Annual Report

2020

Leading the way in passenger transport.

redbus

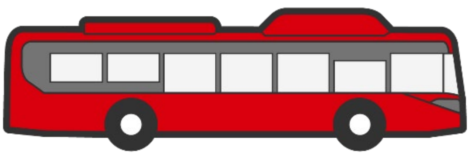

Metro Network

redbus

Red Bus Limited operates a large passenger transport business in Canterbury. Last year our urban and school bus services carried 3.3 million passengers and travelled 4.6 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.



Chair & Chief Executive Report

Red Bus Limited is pleased to present its 29th Annual Report and financial statements for the year ended 30 June 2020.

Our Vision

The 2019/2020 year has challenged our vision for the future. Early in the year, Environment Canterbury released their tender for urban bus services. Prior to the release, we negotiated a new long term contract with ECan for Unit 3 – the set of routes approximately aligned on a Northwest to Southeast axis. This unit gave the company a foundation from which to tender for the other routes across Greater Christchurch.

As has already been extensively reported, Red Bus was not successful in winning additional routes much to our disappointment. That has forced a re-evaluation of the vision for the future and as at balance date, a number of possibilities are being considered.

The two options considered are:

- continuing to operate a slimmed-down urban public transport only business;
- sale of the business to a new owner;

The default position is to continue to operate Unit 3 public transport. The company's Red Travel coach tour division has been closed down. As a business focussed on serving inbound overseas tourists, the Covid -19 pandemic sealed the fate of this unit. The loss of the ECan school's contract means that the Company will have a smaller, very focussed public transport operation from the end of the 2020 calendar year.

The sale option is being explored and a good argument can be made that the business would be best owned by a larger operator who can bring economies of scale in combination with operations across New Zealand or even wider afield.

Electric Buses

On 1 July 2019, we started operating our three ADL Enviro200EV battery electric buses. These were, and remain, the only electric buses operating in Greater Christchurch. They have been very successful in proving the cost, performance and operational parameters, which have all been in line with expectations. The response from passengers and the public has been very complimentary. Based on numbers prior to the Covid-19 lockdown, their Airport to City route was one of few in the city to show improved patronage and this is attributed to their clean, quiet, comfortable and futuristic character.

Based on our detailed knowledge and experience, we offered electric options for the routes tendered by ECan. Over the term of the Unit 3 contract, diesel bus replacements are required at different times. The company will actively monitor the economics of electric buses with a view to buying more as replacements.

Covid-19

As a public transport operator, Red Bus utilises an in-house control room function to respond to events and changes in real time as a matter of routine. These may be short duration such as traffic disruptions or prolonged such as arising from the March 15 mosque shootings or the earthquakes. This institutional experience and competence stands the company in good stead in times of change and uncertainty.

The Covid-19 pandemic had considerable impact on operations during the sudden lockdown. In level 4, we ran a Sunday timetable with a reduced workforce and with management and administrative staff working from home to the extent possible. In level 3 we moved to the Saturday timetable and in level 2 and level 1, normal services. A range of other measures including on-board exclusion zones, additional cleaning and reduced cash handling were implemented.

For many Red Bus staff the fact that public transport was seen as an essential service came as something of a surprise and a source of pride. Many staff worked through level 4 on site when uncertainty and anxiety were at their peak. Staff aged over 70 or medically compromised did not work during lockdown but have all since returned to work.

No on-going or long term effects from Covid-19 are anticipated by Red Bus Ltd and patronage levels are returning to normal.

Our People

Our staff have had a lot to contend with during the year with the Tender outcome and Covid causing uncertainty and concern. Despite this, we have maintained the delivery of a superior public transport service. We express our gratitude for the resolve, energy and skill of our staff.

Two long serving senior executives left during the year, Paul McNoe (Chief Executive) and Terry Foote (Chief Financial Officer) and we thank them for their unswerving commitment.

In the latter part of the year the company shifted the focus of its Health and Safety management toward prioritising systems relating to fatal and critical risks. This refocus will continue into the next year.

An English language/communication programme for recently arrived New Zealanders was launched with Literacy Aotearoa, paused for Covid, and will be continued when feasible.

Our Customers

As part of our commitment to customer service, every compliment or complaint is followed up with relevant staff. For various reasons the ECan mystery shopper checking process was paused during the year so we are unable to report performance on a comparative basis. During the Covid lockdown, customers adapted quickly and well to changing requirements relating to entry and exit, payments, seating and exclusion zones thus playing their part in keeping everyone safe and making the lockdown successful.

Our Community

Red Bus has remained active in the community throughout the year. Activities ranged across sporting, cultural and environmental areas. Red Bus was a sponsor of the Crusaders rugby team, the Court theatre and provided buses for the Schools Strike 4 Climate voluntary tree planting day. International students from ARA institute were hosted at Red Bus as part of their familiarisation.

Sustainability

In addition to its electric bus initiatives, Red Bus has worked towards wider sustainability goals and achieved Toitu (Enviro-mark) Bronze certification during the year.

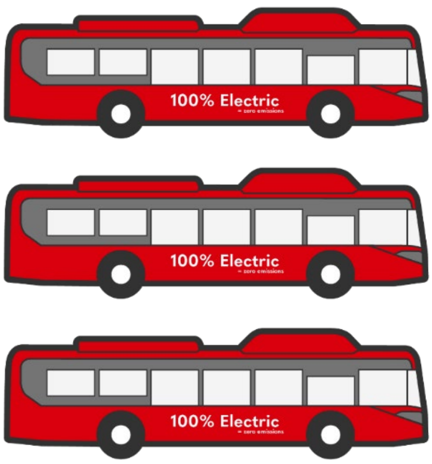


Photo by: Akhil Mohan

Our Financial Results	2020 $'000	2019 $'000
Revenue	18,767	18,472
Net surplus (deficit) from continuing operations	538	(5,252)
Net surplus (deficit) from discontinued operations	(568)	(59)
Net surplus (loss) after taxation	(30)	(5,311)
Other comprehensive income (loss) on property revaluation	(469)	-
Total Comprehensive Income	(499)	(5,311)

The financial results have been affected by a number of factors including:

- Closure of Red Travel
- Covid-19 lockdown changes
- Revaluations of property, plant, buses and coaches
- One-off tender related costs

The overall result is a total comprehensive income of ($499k)

The Red Bus balance sheet strengthened further, and is sufficiently robust to see the company through the next period of change. The company has no net debt and good forecast cash flows.

Bryan Jamison
Chair of Red Bus Limited Board

Tony King
Chief Executive

Financial Statements

The Directors have approved for issue the financial statements of Red Bus Limited for the year ended 30 June 2020.

For and on behalf of the Board of Directors

Bryan Jamison
Director
4 September 2020

Paul Kiesanowski
Director
4 September 2020

Contents for the Financial Statements	Page

Statement of Comprehensive Income

For the year ended 30 June 2020	Note	2020 $'000	2019 $'000
Revenue	2(a)	18,767	18,472
Other income	2(b)	201	190
Depreciation, amortisation and impairment expense	2(c)	(737)	(8,377)
Employee benefits expense		(11,401)	(10,515)
Other expenses	2(d)	(6,070)	(6,917)
Profit (loss) before income tax expense		760	(7,147)
Income tax credit/(expense)	3(a)	(222)	1,895
Net surplus (loss) after taxation from continuing operations		538	(5,252)
Net surplus (loss) after taxation from discontinued operations	18	(568)	(59)
Net surplus (loss) after taxation		(30)	(5,311)
Other comprehensive income			
Gain (Loss) on property revaluation	10	(507)	-
Tax on revalued assets		38	-
Total Comprehensive Income		(499)	(5,311)

Statement of Changes in Equity

For the year ended 30 June 2020	Note	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Balance as at 1 July 2018		10	23,603	14,456	38,069
Total comprehensive income		-	(5,311)	-	(5,311)
Balance at 30 June 2019	11	10	18,292	14,456	32,758
Total comprehensive income		-	(30)	(469)	(499)
Balance at 30 June 2020	11	10	18,262	13,987	32,259

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

Statement of Financial Position

As at 30 June 2020	Note	2020 $'000	2019 $'000
Current Assets			
Cash and Cash Equivalents	14	4,213	3,562
Trade and Other Receivables	5	354	858
Short Term Deposits	17(a)	1,000	-
Inventories		391	368
Net assets classified as held for sale	6	2,199	-
Current Taxation Receivable		-	46
Total Current Assets		**8,157**	**4,834**
Non-current Assets			
Property, Plant and Equipment	7	27,774	32,536
Total Non-current Assets		**27,774**	**32,536**
Total Assets		**35,931**	**37,370**
Current Liabilities			
Trade and Other Payables	8	784	2,042
Current Taxation Payable		96	-
Employee Entitlements		1,536	1,134
Finance Leases		-	3
Total Current Liabilities		**2,416**	**3,179**
Non-current Liabilities			
Employee entitlements		25	23
Deferred Tax Liabilities	3(b)	1,231	1,410
Total Non-current Liabilities		**1,256**	**1,433**
Total Liabilities		**3,672**	**4,612**
Net Assets		**32,259**	**32,758**
Equity			
Share Capital	9	10	10
Reserves	10	13,987	14,456
Retained Earnings	11	18,262	18,292
Total Equity		**32,259**	**32,758**

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 2020	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		19,026	18,470
Interest received		28	14
Payments to suppliers and employees		(18,062)	(16,173)
Subvention tax receipt (payment)		-	(153)
Net cash from operating activities continuing operations		**992**	**2,158**
Net cash from operating activities discontinued operations	18(b)	464	613
Net cash from operating activities		**1,456**	**2,771**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(47)	(1,869)
Term deposits placed		(1,000)	-
Proceeds from sale of property, plant, equipment & intangibles		61	35
Net cash used in investing activities continuing operations		**(986)**	**(1,834)**
Net cash from investing activities discontinued operations	18(b)	184	(57)
Net cash from investing activities		**(802)**	**(1,891)**
Cash flows from financing activities			
Repayment of leases		(3)	-
Net cash used in financing activities		**(3)**	**-**
Net increase (decrease) in cash and cash equivalents		651	880
Cash and cash equivalents at beginning of year		3,562	2,682
Cash and cash equivalents at end of year	14	**4,213**	**3,562**

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

Photo by: John Knox

Notes to the Financial Statements

1. Significant changes in the period affecting the financial statements

Impact of COVID-19 on Financial Statements

On 31 December 2019 China alerted the World Health Organisation to the outbreak of a virus, now commonly referred to as COVID-19. This outbreak was declared a pandemic on 11 March 2020. COVID-19 is a rapidly evolving situation adversely affecting local commercial activities and economies. The New Zealand Government declared a State of National Emergency on 25 March 2020. That same day, New Zealand went into Alert level 4 lockdown requiring all non-essential businesses whose employees could not work from home to close for a period until the 27 April 2020. From 9 June 2020, New Zealand has moved to Alert level 1 with restrictions now limited to border control and business returning to pre COVID-19 operations.

Public transport was materially scaled back during the COVID-19 Lockdown and was offered free while New Zealand was at Alert level 3 and 4, so as to maintain physical distances for passengers and workers and to remove the need to handle cash. At Alert Level 2, Christchurch public transport reverted back to regular timelines and the Bus Interchange was reopened. Red Bus recommenced collecting fares on public transport. At Alert level 1 public transport has returned to normal service.

As a bus operator, Red Bus Limited is deemed an essential service provider for urban services during Alert level 4 lockdown. Red Bus revenues were impacted during Alert level 3 and Alert level 4 seeing decreases in revenues in April and May 2020. To compensate for the lost revenues New Zealand Transport Agency ('NZTA') implemented a financial support package to public transport providers. The funding compensated Red Bus for the Urban and Schools ECan contracts based on normal service levels, being he normal revenues at contract rates less some variable vehicle running costs.

The main impact was on the Red Travel division, which ceased services and resulted in the decision for this part of the operation to close. As a consequence Red Travel is treated as a discontinued operation as at 31 March in these accounts (refer to note 18 for more detail on discontinued operations).

A further effect is on asset valuations. Valuers of both land and buildings, and buses noted increased uncertainties around valuations as a result of Covid-19.

As a result of both the discontinued operations, and reclassification of assets to the 'held for sale' category, comparative numbers for 2019 have been recalculated and so these will differ from those in the published 2019 annual report.

Having considered the potential impact of COVID-19 on the business, we believe no significant changes to the presentation of the financial statements are required due to COVID-19 other than as required from the Discontinued operations (refer note 21).

Impact of loss of contracts on Financial Statements

In late 2019, Environment Canterbury retendered urban transport contracts for Canterbury. As a consequence Red Bus Ltd lost approximately one third of its existing urban transport contracts. This loss of contracts has resulted in recognising a provision for redundancy costs included in employee entitlements.

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.

Photo by: James Paek

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 (NZ$) and all values are rounded to the nearest NZ$1,000 except when otherwise indicated.

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 2020 and have been consistently applied throughout the year.

New Standards and Interpretations Not Yet Adopted

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

Critical Accounting Estimates and Assumptions

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

Property, Plant and Equipment

At balance date the company reviews the useful life and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company, and expected disposal proceeds from the future sale of the asset. Assumptions relating to valuation of land and buildings are included in Note 7.

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 Contracts

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 school districts 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) 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 adjustment 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 income, amount of assets and liabilities in the financial statements and corresponding tax bases used in the 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.

(c) 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.

(d) Financial assets

The company classifies its financial assets as amortised costs. 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.

(e) 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.

(f) 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.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

(h) Non-current assets held for sale

The company classifies non-current assets held for sale if t their carrying value will be recovered principally through a sale rather than continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.

The criteria for held for sale is regarded as met only when the asset is available for immediate sale in its present condition, sale is highly probable and the sale is expected to be completed within one year of balance date.

Property, plant and equipment are not depreciated once classified as held for sale.

Assets classified as held for sale are presented separately as current items in the balance sheet.

(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 occurred.

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:

Building 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.

(k) Impairment and 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) 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.

(q) 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.

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

Photo by: Pritpal Singh

2. Profit from operations

	Note	2020 $'000	2019 $'000
(a) Revenue from Contracts			
Revenue from Contracts		17,967	16,971
Revenue from Others – Charters/private hire		800	1,501
		18,767	18,472
(b) Other income			
Net gain on sale of Property, Plant and Equipment		28	35
Interest Income		28	14
Rental Income		22	118
Other Revenue		123	23
		201	190
(c) Depreciation, amortisation and impairment expense			
Depreciation of Property, Plant & Equipment		(2,209)	(3,729)
Impairment of Property, Plant & Equipment		(241)	(3,973)
Reversal of impairment, bus fleet		1,713	-
Amortisation of intangible assets		-	(85)
Impairment of intangible assets		-	(590)
		(737)	(8,377)
(d) Other expenses			
Audit of the financial statements		(53)	(41)
Director fees		(228)	(219)
Raw materials & consumables		(3,022)	(3,241)
Minimum lease payments under operating leases		-	(20)
Bad debts		-	(2)
Other expenses		(2,767)	(3,394)
		(6,070)	(6,917)

3. Income Taxes

	2020	2019
(a) Income Tax Expense		
Tax Expense comprises		
Current tax expense	96	(46)
Prior period adjustment to current tax	46	-
Deferred tax expense relating to the origination and reversal of temporary differences	(141)	(1,804)
Total Tax Expense	1	(1,850)
Reconciliation of prima facie income tax		
Profit from continuing activities	760	(7,147)
Profit from discontinued activities	(789)	(14)
Profit from operations	(29)	(7,161)
Income tax expense calculated at 28%	(8)	(2,006)
Non-deductible expenses/Non-taxable income	7	156
Other deferred tax adjustment and reinstatement of building depreciation	9	-
Prior period adjustment to current tax	(7)	-
	1	(1,850)
Tax attributable to continuing operations	222	(1,895)
Tax attributable to discontinued operations	(221)	45
Total Tax Expense	1	(1,850)

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

Year ended 30 June 2020	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	(1,608)	(61)	38	38	(1,593)
	(1,608)	**(61)**	**38**	**38**	**(1,593)**
Deferred Tax Assets:					
Provisions	198	157	-	7	362
	198	**157**	**-**	**7**	**362**
Net Deferred Tax Liability	**(1,410)**	**96**	**38**	**45**	**(1,231)**
Year ended 30 June 2019					
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)**

4. Key Management Personnel Compensation

	2020 $'000	2019 $'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 including termination benefits	1,052	732

5. Trade and Other Receivables

Trade and Other Receivables	161	589
Allowance for Impairment of receivables	(9)	-
	152	589
Prepayments	202	269
	354	**858**

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 expected credit losses 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.

6. Non-current assets classified as held for sale

	2020 $'000	2019 $'000
Non-current assets classified as held for sale	2,199	-
	2,199	-

The remaining fleet from Red Travel discontinued activities after an impairment of $976,874 have been classified as held for sale at fair value less cost of disposal.

7. 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 2018	15,600	1,911	37,838	3,131	58,480
Balance at 30 June 2019	15,600	1,997	38,970	3,349	59,916
Restatement of costs/accumulated depreciation	-	(502)	4,710	-	4,208
Additions	-	-	3	51	54
Disposals	-	-	(1,104)	(784)	(1,888)
Re-classified as held for sale	-	-	(4,437)	-	(4,437)
Net revaluation increments	(370)	(535)	-	-	(905)
Balance at 30 June 2020	15,230	960	38,142	2,616	56,948
Accumulated Depreciation and Impairment:					
Balance at 1 July 2018	-	(705)	(17.481)	(1,255)	(19,441)
Balance at 30 June 2019	-	(800)	(24,350)	(2,230)	(27,380)
Restatement of costs/accumulated depreciation	-	502	(4,710)	(5)	(4,213)
Disposals	-	-	930	750	1,680
Impairment	-	-	(1,000)	(217)	(1,217)
Impairment reversals	-	-	1,713	-	1,713
Depreciation expense	-	(98)	(2,027)	(266)	(2,391)
Reclassification of Assets	-	-	9	(9)	-
Re-classified as held for sale	-	-	2,238	-	2,238
Net revaluation increments	-	396	-	-	396
Balance at 30 June 2020	-	-	(27,197)	(1,977)	(29,174)
Net book value at 30 June 2019	15,600	1,197	14,620	1,119	32,536
Net book value at 30 June 2020	15,230	960	10,945	639	27,774

The restatement of costs/accumulated depreciation is to align the reporting with the accounting policy by recognition of historic cost of assets in use and also eliminating accumulated depreciation against the gross carrying amount of buildings on revaluation

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

	2020 $'000	2019 $'000
Buildings	98	95
Buses	2,027	3,477
Plant & Equipment	266	413
	2,391	3,985

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 2020. In the valuation report it is noted that the write down in values has occurred at a time of an elevated level of valuation uncertainty. The valuation was based on an assumption that there are no significant changes to market rentals. Capitalisation rate adopted in the valuation was increased to incorporate increased level of uncertainty relating to COVID-19.

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

8. Trade and Other Payables

	2020 $'000	2019 $'000
Trade Payables	371	572
Goods and Services Tax payable	180	200
Accrued expenses	233	1,270
	784	2,042

9. Share Capital

	2020 $'000	2019 $'000
Fully paid ordinary shares	10	10

As at 30 June 2020, share capital comprised 10,100 ordinary shares (2019: 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.

10. Reserves

	Asset revaluation $'000	General $'000	Total $'000
Balance at 1 July 2018	7,156	7,300	14,456
Balance at 30 June 2019	7,156	7,300	14,456
Gain/(loss) on revalued assets	(507)	-	(507)
Deferred Tax on revaluation	38	-	38
Balance at 30 June 2020	6,687	7,300	13,987

Asset Revaluation Reserve

The Asset Revaluation Reserve comprises $5,710,000 (2019: $6,080,000) of land revaluation and $977,000 (2019: $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.

11. Retained Earnings

	2020 $'000	2019 $'000
Balance at beginning of year	18,292	23,603
Net surplus (deficit) after taxation from continuing operations	538	(5,252)
Net surplus (deficit) after taxation from discontinued operations	(568)	(59)
Balance at end of year	18,262	18,292

12. Commitments for Capital Expenditure

As at 30 June 2020 the company had no commitments for capital expenditure (2019: $nil).

13. Contingent Liabilities and Contingent Assets

Contingent Liabilities	2020 $'000	2019 $'000
Performance bonds	40	100
Retention payments	124	-
Legal proceedings	30	-

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. There are retention contracts for key staff to remain with the company beyond December 2020 that have a high likelihood of being paid and a legal claim that the company does not anticipate needing to settle on.

Contingent Assets

As at 30 June 2020 the company had no contingent assets (2019: nil).

14. Notes to the Cash Flow Statement

	2020 $'000	2019 $'000
Cash and Cash equivalents		
Cash	35	31
Bank Balances	67	299
Call Deposits	211	3,232
Short Term Deposits (less than 3 months)	3,900	-
	4,213	3,562

15. 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 Limited, Christchurch International Airport Limited and Orion New Zealand Limited of which the major transactions were:

	2020 $'000	2019 $'000
(a) Receipts from related parties		
Transactions		
Sales of goods/services to Christchurch City Council	13	86
	13	86
(b) Payments to related parties		
Transactions		
Rates paid to Christchurch City Council	101	96
Purchase of goods/services from City Care Limited	17	26
Purchase of goods/services from Christchurch International Airport Limited	-	5
Purchase of goods/services from Orion New Zealand Limited	-	4
	118	131
(c) Year-end balances arising from transactions		
Payable to City Care Ltd	2	2
Receivable from Christchurch City Council	-	63

(d) Separate disclosure of individual transactions

The company made a subvention payment totalling $nil (2019: $152,761) and purchased loss offsets of $nil (2019: $392,814) 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.

Outstanding balances payable to Key management personnel at the end of the year $40,595 (2019: nil). All transactions were conducted on standard commercial terms..

16. Subsequent Events

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

17. Financial Instruments

(a) Financial Instrument Categories

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

Financial Assets	2020 $'000	2019 $'000
Financial Assets at amortised cost		
Cash & Cash Equivalents	4,213	3,562
Short Term Deposits	1,000	-
Trade & Other Receivables	161	589
Total Loans & Receivables	**5,374**	**4,151**
Financial Liabilities		
Financial Liabilities at amortised cost		
Trade & Other Payables	784	2,042
Finance Lease	-	3
Total Financial Liabilities at amortised cost	**784**	**2,045**

(b) Financial Instrument Risks

The company has a policy that manages the risks associated with financial instruments, 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. Deposits 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 $52,000 (2019:$36,000).

Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash, short-term investments and trade receivables. Cash and short-term investments are placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.
The company manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The company does not generally require or hold collateral against credit risk.

The company is exposed to a concentration of credit risk with respect to accounts receivable due to the reliance on Environment Canterbury for 87% (2019: 82%) of Red Bus Limited's revenue. Environment Canterbury is considered to be a high credit quality entity.

Maximum exposure to credit risk

	2020 $'000	2019 $'000
Cash & Cash Equivalents	4,213	3,562
Short Term Deposits	1,000	-
Trade & Other Receivables	161	589
	5,374	4,151

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:

	2020 $'000	2019 $'000
Counterparty with Credit Ratings		
Cash & Cash Equivalents AA-	4,213	3,562
Short Term Deposits AA-	1,000	-
	5,213	3,562

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 2020					
Financial Assets					
Cash & Cash Equivalents	4,213	4,213	4,213	-	-
Short Term Deposits	1,000	1,000	1,000		
Trade & Other Receivables	161	161	161	-	-
	5,374	5,374	5,374	-	-
Financial Liabilities					
Trade and Other Payables	551	551	551	-	-
Accruals	233	233	233	-	-
	784	784	784	-	-
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	-	-

Sensitivity analysis
The company is exposed to movements in interest rates

	2020		2019	
Interest Rate Risk	+100bps $'000	-100bps $'000	+100bps $'000	-100bps $'000
Financial Assets				
Cash & Cash Equivalent	42	(42)	36	(36)
Short Term Deposits	10	(10)	-	-
Total Sensitivity	**52**	**(52)**	**36**	**(36)**

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.

18. Discontinued Operations

Effective 31 March 2020 the Board resolved to close the Red Travel business and report it as a discontinued operation in the current period. The associated assets being the coach fleet were consequently presented as held for sale in the 2020 financial statements. The Red Travel assets are recorded at fair value less cost of disposal after incurring an impairment of $976,874 within the segment in the current year.

(a) The details of income net of tax of the discontinued Red Travel business are as follows:

	2020 $'000	2019 $'000
Net Income from Discontinued Operations		
Revenue	1,348	2,147
Other Gains	9	-
Depreciation, amortisation and impairment expense	(1,157)	(653)
Employee benefits expense	(597)	(878)
Other expenses	(392)	(630)
Profit (loss) before income tax expense	(789)	(14)
Income tax credit (expense)	221	(45)
Net surplus /(loss) after taxation from discontinued operations	**(568)**	**(59)**

The cash flow from operating and investing activities of the discontinued operations are as follows:

Cash Flow from Discontinued Operations	2020 $'000	2019 $'000
Cash Flows from operation activities		
Receipts from customers	1,453	2,121
Payment to suppliers and employees	(989)	(1,508)
Net cash from operating activities discontinued operations	464	613
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(57)
Proceeds from sale of property, plant, equipment & intangibles	184	-
Net cash from investing activities discontinued operations	184	(57)
Net increase (decrease) in cash and cash equivalent	**648**	**556**

19. 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	Commentary
(a) Our Finances			
Revenue	$20.4m	$21.2m	
NPAT	($0.030m)	$0.003m	
EBITDA	$1.8m	$2.5m	*Targets not achieved*
Return on average equity %	<0%	0%	*Adverse effect of Covid-19 on urban Transport and Red Travel revenues And profitability*
Return on average total assets %	<0%	0%	
Shareholders Funds/Net Assets	$32.3m	$39.9m	
Net debt as a % of equity	-1.7%	<20%	*Target achieved*
Interest cover x	Nil interest	x2	*Target achieved*
(b) Our People			
Zero notifiable events	0	0	*Target achieved*
Develop a recruit & retain programme	No	Yes	*Not required due to loss of contracts*

	Actual	Target	Commentary
(c) Our Environment			
Implement sustainability framework	No	Yes	*Target de-prioritised due to ECan tender*
Obtain Enviro-mark certification	Yes	Yes	*Achieved, bronze certification*
Maintain peak vehicle utilisation	N/A	>88%	*Not achieved, reduced charters and Covid impact*
Promote the use of public transport	Yes	Yes	*Achieved. by high service levels, social media, community activities*
(d) Our Community			
Improve mystery shopper survey results by >5% on previous year	N/A	>87%	*Mystery shopper system stopped by ECan March 2019*
Create a mechanism to seek direct feedback from passengers	Yes	Yes	*Onboard posters solicit feedback and via facebook*
Increase % of seats filled on our buses	No	Increase over 2019	*Passenger numbers down 19% due primarily to Covid*

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 2020.

Directors

The following directors held office during the year ended 30 June 2020

Director	
Paul Kiesanowski	
Bryan Jamison	
Leah Scales	
Tony King	Resigned 10 May 2020
Jason McDonald	Resigned 30 April 2020

Photo by: Paddy Schevde

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 2020.

Director	Entity	Position	Resigned
Bryan Jamison	Essex Investments & Developments Ltd	Director	
	Jamison Family Trust	Trustee	
	ROSMAR Family Trust	Trustee	
	Southfuels Ltd	Chief Executive Officer	
	City Care Ltd	Chair	
Paul Kiesanowski	Paul Kiesanowski Advisory Limited	Director	
	Electricity Invercargill Limited	Director	
	Powernet Ltd	Director	
	Pylon Ltd	Director	
	Craigpine Timber Limited	Director	
	Amalgamated Holdings Limited	Director	
Leah Scales	Waimairi School Board of Trustees	Trustee	
	Christchurch City Holdings Ltd	Chief Financial Officer	
	Four Fish Property Ltd	Director	
	INFINZ	Director	
Tony King	Mainpower New Zealand	Director and Chair	
Resigned 10 May 2020	Option One Ltd	Director	
	Extractives Industry Advisory Group	Member	
	Mt Cass Wind Farm Ltd	Director	
	Greenpower New Zealand Ltd	Director	
Jason McDonald	Mevo Ltd	Director and Chair	
Resigned 30 April 2020	Orion NZ Ltd	Director	
	Connetics Ltd	Director	
	Scots College Wellington	Governor	
	Top Energy Ltd	Director	

Photo by: John Knox

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
Bryan Jamison	75,000
Paul Kiesanowski	40,000
Tony King	34,517
Leah Scales	40,000
Jason McDonald	33,333
Total	$220,850

Directors' remuneration includes fees paid only and does not include travel reimbursements. 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

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 2020	2019
$100,001 to $110,000		1
$110,001 to $120,000	1	1
$120,001 to $130,000		1
$190,001 to $200,000		1
$220,000 to $230,000	1	0
$310,001 to $320,000		1
$540,000 to $550,000	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.

Photo by: Paddy Shevde

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 three 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

Board Sub-Committees

Late in the financial year after changes to the board membership, the Company's board committee structure was revised.

The Health and Safety sub-committee was de-constituted and has been replaced with special quarterly whole-of-board sessions focussed on health and safety. The Chief Executive Review and Remuneration sub-committee was also de-constituted and these activities are now undertaken by the whole board as required.

The Audit and Risk Management Committee is unchanged.

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.

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.

Photo by: Pritpal Singh

Independent Auditor's Report

To the readers of Red Bus Limited's financial statements and performance information for the year ended 30 June 2020

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 23, that comprise the balance sheet as at 30 June 2020, 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 pages 23 to 24.

In our opinion:

- the financial statements of the company on pages 5 to 23:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2020; 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 pages 23 to 24 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 2020.

Our audit was completed on 4 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. 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.

Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the company as set out in note 1 on page 9 to the financial statements. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- *Valuation of Land and Buildings*

  Note 7 on pages 17 and 18 outline that the valuation report from Bayleys Valuation Limited include an elevated level of valuation uncertainty due to Covid-19.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 4 and 25 to 28, 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: International 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, Chair
Paul Kiesanowski
Leah Scales

Officers

Tony King, Chief Executive
Nic Aitken, Fleet Manager
Michelle Clemence, Operations Manager
David Grundy, Chief Financial Officer
Nicky Halligan, Marketing Co-ordinator

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Bankers

Bank of New Zealand

Auditor

Audit New Zealand on behalf of the Auditor-General

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