

**Draft**  
**Taieri Gorge Railway Limited**  
**Statement of Intent**  
**For the Year Ending 30 June 2016**

**TABLE OF CONTENTS**

1.0	<i>Mission Statement</i> _____	2
2.0	<i>Nature and Scope of Activities</i> _____	2
3.0	<i>Corporate Governance Statement</i> _____	2
4.0	<i>Corporate Goals</i> _____	3
5.0	<i>Specific Objectives for the Year Ending 30 June 2016</i> _____	4
6.0	<i>Performance Measures</i> _____	5
7.0	<i>Financial Projections</i> _____	7
8.0	<i>Ratio of Consolidated Shareholders' Funds to Total Assets</i> _____	7
9.0	<i>Dividend Policy</i> _____	7
10.0	<i>Reporting to the Shareholders</i> _____	8
11.0	<i>Accounting Policies</i> _____	9
12.0	<i>Acquisition/Sale of Shares/Assets in Any Company or Organisation</i> _____	9
13.0	<i>Transaction with Related Parties</i> _____	9
14.0	<i>Group Facility Use</i> _____	10
15.0	<i>Other Matters Agreed as between the Directorate and the Shareholders</i> _____	10
16.0	<i>Estimate of Commercial Value of Investment</i> _____	10
17.0	<i>Use of Otago Manufactured Goods and Services</i> _____	10
18.0	<i>Compensation Sought</i> _____	10

## *1.0 Mission Statement*

<b>Mission Statement of Taieri Gorge Railway Limited</b>
To profitably provide high quality visitor experiences developed from our core products of tourist and charter train services. To diversify and grow our business by seeking new visitor experience and rail opportunities.

## *2.0 Nature and Scope of Activities*

The principal activity of Taieri Gorge Railway Limited (the Company) is to operate train services as a tourist, charter and community oriented 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 retail and booking office based at the Dunedin Railway Station.

## *3.0 Corporate Governance Statement*

Taieri Gorge Railway Limited is a Council Controlled Trading Organisation (CCTO). The directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SI). The board is responsible for the preparation of the SI and the board obtains approval from the company's shareholders, Dunedin City Holdings Limited and Otago Excursion Train Trust. In addition to the obligations of the Local Government Act the company is also covered by the Companies Act 1993 and governed by directors as any company should be by law and best practice.

The Company has a board of directors that meets on a regular basis to direct and control the company's activities. Directors are appointed following approval by the two shareholders as set out in the company constitution.

The board accepts that it is responsible for the overall control operating within the company but recognises that no cost effective internal control system will permanently preclude all errors or irregularities. The control systems operating within the company reflect the specific risks associated with the business of the company.

If Taieri Gorge Railway Limited is to maximise benefit to its shareholders, it may wish from time to time to rebalance the composition of the company by purchases of assets or sales of any or all of its assets in response to, or in anticipation of, ongoing changes in the marketplace.

The shareholders review and approve the SI and three-year financial plan. Half yearly and annual reports of financial and operational performance are provided to the shareholders.

### 4.0 Corporate Goals

The principal goal of Taieri Gorge Railway Limited is to operate as a successful business, achieving the objectives of its shareholders as specified in this Statement of Intent.

The specific corporate goals of the Taieri Gorge Railway Limited are as follows:-

- |                                 |      |   |
|---------------------------------|------|---|
| <i>General</i>                  | 4.1  | To ensure delivery of high quality customer services in all of the company's activities.  |
|                                 | 4.2  | To achieve the most efficient use of staff resources, capital assets and working capital through innovative management and sound business practices.  |
| <i>Safety</i>                   | 4.3  | To ensure safe operation of the railway.  |
|                                 | 4.4  | To carry out safety inspections and audits in accordance with regulations and with best practice.   |
|                                 | 4.5  | To maintain an operating environment within the company which encourages safe work practices and a harmonious industrial relations climate and which complies with the in-house risk management system of the company.  |
| <i>Economic</i>                 | 4.6  | 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 and contribution to the community. |
|                                 | 4.7  | To ensure margin growth and enhancement through the development of new markets and products and the provision and development of on and off train services and facilities.  |
| <i>Social and Environmental</i> |      |   |
|                                 | 4.8  | To operate personnel policies and practices within the company which promote a non discriminatory, culturally sensitive equal opportunity workplace.  |
|                                 | 4.9  | To promote and preserve the "volunteer" input to the business and to ensure that the reasonable needs of this group are met.  |
|                                 | 4.10 | To act as a socially and environmentally responsible corporate citizen.   |

- 4.11 To promote the heritage nature of the gorge railway, structures and formations in the gorge, the unique character of Middlemarch Station and its associated buildings and facilities, and the heritage nature of the Dunedin Railway Station building and area.
- 4.12 To minimise our carbon footprint by managing the use of carbon fuels.
- 4.13 To contribute to, or assist where possible, with the Dunedin City Council community outcomes (as listed in the Annual Plan and as communicated by Dunedin City Council to the company)
- 4.14 To bring to the attention of the shareholders any strategic or operational matters where there may be a conflict between the Dunedin City Council's community outcomes (as listed in the Annual Plan) and those of the Company and to seek the shareholders view on these. The Company will be mindful that the shareholders are the custodians of the community's interest and accepts that this may create a greater need for consultation with the shareholders than what might be required in a normal commercial situation.

## 5.0 *Specific Objectives for the Year Ending 30 June 2015*

In pursuit of the Company's corporate goals, Taieri Gorge Railway Limited has the following objectives for the next twelve months:

- |                |     |                              |   |
|----------------|-----|------------------------------|---|
| <i>General</i> | 5.1 | <b>Customer Service</b>      | To provide consistent and quality service which exceeds the expectations of the company's customers.  |
|                | 5.2 | <b>Resource Use</b>          | To streamline the company's business to maximise the productivity of human resources and capital employed, while taking into account the changing needs of customers, strategic considerations and the need to minimise all safety risks. |
| <i>Safety</i>  | 5.3 | <b>Safety System</b>         | To maintain an in-house risk management Safety System and to continually update this System to meet all requirements of NZTA and to manage the railway in accordance with this Safety System.   |
|                | 5.4 | <b>Safety Management</b>     | To maintain an internal audit system in order to ensure that safety inspections, procedures and management is carried out in accordance with the Safety System.   |
|                | 5.5 | <b>Operating Environment</b> | To continually audit the work practices of the company for compliance with safety and statutory requirements.   |

- Economic*    5.6    **Financial Performance**  
To produce an accounting result which is at least breakeven and minimises the potential for any need for emergency funding due to capital requirements or Act of God on the track.
- 5.7    **Growth**  
To identify and address opportunities in line with the strategic plan which are value added activities and which increase the dollar return per customer.

*Social and Environmental*

- 5.8    **Good Employer**  
To consistently manage the EEO policy of the company.
- 5.9    **Volunteers**  
To continue to utilise the generous services of Otago Excursion Train Trust volunteers on excursions, charter and maintenance activities and to recognise the invaluable contribution made by this group of people.
- 5.10    **Corporate Citizen**  
To continue to support the community and the visiting public.
- 5.11    **Heritage**  
To enhance awareness of the heritage value of the Taieri Gorge Railway, and of the heritage precinct around Dunedin Railway Station. To ensure that remaining heritage items such as historic infrastructures in the gorge and at Middlemarch are protected and maintained. To evaluate the retention of a small fleet of heritage carriages but only if economic and if they can be maintained in safe working order.
- 5.12    **Emission Monitoring**  
To continually review the usage of carbon-based fuels and electricity with a view to minimising overall usage.

## 6.0 Performance Measures

The objectives set out above will be met on the achievement of the following performance measures:

- General*    6.1    **Customer Service**  
To develop a customer survey and to monitor Trip Advisor to ensure customer satisfaction levels of 85% or better.
- 6.2    **Passengers and Trips**  
To carry at least 70,000 passengers across no fewer than 600 trips per year.

*Safety*

6.3 **Regulatory**

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 2016.

6.4 **Management**

To maintain a detailed Internal Audit system and to ensure that critical items such as track, tunnel and bridge inspections, and rolling stock inspections and certification are completed within three months of their scheduled dates.

6.5 **Operating Environment**

To have a year on year reduction in work related accidents until the target of no work related accidents is achieved.

*Economic*

6.6 **Financial Performance**

To achieve an accounting result which shows profitability and a positive cash flow for the year ending 30 June 2016.

6.7 **Growth**

To achieve margin growth on train services and within the travel agency through introduction of additional or enhanced products and services.

*Social and Environmental*

6.8 **Good Employer**

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

6.9 **Volunteers**

To maintain the level of support provided by volunteers in the year to 30 June 2016 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.

6.10 **Corporate Citizen**

To have carried out a waste minimisation, weed and pest control programme, and to continually review of company's operations to identify any potential environmental issues by 30 June 2016.

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.

6.12 **Emission Monitoring**

To carry out a survey of carbon-based fuel usage and electricity usage in the year to 30 June 2016. To record passenger numbers carried per litre of fuel used with a view to improving this figure over time.

## 7.0 Financial Projections

	Year Ending 30 June 2016 \$'000	Year Ending 30 June 2017 \$'000	Year Ending 30 June 2018 \$'000
Operating Surplus before Income Tax	140	170	185
Debt Servicing	(70)	(65)	(60)
Surplus before Income Tax	70	105	125
Income Tax 28%	(20)	(29)	(35)
Surplus after Income Tax	50	76	90
Shareholders' Funds	1,809	1,885	1,975

## 8.0 Ratio of Shareholders' Funds to Total Assets

	Year Ending 30 June 2016 \$'000	Year Ending 30 June 2017 \$'000	Year Ending 30 June 2018 \$'000
Shareholders' Funds to Total Assets	50.8%	52.2 %	53.9%

Shareholders' 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.

## 9.0 Dividend Policy

The directors will endeavour to ensure an adequate return to the shareholders for their investment in Taieri Gorge Railway Limited consistent with the retention of sufficient profits for reinvestment.

It is unlikely that dividends will be declared in the near future as a result of the capital development programme that the company is facing.

## *10.0 Reporting to the Shareholders*

### **10.1 ANNUAL (Prior to 1 December)**

- (i) Draft Statement of Intent.

### **10.2 ANNUAL (Prior to 30 June)**

- (i) Final Statement of Intent.
- (ii) Summarised Capital Expenditure Budget for the year in question and Forecasts for the following two years.
- (iii) Updated Strategic Plan with summarised Financial Projections including a Statement of Financial Performance and a Statement of Financial Position (minimum five years).

### **10.3 MONTHLY (Within 30 days of the End of Each Month)**

- (i) Activity Report - giving commentary on matters relating to the performance of the Company.
- (ii) Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows.

### **10.4 QUARTERLY (Within One Month of the End of Each Quarter)**

- (i) Activity Report - giving commentary on matters relating to the performance of the company.
- (ii) Summarised Statement of Financial Performance, including a comparison of actual performance with budget.
- (iii) Summarised Statement of Financial Position.

### **10.5 HALF YEARLY (Within Six Weeks of the End of the Six Month Period)**

- (i) Directors' Report - a review of the company's performance over the half year (within two months)
- (ii) Statement of Financial Performance.
- (iii) Statement of Movements in Equity.
- (iv) Statement of Financial Position.
- (v) Statement of Cash Flows.
- (vi) Notes to the Financial Statements.
- (vii) DCHL Half Year Reporting Package.

### **10.6 ANNUAL (Within Eight Weeks of the End of the Financial Year)**

- (i) Directors' Report - a review of the company's performance over the full year, including a comparison of performance against objectives and key performance measures. (within ten weeks)
- (ii) Statement of Financial Performance.
- (iii) Statement of Movements in Equity.
- (iv) Statement of Financial Position.
- (v) Statement of Cash Flows.
- (vi) Notes to the Financial Statements.
- (vii) DCHL Full Year Reporting Package
- (viii) Auditors Report on the above Financial Statements. (within ten weeks)



- (ix) Tax information to tax advisors (within twelve weeks)

## *11.0 Accounting Policies*

### **11.1 General Accounting Policies**

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, financial position and cash flows under the historical cost method, as modified by the revaluation of certain assets, have been adopted by Taieri Gorge Railway Limited.

### **11.2 Particular Accounting Policies**

The particular accounting policies which significantly affect the measurement of financial performance and financial position for the Company are fully listed in the Company's Annual Report. This is available from the Company.

## *12.0 Acquisition/Sale of Shares/Assets in Any Company or Organisation*

Taieri Gorge Railway Limited will only invest in the shares of another company or organisation if the shares are considered to be likely to produce added value to the business of Taieri Gorge Railway Limited. In order to maximise benefit to the Ultimate Shareholders, shares or assets may also be sold in response to, or in anticipation of, ongoing changes in the marketplace.

If the Directors of Taieri Gorge Railway Limited intend that the company should subscribe for or otherwise acquire issued capital or an interest in any company or organisation or assets exceeding a total investment of \$0.5m they will obtain prior approval of the shareholders.

## *13.0 Transactions with Related Parties*

### **Dunedin City Council**

The Dunedin City Council is the sole shareholder in Dunedin City Holdings Limited. Dunedin City Holdings Limited is the majority shareholder in Taieri Gorge Railway Limited and the Otago Excursion Train Trust is the minority shareholder.

Charges from Dunedin City Council and its other companies and charges to Dunedin City Council and its other companies will be made for services provided as part of the normal trading activities of Taieri Gorge Railway Limited.

<i>Related Party</i>	<i>Transaction Type</i>
Dunedin City Council	Property leases/rates. Event transactions. Ticket sales as an agent
Otago Excursion Train Trust	Shareholder advances

Dunedin City Treasury Limited

Charter train services  
Ticket sales as an agent  
Deposit investment services  
Borrowing services

## *14.0 Group Facility Use*

Taieri Gorge Railway Limited undertakes to operate "group" purchasing of goods and services for the benefit of the company unless it is demonstrated conclusively to the Board of Directors that the total combined cost to the Group and to Dunedin City Council of such group purchasing is greater than the total combined cost to the Group and to Dunedin City Council of ceasing to purchase such goods and services as a Group, including the cost to the Group and to Dunedin City Council of ceasing any such group purchasing.

## *15.0 Other Matters Agreed as between the Directorate and the Shareholders*

1. The undertaking by Taieri Gorge Railway Limited of any activity of a nature or scope not provided for in the company's mission or goals would be subject to the prior approval of the shareholders.
2. The approval of the shareholders is also required before Taieri Gorge Railway Limited could dispose of or acquire any segment of its business or shares in a subsidiary or associate company.

## *16.0 Estimate of Commercial Value of Investment*

The commercial value of the shareholders' investment in Taieri Gorge Railway Limited is considered by the directors to be not less than the shareholders' funds of the company as disclosed in the latest published balance sheet of the company.

## *17.0 Use of Otago Manufactured Goods and Services*

Taieri Gorge Railway Limited will endeavour to use Otago manufactured goods and services subject to price, quality and other strategic considerations being met.

## *18.0 Compensation Sought*

Taieri Gorge Railway Limited does not have any activities in respect of which its board wishes to seek compensation from any local authority