



Leading the way in  
passenger transport.



Annual Report  
**2018**





Red Bus Limited operates a large passenger transport business in Canterbury. Last year our urban and school bus services carried 3.87 million passengers and travelled 6.4 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 27th Annual Report and financial statements for the year ended 30 June 2018.

## Public Transport in the spotlight

2018 saw public transport step into the spotlight with the Government’s long term commitment to public transport strongly signalled in its latest Policy Statement on Land Transport.

It is encouraging to see the Government take a clear position, recognising the need, and future of, public transport in New Zealand.

At a regional level, public transport sentiment was tested when Environment Canterbury’s Long Term Plan was circulated for consultation with a proposal to cut bus routes, alongside other changes. It was encouraging to see the high level of support and engagement from the community, providing feedback and advocating for public transport services that meet the city’s needs.

The year also saw Christchurch City Council commit further investment to developing bus priority corridors. This resulted in the construction of the bus priority corridor and super stops along Manchester Street and commitment to build a new bus priority corridor along Riccarton Road, a key transport route. Protection of these key, core corridors is paramount to ensure the long-term viability of public transport.

We look forward to the Regional Transport Plan being released for consultation later in 2018. We hope this process will keep the spotlight and focus on how Canterbury delivers a public transport system that encourages a more holistic approach to public transport planning and funding. We see this as critical to our success as a modern, regenerating city.

There have been a number of positive steps Red Bus has taken during the year. Among these are;

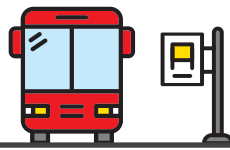
## Investment in emerging technologies

The purchase of three zero-emission battery electric buses for central city to Christchurch airport route underlines Red Bus commitment to improving customer service, reducing our environmental impact and adopting new technology to modernise our fleet. These buses will go into service in early 2019.

The electric bus project builds on our previous investment in vehicle Telematics and battery recharge solar panels.

## Operational improvements deliver ongoing benefits

Ongoing initiatives aimed at delivering ongoing sustainability and operational improvements have resulted in an 8% reduction in our carbon footprint for each kilometre travelled in comparison with the 2015 baseline and completion of the digital camera and solar panel installation.







## Our People

Thank you to our team of committed bus drivers, support staff and managers who go above and beyond each day to deliver a superior public transport service. The local knowledge of our people and the positive workplace culture of Red Bus are vital to providing our customers with the best possible experience.

We are also committed to ensuring our people go home safely each and every day. Providing a safe working environment is critical, and in this we are supported by an active Health and Safety committee with representation from all staff groups. This year we were pleased to retain our tertiary level accreditation with ACC's Accredited Employers Programme and we thank our team for actively helping to achieve this. Our lost time injury rate was 13.6 events/million worked hours (4.3 in 2017) after a small number of slip and trip incidents late in the year.

## Our Customers

We pride ourselves on the passenger experience we strive to deliver to the thousands of passengers who choose to use Red Bus' services every day and are committed to safely delivering our passengers to their destinations.

The high standards we set for ourselves were demonstrated this year when we achieved a high score in Environment Canterbury's mystery shopper survey. Red Bus' overall average score of 86.2 compares with the network average score of 85.2 which maintains a leading position in customer satisfaction.

In addition to the thousands of passengers who chose our services every day, our customers also include Environment Canterbury, the Ministry of Education and multiple inbound tour operators and the contract services we deliver on their behalf. Several of our Ministry of Education and Environment Canterbury contracts have been extended to mid and late 2020, further indicating confidence in our service.

The high standards we strive for were recognised by the renewal of a Qualmark Gold certification for our Red Travel brand and the Akaroa Shuttle. Among the key contributors to this success was the 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 (SAFED) training for all drivers.

## Our Business

Red Bus recorded a 2.8% increase this year in urban passenger trips on our urban Metro services compared with a 0.5% gain in 2016/17. In contrast, passenger trip growth across the Environment Canterbury Metro urban network was 0.7%, up on the -1.5% decline in the previous corresponding year. We foresee further growth potential in passenger trips now the majority of the central city's transport network is fully functioning.

With the city centre now further established and passenger demand rising, Red Bus is in a sound position to consolidate, and think about how to best serve our customers now and into the future. A willingness to adapt and embrace new ideas is critical to not only meet, but exceed, the evolving expectations of our customers and ensuring long-term sustainability.

Red Travel's large modern coach fleet, combined with our well trained people, an unwavering commitment to customer safety and service, and strong operations and fleet management systems, make us well placed to serve the growing South Island travel market.

International visitor arrivals in New Zealand continued to grow in the past year, with 5.4% more tourists than 2017. There was particularly strong growth in the Free Independent Traveler (FIT) market. We expect the tourism sector to remain buoyant with a shifting emphasis on the FIT market for the Red Travel brand. We continued to support the needs of the Kaikōura community and visitors to the area. In October 2017 through Red Travel we implemented a daily Kaikōura Express service to improve travel options for passengers between Christchurch and Kaikōura after the earthquakes.

## Key Stats for 2018



### 2.8% Increase

In urban passenger trips on urban Metro services.



### 0.7% Increase

In passenger trip growth across Environment Canterbury Metro urban network.



### 5.4% Increase

In tourist/international visitor arrivals to New Zealand.



### Our Result

	2018	2017
	\$'000	\$'000
Revenue	21,058	20,596
Net surplus before taxation	199	303
Tax expense	82	96
Total comprehensive income	117	207

Revenue increased from \$20.6m in 2016/2017 to \$21.1m in 2017/2018 as a result of urban revenue growth through contract indexation.

Although now well underway, the regeneration of the central city has taken longer than expected. This has affected passenger numbers and revenue consequently achieving a positive financial result continues to challenge.

Our financial performance, whilst delivering a small \$117k net profit after tax does not provide an acceptable return at the level we seek for our shareholder.

Our urban routes continued to perform to expectation, due to continued focus on operational performance.

Our school and charter operations also performed as expected, as our focus on cost effective service makes Red Bus a significant charter operator for daily urban charters.

Red Travel's result was below expectation as the New Zealand tourism market is seeing a shift from group tours to more independent travel arrangements. We continue to offer tour and charter business catering to a wide range of customer needs.

Our balance sheet remains strong, with no long term debt and a sound cash position.

### Our Future

In mid-2019, Environment Canterbury will release its tender for all urban and school public transport services. It has been approximately nine years since all services were put out for tender, making this tender a significant event for our city.

With our history delivering passenger transport services since 1902 and knowledge of delivering public transport services in Canterbury, coupled with our leading customer service, Red Bus is well placed to achieve good results through this tender process. We hope to retain and grow the services we are contracted to deliver for Environment Canterbury.

The continuing development in tourism offers confidence of more growth in the Red Travel division within the Canterbury region and across the South Island. A modern fleet, skilled people and strong customer relationships together form a superior service.

Our commitment is to keep listening to our customers and to challenge ourselves to deliver services that meet the evolving transport needs of our customers. We recognise that there are technological, environmental and societal changes ahead for Canterbury as the city centre recovery continues and the Regional Passenger Transport Plan is revised this year.

Our long-term strategy remains unchanged and we stay focused on embracing new technology that will let Red Bus transform, then lead, the roll-out of world-class fit for future public transport in Canterbury.



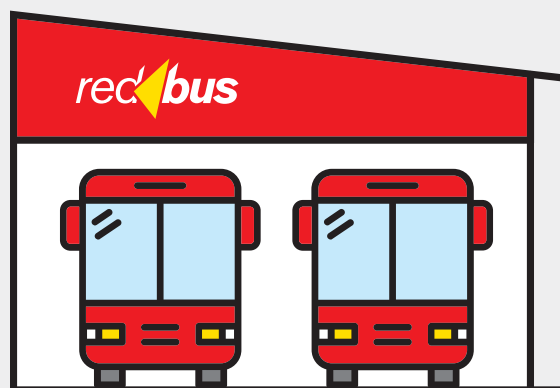
Paul Kiesanowski  
Chairman



Paul McNoe  
Chief Executive







Red buses and our region are synonymous, a fact we don't take for granted. In 2017/2018, we travelled 6.4 million kilometres in the Greater Christchurch area and across the South Island. On every trip, our commitment to passenger safety and comfort and the safety of our drivers was paramount.

- Our buses and coaches provide real time driver feedback on their acceleration, braking, cornering and speed through our Telematics system.
- We have an ACC tertiary-accredited health and safety system, ongoing Safe and Fuel-Efficient Driver (SAFED) training and a driver support team available 20 hours per day, seven days per week.
- Our random drug and alcohol testing keeps our staff and passengers safe.
- An Employee Assistance Programme provides our people with support when they need it.

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 a one-size bus fitted all, we now operate in an environment where flexibility is critical to future success.

- Our customers love our Mercedes small urban bus fleet vehicles.
- Red Travel continues to pursue new tourism opportunities and 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.

- Our new Mercedes buses and Telematics monitoring system allowed us to lower our per kilometre carbon footprint by 8% compared with 2015. The Telematics project includes a driver incentive scheme that encourages safe, comfortable and economical driving.

We work hard to minimise any risks our vehicles pose to other road users and pedestrians.

- Our 2017/2018 trial of reversing sensors is one example of our ongoing commitment to reducing accident risk.

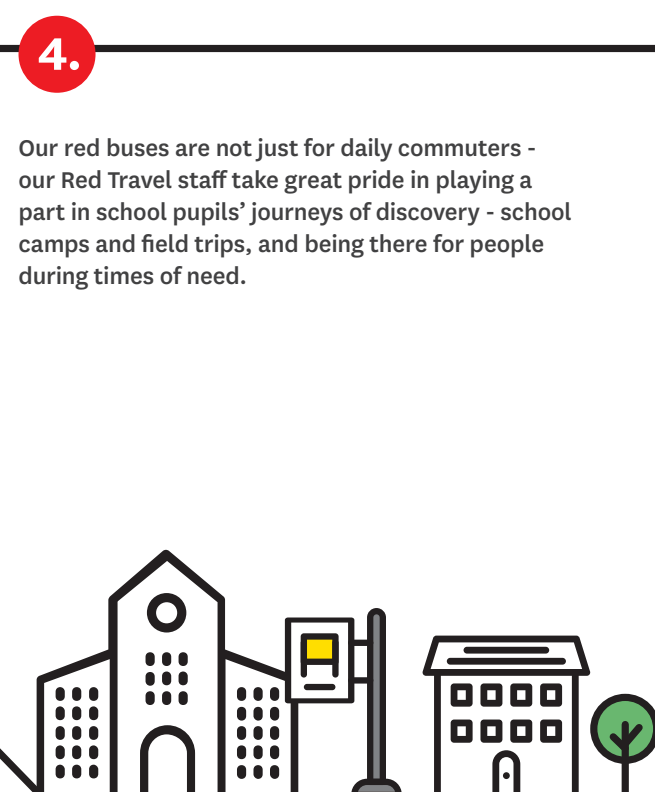
3.



Red Bus is 100% 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.

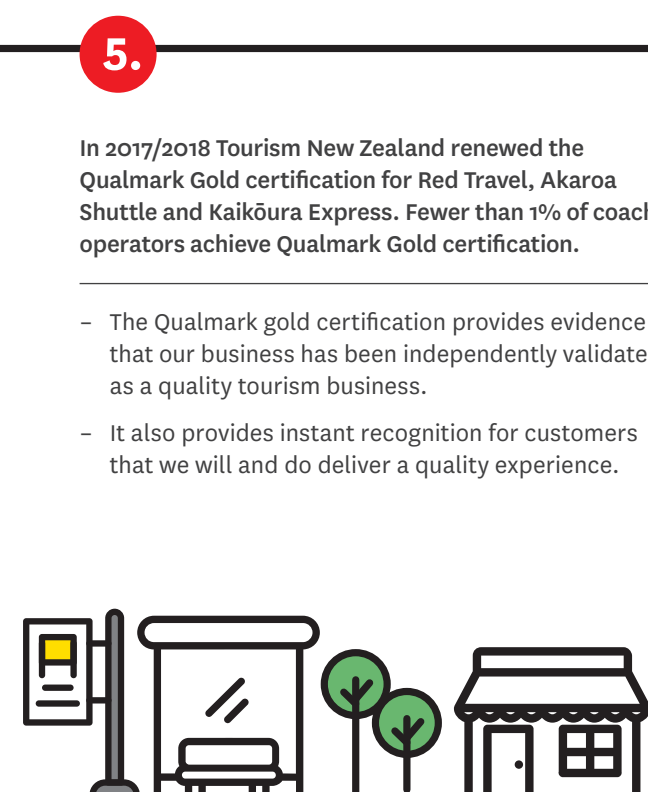
- Our commitment to purchase three 100% electric buses is consistent with testing new technologies and playing a key role in reducing local exhaust emissions and our overall carbon footprint. These three electric buses will reduce our annual fleet carbon footprint by 280 tonnes, or 5%.

4.



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

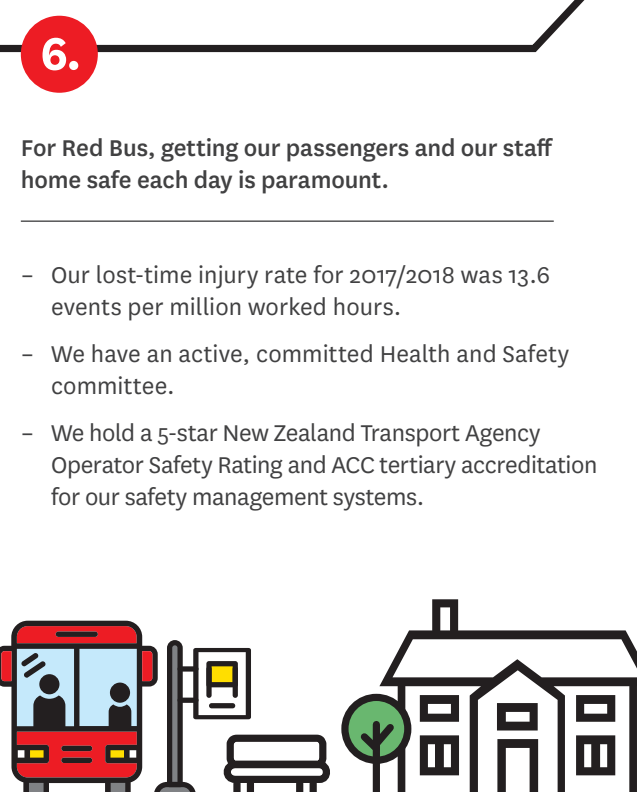
5.



In 2017/2018 Tourism New Zealand renewed the Qualmark Gold certification for Red Travel, Akaroa Shuttle and Kaikōura Express. Fewer than 1% of coach operators achieve Qualmark Gold certification.

- 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 and do deliver a quality experience.

6.



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

- Our lost-time injury rate for 2017/2018 was 13.6 events per million worked hours.
- We have an active, committed Health and Safety committee.
- We hold a 5-star New Zealand Transport Agency Operator Safety Rating and ACC tertiary accreditation for our safety management systems.





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



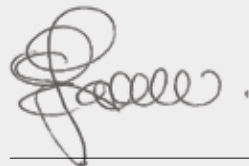
# Financial Statements

The Directors have approved for issue the financial statements of Red Bus Limited for the year ended 30 June 2018.

For and on behalf of the Board of Directors



**Paul Kieranowski**  
Director  
10 August 2018



**Ella Farrell**  
Director  
10 August 2018

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## Statement of Comprehensive Income

For the year ended 30 June 2018	Note	2018	2017
		\$'000	\$'000
Revenue	2(a)	21,058	20,596
Other income	2(b)	26	119
Depreciation and amortisation expense	2(c)	(2,724)	(2,481)
Finance expenses	2(d)	(2)	(14)
Employee benefits expense		(11,530)	(11,490)
Other expenses	2(e)	(6,629)	(6,427)
Profit (loss) before income tax expense		<b>199</b>	<b>303</b>
Income tax credit/(expense)	3(a)	(82)	(96)
Net surplus after taxation		<b>117</b>	<b>207</b>
<b>Total Comprehensive Income</b>		<b>117</b>	<b>207</b>

## Statement of Changes in Equity

For the year ended 30 June 2018	Note	Share capital	Retained earnings	Other reserves	Total
		\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>		<b>10</b>	<b>23,279</b>	<b>14,456</b>	<b>37,745</b>
Total comprehensive income		-	207	-	207
<b>Balance at 30 June 2017</b>	13	<b>10</b>	<b>23,486</b>	<b>14,456</b>	<b>37,952</b>
Total comprehensive income		-	117	-	117
<b>Balance at 30 June 2018</b>	13	<b>10</b>	<b>23,603</b>	<b>14,456</b>	<b>38,069</b>



## Financial Statements

### Balance Sheet

	Note	2018 \$'000	2017 \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents	17(a)	2,682	644
Trade and Other Receivables	5	655	851
Inventories		400	326
<b>Total Current Assets</b>		<b>3,737</b>	<b>1,821</b>
<b>Non-current Assets</b>			
Property, Plant and Equipment	6	39,039	41,059
Intangible Assets	7	601	629
<b>Total Non-current Assets</b>		<b>39,640</b>	<b>41,688</b>
<b>Total Assets</b>		<b>43,377</b>	<b>43,509</b>
<b>Current Liabilities</b>			
Trade and Other Payables	8	933	1,192
Borrowings	9	-	1
Current Subvention Payable		185	92
Employee Entitlements		972	961
Finance Leases	10	8	8
<b>Total Current Liabilities</b>		<b>2,098</b>	<b>2,254</b>
<b>Non-current Liabilities</b>			
Finance leases	10	3	11
Employee entitlements		25	14
Deferred Tax Liabilities	3(b)	3,182	3,278
<b>Total Non-current Liabilities</b>		<b>3,210</b>	<b>3,303</b>
<b>Total Liabilities</b>		<b>5,308</b>	<b>5,557</b>
<b>Net Assets</b>		<b>38,069</b>	<b>37,952</b>
<b>Equity</b>			
Share Capital	11	10	10
Reserves	12	14,456	14,456
Retained Earnings	13	23,603	23,486
<b>Total Equity</b>		<b>38,069</b>	<b>37,952</b>

### Statement of Cash Flows

For the year ended 30 June 2018	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		21,161	20,694
Interest received		5	41
Payments to suppliers and employees		(18,380)	(17,854)
Interest and other finance costs paid		(2)	(15)
Subvention tax receipt (payment)		(86)	(134)
<b>Net cash from operating activities</b>	<b>17(b)</b>	<b>2,698</b>	<b>2,732</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(768)	(6,753)
Proceeds from Investments		-	2,493
Proceeds from sale of property, plant, equipment & intangibles		116	176
<b>Net cash from investing activities</b>		<b>(652)</b>	<b>(4,084)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	1,088
Repayment of borrowings		(8)	(1,095)
<b>Net cash used in financing activities</b>		<b>(8)</b>	<b>(7)</b>
Net increase (decrease) in cash and cash equivalents		2,038	(1,359)
Cash and cash equivalents at beginning of year		644	2,003
<b>Cash and cash equivalents at end of year</b>	<b>17(a)</b>	<b>2,682</b>	<b>644</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 Reduced Disclosure Regime (NZ IFRS RDR).

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 2018 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 RDR 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 RDR 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 - 30 years
<i>Buses</i>	15 - 26 years
<i>Plant, equipment and motor vehicles</i>	3 - 30 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.

**(s) Recognition of Government grants.**

Government Grants shall not be recognised until there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received. In accordance with NZ IAS 20, Government Grants related to assets, are presented in the financial statements by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in the profit or loss over the life of a depreciable asset as a reduced depreciation expense.





# Notes to the Financial Statements

## 2. Profit from operations

### (a) Revenue

	2018 \$'000	2017 \$'000
Revenue from the rendering of services	20,958	20,446
Rental revenue	94	122
Interest income	6	28
	<b>21,058</b>	<b>20,596</b>

### (b) Other income

Net gain on sale of Property, Plant and Equipment	26	119
	<b>26</b>	<b>119</b>

### (c) Depreciation and amortisation expense

Depreciation of non-current assets	(2,632)	(2,442)
Amortisation of non-current assets	(92)	(39)
	<b>(2,724)</b>	<b>(2,481)</b>

### (d) Finance expenses

Interest on borrowings	(2)	(14)
	<b>(2)</b>	<b>(14)</b>

### (e) Other expenses

Audit of the financial statements	(41)	(40)
Director fees	(164)	(162)
Raw materials & consumables	(3,281)	(3,126)
Minimum lease payments under operating leases	(20)	(6)
Bad debts	(2)	-
Other expenses	(3,121)	(3,093)
	<b>(6,629)</b>	<b>(6,427)</b>

## 3. Income Taxes

### (a) Revenue

Tax Expense comprises:		
Current tax expense	185	92
Prior period adjustment to current tax	(12)	-
Deferred tax expense relating to the origination and reversal of temporary differences	(91)	4
Total Tax Expense	<b>82</b>	<b>96</b>
Reconciliation of prima facie income tax:		
Profit from operations	199	303
Income tax expense calculated at 28%	56	85
Non-deductible expenses	26	11
	<b>82</b>	<b>96</b>

### (b) Deferred Tax Balances

Year ended 30 June 2018

#### Deferred Tax Liabilities:

	Opening Balance \$'000	Charged to income \$'000	Charged to Equity \$'000	Prior Period adjustment \$'000	Closing Balance \$'000
Property, Plant and Equipment	(3,475)	61	-	-	(3,414)
	<b>(3,475)</b>	<b>61</b>	-	-	<b>(3,414)</b>

#### Deferred Tax Assets:

Provisions	197	30	-	5	232
	<b>197</b>	<b>30</b>	-	<b>5</b>	<b>232</b>

Net Deferred Tax Liability

Year ended 30 June 2017

#### Deferred Tax Liabilities:

Property, Plant and Equipment	(3,458)	(17)	-	-	(3,475)
	<b>(3,458)</b>	<b>(17)</b>	-	-	<b>(3,475)</b>

#### Deferred Tax Assets:

Provisions	187	13	-	(3)	197
	<b>187</b>	<b>13</b>	-	<b>(3)</b>	<b>197</b>

Net Deferred Tax Liability

## 4. Key Management Personnel Compensation

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

	2018 \$'000	2017 \$'000
Salaries and short term employee benefits	645	1,008

An assessment of management roles and their associated level of authority has reduced the number of personnel included this year. The equivalent comparison for 2017 compensation is \$633,000.

## 5. Trade and Other Receivables

Trade and Other Receivables	423	556
Allowance for impairment of receivables	-	-
	<b>423</b>	<b>556</b>
Prepayments	232	295
	<b>655</b>	<b>851</b>

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 26% (2017:16%) of the company's trade receivables were between 30 and 90 days overdue and 0% (2017:4%) of the company's trade receivables were more than 90 days overdue. An allowance of \$0 (2017: \$0) 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. Property, Plant and Equipment

	Freehold land at fair value	Buildings at fair value	Buses at cost	Plant & Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	15,600	1,901	33,540	3,529	54,570
Balance at 30 June 2017	15,600	1,909	37,707	3,000	58,216
Work in Progress	-	-	174	5	179
Additions	-	2	265	257	524
Disposals	-	-	(308)	(131)	(439)
Balance at 30 June 2018	15,600	1,911	37,838	3,131	58,480
<b>Accumulated Depreciation and Impairment:</b>					
Balance at 1 July 2016	-	(501)	(14,152)	(2,462)	(17,115)
Balance at 30 June 2017	-	(593)	(15,596)	(968)	(17,157)
Disposals	-	-	237	111	348
Depreciation expense	-	(112)	(2,122)	(398)	(2,632)
Balance at 30 June 2018	-	(705)	(17,481)	(1,255)	(19,441)
Net book value at 30 June 2017	15,600	1,316	22,111	2,032	41,059
Net book value at 30 June 2018	15,600	1,206	20,357	1,876	39,039

### Capital work in progress is contained in the following categories:

	2018 \$'000	2017 \$'000
Buses	174	-
Plant & Equipment	5	-
	179	-

### Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Buildings	112	92
Buses	2,122	2,055
Plant & Equipment	398	295
	2,632	2,442

### Freehold land and buildings carried at fair value

Land & Buildings, historically, has been valued every 3 years 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 2018. Based on the advice obtained, there has been no change in the fair 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.

## 7. Intangible Assets

	Goodwill	Customer Lists	Trade marks	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount:</b>					
Balance at 1 July 2016	-	-	14	328	342
Balance at 30 June 2017	325	325	14	328	992
Additions	-	-	-	64	64
Disposals	-	-	-	-	-
Balance at 30 June 2018	325	325	14	392	1,056
<b>Accumulated Amortisation and Impairment:</b>					
Balance at 1 July 2016	-	-	(13)	(311)	(324)
Balance at 30 June 2017	-	(27)	(14)	(322)	(363)
Amortisation expense	-	(81)	-	(11)	(92)
Disposals	-	-	-	-	-
Balance at 30 June 2018	-	(108)	(14)	(333)	(455)
Net book value as at 30 June 2017	325	298	-	6	629
Net book value as at 30 June 2018	325	217	-	59	601

## Notes to the Financial Statements

## 8. Trade and Other Payables

	2018 \$'000	2017 \$'000
Trade Payables	450	597
Good and Services Tax payable	131	147
Accrued expenses	352	448
	933	1,192

## 9. Borrowings

### Current Portion

Secured:		
Revolving Credit Facility	-	1
	-	1

### Non-current Portion

Secured:		
Revolving Credit Facility	-	-
	-	-

The company has 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 2018 there is available credit in excess of \$2m with a current interest rate of 4.74% pa. Caveats are registered against certain property titles under section 40 of the Public Works Act 1981.



## Notes to the Financial Statements

### 10. Finance Leases

	2018	2017
Finance Lease	\$'000	\$'000
No later than 1 year	8	8
Later than one year but no later than five years	3	11
	<b>11</b>	<b>19</b>

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.

### 11. Share Capital

Fully paid ordinary shares	10	10
----------------------------	----	----

As at 30 June 2018, share capital comprised 10,100 ordinary shares (2017: 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.

### 12. Reserves

	Asset revaluation	General	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2016	7,156	7,300	14,456
Gain/(loss) on revalued assets	-	-	-
Deferred Tax on revaluation	-	-	-
Balance at 30 June 2017	<b>7,156</b>	<b>7,300</b>	<b>14,456</b>
Gain/(loss) on revalued assets	-	-	-
Deferred Tax on revaluation	-	-	-
Balance at 30 June 2018	<b>7,156</b>	<b>7,300</b>	<b>14,456</b>

#### Asset Revaluation Reserve

The Asset Revaluation Reserve comprises \$6,080,000 (2017: \$6,080,000) of land revaluation and \$1,076,000 (2017: \$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.

### 13. Retained Earnings

	2018	2017
	\$'000	\$'000
Balance at beginning of year	23,486	23,279
Net surplus after taxation	117	207
Dividends paid	-	-
Balance at end of year	<b>23,603</b>	<b>23,486</b>

### 14. Commitments for Expenditure

As at 30 June 2018 the company had entered into contracts to purchase Property, Plant and Equipment of \$2,179,848 (2017: \$323,674).

### 15. Contingent Liabilities and Assets

Contingent Liabilities:		
Performance bonds	870	950

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 2018 the company had no contingent assets (2017: nil).

### 16. Operating Leases

No later than one year	7	7
Later than one year and not later than five years	4	11
	<b>11</b>	<b>18</b>

### 17. Notes to the Cash Flow Statement

#### (a) Cash and Cash Equivalents

Cash	31	31
Bank balances	281	113
Call deposits	2,370	500
	<b>2,682</b>	<b>644</b>



## Notes to the Financial Statements

<b>(b) Reconciliation of profit for the year with net cash from operating activities</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the year</b>	117	207
(Gain) on sale or disposal of non-current assets	(26)	(119)
Depreciation and amortisation of non-current assets	2,724	2,481
Increase/(decrease) in current tax balances	93	(46)
Increase/(decrease) in deferred tax balances	(96)	7
<b>Changes in net assets and liabilities:</b>		
<b>(Increase)/decrease in assets</b>		
Current receivables - other	196	18
Accrued Interest - Investments	7	7
Current inventories	(74)	(19)
<b>Increase/(decrease) in liabilities</b>		
Current payables	(256)	155
Current Borrowings	(1)	1
Employee entitlements - current	11	48
Finance leases -current	-	(2)
Employee Entitlements - non current	11	-
Finance Leases - non current	(8)	(6)
<b>Net cash from operating activities</b>	<b>2,698</b>	<b>2,732</b>

## 18. 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 Ltd and Christchurch International Airport Limited of which the major transactions were:

<b>(a) Receipts from related parties</b>		
<b>Transactions:</b>		
Sales of goods/services to ChCh City Council	11	16
Sales of goods/services to Connetics Ltd	1	-
	<b>12</b>	<b>16</b>

<b>(b) Payments to related parties</b>		
<b>Transactions:</b>		
Rates paid to ChCh City Council	92	75
Purchase of goods/services from ChCh City Council	5	-
Purchase of goods/services from City Care Limited	14	66
Purchase of goods/services from ChCh International Airport Limited	7	9
Purchase of goods/services from Orion	3	-
	<b>121</b>	<b>150</b>

<b>(c) Year-end balances arising from transactions</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Payable to City Care Limited	1	3
Receivable from Christchurch City Council	1	-

## (d) Separate disclosure of individual transactions

The company paid dividends of \$nil net of imputation credits (2017: \$nil) to its immediate parent, Christchurch City Holdings Limited.

The company made a subvention payment totalling \$86,077 (2017 subvention payment \$134,435) and purchased loss offsets of \$221,340 (2017 purchased loss offsets \$345,691) from members of the Christchurch City Council Group. For the current year the company will make a payment of \$185,118 as a subvention payment and purchase tax losses of \$476,019 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 \$376 (2017: \$1,730). There were no outstanding balances with Key management personnel at the end of the year (2017: nil). All transactions were conducted on standard commercial terms.

## 19. Subsequent Events

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

## 20. Financial Instruments

### (a) Financial Instrument Categories

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

<b>Financial Assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Loans &amp; Receivables</b>		
Cash & Cash Equivalents	2,682	644
Trade & Other Receivables	423	556
<b>Total Loans &amp; Receivables</b>	<b>3,105</b>	<b>1,200</b>
<b>Financial Liabilities</b>		
<b>Financial Liabilities at amortised cost</b>		
Trade & Other Payables	933	1,192
Finance Lease	11	19
<b>Total Financial Liabilities at amortised cost</b>	<b>944</b>	<b>1,211</b>



# Notes to the Financial Statements

## (b) 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 \$27,000 (2017: \$6,000).

#### 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 80% (2016: 79%) of Red Bus Limited's revenue. Environment Canterbury is considered to be a high credit quality entity.

#### Maximum exposure to credit risk

	2018	2017
	\$'000	\$'000
Cash & Cash Equivalents	2,682	644
Trade and Other Receivables	423	556
	<b>3,105</b>	<b>1,200</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		
Cash & Cash Equivalents AA-	2,682	644
	<b>2,682</b>	<b>644</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
As at 30 June 2018				
<b>Financial Assets</b>				
Cash & Cash Equivalents	2,682	2,682	-	-
Trade and Other Receivables	423	423	-	-
	<b>3,105</b>	<b>3,105</b>	-	-
<b>Financial Liabilities</b>				
Trade and Other Payables	581	581	-	-
Accruals	352	352	-	-
Finance leases	11	7	4	-
	<b>944</b>	<b>940</b>	<b>4</b>	-
As at 30 June 2017				
<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>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>

## Sensitivity analysis

The company is exposed to movements in interest rates.

	2018		2017	
	+100bps	-100bps	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000
<b>Interest Rate Risk</b>				
<b>Financial Assets</b>				
Cash & Cash Equivalents	27	(27)	6	(6)
<b>Financial Liabilities</b>				
Finance lease	0	(0)	0	(0)
<b>Total Sensitivity</b>	<b>27</b>	<b>(27)</b>	<b>6</b>	<b>(6)</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.

## (c) 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.

## (d) Fair Value

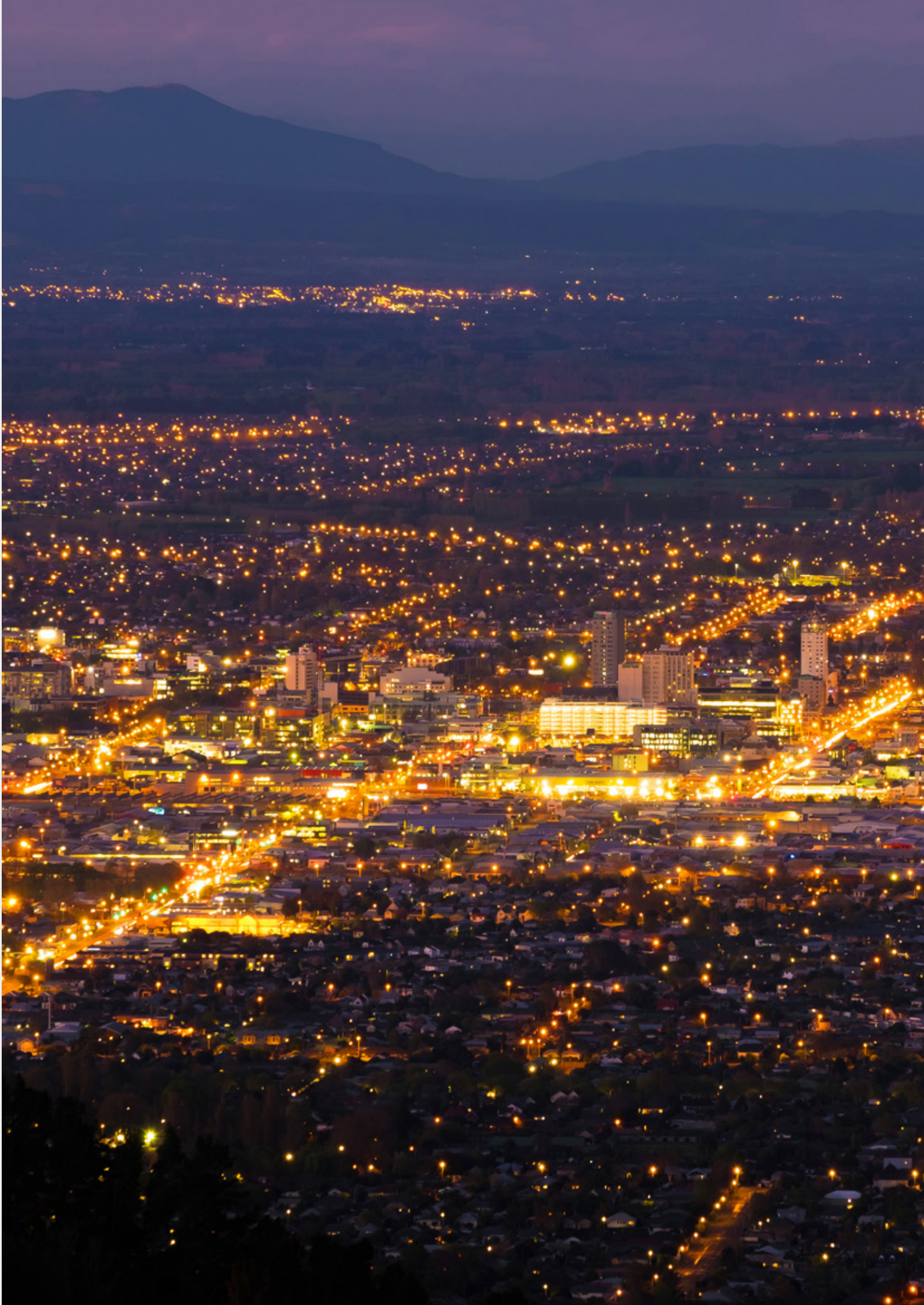
The estimated fair values of the company's financial instruments are represented by the carrying values.



21. 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 <i>Target achieved</i>	\$21.1m	\$20.8m
NPAT <i>Target not achieved</i>	\$0.1m	\$0.2m
EBITDA <i>Target achieved</i>	\$2.9m	\$2.8m
Net debt as a % of equity <i>Target achieved</i>	14.0%	<20%
Net interest expense as a % of revenue <i>Target achieved</i>	0.0%	<5%
Liquidity % <i>Target achieved</i>	178.1%	>120%
<b>(b) Operational performance</b>		
Number of urban passengers <i>Target achieved</i>	3.87m	At least 3.5 million
Minimum fleet utilisation in peak <i>Target achieved</i>	89%	At least 85%
Percentage of service trips not run <i>Target achieved</i>	Less than .03%	Less than 1%
Percentage of service trips starting on time <i>Target achieved</i>	98%	At least 97%
<b>(c) Social and environmental</b>		
Percentage of bus fleet with Euro 2 or higher emission compliant engines <i>Target achieved</i>	97%	90%
Fleet carbon emission per 100km At least 3% below the 2015 benchmark (88.3 kg/100km) <i>Target achieved</i>	84.2kg/100 km	85.65kg/100km
Tertiary ACC accreditation <i>Target achieved</i>	Maintained	Maintained
Lost Time Injury experience <i>Target achieved</i>	14	Fewer than 15 LTI's per million worked hours
Customer Service (urban) <i>Target achieved</i>	87%	Achieve at least 85% in annual mystery shopper survey
Substantiated Customer Complaints (urban) <i>Target not achieved</i>	3.3	Fewer than 3 substantiated complaints per 100,000 customers







# 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 2018.

## Directors

The following directors held office during the year ended 30 June 2018:

Director		
Paul Kiesanowski		
Bob Lineham		
Sabrina Kunz		
Ella Farrell	Appointed 26 October 2017	
Tim Keenan	Retired by rotation 26 October 2017	

## 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 2018.

Director	Entity	Position	Resigned
Tim Keenan (resigned Oct 2017)	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 Corp Ltd	Director	July 2017
	Quality Finance Audit & Risk Committee – Canterbury CDHB	Appointed Member	July 2017
	Riccarton Bush Trust	Trustee	
	University of Canterbury Foundation	Trustee	
	Pines Resort Wanaka Body Corporate	Chair	
Paul Kiesanowski	Paul Kiesanowski Advisory Limited	Director	
	New Zealand Red Cross	Director	October 2017
	Red Cross Foundation	Trustee	October 2017
	Apex Environmental Limited	Director	
	Earthquake Commission	Commissioner	
	City Care Limited	Company Secretary	
	City Care Limited	Chief Financial Officer	May 2018
Sabrina Kunz	NZ Rugby League – Southern Zone	Director	
	Canterbury Rugby League	Director	
	Avebury House	Trustee	
	Brewers Guild of New Zealand	Executive Director	
Ella Farrell (Appointed Oct 2017)	Habitat for Humanity (Chch) Ltd	Director	July 2018
	Dementia Canterbury	Director	June 2018
	Farrell Consulting Group Ltd	Director	
	Quigley Contracting Limited	Executive General Manager	



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	61,465
Tim Keenan	12,920
Bob Lineham	34,697
Sabrina Kunz	30,766
Ella Farrell	24,214
Total	\$164,062

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 \$303,250 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	
	2018	2017
\$100,001 to \$110,000	1	1
\$110,001 to \$120,000	2	1
\$160,001 to \$170,000	0	1
\$170,001 to \$180,000	1	0
\$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 2018

The Auditor-General is the auditor of Red Bus Limited (the company). The Auditor-General has appointed me, Dereck Ollsson, 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 13 to 31, that comprise the balance sheet as at 30 June 2018, 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 32.

In our opinion:

- the financial statements of the company on pages 13 to 31:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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; and
- the performance information of the company on page 32 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 2018.

Our audit was completed on 10 August 2018. 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, we comment on other information, and we explain our independence.



## Basis for our 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.



Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 12 and 34 to 38 but does not include the financial statements and the performance information, and our auditor’s report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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.



Dereck Ollsson  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

Directory

Directors

Paul Kiesanowski, Chairman  
Ella Farrell  
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  
Grainne Clinton, Finance Manager

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redbus@redbus.co.nz  
www.redbus.co.nz

Solicitors

Buddle Findlay

Bankers

ASB Bank Limited

Auditor

Audit New Zealand on behalf of the Auditor General



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

5:24 p.m.

**Door 11**  
Route Destination  
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via University

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Press button to open.

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Audio ↓





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