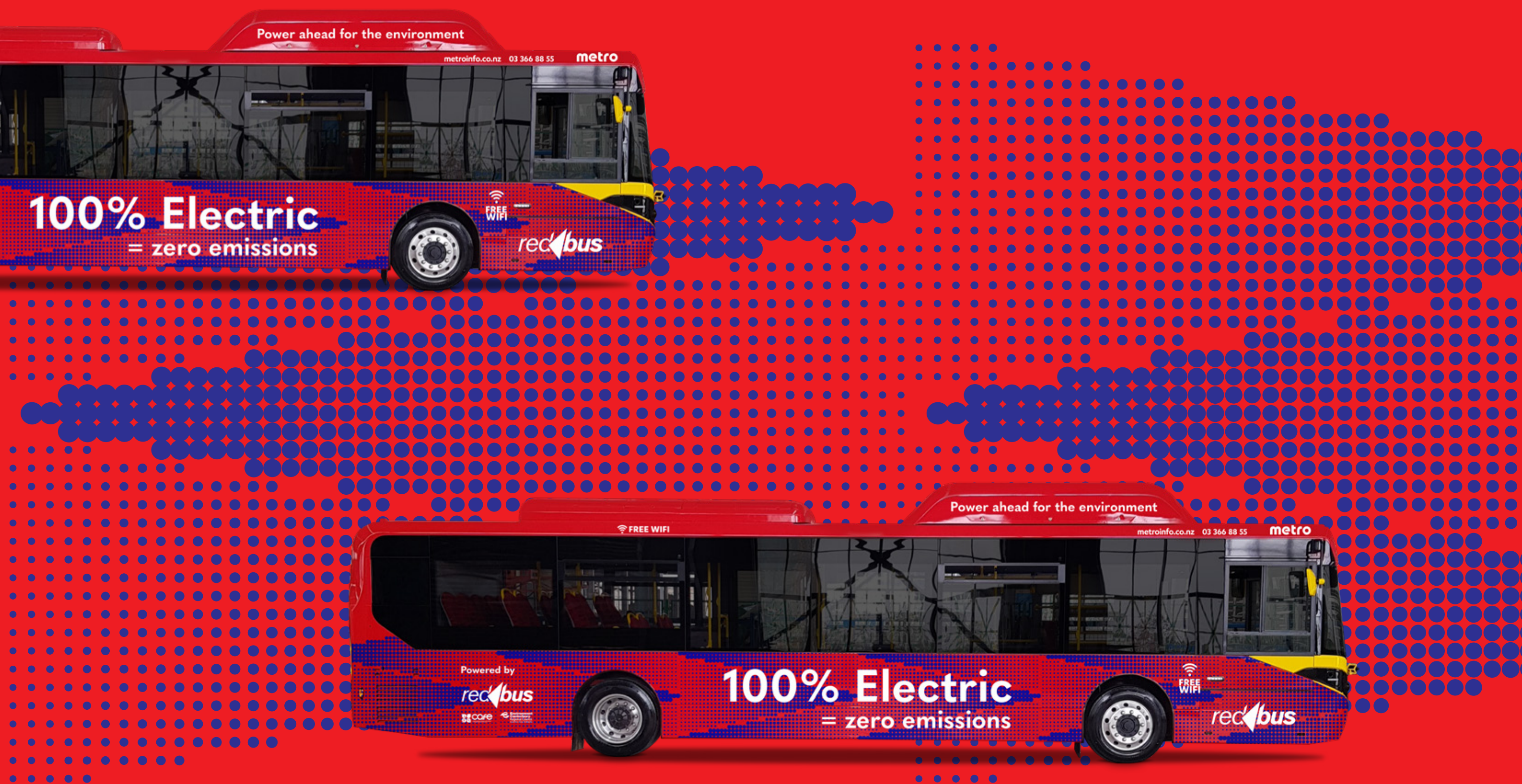
Annual Report 2019



Leading the way in
passenger transport.

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Red Bus Limited operates a large passenger transport business in Canterbury. Last year our urban and school bus services carried 3.9 million passengers and travelled 5.9 million fleet kilometres.

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

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

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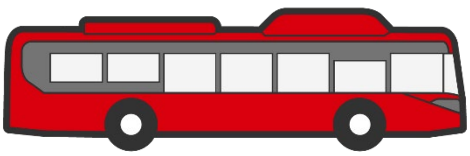


Chair & Chief Executive Report

Red Bus Limited is pleased to present its 28th Annual Report and financial statements for the year ended 30 June 2019.

Our Vision

Red Bus believes an effective public transport system is critical to supporting a thriving, liveable Greater Christchurch. Everything we do revolves around this vision as follows:

1. We're committed to taking bold action to improve our environment.
2. We're working hard to grow patronage across the network.
3. We're continually identifying and testing new ideas and technologies.
4. We're partnering with others to deliver the best outcomes for our customers.
5. We're an effective, reliable operator you can trust.

Outlined below is a summary of how Red Bus has been putting it's vision into action.

2019 – The year of preparation

Last year's annual report signalled Environment Canterbury's intention to tender all Canterbury's urban and school public transport services mid-2019 ready for the new service contracts to start late November 2020. Red Bus invested considerable time and resources in tender preparation which at the writing of this report have yet to be released.

Environment Canterbury's Regional Public Transport Plan finalised in December 2018 signalled a new holistic approach to public transport planning and funding with clear objectives to improve customer service and grow service capacity while moving towards a zero emission fleet. Red Bus fully supports and stands ready to assist the implementation of these key objectives, which we see as critical for a modern, regenerating city.

New initiatives

The first step in decarbonising our fleet with electric buses began in June with delivery of three zero-emission battery electric ADL Enviro200EV buses with financial assistance from Christchurch Agency for Energy and Environment Canterbury. These buses started a fully electric bus service between the City Centre and Christchurch International Airport on Monday 1 July after an official launch and a public event with free rides on the electric buses. Initial customer feedback is extremely positive and initial electric bus performance is proving to be excellent.

Red Bus partnered with the Crusaders to promote public transport to existing and new customers. Crusaders players and staff actively and enthusiastically participated in the production of a number of promotional videos that promoted passenger transport and our new electric bus service. We congratulate the team on their "3-peat" success in the 2019 Super Rugby championship.

Operational improvements deliver ongoing benefits

Ongoing initiatives such as fleet wide telematics with real time driver feedback, SAFED driver training, and smaller buses continue to deliver ongoing sustainability and operational improvements resulting in a carbon footprint for each kilometre travelled that is 7% lower than in 2015. The electric buses will accelerate the carbon footprint reduction in the coming year.

Our People

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

Red Bus continues to be committed to ensuring our people go home safe each and every day. An external review of our health & safety programme this year noted "the system used by Red Bus is comprehensive with evidence of commitment at all levels of the business." While our lost time injury rate dropped to 12.2 events/million worked hours (13.6 in 2018) it remains higher than we would like.

Our Customers

We continue to pride ourselves on the passenger experience we strive to deliver to the thousands of passengers across the Environment Canterbury Metro network who use Red Bus's services every day. We are committed to safely delivering our passengers to their destinations.

Red Bus continues to lead the scoring for Christchurch bus operators in the Environment Canterbury's mystery shopper survey with an improvement this year in "initial impression" and "friendly and helpful" scores. Compliments continue to exceed complaints.

Our Business

Despite the challenges for ECan to match public transport services with the central city recovery and ECan implementing a 10% reduction in Red Bus urban service kilometres from October 2018 the number of Red Bus urban passenger trips increased 0.7%. This compares favourably with a 0.8% increase in passenger trips for the entire Metro urban network.

Our high service and fleet standards were recognised by the renewal of Qualmark Gold certification for Red Travel and Akaroa Shuttle plus retention of a NZTA 5 star operator safety rating for the fleet. Passenger safety, quality service and reliability remain our core business strengths.

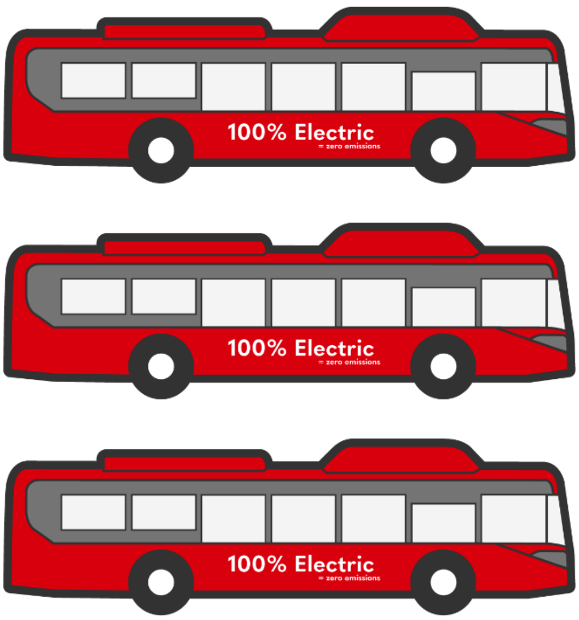
Our Result

	2019 ($'000)	2018 ($'000)
Revenue	20,809	21,084
Net surplus (deficit) before taxation	(7,161)	199
Tax expense (credit)	(1,850)	82
Total comprehensive income	(5,311)	117

Revenue decreased from $21.1m in 2017/2018 to $20.8m in 2018/2019 due to Environment Canterbury Metro service reductions in October 2018.

The local and international trend towards zero emission vehicles combined with maximum age reductions for urban and school fleets resulted in the Board adopting a substantial non-cash impairment to the fleet value.

The Red Bus balance sheet remains strong, with no long-term debt and positive ongoing cash flow.



Our Future

The core issues for Red Bus are the upcoming Canterbury urban and school tenders. Our tender preparation is complete and our long-term strategy remains unchanged.

We remain focused on embracing new technology that will let Red Bus transform, then lead, the roll-out of world-class fit for future public transport in Canterbury.

Central to effective delivery of this rollout are good people, good systems and a desire to service our customers and community. Things that Red Bus has in abundance.

Bryan Jamison
Chair of Red Bus Limited Board

Paul McNoe
Chief Executive

Financial Statements

The Directors have approved for issue the financial statements of Red Bus Limited for the year ended 30 June 2019.

For and on behalf of the Board of Directors

Bryan Jamison
Director
22 August 2019

Paul Kiesanowski
Director
22 August 2019

Contents for the Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2019	Note	2019 $'000	2018 $'000
Revenue	2(a)	20,619	20,943
Other income	2(b)	190	141
Depreciation, amortisation and impairment expense	2(c)	(9,030)	(2,724)
Finance expenses	2(d)	-	(2)
Employee benefits expense		(11,393)	(11,530)
Other expenses	2(e)	(7,547)	(6,629)
Profit (loss) before income tax expense		(7,161)	199
Income tax credit/(expense)	3(a)	1,850	(82)
Net surplus after taxation		(5,311)	117
Total Comprehensive Income		(5,311)	117

Statement of Changes in Equity

For the year ended 30 June 2019	Note	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Balance as at 1 July 2017		10	23,486	14,456	37,952
Total comprehensive income		-	117	-	117
Balance at 30 June 2018	13	10	23,603	14,456	38,069
Total comprehensive income		-	(5,311)	-	(5,311)
Balance at 30 June 2019	13	10	18,292	14,456	32,758

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Balance Sheet

As at 30 June 2019	Note	2019 $'000	2018 $'000
Current Assets			
Cash and Cash Equivalents	17(a)	3,562	2,682
Trade and Other Receivables	5	858	655
Inventories		368	400
Current Subvention Receivable		46	-
Total Current Assets		**4,834**	**3,737**
Non-current Assets			
Property, Plant and Equipment	6	32,536	39,039
Intangible Assets	7	-	601
Total Non-current Assets		**32,536**	**39,640**
Total Assets		**37,370**	**43,377**
Current Liabilities			
Trade and Other Payables	8	2,042	933
Current Subvention Payable		-	185
Employee Entitlements		1,134	972
Finance Leases	10	3	8
Total Current Liabilities		**3,179**	**2,098**
Non-current Liabilities			
Finance leases	10	-	3
Employee entitlements		23	25
Deferred Tax Liabilities	3(b)	1,410	3,182
Total Non-current Liabilities		**1,433**	**3,210**
Total Liabilities		**4,612**	**5,308**
Net Assets		**32,758**	**38,069**
Equity			
Share Capital	11	10	10
Reserves	12	14,456	14,456
Retained Earnings	13	18,292	23,603
Total Equity		**32,758**	**38,069**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 30 June 2019	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		20,591	21,161
Interest received		14	5
Payments to suppliers and employees		(17,681)	(18,380)
Interest and other finance costs paid		-	(2)
Subvention tax receipt (payment)		(153)	(86)
Net cash from operating activities	17(b)	**2,771**	**2,698**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,926)	(768)
Proceeds from Investments		-	-
Proceeds from sale of property, plant, equipment & intangibles		35	116
Net cash used in investing activities		**(1,891)**	**(652)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	(8)
Net cash used in financing activities		**-**	**(8)**
Net increase (decrease) in cash and cash equivalents		880	2,038
Cash and cash equivalents at beginning of year		2,682	644
Cash and cash equivalents at end of year	17(a)	**3,562**	**2,682**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Notes to the Financial Statements

Summary of Accounting Policies

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

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

Basis of Preparation

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

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

These financial statements comply with New Zealand equivalents to the International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

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

Changes in accounting policies and disclosures

The accounting polices detailed have been applied in the preparation of these financial statements for the year ended 30 June 2019 and have been consistently applied throughout the year.

New Standards and Interpretations Adopted

In the current year, the Company has applied NZ IFRS 9 Financial Instruments, effective 1 July 2018. NZ IFRS 9 replaces NZ IAS 39 and introduces new requirements for:

- the classification and measurement of financial assets and liabilities,
- impairment of financial assets.

Details of these new requirements as well as their impact on the Company's financial statements are summarised below:

(i) Classification and measurement

NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments. The standard divides all financial assets that are currently in the scope of NZ IAS 39 into two classifications - those measured at amortised cost and those measured at fair value.

As a result of the adoption of this standard financial assets previously classified as loans and receivables are now classified as financial assets at amortised cost. The Company has no financial assets measured at fair value.

There is no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have such liabilities.

(ii) Impairment of financial assets

NZ IFRS 9 requires a new impairment model with impairment provisions based on expected credit losses rather than incurred credit losses under NZ IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The simplified approach has been applied to trade receivables to determine expected credit losses. The transitional increase/decrease in the impairment allowance as a result of this change in accounting policy is immaterial.

NZ IFRS 15 Revenue from Contracts with Customers introduced a new revenue recognition model that recognises revenue either at a point in time or over time. It is based on the principle that revenue is recognised when control of a good or service transfers to the customer and is based on the fulfilment of performance obligations.

The Company has applied the modified approach on transitioning to NZ IFRS 15 and has applied the standard on initial application being 1 July 2018. No material impact on these financial statements has been recognised as a result of adopting this standard.

As the Company has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognised consistent with the amount that the Company has a right to invoice. The Company is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the reporting period.

Note 2 sets out a numerical disaggregation of revenue in accordance with the disclosure requirements of the new standard. An explanation of the types of revenue included in the note is set out in Revenue Recognition policy on page 11.

New Standards and Interpretations Not Yet Adopted

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

Critical Accounting Estimates and Assumptions

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

Property, Plant and Equipment

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

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

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

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

Significant Accounting Policies

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

(a) Revenue

Revenue principally comprises revenue from passenger services in New Zealand.

An explanation of the types of revenue are set out below:

(i) Revenue from Regional Councils

Contract revenues mainly relate to Environment Canterbury bus contracts. Revenues are recognised as the services are provided over the length of the contract, and based on a transactional price which is defined in the terms of the contract. The transaction price is calculated based on the total consideration expected to be received in relation to the performance of the contract, net of variable consideration.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(ii) Revenue from Others – Charter/private hire

Charter and private hire predominantly relates to charter work for both schools with extracurricular activities and third parties with general transportation needs. Revenue is recognised over the period in which the charter/private hire is provided to the customer.

Any payment received in advance of the services being provided is recognised as a contract liability and is released on a straight-line basis over the period of service.

(b) Leases

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

(c) Current and deferred income tax

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

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

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

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

(d) Goods and services tax (GST)

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

(e) Financial assets

The company classifies its financial assets at amortised cost. The measurement basis is determined by reference to both the business model for managing the financial asset and the contractual cashflow characteristics of the financial asset.

(i) *Financial assets at amortised cost*

Financial assets at amortised cost are non-derivative financial assets held for collection of contractual cashflows where those cashflows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(f) Cash and cash equivalents

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

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost, less an allowance for expected credit losses. Loss allowances relate solely to credit loss allowances arising from contracts with customers.

The Company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

An expected credit loss is determined based on the historic credit loss rates, adjusted for other current observable data that may materially impact the Company's future credit risk, including customer specific factors, current conditions and forecasts of future economic conditions.

Trade receivables are written-off when there is no reasonable expectation of recovery.

(h) Inventories

Inventories are valued at cost. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Property, plant and equipment

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

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

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

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

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

Buildings and capital improvements	*7-30 years*
Buses	*15-20 years*
Plant, equipment and motor vehicles	*3-25 years*

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

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

(j) Intangible assets

(i) Computer software

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

(ii) Trademarks

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

(iii) Customer lists

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

(iv) Goodwill

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

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

(k) Impairment of non-financial assets

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

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

(l) Trade and other payables

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

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

(m) Employee entitlements

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

(n) Provisions

A provision is recognised in the Balance Sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits the amount of which can be reliably estimated will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Borrowings

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

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

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

(p) Finance Leases

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

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

(q) Share capital

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

(r) Dividends

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

(s) Recognition of Government Grants

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


Door 8
Route
Destination
metro
metroinfo.co.nz
Please wait for door to open.
FREE WIFI
100% Electric
8
Door 8

2. Profit from operations

	Note	2019 $'000	2018 $'000
(a) Revenue from Contracts			
Revenue from Regional Councils		16,971	16,922
Revenue from Others – Charters/private hire		3,648	4,021
		20,619	**20,943**
(b) Other income			
Net gain on sale of Property, Plant and Equipment		35	26
Interest Income		14	6
Rental Income		118	94
Other Revenue		23	15
		190	141
(c) Depreciation, amortisation and impairment expense			
Depreciation of Property, Plant & Equipment	6	(3,985)	(2,632)
Impairment of Property, Plant & Equipment	6	(4,370)	-
Amortisation of intangible assets	7	(85)	(92)
Impairment of intangible assets	7	(590)	-
		(9,030)	**(2,724)**

The Company reassessed the useful lives of the Urban bus fleet from 20 years to 16 years due to changing technology and signals of reduction in the allowable maximum age for Urban fleet. As a result an accelerated depreciation of $1,384,000 was recognised this year.

The Company has tested and impaired
Goodwill and customer lists in the coach business
Urban buses
Plant and Equipment
as per the procedures outlined in it's significant accounting policies.

		2019 $'000	2018 $'000
(d) Financial expenses			
Interest on borrowings		-	(2)
		-	(2)
(e) Other expenses			
Audit of the financial statements		(41)	(41)
Director fees		(219)	(164)
Raw materials & consumables		(3,622)	(3,281)
Minimum lease payments under operating leases		(20)	(20)
Bad debts		(2)	(2)
Other expenses		(3,643)	(3,121)
		(7,547)	**(6,629)**

3. Income Taxes

	2019 $'000	2018 $'000
(a) Income Tax Expense		
Tax Expense comprises		
Current tax expense	(46)	(185)
Prior period adjustment to current tax	-	(12)
Deferred tax expense relating to the origination and reversal of temporary differences	(1,804)	(91)
Total Tax Expense (credit)	**(1,850)**	**82**
Reconciliation of prima facie income tax		
Profit from operations	(7,162)	199
Income tax expense calculated at 28%	(2,005)	56
Non-deductible expenses	156	26
	(1,850)	**82**

(b) Deferred Tax balances
Taxable and deductible temporary differences arise from the following

Year ended 30 June 2019	Opening Balance $'000	Charged to Income $'000	Charged to Equity $'000	Prior Period adjustment $'000	Closing Balance $'000
Deferred Tax Liabilities:					
Property, Plant and Equipment	(3,414)	1,797	-	9	(1,608)
	(3,414)	**1,797**	**-**	**9**	**(1,608)**
Deferred Tax Assets:					
Provisions	232	7	-	(41)	198
	232	**7**	**-**	**(41)**	**198**
Net Deferred Tax Liability	**(3,182)**	**1,804**	**-**	**(32)**	**(1,410)**
Year ended 30 June 2018					
Deferred Tax Liabilities:					
Property, Plant and Equipment	(3,475)	61	-	-	(3,414)
	(3,475)	**61**	**-**	**-**	**(3,414)**
Deferred Tax Assets:					
Provisions	197	30	-	5	232
	197	**30**	**-**	**5**	**232**
Net Deferred Tax Liability	**(3,278)**	**91**	**-**	**5**	**(3,182)**

4. Key Management Personnel Compensation

	2019 $'000	2018 $'000
The compensation of the directors and executives, being the Key management personnel of the entity, is set out below		
Salaries and short term employee benefits	732	645

5. Trade and Other Receivables

Trade and Other Receivables	589	423
Allowance for Impairment of receivables	-	-
	589	423
Prepayments	269	232
	858	**655**

The Company measures the provision for expected credit losses (ECL) using the simplified approach to measuring ECL, which uses a lifetime loss allowance for all trade receivables. The Company determines lifetime ECL using a provision matrix of trade receivables that is applied to customers with shared credit risk characteristics. Groupings are based on customer, trading terms and ageing. ECL using this approach were immaterial.

6. Property, Plant and Equipment

	Freehold Land at fair value $'000	Buildings at fair value $'000	Buses at cost $'000	Plant & Equipment $'000	Total $'000
Balance at 1 July 2017	15,600	1,909	37,707	3,000	58,216
Balance at 30 June 2018	15,600	1,911	37,838	3,131	58,480
Work in Progress	-	8	-	-	8
Additions	-	78	1,546	220	1,844
Disposals	-	-	(414)	(2)	(416)
Balance at 30 June 2019	15,600	1,997	38,970	3,349	59,916
Accumulated Depreciation and Impairment:					
Balance at 1 July 2017	-	(593)	(15,596)	(968)	(17,157)
Balance at 30 June 2018	-	(705)	(17,481)	(1,255)	(19,441)
Disposals	-	-	414	2	416
Impairment	-	-	(3,806)	(564)	(4,370)
Depreciation expense	-	(95)	(3,477)	(413)	(3,985)
Balance at 30 June 2019	-	(800)	(24,350)	(2,230)	(27,380)
Net book value at 30 June 2018	15,600	1,206	20,357	1,876	39,039
Net book value at 30 June 2019	15,600	1,197	14,620	1,119	32,536

	2019 $'000	2018 $'000
Capital work in progress is contained in the following categories		
Buildings	8	-
Buses	-	174
Plant & Equipment	-	5
Intangible Assets	25	-
	33	179
Aggregate depreciation allocation, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Buildings	95	112
Buses	3,477	2,122
Plant & Equipment	413	398
	3,985	2,632

Freehold land and buildings carried at fair value

Land & Buildings, historically, has been valued every 3 years at fair value using market-based evidence on its highest and best use with reference to comparable sales and market rents. Mr W Blake (ANZIV/SNZPI) of Knight Frank Limited was contracted by the Board as an independent valuer to assess the fair value of the Land & Buildings most recently at 30 June 2018.

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

The Company reassessed the useful lives of the Urban bus fleet from 20 years to 16 years due to changing technology and signals of reduction in the allowable maximum age for Urban fleet. As a result accelerated depreciation of $1,384,000 was recognised this year.

The company has tested and impaired urban buses and plant and equipment as per Note 2c.

7. Intangible Assets

	Goodwill	Customer Lists	Trade marks	Software	Total
	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:					
Balance at 1 July 2017	325	325	14	328	992
Balance at 30 June 2018	325	325	14	392	1,056
Work in Progress	-	-	-	25	25
Additions	-	-	-	49	49
Disposals	-	-	-	-	-
Balance at 30 June 2019	325	325	14	466	1,130
Accumulated Amortisation and Impairment:					
Balance at 1 July 2017	-	(27)	(14)	(322)	(363)
Balance at 30 June 2018	-	(108)	(14)	(333)	(455)
Amortisation expense	-	(65)	-	(20)	(85)
Impairment	(325)	(152)	-	(113)	(590)
Disposals	-	-	-	-	-
Balance at 30 June 2019	(325)	(325)	(14)	(466)	(1,130)
Net book value at 30 June 2018	325	217	-	59	601
Net book value at 30 June 2019	-	-	-	-	-

The Company has tested and impaired goodwill and customer lists in the coach business as per Note 2c

8. Trade and Other Payables

	2019 $'000	2018 $'000
Trade Payables	572	450
Goods and Services Tax payable	200	131
Accrued expenses	1,270	352
	2,042	933

9. Borrowings

The company has a revolving credit facility with its bankers, ASB. Any advances made are secured against certain assets of the Red Bus Limited fleet. As at 30 June 2019 there is available credit in excess of $2m with a current interest rate of 4.64% pa.

10. Finance Leases

	2019 $'000	2018 $'000
No later than 1 year	3	8
Later than one year but not later than five years	-	3
	3	11

The Company has a finance lease for equipment. This is the final year for repayment and in the following financial year the equipment will transfer to the Company.

11. Share Capital

	2019 $'000	2018 $'000
Fully paid ordinary shares	10	10

As at 30 June 2019, share capital comprised 10,100 ordinary shares (2018: 10,100).

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

12. Reserves

	Asset revaluation $'000	General $'000	Total $'000
Balance at 1 July 2017	7,156	7,300	14,456
Gain/(loss) on revalued assets	-	-	-
Deferred Tax on revaluation	-	-	-
Balance at 30 June 2018	7,156	7,300	14,456
Gain/(loss) on revalued assets	-	-	-
Deferred Tax on revaluation	-	-	-
Balance at 30 June 2019	7,156	7,300	14,456

Asset Revaluation Reserve

The Asset Revaluation Reserve comprises $6,080,000 (2018: $6,080,000) of land revaluation and $1,076,000 (2018: $1,076,000) of buildings revaluation net of deferred tax.

General Reserve

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

13. Retained Earnings

	2019 $'000	2018 $'000
Balance at beginning of year	23,603	23,486
Net surplus (deficit) after taxation	(5,311)	117
Balance at end of year	18,292	23,603

14. Commitments for Expenditure

As at 30 June 2019 the company had entered into contracts to purchase Property, Plant and Equipment of $nil (2018: $2,179,848).

15. Contingent Liabilities and Contingent Assets

Contingent Liabilities		
Performance bonds	100	870

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

Contingent Assets

As at 30 June 2019 the company had no contingent assets (2018: nil).

16. Operating Leases

	2019 $'000	2018 $'000
No later than one year	-	7
Later than one year and not later than five years	-	4
	-	11

17. Notes to the Cash Flow Statement

(a) Cash and Cash equivalents

	2019 $'000	2018 $'000
Cash	31	31
Bank Balances	299	281
Call Deposits	3,232	2,370
	3,562	2,682

(b) Reconciliation of profit for the year with net cash from operating activities

	2019 $'000	2018 $'000
Profit/(Loss) for the year	(5,311)	117
(Gain) on sale or disposal of non-current assets	(35)	(26)
Depreciation and amortisation of non-current assets	4,660	2,724
Impairment of non-current assets	4,370	-
Increase/(decrease) in current tax balances	(232)	93
Increase/(decrease) in deferred tax balances	(1,772)	(96)
Changes in net assets and liabilities:		
(Increase)/decrease in assets		
Current receivables – other	(166)	196
Current prepayments	(37)	-
Accrued Interest – Investments	7	7
Current inventories	32	(74)
(Increase)/decrease in liabilities		
Current payables	1,132	(256)
Other current liabilities	(29)	-
Current Borrowings	-	(1)
Employee entitlements – current	162	11
Finance leases – current	(5)	-
Employee Entitlements – non current	(2)	11
Finance Leases – non current	(3)	(8)
Net cash from operating activities	2,771	2,698

18. Related Party Disclosures

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

	2019 $'000	2018 $'000
(a) Receipts from related parties		
Transactions		
Sales of goods/services to Christchurch City Council	86	11
Sales of goods/services to Connetics Ltd	-	1
	86	12
(b) Payments to related parties		
Transactions		
Rates paid to Christchurch City Council	96	92
Purchase of goods/services from Christchurch City Council	-	5
Purchase of goods/services from City Care Limited	26	14
Purchase of goods/services from Christchurch International Airport Limited	5	7
Purchase of goods/services from Orion New Zealand Limited	4	3
	131	121
(c) Year-end balances arising from transactions		
Payable to City Care Ltd	2	1
Receivable from Christchurch City Council	63	1

(d) Separate disclosure of individual transactions

The company paid dividends of $nil (2018: $nil) to its immediate parent, Christchurch City Holdings Limited.

The company made a subvention payment totalling $152,761 (2018 subvention payment $86,077) and purchased loss offsets of $392,814 (2018 purchased loss offsets $221,340) from members of the Christchurch City Council Group. For the current year the company will receive $45,856 as a subvention receipt and receive tax losses of $117,915 from members of the Christchurch City Council Group.

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

Key management personnel of the company did not purchase sundry goods and services from the company during the period (2018: $376). There were no outstanding balances with key management personnel at the end of the year (2018: nil). All transactions were conducted on standard commercial terms.

19. Subsequent Events

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

20. Financial Instruments

(a) Financial Instrument Categories

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

Financial Assets	2019 $'000	2018 $'000
Financial Assets at amortised cost		
Cash & Cash Equivalents	3,562	2,682
Trade & Other Receivables	589	423
Total Financial Assets at amortised cost	**4,151**	**3,105**
Financial Liabilities		
Financial Liabilities at amortised cost		
Trade & Other Payables	2,042	933
Finance Lease	3	11
Total Financial Liabilities at amortised cost	**2,045**	**944**

(b) Financial Instrument Risks

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

Market Risk

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in the market interest rates. Borrowings issued at variable interest rates expose the company to cash flow rate risk. Had interest rates been either 1% higher or lower, and all other variables been held constant, the Company's profit would have increased (or decreased) by approximately $36,000 (2018:$27,000).

Credit Risk

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

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

The company is exposed to a concentration of credit risk with respect to accounts receivable due to the reliance on Environment Canterbury for 82% (2018: 80%) of Red Bus Limited's revenue. Environment Canterbury is considered to be a high credit quality entity.

Maximum exposure to credit risk

	2019 $'000	2018 $'000
Cash & Cash Equivalents	3,562	2,682
Trade & Other Receivables	589	423
	4,151	3,105

Credit quality of financial assets

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

Liquidity Risk

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

Contractual Maturity Analysis

	Carrying amount $'000	Contractual cash flow $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000
As at 30 June 2019					
Financial Assets					
Cash & Cash Equivalents	3,562	3,562	3,562	-	-
Trade & Other Receivables	589	589	589	-	-
	4,151	4,151	4,151	-	-
Financial Liabilities					
Trade and Other Payables	772	772	772	-	-
Accruals	1,270	1,270	1,270	-	-
Finance leases	3	3	3	-	-
	2,045	2,045	2,045	-	-
As at 30 June 2018					
Financial Assets					
Cash & Cash Equivalents	2,682	2,682	2,682	-	-
Short Term Deposits	-	-	-	-	-
Trade & Other Receivables	423	423	423	-	-
	3,105	3,105	3,105	-	-
Financial Liabilities					
Trade and Other Payables	581	581	581	-	-
Accruals	352	352	352	-	-
Finance leases	11	11	8	3	-
	944	944	941	3	-

Sensitivity analysis

The company is exposed to movements in interest rates.	2019		2018	
Interest Rate Risk	+100bps $'000	-100bps $'000	+100bps $'000	-100bps $'000
Financial Assets				
Cash & Cash Equivalent	36	(36)	27	(27)
Total Sensitivity	36	(36)	27	(27)

Explanation of the interest rate risk sensitivity
The Interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variable held constant, measured as a basis point (bps) movement.

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

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

(d) Fair value
The estimated fair values of the company's financial instruments are represented by the carrying values.

21. Statement of Performance

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

	Actual	Target
(a) Our Finances		
Revenue	$20.8m	$20.5m
Target achieved		
NPAT	($5.3m)	$0.0m
Target not achieved		
EBIDTA	$1.9m	$2.8m
Target not achieved		
Net debt as a % of equity	14.1%	<20%
Target achieved		
Net interest expense as a % of revenue	0.0%	<3%
Target achieved		
(b) Our People		
Lost Time Accidents	12.2	Fewer than 15 LTI's Per million worked hours
Target achieved		
Workplace safety compliance	Tertiary ACC Discontinued – no alternative programme offered by ACC	Maintain Tertiary ACC accreditation or equivalent
Target no longer applicable		
(c) Our Resources		
Minimum fleet utilisation in peak	91%	At least 85%
Target achieved		
Percentage of bus fleet with Euro 2 or higher emission compliant engines	97%	90%
Target achieved		
(d) Our Community		
Customer Service (urban)	82%	Achieve at least 85% in annual mystery shopper survey
Target not achieved		
Substantiated Customer Complaints (urban)	2.9	Fewer than 3 substantiated complaints per 100,000 customers
Target achieved		
Number of urban passengers	3.9m	At least 3.4 million
Target achieved		
Percentage of service trips starting on time	98%	At least 97%
Target achieved		
Percentage of service trips not run	Less than .02%	Less than 1%
Target achieved		
Shareholder Equity	$35.3m	$38.2m
Target not achieved		
(e) Our Future		
Implement Electric Bus Service	Yes	Yes
Target achieved		
Fleet carbon emission per 100km At least 3% below the 2015 benchmark (93.5kg/100km)	86.9kg/100km	At least 3% below the 2015 benchmark
Target achieved		
Revenue Growth	$20.8m	$20.5m
Target achieved		
	Yes	Yes

Statutory Information

Ownership

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

Principal Activities

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

Dividend

No dividend was paid to Christchurch City Holdings Limited during the year under review. This was as forecast in the Red Bus Limited Statement of Intent for 2019.

Directors

The following directors held office during the year ended 30 June 2019:

Director	
Paul Kiesanowski	
Bob Lineham	Resigned 23 October 2018
Sabrina Kunz	Resigned 29 October 2018
Ella Farrell	Resigned 31 October 2018
Bryan Jamison	Appointed 1 November 2018
Leah Scales	Appointed 1 November 2018
Tony King	Appointed 1 November 2018
Jason McDonald	Appointed 1 November 2018

Directors' Interests

The company maintains an interest's register in which particulars of certain transactions and matters involving the directors are recorded. These records are a requirement under the Companies Act 1993. The following entries were recorded by the company's directors in the interests register during the year ended 30 June 2019.

Director	Entity	Position	Resigned
Paul Kiesanowski	Paul Kiesanowski Advisory Limited	Director	
	Apex Environmental Limited	Director	
	Earthquake Commission	Commissioner	
	City Care Limited	Company Secretary	
	Electricity Invercargill Limited	Director	
	Powernet Ltd	Director	
	Pylon Ltd	Director	
Bryan Jamison	Essex Investments & Developments Ltd	Director	
	Jamison Family Trust	Trustee	
	ROSMAR Family Trust	Trustee	
	Southfuels Ltd	Chief Executive Officer	
Tony King	Mainpower New Zealand	Director and Chair	
	Mainpower Holdings Ltd	Director	
	Option One Ltd	Director	
	Extractive industry Advisory Group	Member	
Leah Scales	Waimairi School Board of Trustees	Chair	
	Christchurch City Holdings Ltd	Chief Financial Officer	
	Four Fish Property Ltd	Director	
Jason McDonald	Mevo Ltd	Director and Chair	
	Orion NZ Ltd	Director	
	Connetics Ltd	Director	
	Scots College Wellington	Governor	
	Top Energy Ltd	Director	
Bob Lineham	Local Government Finance Corp Ltd	Director	July 2017
	Quality Finance Audit & Risk Committee – Canterbury CDHB	Appointed Member	July 2017
	Riccarton Bush Trust	Trustee	
	University of Canterbury Foundation	Trustee	
	Pines Resort Wanaka Body Corporate	Chair	
Sabrina Kunz	NZ Rugby League – Southern Zone	Director	
	Canterbury Rugby League	Director	
	Avebury House	Trustee	
	Brewers Guild of New Zealand	Executive Director	
Ella Farrell	Habitat for Humanity (Chch) Ltd	Director	July 2018
	Dementia Canterbury	Director	Jun 2018
	Farrell Consulting Group Ltd	Director	
	Quigley Contracting Limited	Executive General Manager	

Directors' Remuneration

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

Director	Remuneration
Paul Kiesanowski	47,233
Bob Lineham	13,285
Sabrina Kunz	10,300
Ella Farrell	12,107
Bryan Jamison	50,000
Tony King	26,667
Leah Scales	26,664
Jason McDonald	32,355
Total	$218,611

Directors' remuneration includes fees and travel reimbursements only. No other form of remuneration was paid during the year.

Use of Company Information

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

Directors' Insurance

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

Employee Remuneration

The Chief Executive salary of $314,337 comprises salary, performance bonus, motor vehicle and employer kiwisaver contribution.

Remuneration and other benefits paid to employees who received remuneration and other benefits of $100,000 or more per annum was as follows:

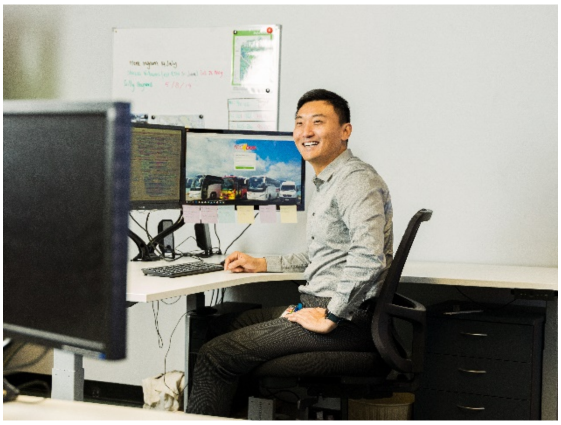
Total remuneration and other benefits	Number of employees 2019	2018
$100,001 to $110,000	1	2
$110,001 to $120,000	1	1
$120,001 to $130,000	1	0
$170,001 to $180,000	0	1
$190,001 to $200,000	1	0
$300,001 to $310,000	0	1
$310,001 to $320,000	1	0

Donations

There were no cash donations made during the year.

Auditor

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



Governance Statement

Board Structure and Functions

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

The Red Bus Limited Board's principal responsibilities are:

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

The Board has formally constituted three board committees:

Audit and Risk Management Committee

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

Health & Safety Sub-Committee

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

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

CE Review and Remuneration Committee

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

Board Operations and Policies

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

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

Independent Auditor's Report

To the readers of Red Bus Limited's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Red Bus Limited (the company). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 5 to 24, that comprise the balance sheet as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on page 25.

In our opinion:

- the financial statements of the company on pages 5 to 24:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on page 25 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 2019.

Our audit was completed on 22 August 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 4 and 26 to 29 but does not include the financial statements and the performance information, and our auditor’s report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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 and determine the impact on our audit opinion.

Independence

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

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

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

Directory

Directors

Bryan Jamison, Chairman
Paul Kiesanowski
Tony King
Jason McDonald
Leah Scales

Officers

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

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Solicitors

Buddle Findlay

Bankers

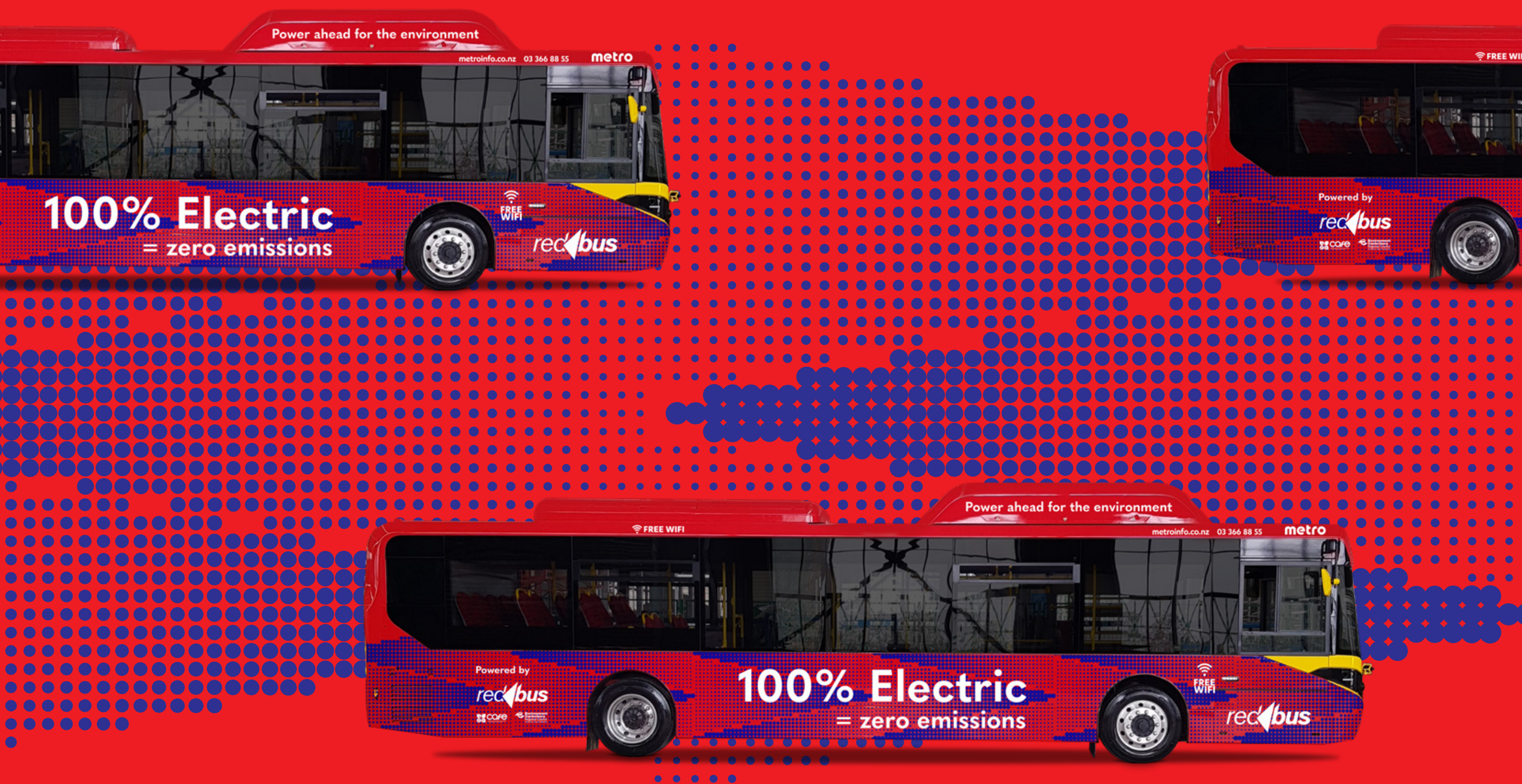
ASB Bank Limited

Auditor

Audit New Zealand on behalf of the Auditor-General


Finkbeiner


Metro Network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