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# TAIERI GORGE RAILWAY LIMITED



**Annual Report  
For the Year Ended  
30 June 2015**

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# TAIERI GORGE RAILWAY LIMITED

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### *Principal Activities of the Company*

The principal activity of Taieri Gorge Railway Ltd is to operate train services as a tourist, charter and community orientated enterprise utilising the Taieri Gorge railway line and the Main South Line of the New Zealand Railways Corporation national network.

As well as the provision of train services on those lines, the company operates a travel agency and retail outlet based at the Dunedin Railway Station, and carries out some contract engineering and train services.

### HIGHLIGHTS OF THE YEAR

- Revenue increase for the company of 10.6%
- Safety Management development including a complete closure of all outstanding conditions and recommendations at the December Safety Audit.
- Purchase of an AO class carriage from KiwiRail.
- Repayment of \$395K debt over the year.
- Revenue for the Excursions and Charter division increasing by 14% and margin increasing by 15%
- Revenue for the daily train increasing by 5.9% and margin increasing by 23%.
- Extension of Dunedin Silver Fern railcar lease by five years
- Lease and commissioning of outside viewing carriage
- Commencement of new scheduled train services to Oamaru

# TAIERI GORGE RAILWAY LIMITED

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## **DIRECTORS' REPORT** **For the Year Ended 30 June 2015**

The directors are pleased to present the Annual Report together with the financial statements of the company for the year ended 30 June 2015.

The company experienced an improved trading year as a result of the general tourist market recovering a little, from improved loadings off cruise ships and from an improvement in the charter market. A pretax profit of \$242,096 has been recorded which is a record for the company and is a pleasing improvement over the loss recorded in the previous year.

New company strategies were finalised at the start of the financial year and new performance measures for the company were set from these strategies. Good progress has been made during the year with most of the performance measures being met or bettered. These efficiencies within the company have seen the market grow and margins improving. Key initiatives were in the areas of marketing, safety and operations to meet changing market and regulatory conditions. Safety management has been the prime focus of the company with the new Board Safety Subcommittee meeting three monthly, improved safety management and reporting being introduced. We have complete closure of all outstanding conditions and recommendations from the December 2014 Safety Audit.

There has been considerable research and planning undertaken during the year for the future safe operation of our older wooden carriages and for the economic future management of our track infrastructure. Meetings with KiwiRail and NZTA have resulted in a paper being written by Taieri Gorge Railway to NZTA outlining our proposed future management of wooden bodied carriages to justify their future usage. A track maintenance consultant was engaged during the year to compile a report detailing necessary increased maintenance requirements to our track infrastructure in order to be able to safely and economically manage this asset in future years.

In spite of the relatively flat current tourist market in this region and a restrained cruise market in the year ahead, the Board remains cautiously optimistic. The coming summer season is likely to show continued moderate recovery in tourist numbers. Business initiatives are being introduced in the company's on-going efforts to increase passenger numbers on the daily train and to maximise revenue on cruise ship days. The cruise market is not strong in this region mainly as a result of the Christchurch earthquakes and resulting closure of port facilities at Lyttelton but it looks as if the market will recover and grow in the season commencing October 2016.

The company has a strong trading base and is highly regarded in the market-place. The continuing strategy is to target growth opportunities while managing our maintenance work load in such a way to ensure that safety is not compromised. While the company is not likely to generate substantial profits in the medium term its true value is best measured by the contribution it makes to the wider Dunedin economy.

It is important to recognise and appreciate the critical role which the Otago Excursion Train Trust and its volunteers play in the operation of the company. Passengers on excursion trains are hosted by a group of up to one hundred volunteers who provide a wonderful service free of charge and are superb ambassadors for the promotion of Dunedin. The company and the wider community owe these generous helpers a huge debt of gratitude.

During 2015, board meetings were attended by Ms Clare Kearney in her capacity as the winner of the "Aspiring Director Of The Year" competition facilitated by the Otago Southland Branch of the Institute of Directors. Clare had speaking but no voting rights and her contribution has been valuable.

The directors also acknowledge the dedication of the Chief Executive, Murray Bond, and each member of his committed staff who have played a vital part in achieving a satisfactory result for the year under review.

**G.R. Thomas**  
**Chairman**

# TAIERI GORGE RAILWAY LIMITED

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## DIRECTORS' REPORT For the Year Ended 30 June 2015

### *Results for the Year Ended 30 June 2015*

	Year Ended 30 June 2015	Year Ended 30 June 2014
	\$'000	\$'000
Operating Profit/(Loss) continuing operations pretax	242	(77)
Income Tax Expense/(Credit)	69	(26)
<b>Profit/(Loss) from continuing operations</b>	<b>173</b>	<b>(51)</b>

### *State of Affairs*

The directors are of the opinion that the state of affairs of the Taieri Gorge Railway Limited is satisfactory.

The financial structure of the company remains satisfactory with an equity to total assets ratio of 54.3% (48.7% 2014) and a net worth of \$1,886,298 at 30 June 2015.

### *Dividends*

The directors have recommended that no dividend be paid for the year ended 30 June 2015.

### *Reserves*

There have been no transfers made to reserves during the year to 30 June 2015.

### *Review of Operations*

Taieri Gorge Railway Limited operates in four main income divisions being:

- The Taieri Gorge Limited daily tourist train
- Excursions and Charter train services
- Dunedin Silver Fern railcar services
- Domestic travel agency and retail sales at Dunedin Railway Station.

### *Safety Management*

The company views safety management as one of the key management requirements of the company. The Board Safety Subcommittee, which now includes four board members, meets formally with key management staff three monthly. The staff Health and Safety committee meets monthly. Key safety policy documents have been formalised and developed in line with regulatory requirements and with best modern practice. There are 15 safety KPIs which are measured and reported on monthly. Safety reporting is at the top of meeting agendas and safety reporting is included in separate stand-alone papers from general Board and Management business. The annual safety audit carried out in December 2014 resulted in the company closing all outstanding conditions and recommendations as a result of a more proactive and professional approach to safety being applied within the company.

### *The Taieri Gorge Limited*

The Taieri Gorge Limited operates in the international and domestic tourism market and has experienced an improved year. International visitor numbers to New Zealand rose by 7.4% but the continuing negative effect of the Christchurch earthquakes and the tendency for less regional visitation in New Zealand resulted

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## **DIRECTORS' REPORT** **For the Year Ended 30 June 2015**

in a flatter market in this part of the country. Our daily tourist train carried 47,584 passengers, which was a 4.7% increase in fare paying customers over the previous year. Revenue in this division rose by 5.9% (\$168K) to \$3,027,981 and the margin achieved increased by 23% from \$1,231,831 to \$1,511,175. The train continues to receive high satisfaction ratings in visitor surveys of Dunedin's attractions and continues to feature in the must-do activities in Dunedin in the latest international guidebooks therefore is well placed to thrive as markets and regional visitation improve.

### *Excursions and Charters/Dunedin Silver Fern*

The Excursions and Charters division experienced an excellent year as a result of improved loadings off cruise ship visits to Dunedin and from a number of charters in the South Island outside Dunedin. The number of cruise ship passengers carried increased by 4.0% to 16,289. Revenue in this division increased by 13.7% to \$2,659,552 and exceeded budget expectations by \$231K. The margin in this division increased by 15% from \$1,533,980 to \$1,787,230.

The continued lease of a 94 seat Silver Fern railcar from KiwiRail has proved successful in this third year of usage with 6,300 passengers carried. Revenue in this division increased by 64% to \$266K and the margin improved by 47% to \$90K. The lease of this vehicle has been extended by 5 years from September 2014 and allows the company to introduce and develop new product from this operation.

### *Business Development/Marketing*

Strategic improvements to the company have been driven by this division over the year with margin improvements, better systems and improved product being developed throughout the year. The commissioning and development of the new live reservation system and the new company website continued throughout the year and resulted in a significant increase in on-line reservations being achieved. Along with notable social media booking success, these new systems have moved the company into the forefront of the digital age and in line with the top tourist operations within New Zealand. We continue to increase our level of web marketing by introducing incentives through our website with good results. The new reservation system enhances product selection and company income and has resulted in good improvements to company cash flow during the year. The Strategic Plan completed in July 2014 has a strong focus on increased revenue and margins to ensure an improved future for the company. The company continues to be a leader in the Asian market sector with a dedicated staff member concentrating on the new and rapidly growing Chinese market. Chinese customer numbers on the daily train increased by 132% over the year and prebookings from this market are increasing steadily.

### *Maintenance*

Our maintenance workload is significant as a result of the age of locomotives, carriage fleet and track infrastructure. During the year there have been concerns about the future use of wooden-bodied carriages as KiwiRail and NZTA negotiate over the responsibility as the future regulator for track access. This company has been involved in negotiations and has prepared a paper to prove mitigation measures to show safety improvements and therefore work towards long term access for these carriages. The condition of our track has been reassessed during the year and a consultant has been engaged to review this assessment and our future track maintenance requirements. Increased sleeper replacement and formation work is taking place as a result of this work. The new Asset Management system for the company has been developed and this important new management asset is now showing good results. Improved management systems have been introduced into the workshop and track areas and increased efficiency of work being carried out is beginning to show. The need to maintain track and locomotive assets in reliable and safe condition is vital to the future of the company and this is a significant portion of the ongoing costs of the company. Workloads in this division are high and management assistance has been introduced to better plan and prioritise the workload.

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## *Strategic Initiatives*

A new company Strategic Plan was introduced in July 2014 in order to plan for company growth and improvements over the years ahead. From this the company has introduced a number of business improvement measures in order to action our strategic plan. These measures are reported upon monthly and have been the driver for increased business levels and better returns per customer.

## *Outlook*

Business levels for the daily train have been weak since the Christchurch earthquakes four or more years ago but are now showing signs of improvement. Ministry of Business, Innovation and Employment forecasts show good tourism growth in the years ahead and even better growth in the important holidaymaker market. This is good news for the company especially as improvement is also expected as tourists return to the South Island as Christchurch hotels reopen and as the length of stay recovers. The future cruise ship market remains relatively strong but ship visits are not at the level of some recent years as a result of voyage re-routing. As a result, we look forward with some confidence to market growth for the daily train and to better financial results in the medium term.

We are served by a strong and loyal team of employees and volunteers. The staff structure is lean and we continue to use multi-skilling in many divisions of the company. We wish to thank all staff and volunteers formally for their loyalty and commitment to the company under what are often heavy seasonal workloads.

## *Financial Statements*

The audited financial statements for the year ended 30 June 2015 are attached to this report.

## *Directors' Interests in Contracts*

No material contracts involving directors' interests were entered into during the year ended 30 June 2015 nor existed at the end of this period.

## *Information on the Directors of Taieri Gorge Railway Limited*

Director	Position/Term of office	Responsibilities	Remuneration
G R Thomas	Chairman 1.5 years Director 1.5 years	Chairman Appointed by DCC	\$21,766
G M T Williams	Deputy Chairman 13 years Director 17 years	Deputy Chairman Appointed jointly by DCC/OETT	\$15,000
J D Holmes	Director 1.3 years Resigned October 2014	Non-Executive Director Appointed by OETT	\$5,000
F J McCall	Director 17 years	Non-Executive Director Appointed by DCC	\$15,000
Hon. Stan Rodger	Director 5 years	Non-Executive Director Appointed by DCC/OETT	\$15,000
G M Smart	Director 0.6 years	Non-Executive Director Appointed by OETT	\$8,750
D W Wood	Director 2 years	Non-Executive Director Appointed by OETT	\$15,000
			<u>\$95,516</u>

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# TAIERI GORGE RAILWAY LIMITED

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No director holds shares in Taieri Gorge Railway Limited nor has acquired or disposed of any shares during the year.

## ***Directors' Insurance***

In accordance with the constitution, Taieri Gorge Railway Limited have arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the directors will incur no monetary loss as a result of actions undertaken by them as directors, provided that they operate within the law.

## ***Directors' Benefits***

No director of Taieri Gorge Railway Limited has, since the end of the previous financial period, received or become entitled to receive a benefit (other than a benefit included in the total remuneration received or due and receivable by the directors as shown in the financial statements). Note 23 of the Financial Statements shows related party transactions which include company directors.

There were no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Transactions between related parties are at normal commercial rates. Transactions between Taieri Gorge Railway Limited and companies in which the directors may have an interest were not considered material. No loans were made to directors during the year.

## ***Donations***

The company made no monetary donations during the year ended 30 June 2015. The company worked constructively with community groups throughout the year as part of our community support commitment.

## ***Auditors***

The auditor for the company is Audit New Zealand on behalf of the Auditor-General. The audit fee for the year ended 30 June 2015 is \$19,182.

## ***Events Subsequent to Balance Date***

The directors are not aware of any matter or circumstance since the end of the financial period not otherwise dealt with in this report or the company's financial statements that has significantly or may significantly affect the operation of Taieri Gorge Railway Limited, the results of those operations or the state of affairs of the company.

On behalf of the Board of Directors:

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G R Thomas

Date: 23 September 2015

# TAIERI GORGE RAILWAY LIMITED

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## Statement of Comprehensive Income

For the Year Ended 30 June 2015

	Notes	Year Ended 30 June 2015 \$'000	Year Ended 30 June 2014 \$'000
<b>Continuing Operations</b>			
Revenue	4	6,086	5,552
Total revenue		6,086	5,552
Less expenses			
Audit fees - audit of annual report		19	19
Contractors		1,006	869
Depreciation		299	292
Directors Fees		96	72
Employee expenses		2,501	2,537
Financial expenses		57	73
Raw materials and consumables used		932	935
Other expenses		934	832
Total expenses		5,844	5,629
<b>Profit(Loss) before tax</b>		242	(77)
Income tax expense(credit)	7	69	(26)
<b>Net Profit(Loss) from continuing operations</b>		173	(51)
Other comprehensive income		-	-
<b>Total comprehensive income</b>		173	(51)
Earnings per share from continuing operations (cents per share)		11.04	(3.27)

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



# TAIERI GORGE RAILWAY LIMITED

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## Statement of Changes in Equity

For the Year Ended 30 June 2015

	Note	Year Ended 30 June 2015 \$'000	Year Ended 30 June 2014 \$'000
Equity at beginning of year		1,713	1,764
Comprehensive Income			
Profit/(Loss) from continuing operations		173	(51)
Total Comprehensive Income		173	(51)
Less distribution to owners	5	-	-
Equity at the end of the year		1,886	1,713

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

# TAIERI GORGE RAILWAY LIMITED

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## Statement of Financial Position

As at 30 June 2015

	Note	30 June 2015 \$'000	30 June 2014 \$'000
<b>Equity</b>			
Share capital	8	1,572	1,572
Retained earnings	9	314	141
<b>Total Equity</b>		1,886	1,713
<b>Current Liabilities</b>			
Cash and cash equivalents	17	-	-
Provision for employee entitlements	11	317	321
Trade and other payables	10	528	281
Other current liabilities (provisions)	11	152	100
Shareholders advances	12	325	325
Current portion-term borrowings	21	-	-
Total current liabilities		1,322	1,027
<b>Non-Current Liabilities</b>			
Deferred tax liability (asset)	13	48	25
Term borrowings	21	217	755
Total non-current liabilities		265	780
<b>Total Liabilities</b>		1,587	1,807
<b>TOTAL EQUITY AND LIABILITIES</b>		3,473	3,520

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

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## Statement of Financial Position (continued)

As at 30 June 2015

	Note	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	17	7	128
Trade and other receivables	18	43	75
Inventories	19	219	177
Tax refund receivable		2	16
GST refund receivable		50	-
Total current assets		321	396
<b>Non-Current Assets</b>			
Property, plant and equipment	20	3,152	3,124
Total non-current assets		3,152	3,124
<b>TOTAL ASSETS</b>		3,473	3,520

For and on behalf of the Board of Directors

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G R Thomas  
Chairman  
Date: 23 September 2015

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G M T Williams  
Deputy Chairman  
Date: 23 September 2015

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

# TAIERI GORGE RAILWAY LIMITED

## Statements of Cash Flows

For the Year Ended 30 June 2015

	Note	Year Ended 30 June 2015 \$'000	Year Ended 30 June 2014 \$'000
<b>Cash Flows from Operating Activities</b>			
<i>Cash was provided from</i>			
Receipts from customers		6,114	5,584
Interest received		-	-
Subvention receipts		-	-
		6,114	5,584
<i>Cash was disbursed to</i>			
Payments to suppliers and employees		5,398	5,137
Interest paid		57	73
Income tax paid		46	-
Net GST paid		36	(2)
Subvention to DVL/DVML		-	-
		5,537	5,208
<b>Net Cash Inflows/(Outflows) from operating activities</b>		577	376
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from</i>			
Sale of property, plant and equipment		-	311
		-	311
<i>Cash was disbursed to</i>			
Purchase of property, plant and equipment		160	417
		160	417
<b>Net Inflows/(Outflows) from Investing Activities</b>		(160)	(106)
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from</i>			
Proceeds from borrowings		932	1,502
		932	1,502
<i>Cash was disbursed to</i>			
Repayments of borrowings		1,470	1,575
Dividends paid		-	-
		1,470	1,575
<b>Net Cash Inflows/(Outflows) from Financing Activities</b>		(538)	(73)
<b>Net Increase/(decrease) in Cash, Cash Equivalents and Bank Overdraft</b>		(121)	197
Cash and cash equivalents at the beginning of the year		128	(69)
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>17</b>	7	128
<b>Composition of Cash</b>			
Cash and cash equivalents		7	128
Bank overdraft		-	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>17</b>	7	128

The 2015 financial year is the first year of transition from Differential Reporting rules to Tier 2 NZ IFRS reporting with Reduced Disclosure Requirements, therefore the first year with a Statement of Cash Flows.

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

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# TAIERI GORGE RAILWAY LIMITED

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## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 1. REPORTING ENTITY

The financial statements presented here are for the company Taieri Gorge Railway Limited.

Taieri Gorge Railway Limited is a Council Controlled Trading Organisation as defined in the Local Government Act 2002. The company, incorporated in New Zealand under the Companies Act 1993, is 72% owned by the ultimate parent of the group, Dunedin City Council. There are only two shareholders with the remaining 28% owned by Otago Excursion Train Trust.

The financial statements of Taieri Gorge Railway Limited are for the year ended 30 June 2015. The financial statements were authorised for issue by the directors on 23 September 2015.

The registered address of the company is 50 The Octagon, Dunedin.

Taieri Gorge Railway Limited is classed as a For-profit entity for financial reporting.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the company and group operates and all values are rounded to the nearest thousand dollars (\$000).

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The financial statements of Taieri Gorge Railway Limited have been prepared in accordance with the requirement to comply with the generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as issued for commercial entities that qualify for For-profit entities.

The company previously qualified for Differential Reporting exemptions as it had no public accountability and was not large as defined in the differential reporting framework. All available reporting exemptions, except deferred tax, allowed under the Framework for Differential Reporting had been adopted.

The Minister of Commerce has approved a new Accounting Standards Framework (including a Tier Strategy) developed by the External Reporting Board (XRB). The company is required to move to 'tier two' and apply the new NZ IFRS Reduced Disclosure Regime for the 2015/16 accounts at the latest, and can decide to move to this regime earlier. The company has elected to move to Tier 2 reporting for the 2014/15 annual accounts. The company qualifies for Tier 2 NZ IFRS with Reduced Disclosure Requirements (RDR) as the company has expenditure less than \$30m and is not publicly accountable.

These financial statements have been prepared in accordance with Tier 2 For-profit accounting standards. These financial statements comply with For-profit entity Standards.

#### Basis of Accounting

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

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

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## **Change of Accounting Policies**

These financial statements are the first financial statements prepared in accordance with the new For-profit entity Tier 2 accounting standards.

## **Non-current assets held for sale**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are not depreciated while they are classified as held for sale.

## **Revenue Recognition**

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 GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## **Construction Contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **Leasing**

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

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## **The Company As Lessor**

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

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

## **The Company As Lessee**

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

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

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

## **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## **Employee Entitlements**

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 calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the company.

Liabilities for sick leave are recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. This calculation is based on the value of excess sick leave taken with the previous twelve months.

## **Good and Service Tax (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

# TAIERI GORGE RAILWAY LIMITED

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The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not necessarily equal the actual results.

## Taxation

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.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## Property, Plant and Equipment

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.



# TAIERI GORGE RAILWAY LIMITED

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**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
Office equipment	5% to 48%	Straight Line
Vehicles	8% to 20%	Straight Line
Track	0% to 50%	Straight Line
Construction in progress	no depreciation charged	

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

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

## **Impairment of assets excluding goodwill**

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

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

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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset (or cash generating unit) that remains in the revaluation reserve. Any additional impairment is immediately transferred 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

# TAIERI GORGE RAILWAY LIMITED

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loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## **Inventories**

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. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## **Cash and cash equivalents**

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.

## **Financial Instruments**

Financial assets and financial liabilities are recognised on the company's balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial instruments are classified into four categories: financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

## **Trade and other receivables**

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

## **Trade and other payables**

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

## **Borrowings**

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.

## **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.

# TAIERI GORGE RAILWAY LIMITED

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## 3. SEASONALITY OF OPERATIONS

The profitability and cash flow of the company contains a strong seasonal element in accordance with the tourist season for the region which is at its strongest between the months of October through to April. The impact of this bias is that the company will typically report a deficit for the first half of the year and any surplus is generated in the second half of the year.

	2015 \$'000	2014 \$'000
<b>4. REVENUE</b>		
Taieri Gorge Limited tourist train	3,028	2,862
Excursions/Charters	2,659	2,347
Dunedin Silver Fern	266	162
Other	130	152
Agency Commission	3	29
	6,086	5,552
	6,086	5,552

Gross Revenue of the company inclusive of Travel Agency revenue was \$6,306,248 (2014: \$5,710,137)

## 5. DIVIDENDS

No dividends were paid by the company	-	-
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## 6. EARNINGS PER SHARE

Earnings per share from continuing operations (cents per share)	11.04	(3.27)
Number of shares	1,571,900	1,571,900

## 7. INCOME TAX

	2015 \$'000	2014 \$'000
Operating surplus/(loss) before tax - continuing operations	242	(77)
Operating surplus/(loss) before income tax	242	(77)
Tax thereon at 28%	68	(22)
<i>Plus / (Less) the Tax Effect of Differences</i>		
Revenue not liable for taxation	-	-
Expenditure not deductible for taxation	1	-
Under/(over) provision in prior years	-	(4)
Tax effect of differences	1	(4)
<b>Tax expense</b>	69	(26)

# TAIERI GORGE RAILWAY LIMITED

	2015 \$'000	2014 \$'000
Effective tax rate	29%	34%
<i>Represented by</i>		
<u>Current tax provision</u>		
Prior period adjustment	-	(8)
Current tax movement	46	-
<u>Current deferred tax provision</u>		
Deferred tax movement	23	(22)
(Under) /over tax provision in prior years	-	4
Income tax	<u>69</u>	<u>(26)</u>

## Imputation Credit Account

Balance at the beginning of the year	222	222
Taxation payment / (refund)	31	-
Prior period adjustment	-	-
Balance at the end of the year	<u>253</u>	<u>222</u>
Expected future movement	(2)	(17)
	<u>251</u>	<u>205</u>

## 8. EQUITY – Share Capital

### Issued Capital

1,571,900 ordinary shares	1,572	1,572
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There is only one class of share. They are fully paid and carry the right to dividends, with 1,132,300 shares owned by Dunedin City Holdings Limited and 439,600 shares owned by the Otago Excursion Train Trust.

## 9. RETAINED EARNINGS

Balance at the beginning of the year	141	192
Net surplus for the year	173	(51)
Dividend distributions	-	-
Balance at the end of the year	<u>314</u>	<u>141</u>

## 10. TRADE AND OTHER PAYABLES

Trade payables	517	278
Due to related parties	11	3
	<u>528</u>	<u>281</u>

The directors consider the carrying amount of trade payables approximates their fair value.

# TAIERI GORGE RAILWAY LIMITED

	2015 \$'000	2014 \$'000
<b>11. OTHER LIABILITIES</b>		
Accruals/Debtor prepayments	152	100
Employee entitlements	317	321
	<u>469</u>	<u>421</u>

## 12. SHAREHOLDERS ADVANCES

Otago Excursion Train Trust	325	325
Total Shareholders Advances	<u>325</u>	<u>325</u>

Shareholders advances are repayable on demand. No interest has been paid on these advances in the current or comparative period.

## 13. DEFERRED TAX

	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Closing Balance Sheet Assets</i>	<i>Liabilities</i>	<i>Net</i>
Property, plant and equipment	129	-	1	-	130	130
Employee entitlements	(78)	-	-	(78)	-	(78)
Provisions and adjustments	(4)	-	-	(4)	-	(4)
Tax losses	(22)	-	22	-	-	-
Balance at the end of the year	<u>25</u>	<u>-</u>	<u>23</u>	<u>(82)</u>	<u>130</u>	<u>48</u>
	<b>2014 \$'000</b>	<b>2014 \$'000</b>	<b>2014 \$'000</b>	<b>2014 \$'000</b>	<b>2014 \$'000</b>	<b>2014 \$'000</b>
	<i>Opening Balance Sheet</i>	<i>Charged to Equity</i>	<i>Charged to Income</i>	<i>Closing Balance Sheet Assets</i>	<i>Liabilities</i>	<i>Net</i>
Property, plant and equipment	118	-	11	-	129	129
Employee entitlements	(71)	-	(7)	(78)	-	(78)
Provisions and adjustments	(4)	-	-	(4)	-	(4)
Tax losses	-	-	(22)	(22)	-	(22)
Balance at the end of the year	<u>43</u>	<u>-</u>	<u>(18)</u>	<u>(104)</u>	<u>129</u>	<u>25</u>

It is probable that the company will generate sufficient tax profit in the future to offset its tax losses and temporary differences.

# TAIERI GORGE RAILWAY LIMITED

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	2015 \$'000	2014 \$'000
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## 14. CONTINGENT LIABILITIES AND ASSETS

The company has no contingent liabilities and assets (2014: nil).

## 15. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure committed at balance date but not provided for in the financial statements	110	30
	110	30

## 16. LEASE COMMITMENTS

Minimum Operating Lease Payments		
Payable within one year	87	48
Payable between one to five years	237	19
Payable later than five years	-	-
	314	67

Significant leasing arrangements include:

Lease of railway workshop ex NZ Railways Corporation was from 1 July 2005 until 30 June 2008 at \$110,000 p.a. currently month to month at same rental pending negotiation of a new agreement.

Lease of Dunedin Railway Station offices from Dunedin City Council commencing 23 December 2008, renewed 14 December 2014 for 6 years at \$44,300 p.a. with 1 further right to a renewed term of 6 years with a final expiry date of 13 December 2026. A one year lease from KiwiRail of a railcar and a carriage with a monthly/kilometre fee was commenced during the 2012/13 year. The railcar lease was extended to a 5 year lease commencing 1 September 2014. The carriage lease continued until February 2015 when the carriage was purchased by the company from KiwiRail.

Actual operating lease payments in the year amounted to \$293,000 (2014: \$255,000)

## 17. CASH AND CASH EQUIVALENTS

Cash and Bank	7	128
	7	128

Cash and short-term deposits in the current year comprise cash held by the company and short-term deposits with Bank of New Zealand. Short-term deposits or short-term borrowings with Dunedin City Treasury Ltd are covered under an evergreen borrowing facility of 2 years reviewed every year. The current year has an evergreen term facility with Dunedin City Treasury Limited. The carrying amount of these assets approximates their fair value. Short term deposits are made at call deposit rates with an original maturity of three months or less.

A sum of \$10,000 exists as the Star Steam Fund within the operating bank account and constitutes a restriction on cash specifically for the promotion of steam trips.

# TAIERI GORGE RAILWAY LIMITED

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	2015 \$'000	2014 \$'000
<b>18. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	42	74
	<u>42</u>	<u>74</u>
Due from related Parties	1	1
	<u>43</u>	<u>75</u>
	<u><u>43</u></u>	<u><u>75</u></u>

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

## 19. INVENTORIES

Raw materials and stores	198	162
Consumables for resale	21	15
	<u>219</u>	<u>177</u>
Total Inventories	<u><u>219</u></u>	<u><u>177</u></u>

# TAIERI GORGE RAILWAY LIMITED

20. PROPERTY, PLANT AND EQUIPMENT	2015	2015	2015	2015	2015	2015	2015
	Buildings	Rolling Stock	Plant & Equipment	Office Equipment	Vehicles	Track	Sub -Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation</b>							
Balance at beginning of period	25	4,400	705	364	248	397	6,139
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	-	110	19	15	-	-	144
Sales/prior period adjustment	-	(146)	(16)	-	-	-	(162)
Transfer to assets held for sale	-	-	-	-	-	-	-
Balance at end of period	25	4,364	708	379	248	397	6,121
<b>Accumulated depreciation</b>							
Balance at beginning of period	22	2,035	477	214	146	184	3,078
Depreciation	-	213	41	36	12	-	302
Impairment	-	-	-	-	-	-	-
Sales/prior period adjustment	-	(146)	(17)	-	-	-	(163)
Transfer to assets held for sale	-	-	-	-	-	-	-
	22	2,102	501	250	158	184	3,217
Balance at end of period	3	2,262	207	129	90	213	2,904
Comprising - Cost	3	2,262	207	129	90	213	2,904
Valuation	-	-	-	-	-	-	-
	<b>2015 Sub -Total</b>	<b>2015 Work in Prog.</b>	<b>2015 Total</b>				
	\$'000	\$'000	\$'000				
<b>Cost</b>							
Balance at beginning of period	6,139	63	6,202				
Increase through acquisition	-	-	-				
Net Purchases/ revaluation	144	185	329				
Sales/prior period adjustment	(162)	-	(162)				
Transfer to assets held for sale	-	-	-				
Balance at end of period	6,121	248	6,369				
<b>Accumulated depreciation</b>							
Balance at beginning of period	3,078	-	3,078				
Depreciation	302	-	302				
Impairment	-	-	-				
Sales/prior period adjustment	(163)	-	(163)				
Transfer to assets held for sale	-	-	-				
	3,217	-	3,217				
Balance at end of period	2,904	248	3,152				
Comprising - Cost	2,904	248	3,152				
Valuation	-	-	-				



# TAIERI GORGE RAILWAY LIMITED

20. PROPERTY, PLANT AND EQUIPMENT	2014	2014	2014	2014	2014	2014	2014
	Buildings \$'000	Rolling Stock \$'000	Plant & Equipment \$'000	Office Equipment \$'000	Vehicles \$'000	Track \$'000	Sub -Total \$'000
<b>Cost or Valuation</b>							
Balance at beginning of period	25	4,076	676	325	244	397	5,743
Increase through acquisition	-	-	-	-	-	-	-
Purchases/revaluation	-	345	29	39	4	-	417
Sales/prior period adjustment	-	(21)	-	-	-	-	(21)
Transfer to assets held for sale	-	-	-	-	-	-	-
Balance at end of period	25	4,400	705	364	248	397	6,139
<b>Accumulated depreciation</b>							
Balance at beginning of period	21	1,817	436	191	135	184	2,784
Depreciation	-	218	40	23	12	-	293
Impairment	-	-	-	-	-	-	-
Sales/prior period adjustment	1	-	1	-	(1)	-	1
Transfer to assets held for sale	-	-	-	-	-	-	-
	22	2,035	477	214	146	184	3,078
Balance at end of period	3	2,365	228	150	102	213	3,061
Comprising - Cost	3	2,365	228	150	102	213	3,061
Valuation	-	-	-	-	-	-	-
	<b>2014 Sub -Total \$'000</b>	<b>2014 Work in Prog. \$'000</b>	<b>2014 Total \$'000</b>				
<b>Cost</b>							
Balance at beginning of period	5,743	353	6,096				
Increase through acquisition	-	-	-				
Purchases/ revaluation	417	-	417				
Sales/prior period adjustment	(21)	(290)	(312)				
Transfer to assets held for sale	-	-	-				
Balance at end of period	6,139	63	6,202				
<b>Accumulated depreciation</b>							
Balance at beginning of period	2,784	-	2,784				
Depreciation	293	-	293				
Impairment	-	-	-				
Sales/prior period adjustment	1	-	1				
Transfer to assets held for sale	-	-	-				
	3,078	-	3,078				
Balance at end of period	3,061	63	3,124				
Comprising - Cost	3,061	63	3,124				
Valuation	-	-	-				

# TAIERI GORGE RAILWAY LIMITED

	2015 \$'000	2014 \$'000
<b>21. TERM BORROWINGS</b>		
Dunedin City Treasury Limited	217	755
	<u>217</u>	<u>755</u>
Current	<u>0</u>	<u>0</u>
Non current	217	755

The directors estimate the fair value of the company's borrowings to be at their carrying value.

## 22. FINANCIAL RISK

Dunedin City Treasury Limited provides financial services to the company and to our majority shareholder, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the company. These risks include market risk, credit risk and liquidity risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The company's credit risk is mainly attributable to its trade receivables. The amounts presented in the statement of comprehensive income are net of allowances for doubtful debts. The company has no significant concern with creditors as exposure is spread over a number of counterparties and customers.

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.

### 22.1 Capital Management Strategy

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Economic Corporate Goal listed in the Statement of Intent of the company is to attain a financial performance, as measured by generally accepted standards for railway tourist operations that represents an acceptable rate of return on investment for its shareholders taking into account the stage of development of the company. It also includes the goal to ensure income growth and enhancement through the development of new markets and the provision and development of on and off train services and facilities.

The intentions of the company in respect of distributions for each three-year period are disclosed in the annual Statement of Intent submitted to the Council in public.

# TAIERI GORGE RAILWAY LIMITED

## 23. RELATED PARTY TRANSACTIONS

Taieri Gorge Railway Limited is 72% owned by Dunedin City Holdings Limited. Dunedin City Holdings Limited is a wholly owned subsidiary of the Dunedin City Council. The other shareholder in the Company is the Otago Excursion Train Trust.

Taieri Gorge Railway Limited undertakes transactions (including a forgiven shareholders advance) with the Dunedin City Council, other Dunedin City Council controlled entities and Otago Excursion Train Trust on an arms length commercial basis with favourable interest rates being negotiated with Dunedin City Treasury Limited.

Amounts receivable from and payable to related parties at balance date are disclosed in notes 10, 12, 18 and 21.

### Major Transactions with the Dunedin City Council Group

Sales of services to the Dunedin City Council Group:

	2015 \$'000	2014 \$'000
Ticket sales (Visitor Centre)	124	122
	<u>124</u>	<u>122</u>

Purchases of goods and services from the Dunedin City Council Group:

Rates, events, leases (Dunedin City Council)	73	67
Director's Fees (Dunedin City Holdings Limited)	-	5
Engineering services (Delta Utility Services Limited)	-	20
Interest paid (Dunedin City Treasury Limited)	57	73
	<u>130</u>	<u>165</u>

### Major Transactions with the Otago Excursion Train Trust

Sales of services to the Otago Excursion Train Trust:

Charters / Sales	-	-
Equipment reimbursed by Shareholders Advance	-	-
	<u>-</u>	<u>-</u>

Purchases of goods and services from the Otago Excursion Train Trust:

Ticket Sales /Directors fees	-	8
	<u>-</u>	<u>8</u>

# TAIERI GORGE RAILWAY LIMITED

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## **Transactions with companies in which key management personnel or directors have an interest and with close members of the family of key management personnel or directors:**

Key management personnel within the company include the chief executive and directors.

During the course of the year:

Mr G W Crombie, Director of Dunedin City Holdings Limited, is also a Director of Action Engineering Limited with whom purchases of \$15,497 (2014: \$7,604) were undertaken.

Mrs K E Grant, Director of Dunedin City Holdings Limited, is also a Director of Otago Polytechnic with whom product sales amounting to \$325 (2014:\$1,892) were made.

Except for these transactions, no other directors or senior management have entered into related party transactions with the company. The amounts outstanding at year end are payable on normal trading terms.

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

## **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Directors' Fees	96	72
Chief Executive (total remuneration)	134	130

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# TAIERI GORGE RAILWAY LIMITED

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## STATEMENT OF SERVICE PERFORMANCE

The following is a statement of service performance relating to specific objectives listed in the Statement of Intent for the year ended 30 June 2015:

<i>General</i>	6.1	<b>Customer Service</b> To achieve customer survey responses with overall satisfaction levels at a level of at least 90%.  <i>Achieved. To achieve an independent survey we now use Trip Advisor and Cruise Critic reviews as our assessment. With Cruise Critic rating our product as 5 star and Trip Advisor rating the product as 4.5 star we are clearly achieving overall satisfaction levels of at least 90%.</i>
	6.2	<b>Resource Use</b> To use the resources of the company in such a way to increase cash flows from operations each year taking into account market influences out of the control of the Company.  <i>Achieved. Cash inflows to the company from operating activities increased by 53.5%.</i>
<i>Economic</i>	6.3	<b>Financial Performance</b> To achieve an accounting result which shows profitability and a positive cash flow for the year ending 30 June 2015.  <i>Achieved with a profit being achieved by the company and a positive cash flow for the year resulting in repayment of \$538K of revolving credit over the year.</i>
	6.4	<b>Growth</b> To achieve margin growth on our daily train and within the travel agency through introduction of additional or enhanced products and services.  <i>Achieved for the daily train with the gross margin increasing by 23%. Not achieved for the Travel Agency - revenue increased by 18% but the margin reduced solely as a result of introduction of our new live reservation system which now allocates revenue to the actual month of travel.</i>
<i>Safety</i>	6.5	<b>Regulatory</b> To undertake an annual Safety Audit as required by NZTA and to pass this safety audit and be issued with a Rail Service Licence as at 30 June 2015.  <i>Achieved. The company undertook a Safety Audit in December 2014 and retains a Rail Service Licence as at 30 June 2015.</i>
	6.6	<b>Management</b> To maintain a record of key items of the Internal Audit system and to ensure that critical items such as track and bridge inspections, and rolling stock inspections and certification are completed within two months of their scheduled dates.

# TAIERI GORGE RAILWAY LIMITED

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*Not achieved. Internal Audit System updated during the year as well as the forward track inspection programme to ensure all critical items can meet a more realistic timing of completion by their scheduled dates.*

## 6.7 **Operating Environment**

To target a minimal accident record not exceeding one work related accident per 100,000 hours worked and the number of lost time hours not exceeding 0.05% of total hours worked for the year ending 30 June 2015.

*Not achieved. There were 23 work-related accidents. There was only 1 work related accident with lost time hours and these lost time hours amounted to 0.0855% of total hours worked.*

## *Social and Environmental*

## 6.8 **Good Employer**

To ensure there are no breaches of the company's EEO policy.

*Achieved. There were no reports of EEO breaches.*

## 6.9 **Volunteers**

To maintain the level of support provided by volunteers in the year to 30 June 2015 at least at the level of that in the previous year measured from the number of cruise visits and the ability to staff these trains with volunteers.

*Achieved. All cruise trains were successfully staffed with volunteers. Otago Excursion Train Trust kept records and recorded 9 415 man-hours of voluntary work versus 9 370 in the previous year.*

## 6.10 **Corporate Citizen**

To have carried out a weed and pest control programme, and to continually review company operations to identify any potential environmental issues by 30 June 2015.

*Achieved. Weed and possum control operations continued during the year. The company Health and Safety Committee discusses and reports on all matters of safety and environmental concerns.*

## 6.11 **Heritage**

To enhance the heritage experience by continuing to preserve the heritage aspects of the line and to recognise the heritage nature of rolling stock, structures in the gorge and at Middlemarch, to be measured by any adverse comment from public or from staff.

*Achieved. The company has a history of protecting the heritage nature of aspects of the line and there have been no reports of disturbance to heritage items.*

## 6.12 **Emission Monitoring**

To carry out a survey of carbon-based fuel usage and electricity usage in the year to 30 June 2015. To record passenger numbers carried per litre of fuel used with a view to improving this figure over time.

*Achieved with a listing of fuel and electricity usage maintained over the year. Not achieved for fuel usage with passengers carried per litre of fuel used reducing from 0.277 to 0.275.*

# TAIERI GORGE RAILWAY LIMITED

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## **DIRECTORY** **As at 30 June 2015**

### DIRECTORS

G R Thomas (Chairman)  
G M T Williams (Deputy Chairman)  
F J McCall  
Dr. J D Holmes (resigned November 2014)  
Hon. Stan Rodger  
G M Smart (appointed November 2014)  
D W Wood

### CHIEF EXECUTIVE

M J Bond

### REGISTERED OFFICE

50 The Octagon  
Dunedin  
New Zealand

### POSTAL ADDRESS

PO Box 140  
Dunedin  
New Zealand  
Phone: 0064-3-477-4449  
Fax: 0064-3-477-4953  
Email: [railway@taieri.co.nz](mailto:railway@taieri.co.nz)  
Website: [www.taieri.co.nz](http://www.taieri.co.nz)

### BANKERS

Bank of New Zealand

### SOLICITORS

Anderson Lloyd Lawyers

### TAXATION ADVISERS

Deloitte

### AUDITOR

Audit New Zealand on behalf of  
The Auditor-General

## **Independent Auditor's Report**

### **To the readers of Taieri Gorge Railway Limited's financial statements and performance information for the year ended 30 June 2015**

The Auditor-General is the auditor of Taieri Gorge Railway Limited (the company). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on her behalf.

### **Opinion on the financial statements and the performance information**

We have audited:

- the financial statements of the company on pages 8 to 28, that comprise the statement of financial position as at 30 June 2015, 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; and
- the performance information of the company on pages 29 to 30.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards with reduced disclosure requirements.
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 23 September 2015. This is the date at which our opinion is expressed.



The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

## **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## **Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

## **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

## **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

A handwritten signature in black ink, reading "Ian Lothian". The signature is written in a cursive, flowing style.

Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand