



# WELLINGTON CABLE CAR LIMITED

## ANNUAL REPORT 2017/18







# Wellington Cable Car Limited

## Annual Report

For the year ended 30 June 2018

<b>Contents</b>	<b>Page</b>
Chairman's Report	1
CEO's Report	2
Statement of Compliance	5
Statement of Comprehensive Revenue and Expense	7
Statement of Changes in Equity	8
Statement of Financial Position	9
Statement of Cash Flow	10
Notes to the Financial Statements	11
Statement of Service Performance	33
Company Directory	39
Independent Auditor's Report	40



# Wellington Cable Car Limited

## Chairman's Report

For the year ended 30 June 2018

For this reporting period, the Cable Car has had its most successful year in terms of passenger trip numbers (1.15 Million) for more than 25 years. Whilst part of the continued growth is due to the continuing expansion in tourism visitors to New Zealand, the Company's continued investment in renewing and upgrading its infrastructure to improve the customer experience has played a significant role in improving the customer experience.

The Cable Car's passengers continue to be drawn from Wellington's diverse community (43% of passenger trips) as well as visitors to the Capital, including the vitally important cruise market, which is predicted to grow significantly for the 2018/19 season (increasing from 86 to 110 ships). Domestic and international visitors continue to be drawn to Wellington's second most visited tourist attraction, and images of the iconic Cable Car feature heavily in all of Wellington's imagery and publicity material, enhancing our affiliation as a symbol of the city's proud history.

This financial year has also been symbolic in that Wellington's public travelled on Trolley Buses for the final time on 31 October 2017, marking an end to the Company's role in operating and maintaining the electrical network that powered these vehicles. Following the decision made by Greater Wellington Regional Council in 2014, and an extensive planning phase, WCCL (in conjunction with Broadspectrum) commenced the network decommissioning project, which is now virtually complete.

This project required the removal of 160 Km of Copper contact wire suspended from 3,500 Poles and 1,000 Building Anchors, located along 55 Km of roads throughout the Eastern, Southern and Western suburbs, as well as the CBD. This challenging undertaking has been delivered ahead of time and with very little disruption to the city's residents, and pays testimony to the skills and dedication of the staff and contractors involved. The Company has also been well supported by Wellington City Council (WCC), Greater Wellington Regional Council (GWRC) and the New Zealand Transport Agency (NZTA) in achieving this significant undertaking.

Since becoming the Chair of Wellington Cable Car Limited (WCCL) in April 2014, I have never ceased to be impressed and delighted at the ability of the Company's staff to adapt readily to changing situations whilst still retaining a pride and loyalty in what they do, combined with an outstanding approach to customer service.

In summary, I would like to thank the Company's staff and all of the supporting organisations and contractors who have assisted us throughout this financial year. We are also hugely appreciative of the public's support and continued support in using our public transport services. We remain committed to continuing to improve our levels of service and customer focus, as we plan ahead for the replacement of the Cable Car rolling stock in the next few years.

**Anthony Wilson**  
Chair

# Wellington Cable Car Limited

## CEO's Report

For the year ended 30 June 2018

### Introduction

The period that this financial report covers has been a memorable one for both company operating divisions (Traction Services and Cable Car), with other wider changes also occurring within the Wellington region public transport, including the new Wellington bus network, routes and operators.

### Traction Services

Despite the change in administration following the general election, Trolley Buses were withdrawn from service as planned on 31 October 2017, bringing to an end many years of illustrious service. Wellington Cable Car Limited has worked closely in conjunction with Broadspectrum (our maintenance services provider), Wellington Electricity and NZ Bus to ensure continued safe Trolley Bus operations as a supplier to Greater Wellington Regional Council.

At their peak, Trolley Buses were used on 800 scheduled services per day (equivalent to 4,000 services per week or 200,000 per year). Operating and maintaining 80 Km of electrical network running throughout Wellington's CBD and suburbs presented many challenges to ensure the requisite operational availability combined with high safety standards. This was a challenge that our team, with the assistance of Broadspectrum, were proud to take on, and their powerful combination of expert knowledge and professional dedication ensured that they were successful in achieving this.

Following a competitive tender procurement process undertaken in 2017, Broadspectrum were also chosen as the main contractor to undertake the physical decommissioning and removal of the electrical network, commencing in November 2017. At the date of writing, this complex and difficult project is nearly complete, and is ahead of schedule and under budget. All of the people involved can be justifiably proud of their efforts, and this project has been an exemplar in terms of planning, stakeholder engagement, communications, project delivery, risk management, and health and safety.

As a Chartered Professional Engineer and Fellow of Engineering New Zealand, I am proud to note that the level of outstanding technical ability routinely displayed to maintain the electrical network and the high engineering standards achieved were exemplary. The Company's project team success in winning a New Zealand Engineering Excellence Award in 2014 for the Trolley Bus Overhead Protection project remains one of my fondest memories and a career highlight.

# Wellington Cable Car Limited

## CEO's Report

For the year ended 30 June 2018

### Cable Car

The Cable Car has continued its long run as Wellington's second-most visited tourist attraction after Te Papa Tongarewa, whilst operating on a fraction of the Museum of New Zealand's budget, and without receiving any subsidies. The continued increase in passenger trip numbers and associated improvement in financial performance has eased the pressure on any requirement to seek additional subsidies to assist with funding the replacement of the Rolling Stock, which is scheduled to commence detailed design in 2024, with installation in 2026.

The cruise ship market remains buoyant with further growth projected in 2019. Consistent with the Metlink public transport network, the Cable Car raised its fares in July 2018 for the first time since 2014, and there is now a larger differential between cash/efpos fares and the prices available using a Snapper card or multi-trip passes. Our recommendation for local residents is to take full advantage of the discounts available when using a Snapper card, and this mirrors the advice given by Metlink for bus passengers.

The Company continues to see significant upwards pressure on insurance costs due to the high level of seismic risk in Wellington, and due to the large amount of infrastructure owned (including 5 stations, 3 tunnels and 3 bridges), this is the second largest cost incurred after employee salaries.

The troubled and underfunded SuperGold scheme remains problematic for the Company, and this will require a change in funding model from central government if the Cable Car is to be able to continue operating this under the current construct.

### Financial Result

The Company achieved a Net Surplus before Taxation of \$551K which is similar to the result achieved in the prior year but \$0.16m over that budgeted for the year. This positive variance is largely due to the increased marketing activities put in place which resulted in increased Cable Car fare revenue, along with a strong year in terms of tourist numbers and the number of cruise ships visiting Wellington.

Cable Car passenger revenue for 2017/18 was \$3,034K. This is an increase of \$554K (22.3%) over the previous year (\$2,481K). Total annual passenger numbers increased from 970,366 in 2016/17 to 1,145,000 during this reporting period, a 18.0% increase. The 2016/17 figures were artificially low because of the Electric Drive upgrade project which meant that the Cable Car did not run normal services from 01 July to 17 August 2016. Even after allowing for this temporary adjustment, the increase in passenger trips and revenue figures for 2017/18 were extremely pleasing.

# Wellington Cable Car Limited

## CEO's Report

For the year ended 30 June 2018

### **Financial Result (continued)**

Grant funding totalling \$4,178k was received from GWRC during the year, consisting of Trolley Bus electrical network operations, maintenance \$1,320k and decommissioning \$2,858k, with decommissioning physical works commencing in November 2017. Practical completion for the network decommissioning project will be on 31 October 2018. It is anticipated that the transfer of remaining network infrastructure to Wellington City Council (predominantly Poles and Building Anchors) will occur on 01 November 2018.

The Company continues to maintain solid cash reserves, which have been built up and retained for the replacement of the Cable Car rolling stock (including the passenger vehicles) which is scheduled to commence in 2024. No dividends were paid to Wellington City Council.

These financial results are completed in accordance with the 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 for the financial year 2017/18.

**Simon Fleisher**  
**Chief Executive**

# Wellington Cable Car Limited

## Statement of Compliance

As at 30th June 2018

The Directors of Wellington Cable Car Limited hereby confirm 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: 1 October 2018



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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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# Wellington Cable Car Limited

## Statement of Comprehensive Revenue and Expense


For the year ended 30 June 2018

	Note	Actual 2018 \$	Budget 2018 \$	Actual 2017 \$
<b>REVENUE</b>				
Operating Revenue	5	8,622,948	9,049,153	7,243,307
Interest Revenue		48,095	22,500	13,760
<b>Total Operating Revenue</b>		8,671,043	9,071,653	7,257,067
<b>EXPENSES</b>				
Operations and general	6	5,686,959	6,404,421	4,413,107
Auditors' remuneration	7	36,093	35,000	35,436
Impairment of receivables		-	-	1,317
Directors' remuneration	8	45,000	42,672	45,000
Depreciation	15	473,755	425,000	489,469
Amortisation	16	20,029	-	26,271
Employees remuneration		1,714,524	1,605,177	1,572,483
Operating Leases		143,268	170,020	141,389
<b>Total Operating Expenses</b>		8,119,628	8,682,290	6,724,472
<b>SURPLUS / (DEFICIT) BEFORE TAX</b>		551,415	389,363	532,595
Income Tax Benefit / (Expense)	13	(186,007)	(116,022)	(157,782)
<b>NET SURPLUS / (DEFICIT) AFTER TAX</b>		365,407	273,341	374,813
<b>OTHER COMPREHENSIVE REVENUE OR EXPENSE:</b>		-	-	-
<b>TOTAL COMPREHENSIVE REVENUE OR EXPENSE:</b>		365,407	273,341	374,813

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: 1 October 2018

# Wellington Cable Car Limited

## Statement of Changes in Equity

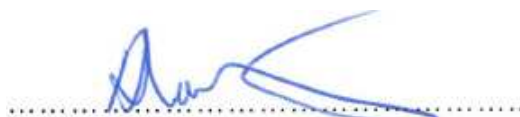
For the year ended 30 June 2018

	Note	Actual 2018 \$	Budget 2018 \$	Actual 2017 \$
<b>EQUITY AT START OF YEAR</b>		9,724,849	9,798,180	9,350,036
<b>Total Comprehensive Revenue and Expense</b>		365,407	273,341	374,813
<b>EQUITY AT END OF YEAR</b>		10,090,256	10,071,521	9,724,849
<b>MOVEMENTS IN ACCUMULATED</b>	20			
Accumulated Comprehensive Revenue and Expense at start of year		2,290,003	2,363,334	1,915,190
Net Surplus		365,407	273,341	374,813
<b>Accumulated Comprehensive Revenue and Expense at end of year</b>		2,655,410	2,636,675	2,290,003
<b>MOVEMENTS IN ISSUED CAPITAL</b>	20			
Balance at Start of Year		7,434,846	7,434,846	7,434,846
Balance at End of Year		7,434,846	7,434,846	7,434,846
<b>EQUITY AT END OF YEAR</b>		10,090,256	10,071,521	9,724,849

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: 1 October 2018

# Wellington Cable Car Limited

## Statement of Financial Position

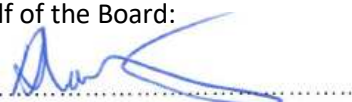
As at 30th June 2018

	<i>Note</i>	<i>Actual 2018 \$</i>	<i>Budget 2018 \$</i>	<i>Actual 2017 \$</i>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		2,767,943	2,639,965	2,254,141
Short term deposits		1,328,793	300,000	301,741
Trade and other receivables	10	323,903	150,000	878,954
Inventories	11	30,777	100,000	89,023
Prepayments		23,956	-	278,490
GST Recoverable		-	-	-
<b>Total Current Assets</b>		4,475,372	3,189,965	3,802,349
<b>NON-CURRENT ASSETS</b>				
Property, plant & equipment	15	7,888,351	8,247,539	8,352,198
Intangibles	16	8,493	-	28,522
<b>Total Non-Current Assets</b>		7,896,844	8,247,539	8,380,720
<b>TOTAL ASSETS</b>		12,372,216	11,437,504	12,183,069
<b>CURRENT LIABILITIES</b>				
GST Payable		81,791	20,000	100,806
Income Tax Payable		92,002	95,983	123,675
Trade and other payables	12	918,747	100,000	1,270,117
Employee Benefit Liabilities		288,351	100,000	147,559
<b>Total Current Liabilities</b>		1,380,892	315,983	1,642,157
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liability	14	901,068	1,050,000	816,063
<b>Total Non-Current Liabilities</b>		901,068	1,050,000	816,063
<b>TOTAL LIABILITIES</b>		2,281,960	1,365,983	2,458,220
<b>NET ASSETS</b>		10,090,256	10,071,521	9,724,849
<b>EQUITY</b>				
Contributed Equity		7,434,846	7,434,846	7,434,846
Accumulated Profits		2,655,410	2,636,675	2,290,003
		10,090,256	10,071,521	9,724,849

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: 1 October 2018



# Wellington Cable Car Limited

## Statement of Cash Flow

For the year ended 30 June 2018

	<i>Note</i>	<i>Actual 2018 \$</i>	<i>Budget 2018 \$</i>	<i>Actual 2017 \$</i>
<b>Cash flows from operating activities</b>				
Receipts from operation		9,689,362	<b>9,605,910</b>	<b>7,745,454</b>
Payments to suppliers and employees		(8,042,565)	<b>(8,191,307)</b>	<b>(6,032,562)</b>
Payments of Tax		(52,969)	<b>(116,022)</b>	<b>(1,945)</b>
Subvention Payment		(78,072)	-	<b>(210,668)</b>
Goods and services tax (net)		(24,153)	-	<b>199,609</b>
<i>Net cash from operating activities</i>		1,491,603	<b>1,298,581</b>	<b>1,699,888</b>
<b>Cash flows from investing activities</b>				
Receipts from interest		59,158	<b>65,743</b>	<b>13,760</b>
Purchase of property, plant and equipment		(9,908)	<b>(172,539)</b>	<b>(1,257,883)</b>
Investment in term deposits		(1,027,052)	-	<b>(8,263)</b>
<i>Net cash from investing activities</i>		(977,802)	<b>(106,796)</b>	<b>(1,252,386)</b>
<b>Cash flows from financing activities</b>				
<i>Net cash from financing activities</i>		-	-	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		513,802	<b>1,191,785</b>	<b>447,502</b>
Cash and cash equivalents as at the beginning of the year		2,254,141	<b>1,448,180</b>	<b>1,806,639</b>
<b>Cash and cash equivalents as at the end of the year</b>		2,767,943	<b>2,639,965</b>	<b>2,254,141</b>

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **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 (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 2018 and were approved by the Board of Directors on 1 October 2018.

#### **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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **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.

#### **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.



# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

#### **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%
Trolley Bus Overhead Wire System & Fittings	2.5%-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 years 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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

#### **(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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **(g) Inventories**

Wellington Cable Car Limited's inventory comprises of items held in respect of maintaining and operating the Cable Car (in prior years this also included the maintaining and operating the Overhead Trolley Bus network). 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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

#### **(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 along with a minor amount of income from merchandise sales.

Additional revenue is received from Greater Wellington Regional Council in relation to the operation of the Traction Network (to 31 October 2017) and thereafter to decommission the network. There are also pole occupancy licences in place in relation to third parties with equipment attached to the Traction Network.

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

- Exchange	4,492,989
- Non-Exchange	4,178,054
	<u>8,671,043</u>



# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

#### **(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**

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 the trolley bus overhead network in the Wellington City area and some suburbs which up to 31 October 2017 provided a facility for the use of NZBus who were contracted to provide trolley bus services by Greater Wellington Regional Council.

From 1 November 2017 the Company has been managing the decommissioning of the network under contract to Greater Wellington Regional Council, who is fully funding this project. Post decommissioning, the remaining poles will be transferred to Wellington City 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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **2. NATURE OF THE BUSINESS (CONTINUED)**

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 (up to 31 October 2017), and thereafter the decommissioning of the 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, 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. 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. The physical decommissioning of the network commenced on 1 November, and as at balance date, the physical de-commissioning of the network was substantially completed and is expected to be at practical completion on 31 October 2018 with the remaining decommissioning works and contractual activities being expected to be completed by March 2019.

The de-commissioning project has been 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, with a budgeted cost of \$6,811,043. Given the stage of the project and the actual costs incurred compared to that budgeted it is expected that the funding agreement will cover the costs associated with the de-commissioning project.

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 prima facie leave the Wellington Cable Car Limited with only its Cable Car operations, however other business opportunities are being considered. 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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 4. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2017: Nil).

### 5. OPERATING REVENUE

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cable Car revenue	3,034,707	2,480,552
GWRC grant funding for the Trolley Bus overhead electrical network – operations and maintenance	1,320,113	3,624,612
GWRC grant funding for the Trolley Bus overhead electrical network – decommissioning project	2,857,941	0
Third party decommissioning revenue	971,385	0
Third party contract revenue	139,880	472,663
WCC revenue – Electric Drive Replacement Project	0	461,882
Miscellaneous revenue	298,922	203,598
	<b>8,622,948</b>	<b>7,243,307</b>

Third party decommissioning revenue includes revenue from organisations such as CityLink and Wellington City Council that asked us to undertake additional works during the decommissioning.

Third party contract revenue refers to revenue received from organisations that either wish us to undertake works to accommodate construction or earthquake strengthening, or monies received for the sale of vehicles and tools that are no longer required.

### 6. OPERATIONS AND GENERAL EXPENSES

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cable car operational costs	671,766	627,368
Overhead contractor expenses	862,126	1,698,452
Overhead operational costs	72,562	314,089
Overhead impairment of inventory	525	312,436
Overhead repairs and maintenance	15,711	563,621
Overhead decommissioning	3,494,620	0
Miscellaneous expenses	569,649	897,141
	<b>5,686,959</b>	<b>4,413,107</b>

### 7. AUDITOR'S REMUNERATION

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Auditing the financial statements	36,093	35,436
	<b>36,093</b>	<b>35,436</b>

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 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.

<u>Key Management Personnel</u>	<b>2018</b>	<b>2017</b>
	\$	\$
Key management personnel remuneration	681,759	678,180
Full-time equivalent members	5.2	5.2
 <u>Directors' Remuneration</u>	 <b>2018</b>	 <b>2017</b>
	\$	\$
A Matthews (Appointed 1 April 2014)	15,000	15,000
A Wilson (Appointed 1 April 2014)	30,000	30,000
Total Directors' remuneration	45,000	45,000
Full-time equivalent members	2	2
 Total Related Party Remuneration	 726,759	 723,180
Total Full-time equivalent members	7.2	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 2018 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 is payable to Wellington City Council.



# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 8. RELATED PARTIES (CONTINUED)

The Company purchases accounting services from Add Smart Limited. These costs total \$133,881 (2017: \$123,280) and were supplied on normal commercial terms. There was an outstanding balance on unpaid invoices of \$12,457.95 (2017: \$11,280.06). Bruce Jensen, the Chief Financial Officer of the Company is a director of Add Smart Limited.

### 9. FINANCIAL INSTRUMENTS

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

<b>Financial Assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,767,943	2,254,141
Short term deposits	1,328,793	301,741
Trade receivables	312,840	815,761
Other receivables	11,063	62,163
Total Financial assets	<u>4,420,639</u>	<u>3,433,806</u>

<b>Financial Liabilities</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade Payables	293,957	594,387
Accrued expenses	612,332	664,450
Related party payables	12,458	11,280
	<u>918,747</u>	<u>1,270,117</u>

### 10. TRADE AND OTHER RECEIVABLES

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	255,551	812,108
Related party receivables	57,289	4,683
Net trade receivables	<u>312,840</u>	<u>816,791</u>
Accrued Income	11,063	62,163
	<u>323,903</u>	<u>878,954</u>

The above balance comprise the following:

Exchange: \$99,058 (2017: \$241,151)

Non-Exchange: \$224,845 (2017: \$636,319)

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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 11. INVENTORY

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Overhead division inventory valuation	-	291,984
Net realisable value adjustment	-	(235,276)
	-	56,708
Cable Car inventory	30,777	32,315
	<u>30,777</u>	<u>89,023</u>

In the current year the Company has disposed of all Overhead division inventory as a result of the 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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade payables	293,957	594,387
Accrued Expenses	612,332	664,450
Related party payables	12,458	11,280
	<u>918,747</u>	<u>1,270,117</u>
The above consists of:		
Total payables from exchange transactions	918,747	1,270,117
Total payables from non-exchange transactions	-	-
	<u>918,747</u>	<u>1,270,117</u>

### 13. INCOME TAX EXPENSE

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Current year	104,752	125,621
Adjustments to current tax in prior periods	(0)	(279)
Deferred tax	81,255	32,440
	<u>186,007</u>	<u>157,782</u>
Reconciliation of effective tax rate:	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Surplus for the period excluding income tax	<u>551,415</u>	<u>532,595</u>
Prima facie income tax at 28%	154,396	149,127
Effect of non-deductible expenses	1,170,069	1,013,194
Effect of tax exempt income	(1,169,855)	(1,136,581)
Prior period adjustment	-	(279)
Effect of group loss offset	-	-
Deferred tax adjustment	31,397	132,321
	<u>186,007</u>	<u>157,782</u>

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 13. INCOME TAX EXPENSE (CONTINUED)

Wellington Cable Car Limited's tax liability for 2017 was partially satisfied by way of offset by tax losses of \$200,756 from a subvention payment of \$78,071 to WCC. It is expected that the tax liability for the 2018 year will be funded by the Company without any offset of tax losses from the subvention payment to WCC.

### 14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets/(liabilities):

	Property, plant & equipment \$	Provisions \$	Total \$
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)
Charged to Revenue	41,779	(126,784)	(85,005)
Charged to other comprehensive income	-	-	-
Balance, 30 June 2018	(951,478)	50,410	(901,068)

### 15. PROPERTY, PLANT & EQUIPMENT

	2018 \$	2017 \$
<b>Cable Car and equipment Cost</b>		
Opening balance	8,593,055	4,946,565
Additions	-	1,214,014
Transfer from WIP	-	2,432,476
Disposals	-	-
Closing balance	8,593,055	8,593,055
<b>Accumulated depreciation</b>		
Opening balance	1,462,008	1,215,566
Current year depreciation	234,586	246,442
Disposals	-	-
Closing balance	1,696,594	1,462,008
<b>Carrying Amount</b>	6,896,461	7,131,047

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cable car tracks and wires Cost</b>		
Opening balance	1,363,778	1,363,778
Additions	-	-
Closing balance	<u>1,363,778</u>	<u>1,363,778</u>
<b>Accumulated depreciation</b>		
Opening balance	490,963	463,687
Current year depreciation	27,276	27,276
Closing balance	<u>518,239</u>	<u>490,963</u>
<b>Carrying amount</b>	<u>845,539</u>	<u>872,815</u>
<b>Trolley bus overhead Cost/Valuation</b>		
Opening balance	(0)	(0)
Impairment	-	-
Closing Balance	<u>(0)</u>	<u>(0)</u>
<b>Accumulated depreciation</b>		
Opening balance	0	0
Current year depreciation	-	-
Elimination of depreciation on impairment	-	-
Closing balance	<u>0</u>	<u>0</u>
<b>Carrying amount</b>	<u>-</u>	<u>-</u>
<b>Wire system equipment Cost</b>		
Opening balance	79,506	79,506
Impairment	-	-
Closing Balance	<u>79,506</u>	<u>79,506</u>
<b>Accumulated depreciation</b>		
Opening balance	67,878	61,207
Current year depreciation	6,010	6,671
Closing balance	<u>73,888</u>	<u>67,878</u>
<b>Carrying amount</b>	<u>5,618</u>	<u>11,628</u>

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Motor vehicles Cost</b>		
Opening balance	1,026,850	<i>1,026,850</i>
Additions	-	-
Disposals	-	-
Closing Balance	<u>1,026,850</u>	<u><i>1,026,850</i></u>
<b>Accumulated depreciation</b>		
Opening balance	732,967	<i>546,155</i>
Current year depreciation	186,812	<i>186,812</i>
Disposals	-	-
Closing balance	<u>919,779</u>	<u><i>732,967</i></u>
<b>Carrying Amount</b>	<u>107,071</u>	<u><i>293,883</i></u>
<b>Furniture Cost</b>		
Opening balance	74,379	<i>61,238</i>
Additions	3,550	<i>13,141</i>
Disposals	-	-
Closing Balance	<u>77,929</u>	<u><i>74,379</i></u>
<b>Accumulated depreciation</b>		
Opening balance	59,543	<i>52,580</i>
Current year depreciation	6,130	<i>6,963</i>
Closing balance	<u>65,673</u>	<u><i>59,543</i></u>
<b>Carrying Amount</b>	<u>12,256</u>	<u><i>14,836</i></u>
<b>Computer equipment Cost</b>		
Opening balance	280,141	<i>252,370</i>
Additions	2,241	<i>27,771</i>
Disposals	-	-
Closing Balance	<u>282,382</u>	<u><i>280,141</i></u>
<b>Accumulated depreciation</b>		
Opening balance	253,110	<i>237,805</i>
Current year depreciation	12,939	<i>15,305</i>
Disposals	-	-
Closing balance	<u>266,049</u>	<u><i>253,110</i></u>
<b>Carrying Amount</b>	<u>16,333</u>	<u><i>27,031</i></u>

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Work-In-Progress Cost</b>		
Opening balance	958	<i>2,432,477</i>
Additions	4,115	<i>957</i>
Transfer to Cable Car and equipment	-	<i>(2,432,476)</i>
Closing Balance	<u>5,073</u>	<u><i>958</i></u>
<b>Accumulated depreciation</b>		
Opening balance	-	-
Current year depreciation	-	-
Closing balance	<u>-</u>	<u>-</u>
<b>Carrying Amount</b>	<u>5,073</u>	<u><i>958</i></u>
<b>Total Property, Plant &amp; Equipment Cost</b>		
Opening balance	11,418,667	<i>10,162,784</i>
Additions	9,906	<i>1,255,883</i>
Transfer to/from WIP	-	-
Disposals	-	-
Impairment	-	-
Closing Balance	<u>11,428,573</u>	<u><i>11,418,667</i></u>
<b>Accumulated depreciation</b>		
Opening balance	3,066,469	<i>2,577,000</i>
Current year depreciation	473,753	<i>489,469</i>
Elimination of depreciation on impairment	-	-
Disposals	-	-
Closing balance	<u>3,540,222</u>	<u><i>3,066,469</i></u>
<b>Carrying Amount</b>	<u>7,888,351</u>	<u><i>8,352,198</i></u>

During this financial year, it was identified that the cost of an electric drive (\$3.168m) purchased in the 2016/17 financial year, was classified as 'Cable Car tracks and wires' instead of 'Cable Car and equipment'. The misclassification of the item along with the associated depreciation expense was addressed by restating the 2016/17 comparatives.

#### **Motor Vehicles**

It is noted that of the total carrying value of motor vehicles owned by Wellington Cable Car Limited, \$95,413 pertains to motor vehicles utilised in the Overhead division of the Company. As part of the decommissioning of the Trolley Buses, the Company has offered these motor vehicles for sale.



# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 15. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

#### 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.

In the previous year the Company fully impaired the value of the overhead network and associated network assets as a result of the 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.

#### 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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
Opening balance	204,707	202,707
Acquired by direct purchase	-	2,000
Closing Balance	<u>204,707</u>	<u>204,707</u>
<b>Accumulated amortisation</b>		
Opening balance	176,185	149,914
Current year amortisation	20,029	26,271
Closing balance	<u>196,214</u>	<u>176,185</u>
<b>Carrying Amount</b>	<u>8,493</u>	<u>28,522</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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 17. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease commitments:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Land and Buildings</b>		
Not later than 1 year	-	<b>97,929</b>
Later than 1 and not later than 2 years	-	-
Later than 2 and not later than 5 years	-	-
Closing Balance	<u>-</u>	<u><b>97,929</b></u>
<b>Plant and equipment</b>		
Not later than 1 year	22,110	<b>21,133</b>
Later than 1 and not later than 2 years	15,850	<b>25,040</b>
	<u>37,959</u>	<u><b>46,173</b></u>
	<u>37,959</u>	<u><b>144,102</b></u>

### 18. 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. (2017: \$0)

### 19. BORROWINGS

#### **Bank overdraft**

Wellington Cable Car Limited's bank overdraft facility totals \$50,000. The current interest rate on the facility is 11% (2017: 11.00%). The actual overdraft facility was un-drawn as at 30 June 2018 (2017: un-drawn).

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### 20. SHAREHOLDERS' EQUITY

#### Capital

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
7,434,746 fully paid Ordinary Shares (Par Value \$1)	7,434,846	<i>7,434,846</i>
Total Issued and Paid up Capital	7,434,846	<i>7,434,846</i>

#### Accumulated Comprehensive Revenue and Expense

Accumulated Comprehensive Revenue and Expense Opening Balance	2,290,003	<i>1,915,190</i>
Net Surplus after tax	365,407	<i>374,813</i>
Available for appropriation	2,655,410	<i>2,290,003</i>
Accumulated Comprehensive Revenue & Expense Closing Balance	2,655,410	<i>2,290,003</i>

### 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 2018 for the financial reports on pages 7 to 10.

#### Statement of Comprehensive Revenue and Expense

The Company achieved a similar surplus before tax to the previous year but \$0.16m over budget given cost savings and efficiencies over a number of areas relating to operating and maintaining the Cable Car, and a significant increase in Cable Car revenue.

The funding for the maintenance and decommissioning of 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.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **23. MAJOR VARIANCES TO BUDGET (CONTINUED)**

For the year ending 30 June 2018, the major variances relate to costs savings and deferrals in regard to the following three areas:

**(a) Overhead Division Decommissioning Costs/Revenue** - The project of decommissioning the overhead network commenced in November 2017 and has progressed well and costs have tracked significantly under budget. This has resulted in operations and general costs being \$0.7m less than budget for the year and the revenue from Greater Regional Wellington Council by the same amount (given the Company does not make a profit on the costs incurred in the overhead division).

**(b) Cable Car Fare Revenue** - for the current year the Cable Car fare revenue exceeded the prior year by \$0.64m and also budget. This was due to increased marketing activities and a positive year for tourism in Wellington including cruise ship visitation.

**(c) Employee Remuneration** - Due to the significant increase in Cable Car fare revenue for the current year over that budgeted, additional staff were required to maintain high levels of service at peak times, including cruise ship days. Further amounts were also payable to existing key personnel in the overhead division to ensure their retention through to the end of the decommissioning project.

#### **Statement of Changes in Equity**

The major variance between the actual position as at 30 June 2018 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 2017/18 year which resulted in larger cash reserves than expected, 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 increased depreciation for the year over that budgeted for.

Trade payables and trade receivables are due to the impact of the decommissioning project, as for budgeting purposes, the impact of this was excluded as it was assumed that there would be a nil impact on the balance sheet at year end.

The replacement of the Cable Car electric drive system in the prior year also has impacted on the budgeted position in respect of depreciation, as the depreciation included in the business plan in the Statement of Intent has been based on a lower amount of depreciation for accounting purposes, given the additional costs in the project and the funding received from Wellington City Council.

# Wellington Cable Car Limited

## Notes to the Financial Statements

For the year ended 30 June 2018

### **23. MAJOR VARIANCES TO BUDGET (CONTINUED)**

#### **Statement of Cash Flow**

The receipts from operations are higher than budgeted given the financial performance of the Company.

Also, given the strong financial performance of the Company and the cash reserves generated from this, further term deposits of \$1m were invested during the year.

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**STATEMENT OF SERVICE PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

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# Wellington Cable Car Limited

## Statement of Service Performance

For the year ended 30 June 2018

### Cable Car Service Performance Measures

Performance Indicator	Measure	Target/Result	Actual - 2018	Actual - 2017
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%	Result 99.83%. Achieved.	<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>
Cable Car User Satisfaction Survey	How often do you use the Cable Car?	X% travel on the Cable Car at least once every year 2017/18 – 50% 2018/19 – 52% 2019/20 – 54%	100%, noting that the survey was provided to people in Cable Car lane, and the approach for people completing the survey will be reconsidered for the next period	N/A - New measure
	How do you rate the visitor experience on the Cable Car?	Y% of respondents provide a rating of greater than 3 on a scale of 1 to 5 2017/18 – 90% 2018/19 – 91% 2019/20 – 92%	91.60%	N/A - New measure
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 2018/19 business plan in February 2018</i>	<i>Asset Management Plan reviewed and updated as part of completing the 2017/18 business plan in February 2017</i>

# Wellington Cable Car Limited

## Statement of Service Performance

For the year ended 30 June 2018

### Cable Car Service Performance Measures

Performance Indicator	Measure	Target/Result	Actual - 2018	Actual - 2017
Cable Car Passenger Trips	Passenger trips as per the estimates in the table below	Passenger trip estimates achieved	<i>Achieved.</i>	<i>Not achieved. This was 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>

### Cable Car Patronage - All Passenger Trips

2017/18	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Estimated Passenger Trips	206,367	293,010	375,962	216,589	1,091,928
Actual Passenger Trips	192,152	330,080	391,786	231,260	1,145,278

# Wellington Cable Car Limited

## Statement of Service Performance

For the year ended 30 June 2018

### **Trolley Bus Overhead Network Performance Measures**

Performance Indicator	Measure	Target/Result	Actual - 2018	Actual - 2017
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>
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. Physical decommissioning commenced in November 2017 and the project was substantially completed as at 30 June 2018</i>	<i>Achieved - Tender process completed and contract finalised with the successful tenderer. Planning completed for project to commence in November 2017</i>
GWRC funding and performance agreement compliance	Number of breaches of agreement	Nil breaches by WCCL  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>

# Wellington Cable Car Limited

## Statement of Service Performance

For the year ended 30 June 2018

### All of WCCL Activities Performance Measures

Performance Indicator	Measure	Target/Result	Actual -2018	Actual - 2017
Compliance with appropriate regulations and statutes	Number of adverse comments from the relevant regulatory authorities	Nil adverse comments	<i>Achieved</i>	<i>Achieved</i>
WCCL 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.	WCCL 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 - WCCL management has a risk register and monitors and manages all identified risks including regular reporting to the Board.</i>	<i>Achieved - WCCL management has a risk register and monitors and manages all identified risks including regular reporting to the Board.</i>
WCCL disaster recovery plan update	WCCL completes a detailed review and update of the existing disaster recovery plan given the recent natural events in Wellington and the inherent nature of its business	Completion of the update of the WCCL disaster recovery plan.	<i>Not achieved - this is in progress as at balance date</i>	<i>N/A new measure</i>
Budgetary requirements approved by the WCCL 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>

# Wellington Cable Car Limited

## Statement of Service Performance

For the year ended 30 June 2018

### All of WCCL Activities Performance Measures (continued)

Performance Indicator	Measure	Target/Result	Actual -2018	Actual - 2017
WCCL 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>Achieved. WCCL has made submissions to WCC for funding under its long term plan which was not accepted in the current plan. The Company is currently working on the basis of the required works being funded by existing cash reserves along with external borrowings.</i>	<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. WCCL 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 2018

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:	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 2018

The Auditor-General is the auditor of Wellington Cable Car Limited (the company). The Auditor-General has appointed me, Karen Young, 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 7 to 32, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 34 to 38.

In our opinion:

- the financial statements of the company on pages 7 to 32:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 34 to 38 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

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

## **Basis for our opinion**

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

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

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

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

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

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

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

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

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

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

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

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 39, but does not include the financial statements and the performance information, and our auditor's report thereon.

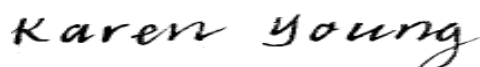
Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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.



Karen Young  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

**Wellington Cable Car Limited**  
**would like to thank all its employees, sub-contractors**  
**and supporting staff at Wellington City Council**  
**for their hard work and efforts throughout the year.**

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**CREDITS**

**Funding:**

Wellington City Council  
Greater Wellington Regional Council

**Accountants:**

AddSmart Limited

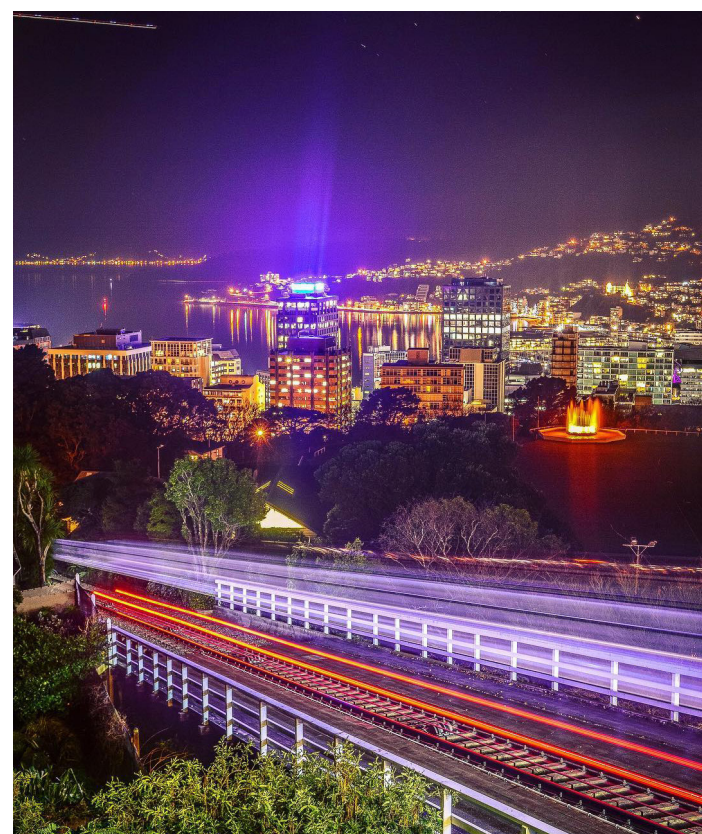
**Overhead Network Contractor:**

Broadspectrum (NZ) Ltd

All other Vendors and Suppliers

All Staff and Patrons







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W: [www.wellingtoncablecar.co.nz](http://www.wellingtoncablecar.co.nz)