

# DUNEDIN RAILWAYS

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## STATEMENT OF INTENT

### For the Year Ending 30 June 2025

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## 1. INTRODUCTION

Prior to Covid-19, Dunedin Railways Ltd (DRL or the Company) operated regular tourist and public train services. After a period of reduced operations, DRL is now in a transition phase. This transition is characterised by several key initiatives aimed at preparing for the future and maintaining key assets.

DRL is a wholly owned subsidiary of Dunedin City Holdings Ltd which is wholly owned by Dunedin City Council.

This SoI sets out DRL's planned activities and financial forecasts for the next three years. It includes performance measures and targets, which will be reported against in DRL's 2025 Annual Report.

## 2. OBJECTIVES

As a Dunedin City Council Group company, DRL aims to contribute to the Council's strategic framework and help achieve city objectives. DRL has aligned with the Council's ambitious goal of achieving net carbon neutrality city-wide by 2030. We will engage with our shareholders, DCHL, and Dunedin City Council regarding non-controllable emissions and the potential cost of offsetting residual emissions.

Customer feedback will continue to guide our improvements and innovations. The transition phase is also an opportunity to enhance the passenger experience. Strengthening our ties with the community remains a priority as we move forward.

As defined in section 59 of the Local Government Act 2002, the principal objectives of CCOs are to:

- a) achieve the objective of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent; and
- b) be a good employer as per clause 36 of Schedule 7 LGA); and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

DRL conducts its affairs in accordance with sound business practice.

In 2024/2025, while operating under constraints, our focus on sustainability, brand awareness, asset maintenance, and customer engagement reflects a solid commitment to support our commitment to retain a sustainable, reputable, and customer-centric organisation.

## 3. NATURE AND SCOPE OF ACTIVITIES

In support of its objectives, DRL maintains and operates rolling stock and tracks infrastructure and other related assets, ensuring the smooth and efficient functioning of our services.

DRL is running a public schedule on a regular basis so we remain a vital part of our community and tourist experience.

The undertaking by DRL of any activity of a nature or scope outside of this would be subject to the prior approval of the shareholder.

## 4. APPROACH TO GOVERNANCE

DRL is governed by a board of independent directors appointed by the Council. Directors meet regularly to direct and control DRL's proceedings.

The role of a Director of a CCO is defined in the Local Government Act 2002 as "to assist the organisation to meet its objectives and any other requirements in its Statement of Intent."

The DRL board operates in accordance with accepted best practice.

## 5. PERFORMANCE TARGETS

Goal	Objective	Performance Targets
<b>Manage the track maintenance plan to support our operational plan.</b>	Ensure the safety, reliability, and efficiency of DRL's infrastructure.	Track is open to Pukerangi by 1 October 2024.
<b>Ensure the health and safety of our people.</b>	Reduce harm to employees, contractors, and passengers.	Lost time incidents are less than two.
<b>Provide and efficiently maintain infrastructure to meet the needs of our customers.</b>	Infrastructure maintenance is carried out without affecting train operations. Ensure the future of the company is protected.	No delays to regular scheduled passenger operations. Continuation of and further development of the Asset Management Plan.
<b>Develop strategies and initiatives to maximise resource use.</b>	Initiatives to maximise the productivity of human resources and capital employed while considering potential opportunities and strategic considerations.	Run no fewer than 130 public trips per annum and service no fewer than 60 cruise ships per annum.
<b>Increase passenger numbers through relationships with tourism operators</b>	Leverage strategic partnerships to boost brand awareness and revenue.	Establish relationships with no less than five tour operators. Increase passenger numbers from tour operators to 20% of total public passengers.
<b>Be recognised as a positive contributor to our community.</b>	Provide sponsorship to community events and organisations. Facilitate community access to venues.	Train tickets are given to community organisations/events. Agree for access to station/train for community activities.
<b>Provide outstanding customer service to our valued customers.</b>	Provide consistent and quality service that exceeds expectations.	Maintain at least 80% customer satisfaction with our in-house customer survey.
<b>DRL maintains a strategic direction that is consistent with the policies and objectives of the shareholder</b>	Ensure Statement of Intent is consistent with objectives of the shareholder.	A draft 2025/2026 Statement of Intent will be submitted to the shareholder by 1 March 2025. Ensure that all direct employees are paid at living wage or above.
<b>Contribute to Council's Strategic Framework and Climate Change and Carbon Neutrality initiatives</b>	Contribute to Council's Carbon Neutrality initiatives.	Refine and continue to implement DRL's carbon emissions strategy developed in 2022 and publicly report progress. Refine and continue implementing DRL's waste reduction strategy developed in 2022 and publicly report progress. Measure and publicly report our Greenhouse Gas (GHG) emissions and progress towards our emissions and waste reduction strategies and targets in our Annual Report.
<b>Communicate with the shareholder on a 'no surprises' basis</b>	Consult with the shareholders in a timely manner on DRL strategic or operational matters which could compromise Council's community outcomes.	No such matters that were not escalated to the shareholder in a timely manner.
	Report to the shareholder within 24 hours of the Board becoming aware of any substantive matter, including any matter likely to generate media coverage.	No such matters that were not reported to the shareholders within 24 hours.

## 6. FINANCIAL FORECASTS

This section sets out DRL's financial forecasts for the next three financial years.

### ***Ratio of Shareholder's Funds to Total Assets, and the definition of those terms***

	Year ending 30/06/2025	Year ending 30/06/2026	Year ending 30/06/2027
Shareholder's Funds to Total Assets	100%	100%	100%

"Shareholder's Funds" are represented by the paid-up capital, reserves created by the revaluation of specific assets, and retained earnings. "Total Assets" means the aggregate amount of all current and non-current assets.

### ***Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders.***

	Year ending 30/06/2025	Year ending 30/06/2026	Year ending 30/06/2027
Dividend distributions	Nil	Nil	Nil

### ***Other Financial Forecasts***

	Year ending 30/06/2025 \$'000	Year ending 30/06/2026 \$'000	Year ending 30/06/2027 \$'000
EBITDA	(1,836)	-	-
Net profit/(loss) after tax	(1,887)	-	-
Cash flow from operations	(1,796)	-	-
Capital expenditure	125	-	-
Term loans	-	-	-
Shareholder's funds	462	-	-

DCHL has been instructed to fund DRL up to 30 June 2025. No forecast is available for FY26 and FY27 pending Council decisions.

Financial statements have been included in this SOI as required under PBE FRS 42 to present prospective financial statements. Prospective financial statements are revised annually to reflect updated assumptions and costs.

The operating budget lines below follow the format of the annual reporting templates. The aim is to have consistency in the presentation to make it easier for users to interpret and compare to other information.

The financial information is prospective. Actual results are likely to vary from the information presented and the variations may be material.

**A prospective statement of comprehensive revenue and expense****FY25  
Budget**

Sales Revenue	2,866
Interest received from funds on deposit	17
Total revenue	2,883

**Less expenses:**

Operating expenses	2,786
Interest expense	-
Depreciation	52
Employee Expenses	1,932
Total expenditure	4,770

Share of surplus/(deficit) in associates and jointly controlled entities	-
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<b>Net Profit before Tax</b>	<b>(1,887)</b>
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Add: Subvention Receipt

Less: Tax Expense	-
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<b>Net Profit/(Loss) after Tax</b>	<b>(1,887)</b>
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Other comprehensive revenue and expense:

Interest rate swap hedges gains (losses) during the year	-
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<b>Total comprehensive revenue and expense for the year</b>	<b>(1,887)</b>
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**A prospective statement of changes in equity****FY25  
Budget**

Opening Equity	349
Share Capital Contributions	2,000
Total comprehensive revenue and expense for the year	(1,887)
Closing Equity	462

**A prospective statement of financial position****FY25  
Budget****Equity**

Share Capital

12,847

Accumulated Losses

(12,385)

462

Non-controlling interest

-

**Total Equity****462****Current Assets**

Cash and cash equivalents

201

Trade and other receivables

28

Inventories

32

Income tax

24

GST refund receivable

-

Total current assets

285

**Non-current Assets**

Property, plant and equipment

449

Total non-current assets

449

**Total Assets****734****Current Liabilities**

Trade and other payables

200

Provisions

73

Total current liabilities

273

**Non-current Liabilities**

Deferred tax liability (asset)

-

Total non-current liabilities

-

**Total Liabilities****273****Net Assets****462**

**A prospective cash flow statement****FY25  
Budget****Cash flows from Operating***Cash was provided from:*

Receipts from customers	3,296
Interest received	17
Income Tax/ Subvention	-
Net GST received	-
	<u>3,312</u>

*Cash was disbursed to:*

Payments to suppliers	5,107
Net GST paid	2
Income tax paid (received)	-
	<u>5,108</u>

**Net cash inflows/(outflows) from operating** **(1,796)****Cash flows from Investing***Cash was provided from:*

Proceeds from Asset Disposals	-
	<u>-</u>

*Cash was disbursed to:*

Capital Expenditure	125
	<u>125</u>

**Net cash inflows/(outflows) from investing** **(125)****Cash flows from financing***Cash was provided from:*

Contributions of capital	2,000
Proceeds from borrowings	-
	<u>2,000</u>

*Cash was disbursed to:*

Repayment of borrowings	-
	<u>-</u>

**Net cash inflows/(outflows) from financing** **2,000**

Opening Cash	122
Net Change in Cash	79
<b>Closing Cash</b>	<b><u>201</u></b>

In preparing the financial forecasts it was necessary for the company to make key assumptions about the future. The following assumptions are significant in that if actual future events differ from the assumptions, it will result in material variances.

1. Confirmed Charters with minimum forecasted revenues are achieved.
2. DCHL funding of \$2m until 30 June 2025.



## 7. ACCOUNTING POLICIES

### *General Accounting Policies*

The accounting policies recognised by the External Reporting Board (XRB) for the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

### *Particular Accounting Policies*

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in DRL's Annual Report.

## 8. DIVIDEND POLICY

DRL's current policy is not to pay dividends.

## 9. COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in DRL is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

## 10. TRANSACTIONS WITH RELATED PARTIES

Dunedin City Council is the sole Shareholder of Dunedin City Holdings Limited.

Dunedin City Holdings Limited is the sole Shareholder in Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited, Dunedin Railways Ltd, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 50% of Dunedin International Airport Limited.

Transactions between the Companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

### ***Related Party Transactions***

Dunedin City Council	Council rates for properties owned by DRL
	Lease of Council owned land
Dunedin City Holdings Limited	Funding for FY2025 operations Functions appropriate between Parent company (DCHL) and subsidiary (DRL)
Dunedin City Treasury Limited	Debt facility agreement in place.
Dunedin Venues Management Limited	Provision of administrative services to DRL

DCHL and its subsidiaries, including DRL, undertake to obtain all debt funding from DCTL, with exceptions as agreed with the Board of DCHL.

**11. OTHER MATTERS AS AGREED BY THE SHAREHOLDER AND THE BOARD***Information to be provided to the Shareholder*

Information	Quarterly	Half Yearly	Annual
Key financial and service performance indicators	✓	✓	✓
Statement of Financial Performance		✓	✓
Statement of Financial Position		✓	✓
Statement of Cash Flows		✓	✓
Statement of Movement in Equity		✓	✓
Notes to the Financial Statements		✓	✓
Statement of Service Performance against SoI targets		✓	✓
Directors' Report		✓	✓
Auditors' Report			✓
Draft Statement of Intent			Prior to 1 Mar
Final Statement of Intent			Prior to 30 Jun

#### *Working with the shareholder*

DRL will undertake to keep the Shareholder informed of all substantive matters, as set out in the performance targets above. DRL will work to build a culture of accountability and constructive working practices between DRL, Shareholder, and Ultimate Shareholder as required. It is expected that any conflicts that may arise will be resolved directly between the Shareholder and DRL, in accordance with appropriate governance practices.

#### *Acquisition / divestment of assets or shares in any company or organisation*

DRL will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to DRL. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that DRL should acquire assets, they will obtain prior approval of the Shareholder where an investment into the new assets exceeds \$500,000. For the purpose of this section, "asset(s)" includes a group of assets similar in type, cost and useful life that are purchased together and can be identified and maintained as one asset or group of assets following purchase.

If the Directors intend that DRL should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) they will obtain prior approval of the Shareholder.

The approval of the Shareholder is required before disposal by DRL of any segment of its business, or disposal of any shares in a subsidiary or associated company where the value of the asset to be disposed of exceeds \$500,000.

#### *Compensation sought*

At the request of the Shareholder, DRL may undertake activities that are not consistent with its normal objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities.

In FY2025, DRL is receiving funding from its shareholder (DCHL) (acting on instructions from ultimate shareholder Dunedin City Council) in order to fund the cost of operations, which are expected to be loss-making.

In FY2024, DRL began reinvestment in the Taieri Gorge line between Hindon and Pukerangi, in order to enable passenger services to Pukerangi in the 2024/2025 summer season, in alignment with Dunedin City Council's desire to retain train services through the Taieri Gorge in the longer term. Funding from Dunedin City Council for this cost in due course has been assumed.

DRL awaits further guidance from DCHL and Dunedin City Council on funding and other requirements beyond FY2025.

#### *Group Facility Use*

DRL will undertake "Group" purchasing of goods and services, unless it is demonstrated conclusively to the Shareholder that the total combined cost of such Group purchasing to the Group and Dunedin City Council (including the costs of ceasing any such Group purchasing), is greater than any alternative identified.

#### *Other agreements*

DRL will not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's ethical position. DRL will assist DCHL in developing a group sponsorship policy, aligned with Council's strategic framework.