

Wellington Cable Car Limited

Annual Report

For the year ended 30 June 2020

Wellington Cable Car Limited

Annual Report

For the year ended 30 June 2020

Contents	Page
Chairman's Report	3
CEO's Report	4
Statement of Compliance	5
Statement of Comprehensive Revenue and Expense	6
Statement of Changes in Equity	7
Statement of Financial Position	8
Cash Flow Statement	9
Notes to the Financial Statements	10
Statement of Service Performance	20
Company Directory	21
Independent Auditor's Report	22

Wellington Cable Car Limited

Chairman's Report

For the year ended 30 June 2020

2019/20 has been a challenging year for Wellington Cable Car Limited. After achieving record visitation in consecutive years of 2018 and 2019, the Covid-19 pandemic had a significant impact on visitation and company profit in the second half of the year and will likely do so for some time to come. The effect of enforced closure during the 'lockdown' period, lower domestic visitation during level three and level two restrictions and the continued closure of international borders is considerable for organisations like ours, which have high fixed costs and a strong reliance on tourist visitation including cruise ship passengers.

Despite the financial deficit incurred this year the Company balance sheet remains strong, by virtue of the cash reserves that have been built over recent years to fund future asset replacement. Redirecting these reserves into sustaining the Cable Car operation for local commuters and domestic tourists is manageable in the short-term, but uncertainty remains around long-term financial sustainability without an international tourist market. We acknowledge and thank our parent organisation Wellington City Council for including supplementary funding support in its 2020/21 Annual Plan in the likelihood that the negative impact of Covid-19 on the profitability of its Council Controlled Organisation continues.

I have been particularly proud of the how the Company and its staff have pivoted to manage these challenges and uncertainty. As the Covid-19 pandemic was emerging we welcomed Cesar Piotto as our Chief Executive and thanked Stephen Ward, who had filled the acting role and has returned to his position as Asset and Engineering Manager. They and the rest of the team have worked hard to balance the continued provision of a great service and an iconic experience with operational and financial sustainability.

While providing challenges the past year has also provided a catalyst for Wellington Cable Car Limited to consider how it can enhance its service, improve efficiency and work with other organisations to improve the broader offering to Cable Car guests. The Board look forward to working with Cesar and his team to make the most of the opportunity this provides.

Andy Matthews

Chair

Wellington Cable Car Limited

CEO's Report

For the year ended 30 June 2020

The 2019-20 year proved to be a year of two halves for the Wellington Cable Car Limited. Strong performance in the first six months of the year, saw the Cable Car on track to achieve visitation & revenue targets and deliver forecasted performance. In February 2020, NZ saw its first case of COVID-19, and in rapid succession, NZ closed its borders and went into complete lockdown. This has provided unprecedented disruption to the NZ economy, and all businesses are having to navigate these uncertain times, with no foreseeable end to the interruption.

Prior to COVID-19, the Cable Car was well on the way to delivering the measures for our operational and strategic focus areas. The Cable Car was on track to achieve an after-tax surplus, despite additional maintenance costs being incurred. However the impacts of Covid-19 on visitation have resulted in a \$620k deficit before tax. Looking ahead, anticipating international borders remaining closed for the foreseeable future, the Cable Car is also forecasting to make a significant deficit for the 2020-21 financial year.

Wellington Cable Car Limited has sufficient cash reserves to maintain its ability to trade, however prolonged border closures and regional lockdowns will put significant pressure on the business. The Cable Car owns its assets, and as a result, has a responsibility to maintain critical assets to ensure the safe operation of the Cable Car. To ensure this we took advantage of the reduced patronage as a result of Covid-19 to carry out additional maintenance works. Going forward the challenge will be to balance repairs and maintenance requirements and the capital investment programme with an environment of reduced visitation and revenues.

With the elimination of international visitors, the team has renewed its focus on domestic visitation and the commuter & student markets. The team have been rekindling old relationships specifically with Victoria University of Wellington, the University Students Association (VUWSA) and halls of residence located close to our stops and local commuters. With an open mind, and a new collaborative approach, there are some exciting opportunities being explored.

The safe and efficient running of one of Wellingtons most iconic attraction is thanks to a small but dedicated group of individuals who are passionate about their work. It is essential to acknowledge that the dedication and passion of our staff is fundamental to the ability of the organisation to change and respond to the challenges ahead.

Cesar N Piotto
Chief Executive

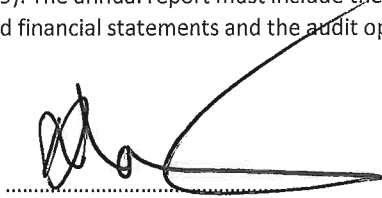
Wellington Cable Car Limited

Statement of Compliance

As at 30 June 2020

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 the exception of breach of statutory deadline: Section 67 of the Local Government Act 2002 requires CCOs to complete the annual report, deliver it to shareholders and make it available to the public by 30 November 2020 (deadline extended from 30 September this year due to Covid-19). The annual report must include the information required in sections 68 and 69 of the Act. Section 69 states that the audited financial statements and the audit opinion must be included in the published annual report

Director



Director



Date: 7 December 2020


Wellington Cable Car Limited

Statement of Comprehensive Revenue and Expense For the year ended 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
REVENUE				
Cable Car Revenue		2,782,803	3,648,161	3,582,803
Operating Revenue		16,049	47,000	1,671,918
Interest Revenue		111,598	95,625	48,881
Total Operating Revenue	5A	2,910,450	3,790,786	5,303,602
Government Wage Subsidy Received	5B	138,859	-	-
Total Revenue		3,049,309	-	-
EXPENSES				
Operations and general	6	1,829,070	1,133,500	2,308,909
Auditor's remuneration	8	36,425	50,000	36,413
Directors' remuneration	9	45,000	45,000	45,388
Depreciation	16	286,492	250,000	376,930
Amortisation	17	7,427	-	12,352
Employees' remuneration		1,354,363	1,510,000	1,551,608
Operating leases		110,945	107,500	41,573
Total Operating Expenses		3,669,723	3,096,000	4,373,173
(DEFICIT) /SURPLUS BEFORE TAX		(620,414)	694,786	930,429
Income (Benefit) / Expense	14	(320,779)	201,540	145,140
NET (DEFICIT) / SURPLUS AFTER TAX		(299,635)	493,246	785,289
OTHER COMPREHENSIVE REVENUE OR EXPENSE		-	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		(299,635)	493,246	785,289

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: 7 December 2020

Wellington Cable Car Limited

Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
EQUITY AT START OF YEAR		10,875,545	10,537,278	10,090,256
Total Comprehensive Revenue and Expense		(299,635)	493,246	785,289
Distribution to Owners		-	-	-
EQUITY AT END OF YEAR		\$10,575,910	\$11,030,524	\$10,875,545
MOVEMENTS IN ACCUMULATED COMPREHENSIVE	21			
Accumulated Comprehensive Revenue and Expense at start of year		3,440,696	3,102,432	2,655,410
NET (DEFICIT) / SURPLUS		(299,635)	493,246	785,286
Accumulated Comprehensive Revenue and Expense at End of Year		3,141,061	3,595,678	3,440,696
MOVEMENTS IN ISSUED CAPITAL	21			
Balance at Start of Year		7,434,849	7,434,849	7,434,849
Balance at End of Year		7,434,849	7,434,849	7,434,849
EQUITY AT END OF YEAR		\$10,575,910	\$11,030,524	\$10,875,545

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: 7 December 2020

Wellington Cable Car Limited

Statement of Financial Position

As at 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
CURRENT ASSETS				
Cash and cash equivalents		358,623	725,266	1,666,969
Short term deposits		3,427,406	3,340,287	3,340,287
Trade and other receivables	11	33,794	200,000	81,013
Inventories	12	330,837	-	51,525
Income Tax Receivable		103,662	-	9,591
GST Receivable		81,186	-	27,194
Total Current Assets		4,335,508	4,265,553	5,176,579
NON-CURRENT ASSETS				
Property, plant & equipment	16	7,529,888	7,840,000	7,692,533
Intangibles	17	14,563	-	9,146
Total Non-Current Assets		7,544,451	7,840,000	7,701,679
TOTAL ASSETS		11,879,959	12,105,553	12,878,258
CURRENT LIABILITIES				
Income Tax Payable		-	201,540	-
Trade and other payables	13	413,272	40,000	810,763
Employee Benefit Liabilities		187,191	83,489	167,584
Total Current Liabilities		600,462	325,029	978,347
NON-CURRENT LIABILITIES				
Deferred tax liability	15	703,587	750,000	1,024,366
Total Non-Current Liabilities		703,587	750,000	1,024,366
TOTAL LIABILITIES		1,304,049	1,075,029	2,002,713
NET ASSETS		10,575,910	11,030,524	10,875,545
EQUITY				
Contributed Equity		7,434,849	7,434,849	7,434,849
Accumulated Surplus		3,141,061	3,595,675	3,440,696
		10,575,910	11,030,524	10,875,545

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: 7 December 2020

Wellington Cable Car Limited

Statement of Cash Flow

For the year ended 30 June 2020

	Actual	Budget	Actual
	2020	2020	2019
	\$	\$	\$
Cash flows from operating activities			
Receipts from operations	2,837,646	3,695,161	5,551,475
Government Wage Subsidy	160,222	-	-
Payments to suppliers and employees	(4,021,450)	(2,870,494)	(4,563,061)
Payments of Tax	(94,070)	-	(123,436)
Subvention Payment	-	(201,540)	-
Goods and services tax (net)	(53,990)	-	(109,001)
<i>Net cash from operating activities</i>	<u>(1,171,642)</u>	<u>623,126</u>	<u>755,977</u>
Cash flows from investing activities			
Receipts from interest	120,007	95,625	57,290
Net purchases of property, plant and equipment	(169,591)	(440,000)	97,252
Investment in term deposits	(87,120)	-	(2,011,494)
<i>Net cash from investing activities</i>	<u>(136,705)</u>	<u>(344,375)</u>	<u>(1,856,952)</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	(1,308,345)	278,751	(1,100,975)
Cash and cash equivalents as at the beginning of the year	1,666,969	446,514	2,767,945
Cash and cash equivalents at the end of the year	<u>358,624</u>	<u>725,266</u>	<u>1,666,969</u>

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

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 (CCO) 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 2020 and were approved by the Board of Directors on 7 December 2020

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 PBE Standards Reduced Disclosure Regime (PBE Standards RDR) - Tier 2. 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, is not large and has total expenses < \$30 million but > \$2 million, and that elects to be in Tier 2.

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.

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:

(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 Property, Plant and Equipment, borrowing costs are capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset.

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%-33%
Computer Equipment	33%
Motor Vehicles	20%
Furniture & Fittings	20%

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.

Restatement of Figures

Where appropriate, prior year figures have been restated for comparability with current year's figures.

(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 Cable Car. 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.

(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 ANZ term deposits that are 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 along with a minor amount of income from merchandise sales.

In the prior year additional revenue was received from Greater Wellington Regional Council in relation to the decommissioning of the Overhead Network and cessation of the Trolley Bus division of the Company. There are also pole occupancy licenses in place in relation to third parties with equipment attached to the Traction Network, however this ceased in November 2018 when the pole network was transferred to Wellington City Council.

Revenue is recognised when billed or earned on an accrual basis.

(m) Grants

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

Provisions for employee benefits, being holiday leave and other employee entitlements are 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 operates the Wellington Cable Car providing passenger service to Kelburn and a tourist attraction for the city of Wellington.

The Cable Car business is funded from Cable Car fares.

Wellington Cable Car Limited owned the trolley bus overhead network in the Wellington City area and some suburbs through to November 2018 when the poles comprising the network were transferred to Wellington City Council for no cost. From 1 July 2018 through to the final decommissioning of the network in October 2018 the Company managed the decommissioning of the network under contract to Greater Wellington Regional Council, who fully funding this project.

The funding agreement with the Greater Wellington Regional Council provided revenue to meet the cost of the decommissioning of the system. Further revenue was 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.

3. CHANGE IN NATURE OF BUSINESS

In the 2019 financial year the Company fully ceased the Trolley Bus division of the business, which included the completion of the decommissioning of the Overhead Network, disposal of all assets relating to the division and restructuring of staff roles. Linked in with this, the Company also entered into an agreement with Wellington City Council in November 2018 to transfer the Trolley Bus Pole Network to Wellington City Council for nil consideration. The Company believes adequate consideration was received given the rights and obligations transferred to Wellington City Council and the ongoing staffing and overhead costs that would have been required to be maintained should the asset have been retained. As a result of these transactions, the Company now solely comprises the operation of the Cable Car business.

4. CONTINGENCIES

On 4 June 2020, the Company received a notification from MYOB regarding our payroll software which stated that they had identified issues with the calculations of leave rates and entitlements for employees who have variable hours and pay, treatment of changes to work patterns and certain special circumstance leave types that impact annual holiday entitlements. The Wellington Cable Car Limited has consulted with an agency to discuss the scope of work however is yet to complete the investigations to understand the level of remediation required. (2019: \$0)

5A. REVENUE

	2020	2019
	\$	\$
Cable Car revenue	2,782,803	3,582,803
GWRC grant funding for the Trolley Bus overhead electrical network - decommissioning project	-	1,187,988
Third party decommissioning revenue	-	252,397
Third party contract revenue	-	8,863
Miscellaneous revenue	16,049	222,671
Interest Revenue	111,598	48,881
	<u>2,910,450</u>	<u>5,303,603</u>

For the current year, Cable Car fare revenue was \$800k less in 2019 totals. This was predominately due to the impacts that COVID-19, closed international borders and subsequent lockdowns during alert levels 4 and 3 (25 March to 13 May 2020). Post lockdown many organisations adopted flexible working arrangements which results in a large proportion of CBD workers were working remotely during levels 3 and 2 and distance education being offered to Victoria University Students. Decreased Revenue was also due to the shutdown in September 2019 being extended to allow for unanticipated repairs and maintenance work due to the cracks found in the gripper break lever arms which needed to be replaced.

Third party decommissioning and contract revenue includes revenue from organisations such as City Link and Wellington City Council that asked us to undertake additional works during the decommissioning and the disposal of scrap material resulting from the decommissioning of the network.

The difference in miscellaneous revenue is largely attributed to Pole Lease income which was eliminated after the decommissioning of the Trolley Bus Network.

	2020	2019
	\$	\$
Covid-19 Wage Subsidy Received	160,222	-
Subsidy Used	138,859	-
Balance at 30 June 2020	<u>21,363</u>	<u>-</u>

The Company received Government grant as wage subsidy for the year amounting to \$160,222. Current year entity used \$138,859 to pay current year salaries and balance of \$21,363 identified as liability as at 30 June 2020.

- Exchange	2,910,450
- Non -Exchange	138,859
	<u>3,049,309</u>

6. OPERATIONS AND GENERAL EXPENSES

	2020	2019
	\$	\$
Cable Car operational costs	372,756	321,780
Cable Car maintenance costs	805,311	285,325
Marketing costs	57,829	36,740
Administration costs	140,273	121,666
Insurance costs	415,322	373,813
Miscellaneous expenses	37,579	2,619
Overhead decommissioning	-	1,166,966
	<u>1,829,070</u>	<u>2,308,909</u>

The significant increase in maintenance costs compared to last year was the result of several factors; Additional maintenance tasks were completed, some of these were identified in the 2019 Annual Maintenance Shutdown, some were planned and some minor maintenance tasks evolved into larger projects such as the replacement of the gripper break lever arms, complete refurbishment of two bogies, the engineering inspections and re-painting of the Salamanca over bridge and the replacement of damaged rail sleepers on the tracks.

The Company did not incur any Overhead decommissioning expenses in the 2020 year as the project was completed in the previous year.

7. INSURANCE

Managing insurable risk is increasingly challenging for the Wellington Cable Car in the current market. Costs have continued to increase in the last 12 months, and the market is impacted by regional events.

Wellington Cable Car Limited has full material damage insurance coverage in the event of an earthquake. Wellington Cable Car Limited maintains a self-insurance fund of \$315k and is further supported by a healthy balance sheet.

	2020	2019
	\$	\$
Value of property, plant and equipment	45,203,751	45,203,751
Insured value of property, plant and equipment	27,106,330	27,106,330
Insurance Costs	415,322	373,813

Wellington Cable Car Limited will conduct an asset revaluation in 2020 which will more accurately reflect the replacement value of all the items insured. This will have an impact on premiums in the next financial year.

8. AUDITOR'S REMUNERATION

	2020	2019
	\$	\$
Auditing the financial statements	36,425	36,413
	<u>36,425</u>	<u>36,413</u>

9. 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 arms' 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, Asset and Engineering Manager and the Passenger Service Manager.

Key management personnel

	2020	2019
	\$	\$
Key management personnel remuneration	441,433	704,103
Full-time equivalent members	3.3	5.2

Directors' remuneration

	2020	2019
	\$	\$
A Matthews (Appointed 1 April 2014)	30,000	15,000
H Evans (Appointed 1 July 2019 and ceased on 19 June 2020)	15,000	-
D McComb (Appointed 19 June 2020)	-	-
D Perks (Appointed 19 June 2020)	-	-
A Wilson (Appointed 1 April 2014 and ceased on 30 June 2019)	-	30,388
Total Directors' remuneration	<u>45,000</u>	<u>45,388</u>
Full-time equivalent members	<u>2</u>	<u>2</u>
Total Related Party Remuneration	486,433	749,491
Total Full-time equivalent members	5.3	7.2

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 2020 year discloses actual amounts accrued and paid. Due to the difficulty in determining the full-time equivalent for Board members, the full-time equivalent is taken as the number of Board members.

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

From 1 July 2019 to 28 February 2020, Bruce Jensen was the Chief Financial Officer of the Company and is the director of Add Smart Limited. The Company purchased accounting services from Add Smart Limited up until the 28th February 2020. These costs totalled \$101,581 (2019: \$154,871) and were supplied on normal commercial terms.

The Company now purchases accounting services from the Wellington City Council starting from 1 March 2020 until 30 September 2020 and will be invoiced in full at the end of the term. (\$17,500)

10. FINANCIAL INSTRUMENTS

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

Financial Assets

	2020	2019
	\$	\$
Cash and cash equivalents	358,623	1,666,969
Short term deposits	3,427,406	3,340,287
Trade receivables	2,579	43,683
Other receivables	31,214	37,330
GST recoverable	81,185	-
Total financial assets	<u>3,901,007</u>	<u>5,088,268</u>

Financial Liabilities

	2020	2019
	\$	\$
Trade payables	187,439	579,507
Accrued expenses	339,911	384,238
Related party payables	51,750	14,602
Covid-19 Wage Subsidy	21,363	-
Total financial liabilities	<u>600,462</u>	<u>978,347</u>

Due to the revenue impacts of COVID-19 and additional maintenance expenses, the Cable Car has had to utilise its cash reserves to fund operating activities resulting in \$1.3M less cash compared to last year.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
Trade receivables	2,579	43,682
Accrued Income	31,214	37,330
Total trade and other receivables	<u>33,794</u>	<u>81,012</u>

The above balance comprise the following :

Exchange: \$33,794 (2019: \$81,012)

Non-Exchange: \$Nil (2019:\$Nil)

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.

Trade Receivables is lower compared to 2019 due to the impacts of COVID-19. During the peak summer operating season, the Cable Car would usually welcome a significant number of cruise ships and tour guides, however due to the closed international borders and nationwide lock down international and domestic visitation ceased.

12. INVENTORY

	2020	2019
	\$	\$
Cable Car inventory	330,837	51,525

Due to the nature of specific components having to be sourced from Europe on long lead in times, the Cable Car began to acquire critical parts and increase our inventory holdings in preparation for the 2020 annual shutdown. The 2020 shutdown was the largest body of work completed on the Cable Car for many years.

13. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade payables	187,439	579,507
Accrued Expenses	174,083	216,654
Related party payables	51,750	14,602
Total trade and other payables	<u>413,272</u>	<u>810,763</u>

The above consists of:

Total payables from exchange transactions	413,272	810,762
Total payables from non-exchange transactions	-	-
	<u>413,272</u>	<u>810,762</u>

14. INCOME TAX EXPENSE

	2020	2019
	\$	\$
Current year	-	27,429
Adjustments to current tax in prior periods	-	(5,587)
Deferred tax	320,780	123,297
	<u>320,780</u>	<u>145,140</u>
Reconciliation of effective tax rate:		
	2020	2019
	\$	\$
Surplus for the period excluding income tax	<u>(620,414)</u>	<u>930,430</u>
Prima facie income tax at 28%	(173,716)	260,520
Effect of non-deductible expenses	39	270,921
Effect of tax exempt income	-	(270,624)
Prior period adjustment	-	(31,374)
Reintroduction of tax depreciation on buildings	(72,885)	-
Deferred tax adjustment	<u>(74,218)</u>	<u>(84,304)</u>
	<u>(320,780)</u>	<u>145,140</u>

15. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets/(liabilities):

	Property, plant & equipment	Provisions	Losses	Total
	\$	\$	\$	\$
Balance, 30 June 2018	(951,478)	50,410	-	(901,068)
Charged to surplus or deficit	(102,666)	(20,631)	-	(123,297)
Charged to other comprehensive income	-	-	-	-
Balance, 30 June 2019	<u>(1,054,145)</u>	<u>29,779</u>	<u>-</u>	<u>(1,024,364)</u>
Charged to surplus or deficit	170,009	13,521	137,250	320,780
Charged to other comprehensive income	-	-	-	-
Balance, 30 June 2020	<u>(884,136)</u>	<u>43,300</u>	<u>137,250</u>	<u>(703,586)</u>

16. PROPERTY, PLANT & EQUIPMENT

	2020	2019
	\$	\$
Cable Car and equipment Cost		
Opening balance	8,613,841	8,593,055
Additions	15,182	15,153
Disposals	(211,430)	-
Closing balance	<u>8,417,593</u>	<u>8,608,208</u>
Accumulated depreciation		
Opening balance	1,933,140	1,696,594
Current year depreciation	225,930	232,980
Disposals	(179,896)	-
Closing balance	<u>1,979,173</u>	<u>1,929,574</u>
Carrying amount	<u>6,438,419</u>	<u>6,678,633</u>
Cable car tracks and wires Cost		
Opening balance	1,467,684	1,363,778
Additions	6,864	103,906
Closing balance	<u>1,474,548</u>	<u>1,467,684</u>
Accumulated depreciation		
Opening balance	546,204	518,239
Current year depreciation	29,491	27,968
Closing balance	<u>575,695</u>	<u>546,208</u>
Carrying amount	<u>898,853</u>	<u>921,476</u>
Wire system equipment Cost		
Opening balance	73,874	79,506
Disposals	(73,874)	-
Closing balance	<u>-</u>	<u>79,506</u>
Accumulated depreciation		
Opening balance	73,394	73,888
Current year depreciation	-	3,069
Disposal	(73,394)	-
Closing balance	<u>-</u>	<u>76,957</u>
Carrying amount	<u>-</u>	<u>2,549</u>

Motor vehicles Cost		
Opening balance	228,908	1,026,850
Additions	-	27,526
Disposals	(160,056)	(825,468)
Closing balance	68,852	228,908
Accumulated depreciation		
Opening balance	198,137	919,779
Current year depreciation	7,256	94,029
Disposals	(158,105)	(815,671)
Closing balance	47,288	198,137
Carrying amount	21,564	30,771
Furniture Cost		
Opening balance	85,187	77,929
Additions	954	7,258
Disposals	(41,089)	-
Closing balance	45,052	85,187
Accumulated depreciation		
Opening balance	70,017	65,673
Current year depreciation	5,490	4,344
Disposals	(41,089)	-
Closing balance	34,419	70,017
Carrying amount	10,633	15,169
Computer equipment Cost		
Opening balance	311,390	282,382
Additions	19,903	29,007
Disposals	(235,179)	-
Closing balance	96,114	311,390
Accumulated depreciation		
Opening balance	280,588	266,049
Current year depreciation	18,325	14,539
Disposals	(234,289)	-
Closing balance	64,623	280,588
Carrying amount	31,490	30,801
Work-In-Progress Cost		
Opening balance	13,135	5,073
Additions	123,616	8,062
Transfer to Cable Car and equipment	(7,823)	-
Closing balance	128,928	13,135
Carrying amount	128,928	13,135
Total Property, Plant & Equipment Cost		
Opening balance	10,794,019	11,428,573
Additions	166,519	190,912
Transfer to/from WIP	(7,823)	-
Disposals	(721,627)	(825,468)
Closing balance	10,231,087	10,794,017
Accumulated depreciation		
Opening balance	3,101,480	3,540,222
Current year depreciation	286,492	376,930
Disposals	(686,774)	(815,671)
Closing balance	2,701,199	3,101,481
Carrying amount	7,529,888	7,692,533

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.

At the start of the year remaining useful assets under the overhead wire system equipment were transferred for use under the cable car tracks and wires

17. INTANGIBLES

	2020 \$	2019 \$
Cost		
Opening balance	217,712	204,707
Acquired by direct purchase	12,845	13,005
Disposal	-22,854	
Closing balance	<u>230,557</u>	<u>217,712</u>
Accumulated amortisation		
Opening balance	208,566	196,214
Current year amortisation	7,427	12,352
Disposal	-22,854	
Closing balance	<u>215,993</u>	<u>208,566</u>
Carrying amount	<u>14,563</u>	<u>9,146</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.

18. OPERATING LEASE COMMITMENTS

	2020 \$	2019 \$
Non-cancellable operating lease commitments:		
Land and Buildings		
Not later than 1 year	60,462	68,620
Later than 1 and not later than 2 years	60,462	61,142
Later than 2 and not later than 5 years	2,519	65,501
	<u>123,443</u>	<u>195,262</u>
Plant and equipment		
Not later than 1 year	42,033	35,465
Later than 1 and not later than 2 years	3,102	13,606
Later than 2 and not later than 5 years	-	9,362
	<u>45,135</u>	<u>58,433</u>
	<u>168,578</u>	<u>253,695</u>

19. CAPITAL COMMITMENTS

At balance date there are no capital commitments. (2019: \$0)

20. BORROWINGS**Bank overdraft**

Wellington Cable Car Limited's bank overdraft facility totals \$50,000. The current interest rate on the facility is 11% (2019: 11.00%). The actual overdraft facility was un-drawn as at 30 June 2020 (2019: un-drawn).

21. SHAREHOLDERS' EQUITY**Capital**

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

	2020 \$	2019 \$
7,434,846 fully paid Ordinary Shares (Par Value \$1)	7,434,849	7,434,849
Total Issued and Paid up Capital	7,434,849	7,434,846
Accumulated Comprehensive Revenue and Expense		
	2020	2019
	\$	\$
Accumulated Comprehensive Revenue & Expense Opening Balance	3,440,696	2,655,410
Net Surplus after tax	(299,635)	785,286
Available for appropriation	<u>3,141,061</u>	<u>3,440,696</u>
Accumulated Comprehensive Revenue & Expense Closing Balance	<u>3,141,061</u>	<u>3,440,696</u>

22. SIGNIFICANT EVENTS AFTER BALANCE DATE

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

23. 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. However due to the COVID-19 pandemic, Amendment Section 67A of the Local Government Act 2002 grants an extension of time from three months to five months from balance date (30 November 2020) for the 2019/20 year. The annual report must include the information required in sections 68 and 69 of the Act. Section 69 states that the audited financial statements and the audit opinion must be included in the published annual report. Due to the next board meeting scheduled for the 7 December 2020, which the annual report will be signed by its directors, The Wellington Cable Car is in breach of the statutory deadline.

24. 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 2020 for the financial reports on pages 5 to 8.

Statement of Comprehensive Revenue and Expense

The Company made a deficit of (\$620K) before tax and did not meet its budgeted target of \$694K profit before tax. This was due mainly to the impacts of COVID-19 on Cable Car Revenue and unplanned expenses related to the operation and maintenance of the Cable Car as follows:

(a) Cable Car Fare Revenue - for the current year the Cable Car fare revenue was \$800k below budget 2019 figures. This was mainly due to the impacts that COVID-19, closed international borders and subsequent lockdowns during alerts levels 4 and 3 (25 March to 12 May 2020). COVID-19 had a significant impact on tourism into Wellington, and the fact that a large proportion of CBD workers were working remotely during levels 3 and 2 and distance education being offered to Victoria University Students further exacerbated the issue.

(b) Cable Car Maintenance Costs - In September 2019, during the annual maintenance shutdown, additional and unplanned expenses were incurred. Further unplanned maintenance work throughout the year, also resulted in greater expenses. During the year maintenance costs were \$769K compared to budget of \$85K.

Statement of Changes in Equity

The major variance between the actual position as at 30 June 2020 and that originally budgeted by the Company relates to the loss for the year which is outlined above in the Statement of Comprehensive Revenue and Expense section.

Statement of Financial Position

The major variances in the Statement of Financial Position between the actual and budgeted positions is due to decrease of trade receivables and additional inventory holding to improve organisational resilience.

(a) Trade Receivables is lower compared to budget due to the impacts of COVID-19. During the peak summer operating season, the Cable Car would usually welcome a significant number of cruise ships and tour guides, however due to the closed international borders and nationwide lock down international and domestic visitation ceased.

(b) Fixed assets: During the year, a review was undertaken of our fixed assets and any assets no longer owned were disposed of.

(c) Inventory: This was not budgeted for as the size and scope of the works were not anticipated and understood at the time.

(d) Income Tax Receivable: Tax credits were not budgeting for because the Company had budgeted a surplus for the 2019/20 year. The Company did not anticipate losses due to the impacts of Covid-19.

(e) GST Receivable: The Company had budgeted GST payable for the 2019/20 year. Due to the impacts of Covid-19, the Company paid more GST on expenditure than what it collected on fares.

Statement of Cash Flow

Due to the revenue impacts of COVID-19 and additional maintenance expenses, the Cable Car has had to utilise its cash reserves to fund operating activities resulting in \$367K less cash compared to budget.

25. COVID-19 PANDEMIC

On 11th March 2020, the World Health Organisation (WHO) declared the outbreak of COVID-19 a pandemic. On 26th March 2020, the New Zealand Government increased its COVID-19 alert level to level 4, resulting in a nationwide lockdown.

The Wellington Cable Car re-opened to the public on 14th May under COVID-19 alert level two, observing Ministry of Health operational guidelines (physical distancing, contactless payment, additional cleaning) and continued to operate with significantly reduced patronage. COVID-19 has affected every facet of the Cable Cars operations from visitation to ongoing & preventative maintenance program.

The impact of COVID-19 in FY 2019-20 was tempered as the busy summer season was coming to an end. The Cable Car applied for and received the Government Wage Subsidy scheme. As of 30th June 2020, the Wellington Cable Car is in a good financial position and continues to hold sufficient cash reserves to help mitigate any currently foreseen adverse economic impact COVID-19 may have.

For FY 2020-21, Wellington Cable Car Limited expects visitor numbers to drop by about half from previous years, as a significant portion of our visitors are international tourists. In response, we have shifted our focus towards the Domestic Tourist and Wellington local market.

We are continuing to monitor the economic situation closely so we can remain agile and respond quickly to further developments. Non-committed capital or maintenance expenditure has been deferred until the economic outlook is more certain.

On consideration of the factors above, the Board of Directors consider the preparation of the financial statements on a going concern basis is appropriate.

Wellington Cable Car Limited

Statement of Service Performance
For the year ended 30 June 2020

Cable Car Service Performance Measures

Performance Indicator	Measure	Target/Result	Actual - 2020	Actual - 2019
Wellington Cable Car Limited Customer Satisfaction Survey	Customer Satisfaction	Attain at least 85% good or very good reviews	Achieved - During the year, external consultants were engaged to execute the CXI survey on behalf of the Cable Car. Their survey was on a 7 point scale which required some translation to equate to the target of 85% good or very good reviews. It was decided that average score of 6 or higher would mean that we achieved our target. The Cable Cars average CXI result for the year was a 6.4 out of 7.	Not Applicable - New Measure in 2020
TripAdvisor Rating	Customer Satisfaction	Maintain at least a 4.0 rating out of 5	Achieved - The company had an average Trip Advisor rating for the year of 4.3 out of 5	Not Applicable - New Measure in 2020
Customer Complaints	Customer Satisfaction	Receive fewer than 2 customer complaints per 100,000 passenger trips	Achieved - The Cable Car can receive formal complaints via physical forms, direct emails or webforms. During the year the Cable Car received 11 formal complaints which results in fewer than 2 customer complaints per 100,000 passenger trips.	Not Applicable - New Measure in 2020
Wellington Cable Car Limited Passenger Trips	Passenger trips as per the estimates in the table below	At least 1.20 Million passenger trips, split as follows: 1st Qtr.: 217,205 2nd Qtr.: 346,107 3rd Qtr.: 406,680 4th Qtr.: 241,398 Full year: 1,211,390	Not Achieved 1st Qtr.: 179,669 2nd Qtr.: 320,506 3rd Qtr.: 322,533 4th Qtr.: 39,777 Full year: 862,487 Due to COVID-19, and national lock down, the Cable Car was closed for 53 days during Q4. (23/3/20 to 14/5/20). Once reopened, due to closed international borders and restrictions on regional travel, visitation was significantly reduced.	Achieved. 1st Qtr.: 216,349 2nd Qtr.: 341,982 3rd Qtr.: 397,856 4th Qtr.: 214,205 Full year: 1,170,392

% of Trips starting on time	Percentage reliability	At least 95%	Achieved 99.94% of trips starting on time By using the daily trip counts, we calculate the number of missed trips. There were 16 missed trips during FY 2019/20. Therefore 99.94% of service trips starting on time and 0.06% of trips not run. Due to COVID-19, and national lock down, the Cable Car was closed for 53 days during Q4. (23/3/20 to 14/5/20)	Due to weaknesses in the system and method recording trip information, the Company is not able to report on this performance measure for the current year. The Company is currently working on a revised system and process for calculating trip information which will allow accurate reporting for the year ended 30 June 2020.
% of Service trips not run	Percentage unreliability	Less than 1%	Achieved - By using the daily trip counts, we are able to calculate the number of missed trips. We also monitor trip meter readings and stoppages that are the result of breakdowns, earthquakes, power cuts etc During the year, there were 16 missed trips resulting in 0.06% of trips not run.	Not Applicable - New Measure in 2020

Wellington Cable Car Limited Corporate and Financial Performance Measures

Performance Indicator	Measure	Target/Result	Actual - 2020	Actual - 2019
Compliance with appropriate Legislation and regulations	Number of adverse comments from the relevant regulatory authorities	Nil adverse comments	Achieved	Achieved
Wellington Cable Car Limited Corporate and Operational Risks are proactively managed	Wellington Cable Car Limited Corporate and Operational Risks are proactively identified, assessed and managed	High Risks are proactively managed and eliminated or minimised.	Achieved - Wellington Cable Car Limited management has a risk register and monitors and manages all identified risks including regular reporting to the Board.	Achieved - Wellington Cable Car Limited management has a risk register and monitors and manages all identified risks including regular reporting to the Board.
Budgetary requirements approved by the Wellington Cable Car Limited Board are met	Degree of variance from budget	Within 10% of Board approved variance	Achieved. All variances approved and signed off by the Directors at the following Board meeting.	Achieved. All variances approved and signed off by the Directors at the following Board meeting.
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	Achieved	Achieved

