355,521 (tax effect \$659,490) and temporary differences of \$4,194,539 (tax effect \$1,174,471).

#### Deferred Tax Accounting Policy

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

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

## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$000	2019 \$000
<b>16. Term Borrowings</b>		
Dunedin City Treasury Limited	-	1,890
	-	1,890
Current	-	-
Non-current	-	1,890
Opening long term borrowings	1,890	1,000
Plus/less cash flows	(1,890)	890
Closing long term borrowings	-	1,890

### 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

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

## 18. Lease Commitments

The Company is a lessee for a photocopier and EFTPOS terminal. Both leases are considered short-term, low value assets. The Company does not currently hold any further lease commitments.

### Leases Accounting Policy

Assets held under leases are treated as 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 is recognised on the balance sheet. A right-of use asset is measured at the amount of the lease liability on adoption.

## 19. Cash and Cash Equivalents

Cash and bank	229	26
	229	26

### 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.



## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$000	2019 \$000
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.		
<b>20. Trade and Other Receivables</b>		
Trade receivables	52	37
Contract asset	-	187
Due from related parties	-	-
Less: Provision for impairment of trade receivables	(38)	-
	<u>14</u>	<u>224</u>
<b>Disclosed as:</b>		
Trade and other receivables	14	37
Contract asset	-	187
	<u>14</u>	<u>224</u>

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

### Trade and Other Receivables Accounting Policy

Trade and other receivables are initially measured at fair value and subsequently 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

Raw materials and stores	61	295
Consumables for resale	-	47
Total Inventories	<u>61</u>	<u>342</u>

### Inventory Accounting Policy

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.



## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 22. Property, Plant and Equipment

	Buildings	Rolling Stock	Track	Plant & Equipment	Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

#### Year Ended 30 June 2020:

##### Cost or Valuation

Balance at beginning of period	21	5,336	923	1,020	347	289	7,936
Purchases	-	376	175	45	3	-	599
Sales/disposals	-	(48)	-	-	-	(289)	(337)
Impairment	(21)	(5,430)	(1,098)	(1,063)	(347)	-	(7,961)
Balance at end of period	-	234	-	-	3	-	237

##### Accumulated depreciation

Balance at beginning of period	18	2,551	73	590	239	-	3,471
Depreciation	-	284	19	127	20	-	450
Sales/disposals	-	(41)	-	-	-	-	(41)
Impairment	(18)	(2,793)	(92)	(717)	(259)	-	(3,879)
	-	1	-	-	-	-	1
Balance at end of period	-	233	-	-	3	-	236

	Buildings	Rolling Stock	Track	Plant & Equipment	Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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



## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 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.



## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$000	\$000

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### 23. Intangible Assets

#### Software

##### Cost or Valuation

Balance at beginning of period	98	-
Purchases	-	98
Sales/disposals	-	-
Balance at end of period	98	98

##### Accumulated depreciation

Balance at beginning of period	18	-
Depreciation	39	18
Impairment	41	-
	98	18
Balance at end of period	-	80

#### 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%

## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$000	\$000

### 24. Related Party Transactions

During the year, the Company was 72% owned by Dunedin City Holdings Limited and 28% by the Otago Excursion Train Trust. From 21 April 2020, the Company became 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, 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 5, 11, 14, 16 and 20.

#### Transactions with the Dunedin City Council

Sales of services to the Dunedin City Council		
Ticket sales	76	164
Purchases of goods and services from the Dunedin City Council		
Rates, events, leases	54	88

#### Transactions with the Dunedin City Treasury Limited

Term Borrowings (Note 15)	-	1,890
Interest paid (Note 5)	88	73

#### Transactions with the Otago Excursion Train Trust

Shareholders Advance (Note 14)	-	326
Sales of services to the Otago Excursion Train Trust		
Charters / Sales	-	-

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 Personal Remuneration

Directors Fees	91	111
Short - term employment benefits	649	708
Termination benefits	37	22



## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$000	\$000

### 25. Financial Risk

Loan facility limit – Dunedin City Treasury Limited.	4,300	3,500
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Dunedin City Treasury Limited co-ordinates access to domestic markets for all group members. They monitor and manage the financial risks relating to the operations of the company. These risks include market risk, credit risk and liquidity risk.

Liquidity risk represents the company's ability to meet its contractual obligations. The company evaluates its liquidity requirements on an ongoing basis and has credit lines to meet these requirements.

#### Capital Management Strategy

The capital of the company is its equity, which is comprised of subscribed capital and retained earnings. Equity is represented by net assets. The company manages its capital to ensure that it will be able to continue to operate 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. Impact of COVID-19

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

On 11 March 2020 the World Health Organisation declared the outbreak of COVID-19, a pandemic. Travel restrictions were introduced on 14 March, and on 26 March New Zealand increased its COVID-19 alert to level 4 and a nationwide lockdown commenced.

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. Unfortunately, this resulted in 50 staff being made redundant from the Company.

As part of the process of moving the Company into hibernation, the Company undertook an assessment of the carrying values of all its assets and liabilities, resulting in a net write-down of assets of \$4.486 million. In assessing the recoverable amount of the Company's assets, the directors considered that the potential to earn revenue from the assets was minimal, given the Company's transition to hibernation and wider uncertainty in the tourism sector. The directors then considered the assets' net selling price. The Company's assets are relatively specialised and, in some instances, unique; therefore, making it difficult to obtain independent evidence of their fair value less costs to sell.



## Notes to the Financial Statements

For the Year Ended 30 June 2020

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On balance, and with the benefit of industry and commercial knowledge, the directors considered it appropriate to write-down the Company's property, plant and equipment and inventories to \$236,000 and \$61,000 respectively, being the best estimate of the fair value less costs to sell. An associated impairment expense of \$4,486,000 has been recorded in the Statement of Comprehensive Income.

On 21 April 2020, Dunedin City Holdings Limited purchased Otago Excursion Train Trust's total share allocation. On 30 June 2020, Dunedin City Holdings Limited acquired a further 4,250,000 shares in the Company. This enabled the Company to repay its debts, including its term loan held with Dunedin City Treasury Limited.

### 27. Events Subsequent to Balance Date

On 1 July 2020, the Company was put into hibernation.

Dunedin City Council has agreed to meet the ongoing costs of the hibernation, of up to \$1.05million.

Dunedin City Council and Dunedin City Holdings Limited are looking for alternative operating models that keep Dunedin Railways in the city and have sought expressions of interest on how the Company's assets might be viably used in the future. A decision on the future on the Company is not expected until early next year.

During November 2020, it was announced that limited rail services will operate using the assets of Dunedin Railways: the Trains Not Planes promotion, from 20 December 2020 to 31 March 2021.

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



## **Independent Auditor's Report**

### **To the readers of Dunedin Railways Limited's financial statements and statement of service performance for the year ended 30 June 2020**

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 9 to 30, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

We have audited the statement of service performance of the Company on pages 7 to 8.

#### **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 pages 7 to 8 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 2020.

The date of our audit report is 30 November 2020.

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 15 and note 26 on page 29, the Company was put into hibernation from 1 July 2020. The Company's property, plant and equipment and inventory were written-down to nil as at 30 June 2020, except for the property, plant and equipment and



inventories that it will continue to use and maintain, which have been written-down to \$236,000 and \$61,000 respectively. The Company has recognised an associated impairment expense of \$4,486,000.

We have been unable to obtain sufficient appropriate audit evidence to support the written-down values of these assets and the associated impairment expense. We could not confirm the written-down values by alternative means. As a consequence, we were unable to determine whether any adjustments to the values of Company's property, plant and equipment and inventories, were necessary.

### **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. Consequently, 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 8.

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 15 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 26 on page 29 outlines the impact of Covid-19 on the Company.

### **Responsibilities of the Board of Directors for the financial statements and the statement of service performance**

The Board of Directors is responsible on behalf of the Company for preparing financial statements and statement of service performance that are fairly presented and that comply with generally accepted accounting practice in New Zealand.





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. If the Board of Directors concludes that the going concern basis of accounting is inappropriate, the Board of Directors are responsible for preparing financial statements on a non-going concern basis and making appropriate disclosures.

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.

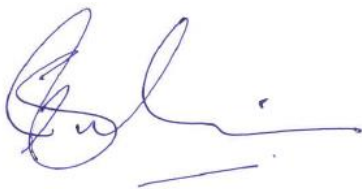
In respect of our audit of the statement of service performance, we communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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.

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



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

