



WELLINGTON CABLE CAR LIMITED

30 Glover Street, Ngauranga, Wellington
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ANNUAL REPORT

2007/2008

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COMPANY DIRECTORY

Directors:	Mr. R Drummond Mr. J C Rutledge (retired 31/12/07) Mr. J Ward Ms. C Southey (appointed 01/01/08)
General Manager & Secretary:	Mr. B J Brown
Registered Office:	30 Glover Street Ngauranga Wellington NEW ZEALAND
Auditor:	Audit New Zealand on behalf of the Auditor-General
Bankers:	National Bank of New Zealand Limited
Share Registry:	Level 4 Civic Administration Building 101 Wakefield Street Wellington NEW ZEALAND
Solicitors:	DLA Phillips Fox

DIRECTORS' REPORT

For the year ended 30 June 2008

The Directors of Wellington Cable Car Limited take pleasure in submitting their report to shareholders for the financial year ended 30 June 2008.

Principal Activity

The Company was established to own and manage Wellington's unique cable car passenger service and the trolley bus overhead wiring system.

Review of Activities

Significant activities have taken place over the last twelve months particularly with the trolley bus overhead network.

The agreement with the Greater Wellington Regional Council (GWRC) to provide and maintain the trolley bus overhead network for the Stagecoach trolley bus operation expired on June 30 2004. GWRC requested that WCCL roll-over the existing agreement. WCCL declined to agree to the roll-over because the level of contract payment was insufficient to meet the deferred maintenance requirements and in the meantime services continued under the expired contractual conditions. WCCL did receive agreement from GWRC to receive additional payments on a month by month basis in line with a budget developed by WCCL for the 2006/07 year. A budget was developed by WCCL for the 2007/08 year of \$1.87M but GWRC advised that they had fixed the budget at \$1.53M. Therefore WCCL continued with its urgent and critical maintenance programme based on the \$1.87M and invoiced GWRC accordingly.

WCCL formally cancelled the overhead maintenance contract (this had already expired but operations were being carried out on an implied contract basis) with NZ Bus from the 31 March 2008 and issued tenders for a new contract. Subsequently, tenders were received with contract prices which were far in excess of those being paid in previous years. Furthermore, simultaneously with the tender process, the four tenderers were commissioned to carry out detailed inspections of the overhead network. From the information received along with WCCL's existing asset condition data, a detailed Asset Management Plan (AMP) was prepared and submitted to the GWRC with a request for increased contract payments to cover the maintenance costs for the year to 30 June 2008, and for the following years amounting to \$4M in the 2008/09 year. Pending the response from GWRC with respect to funding, a short term contract was signed with Transfield Services Ltd to carry out breakdown and the critical maintenance to 31 July 2008. GWRC subsequently advised that they had received approval for funding to meet the expenditure detailed in the WCCL AMP in full. Payment for the work detailed was subject to a number of conditions including GWRC carrying out a peer review of the AMP and the signing of a funding agreement. However, GWRC did provide sufficient written assurance to allow WCCL to commit to the maintenance contract for the three year period from the 1 July 2008. Furthermore GWRC did pay WCCL requirements for maintenance payments until the 30 June 2008 in full.

While WCC and GWRC had agreed that the overhead network should be sold to GWRC at a nominal sum, and agreements relating to the sale have been drawn up. The sale was deferred because of WCC's requirements to use WCCL's poles to provide broadband services throughout the suburbs. It is understood for the purposes of planning that the sale will not now take place.

GWRC have been negotiating with NZ Bus to provide additional trolley buses. It is understood that the contract arrangements have been signed and new buses are slowly being introduced

DIRECTORS' REPORT - continued

For the year ended 30 June 2008

Cable Car Operations

WCCL's "in-house" staffing of the cable car operation was successful in improving the levels of customer service. Passenger trip numbers have continued to increase.

WCCL maintained the cable cars, stations, tunnels, bridges and a wide range of equipment to the required high standards and the annual survey, in October 2007, was successfully completed, however additional days were required because of the installation and tuning of a new solid-state electric drive.

Nature of Income

The company comprises two separate operations:

- i. The Cable Car passenger service with income from Cable Car fares only. Tourist packages in conjunction with the Museum of Wellington City and Sea have been developed which are starting to supplement the income.
- ii. The trolley bus overhead wiring system with income from:-
 - a. Contract payments from GWRC to cover maintenance
 - b. Projects initiated by third parties requiring the overhead network to be relocated and/or modified
 - c. Pole occupancy rentals
 - d. A management fee for handling high load escorts through the city and associated power shutdowns.

Result for the Year

The company declared a profit before tax of \$519,000 for the year from normal trading operations (2007 \$165,000).

The company's anticipated fare income from the cable car operations was above budget due to increased visitor numbers to Wellington.

The company's income from miscellaneous work relating to the trolley bus system was above budget due to the significant amount of work conducted for third parties including Wellington City Council and Transit resulting from roading changes.

	2008	2007
	\$000	\$000
Income	4,005	2,914
Expenses	<u>(3,486)</u>	<u>(2,749)</u>
Operating Surplus/(Deficit)	519	165
Taxation (Expense)/Credit	45	-
Net Surplus/(Deficit) After Tax	<u>564</u>	<u>165</u>

DIRECTORS' REPORT - continued

For the year ended 30 June 2008

The state of the Company's affairs as at 30 June 2008 was:

	2008	2007
	\$000	\$000
Assets totalled	<u>8,273</u>	<u>4,868</u>
Financed by:		
Liabilities	913	627
Shareholders' Equity	<u>6,625</u>	<u>4,241</u>
	<u>7,538</u>	<u>4,868</u>

Dividend

A deferred dividend is recommended for the year 2007/08 (to be discussed with the shareholder) as funds are being retained to provide a reserve to meet cash-flow liabilities associated with the overhead maintenance costs throughout the year.

Directors

The Company held eleven Board meetings during the year.

Attendance of directors at meetings of the Board were:

Chairman:	R Drummond	11/11
	J C Rutledge	5/6
	J Ward	11/11
	C Southey	5/5

Directors' Interests/Remuneration

There were no transactions in which the directors had an interest. During the year the Board received no notices from directors requesting use of company information received in their capacity as directors which would not otherwise have been available to them.

The directors are insured under the Combined Directors & Officers policy in respect of liability and costs in accordance with the Companies Act 1993.

During the year no directors acquired or disposed of shares in the company. Other than directors' fees no other remuneration was paid to the directors by the company.

The following Directors' fees were paid to directors:

	\$
R Drummond	24,000
J C Rutledge	5,000
J Ward	12,000
C Southey	<u>7,000</u>
	<u>\$47,500</u>

DIRECTORS' REPORT - continued
For the year ended 30 June 2008

Donations

There were no donations made during the year.

Employees' Remuneration

There was no remuneration in excess of \$100,000 paid to any employee of the company.

General

The Board and Management's focus throughout the year was to:-

1. Ensure that the assets were maintained to the high standard required of a business where both operations involve the safety of passengers and the public at large.
2. Ensure that the appropriate level of customer service was provided in the cable car operation and that additional sources of revenue were being developed.
3. Progress the development of appropriate revenue from rentals of the trolley bus poles

Careful management of the company's various contracts by the Board, Management and staff contributed to another successful year and the cable car assets have been maintained by the company with great care. As a result a level of reliability in excess of 99% was achieved.

For the medium term, the future of the trolley bus system would appear to be assured because of the GWRC contract with NZ Bus for provision of new buses being signed and the approval of funding to meet WCCL's 10 year Asset Management Plan..

Auditor

The auditors are appointed under Part 5, Section 69 of the Local Government Act 2002.
Audit New Zealand has been appointed by the Auditor General to provide these services.

R Drummond
CHAIRMAN

J Ward
DIRECTOR

THE YEARS HIGHLIGHTS

For the year ended 30 June 2008

- The operating surplus was 106% above budget.
- An increase in passenger numbers of 11.2% above budget on the cable car resulted in over 1.1 million passenger trips. The number of trips purchased has increased above the previous year for the fifth year running.
- A very high reliability in excess of 99% for the cable car was achieved.
- 115 Trolley bus overhead poles were replaced as part of the urgent and critical maintenance.
- Completion or successful progress of a number of overhead network projects at the request of third parties particularly relating to the Riddiford Street development.
- The continued development of the trolley bus overhead network maintenance database and completion of its electronic link to allow field staff inputs, allowing detailed assembly of maintenance requirements without the need for manual data entry.
- The improvements in customer service on the cable car through the “in-house” staffing of the cable car operation were achieved with a high level of customer satisfaction shown in the annual survey.
- Adequate funding was confirmed by GWRC to ensure that urgent and critical maintenance of the trolley bus overhead could be addressed.
- The installation of broadband by CityLink to Weta studios on WCCLs’ poles was completed.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2008

	Note	2008 \$000	2007 \$000
INCOME			
Revenue from operations		3,977	2,879
Revenue from interest		27	35
Revenue from exchange difference		1	-
TOTAL OPERATING INCOME		4,005	2,914
EXPENSES			
Operations and general		2,322	2,101
Auditors' remuneration		17	13
Bad debts written off		26	-
Directors' remuneration		48	40
Depreciation and amortisation	5,6	226	145
Employees remuneration		724	325
Operating leases		123	110
Loss on disposal of property, plant & equipment		-	15
TOTAL OPERATING EXPENSES		3,486	2,749
NET SURPLUS/(DEFICIT) BEFORE TAXATION		519	165
Taxation Benefit	2	(45)	-
NET SURPLUS/(DEFICIT) AFTER TAXATION		564	165

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

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	2008 \$000	2007 \$000
EQUITY - OPENING BALANCE	4,241	4,076
CHANGES IN EQUITY		
Net surplus/(deficit) for the year	564	165
Distributions to owners	-	-
Tax on equity items	(780)	-
Revaluation reserve	2,600	-
TOTAL CHANGES IN EQUITY	<u>2,384</u>	<u>165</u>
EQUITY - CLOSING BALANCE	<u>6,625</u>	<u>4,241</u>

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

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at 30 June 2008

	Note	2008 \$000	2007 \$000
ASSETS			
Current assets			
Cash and cash equivalents	6	457	370
Trade and other receivables	7	805	206
Inventory		614	434
Total Current assets		1,876	1,010
Non-current assets			
Intangible assets	5	10	7
Property, plant and equipment	4	6,387	3,851
Total non-current assets		6,397	3,858
TOTAL ASSETS		8,273	4,868
LIABILITIES			
Current liabilities			
Trade and other payables	8	695	527
Deferred Income from GWRC		127	61
Employee benefit liabilities		91	39
Total current liabilities		913	627
Non-current liabilities			
Deferred tax liability		735	
Total non-current liabilities		735	
TOTAL LIABILITIES		1,648	627
EQUITY			
Share capital	10	7,435	7,435
Revaluation Reserve	11	2,600	-
Tax on Equity items	11	(780)	
Retained earnings	10A	(2,630)	(3,194)
TOTAL EQUITY		6,625	4,241
TOTAL EQUITY AND LIABILITIES		8,273	4,868

For and on Behalf of the Board

Director

Director

Date

Date

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

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

For the year ended 30 June 2008

	Note	2008 \$000	2007 \$000
Cash flows from operating activities			
Cash was provided from:			
Cash receipts from operations		3,457	2,960
Cash was applied to:			
Cash paid to suppliers and employees		(3,278)	(2,474)
Net GST paid		47	(9)
Net cash inflow from operating activities	13	<u>227</u>	<u>477</u>
Cash flows from investing activities			
Cash was provided from:			
Cash receipts from interest		27	35
Proceeds from sale of property, plant and equipment		1	-
Cash was applied to:			
Purchase of property, plant and equipment		(160)	(1,327)
Purchase of intangibles		(5)	(8)
Net cash (outflow) from investing activities		<u>(137)</u>	<u>(1,300)</u>
Cash flows from financing activities			
Cash was applied to:			
Payment of Tax		(3)	-
Net cash (outflow) from financing activities		<u>(3)</u>	<u>-</u>
Net Increase/(decrease) in cash		87	-823
Cash at beginning of year		370	1193
Cash at end of year		<u>457</u>	<u>370</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

Statement of Compliance with International Financial Reporting Standard

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public oriented entities.

Statement of Significant Accounting Policies

Reporting Entity

Wellington Cable Car Limited (the Company or WCCL) is a company wholly owned by Wellington City Council and is registered under the Companies Act 1993. It is a Council-controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For the purposes of financial reporting the Company has changed from a public benefit entity to a profit oriented entity.

Reporting Period

The reporting period for these financial statements is the year ended 30 June 2008.

Accounting Policies

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

The measurement basis applied is historical cost modified by the revaluation of certain assets as identified in this summary of significant accounting policies.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note.

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

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

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

Revenue

Wellington Cable Car Limited derives revenue from the cable car passenger service with fares being the sole source of income. Additional revenue is received from projects to modify the network at the request of outside parties and pole occupancy licences.

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

Government grants

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

Grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis.

Expenses

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

Taxation

Income tax expense is charged in the statement of financial performance in respect of the current year's results. Income tax on the profits or loss for the year comprises current and deferred tax.

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

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

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

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Financial Instruments

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

Non Derivative Financial Instruments

Financial assets

WCCL classifies its investments into the following categories: financial assets at fair value through profit and loss and loans and receivables.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the

reporting date for loans of a similar maturity and credit risk. Trade and other receivables issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

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

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration more than 12 months are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

Foreign Currency Transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Financial Performance.

Inventory

Inventory has been valued at the lower of cost (average weighted cost price) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at the lower of cost and current replacement cost.

Property, Plant and Equipment

Recognition

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

Measurement

Property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised. Borrowing costs are not capitalised.

Infrastructure Assets

Infrastructure assets (the Traction network) are valued at their fair value based on an Income approach to their valuation. This valuation is to be prepared on an annual basis from this year onwards using a model prepared by Bruce Wattie, Partner, Corporate Finance, PricewaterhouseCoopers. Between valuations, expenditure on asset improvements is capitalised at cost.

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a re-valued amount in which case any impairment loss is treated as a revaluation decrease.

Revaluations

The result of any revaluation of the Cable Cars infrastructure asset is credited or debited to the asset revaluation reserve for that asset. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Statement of Financial Performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance will be recognised firstly in the Statement of Financial Performance up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the re-valued amount.

Disposal

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

Depreciation

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

Cable Car Tracks & Wires	2%
Cable Car Equipment	2%
Cable Car Equipment	10%-33%
Computer Equipment	33%
Motor Vehicles	20%
Furniture & Fittings	20%
Trolley Bus Overhead Wire System & Fittings	20%
Trolley Bus Overhead Wire System Equipment	10%

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

Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

Intangible Assets

Intangible assets comprise computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

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

Employee Benefit liabilities

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

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

Other Liabilities and Provisions

Provisions are recognised for future expenditure of uncertain timing or amount when there is a present obligation as a result of a past event and it is probable that expenditures will be required to settle the obligation. Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Equity

Equity is the shareholders interest in the entity and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the entity.

The components of equity are accumulated funds, retained earnings and revaluation reserve for infrastructure assets.

Leases

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

Statement of Cash Flows

The statement of cash flows has been prepared using the direct approach.

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

Related Parties

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

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

Comparative figures

To ensure consistency with the current year, certain comparative information has been restated or reclassified where appropriate. This has occurred:

- where classifications have changed between periods,
- where comparative amounts have been restated to comply with the new standards and interpretations, and
- where the entity has made additional disclosure in the current year, and where a greater degree of desegregation of prior year amounts and balances is therefore required.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company include:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics. It also introduces a statement of comprehensive income which will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The Company will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

Changes in Accounting Policies

For the purposes of financial reporting the Company has changed from a public benefit entity to a profit oriented entity.

Therefore from this financial period on the public benefit entity exemptions can no longer be applied. The change from a public benefit entity to a profit oriented entity has not had any impact or changed any dollar amounts in the accounts.

Other than this change, the accounting policies set out above have been applied consistently to all periods presented in these financial statements.

Note 1: Nature of the business

The Company operates in the Wellington City area providing inspection and maintenance services of the Trolley Bus Overhead Wiring System as well as operating the Wellington Cable Car Passenger Service.

Funding for the business is derived from cable car fares, a revenue contract from the Greater Wellington Regional Council for the Trolleybus Overhead wire system and income from renting poles to telecommunication companies to erect their cables. Income has also been derived from various pole placements arising from changes to the trolley overhead system to accommodate street and underground services changes.

Note 2: Income tax expense

	2008 \$000	2007 \$000
Current year	0	0
Prior period adjustment	0	0
	<u>0</u>	<u>0</u>

Reconciliation of effective tax rate

	%	2008	%	2007
Surplus for the period excluding income tax		<u>519</u>		<u>165</u>
Prima facie income tax based on domestic tax rate	33.00%	171	33.00%	54
Effect of non-deductible expenses		0		0
Effect of tax exempt income		0		0
Effect of tax losses utilised		(95)		(28)
Prior period adjustment		0		0
Effect of group loss offset		(25)		0
Deferred tax adjustment		<u>(96)</u>		<u>(26)</u>
		<u>(45)</u>		<u>0</u>

Imputation credits

	2008 \$	2007 \$
Imputation credits as at 1 July	278	0
New Zealand tax payments	3,000	278
Imputation credits attached to interest received	0	0
Other credits	0	0
New Zealand tax refunds received	0	0
Imputation credits attached to dividends paid	0	0
Other debits	0	0
	<u>3,278</u>	<u>278</u>

Note 3: Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

	Property, plant & equipment \$000	Provisions \$000
Opening balance, 1 July 2007	0	0
Charged to income	12	33
Charged to equity	(780)	0
	<u>(768)</u>	<u>33</u>

Recognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2008 \$000
Deductible temporary differences	0
Tax losses	<u>0</u>
	<u>0</u>

Note 4. Property, plant and equipment

	2008 \$000	2007 \$000
Cable car and equipment (2%)		
Cost - opening balance	2,860	1,718
Accumulated depreciation	(552)	(506)
2007 transfer to correct category	-	(1)
Total - opening balance	2,308	1,211
Additions	113	1,142
Disposals	-	-
Depreciation expense	(58)	(45)
Total costs - closing balance	2,363	2,308
Cable car and equipment (10%)		
Cost - opening balance	312	180
Accumulated depreciation	(109)	(110)
2007 transfer to correct category	-	5
Total - opening balance	203	75
Additions	5	168
Disposals	-	(15)
Depreciation expense	(64)	(25)
Total costs - closing balance	144	203
Cable car tracks and wires		
Cost - opening balance	1,379	1,379
Accumulated depreciation	(220)	(193)
Total - opening balance	1,159	1,186
Additions	-	-
Disposals	-	-
Depreciation expense	(28)	(27)
Total costs - closing balance	1,131	1,159
Trolley bus overhead		
Cost - opening balance	3,763	3,763
Accumulated depreciation	(3,763)	(3,763)
Total - opening balance	-	-
Additions	-	-
Disposals	-	-
Revaluation	2600	-
Depreciation expense	-	-
Total costs - closing balance	2,600	-

Note 4. Property, plant and equipment – continued

	2008 \$000	2007 \$000
Wire system equipment		
Cost - opening balance	12	12
Accumulated depreciation	(3)	(3)
2007 transfer to correct category	-	1
Total - opening balance	9	10
Additions	13	1
Disposals	-	-
Depreciation expense	(2)	(1)
Total costs - closing balance	20	10
Motor vehicles		
Cost - opening balance	275	275
Accumulated depreciation	(235)	(223)
Total - opening balance	40	52
Additions	-	-
Disposals	-	-
Depreciation expense	(12)	(12)
Total costs - closing balance	28	40
Furniture		
Cost - opening balance	31	41
Accumulated depreciation	(20)	(23)
2007 transfer to correct category	-	(5)
Total - opening balance	11	13
Additions	-	3
Disposals	-	-
Depreciation expense	(5)	(5)
Total costs - closing balance	6	11
Computer Equipment		
Cost - opening balance	168	30
Accumulated depreciation	(47)	(26)
Total - opening balance	121	4
Additions	27	144
Disposals	-	-
Depreciation expense	(53)	(27)
Total costs - closing balance	95	121
Work-In-Progress		
Cost - opening balance	-	132
Additions	7	-
Capitalised to assets	(7)	(132)
Total costs - closing balance	-	-

Note 5. Intangibles

	2008 \$000	2007 \$000
Computer Software		
Cost - opening balance	10	2
Accumulated amortisation	(3)	(2)
Computer Software opening balance	7	-
Acquired by direct purchase	7	8
Disposals	-	-
Amortisation	(4)	(1)
Total computer software - closing balance	10	7
Cost	17	10
Accumulated amortisation	(7)	(3)
Total computer software - closing balance	10	7

Note 6. Cash and cash equivalents

	2008 \$000	2007 \$000
Cash on call	377	356
Cash held in EURO currency account	94	-
Overdraft	(14)	14
	457	370

Note 7. Trade and other receivables

	Note	2008 \$000	2007 \$000
Current			
Trade receivables		651	232
Less Provision for impairment of trade receivables		(53)	(26)
Related party receivables	12	167	-
Net trade receivables		765	206
Sundry receivables		37	-
Tax receivable		3	-
Total current trade and other receivables		805	206

The movements in the provision for impairments of trade and other receivables is analysed as follows:

Provision for impairment of trade and other receivables

	2008 \$000	2007 \$000
Opening balance	26	26
Additional or increased provision made	27	-
Release of unused provision	-	-
Amount utilised	-	-
Provision for impairment of trade and other receivables - closing balance	<u>53</u>	<u>26</u>

Note 8. Trade and other payables

	Note	2008 \$000	2007 \$000
Current			
Trade payables		381	248
Sundry payables		261	277
Related party payables	12	5	2
GST payable		48	-
Total current trade and other payables		<u>695</u>	<u>527</u>

Note 9. Borrowings**Short term bank facilities**

\$300,000 (2007 \$300,000) worth of committed bank facilities are available on a short term basis of less than one year. Interest is payable in arrears at wholesale market rates. Of this facility, a total of \$0 has been drawn at balance date (2007 \$0).

Bank overdraft

The Company's bank overdraft facility totals \$50,000. The current interest rate on the facility is 13.20% (2007:8.49%). Even though the bank in the general ledger shows itself as overdrawn, because of un-presented cheques, the actual overdraft facility was un-drawn as at 30 June 2008 (2007 un-drawn).

Note 10. Share capital

	2008 \$000	2007 \$000
7,434,746 fully paid ordinary shares	<u>7,435</u>	<u>7,435</u>

Note 10A. Retained earnings

	2008 \$000	2007 \$000
Balance at beginning of year	(3,194)	(3,359)
Net Surplus/(Deficit) for the year	564	165
Dividends paid	-	-
Balance at end of year	<u>(2,630)</u>	<u>(3,194)</u>

Note 11. Revaluation reserves

	2008 \$000	2007 \$000
Traction Network		
Opening balance	-	-
Revaluation increase	2,600	-
Closing balance	<u>2,600</u>	<u>-</u>

Note 12. Related party disclosures

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

The company made the following payments to the Council excl GST:-

	2008 \$000	2007 \$000
Land Rental	35	35
Accounting Fees	13	13
Sundry	10	9
	<u>58</u>	<u>57</u>

Note 8 covers outstanding balances relating to the above transactions. \$5,000 (2007: Nil)

Wellington City Council engaged the services of Wellington Cable Car Ltd this year for \$220,201 GST excl (2007: \$32,857). Note 7 covers outstanding balances relating to these transactions \$167,000 (2007: \$Nil).

We are required to disclose the remuneration and related party transactions of key management personnel, which comprise the Directors, the General manager, the Overhead manager, the Cable Car Maintenance manager and the Passenger Service manager.

Key management personnel

	2008 \$000	2007 \$000
Key management personnel remuneration	<u>336</u>	<u>252</u>

Directors' Remuneration

	2008 \$000	2007 \$000
R Drummond	24	20
J C Rutledge	5	10
J Ward	12	10
C Southey	7	-
Total Directors' remuneration	<u>48</u>	<u>40</u>

Material related party transactions

The General Manager is a Director of a company, Associated Independent Consultants Ltd, used to provide human resources expertise during the process of appointing in house cable car staff. This was approved by the Board.

Except for this transaction, no key management personnel entered into any related party transactions.

Note 13. Reconciliation of net surplus before taxation to net cash flow from operating activities

	2008 \$000	2007 \$000
Net surplus/(deficit) before Taxation	519	165
Add/(deduct) non cash items:		
Bad debts written off		
Movement in provision for impairment of doubtful debts	26	-
Depreciation and amortisation	226	145
	<u>771</u>	<u>310</u>
Add/(deduct) movements in working capital items:		
(Increase)/decrease in receivables & accruals	(806)	131
Increase/(decrease) in payables & accruals	287	56
	<u>(519)</u>	<u>187</u>
Add/(deduct) investing activities:		
Net (gain)/loss on sale of assets	(1)	15
Net (receipt)/payment interest income	(27)	
Net (receipt)/payment withholding tax	3	
	<u>227</u>	<u>512</u>

Note 14. Financial instruments

The Company's financial instruments include financial assets (cash and cash equivalents and receivables), and financial liabilities (payables that arise directly from operations).

The Directors do not consider there is any material exposure to interest rate risk on its investments.

Concentrations of credit risk with respect to Accounts Receivable are high due to the reliance on Wellington Regional Council for 50.3% (2007:46.7%) of the Company's revenue. However, Wellington Regional Council is considered, by the directors, to be a high credit quality entity.

The Company invests funds only on deposit with registered banks having satisfactory credit ratings.

Fair Value

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms length transaction. There were no differences between the fair value and the carrying amounts of financial instruments at 30 June 2008.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. WCCL purchases inventory and plant and equipment, associated with the traction system, from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

Note 14. Financial instruments – continued

WCCL has opened a EURO and an AUS\$ currency account with the National Bank. Once a quote has been approved for an overseas purchase, that overseas currency amount is transferred to the relevant currency account. This maximises the uncertainty of any future foreign exchange rate changes.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Company, therefore causing a loss. The Company is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region.

Receivables balances are monitored on an ongoing basis to minimise the Company's exposure to bad debts. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company's maximum exposure to credit risk at balance date is:

	2008 \$000	2007 \$000
Financial assets		
Cash and cash equivalents	457	370
Trade receivables and other receivables		
Trade receivables	765	206
Other receivables	40	-
Total Financial Assets	<u>1,262</u>	<u>576</u>

The status of trade receivables at the reporting date is as follows:

	2008 \$000	2007 \$000
Trade and other receivables		
Not past due	726	162
Past due 0-6 months	5	-
Past due 7-12 months	-	9
Past due more than 12 months	34	35
Total trade and other receivables	<u>765</u>	<u>206</u>

Note 14. Financial instruments – continued

The contractual cash flows for all financial liabilities is as follows:

	Statement of Financial Position \$000	Total Contractual Cash Flows \$000	0-12 Months \$000	1-2 Years \$000	2-5 Years \$000	More than 5 Years \$000
2008						
Trade and other payables	786		786			
2007						
Trade and other payables	566		566			

Liquidity Risk

Liquidity risk is the risk arising from unmatched cash flows and maturities. During the Upgrade to the Lambton Terminal in the 2007 financial year, the Company organised to have a committed commercial flexible credit facility available (for details refer to Note 9 Borrowings). The Company has kept this facility available.

Note 15. Commitments and Contingencies**Capital commitments:**

	2008 \$000	2007 \$000
Capital Commitments		
Traction Tools ordered in 2008 year	43	-
Contact wire ordered in 2008 year	94	-
Operating Commitments		
Marketing Plan for Cable Car	27	-
	<u>164</u>	<u>-</u>

Non-cancellable operating lease commitments:

	2008 \$000	2007 \$000
Land and buildings		
Not later than 1 year	88	62
Later than 1 and not later than 2 years	82	19
Later than 2 and not later than 5 years	57	13
	<u>227</u>	<u>94</u>
Plant and equipment		
Not later than 1 year	1	-
Later than 1 and not later than 2 years	1	-
Later than 2 and not later than 5 years	1	-
	<u>3</u>	<u>-</u>
	<u>230</u>	<u>94</u>

The Company had no contingent liabilities (2007: \$Nil).

Note 16. Non-Adjusting Events after Balance Date

There have been no after balance date adjusting events for the 2007/08 financial year.

STATEMENT OF SERVICE PERFORMANCE

For the year ended 30 June 2008

Performance Measures

The performance measures and targets for the Company for 2007/2008 were:

Performance Indicator	Measure	Result
To ensure Cable Car units, track, plant, tunnels, bridges, buildings and fixtures are maintained to appropriate safety standards	Approval by LTNZ	Achieved Audit Report - October 2007, Approved by LTNZ
To ensure inspection, maintenance and repair of trolley bus overhead system is fully met	No justified complaints by trolleybus operator or OSH	Achieved
To comply with appropriate regulations and statutes	No adverse comments from the Energy Safety Service	Achieved
To work within the budget approved by the WCCL Board	Within 10% or Board approved variance	Achieved
Board delegations are adhered to	Board and management approvals of commitments and expenditure	Achieved
Company Risks and Vulnerabilities are maintained at an acceptable limit and identified in the Risk and Vulnerability register	Number of Risk and Vulnerabilities not identified and where possible mitigated to an acceptable limit	All significant risks identified and mitigated to an acceptable level with some elements subject to ongoing review or action to improve mitigation

Passenger Numbers per Quarter:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Estimated passenger numbers on the Cable Car	223,982	241,497	316,401	216,152
Actual passenger numbers on the Cable Car	243,501	249,962	371,637	244,817

Residents Satisfaction Survey:

Question	Target	Actual
Have you used the Cable Car in the last 12 months?	30%	46%
How do you rate the standard and operational reliability of the Cable Car? – Good/Very Good	90%	94%