

# Annual Report 2017



Leading the way in  
passenger transport.





Red Bus Limited operates a large passenger transport business in Canterbury. Last year our urban and school bus services carried 3.79 million passengers and travelled 6.3 million fleet kilometres.

Our vision is to ‘lead the way in passenger transport’ and our objective is to achieve this by operating a profitable and modern passenger service while maintaining our reputation as a good employer. Delivering on this vision and the associated objectives is contributing to a quality passenger transport service supporting the Canterbury recovery.

Red Bus Limited is 100% owned by Christchurch City Holdings Limited, the investment arm of the Christchurch City Council.

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# Chairman & Chief Executive Report

Red Bus Limited is pleased to present its 26th Annual Report and financial statements for the year ended 30 June 2017.

Since the 2010 and 2011 earthquakes, Canterbury businesses have had to be nimble in their responses to the region's changing physical, social and economic landscapes. As one of these businesses, Red Bus has dealt with a number of challenges and is making steady progress.

We would like to take this opportunity to highlight some of the developments and achievements from the 2016/2017 financial year.

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## Safety improvements

Lost time injury rate reduced to 4.3 events/million worked hours (28.1 2016) and digital security cameras fitted across the urban bus fleet.

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## Red Travel growth accelerates

Company acquisition doubles our modern coach fleet.

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## Operational improvements deliver ongoing benefits

Mercedes small urban buses continue to impress customers and in combination with onboard fleet Telematics Red Bus has achieved a 5% carbon footprint reduction.

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## Financial results continue to recover

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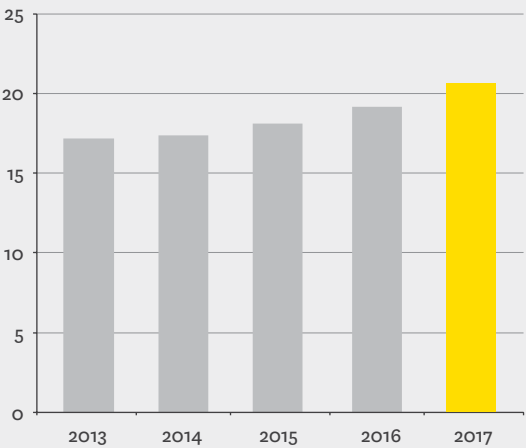




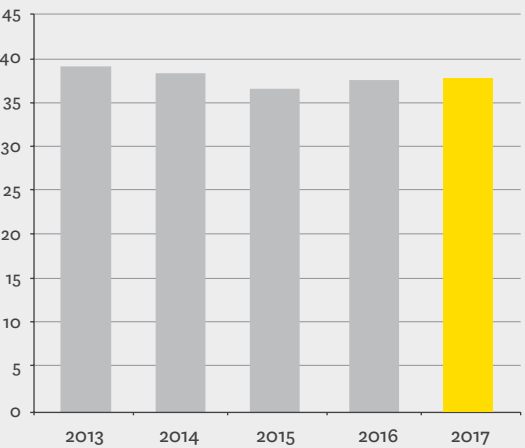


# Chairman & Chief Executive Report

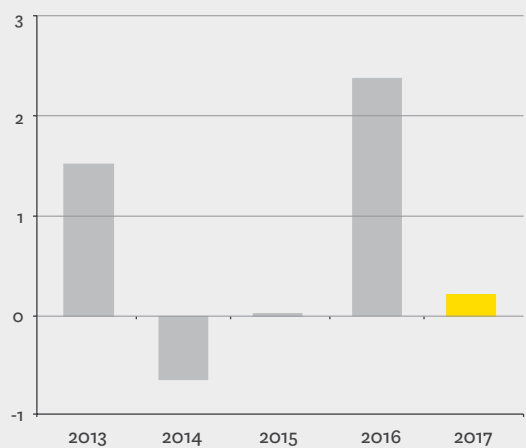
Revenue (\$ millions)



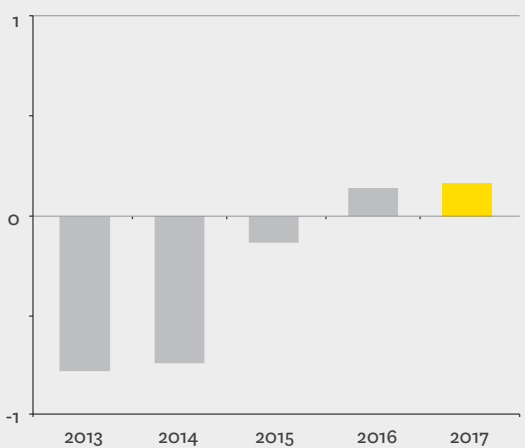
Shareholder Equity (\$ millions)



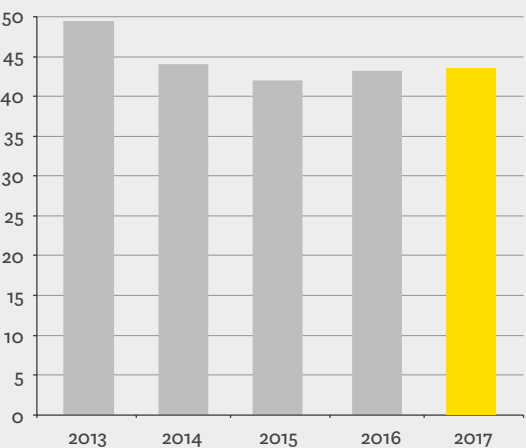
Total Comprehensive Income (\$ millions)



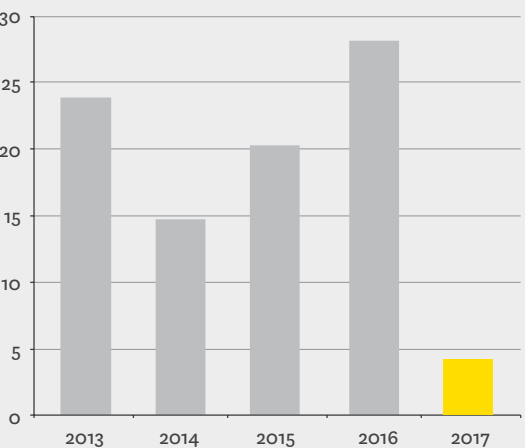
Normalised EBIT (\$ millions)



Total Assets (\$ millions)



LTIFR (Lost Time/Incidents/million hours)





## Chairman & Chief Executive Report



### Our People

The outcomes reported here are testament to the commitment and hard work of our drivers, support staff and managers. We thank them all for their service to Red Bus and the thousands of passengers who choose to use our services every day.

We are also committed to the safety of our staff by providing them with a safe working environment. During 2016/2017, the lost time injury rate was 4.3 events per million worked hours, compared to from 28.1 events per million worked hours in 2015/2016. Getting our passengers and our staff home safe each day is paramount.

There are also the passengers who, without warning, find themselves needing us. When earthquake evacuees from Kaikoura arrived in Lyttelton aboard the HMNZS Canterbury, it was our people who welcomed them back onto dry land and took them on the final leg of their evacuation. We are committed to getting people to their destinations safely, whatever the circumstances.

### Our Business

With Environment Canterbury's "hubs and spokes" public transport network now well established, Red Bus has been in a position - strategically and financially - to consolidate and think about how to best serve our customers now and into the future.

We are well aware that being open to new ideas and being ready to adapt is critical for meeting the evolving expectations of our customers and ensuring long-term sustainability. A very good example of this is the introduction during 2016/2017 of the new Mercedes neighbourhood buses in Christchurch, which makes Red Bus the first public transport operator in

New Zealand to use these types of vehicles for urban transport services. The Mercedes 'City 45' buses can carry up to 22 passengers; they have air bags and all the latest safety features; and their Euro 5 engines meet low emission exhaust standards. They have been welcomed by communities which have been telling us that the size and limited manoeuvrability of these smaller buses make them just right for the small, suburban areas they live in.

Another demonstration during 2016/2017 of the company's commitment to improving the sustainability of our fleet has been the installation of solar panels on buses to enhance battery life, reduce delays caused by servicing and reduce operating costs.

During 2016/2017, the company purchased the tourism company Aaron Travel. The purchase has doubled the size of the Red Travel fleet to 24 coaches ranging in size from 10-passenger mini-buses to 51-seat luxury passenger tour coaches.

The high standards we strive for was recognised during this by Qualmark gold certification for Red Travel, The Rebuild Tour and Akaroa Shuttle. Among the key contributors to this success was our use of a sophisticated Telematics monitoring system - which provides real time feedback to drivers on their acceleration, braking, cornering and speed - and our Safe and Fuel Efficient Driver training for all drivers.

Further, in 2016/2017 we invested in an upgrade of closed circuit television (CCTV) facilities on our buses and a workshop hoist replacement; and retained tertiary level accreditation with ACC's Accredited Employers Programme.



### Board of Directors

Tim Keenan, Bob Lineham, Melanie Lynn Intern director, Paul Kiesanowski, Sabrina Kunz



### Management Team

Terry Foote CFO, Daniel Hanson Business Manager, Paul McNoe Chief Executive, Nic Aitken Workshop Manager, Peter Hayward Transport Manager, Nicky Halligan Marketing Co-ordinator





## Our Future

Red Bus recorded a small increase (0.5 percent) in urban passenger trips on our urban Metro services and a 3.3 percent increase on Metro school service passenger trips during 2016/2017. While we do not foresee any significant growth in these areas, we do anticipate strong growth for the charter and tourism transport side of the business which operates under the Red Travel brand.

International visitor arrivals in New Zealand increased by just over 10 percent two years in a row (2015/2016 and 2016/2017), and we expect the tourism sector to remain buoyant.

Our large modern coach fleet, combined with our well trained and capable people, commitment to customer safety and service, and strong operations and fleet management systems makes us well suited to serving the growing South Island visitor travel market.

Our commitment is to keep listening to our customers and to challenge ourselves to deliver services that meet the evolving transport need. We recognise that there are technological, environmental and societal changes ahead for Canterbury as electric vehicle technology develops and the Regional Passenger Transport Plan is revised in the coming year.

Our long term strategy is to embrace the new technological opportunities that will let Red Bus transform, then lead, the roll-out of world class public transport in Canterbury.

## Our Result

	2017	2016
	\$'000	\$'000
Revenue	1,008	987
Net surplus before taxation	1,008	987
Tax expense	1,008	987
Other Comprehensive income (Property Revaluation)	1,008	987
Total Comprehensive Income	1,008	987

The company has further improved its financial position with an operating after-tax paid profit of \$207,000 (\$93,000 in 2015/2016).

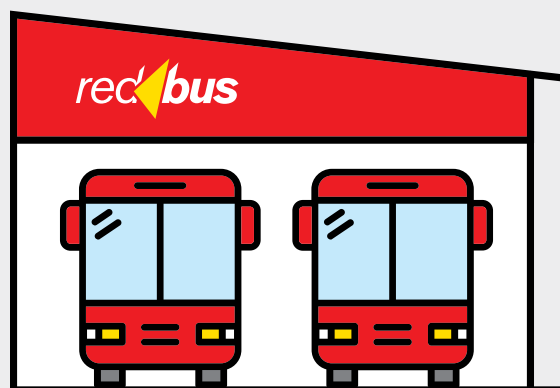
Revenue increased from \$19.1m in 2015/2016 to \$20.6m in 2016/2017 as a result of strong growth from Red Travel; the acquisition of Aaron Travel; previous year changes on Lyttelton, Rapaki and Eastgate routes; the staged introduction of Mercedes buses and improved revenues from Environment Canterbury school contracts.

The company continued to maintain positive operating cash flows during the year.

**Paul Kiesanowski**  
Chairman

**Paul McNoe**  
Chief Executive





While Red buses and our region are synonymous, this is not taken for granted by Red Bus. In 2016/2017, we travelled 6.3 million kilometres in the Greater Christchurch area and, on every trip, our commitment to passenger comfort and the safety of our passengers and drivers was consistent.

- An upgrade of our closed circuit television (CCTV) facilities has enhanced security aboard our vehicles.
- Our buses provide real time feedback for drivers on their acceleration, braking, cornering and speed through the Telematics system.
- We have an ACC Tertiary-accredited Health and Safety system, an ongoing Safe and Fuel-Efficient Driver (SAFED) training, a Fatigue Management Programme and a driver support team available 20 hours/7 days a week.
- Random drug and alcohol testing keeps our staff and passengers safe.
- ECan mystery shopper score 86.3 average (85.4 all Metro Services).

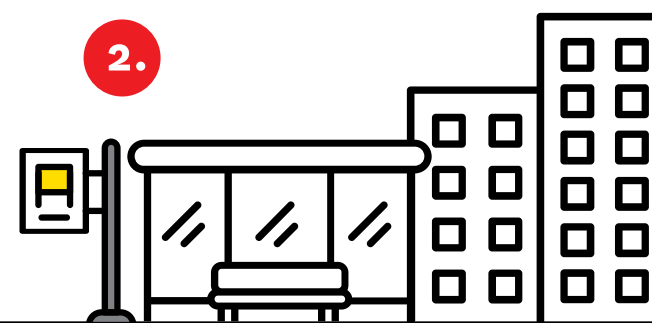
1.



Red Bus is part of the community and, because of this, is dedicated to providing services that reflect the changing needs of Greater Christchurch residents. Where once one size bus fitted all, this is no longer the case and we operate in an environment where flexibility is critical to our future success.

- Our introduction of the Mercedes small urban bus fleet has drawn positive reactions from customers and communities in locations where smaller vehicles are more appropriate than our larger vehicles.
- Adding four luxury coaches to the Red Travel fleet during 2016/2017 reflects Red Bus' commitment to pursue new opportunities as well as providing innovative transport services for daily commuters.

2.



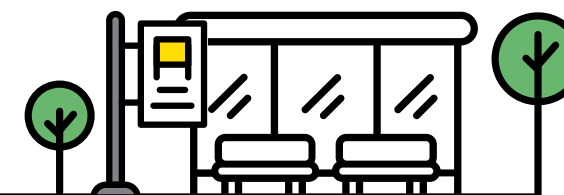
Red Bus is committed to limiting its impact on the environment and will continue to explore opportunities for further advancements in this area.

- The introduction of new solar panels on buses during 2016/2017 is improving battery life, reducing service delays and delivering operational savings.
- Our new Mercedes buses and Telematics monitoring system has allowed us to lower our carbon footprint by 5 percent (compared with 2015).

We are also acutely aware of our responsibility to minimise any risks our vehicles pose to other road users and pedestrians.

- The 2016/2017 trial of reversing sensors is a reflection of our commitment to reducing accident risk.

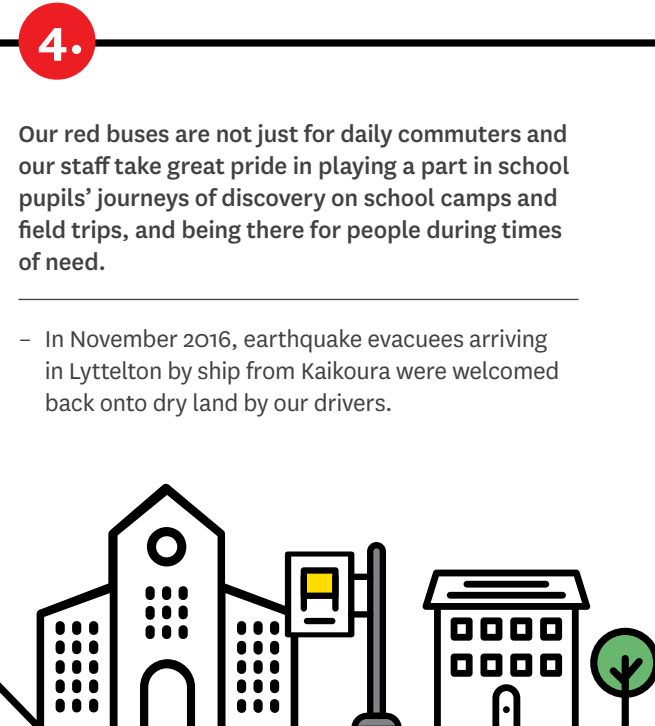
3.



Red Bus is 100 percent owned by Christchurch City Holdings Limited, the investment arm of the Christchurch City Council. It is, therefore, in the city's interest that we keep pursuing new opportunities.

- In 2016/2017, increased overseas visitor numbers and a growth in demand for our Red Travel services led to the purchase of Aaron Travel.
- As a result, coach revenue has doubled and further growth is anticipated in 2017/2018.
- Our school bus fleet increased to 34 during 2016/2017 after winning a two-year Lincoln to Upper Riccarton school contract.

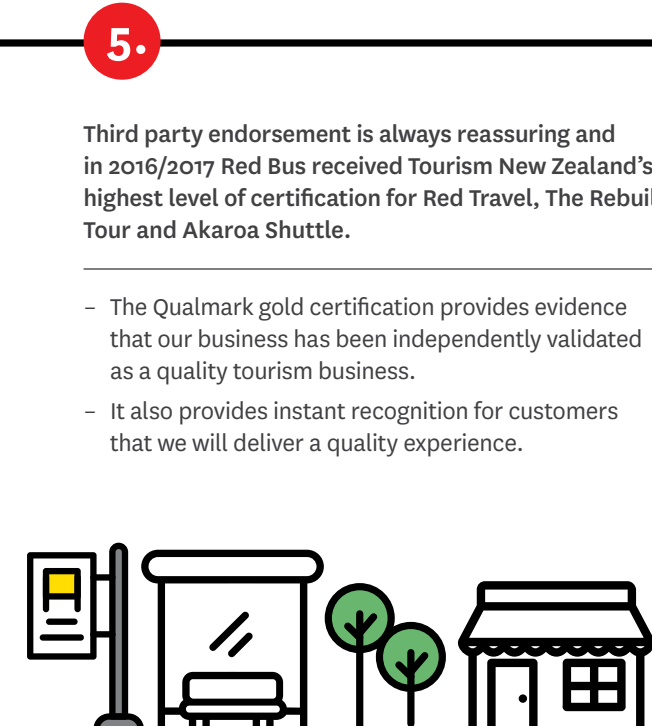
4.



Our red buses are not just for daily commuters and our staff take great pride in playing a part in school pupils' journeys of discovery on school camps and field trips, and being there for people during times of need.

- In November 2016, earthquake evacuees arriving in Lyttelton by ship from Kaikoura were welcomed back onto dry land by our drivers.

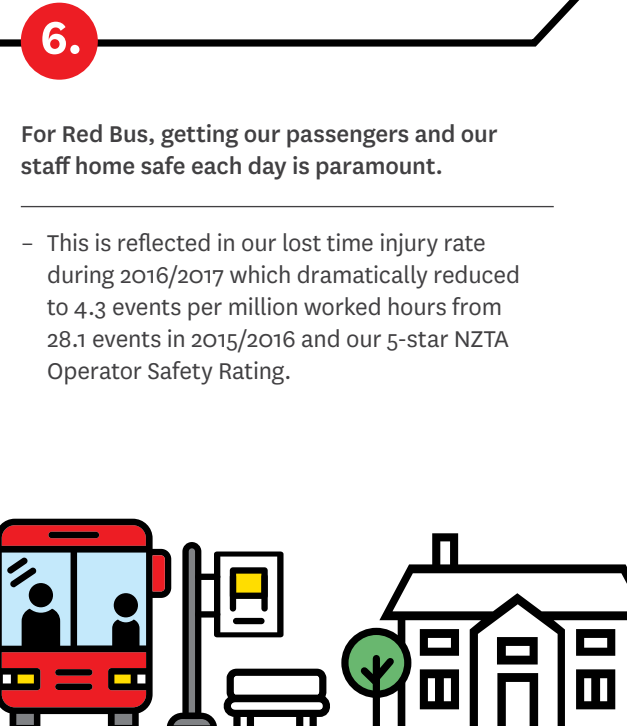
5.



Third party endorsement is always reassuring and in 2016/2017 Red Bus received Tourism New Zealand's highest level of certification for Red Travel, The Rebuild Tour and Akaroa Shuttle.

- The Qualmark gold certification provides evidence that our business has been independently validated as a quality tourism business.
- It also provides instant recognition for customers that we will deliver a quality experience.

6.



For Red Bus, getting our passengers and our staff home safe each day is paramount.

- This is reflected in our lost time injury rate during 2016/2017 which dramatically reduced to 4.3 events per million worked hours from 28.1 events in 2015/2016 and our 5-star NZTA Operator Safety Rating.





Route	Destination	Time	Route	Destination	Time
29	Airport via Fendalton	1 min	28	Papanui via Cranford St	3 min
80	Lincoln	5 min	17	Bryndwr	9 min
Y	Rolleston via Hornby	10 min	28	Papanui via Cranford St	9 min
60	Hillmorton & Wigram	11 min	O	Queenspark	12 min
P	Airport via University	19 min	B	Rangiora Express	15 min
Y	Hornby	22 min	44	Shirley & Dallington	15 min
60	Hillmorton & Wigram		95	Pegasus Express	15 min

5:24 p.m.

**Door 11**  
Route Destination  
P Sheffield Cres  
via University

metro  
Sheffield Cres  
PLEASE SIGNAL DRIVER

Bicycle loading only.  
Press button to open.

PRESS TO OPEN

metroinfo.co.nz 03 633 6666

metro  
red bus

C11 ↑  
Audio ↓

Red Bus is a trusted  
transport service  
in Christchurch.  
*Owned by Christchurch,  
for Christchurch.*



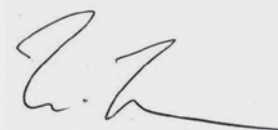
# Financial Statements

The Directors have approved for issue the financial statements of Red Bus Limited for the year ended 30 June 2017.

For and on behalf of the Board of Directors



**Paul Kieranowski**  
Director  
1 August 2017



**Tim Keenan**  
Director  
1 August 2017

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Statement of Comprehensive Income		2017	2016
	Note	\$'000	\$'000
For the year ended 30 June 2017			
Revenue	2(a)	20,596	19,105
Other income	2(b)	119	-
Depreciation and amortisation expense	2(c)	(2,481)	(2,269)
Finance expenses	2(d)	(14)	-
Employee benefits expense		(11,490)	(10,816)
Other expenses	2(e)	(6,427)	(5,888)
<b>Profit (loss) before income tax expense</b>		<b>303</b>	<b>132</b>
Income tax credit/(expense)	3(a)	(96)	(39)
<b>Net surplus after taxation</b>		<b>207</b>	<b>93</b>
Other comprehensive income			
Gain on property revaluation	7	-	2,385
Tax on revalued assets		-	(108)
<b>Total comprehensive income</b>		<b>207</b>	<b>2,370</b>

Statement of Changes in Equity		Share capital	Retained earnings	Other reserves	Total
	Note	\$'000	\$'000	\$'000	\$'000
For the year ended 30 June 2017					
<b>Balance as at 1 July 2015</b>		<b>10</b>	<b>24,536</b>	<b>12,179</b>	<b>36,725</b>
Total comprehensive income		-	93	2,277	2,370
Dividends		-	(1,350)	-	(1,350)
<b>Balance at 30 June 2016</b>	<b>14</b>	<b>10</b>	<b>23,279</b>	<b>14,456</b>	<b>37,745</b>
Total comprehensive income		-	207	-	207
Dividends		-	-	-	-
<b>Balance at 30 June 2017</b>	<b>14</b>	<b>10</b>	<b>23,486</b>	<b>14,456</b>	<b>37,952</b>



## Financial Statements

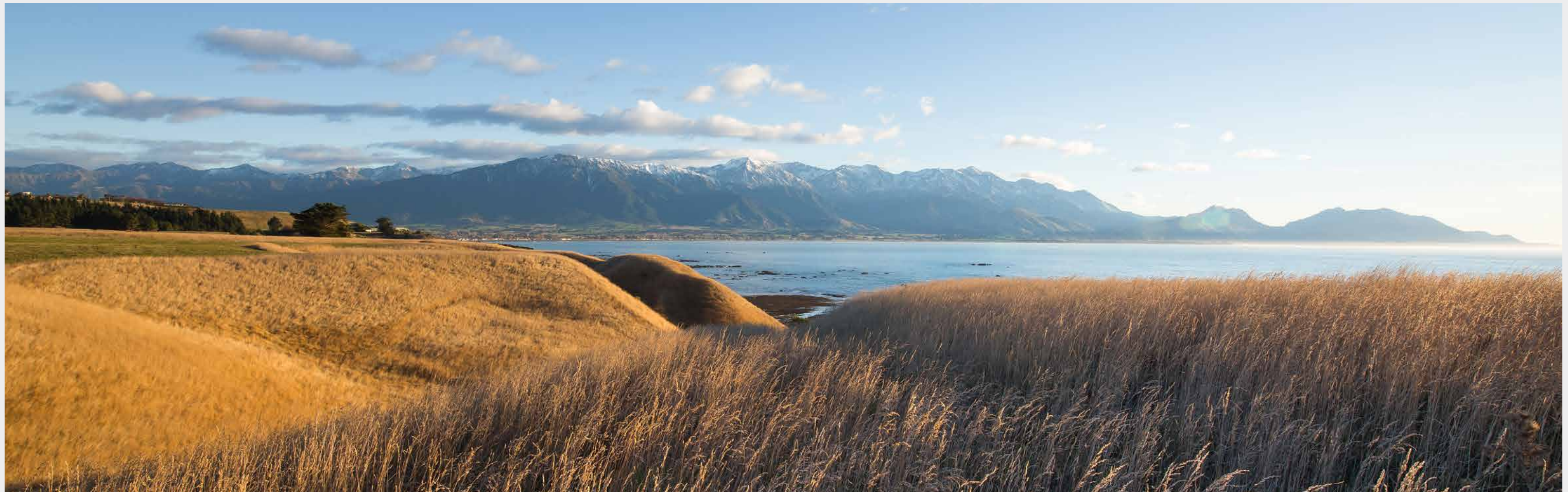
### Balance Sheet

		2017		2016	
As at 30 June 2017		Note	\$'000	\$'000	
<b>Current assets</b>					
Cash and cash equivalents	18(a)		644	2,003	
Trade and other receivables	5		851	869	
Other financial assets	6		-	2,493	
Inventories			326	307	
<b>Total current assets</b>			<b>1,821</b>	<b>5,672</b>	
<b>Non-current assets</b>					
Property, plant and equipment	7		41,059	37,455	
Intangible assets	8		629	18	
<b>Total non-current assets</b>			<b>41,688</b>	<b>37,473</b>	
<b>Total assets</b>			<b>43,509</b>	<b>43,145</b>	
<b>Current liabilities</b>					
Trade and other payables	9		1,192	1,037	
Borrowings	10		1	-	
Current subvention payable			92	138	
Employee entitlements			961	913	
Finance leases	11		8	10	
<b>Total current liabilities</b>			<b>2,254</b>	<b>2,098</b>	
<b>Non-current liabilities</b>					
Finance leases	11		11	17	
Employee entitlements			14	14	
Deferred tax liabilities	3(b)		3,278	3,271	
<b>Total non-current liabilities</b>			<b>3,303</b>	<b>3,302</b>	
<b>Total liabilities</b>			<b>5,557</b>	<b>5,400</b>	
<b>Net assets</b>			<b>37,952</b>	<b>37,745</b>	
<b>Equity</b>					
Share capital	12		10	10	
Reserves	13		14,456	14,456	
Retained earnings	14		23,486	23,279	
<b>Total equity</b>			<b>37,952</b>	<b>37,745</b>	

### Statement of Cash Flows

		2017		2016	
For the year ended 30 June 2017		Note	\$'000	\$'000	
<b>Cash flows from operating activities</b>					
Receipts from customers			20,694	18,610	
Interest received			41	140	
Payments to suppliers and employees			(17,854)	(16,509)	
Interest and other finance costs paid			(15)	-	
Subvention tax receipt (payment)			(134)	(81)	
<b>Net cash from operating activities</b>	18(b)		<b>2,732</b>	<b>2,160</b>	
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment			(6,753)	(962)	
Proceeds from investments			2,493	968	
Purchase of investments			-	(20)	
Proceeds from sale of property, plant, equipment & intangibles			176	28	
<b>Net cash from investing activities</b>			<b>(4,084)</b>	<b>14</b>	
<b>Cash flows from financing activities</b>					
Payment of dividends			-	(1,350)	
Proceeds from borrowings			1,088	-	
Repayment of borrowings			(1,095)	(10)	
<b>Net cash used in financing activities</b>			<b>(7)</b>	<b>(1,360)</b>	
Net increase (decrease) in cash and cash equivalents			(1,359)	814	
Cash and cash equivalents at beginning of year			2,003	1,189	
<b>Cash and cash equivalents at end of year</b>	18(a)		<b>644</b>	<b>2,003</b>	





## Notes to the Financial Statements

# Summary of Accounting Policies

Red Bus Limited is a profit-orientated limited liability company, incorporated in New Zealand. Its principal activity is the provision of urban public transport in the Canterbury region. The company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

The company is a Council-Controlled Trading Organisation as defined in section 6(1) of the Local Government Act 2002. The company is wholly owned by Christchurch City Holdings Limited, which is wholly owned by Christchurch City Council. The company's registered office is located at 120 Ferry Road, Christchurch.

## Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The Company is a Tier 2 for-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards. The Company is eligible to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

These financial statements comply with New Zealand equivalents to the International Financial Reporting Standards (NZIFRS).

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in the significant accounting policies. The functional and presentation currency is New Zealand dollars.

## Changes in Accounting Policies and Disclosures

The accounting policies detailed have been applied in the preparation of these financial statements for the year ended 30 June 2017 and have been consistently applied throughout the year. There have been no changes in accounting policies in comparison with the prior year.

## New Standards and Interpretations not yet adopted

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective will be adopted in the period that application of the standard is required, however they are not expected to have a significant impact on the company's financial statements.

## Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### Property, Plant and Equipment

At balance date the company reviews the useful life and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expenses recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the Balance Sheet. The company minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second-hand market prices for similar assets; and
- analysis of prior assets sales.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.



Significant Accounting Policies

The accounting policies set out below have been adopted in the preparation of the financial report and applied consistently to all years presented in the financial statements.

(a) Revenue

(i) Services rendered

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Interest income

Interest income is recognised in the profit or loss as it accrues, using the effective interest method.

(b) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense.

(c) Current and deferred income tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax is the amount of income tax payable on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax reflects the consequences that would follow from the manner in which the company expects to recover or settle the carrying amount of assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Current tax and deferred tax is charged or credited to the profit or loss, except where it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(d) Goods and services tax (GST)

The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated exclusive of GST, with the exception of receivables and payables, which include GST.

(e) Financial assets

The company classifies its financial assets as either at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit and loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so

designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. The company classifies trade and other receivables and short term deposits in this category.

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade date, the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity, except for foreign exchange movements on monetary assets, which are recognised in the profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities.

(v) Impairment of financial assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows, and in current liabilities on the Balance Sheet.



(g) Trade and other receivables

Trade and Other Receivables are recognised initially at fair value and subsequently at amortised cost, less an allowance for any uncollectible amounts. A provision for doubtful debts is established when certain indicators suggest that collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations undertaken by external independent valuers, less subsequent depreciation. The land and buildings are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to determine the fair values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

Increases in the carrying amounts arising on revaluation of an asset are recognised as other comprehensive income. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly to comprehensive income to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the profit or loss.

All other property, plant and equipment, except capital work in progress, is stated at historical cost less accumulated depreciation and impairment. Capital work in progress is recorded at historical cost until the purchase of the item is completed and it begins service in the business. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Land and capital work in progress is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

<i>Buildings and capital improvements</i>	7 - 25 years
<i>Buses</i>	17 - 26 years
<i>Plant, equipment and motor vehicles</i>	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss. When revalued assets are sold, it is the company's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.





**(j) Intangible assets**

**(i) Computer software**

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire the software. These costs are amortised over their estimated useful lives of between one and three years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

**(ii) Trademarks**

Trademarks are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of ten years. The estimated useful life and amortisation is reviewed at the end of each annual reporting period.

**(iii) Customer lists**

Customer lists are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life of five years. The estimated useful life and amortisation is reviewed at the end of each annual reporting period.

**(iv) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired. Goodwill is included in intangible assets. Goodwill is not amortised but tested for impairment annually, or more frequently if events or circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash-generating unit or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

**(k) Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

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

**(m) Employee entitlements**

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

**(n) 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 the amount of which can be reliably estimated will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(o) Borrowings**

Borrowings are recognised initially at fair value net of attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Finance costs are expensed as incurred, except those capitalised in accordance with NZ IAS 23.

**(p) Finance Leases**

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, the company recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item and the value of the minimum lease payments.

The finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. Where there is no uncertainty as to whether the company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

**(q) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(r) Dividends**

Provision is made for the amount of any dividend approved by the directors on or before the end of the financial year but not distributed at balance date.





## Notes to the Financial Statements

### 2. Profit from Operations

	2017	2016
	\$'000	\$'000
<b>(a) Revenue</b>		
Revenue from the rendering of services	20,446	18,749
Rental revenue	122	221
Interest income	28	135
	<b>20,596</b>	<b>19,105</b>
<b>(b) Other income</b>		
Net gain on sale of property, plant and equipment	119	-
	<b>119</b>	<b>-</b>
<b>(c) Depreciation and amortisation expense</b>		
Depreciation of non-current assets	(2,442)	(2,255)
Amortisation of non-current assets	(39)	(14)
	<b>(2,481)</b>	<b>(2,269)</b>
<b>(d) Finance expenses</b>		
Interest on borrowings	(14)	-
	<b>(14)</b>	<b>-</b>
<b>(e) Other expenses</b>		
Audit of the financial statements	(40)	(40)
Director fees	(162)	(130)
Raw materials & consumables	(3,126)	(2,847)
Minimum lease payments under operating leases	(6)	(12)
Bad debts	-	(175)
Other expenses	(3,093)	(2,684)
	<b>(6,427)</b>	<b>(5,888)</b>

### 3a. Income Taxes

	2017	2016
	\$'000	\$'000
<b>Income tax expense</b>		
Tax expense comprises:		
Current tax expense	92	138
Deferred tax expense relating to the origination and reversal of temporary differences	4	(99)
<b>Total tax expense</b>	<b>96</b>	<b>39</b>
<b>Reconciliation of prima facie income tax:</b>		
Profit from operations	<b>303</b>	<b>132</b>
Income tax expense calculated at 28%	85	37
Non-deductible expenses	11	2
Under/(over) provision of income tax in previous year	-	-
	<b>96</b>	<b>39</b>

### 3b. Deferred Tax Balances

Taxable and deductible temporary differences arise from the following:

	Opening balance	Charged to income	Charged to equity	Prior period adjustment	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2017</b>					
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(3,458)	(17)	-	-	(3,475)
Other	-	-	-	-	-
	<b>(3,458)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>(3,475)</b>
<b>Deferred tax assets</b>					
Provisions	187	13	-	(3)	197
Doubtful debts and impairment losses	-	-	-	-	-
	<b>187</b>	<b>13</b>	<b>-</b>	<b>(3)</b>	<b>197</b>
<b>Net deferred tax liability</b>	<b>(3,271)</b>	<b>(4)</b>	<b>-</b>	<b>(3)</b>	<b>(3,278)</b>
<b>Year ended 30 June 2016</b>					
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(3,443)	93	(108)	-	(3,458)
	<b>(3,443)</b>	<b>93</b>	<b>(108)</b>	<b>-</b>	<b>(3,458)</b>
<b>Deferred tax assets</b>					
Provisions	196	5	-	(14)	187
Doubtful debts and impairment losses	-	-	-	-	-
	<b>196</b>	<b>5</b>	<b>-</b>	<b>(14)</b>	<b>187</b>
<b>Net deferred tax liability</b>	<b>(3,247)</b>	<b>98</b>	<b>(108)</b>	<b>(14)</b>	<b>(3,271)</b>

The primary component of the deferred tax balance is related to Property, Plant and Equipment. There is not expected to be any significant reversal of deferred taxation in the next twelve months.

### 4. Key Management Personnel Compensation

The compensation of the directors and executives, being the key management personnel of the entity, is set out below:

	2017	2016
	\$'000	\$'000
<b>Salaries and short term employee benefits</b>	<b>1,008</b>	<b>987</b>



## Notes to the Financial Statements

### 5. Trade and Other Receivables

	2017	2016
	\$'000	\$'000
Trade and other receivables	556	574
Allowance for impairment of receivables	-	(5)
	556	569
Prepayments	295	300
	851	869

Trade and other receivables are stated at cost less any impairment losses. The carrying amounts of the company's receivables are reviewed at each balance date to determine whether there is any indication of impairment. If any indication exists, the receivables' recoverable amount is estimated.

At balance date 16% (2016 21%) of the company's trade receivables were between 30 and 90 days overdue and 4% (2016: 5%) of the company's trade receivables were more than 90 days overdue. An allowance of \$0 (2016 - \$4,803) has been made for estimated irrecoverable amounts from the provision of services, determined by reference to past default experience. The net movement in the allowance was recognised in the profit or loss for the current financial year.

### 6. Other Financial Assets

	2017	2016
	\$'000	\$'000
Bank term deposit	-	2,493
	-	2,493

### 7. Property, Plant and Equipment

	Freehold land at fair value	Buildings at fair value	Buses at cost	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	13,600	1,474	33,047	3,318	51,439
Balance at 30 June 2016	15,600	1,901	33,540	3,529	54,570
Work in progress	-	-	(371)	(44)	(415)
Additions	-	8	5,203	1,307	6,518
Disposals	-	-	(665)	(1,792)	(2,457)
Net revaluation increments	-	-	-	-	-
Balance at 30 June 2017	15,600	1,909	37,707	3,000	58,216
<b>Accumulated depreciation and impairment:</b>					
Balance at 1 July 2015	-	(334)	(12,474)	(2,239)	(15,047)
Balance at 30 June 2016	-	(501)	(14,152)	(2,462)	(17,115)
Disposals	-	-	611	1,789	2,400
Depreciation expense	-	(92)	(2,055)	(295)	(2,442)
Balance at 30 June 2017	-	(593)	(15,596)	(968)	(17,157)
Net book value at 30 June 2016	15,600	1,400	19,388	1,067	37,455
Net book value at 30 June 2017	15,600	1,316	22,111	2,032	41,059

	2017	2016
	\$'000	\$'000
Capital work in progress is contained in the following categories		
Buses	-	371
Plant & equipment	-	44
	-	415

	2017	2016
	\$'000	\$'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year		
Buildings	92	167
Buses	2,055	1,859
Plant & Equipment	295	229
	2,442	2,255

### Freehold land and buildings carried at fair value

Land & Buildings is valued triennially at fair value using market-based evidence on its highest and best use with reference to comparable sales and market rents. Mr W Blake (ANZIV/SNZPI) of Knight Frank Limited was contracted by the Board as an independent valuer to assess the fair value of the Land & Buildings most recently at 30 June 2016. Based on advice obtained there has been no impairment in the value of land and buildings since the last valuation.

Caveats are registered against certain property titles under section 40 of the Public Works Act 1981.

### 8. Intangible Assets

	Goodwill	Customer lists	Trade marks	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount:</b>					
Balance at 1 July 2015	-	-	14	328	342
Balance at 30 June 2016	-	-	14	328	342
Additions	325	325	-	-	650
Disposals	-	-	-	-	-
Balance at 30 June 2017	325	325	14	328	992
<b>Accumulated amortisation and impairment:</b>					
Balance at 1 July 2015	-	-	(12)	(298)	(310)
Balance at 30 June 2016	-	-	(13)	(311)	(324)
Amortisation expense	-	(27)	(1)	(11)	(39)
Disposals	-	-	-	-	-
Balance at 30 June 2017	-	(27)	(14)	(322)	(363)
Net book value as at 30 June 2016	-	-	1	17	18
Net book value as at 30 June 2017	325	298	-	6	629



## Notes to the Financial Statements

### 9. Trade and Other Payables

	2017	2016
	\$'000	\$'000
Trade payables	597	467
Good and services tax payable	147	97
Accrued expenses	448	473
	1,192	1,037

### 10. Borrowings

	2017	2016
	\$'000	\$'000
<b>Current Portion:</b>		
<b>Secured</b>		
Revolving credit facility	1	-
	1	-
<b>Non-current Portion:</b>		
<b>Secured</b>		
Revolving credit facility	-	-
	-	-

The company entered into a revolving credit facility with its bankers, ASB. Any advances made are secured against certain assets of the Red Bus Limited fleet. As at 30 June 2017 there is available credit in excess of \$2m with a current interest rate of 4.74% pa.

### 11. Finance Leases

	2017	2016
	\$'000	\$'000
<b>Finance lease</b>		
No later than 1 year	8	10
Later than one year but no later than five years	11	17
	19	27

The company has a finance lease for equipment. The yearly payments are estimated at \$8,000 per year. On the conclusion of the repayments the equipment will transfer to the company.

### 12. Share Capital

	2017	2016
	\$'000	\$'000
Fully paid ordinary shares	10	10

As at 30 June 2017, share capital comprised 10,100 ordinary shares (2016: 10,100).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company, and rank equally with regard to the company's residual assets.

### 13. Reserves

	Asset evaluation	General	Total
	\$'000	\$'000	\$'000
<b>Balance at 1 July 2015</b>	4,879	7,300	12,179
Gain/(loss) on revalued assets	2,385	-	2,385
Deferred tax on revaluation	(108)		(108)
<b>Balance at 30 June 2016</b>	7,156	7,300	14,456
Gain/(loss) on revalued assets	-	-	-
Deferred tax on revaluation	-		-
<b>Balance at 30 June 2017</b>	7,156	7,300	14,456

#### Asset revaluation reserve

The Asset Revaluation Reserve comprises \$6,080,000 (2016: \$6,080,000) of land revaluation and \$1,076,000 (2016: \$1,076,000) of buildings revaluation net of deferred tax.

#### General reserve

The General Reserve of \$7,300,000 comprises a Share Premium Reserve of \$7,290,000 and a Capital Redemption Reserve of \$10,000.

### 14. Retained Earnings

	2017	2016
	\$'000	\$'000
Balance at beginning of year	23,279	24,536
Net surplus after taxation	207	93
Dividends paid	-	(1,350)
<b>Balance at end of year</b>	23,486	23,279

### 15. Commitments for Expenditure

As at 30 June 2017 the company had entered into contracts to purchase Property, Plant and Equipment of \$323,674 (2016: \$3,185,907).

### 16. Contingent Liabilities and Assets

	2017	2016
	\$'000	\$'000
<b>Contingent liabilities:</b>		
Performance bonds	950	920

The company has a contingent liability in respect of contract performance bonds with Environment Canterbury. The company does not anticipate having to make any payment under these performance bonds.

#### Contingent assets:

As at 30 June 2017 the company had no contingent assets (2016: nil).



# Notes to the Financial Statements

## 17. Operating Leases

No later than one year  
Later than one year and not later than five years

2017	2016
\$'000	\$'000
7	7
11	18
18	25

## 18a. Notes to the Cash Flow Statement

### Cash and Cash equivalents:

Cash  
Bank balances  
Call deposits

2017	2016
\$'000	\$'000
31	31
113	234
500	1,738
644	2,003

## 18b. Notes to the Cash Flow Statement

### Reconciliation of profit for the year with net cash from operating activities:

Profit for the year  
(Gain) on sale or disposal of non-current assets  
Depreciation and amortisation of non-current assets  
Increase/(decrease) in current tax balances  
Increase/(decrease) in deferred tax balances  
Deferred tax on revaluation to reserves

2017	2016
\$'000	\$'000
207	93
(119)	-
2,481	2,269
(46)	43
7	24
-	(108)

### Changes in net assets and liabilities:

(Increase)/decrease in assets  
Current receivables - other  
Accrued interest - investments  
Current inventories

Increase/(decrease) in liabilities  
Current payables  
Current borrowings  
Employee entitlements - current  
Finance leases - current  
Employee entitlements - non current  
Finance leases - non current

### Net cash from operating activities

2017	2016
\$'000	\$'000
18	(194)
7	14
(19)	(9)
155	(10)
1	-
48	53
(2)	3
-	(5)
(6)	(13)
2,732	2,160

## 19a. Related Party Disclosures

During the year the company conducted normal business transactions with its shareholder, Christchurch City Holdings Limited (CCHL), its ultimate shareholder Christchurch City Council and associated CCHL subsidiaries of City Care Limited and Christchurch International Airport Limited of which the major transactions were:

### Receipts from related parties

#### Transactions

Sales of goods/services to Christchurch City Council  
Sales of goods/services to Christchurch City Holdings Limited  
Sales of goods/services to Connetics Limited  
Sales of goods/services to City Care Limited  
Sales of goods/services to Christchurch International Airport Limited  
Sales of goods/services to Vbase Limited

2017	2016
\$'000	\$'000
16	9
-	1
-	1
-	1
-	-
-	17
16	29

## 19b. Related Party Disclosures

### Payments to related parties

#### Transactions

Rates paid to Christchurch City Council  
Purchase of goods/services from Christchurch City Council  
Payment of dividends to Christchurch City Holdings Limited  
Purchase of goods/services from City Care Limited  
Purchase of goods/services from Christchurch International Airport Limited

2017	2016
\$'000	\$'000
75	72
-	1
-	1,350
66	60
9	4
150	1,487

## 19c. Related Party Disclosures

### Year-end balances arising from transactions

Payable to Christchurch City Council  
Payable to City Care Limited  
Payable to Christchurch International Airport Limited  
Receivable from Christchurch City Council

2017	2016
\$'000	\$'000
-	1
3	1
-	1
-	1

## 19d. Related Party Disclosures

### Separate disclosure of individual transactions

The company paid dividends of \$nil net of imputation credits (2016: \$1,350,000) to its immediate parent, Christchurch City Holdings Limited.

The company made a subvention payment totalling \$134,435 (2016 subvention payment \$80,578) and purchased loss offsets of \$345,691 (2016 purchased loss offsets \$207,200) from members of the Christchurch City Council Group. For the current year the company will make a payment of \$91,737 as a subvention payment and purchase tax losses of \$327,634 from members of the Christchurch City Council Group.

During the year no transactions were entered into with any of the company's directors other than payment of directors' fees.

Key management personnel of the company purchased sundry goods and services from the company during the period which totalled \$1,730 (2016: \$502). There were no outstanding balances with Key management personnel at the end of the year (2016: nil). All transactions were conducted on standard commercial terms.



# Notes to the Financial Statements

## 20. Subsequent Events

There were no events post balance date, that require disclosure or adjustment to the information included in the financial statements.

## 21. Financial Instruments

### 21a. Financial Instrument Categories

The accounting for financial instruments have been applied to the line items below.

	2017	2016
	\$'000	\$'000
<b>Financial assets</b>		
<b>Loans &amp; receivables</b>		
Cash & cash equivalents	644	2,003
Short term deposits	-	2,493
Trade & other receivables	556	574
<b>Total loans &amp; receivables</b>	<b>1,200</b>	<b>5,070</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade & other payables	1,192	1,037
Borrowings	19	27
<b>Total financial liabilities at amortised cost</b>	<b>1,211</b>	<b>1,064</b>

### 21b. Financial Instrument Risks

The company has a policy that manages the risks associated with financial instruments and is risk averse and seeks to minimise exposure from its treasury activities. The policy does not allow any transactions that are speculative in nature to be entered into.

#### Market risk

##### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in the market interest rates. Borrowings issued at variable interest rates expose the company to cash flow rate risk. Had interest rates been either 1% higher or lower, and all other variables been held constant, the Company's profit would have increased (or decreased) by approximately \$6,000 (2016:\$20,000).

#### Credit risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash, short-term investments and trade receivables. Cash and short-term investments are placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.

The company manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The company does not generally require or hold collateral against credit risk.

The company is exposed to a concentration of credit risk with respect to accounts receivable due to the reliance on Environment Canterbury for 79% (2016: 84%) of Red Bus Limited's revenue. Environment Canterbury is considered to be a high credit quality entity.

#### Maximum exposure to credit risk

	2017	2016
	\$'000	\$'000
Cash & cash equivalents	644	2,003
Short term deposits	-	2,493
Trade and other receivables	556	574
	<b>1,200</b>	<b>5,070</b>

#### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the Standard & Poor's credit ratings:

##### Counterparty with credit ratings

	2017	2016
	\$'000	\$'000
Cash & cash equivalents AA-	644	2,003
Short term deposits AA-	-	2,493
	<b>644</b>	<b>4,496</b>

#### Liquidity risk

Liquidity risk represents the company's ability to meet its contractual obligations. The company evaluates its liquidity requirements on an ongoing basis. In general, the company generates sufficient cash flows from its operating activities to meet its contractual obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

#### Contractual maturity analysis

	Contractual cash flow	Less than 1 year	1-2 years	2-5 years
	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2017</b>				
<b>Financial assets</b>				
Cash & cash equivalents	644	644	-	-
Short term deposits	-	-	-	-
Trade and other receivables	556	556	-	-
	<b>1,200</b>	<b>1,200</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Trade and other payables	744	744	-	-
Accruals	448	448	-	-
Finance leases	19	7	7	5
	<b>1,211</b>	<b>1,199</b>	<b>7</b>	<b>5</b>
<b>As at 30 June 2016</b>				
<b>Financial assets</b>				
Cash & cash equivalents	2,003	2,003	-	-
Short term deposits	2,493	2,493	-	-
Trade and other receivables	574	574	-	-
	<b>5,070</b>	<b>5,070</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Trade and other payables	564	564	-	-
Accruals	473	473	-	-
Finance leases	27	7	7	13
	<b>1,064</b>	<b>1,044</b>	<b>7</b>	<b>13</b>



## Notes to the Financial Statements

### Sensitivity analysis

The company is exposed to movements in interest rates.

#### Interest rate risk

	2017		2016	
	+100bps	-100bps	-100bps	+100bps
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Cash & cash equivalents	6	(6)	(20)	20
<b>Financial liabilities</b>				
Borrowings	(0)	0	0	(0)
<b>Total sensitivity</b>	<b>6</b>	<b>(6)</b>	<b>(20)</b>	<b>20</b>

#### Explanation of the interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis point (bps) movement.

### 21c. Capital Management

The company's capital includes share capital, reserves and retained earnings. The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security offered by a sound capital position.

### 21d. Fair Value

The estimated fair values of the company's financial instruments are represented by the carrying values.

## 22. Business Combinations

In November 2016 Red Bus Limited purchased the business assets of Aaron Travel Limited.

The details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2017	2016
	\$'000	\$'000
<b>Assets acquired in business combination</b>		
Plant & equipment	2,083	-
Customer lists and relationships	325	-
Total identifiable assets	2,408	-
Goodwill	325	-
<b>Total</b>	<b>2,733</b>	<b>-</b>
<b>Consideration</b>		
Cash	2,733	-
<b>Total purchase consideration</b>	<b>2,733</b>	<b>-</b>

The assets acquired were purchased at fair value and have been so recognised in the financial statements. A contingent consideration of \$150,000 was paid based on achievement of sales targets. This amount is included in the assets acquired above.

## 23. Statement of Performance

The Statement of Intent agreed between the directors of Red Bus Limited and Christchurch City Holdings Limited provided the following performance targets.

	Actual	Target
<b>(a) Financial performance</b>		
Revenue	\$20.7m	\$19.0m
Target achieved		
NPAT	\$0.2m	\$0.3m
Target not achieved		
EBITDA	\$2.7m	\$2.7
Target achieved		
Net debt as a % of equity	0.0%	<20%
Target achieved		
Net interest expense as a % of revenue	-0.1%	<10%
Target achieved		
Liquidity %	80.8%	>120%
Target not achieved		
<b>(b) Operational performance</b>		
Number of urban passengers	3.8m	At least 3.5 million
Target achieved		
Minimum fleet utilisation in peak	88%	At least 85%
Target achieved		
Percentage of service trips not run	Less than .03%	Less than 1%
Target achieved		
Percentage of service trips starting on time	98%	At least 97%
Target achieved		
<b>(c) Social and environmental</b>		
Percentage of bus fleet with Euro 2 or higher emission compliant engines	96%	85%
Target achieved		
Tertiary ACC accreditation	Maintained	Maintained
Target achieved		
Lost Time Injury experience	4	Fewer than 15 LTI's per million worked hours
Target achieved		
Customer Service (urban)	86%	Achieve at least 82% in annual mystery shopper survey
Target achieved		
Substantiated Customer Complaints (urban)	3.4	Fewer than 3 substantiated complaints per 100,000 customers
Target not achieved		





# Statutory Information

## Ownership

Red Bus Limited is a limited liability company incorporated under the Companies Act 1993. The company is wholly owned by Christchurch City Holdings Limited, a company 100% owned by the Christchurch City Council.

## Principal Activities

The company’s principal activity during the year was the operation of an urban bus service in the Canterbury region.

## Dividend

No dividend was paid to Christchurch City Holdings Limited during the year under review. This was as forecast in the Red Bus Limited Statement of Intent for 2017.

## Directors

The following directors held office during the year ended 30 June 2017:

### Director

<b>Paul Kiesanowski</b>	
<b>Tim Keenan</b>	
<b>Bob Lineham</b>	
<b>Tony Mountford</b>	Retired by rotation 26 October 2016
<b>Sabrina Kunz</b>	Appointed 26 October 2016

## Directors’ Interests

The company maintains an interest’s register in which particulars of certain transactions and matters involving the directors are recorded. These records are a requirement under the Companies Act 1993. The following entries were recorded by the company’s directors in the interests register during the year ended 30 June 2017.

Director	Entity	Position
Tim Keenan	Bayley Insurance Trust Limited	Director
	Theatre Royal Charitable Foundation	Director
	Keenan Trustee Services Limited	Director
	Nurse Maude	Director
	McAuley Property Limited	Director
	Coolpak Coolstores Limited	Director
Bob Lineham	Local Government Finance Corporation Limited	Director
	Quality Finance Audit and Risk Committee – Canterbury DHB	Appointed Member
	Riccarton Bush Trust	Trustee
	University of Canterbury Foundation	Trustee
Paul Kiesanowski	Paul Kiesanowski Advisory Limited	Director
	New Zealand Red Cross	Director
	Apex Environmental Limited	Director
	Red Cross Foundation	Trustee
	Earthquake Commission	Commissioner
	City Care Limited	Chief Financial Officer
Sabrina Kunz	NZ Rugby League – Southern Zone	Director
	Canterbury Rugby League	Director
	Avebury House	Trustee
Tony Mountford	Enso International Limited	Director
	Courier Solutions Limited	Director



Directors’ Remuneration

Remuneration and other benefits paid or due and payable to directors for services during the year as a director of the company were as follows:

Director	Remuneration
Paul Kiesanowski	59,800
Tim Keenan	38,000
Bob Lineham	32,833
Sabrina Kunz	22,425
Tony Mountford	8,575
Total	\$161,633

Directors’ remuneration includes fees only. No other form of remuneration was paid during the year.

Use of Company Information

During the year, no notices were received from directors requesting to use company information in their capacity as directors, which was not otherwise available to them.

Directors’ Insurance

During the year the company paid premiums insuring all directors in respect of liability and costs to the extent permitted under Section 162 of the Companies Act 1993.

Employee Remuneration

The Chief Executive salary of \$303,000 is fixed and comprises salary, motor vehicle and employer KiwiSaver contribution. Remuneration and other benefits paid or due and payable to employees who received remuneration and other benefits of \$100,000 or more per annum was as follows:

Total remuneration and other benefits	Number of employees	
	2017	2016
\$100,001 to \$110,000	1	-
\$110,001 to \$120,000	1	1
\$160,001 to \$170,000	1	1
\$300,001 to \$310,000	1	1

Donations

There were no cash donations made during the year.

Auditor

In accordance with Section 70 of the Local Government Act 2002, the Office of the Auditor General has appointed Audit New Zealand to undertake the audit.





# Governance Statement



## Board Structure and Functions

The Directors of Red Bus Limited are appointed by the shareholder, Christchurch City Holdings Limited for terms of up to three years. Board membership currently consists of four non-executive directors.

The Red Bus Limited Board's principal responsibilities are:

- To provide strategic direction and create shareholder value through the development and approval of company strategies and policies, with particular regard to corporate objectives, return expectations and the concepts of corporate sustainability.
- To foster and encourage a company culture which requires management and every staff member to adhere to high levels of ethical behaviour.
- To review and monitor company performance against budget and other performance targets.
- To appoint, review performance and set remuneration for the Chief Executive.
- Monitor the appointment of senior managers and provide ongoing professional development opportunities for the senior management team.
- To communicate with the shareholder on a regular basis through the preparation and submission of an annual Statement of Intent, Annual and Interim Reports and other reporting as requested by the shareholder.
- To approve and monitor risk management programmes and ensure legislative and regulatory compliance.
- To ensure that appropriate external advice is available to the board and management.

## The Board has formally constituted three board committees:

### *Audit and Risk Management Committee*

Membership of the committee consists of all members of the board, and the committee is regulated by approved terms of reference that address membership, functions and responsibilities, authorities and reporting procedures. The committee is chaired by a director who is not the board Chairman. The committee monitors risk management processes, oversees the findings of the company's external auditors and monitors legislative compliance.

### *Health & Safety Sub-Committee*

Membership of the sub-committee consists of all members of the board, and the sub-committee is regulated by approved terms of reference that address membership, functions and responsibilities, authorities and reporting procedures.

The sub-committee is chaired by a director who is not the board Chairman. The sub-committee is to provide independent assurance and assistance to the Board that the company is able to meet its primary duty of care to ensure that the health and safety of workers is protected and that no others are put at risk by Red Bus's work.

### *CE Review and Remuneration Committee*

Membership of the committee consists of the board Chairman, who also chairs the committee, and one other director. The committee convenes at least annually to review the performance of the Chief Executive and make recommendations to the board on the Chief Executive's remuneration package. In considering remuneration policy, the committee has regard to performance and comparable market rates.

## Board Operations and Policies

The board meets regularly and policies are in place to ensure these meetings are subject to formal agendas and reporting procedures. The board has a policy relating to evaluating its own performance.

The Board seeks, in conjunction with its shareholder, to maintain a balance of directors with complementary skills and business experience and who will contribute to the Board in a positive and constructive manner, while acting with the highest levels of integrity and professionalism. Newly appointed directors undergo an induction process, which includes a site visit and the provision of relevant documentation. Directors are encouraged to belong to appropriate professional organisations and to participate in ongoing training and development relevant to their governance responsibilities.

## Independent Auditor's Report

### To the readers of Red Bus Limited's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Red Bus Limited (the company). The Auditor-General has appointed me, John Mackey, 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 his behalf.

## Opinion

We have audited:

- the financial statements of the company on pages 14 to 34, that comprise the balance sheet as at 30 June 2017, 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 page 35.

In our opinion:

- The financial statements of the company on pages 14 to 34:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- The performance information of the company on page 35 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2017.

Our audit was completed on 1 August 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.



## Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

## Responsibilities of the Board of Directors for the financial statements and the performance information

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

## Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



John Mackey  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

Directory

Directors

Paul Kiesanowski, Chairman  
Tim Keenan  
Bob Lineham  
Sabrina Kunz

Officers

Paul McNoe, Chief Executive  
Nic Aitken, Workshop Manager  
Terry Foote, Chief Financial Officer  
Nicky Halligan, Marketing Co-ordinator  
Daniel Hanson, Business Manager – Coach and Charter  
Peter Hayward, Transport Manager

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Solicitors

Buddle Findlay

Bankers

ASB Bank Limited

Auditor

Audit New Zealand on behalf of the Auditor General









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