

Northern Ireland Railways Company Limited
Regulatory Financial Statements
Year ended 26 March 2023

Northern Ireland Railways Company Limited
Regulatory Accounts year ended 26 March 2023

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Northern Ireland Railways Company Limited

Regulatory Accounts year ended 26 March 2023

Basis of Preparation

The Regulatory Accounts have been prepared on such a basis as to comply with the requirements of the Office of Rail and Road (ORR) and in particular, Statutory Rule 2016 No. 420 'The Railways Infrastructure (Access, Management and Licensing of Railway Undertakings) Regulations (Northern Ireland) 2016'.

These regulatory accounts show the separation of Northern Ireland Railways Limited into its Infrastructure Manager (IM) and Railways Undertaking (RU) and have been computed as follows:

Source data

The regulatory accounts are based on the management accounts, as adjusted, of Northern Ireland Railways Limited for the year ended 26 March 2023 to operating profit level. These regulatory accounts do not include the accounting adjustments for derivatives and pensions which are reflected in the statutory accounts of Northern Ireland Railways Limited. The Infrastructure assets have been extracted from the trial balance of Northern Ireland Railways Limited before the accounting adjustments for derivatives, pensions and intercompany write-off, where applicable. There is no requirement to adjust for debtors/creditors/cash.

Turnover

Turnover for the Infrastructure Manager comprises track access charges levied to the Railway Undertaking and other third parties.

Turnover for the Railway Undertaking is all other turnover recognised in the management accounts of Northern Ireland Railways Limited (NIR).

Public Service Obligation is spread pro rata to Infrastructure Manager and Railway Undertaking in accordance with unfunded net depreciation, or where there is a shortfall in funding in the year, this is spread pro rata based on loss before PSO.

Operating Costs

Operating costs for the Infrastructure Manager comprise its share of the Infrastructure division and Projects division as shown in the NIR management accounts. These are allocated to the infrastructure manager on the basis of:

- Allocation of time spent by specified operational personnel carrying out infrastructure manager duties, based on informed estimates of time allocation.
- This allocation has resulted in 39% of operating costs (27 March 2022: 39%) allocated to IM and 61% of operating costs (27 March 2022: 61%) allocated to RU.

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Engineering Costs

Allocation of engineering divisional costs relevant to infrastructure duties, estimated at 5% of engineering division costs excluding fuel and engineering income as shown below:

	2022/23	2021/22
	£'000	£'000
Total engineering division costs	27,662	24,492
Deduct fuel and income	(8,232)	(7,509)
Net engineering costs	19,430	16,983
Allocated to:		
Infrastructure Manager (5%) of net engineering costs	972	849
Railway undertaking	26,690	23,643
Total engineering costs	27,662	24,492

Overhead costs

Overhead costs for the Infrastructure Manager comprise the relevant % of Infrastructure and Projects labour as a % of total NIR labour applied to overhead costs per the management accounts.

Overhead costs for the Railway Undertaking comprise all other overhead costs shown in the management accounts.

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	2022/23	2021/22
	£'000	£'000
Total overhead costs	8,207	7,101
Allocated to		
Infrastructure Manager %	41.5%	40.4%
Railway Undertaking %	58.5%	59.6%
	£'000	£'000
Infrastructure Manager	3,406	2,869
Railway Undertaking	4,801	4,232
Total overhead costs	8,207	7,101

Reconciliation to Northern Ireland Railways Statutory accounts

Financial Review

A summary of key financial results is set out in the table below.

	Profit before tax	
	2023	2022
	£m	£m
Per Statutory Accounts	(47.7)	(2.8)
IAS 19 pension adjustment	8.8	9.1
Derivatives	4.3	(5.2)
Pro Forma	<u>(34.6)</u>	<u>1.1</u>

Note 1 – *Pro forma profit before tax is stated after deducting pension contributions paid to NILGOS pension scheme but before any adjustments required in accordance with International Accounting Standard No.19 'Retirement Benefits' and derivatives.*

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Financial Review (continued)

Turnover is below last year despite the significant recovery in passenger journeys, as additional DfI revenue support for rail Public Service Obligation (PSO) was granted last year.

Pro forma profit has deteriorated on last year due to reduction in PSO funding offset by cost containment measures.

Assets

The assets of the Infrastructure Manager have been extracted from the management accounts as follows:

1. Tangible fixed assets owned by the infrastructure division.
2. Unamortised capital grant on tangible fixed assets owned by the infrastructure division.
3. Infrastructure stocks (net of provision for obsolescence).

The assets of the Railway Undertaking have been extracted from the management accounts as follows:

1. Tangible fixed assets of the Railway Undertaking are total tangible fixed assets of NI Railways Limited less assets owned by the infrastructure division.
2. Unamortised capital grants of the Railway Undertaking are total unamortised grants of NI Railways Limited less unamortised grants owned by the infrastructure division.
3. Total stock less stock owned by the infrastructure division (net of provision for obsolescence).



KPMG
Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

The Board of Directors
Northern Ireland Railways Limited
22 Great Victoria Street
Belfast
BT2 7LX

The Office of Rail and Road
1 Kemble Street
London
WC2B 4AN

19 July 2023

Dear Sirs

Report of Factual Findings

In accordance with the terms of our engagement letter, we have performed those procedures agreed with Northern Ireland Railways Company Limited (“the Company”) and The Office of Rail and Road (collectively and individually “you”) in relation to the verification of financial information included in the Northern Ireland Railways Company Limited regulatory disclosures.

Our report has been prepared for you solely in connection with the provision of financial information included in the Northern Ireland Railways Company Limited regulatory disclosures.

It has been released to you on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company’s own internal purposes) or in part, without our prior written consent.

Our report was designed to meet your agreed requirements determined by your needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than you for any purpose or in any context. Any party other than you who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our report to any other party.



Report of Factual Findings (continued)

Our engagement was undertaken in accordance with International Standard on Related Services 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*. The procedures performed were as follows:

Procedure	Finding
1 Confirmation as to whether Northern Ireland Railways has clearly documented policies for the preparation of the regulatory disclosures including policies for the allocation of financial information between the railway undertaking (“RU”) and the infrastructure manager (“IM”).	With respect to the procedure we found no exceptions.
2 Confirm that the amounts of income and expenditure used in the calculation have been correctly extracted from the underlying accounting records. The auditor is not required to form a view about the quality of the underlying accounting records.	With respect to the procedure we found no exceptions.
3 Confirm that the allocation of financial information is performed in accordance with aforementioned policies for the allocation of financial information between the IM and the RU.	With respect to the procedure we found no exceptions.
4 Confirm that there has been appropriate internal review at an appropriate level of seniority of whether Northern Ireland Railway’s actual calculations are consistent with stated processes and policies;	With respect to the procedure we found no exceptions.
5 Confirm that the sub-totals and totals in the disclosures down cast and cross cast.	With respect to the procedure we found no exceptions.
6 Confirm that the regulatory disclosures reconcile to the statutory accounts.	With respect to the procedure we found no exceptions.



Report of Factual Findings (continued)

Because the above procedures do not constitute either an audit or a review in accordance with International Standards on Auditing (UK) or International Standards on Review Engagements (UK and Ireland), we do not express any assurance on the Schedule of Rail Passenger Services.

Had we been engaged to perform, and had performed, additional procedures, an audit or a review in accordance with International Standards on Auditing (UK) or International Standards on Review Engagements (UK and Ireland), other matters might have come to our attention that would have been reported to you.

This report relates only to the financial information specified above and does not extend to any financial statements of the Company, taken as a whole.

Yours faithfully

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants

Northern Ireland Railways Company Limited

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Review of activities

Our trains operate over 300 miles of track including many bridges, level crossings and signals. We continue to routinely inspect and efficiently maintain this infrastructure to high technical, operational and safety standards. Capital funding, from DfI for fleet investments and for our infrastructure maintenance and upgrades is required to maintain this infrastructure.

Key Achievements 2022-23

Rail Fleet

In September 2021, we launched the first new longer walk-through train into passenger service as part of a £66million project to further transform Northern Ireland's railway infrastructure.

With around 1,600 additional seats available every day, these new trains are also greener and more energy efficient. This investment will help encourage even more people on board supporting NI's low carbon economy, protecting the environment and ensuring a better, more inclusive and resilient future for everyone.

The remaining trains were phased into service with the last one operational by summer 2022.

Yorkgate Train Station Transformation

In December 2022, the first sod was cut on the the new high quality, sustainable train station at York Street in North Belfast. Station development works are currently underway with the project expected to complete late 2024. This new station will deliver modern, more accessible facilities for passengers with better links to walking and cycling. Externally the area will also be transformed with high quality landscaping and a new public realm area.

With connectivity also enhanced, this station will be a key gateway to access the new Ulster University campus and the planned City Quays development, and will be vital for the regeneration of the local area.

It will provide the people of North Belfast with connections that can improve the area's liveability and the community's employability. We will continue to work with all our stakeholders as the development progresses.

Progress on Belfast Grand Central Station

Work continues at pace on the construction site of Belfast Grand Central.

Major piling operations have been completed for the new state-of-the-art integrated station and an impressive new concourse is emerging at the construction site.

These milestones represent significant progress in the delivery of this world-class transport hub which will deliver an enhanced customer experience. Set to be the largest integrated transport facility on the island of Ireland, it will showcase public transport in Northern Ireland.

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Key Achievements 2022-23 (continued)

Progress on Belfast Grand Central Station (continued)

It will deliver a high-class customer experience and enhanced cross border connectivity for up to 20 million passenger journeys annually. With the added benefits of active travel options, it will also play a major part in tackling the climate emergency, reduce congestion for better air quality, leading to a healthier, smarter and more sustainable city for everyone. Translink is delighted to see this project continuing to progress on schedule and we look forward to completion in 2025.

Weavers Cross

In August 2022, we welcomed Belfast City Council's decision to approve plans for Weavers Cross, a significant transport-led regeneration project around the site of the new Belfast Grand Central station, which promises to bring circa 1.3 million square feet of mixed-use space to a strategic location in central Belfast.

As a key economic driver for the city, the project is a once-in-a-generation opportunity for regeneration through reconnection, delivering both spatial and social regeneration of both the area and the wider city, as well as encouraging and enabling a modal shift away from private cars as a primary means of travel.

The long-term redevelopment presents an opportunity to unlock £1bn of additional spend in the economy and to create a legacy of wider regeneration of surrounding areas of the city.

Ticketing progress and plans

In November 2022, we celebrated the landmark of one million journeys using contactless payment methods being made across Translink Metro services in Belfast since the new technology was introduced earlier this year.

Passengers can use their smartwatches, phones, credit or debit cards to 'Tap On' board any Metro services with fares capped to offer affordability and flexibility. Our innovative "Tappiness" marketing campaign encouraged Metro passengers to move away from other payment methods to the very simple 'Tap and Travel' message using contactless. In January 2023, we further enhanced our acceptance of contactless payments on bus by introducing contactless as a pilot in Ulsterbus Newtownabbey & Carrickfergus. The next steps will be rolling out contactless payments on all Ulsterbus and Goldline services across Northern Ireland.

This will be closely followed by installation of Ticket Vending Machines and Platform Validators at all rail stations to allow customers to purchase tickets, or validate their smartcard, before they board the train.

Ticket Vending Machines will also be installed at key bus stations, bus stops and Park & Ride facilities where customers can buy paper tickets, top-up smartcards and collect online tickets. This will mark significant milestones in Translink's Future Ticketing System roll-out, transforming public transport to future-proof services for full network ticket integration and to support passenger growth.

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Capital Investment

Capital expenditure	2023	2022
	£m	£m
Trains	19.9	32.3
Land and buildings	12.6	8.8
Infrastructure	105.3	68.6
Other	10.1	13.5
Total	147.9	123.2
KPIs		
Fleet size – rolling stock sets	45	45

Expenditure of £19.9m on trains includes the overhaul of the Class 3000, Class 4000 and Enterprise trains (£8.0m), the Class 3000 Mid Life refresh (£2.0m) and the Class 4000 Mid Life Refresh (£0.4m) and the purchase of 21 additional Class 4000 carriages (£8.1m).

Land and buildings additions of £12.6m includes £2.7m on associated construction works for the Northern Ireland Regional Operating Centre (NIROC), £1.7m on each of Yorkgate Station Redevelopment, Tree Management and Ballymena Park and Ride projects.

Infrastructure expenditure of £105.3m includes £20.1m on Cullybackey Area Signalling and Level Crossing Renewals, £19.4m on Dargan to Yorkgate Track Renewals, £10.7m on Lisburn Station Interlocking Renewals, £8.3m on Structures Examination and Assessment Programme, £5.1m on the Track Condition Retention projects, £4.9m on Ballymoney to Coleraine Re-Railing, £4.5m on Lurgan to Portadown Signalling and Telecoms Cable Renewals, £4.1m on Over Bridge Track Renewals Programme Phase 1 and £3.2m on the completion of the Dark Arches - Whiteabbey Track Renewal Project.

Included in other capital expenditure of £10.1m is £3.1m on the Future Ticketing System, £0.9m on the Platform LED Lighting programme, £0.8m on Fortwilliam Smoke/Gas Systems Refurbishment and £0.5m on Emergency Works to York Road Heating.

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Income Statement

	Year ended 26 March 2023		
	Infrastructure Manager £'000	Railway Undertaking £'000	TOTAL £'000
Turnover excluding PSO	6,590	49,719	56,309
PSO	8,354	8,254	16,608
Total Turnover	14,944	57,973	72,917
Operating costs	(27,533)	(43,831)	(71,364)
Engineering costs	(971)	(26,691)	(27,662)
Net contribution	(13,560)	(12,549)	(26,109)
Overheads	(3,404)	(4,803)	(8,207)
Net depreciation	(451)	(94)	(545)
Operating loss before impairment	(17,415)	(17,446)	(34,861)
Impairment credit	40	79	119
Operating loss after impairment	(17,375)	(17,367)	(34,742)
Other operating income	-	137	137
Operating loss	(17,375)	(17,230)	(34,605)

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Income Statement

	Year ended 27 March 2022		TOTAL
	Infrastructure Manager £'000	Railway Undertaking £'000	£'000
Turnover excluding PSO	5,872	31,899	37,771
PSO	21,586	32,243	53,829
Total Turnover	27,458	64,142	91,600
Operating costs	(22,913)	(35,870)	(58,783)
Engineering costs	(849)	(23,643)	(24,492)
Net contribution	3,696	4,629	8,325
Overheads	(2,869)	(4,232)	(7,101)
Net depreciation	(539)	(124)	(663)
Operating profit before impairment	288	273	561
Impairment credit	283	29	312
Operating profit after impairment	571	302	873
Other operating income	-	244	244
Operating profit	571	546	1,117

**Northern Ireland Railways Company Limited
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Extract from Balance Sheet Net of Impairment

		As at 26 March 2023		
	Note	Infrastructure Manager £'000	Railway Undertaking £'000	TOTAL £'000
Tangible fixed assets	1/2	372,418	194,776	567,194
Deferred government grants	3/4	(372,128)	(197,299)	(569,427)
Stocks		3,408	2,719	6,127
TOTAL		3,698	196	3,894

		As at 27 March 2022		
	Note	Infrastructure Manager £'000	Railway Undertaking £'000	TOTAL £'000
Tangible fixed assets	1/2	280,502	195,761	476,263
Deferred government grants	3/4	(280,318)	(198,232)	(478,550)
Stocks		3,512	2,714	6,226
TOTAL		3,696	243	3,939

These financial statements were approved and authorised for issue and were signed on its behalf by:



Paddy Anderson
Chief Financial Officer
5 July 2023

Northern Ireland Railways Company Limited
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Notes to the balance sheet extract

1. Tangible Fixed Assets Infrastructure Manager

	Long Leasehold buildings	Permanent way signalling and bridges	Rolling stock	Motor Vehicles Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 27 March 2022	191,213	536,674	-	23,702	751,589
Additions	12,230	105,297	-	5,073	122,599
Disposals	-	-	-	(241)	(241)
Net Group transfers	1,509	840	-	(1,808)	541
At 26 March 2023	204,952	642,811	-	26,726	874,489
Depreciation:					
At 27 March 2022	188,296	268,248	-	14,543	471,087
Charge for year	209	16,939	-	964	18,112
Provision for impairment	12,657	308	-	198	13,163
Disposals	-	-	-	(240)	(240)
Net Group transfers	-	-	-	(51)	(51)
At 26 March 2023	201,162	285,495	0	15,414	502,071
Net book value					
At 26 March 2023	3,790	357,316	-	11,312	372,418
At 27 March 2022	2,917	268,426	-	9,159	280,502

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Notes to the balance sheet extract (continued)

2. Tangible Fixed Assets Railway Undertaking

	Long Leasehold buildings £'000	Permanent way signalling and bridges £'000	Rolling stock £'000	Motor Vehicles Plant and equipment £'000	Total £'000
Cost or valuation:					
At 27 March 2022	16,854	-	335,903	62,830	415,587
Additions	386	-	19,869	5,064	25,319
Disposals	-	-	-	(16)	(16)
Net Group transfers	155	-	-	(5,115)	(4,960)
	-	-	-	-	-
At 26 March 2023	17,395	-	355,772	62,763	435,930
Depreciation:					
At 27 March 2022	16,854	-	172,426	30,546	219,826
Charge for year	0	-	18,761	1,985	20,746
Provision for impairment	541	-	-	8	549
Disposals	-	-	-	(16)	(16)
Net Group transfers	-	-	-	49	49
	-	-	-	-	-
At 26 March 2023	17,395	-	191,187	32,572	241,154
Net book value					
At 26 March 2023	-	-	164,585	30,191	194,776
At 27 March 2022	-	-	163,477	32,284	195,761

3. Deferred Income Infrastructure Manager

	Deferred government grants	
	2023	2022
	£'000	£'000
At start of period	280,318	218,334
Grants receivable	122,570	81,548
Transferred to Group undertaking	589	5,621
Write off/disposals	(487)	(213)
Transferred to profit and loss account:		
In respect of depreciation	(17,886)	(16,284)
In respect of impairment of assets	(12,976)	(8,688)
At end of period	372,128	280,318

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Notes to the balance sheet extract (continued)

4. Deferred Income Railway Undertaking

	Deferred government grants	
	2023	2022
	£'000	£'000
At start of period	198,232	175,336
Grants receivable	25,534	41,650
Transferred to Group undertaking	(5,021)	(59)
Write off/disposals	(164)	(48)
Transferred to profit and loss account:		
In respect of depreciation	(20,681)	(18,233)
In respect of impairment of assets	(601)	(414)
At end of period	197,299	198,232