

Annual Report

2016/17

Wellington Cable Car Limited Annual Report has been prepared to provide readers with an overview of the position of the company to date.

Wellington Cable Car Limited

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Wellington Cable Car Limited

Annual Report

For the year ended 30 June 2017

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Wellington Cable Car Limited

Chairman's Report

For the year ended 30 June 2017

Wellington Cable Car Limited (WCCL) is a small Council Controlled Organisation (CCO) but its impact on the public transport and tourism sectors in Wellington is significant. The successful completion of the Cable Car electric drive project highlighted the ability of the company to deliver challenging projects that have transformed service delivery, despite the small size of the Company. The tourism sector in Wellington remains buoyant and the Company is experiencing continued passenger growth, year-on-year, which is really encouraging.

WCCL is one of a small number of exempt public transport providers in New Zealand. This prevents the Company receiving public transport subsidies, and it also limits the amount of funding that is received for the SuperGold scheme, both of which impact upon the Cable Car's long-term financial viability. Negotiations continue with the Ministry of Transport, Wellington City Council (WCC), Greater Wellington Regional Council (GWRC) and the New Zealand Transport Agency (NZTA) as to a preferred funding strategy. This is particularly important for the replacement of the rolling stock which is required in the next 8-10 years.

Support to Trolley Bus operations has continued apace whilst the Company worked in conjunction with GWRC and WCC to plan the overhead electrical network decommissioning, with the aim of causing as little disruption to the public as possible. This will ultimately end the Company's (and its predecessors) support to Trolley Buses and Trams in Wellington. The ongoing efforts of the Company's staff throughout this period has been outstanding and highlights their enduring professionalism and dedication.

The Company is proud of its public ownership legacy and it is important to us that we continue to provide first class levels of public transport service in an ethical and sustainable fashion. There are many challenges ahead but this also provides opportunities for change in public transport provision; particularly technological.

Finally, thank-you to all our staff for their outstanding efforts over the past year. The Company is also grateful for the ongoing support and patronage of Wellington residents and visitors.

Anthony Wilson
Chair



Wellington Cable Car Limited

CEO's Report

For the year ended 30 June 2017

This financial year has been one of great achievement for the Company, with the successful completion of the Cable Car Electric Drive project and preparations for Trolley Bus electrical network decommissioning (which is scheduled to commence in November 2017). Further organisational change will be required after the Trolley Bus electrical network ceases operations in October 2017. Cable Car staff are focused on preparations for the next cruise ship season (that commences in October 2017) with the most important long-term goal being the replacement of the rolling stock (which is scheduled to commence the design phase in 2023). One constant, however, has been the professionalism and commitment of the employees, and the Company's strong performance is largely due to their outstanding efforts and commitment.

Cable Car

The Cable Car carried 970,366 passengers during the 2016/17 financial year. Although this is a reduction of 77,000 compared to the previous year, the underlying results are positive and show continued growth. The reduction was due to the temporary effects of the extended closure for the Electric Drive upgrade project (the Cable Car reopened on 18 August 2016) and the earthquake in November 2016. Excluding the results for the affected months of July, August and November 2016, there has been an average monthly increase in passenger numbers of 1.2% compared to the corresponding month in the previous year. Student numbers have also increased during what has been another buoyant year for the Wellington economy and the tourism industry. Passenger revenue reduced from \$2,731K to \$2,481K over the same period, again due to a temporary loss of trade during affected months. The projected figures for 2017/18 and 2018/19 remain buoyant, supported by continued growth in the Wellington tourism market, (the cruise ship market and free independent travellers).

The start of the financial year saw the successful completion of the Electric Drive and Control Systems upgrade project. This project completely replaced the electrical and mechanical drive systems and ensured that the Cable Car continues to operate safely whilst eliminating a number of acute obsolescence and support issues. In addition, the Cable Car passenger vehicles were overhauled, including replacement of the exterior roofs, windows, and interior floor linings, seats and the door opening mechanisms. This has brought the rolling stock another 10 years' service life before the passenger vehicles will need to be replaced (estimated replacement will be by 2025). WCCL was supported financially by a WCC grant of \$2.5 Million. The overall cost of this project was in the region of \$4.0 Million.

Future capital works to be undertaken before the passenger vehicles are replaced includes track replacement, tunnel portal strengthening, and potentially the regional integrated ticketing system. Detailed analysis and financial modelling has proved that the Cable Car cannot generate sufficient passenger revenue to maintain and/or replace its assets as required (based upon the requirements of the Railways Act 2005 and railway industry current practice). The difference between cash reserves available and funding required to undertake capital works becomes significant in 2023. At this time, initial design work will be required for the replacement of the current Cable Cars (required for safety reasons based upon their working life and material state).

WCCL has completed a business case in conjunction with WCC, GWRC and NZTA to investigate the viability of getting the Cable Car admitted into the Metlink public transport network, rendering it eligible for public transport subsidies from the National Land Transport Fund and GWRC rates. A decision is still awaited from Wellington City Council as to the preferred way ahead for future funding



Trolley Bus Overhead Electrical Network

Trolley Bus services cease permanently at the end of October 2017 and WCCL will decommission the network during the following 12-month period. However, WCCL continues to ensure that the network remains operationally available and meets all requisite safety, technical and legal requirements.

WCCL has contracted Broadspectrum to decommission the network, noting that this is a complex project with multiple interactions with other utility providers and the road controlling authorities (NZTA and WCC). The project will include removal of the overhead contact wire and supporting fittings. However, most of the supporting infrastructure will remain as it is required to support vital street lights, electrical power supplies, telecommunication systems, and road signs. WCCL is working closely with Wellington City Council to ensure the decommissioning dovetails successfully with other projects underway including installation of LED street lighting and urban development schemes near the airport.

The Company has contracts in place with Telecommunication companies to licence the installation of their equipment on the Trolley Bus network supporting infrastructure. This provides a small revenue stream that helps to offset network maintenance costs and ensures compliance with statutory legislation and standards.

Cessation of Trolley Bus services after many years of operation will require Company organisational change once decommissioning is complete. This will be challenging but it also presents opportunities in other areas and the Company continues to pursue commercial options in associated sectors as and when they arise.

Financial Result

The Company achieved a Net Surplus before Taxation of \$533K which includes \$462k of WCC grant funding for the Cable Car electric drive project. This was treated as revenue in the 2016/17 financial year and the associated expenditure has been capitalised. Excluding the WCC Grant funding, the Company made an accounting surplus of \$71K which is largely due to costs which were required to be expensed as part of the Electric Drive System and associated improvements. As the Company is still in a tax paying position, it is envisaged that the Company will utilise tax losses from Wellington City Council via a subvention payment.

Grant funding of \$3,625K was received from GWRC during the year for Trolley Bus operations, maintenance, and capital works.

The Company continues to maintain solid cash reserves, which have been built up and retained for providing for future capital expenditure in relation to the Cable Car.

These financial results are completed in accordance with the IPSAS reporting standards for Public Benefit Entities. They should be read in conjunction with the associated financial statements and notes to the accounts enclosed with this annual report.

Simon Fleisher
Chief Executive

Wellington Cable Car Limited

Statement of Compliance

As at 30th June 2017

The Directors of Wellington Cable Car Limited hereby confirms that all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.

Director



Director



Date:

2 October 2017

Wellington Cable Car Limited


Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
REVENUE				
Operating Revenue	5	7,243,307	7,249,454	8,952,894
Interest Revenue		13,760	30,000	31,533
Total Operating Revenue		7,257,067	7,279,454	8,984,427
EXPENSES				
Operations and general	6	4,413,107	4,887,810	4,504,458
Auditors' remuneration	7	35,436	35,000	34,477
Impairment of receivables		1,317	-	-
Directors' remuneration	8	45,000	42,672	44,000
Depreciation	15	489,469	393,000	1,162,905
Amortisation	16	26,271	-	19,026
Employees remuneration		1,572,483	1,441,904	1,317,013
Operating leases		141,389	160,273	132,966
Loss on Disposal		-	-	346,111
Impairment of Trolley Bus Network Asset	15	-	-	1,493,496
Total Operating Expenses		6,724,472	6,960,659	9,054,452
SURPLUS / (DEFICIT) BEFORE TAX		532,595	318,795	(70,025)
Income Tax Expense/(Benefit)	13	157,782	95,983	(21,253)
NET SURPLUS / (DEFECIT) AFTER TAX		374,813	222,813	(48,772)
OTHER COMPREHENSIVE REVENUE OR EXPENSE:		-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE:		374,813	222,813	(48,772)

The accompanying notes form part of these Financial Statements and should be read in conjunction with the reports contained herein.

For and on behalf of the Board:

Director 

Director 

Date: 2 October 2017

Wellington Cable Car Limited

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
EQUITY AT START OF YEAR		9,350,036	7,952,000	9,398,808
Total Comprehensive Revenue and Expense		374,813	222,813	(48,772)
EQUITY AT END OF YEAR		<u>\$9,724,849</u>	<u>\$8,174,813</u>	<u>\$9,350,036</u>
MOVEMENTS IN ACCUMULATED				
Accumulated Comprehensive Revenue and Expense at start of year	20	1,915,190	517,154	1,963,962
Net Surplus		374,813	222,813	(48,772)
Accumulated Comprehensive Revenue and Expense at End of Year		<u>2,290,003</u>	<u>739,967</u>	<u>1,915,190</u>
MOVEMENTS IN ISSUED CAPITAL				
Balance at Start of Year	20	7,434,846	7,434,846	7,434,846
Balance at End of Year		<u>7,434,846</u>	<u>7,434,846</u>	<u>7,434,846</u>
EQUITY AT END OF YEAR		<u>\$9,724,849</u>	<u>\$8,174,813</u>	<u>\$9,350,036</u>

The accompanying notes form part of these Financial Statements and should be read in conjunction with the reports contained herein.

For and on behalf of the Board:

Director 

Director 

Date: 2 October 2017



Wellington Cable Car Limited

Statement of Financial Position

As at 30th June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
CURRENT ASSETS				
Cash and cash equivalents		2,254,141	2,173,913	1,806,639
Short term deposits		301,741	200,000	293,477
Trade and other receivables	10	878,954	300,000	1,382,419
Inventories	11	89,023	100,000	345,028
Prepayments		278,490	-	312,617
GST Recoverable		-	-	98,804
Total Current Assets		3,802,349	2,773,913	4,238,984
NON-CURRENT ASSETS				
Property, plant & equipment	15	8,352,198	7,656,000	7,585,784
Intangibles	16	28,522	-	52,793
Total Non-Current Assets		8,380,720	7,656,000	7,638,577
TOTAL ASSETS		12,183,069	10,429,913	11,877,561
CURRENT LIABILITIES				
GST Payable		100,806	154,500	-
Income Tax Payable		123,675	20,600	213,956
Trade and other payables	12	1,270,117	927,000	1,421,953
Employee Benefit Liabilities		147,559	103,000	111,003
Total Current Liabilities		1,642,157	1,205,100	1,746,912
NON-CURRENT LIABILITIES				
Deferred tax liability	14	816,063	1,050,000	780,613
Total Non-Current Liabilities		816,063	1,050,000	780,613
TOTAL LIABILITIES		2,458,220	2,255,100	2,527,525
NET ASSETS		9,724,849	8,174,813	9,350,036
EQUITY				
Contributed Equity		7,434,846	7,434,846	7,434,846
Accumulated Profits		2,290,003	739,967	1,866,417
		9,724,849	8,174,813	9,301,263

The accompanying notes form part of these Financial Statements and should be read in conjunction with the reports contained herein.

For and on behalf of the Board:

Director

Director

Date: 2 October 2017

Wellington Cable Car Limited

Statement of Cash Flow

For the year ended 30 June 2017

	Note	Actual 2017 \$	Budget 2017 \$	Actual 2016 \$
Cash flows from operating activities				
Receipts from operations		7,745,454	7,263,712	10,213,240
Payments to suppliers and employees		(6,032,562)	(6,032,559)	(6,501,567)
Payments of Tax		(1,945)	-	(8,136)
Subvention Payment		(210,668)	(95,983)	(205,200)
Goods and services tax (net)		199,609		(347,555)
<i>Net cash from operating activities</i>		<u>1,699,888</u>	<u>1,135,170</u>	<u>3,150,782</u>
Cash flows from investing activities				
Receipts from interest		13,760	65,743	31,533
Purchase of property, plant and equipment		(1,257,883)	(49,000)	(2,455,940)
Investment in term deposits		(8,263)	-	(4,132)
<i>Net cash from investing activities</i>		<u>(1,252,386)</u>	<u>16,743</u>	<u>(2,428,539)</u>
Cash flows from financing activities				
<i>Net cash from financing activities</i>		<u>-</u>	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		447,502	1,151,913	722,243
Cash and cash equivalents as at the beginning of the year		<u>1,806,639</u>	<u>1,222,000</u>	<u>1,084,396</u>
Cash and cash equivalents at the end of the year		<u>2,254,141</u>	<u>2,373,913</u>	<u>1,806,639</u>

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of Wellington Cable Car Limited. Wellington Cable Car Limited is a company wholly owned by Wellington City Council and is registered under the Companies Act 1993. It is a Council-controlled Organisation as defined by Section 6 of the Local Government Act 2002 and is domiciled in New Zealand

The primary objective of the Wellington Cable Car Limited is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Wellington Cable Car Limited has designated itself as a public benefit entity for Financial Reporting Purposes.

The financial statements are for the year ended 30 June 2017 and were approved by the Board of Directors on 2 October 2017.

Basis of Preparation

These financial statements have been prepared on the basis that the company is a going concern and has the continuing support of its shareholders. Based on the continuing financial support of its shareholders, the company would satisfy the solvency requirements of the Companies Act 1993.

Statement of Compliance

The financial statements of Wellington Cable Car Limited have been prepared in accordance with the reporting requirements of the Companies Act 1993 and the Local Government Act 2002.

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The company is eligible to report as a Tier 2 reporting entity with reduced disclosures on the basis that it does not have public accountability and is not large.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and they comply with PBE accounting standards.

Other accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The financial statements of Wellington Cable Car Limited have been prepared on an historical cost basis, except where modified by the revaluation of trolley bus overhead lines.

The information is presented in New Zealand dollars. Rounding of amounts is to the nearest dollar.

Changes in Accounting Policies

There have been no changes in accounting policies during the current financial year.

Specific Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

(a) Judgements and Estimations

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised when the revision affects only that period. If the revision affects both current and future periods, it is reflected in the current and future periods.

Judgements that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes and highlighted below:

- The net realisable value of inventory in respect of The Trolley Bus division has been estimated at salvage value using recognised market values existing at balance date. Refer to Note 11.
- The value of the pole network has been estimated at its disposal value, being nil. The basis of this being the expected transfer value.

(b) Property, Plant & Equipment

Recognition

Property, plant and equipment consist of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Measurement

Property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised. In accordance with PBE IPSAS 17, borrowing costs are capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset.

Trolley Bus Overhead and Poles

The Traction network is valued at cost less accumulated depreciation in accordance with PBE IPSAS 17, and annually reviewed for impairment to ensure its carrying value is accurately reflected. Please refer to Note 23 for further explanation.

Cable Car Assets

The Cable Car assets comprising the Cable Car Tracks & Wires and Cable Car Equipment are valued at cost less accumulated depreciation in accordance with PBE IPSAS 17, and annually reviewed for impairment to ensure its carrying value is accurately reflected..

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment in accordance with PBE IPSAS 21 and PBE IPSAS 26. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expense.

Disposal

Realised gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to Accumulated Comprehensive Revenue and Expense.

Depreciation

Depreciation is provided on all property, plant and equipment, except for assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The depreciation rates of the major classes of property, plant and equipment are as follows:

Cable Car Tracks & Wires	2%
Cable Car Equipment	2%
Cable Car Equipment	10%-33%
Computer Equipment	33%
Motor Vehicles	20%
Furniture & Fittings	20%
Trolley Bus Overhead Wire	2.5%-20%
Trolley Bus Overhead Wire	10%
Trolley Bus Overhead Protection System	100% (Refer note 15)

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

Work-in-progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed. It is transferred to the relevant asset class only if it is probable that future economic benefits associated with the item will flow to Wellington Cable Car Limited and the cost of the item can be reliably measured.

(c) Foreign Currencies

Transactions in foreign currencies that are settled in the accounting period are translated into NZD (the functional currency) using the spot exchange rates at the dates of the transaction. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Revenue and Expense.



(d) Intangible Assets

Intangible assets comprise computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Revenue and Expense on a straight-line basis over the useful life of the asset.

Typically, the estimated useful lives of these assets are as follows:

Computer Software	3 years
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Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Revenue and Expense.

(e) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

(f) Income Tax

Income tax expense is charged in the Statement of Comprehensive Revenue and Expense in respect of the current year's results. Income tax on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable revenue for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date. Deferred income tax assets are recognised to the extent that it is probable that future taxable surplus will be available against which the temporary differences can be utilised.

(g) Inventories

Wellington Cable Car Limited's inventory comprises of items held in respect of maintaining and operating the Overhead Trolley Bus network. Any inventory items utilised in providing this service is reimbursed by Greater Wellington Regional Council at its cost to Wellington Cable Car Limited. In accordance with PBE IPSAS 12, all inventory has been valued at the lower of cost using the weighted average cost formula or net realisable value. Any inventory items that are reclaimed from the existing Overhead Network are entered into inventory at a nil cost value, and where subsequently refurbished, the refurbishment costs are included in calculating the weighted average cost of that item.

(h) Leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Revenue and Expense in the period in which they are incurred. Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease payment.

(i) Statement of Cash Flow

The Statement of Cash Flow has been prepared using the direct approach.

Operating activities include cash received from all revenue sources of the company and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the company.

(j) Related Parties

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties also include key management personnel or a close member of the family of any key management personnel.

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a Director during the reporting period. Directors' remuneration does not include reimbursement of legitimate work expenses or the provision of work-related equipment such as cell phones and laptops.

(k) Financial Instruments

Wellington Cable Car Limited classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Trade and other receivables

Trade and other receivables are recorded at their fair value, less any provision for impairment. A provision for impairment is established where there is objective evidence that the company will not be able to collect all amounts according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using effective interest method. Receivables with a short duration are not discounted.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their fair value.

Short Term Investments

Short term investments comprise an ANZ term deposit that is invested for a period of less than 12 months. This is recorded at its fair value.

Trade and other payables

Short term payables are recorded at face value.

(l) Revenue

Wellington Cable Car Limited derives revenue from the cable car passenger service with fares being the sole source of income.

Additional revenue is received from projects in relation to the Traction Network to modify the network at the request of outside parties and there are also pole occupancy licences in place.

Revenue is recognised when billed or earned on an accrual basis. The non-exchange revenue consists of the funding for the operation of the Trolley Bus Network which is received from Greater Wellington Regional Council and also funding received from Wellington City Council for the replacement of the electric drive system.

- Exchange	3,170,573
- Non -Exchange	4,086,494
	<u>7,257,067</u>

(m) Grants

The trolley bus overhead wiring system funding is from contract payments by the Greater Wellington Regional Council.

Grants are recognised as revenue when received, unless conditions apply. Any grants for which conditions apply under the grant agreement are carried as liabilities until all the conditions have been fulfilled.

(n) Expenses

Expenses are recognised when the goods or services have been received on an accrual basis.

(o) Employee Benefit liabilities

A provision for employee benefits (holiday leave) is recognised as a liability when benefits are earned but not paid.

Holiday leave is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) and 16(4) of the Holidays Act 2003.

2. NATURE OF THE BUSINESS

Wellington Cable Car Limited owns and maintains the trolley bus overhead network in the Wellington City area and some suburbs providing a facility for the use of NZBus who are contracted to provide trolley bus services by Greater Wellington Regional Council. The cost of the overhead network maintenance is funded by Greater Wellington Regional Council.

Wellington Cable Car Limited also owns and operates the Wellington Cable Car providing a passenger service and acting as a tourist attraction for the city of Wellington.

The cable car business is funded from cable car fares.

The funding agreement with the Greater Wellington Regional Council provides revenue to meet the cost of the overhead network maintenance for the Trolleybus Overhead wire system. Further revenue is derived from pole service charges levied on third parties utilising the company's poles to support telecommunication cables and other equipment. Revenue has also been derived from various pole placements arising from changes to the trolley overhead system to accommodate street and underground services changes. Management fees are also collected from third parties operating high vehicle/loads and those requiring safe access in proximity to the overhead wires by having the lines de-energised.

As a result of the review of public transport services during the 2014 year where a decision was made to cease Trolley Bus services in Wellington with effect from 31 October 2017. The impacts of this decision is discussed in Note 3.

3. CESSATION OF TROLLEY BUS SERVICES

In April 2017, the Greater Wellington Regional Council confirmed that the trolley bus service would operate until 31 October 2017. This is the effective termination date for the service. As a result of this decision, Wellington Cable Car Limited commenced and completed the tendering process for the de-commissioning of the network, working closely with Greater Wellington Regional Council and Wellington City Council on this. Detailed planning for the de-commissioning of the network is now well underway, and this is planned to commence in November 2017 post the cessation of the Trolley Bus Service. The de-commissioning will be completed over a 12 month period.

The de-commissioning project will be funded through disposal of the Overhead Network division assets and assistance from the Greater Wellington Regional Council. An approved funding agreement was endorsed by both Wellington Cable Car Limited and the Greater Wellington Regional Council in May 2017. While it is expected that the funding agreement will cover the costs associated with the de-commissioning project, there is a risk that Wellington Cable Car Limited may be exposed to any shortfall in funding for the de-commissioning project if costs were to exceed the current funding agreement. For more information refer to note 4.

The decision to cease Trolley Bus services in Wellington has a significant impact on the activities of Wellington Cable Car Limited. With the termination of the Trolley Bus Service and de-commissioning of the overhead network, following completion of the de-commissioning it will leave the Wellington Cable Car Limited with only its Cable Car operations. No decisions have yet been made in respect of the future of the Wellington Cable Car Limited. Discussions will be ongoing over the coming year with Wellington City Council to assess future operating model options.

4. CONTINGENT LIABILITIES

At balance date there is one known contingent liability. This is in respect of the de-commissioning of the Overhead Network as a result of the decision to cease Trolley Bus services with effect from 31 October 2017 as outlined in note 3.

Based on current cost estimates to de-commission, the Company does not have a financial exposure (2016:\$3,000,000); however the Company may be exposed to any shortfall in funding for the de-commissioning should actual costs of the project exceed the current agreed funding cap agreed by Greater Wellington Regional Council of \$6,811,043 and further funding is not approved by Greater Wellington Regional Council.

5. OPERATING REVENUE

	2017	2016
	\$	\$
Cable Car revenue	2,480,552	2,731,469
GWRC revenue	3,624,612	3,718,251
Third party contract revenue	472,663	165,628
WCC revenue - Electric Drive Replacement Project	461,882	2,056,731
Miscellaneous revenue	203,598	280,815
	<u>7,243,307</u>	<u>8,952,894</u>

6. OPERATIONS AND GENERAL EXPENSES

	2017	2016
	\$	\$
Cable car operational costs	627,368	492,482
Overhead contractor expenses	1,698,452	1,700,598
Overhead operational costs	314,089	302,992
Overhead impairment of inventory	312,436	250,000
Overhead repairs and maintenance	563,621	1,110,949
Miscellaneous expenses	897,141	647,437
	<u>4,413,107</u>	<u>4,504,458</u>

7. AUDITOR'S REMUNERATION

Amounts received or due and receivable by Audit New Zealand on behalf of the Auditor-General for:

	2017	2016
	\$	\$
Auditing the financial statements	35,436	34,477
	<u>35,436</u>	<u>34,477</u>

8. RELATED PARTIES

Wellington Cable Car Limited (100% owned by WCC) contracts various services from Wellington City Council.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Wellington Cable Car Limited would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other Councils / Council Controlled Organisations are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Councils / Council Controlled Organisations and undertaken on the normal terms and conditions for such transactions.

We are required to disclose the remuneration and related party transactions of key management personnel, which comprise the Directors, the Chief Executive, the Overhead Manager, the Cable Car Maintenance Manager, Chief Financial Officer, Project Manager and the Passenger Service Manager.

Key management personnel

	2017	2016
	\$	\$
Key management personnel remuneration	678,180	518,470
Full-time equivalent members	6	4

Directors' remuneration

	2017	2016
	\$	\$
A Matthews (Appointed 1 April 2014)	15,000	20,000
A Wilson (Appointed 1 April 2014)	30,000	24,000
Total Directors' remuneration	<u>45,000</u>	<u>44,000</u>
Full-time equivalent members	<u>2</u>	<u>2</u>
Total Related Party Remuneration	723,180	562,470
Total Full-time equivalent members	8	6

There have been no other transactions with Directors other than Directors' remuneration.

In respect of director's remuneration, the amount stated above in respect of the 2017 year discloses actual amounts paid.

It is noted that the directors' remuneration listed above for A Matthews and A Wilson is payable to Wellington City Council.

The company purchases accounting services from Add Smart Limited. These costs total \$123,280 (2016: \$118,162) and were supplied on normal commercial terms. There was outstanding balance on unpaid invoices of \$11,280.06 (2016:\$11,280.06). Bruce Jensen, the Chief Financial Officer of the Company is a director of Addsmart Limited.

9. FINANCIAL INSTRUMENTS

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

Financial Assets

	2017	2016
	\$	\$
Cash and cash equivalents	2,254,141	1,806,639
Short term deposits	301,741	293,477
Trade receivables	815,761	815,748
Other receivables	62,163	566,671
Total Financial assets	<u>3,433,806</u>	<u>3,482,535</u>

Financial Liabilities

	2017	2016
	\$	\$
Trade payables	594,387	773,692
Accrued expenses	664,450	648,261
Related party payables	11,280	0
	<u>1,270,117</u>	<u>1,421,953</u>

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	\$	\$
Trade receivables	812,108	395,737
Related party receivables	4,683	420,693
Net trade receivables	<u>816,791</u>	<u>816,430</u>
Accrued Income	62,163	566,671
	<u>878,954</u>	<u>1,383,101</u>

The above balance comprise the following :

Exchange: \$241,151 (2016: \$1,111,018)

Non-Exchange: \$636,319 (2016: \$270,719)

The Company has not provided for any impairment of debtors based on a review of significant debtor balances and a collective assessment of all debtors. The collective impairment assessment is based on an analysis of past collection history and write-offs.

11. INVENTORY

	2017	2016
	\$	\$
Overhead division inventory valuation	291,984	587,887
Net realisable value adjustment	<u>(235,276)</u>	<u>(250,000)</u>
	56,708	337,887
Cable Car inventory	32,315	7,141
	<u>89,023</u>	<u>345,028</u>

In the current year the Company has adjusted the carrying value of the Overhead division inventory as a result of the planned cessation of Trolley Bus services from 31 October 2017. Please refer to note 3 for further detail in respect of the impact of this on the Company.

12. TRADE AND OTHER PAYABLES

	2017	2016
	\$	\$
Trade payables	594,387	773,692
Accrued Expenses	664,450	648,261
Related party payables	11,280	-
	<u>1,270,117</u>	<u>1,421,953</u>
The above consists of:		
Total payables from exchange transactions	1,270,117	1,421,953
Total payables from non-exchange transactions	-	-
	<u>1,270,117</u>	<u>1,421,953</u>

13. INCOME TAX EXPENSE

	2017	2016
	\$	\$
Current year	125,621	222,141
Adjustments to current tax in prior periods	(279)	(22)
Deferred tax	32,440	(243,372)
	<u>157,782</u>	<u>(21,253)</u>

Reconciliation of effective tax rate:

	2017	2016
	\$	\$
Surplus for the period excluding income tax	532,595	(70,026)
Prima facie income tax at 28%	149,127	(19,607)
Effect of non-deductible expenses	1,013,194	1,041,736
Effect of tax exempt income	(1,136,581)	(1,616,995)
Prior period adjustment	(279)	(22)
Effect of group loss offset	-	-
Deferred tax adjustment	132,321	573,635
	<u>157,782</u>	<u>(21,253)</u>

Wellington Cable Car Limited's tax liability for 2016 was satisfied by way of offset by tax losses from / subvention payment to WCC. It is expected that the tax liability for the 2017 year will be offset by tax losses from / subvention payment to WCC however no amount has been provided for this.

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets/(liabilities):

	Property, plant & equipment \$	Provisions \$	Total \$
Balance, 30 June 2015	(1,097,790)	78,762	(1,019,028)
Charged to Revenue	165,109	73,306	238,415
Charged to other comprehensive income	-	-	-
Balance, 30 June 2016	\$ (932,681)	\$ 152,068	\$ (780,613)
Charged to Revenue	(60,576)	25,125	(35,450)
Charged to other comprehensive income	-	-	-
Balance, 30 June 2017	\$ (993,257)	\$ 177,194	\$ (816,063)

15. PROPERTY, PLANT & EQUIPMENT

	2017	2016
	\$	\$
Cable Car and equipment Cost		
Opening balance	4,946,565	5,637,124
Additions	14,972	-
Transfer from WIP	463,369	-
Disposals	-	(690,559)
Closing balance	<u>5,424,906</u>	<u>4,946,565</u>
Accumulated depreciation		
Opening balance	1,215,566	1,443,272
Current year depreciation	158,438	116,742
Disposals	-	(344,448)
Closing balance	<u>1,374,004</u>	<u>1,215,566</u>
Carrying amount	<u>4,050,902</u>	<u>3,730,999</u>
Cable car tracks and wires Costs		
Opening balance	1,363,778	1,363,778
Additions	1,199,042	-
Transfer from WIP	1,969,107	-
Disposals	-	-
Closing balance	<u>4,531,927</u>	<u>1,363,778</u>
Accumulated depreciation		
Opening balance	463,687	436,411
Current year depreciation	115,280	27,276
Closing balance	<u>578,967</u>	<u>463,687</u>
Carrying amount	<u>3,952,960</u>	<u>900,091</u>

Trolley bus overhead

Cost/Valuation

Opening balance	(0)	461,333
Impairment	-	(461,333)
Closing balance	(0)	(0)

Accumulated depreciation

Opening balance	0	11,966
Current year depreciation	-	11,533
Elimination of depreciation on impairment	-	(23,499)
Closing balance	0	0

Carrying amount

-	-
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Wire system equipment Cost

Opening balance	79,506	79,506
Transfer from WIP	-	1,847,409
Impairment	-	(1,847,409)
Closing balance	79,506	79,506

Accumulated depreciation

Opening balance	61,207	54,465
Current year depreciation	6,671	798,489
Elimination of depreciation on impairment	-	(791,747)
Closing balance	67,878	61,207

Carrying amount

11,628	18,299
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Motor vehicles Cost

Opening balance	1,026,850	1,026,850
Additions	-	-
Disposals	-	-
Closing balance	1,026,850	1,026,850

Accumulated depreciation

Opening balance	546,155	359,343
Current year depreciation	186,812	186,812
Disposals	-	-
Closing balance	732,967	546,155

Carrying amount

293,883	480,695
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Furniture Cost

Opening balance	61,238	61,238
Additions	13,141	-
Disposals	-	-
Closing balance	74,379	61,238

Accumulated depreciation

Opening balance	52,580	46,832
Current year depreciation	6,963	5,748
Closing balance	59,543	52,580

Carrying amount

14,836	8,658
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Computer equipment Cost

Opening balance	252,370	283,197
Additions	27,771	1,039
Disposals	-	(31,866)
Closing balance	280,141	252,370

Accumulated depreciation

Opening balance	237,805	253,366
Current year depreciation	15,305	16,305
Disposals	-	(31,866)
Closing balance	253,110	237,805

Carrying amount

27,031	14,565
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Work-In-Progress Cost

Opening balance	2,432,477	1,855,525
Additions	957	2,424,361
Transfer to Cable Car and equipment	(463,369)	-
Transfer to Cable car tracks and wires	(1,969,107)	(1,847,409)
Closing balance	<u>958</u>	<u>2,432,477</u>

Accumulated depreciation

Opening balance	-	-
Current year depreciation	-	-
Closing balance	<u>-</u>	<u>-</u>
Carrying amount	<u>958</u>	<u>2,432,477</u>

Total Property, Plant & Equipment Cost

Opening balance	10,162,784	10,768,551
Additions	1,255,883	2,425,400
Transfer to/from WIP	-	-
Disposals	-	(722,425)
Impairment	-	(2,308,742)
Closing balance	<u>11,418,667</u>	<u>10,162,784</u>

Accumulated depreciation

Opening balance	2,577,000	2,605,655
Current year depreciation	489,469	1,162,905
Elimination of depreciation on impairment	-	(815,246)
Disposals	-	(376,314)
Closing balance	<u>3,066,469</u>	<u>2,577,000</u>

Carrying amount

<u>8,352,198</u>	<u>7,585,784</u>
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Motor Vehicles

It is noted that of the total carrying value of motor vehicles owned by Wellington Cable Car Limited, \$274,269 pertains to motor vehicles utilised in the Overhead division of the Company.

Trolley Bus Overhead Network

The Trolley Bus Overhead Network assets comprise both Poles and Wires and associated network assets, specifically the Trolley Bus Overhead Protection System (included within the wire system equipment category). Wellington Cable Car Limited is unable to determine the split between poles and wires given the historical cost information when the network was acquired, however using the current replacement cost as a proxy, Wellington Cable Car Limited has calculated the split to be approximately 69% Poles and 31% Wires.

Restrictions

There are no restrictions over Wellington Cable Car Limited's property, plant & equipment. No property, plant or equipment are pledged as security for liabilities.

16. INTANGIBLES

	2017 \$	2016 \$
Cost		
Opening balance	202,707	172,167
Acquired by direct purchase	<u>2,000</u>	<u>30,540</u>
Closing balance	<u>204,707</u>	<u>202,707</u>
Accumulated amortisation		
Opening balance	149,914	130,888
Current year amortisation	<u>26,271</u>	<u>19,026</u>
Closing balance	<u>176,185</u>	<u>149,914</u>
Carrying amount	<u>28,522</u>	<u>52,793</u>

Restrictions

There are no restrictions over the title of Wellington Cable Car Limited's intangible assets. No intangible assets are pledged as security for liabilities.



17. OPERATING LEASE COMMITMENTS

	2017	2016
	\$	\$
Non-cancellable operating lease commitments:		
Land and Buildings		
Not later than 1 year	97,929	99,238
Later than 1 and not later than 2 years	-	82,552
	<u>97,929</u>	<u>181,790</u>
Plant and equipment		
Not later than 1 year	21,133	22,333
Later than 1 and not later than 2 years	25,040	25,040
	<u>46,173</u>	<u>47,373</u>
	<u>144,102</u>	<u>229,163</u>

18. OPERATING AND CAPITAL COMMITMENTS

	2017	2016
	\$	\$
Contractor		
Not later than 1 year	-	2,700,000
	<u>-</u>	<u>2,700,000</u>

As outlined in Notes 3 and 4, the Company will be commencing the decommissioning of the Trolley Bus network post the cessation of Trolley Bus services on 31 October 2017. This project will largely be completed by third party contractors, with the total project value estimated to be \$6,811,043, of which is contractually to be funded by the Greater Wellington Regional Council.

Capital Commitments

At balance date there are capital commitments totalling \$0 in relation to the replacement of the cable car electric drive and control systems. (2016: \$1,365,469)

19. BORROWINGS

Bank overdraft

Wellington Cable Car Limited's bank overdraft facility totals \$50,000. The current interest rate on the facility is 11% (2016:10.90%). The actual overdraft facility was un-drawn as at 30 June 2017 (2016: un-drawn).

20. SHAREHOLDERS' EQUITY

Capital

These shares have full voting rights and participate fully in all dividends and proceeds upon winding up.

	2017	2016
	\$	\$
7,434,746 fully paid Ordinary Shares (Par Value \$1)	7,434,846	7,434,846
Total Issued and Paid up Capital	<u>7,434,846</u>	<u>7,434,846</u>

Accumulated Comprehensive Revenue and Expense

	2017	2016
	\$	\$
Accumulated Comprehensive Revenue & Expense Opening Balance	1,915,190	1,963,962
Net Surplus after tax	374,813	(48,772)
Available for appropriation	<u>2,290,003</u>	<u>1,915,190</u>
Accumulated Comprehensive Revenue & Expense Closing Balance	<u>2,290,003</u>	<u>1,915,190</u>

21. SIGNIFICANT EVENTS AFTER BALANCE DATE

There are no significant events that have occurred after balance date:

22. STATUTORY DEADLINE

Section 67 of the Local Government Act 2002 requires delivery to shareholders and available to the public within three months of balance date.

23. MAJOR VARIANCES TO BUDGET

The following are explanations in respect of the major variances between the actual and budgeted results for the year ended 30 June 2017 for the financial reports on pages 5 to 8.

Statement of Comprehensive Revenue and Expense

The Company achieved minor cost savings and efficiencies over a number of areas relating to operating and maintaining the Cable Car, however the major variances relate to the Overhead Network and the effects of the replacement of the Cable Car electric drive system.

The funding for the maintenance and capital works for the Overhead Network is supplied by Greater Wellington Regional Council (GWRC) and, as such, the Company does not derive a surplus on Overhead Network operations.

For the year ending 30 June 2017, the major variances relate to costs savings and deferrals in regard to the following four areas:

(a) Overhead Division Operational Expenses - operational expenses incurred were \$.24m less than budgeted which consists of \$.22m of internal budgetted costs where costs incurred were less than budgeted (including vehicle costs and office rental), (\$.32m) in respect of actual spend on reactive maintenance being less than that budgeted, and an additional \$.31m in costs in relation to the impairment of the overhead inventory value. The reduction in reactive maintenance is largely due to the improved condition of the network but also based on prior years there were less external factors and events that required maintenance work.

(b) Pole Replacements - Actual pole replacement costs were \$.27m less than originally budgeted for the year. This variance is due to the confirmed decision to cease Trolley Bus services in October 2017 and agreement with GWRC thereon to reduce the planned pole replacement programme. Contractor resourcing constraints and external pole users further restricted the number of poles that could be replaced during the year.

(c) Electric drive system and associated replacement project - as a result of completing this project, unbudgeted costs of \$.26m were expensed in the current year; noting that this project had been budgeted to be completed in the year ended 30 June 2016.

(d) Consideration of entering into the Metlink Public Transport Network - As part of reviewing the long term funding of the Company, consideration was had into entering into the Metlink Public Transport Network. Costs of \$.11m were incurred in relation to this which were unbudgeted.

Statement of Changes in Equity

The major variance between the actual position as at 30 June 2017 and that originally budgeted by the Company relates to the increased surplus for the year which is outlined above in the Statement of Comprehensive Revenue and Expense section along with the effects of the opening equity balance.

Statement of Financial Position

Other than the impact of the variance between the budgeted and actual surplus for the 2016/17 year which resulted in larger cash reserves than expected and associated tax payable, the major variances in the Statement of Financial Position between the actual and budgeted positions is due to trade payables and trade receivables and also the impact of the replacement of the electric drive system.

Trade payables and trade receivables are dependent largely on the timing of work completion and capital projects. For the year ended 30 June 2017, the significant project which was in progress was in respect of the replacement of the Cable Car electric drive system for which there were large payables to the Company's supplier but also Wellington City Council in respect of the grant income reimbursement for certain parts of these costs.

The replacement of the Cable Car electric drive system also has impacted on the budgeted position in respect of fixed assets, as additional work was completed on this project than originally budgeted and the timing of the expenditure being incurred, specifically it had been budgeted to be completed in the 2016 year.

Statement of Cash Flow

The receipts from operations are significantly higher than budgeted given the financial performance of the Company along with the grant income being received from Wellington City Council in respect of the Cable Car electric drive replacement project.

As stated above in respect of the Statement of Financial Position, the deferral of the electric drive replacement into the 2017 financial year has resulted expenditure on fixed assets being higher than that originally budgeted.

Wellington Cable Car Limited

Statement of Service Performance For the year ended 30 June 2017

Cable Car Service Performance Measures

Performance Indicator	Measure	Target/Result	Actual - 2017	Actual - 2016
Cable car vehicles, track, tunnels, bridges, buildings and equipment are maintained to required safety standards	Approval by NZTA to be obtained each year.	Timely approval received	Achieved.	Achieved.
Cable Car service reliability	Percentage reliability	Greater than 99%	<i>Result 99.83%. Achieved. Noting that due to the electric drive system and controls upgrade which was completed in August 2016, reliability statistics were not reportable until April 2017 given the equipment supplier could not provide the information in the format required. Given this, the Company developed a system internally. Therefore the stated result is for the three month period April to June 2017.</i>	<i>Result 99.90%. Achieved. Noting the Cable Car stopped service on 5 June as part of the electric drive system and controls upgrade.</i>
Wellington Residents Satisfaction Survey	Q1. Have you used the cable car in the last 12 months?	30% of respondents have used cable car	<i>Result 44.9%</i>	<i>Result 50.7%</i>
	Q2. How do you rate the standard and operational reliability of the Cable Car (Good Very good)	95% of respondents with some knowledge of the Cable Car rate it Good or Very good	<i>Result 93.8%</i>	<i>Result 94.4%</i>
Cable Car Service maintains Qualmark endorsement to confirm that the Cable Car Service meets the established tourism standards	Qualmark endorsement maintained	Qualmark endorsement maintained when annual requalification is required	<i>Qualmark endorsement applied for and achieved in 2016.</i>	<i>Qualmark endorsement applied for and achieved in 2016.</i>
Cable Car Asset Management Plan (AMP) produced and implemented	Asset Management Plan agreed and signed off	Asset Management Plan implemented and long term planning and financial implications fed into WCCL, WCC and GWRC planning systems	<i>Asset Management Plan reviewed and updated as part of completing the 2017/18 business plan in February 2017</i>	<i>Completed January 2016</i>
Cable Car Passenger Trips	Passenger trips as per the estimates in the table below	Passenger trip estimates achieved	<i>Not achieved. This is due to the electric drive and systems replacement project extending for a longer period of time than first planned and the Wellington earthquake in November 2016 which resulted in fewer passenger numbers in the second quarter of the 2016/17 year.</i>	<i>Achieved - see table below</i>

Cable Car Patronage

All Passenger Trips

2016/17	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Estimated Passenger Trips	149,815	293,325	354,332	200,039	997,511
Actual Passenger Trips	107,434	266,165	355,584	241,183	970,366

Trolley Bus Overhead Network Performance Measures

Performance Indicator	Measure	Target Result	Actual - 2017	Actual - 2016
Hazard Notices issued to WCCL in respect of Network Issues	Number of hazard notices issued to WCCL in respect of network issues caused by WCCL or a result of inadequate maintenance by WCCL.	Nil notices	<i>Nil notices issued - Achieved</i>	<i>Nil notices issued - Achieved</i>
Number of power outages on the Trolley Bus Overhead Electrical Network attributable to WCCL	Number of power outages occurring on the network	24 per annum	<i>WCCL believes this is not an appropriate measure and has been replaced with the measure above, being hazard notices issued.</i>	<i>WCCL believes this is not an appropriate measure and has been replaced with the measure above, being hazard notices issued.</i>

Performance Indicator	Measure	Target Result		
Trolley Bus Overhead Network Asset Management Plan (AMP) updated and reviewed	Draft Asset Management Plan completion	Asset Management Plan agreed and planning implications fed into GWRC planning system	<i>Achieved - GWRC and WCCCL agreed and documented in Contract Variation C1006 that a full update of the previously provided AMP was not required for the 2015/16 financial year; but WCCCL was required to provide an initial updated financial forecast for the 2015/16 and 2016/17 years to GWRC by 30 September 2015 for discussion between the parties. WCCCL provided this to GWRC on 23 September 2015.</i>	<i>Achieved - GWRC and WCCCL agreed and documented in Contract Variation C1006 that a full update of the previously provided AMP was not required for the 2015/16 financial year; but WCCCL was required to provide an initial updated financial forecast for the 2015/16 and 2016/17 years to GWRC by 30 September 2015 for discussion between the parties. WCCCL provided this to GWRC on 23 September 2015.</i>
Trolley Bus Overhead Network Decommissioning Project	Trolley Bus Overhead Network Decommissioning Plan and Schedule agreed with GWRC and tender process completed	Process for safe and efficient Trolley Bus Overhead Network Decommissioning organised and ready to commence at the appropriate time	<i>Achieved - Tender process completed and contract finalised with the successful tenderer. Planning completed for project to commence in November 2017</i>	<i>Achieved - Financial estimates completed by WCCCL and provided to GWRC for inclusion in both GWRC and WCCCL's business plans.</i>
Trolley Bus Overhead Network Poles identified in the AMP as requiring urgent and critical replacement are programmed for replacement	Pole replacements completion	Completed in accordance with the programme	<i>The pole replacement programme for 2016/17 was 50 planned pole replacements as agreed with GWRC. 55 poles were completed during the year and a further 25 commenced but not completed due to third party work being required.</i>	<i>The pole replacement programme for 2015/16 was modified to 50 planned pole replacements post agreement with GWRC. 47 poles were completed during the year and a further 7 commenced but not completed due to third party work being required.</i>
GWRC funding and performance agreement compliance	Number of breaches of agreement	Nil breaches by WCCCL Nil complaints from GWRC	<i>Nil breaches have been from a reporting perspective and agreed with GWRC. No penalties have been incurred.</i>	<i>Nil breaches have been from a reporting perspective and agreed with GWRC. No penalties have been incurred.</i>

All of WCCCL Activities Performance Measures

Performance Indicator	Measure	Target Result	Actual - 2017	Actual - 2016
Compliance with appropriate regulations and statutes	Number of adverse comments from the relevant regulatory authorities	Nil adverse comments	<i>Achieved</i>	<i>Achieved</i>
WCCCL Corporate and Operational Risks are proactively identified, assessed and managed to an As Low As Reasonably Practicable (ALARP) level in accordance with the principles contained in AS NZS ISO 31000:2009	WCCCL Corporate and Operational Risks are proactively identified, assessed and managed	Nil Extreme Risks extant High Risks are proactively managed and eliminated or minimised	<i>Achieved - WCCCL management has a risk register and monitors and manages all identified risks including regular reporting to the Board.</i>	<i>Achieved - WCCCL management has a risk register and monitors and manages all identified risks including regular reporting to the Board.</i>
Budgetary requirements approved by the WCCCL Board are met	Degree of variance from budget	Within 10% of Board approved variance	<i>All variances approved and signed off by the Directors at the following Board meeting.</i>	<i>All variances approved and signed off by the Directors at the following Board meeting.</i>
Board delegations are adhered to	Board and leadership team approvals of financial and contractual commitments and expenditure	All approvals of financial and contractual commitments and expenditure are in accordance with delegations policy	<i>Achieved</i>	<i>Achieved</i>
WCCCL can fund its long-term Cable Car capital expenditure programme	Appropriate budgeted amount set aside each year for long-term capital works programme	Sufficient financial reserves are maintained to permit funding of capital works programme as included in the Asset Management Plan, through a combination of cash, external borrowings and grants external funding	<i>Not achieved. As part of updating the Cable Car Asset Management Plan and the required capital works to be undertaken it was identified there would be cash shortfalls in the short to medium term. WCCCL is working with stakeholders (specifically NZTA/GWRC and WCC) in relation to the long term capital funding of the Company.</i>	<i>Not achieved. As part of updating the Cable Car Asset Management Plan and the required capital works to be undertaken, in the short to medium term, WCCCL is currently largely funding the Electric Drive replacement which commenced in the 2015/16 year and was completed early in the 2016/17 year. In addition, WCCCL is working with stakeholders (specifically NZTA/GWRC and WCC) in relation to the long term capital funding of the Company.</i>

Wellington Cable Car Limited

Company Directory

As at 30th June 2017

Issued Capital:	7,434,746 fully paid Ordinary Shares
Registered Office:	30 Glover Street Ngauranga Wellington, NEW ZEALAND
Directors:	Mr A W Matthews Mr A E Wilson
Company Number:	502158
Auditors:	Audit New Zealand on behalf of the Auditor-General
Bankers:	ANZ Bank New Zealand Limited
Share Registry	Level 4, Civic Administration Building 101 Wakefield Street Wellington, NEW ZEALAND
Solicitors:	Morrison Mallet
Date of Formation	2 April 1991

Independent Auditor's Report

To the readers of Wellington Cable Car Limited's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Wellington Cable Car Limited (the company). The Auditor-General has appointed me, Mari-Anne Williamson, 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 5 to 20, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flow 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 pages 21 and 22.

In our opinion:

- the financial statements of the company on pages 5 to 20:
 - 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 Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 21 and 22 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 2 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to disclosures about the effects of the cessation of the trolley bus service. 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.

Effects of the cessation of the overhead trolley bus service

Without modifying our opinion, we draw your attention to note three on page 13, which explains the effect of the cessation of the trolley bus service from 31 October 2017, and the associated decommissioning of the related network assets. The decision to cease the trolley bus service significantly affects the activities of the company, which are explained in Note 2 on page 13. No decision has been made regarding the company's future operations. We consider the disclosures about the cessation of the overhead trolley bus service to be adequate.

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.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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 1 to 4 and 23, 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.



Mari-Anne Williamson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand