
TAIERI GORGE RAILWAY LIMITED



**Interim Report
December 2014**

TAIERI GORGE RAILWAY LIMITED

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HIGHLIGHTS OF THE HALF YEAR

- Recovery of the overall market with income up in all train divisions and a 18% increase in revenue for the company over the previous corresponding period
- Improvement in profitability with the trading loss in the half year reducing by 50% over the previous corresponding period
- Daily train fare paying passenger numbers up 12% over the corresponding previous half year.
- Cruise and Charter revenue up 37% over the previous corresponding period
- All 4 conditions and 9 NZTA recommendations closed off at the December 2014 Safety Audit.
- Attendance at the high level Tourism New Zealand Kiwi Link China event during November and meeting 96 key outbound Chinese agents in face to face appointments
- Introduction of a new Asset Management System

TAIERI GORGE RAILWAY LIMITED

DIRECTORY

As at 31 December 2014

DIRECTORS

G R Thomas (Chairman)
G M T Williams (Deputy Chairman)
J D Holmes (resigned December 2014)
F J McCall
Hon. Stan Rodger
G M Smart (appointed December 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
Website: 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

TAIERI GORGE RAILWAY LIMITED

DIRECTORS' REPORT

For the Six Months Ended 31 December 2014

The directors have pleasure in presenting the half yearly report together with the financial statements of the company for the period ended 31 December 2014.

The first half of the financial year is traditionally the weaker half in the tourism industry and for Taieri Gorge Railway Ltd. Our trading result for the six months to 31 December 2014 reflects an improving market in all three train divisions. The market is showing recovery after several years of weakness following the Christchurch earthquakes and the consequent lack of hotel rooms in Christchurch.

The falling New Zealand dollar at present and recovery of regional tourism in New Zealand is assisting the situation. The cruise ship market has not experienced the level of cancellations of the previous half year and this has assisted the half year results. As a result, the first half of the year has shown strong improvement over the previous half year.

Costs are under control and the new strategic direction of the company is beginning to show positive results.

The new live reservation system is performing well and the system is being developed to assist customer reservations and to gain additional business. The new reservation system allows us to better align income with passengers carried in the month and this alters the pattern of our accounting results. There are lower effective returns in the first half of the year with prebookings no longer brought to account, and there will be improved returns in the second half of the year as presales are accounted in the relevant month.

The company has a strong base of customers therefore is well placed to further benefit as the tourism market continues to recover. As a result, the future outlook of the company remains satisfactory. The company operates on a sound business footing while retaining a strong community focus.

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.

As well as the provision of train services on that line, the company operates some other train services within the South Island and operates a travel and booking agency based at the Dunedin Railway Station.

Results for the Six Months Ended 31 December 2014

	Six Months Ended 31 December 2014	Six Months Ended 31 December 2013
	\$,000	\$,000
Trading Surplus / (Loss) before Income Tax	(328)	(692)
Income Tax Expense / (Benefit)	(92)	(194)
Net Surplus / (Loss) for the Period	(236)	(498)

State of Affairs

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

TAIERI GORGE RAILWAY LIMITED

DIRECTORS' REPORT **For the Six Months Ended 31 December 2014**

Dividends

The directors recommend that no dividend be paid for the six months ended 31 December 2014.

Reserves

There have been no transfers made to reserves over the period to 31 December 2014.

Review of Operations

Taieri Gorge Railway Limited operates in two main divisions being the daily tourist train (the Taieri Gorge Limited) and the Excursions and Charters division. There is also income from the Dunedin Silver Fern train division, travel agency sales, merchandise sales and contract work.

After several difficult years of trading the Taieri Gorge Limited is now experiencing a recovery of passenger numbers. Passenger numbers are up 9.5% in the half year with fare paying passengers up 12%. As a result of a 5.3% reduction in trips run passenger numbers per train have increased by 16%. Reported revenue has not tracked so positively but only because of accounting changes from use of the new live reservation system where income is now allocated to the month of travel. As a result, presales are no longer allocated to the month of reservation and, consequently, revenue in this division is up 4.9% in the half year.

The Excursions and Charters division has not experienced the level of cruise ship cancellations as in the previous half year and the timing of visits has favoured the first half of the year in this season. There have been 26 cruise ship visits compared with 22 visits in the previous half year. Numbers taking the cruise ship shore excursion trains have increased by 26% from 4,961 to 6 233 in the half year. Income in the half year was up 37% on the first half of last year.

Safety management is given highest priority and leads the agenda of Board and management meetings. A new Board Health and Safety subcommittee was formed during the past year and meets three monthly. The annual Safety Audit was completed in December and resulted in all 4 outstanding conditions and all 9 outstanding recommendations being completed and closed off. A new Asset Management system has been introduced and this will lead to greater efficiencies in our maintenance and development management and spend.

The new Strategic Plan for the company took effect in this half year and income and cost efficiencies are already showing within the company and in results to date. New company KPI's have been set and are evaluated monthly in Board reporting. The new "Dunedin Railways" branding was introduced during the half year to better encompass our varied train offering and to position ourselves for future growth.

We are cautiously optimistic in the outlook for the remainder of the financial year. While we have had a good start to the year, the general tourist market is not overly strong and there are cost pressures as we increase our track and asset maintenance programme. Our markets have a solid customer base of existing, new and emerging tourism companies and we are well placed to consolidate and to prosper should markets continue to recover.

We have a lean staff structure and continue to use multiskilling in the company in order to minimise staffing and to maximise productivity. During the November to April period there is considerable pressure on staff and volunteers as the markets reach peak levels therefore we are grateful for the special efforts of our staffing

TAIERI GORGE RAILWAY LIMITED

DIRECTORS' REPORT **For the Six Months Ended 31 December 2014**

resource. We extend special thanks to our volunteer staff who have a busy cruise and charter programme to manage and who work well beyond normal expectations to ensure that these trains are a success.

Financial Statements

The unaudited financial statements for the six months ended 31 December 2014 are attached to this report.

Directors' Interests in Contracts

No material contracts involving directors' interests were entered into during the six months ended 31 December 2014 nor existed at the end of this period.

Information on the Directors of Taieri Gorge Railway Limited

Director	Qualifications	Responsibilities	Remuneration
G R Thomas	Chairman 1 year Director 1 year	Chairman Appointed by DCC	\$11 250
G M T Williams	Deputy Chairman 12.5 years Director 16.5 years	Deputy Chairman Appointed jointly by DCC/OETT	\$7 500
J D Holmes	Director 1 year Resigned October 2014	Non-Executive Director Appointed by OETT	\$5 000
F J McCall	Director 16.5 years	Non-Executive Director Appointed by DCC	\$7 500
Hon. Stan Rodger	Director 4.5 years	Non-Executive Director Appointed by DCC/OETT	\$7 500
G M Smart	Director 0.1 years	Non-Executive Director Appointed by OETT	\$nil
D W Wood	Director 1.3 years	Non-Executive Director Appointed by OETT	\$7 500

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).

TAIERI GORGE RAILWAY LIMITED

DIRECTORS' REPORT **For the Six Months Ended 31 December 2014**

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.

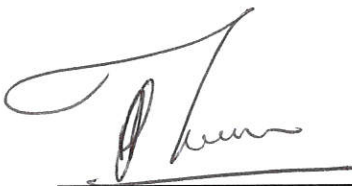
Donations

The company made no monetary donations in the six months ended 31 December 2014.

Events Subsequent to Balance Date

The directors are not aware of any other matters or circumstances 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:-



G R Thomas
Chairman

Date: 11 February 2015



G M T Williams
Deputy Chairman

Date: 11 February 2015

TAIERI GORGE RAILWAY LIMITED

Interim Statement of Comprehensive Income

For the Six Months Ended 31 December 2014

	Six months to 31 December 2014 \$'000	Six months to 31 December 2013 \$'000	Year to 30 June 2014 \$'000
Profit and Loss			
Revenue	2,424	2,059	5,552
 Total revenue	 <u>2,424</u>	 <u>2,059</u>	 <u>5,552</u>
Less expenses			
Audit fees	-	-	19
Contractors	306	341	869
Depreciation	143	149	292
Directors Fees	46	33	72
Employee expenses	1,277	1,247	2,537
Financial Expenses	40	39	73
Raw materials and consumables used	533	525	935
Other expenses	407	417	832
 Total expenditure	 <u>2,752</u>	 <u>2,751</u>	 <u>5,629</u>
Profit(Loss) before tax	(328)	(692)	(77)
Income tax expense (benefit)	(92)	(194)	(26)
Net Profit/(Loss) from continuing operations	<u>(236)</u>	<u>(498)</u>	<u>(51)</u>
 Total Comprehensive Income	 (236)	 (498)	 (51)
 Earnings: cents per share	 (15.04)	 (31.69)	 (3.27)

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

TAIERI GORGE RAILWAY LIMITED

Interim Statement of Changes in Equity

For the Six Months Ended 31 December 2014

	Six months to 31 December 2014 \$'000	Six months to 31 December 2013 \$'000	Year to 30 June 2014 \$'000
Equity at beginning of period	1,713	1,764	1,764
	<hr/>	<hr/>	<hr/>
Recognised income and expense			
Comprehensive Income			
Profit/(loss) for the period	(236)	(498)	(51)
Other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
Total Comprehensive Income for the period	(236)	(498)	(51)
Less distribution to owners	-	-	-
	<hr/>	<hr/>	<hr/>
Equity at the End of the Year	1,477	1,266	1,713
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

TAIERI GORGE RAILWAY LIMITED

Interim Balance Sheet

At 31 December 2014

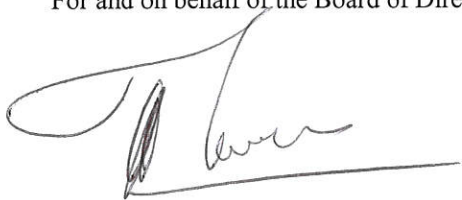
	Note	31 December 2014 \$'000	31 December 2013 \$'000	30 June 2014 \$'000
Equity				
Share capital	5	1,572	1,572	1,572
Retained earnings	6	(95)	(306)	141
Total Equity		<u>1,477</u>	<u>1,266</u>	<u>1,713</u>
Current Liabilities				
Provision for employee entitlements		352	311	321
Trade and other payables		514	478	281
Other current liabilities (provisions)		268	97	100
Shareholders advance		324	324	325
Current portion-term borrowings(OETT)		-	-	-
Cash and cash equivalents		-	-	-
Total current liabilities		<u>1,458</u>	<u>1,210</u>	<u>1,027</u>
Non-Current Liabilities				
Deferred tax liability		25	43	25
Term borrowings		1,130	1,919	755
Total non-current liabilities		<u>1,155</u>	<u>1,962</u>	<u>780</u>
Total Liabilities		<u>2,613</u>	<u>3,172</u>	<u>1,807</u>
TOTAL EQUITY PLUS LIABILITIES		<u><u>4,090</u></u>	<u><u>4,438</u></u>	<u><u>3,520</u></u>

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

TAIERI GORGE RAILWAY LIMITED

	Note	31 December 2014 \$'000	31 December 2013 \$'000	30 June 2014 \$'000
Current Assets				
Cash and cash equivalents		199	159	128
Trade and other receivables		579	628	75
Inventories		188	232	177
Prepayments		12	11	-
GST refund receivable		-	-	-
Tax refund receivable		94	202	16
Total current assets		1,072	1,232	396
Non-Current Assets				
Property, plant and equipment		3,018	3,206	3,124
Total non-current assets		3,018	3,206	3,124
TOTAL ASSETS		4,090	4,438	3,520

For and on behalf of the Board of Directors



G R Thomas
Chairman

Date: 11 February 2015



G M T Williams
Deputy Chairman

Date: 11 February 2015

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

TAIERI GORGE RAILWAY LIMITED

Notes to the Financial Statements

For the Six Months Ended 31 December 2014

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.

The financial statements of Taieri Gorge Railway Limited are for the half year ended 31 December 2014.

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

Taieri Gorge Railway Limited is a profit orientated entity.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The annual financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities that qualify for and take advantage of differential reporting concessions.

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

The financial statements were authorised for issue by the directors on 11 February 2015.

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.

Change of Accounting Policies

There has been no change in accounting policies.

Standards Issued but not yet Effective

A number of accounting standards have been issued but as they are not yet compulsory they have not been applied to this set of accounts. The standard to be applied to future financial statements is NZ IFRS9 which replaces IAS39. IAS39 is being replaced through three phases: phase 1 classification and measurement, phase 2 impairment methodology and phase 3 hedge accounting. The new standard is required to be adopted for the year ended 30 June 2016.

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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.

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.

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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.

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.

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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.

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.

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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	5% to 48%	Straight Line
Office equipment	6% to 48%	Straight Line
Vehicles	8% to 20%	Straight Line
Track	5% 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 income statement.

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.

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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 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 Income Statement 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.

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3. SEASONALITY OF OPERATIONS

The profitability and cash flow of the group contains a strong seasonal element in accordance with the tourist season for the region which is at its strongest between the months of November 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.

4. DIVIDENDS

No dividends were paid by the company	-	-	-
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5. EQUITY - Share Capital

Issued Capital

	31 December 2014 \$'000	31 December 2013 \$'000	30 June 2014 \$'000
1,571,900 ordinary shares	1,572	1,572	1,572

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 by the Otago Excursion Train Trust.

6. RETAINED EARNINGS

	31 December 2014 \$'000	31 December 2013 \$'000	30 June 2014 \$'000
Balance at the beginning of the year	141	192	192
Net surplus for the period	(236)	(498)	(51)
Dividend distributions	-	-	-
Balance at the end of the year	<u>(95)</u>	<u>(306)</u>	<u>141</u>

7. INDUSTRY SEGMENT REPORTING

The company operates a single business stream being a tourism based passenger train service, in a single geographic segment, the South Island of New Zealand.