Annual Report & Accounts 2018/19

Translink

NITHC
NORTHERN IRELAND TRANSPORT HOLDING COMPANY


71
70
67
66

Contents

Officers and Advisers

Directors

Mr Frank Hewitt (Chairman)
Mr Chris Conway (Group Chief Executive)
Mr Patrick Anderson (Chief Financial Officer)
Mr Philip O'Neill (Chief Business Change Officer)
Mr Anthony Depledge OBE
Mr Bernard Mitchell
Mrs Hilary McCartan
Ms Angela Reavey
Dr Mark Sweeney OBE

Company Secretary

Ms P Rooney (Appointed 18th April 2018)
Ms C. McLaughlin (Resigned 18th April 2018)

Independent Auditor

KPMG, The Soloist Building
1 Lanyon Place, Belfast BT1 3LP

Head Office

22 Great Victoria Street, Belfast BT2 7LX

Bankers

Bank of Ireland, 54 Donegall Place
Belfast BT1 5BX

Trading Subsidiaries

Ulsterbus Limited
Citybus Limited
Northern Ireland Railways Company Limited
NIR Operations Limited

Non-trading Subsidiaries

Flexibus Limited
Translink (NI) Limited
NIR Networks Ltd

Chairman's Foreword

I am very pleased to present the Annual Report and Accounts for the Northern Ireland Transport Holding Company (NITHCo) for the year ended 31 March 2019.

During the past year, the Group has, despite facing ongoing funding challenges, continued to make steady and significant progress in strengthening its financial position, and in supporting the draft Programme for Government by increasing the numbers of passengers using public transport.

The Group's profit for the financial year, before tax and accounting adjustments relating to pensions, impairment and derivatives, was £1.1m (see Review of the Business on page 12) against a budgeted loss of £14.1m.

In 2018/19, the Group recorded over 84.5 million passenger journeys. This figure is the highest number recorded in 20 years and exceeded our budget for the year, and our 2017/2018 figure. With the successful introduction of the iconic Glider services connecting East Belfast to West Belfast and to Titanic Quarter, Metro passenger journeys grew to over 30 million. Ulsterbus and Foyle Metro services have also registered growth in passenger numbers and the new Ulsterbus Urby services have been well received. The recent increases in rail passenger numbers have continued, with passenger journeys during the year reaching 15.8 million, the highest in NI Railways' 50-year history.

During the period covered by this report the Board and Management Team have worked hard to increase revenues and to control operating costs, and this has resulted in an overall outcome which is significantly better than budgeted.

Against the background of increases in the use of our services, we have continued to make passenger and staff safety our number one priority and, throughout the Group, we continue to identify and pursue opportunities to make our services, and our workplace, as safe as possible.

The Group's performance during the year has further demonstrated that a real possibility exists to effect a meaningful modal change in travel in Northern Ireland, and, in doing so, to reduce congestion and air pollution in our towns and cities. It is essential that we maintain, and indeed build on, this momentum by continuing to offer high quality, affordable public transport.

I acknowledge and welcome the in-year allocation, by the Department for Infrastructure, of Public Service Obligation funding for bus services (including Glider). However, if the momentum is to be maintained, the current uncertainty around on-going funding needs to be addressed urgently. Operating a modern, safe public transport network requires scheduled, programmed expenditure to maintain service and safety levels (public transport cannot develop over the long term without a clear and continuing commitment to public funding).

Capital investment in public transport is also essential to deliver on the draft Programme for Government and we welcome planning permission being granted for the new transport hub in Belfast and the further progress on the North West Transport Hub, which will enhance connectivity to bus and train services in the region. Portrush train station redevelopment has also been completed well in advance of the 148th Open Golf Championship and we look forward to playing our part in making this event an outstanding success for Northern Ireland.

The Board welcomes the investment by the Department for Infrastructure in rail fleet this year; however, bus fleet investment is falling behind what is required, leading to an average bus age approaching 10 years. The Board of NITHCo regards regular planned capital investment as indispensable, if we are to continue to develop and maintain a modern public transport service network in Northern Ireland.

The ongoing political uncertainty, and the absence of a functioning Northern Ireland Assembly and Executive, have undoubtedly made Translink's operating environment more difficult during the year under review. The lack of budgetary clarity has made long-term financial planning, and future investment decisions extremely difficult.

Northern Ireland urgently needs a long-term public transport strategy and plan which addresses the social, economic and environmental needs of the region, and which is supported by a multi-year approach to public spending.

The Board of Translink firmly believes that the past year's performance has demonstrated clearly that the required modal shift between private and public transport can be achieved, but this urgently requires political commitment, and an appropriate level of financial investment.

It is the sincere hope of the Translink Board that Northern Ireland's political parties can find a way forward towards the resumption of devolved, functioning and effective government in the near future.

On behalf of the Board, I wish to congratulate and thank the entire Translink team for a most encouraging outcome during 2018/19 and for the effort and commitment that made it happen.

Frank Hewitt
Chairman

19 June 2019

Northern Ireland Transport Holding Company (NITHCo) Board

Left to right: Hilary McCartan, Tony Depledge OBE, Chris Conway, Dr Mark Sweeney OBE, Frank Hewitt, Philip O'Neill, Angela Reavey, Patrick Anderson, Bernard Mitchell.

1. Frank Hewitt

Chairman

Appointed Group Chairman in July 2015 and a Non-Executive Director of the Company between 2011 and 2015, Frank's career spans both the public and private sectors. He has held a number of board appointments including Invest NI, BIG Lottery Fund, Strategic Investment Board and the Northern Ireland Science Park, now Catalyst Inc.

2. Chris Conway

Group Chief Executive

Appointed Group Chief Executive in September 2015, Chris has extensive international business experience with Tata Steel Europe where he worked as Managing Director Tata Steel Distribution Ireland and previously as Vice President Operations for Nortel Networks in Europe. Chris graduated from Ulster University with a BSc in Engineering and also has an MBA from Ulster University. He is a Chartered Company Director and a Fellow of the Institute of Directors. He is also a Fellow of the Institution of Civil Engineers. He is a member of CBI Northern Ireland Council and Business in the Community Advisory Board.

3. Hilary McCartan

Non-Executive Director

Appointed as a Non-Executive Director in January 2016, Hilary has held senior management posts in the private sector and non-executive roles in the public sector. She is a Fellow of Chartered Accountants Ireland. Hilary currently holds the following public appointments: Commissioner for Londonderry Port and Harbour Commissioners and a Non-Executive Director of the Southern Health and Social Care Trust.

4. Tony Depledge OBE

Non-Executive Director

Appointed as a Non-Executive Director in 2011, Tony has a background in passenger transport management in both the public and private sectors. He chairs the Board of Universitybus Ltd, in Hatfield, Hertfordshire and is a trustee of the Rees Jeffreys Road Fund. Tony is also a Fellow of the Chartered Institute of Transport and Logistics. He is an honorary President of the European Union committee of the international transport trade association UITP.

5. Dr. Mark Sweeney OBE

Non-Executive Director

Appointed as a Non-Executive Director in January 2016, Mark has a background in the industrial, commercial and manufacturing sectors within Northern Ireland and globally. He is a former Vice President of Caterpillar and was Global Operations Director for Caterpillar's Electric Power Division and Managing Director of FG Wilson Eng. Ltd. He is a Fellow of the Institution of Mechanical Engineers and is currently a Non-Executive Director of Invest NI.

6. Philip O'Neill

Chief Business Change Officer

Appointed as a Director in April 2010, Philip commenced work with the Group in 1979 and since then has held various technical and managerial positions in Ulsterbus, Citybus and NI Railways. In February 2009 Philip was appointed as Chief Operating Officer and in March 2018 he took up the role of Chief Business Change Officer.

7. Angela Reavey

Non-Executive Director

Appointed as a Non-Executive Director in January 2016, a Fellow of Chartered Accountants Ireland, Angela has experience working at a senior level in both the public and private sectors. She is a past Chairman of the Chartered Accountants Ireland - Ulster Society, a former Board member of the Northern Ireland Science Park Foundation and a Trustee of NISP CONNECT. She is currently a Board member of Firmus Energy.

8. Patrick Anderson

Chief Financial Officer

Appointed Chief Financial Officer in 2015, Paddy has an extensive range of experience at Board level in both the private and public sectors. A Fellow of Chartered Accountants Ireland, Paddy previously worked in Viridian Group PLC, where he held a number of senior Finance positions, and spent his early career with PricewaterhouseCoopers in Belfast. He is a Council Member at the Northern Ireland Chamber of Commerce and Industry and a Fellow of the Institute of Directors.

9. Bernard Mitchell

Non-Executive Director

Appointed as a Non-Executive Director in February 2012, Bernard worked in the NI Health and Social Services from 1978 to 2011, including 10 years as a Chief Executive. He is currently Chair of the NI Guardian Ad Litem Agency and Co-Chair of the Audit and Risk Committee of the Office of the Police Ombudsman for Northern Ireland. On a voluntary basis, he is a member of the Marie Curie Cancer Care NI Advisory Board.

Strategic Report

As a Public Corporation constituted under the Transport Act (Northern Ireland) 1967, NITHCo is not bound by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('The Act'). However, consistent with corporate entities of a similar size to the organisation, the members have adopted the main provisions of the Companies Act 2006 and therefore present a Strategic Report.

Our Business

The Translink Group consists of a Public Corporation, the Northern Ireland Transport Holding Company (NITHCo) which owns and controls seven private limited subsidiary companies (together referred to as the Group or Translink). We are Northern Ireland's main public transport provider.

According to the latest Office for National Statistics classifications, we are collectively referred to as a Public Non-Financial Corporation. This effectively means we are a market body with a degree of commercial independence that is governed in policy terms by the Department for Infrastructure (DfI or the Department).

Performance 2018/19

Translink's performance in 2018/19 has been against a backdrop of continued and very challenging reductions in Public Service Obligation (PSO) funding for bus services, which had not been allocated in the 2018/19 budget. Receipt of in year PSO funding by DfI, associated with running uneconomic but socially necessary bus services, together with growth in fare paying passenger journeys and control of operating costs has resulted in financial performance which is significantly better than budget.

Profit for the year (before tax and accounting adjustments relating to pension, impairment and derivatives) was £1.1 m, compared to profit of £2.0m for the prior year. (See Review of the Business on page 12).

The organisation continues to progress a business improvement strategy to ensure the ongoing efficiency of its operations while also delivering on the draft Programme for Government objective to grow the use of public transport. This strategy has four key objectives:

- Operational excellence;
- Customer satisfaction;
- Value for money; and
- Passenger growth.

The Board can report good progress in respect of the strategy:

The cumulative impact of the business improvement measures has delivered over £11m over the last three years and the ongoing cost reduction and revenue enhancing programme of activities will deliver significant further financial benefits over the next three years.

There has also been strong growth during 2018/19 in public transport passenger journeys with growth of 3.4m (4%) passenger journeys compared with the previous year, a total of 84.5 million passenger journeys was achieved.

With the introduction of Glider in September 2018, Metro passengers grew to over 30 million, while rail passenger journeys reached 15.8 million, the highest in NI Railways' 50 year history. There was also growth in passengers choosing Ulsterbus; Urby, Goldline, Park and Ride and Airport Express services.

The Public Service Agreement (PSA), which runs from October 2015 for an initial period of 5 years, forms the basis for the relationship between Translink and DfI. The service agreement implements European and NI legislation on the provision of public transport. It establishes Translink as the main provider of timetabled services in NI with an obligation to operate a comprehensive, integrated network of bus and train services and that the authority will compensate Translink for the discharge of this public service obligation.

The Group buys forward a significant proportion of its fuel costs to provide stability in respect of such costs for both budgeting and its passenger fares. This is reflected in the financial statements.
The employee benefit obligation (pensions) in the balance sheet increased from £202m in 2018 to £231m in the current year, primarily because of a reduction of 0.2% in the discount rate and a reduction of 0.2% on the long-term rate of return on plan assets. This is a long-term liability and does not affect the ability of the Group to pay its debts as they fall due or the ability of the Group to operate as a going concern.

Key Achievements 2018 - 2019

Translink has delivered a strong business performance during the first half of this strategy.

FIRST CHOICE FOR TRAVEL

GLIDER SUCCESS

New Eco hybrid vehicles -

45k

additional passenger journeys every week

RECORD PASSENGER NUMBERS

Growth of

3.4m

passenger journeys - now carrying

84.5m p.a.

around **200k** car journeys removed

ENVIRONMENTAL

Top Platinum Award

achieved for NI Environmental benchmarking survey

PERFORMANCE

>90% punctuality and >99.5% reliability, with continuous improvement programmes in place

SAFETY MANAGEMENT

An integrated Safety Management System across our network to maintain **high levels of safety** and **positive safety culture**

BUS FLEET

150+

new Eco Buses for Metro and Ulsterbus maintaining quality, comfort, and enhancing capacity. New Urby commuter services introduced and showing strong growth

CUSTOMER SATISFACTION

Independent research shows

9 out of 10

customers satisfied

TRACK

Significant track works completed on the **Belfast to Derry~Londonderry** and **Belfast to Portadown** lines

RAIL FLEET

Record rail growth

21 new carriages

ordered

>1,400

more seats

Review of Business

A summary of key financial results is set out in the table below and discussed in this section.

Key Financials

	2019 Group £m	2018 Group £m
Revenue before intercompany adjustments	241.2	222.7
Intercompany adjustments	(2.7)	(2.2)
Consolidated revenue	**238.5**	**220.5**
Pro forma profit before tax (note 1)	1.1	2.0
Decrease in fair value of investment properties	(3.9)	(0.1)
Pensions adjustments (IAS 19)	(14.9)	(17.6)
Movement on derivatives	(1.6)	2.5
Consolidation adjustments	(0.2)	(0.1)
Consolidated loss before tax	**(19.5)**	**(13.3)**

Note 1 - The pro forma profit is used by the DfI to assess profitability.

Financial Review

The EU International Financial Reporting Standards (IFRS) results for the year are shown in the consolidated income statement on page 49.

The pro-forma profit before tax, i.e. profit for the year before tax and accounting adjustments for fair value of investment properties, pensions and derivatives, was £1.1m. This represents an improvement of £15.2m on budget (loss of £14.1m). This profit reflects the growth in fare paying passengers and receipt of revenues associated with running uneconomic but socially necessary bus services, combined with a range of efficiency measures.

The EU IFRS consolidated loss before tax for the year of £19.5m has been adjusted to arrive at the proforma loss as follows:

- Revaluation: £3.9m charge (2018: £0.1m charge). This reflects a reduction in the value of investment property;
- Pensions: £14.9 m charge (2018: £17.6m charge). This is due to an increase in the long-term cost of both providing pensions and servicing the existing pensions deficit; and
- Derivatives: £1.6m charge (2018: £2.5m credit). This reflects the effective application of the Group's forward fuel procurement policy.

The Group Balance Sheet was impacted by adverse movements in the valuation of the Group's pension deficit, which moved from £201m to £230m in the current year, primarily because of a reduction of 0.2% in the discount rate and a reduction of 0.2% on the long-term rate of return on plan assets. This is a long-term liability and does not affect the ability of the Group to pay its debts as they fall due or the ability of the Group to operate as a going concern.

Operational Review

Passengers journeys (million)	2019 52 weeks*	2018 52 weeks*	2017 52 weeks*
NI Railways	15.8	15.0	14.2
Ulsterbus	38.7	38.1	38.4
Metro	30.0	28.0	27.3
Total	84.5	81.1	79.9

**Passenger journeys for the 53 week period totalled 85.8m analysed NI Railways 16.1m, Ulsterbus 39.1m and Metro 30.6m*

Customer Performance Index (%)**	2019	2018	2017
NI Railways	83.4	82.0	80.5
Ulsterbus	81.4	81.3	81.6
Metro	75.3	76.3	72.8

*** Customer performance index is a weighted score of customers' perceptions of service delivery measured during Passenger Charter Monitoring surveys carried out by an independent organisation.*

Operational Review (Continued)

Punctuality (% of services arriving on time)~	2019	2018	2017
NI Railways (local/long haul)	95.7/94.9	96.2/98.5	99.1/95.1
Ulsterbus	95.1	94.9	93.4
Metro	96.3	96.3	97.8

~Punctuality figures are derived from an observed sample of services during Passenger Charter Monitoring surveys which are carried out by an independent organisation; for bus services 'on time' is defined as within 7 minutes of timetable; for rail services within 5 minutes (local)/10 minutes (long haul)

Reliability (% of timetabled services run)#	2019	2018	2017
NI Railways (local/long haul)	100.0/100.0	100.0/100.0	100.0/100.0
Ulsterbus	100.0	100.0	100.0
Metro	100.0	100.0	99.8

 # Reliability figures are derived from an observed sample of services during Passenger Charter Monitoring surveys which are carried out by an independent organisation.

Accessibility*	2019	2018	2017
Ulsterbus	100.0	100.0	100.0
Metro	100.0	100.0	100.0

**Includes 91 vehicles recorded under the Accessibility Category as they comply with Schedule 3 of The Public Service Vehicles Accessibility Regulations (Northern Ireland) 2003 but are not wheelchair accessible vehicles.*

Capital Investment

Capital expenditure	2019 £m	2018 £m
Buses/Coaches	27.0	16.2
Trains	6.2	3.8
Infrastructure	14.5	17.4
Land and buildings	32.0	41.7
Other	14.6	12.4

The investment in buses/coaches of £27.0m relates to the purchase of 30 Glider vehicles (Belfast Rapid Transit project) along with 18 feeder vehicles for the same project, 64 Double Deck buses, 25 minibuses and 30 coaches for deployment on our Goldline network. Milestone payments were also made for 2 additional Gliders which are due to be delivered in 2019/20.

Expenditure of £6.2m on trains relates to the overhaul of the Class 3000 and Class 4000 trains, the Class 3000 midlife refresh and the purchase of 21 additional Class 4000 carriages. Advance payments of £20.3m in respect of the additional carriages and modifications to the existing Class 4000 fleet have also been made to Construcciones Y Auxiliar De Ferrocarile SA and are disclosed under prepayments.

Infrastructure expenditure of £14.5m includes £2.8m on Knockmore to Lurgan Track Ballast Rehabilitation project, £2.4m on Lurgan Area Track Renewals, £1.6m on signalling for the North West Multi Modal Transport Hub, £0.8m on Lurgan Level Crossing Signalling Alterations, £1.0m on Fortwilliam to Bleachgreen Signalling Renewals and £0.9m on the Bann Bridge Bearing Replacement Project.

The investment in land and buildings of £32.0m includes construction of the Milewater Service Centre (£5.8m), progression of the Transport hubs in Belfast (£5.6m) and the North West (£5.6m), Portrush Railway Station (£3.6m) and completion of the Glider shelters (£1.5m).

Other projects being progressed during the year include £4.4m on the Future Ticketing System, £2.4m on plant and equipment for the Milewater Service Centre, £0.8m on the ICT Network Refresh Project and £1.0m on the Corporate Website and Mobile Site Replacement project.

Key Performance Indicators (KPIs)

	2019	2018
Fleet size:		
Buses/coaches	1,379	1,383
Gliders	30	-
Rail Rolling Stock	45 sets	45 sets
Average fleet age (buses/coaches: years)	9.8	9.2
Average fleet age (Gliders: years)	0.8	-

Our Strategy

This strategy has been developed in the context of the DfI Regional Development Strategy 2035 and the draft NI Executive Programme for Government (PfG) that recognise the vital role public transport plays in developing competitive cities and regions.

As Northern Ireland's main public transport provider we provide an essential public service that supports economic growth, social inclusion and a better environment. We offer choice, and increase individuals' opportunities in terms of business, education, shopping and leisure.

Providing high quality public transport not only enables a region to thrive, it also helps to address the challenge of congestion and climate change, creating healthier towns and cities.

Our 5-year strategy (2016-2021) entitled 'Get on Board' sets out a Vision for Translink as

'Your first choice for travel'

by efficiently growing public transport in a way that connects people and communities, improves well-being through more active travel and enhances the economy and improves the environment to enable a thriving Northern Ireland.

At Translink we are passionate about providing excellent public transport and we do this in the 'Translink SPIRIT' which embraces principles around Safety, People, Innovation, Responsibility, Integrity and Teamwork.

We will deliver results across four key objectives:

1. Operational excellence
2. Customer satisfaction
3. Passenger Growth
4. Value for money.

Our Vision

"To be Your First Choice for Travel in Northern Ireland."

Our Mission

"To deliver a transformation in public transport, providing integrated services which connect people, enhance the economy and improve the environment, enabling a thriving Northern Ireland."

Translink's Strategy Wheel

Our Values

The 'Translink SPIRIT' is a set of guiding principles that are a fundamental part of everything we do. These core values are embedded in the culture of our organisation and enable us to lead, inspire and succeed in delivering our goals for Translink.

S

Safety

We put safety first by taking care of the people around us.

P

People

Our people make the difference in the service customers receive. We will respect one another and seek a committed, talented and diverse workforce.

I

Innovation

We seek out new ideas and creative solutions to business challenges and are agile and responsive to the changing needs of our stakeholders.

R

Responsibility

We are responsible for our actions. We are good neighbours and corporate citizens in the communities where we operate.

I

Integrity

We do the right thing. Our actions are fair, ethical, trustworthy and straightforward.

T

Teamwork

We work together to deliver the best results. We encourage collaboration to build and nurture valuable partnerships.

Objective 1

Operational Excellence

To achieve our Vision of being the first choice of travel we must offer excellent integrated service across our bus, coach and rail services that are consistently safe, punctual, reliable and accessible.

Safety

Our first priority is always safety and we have an excellent safety record. A significant work programme is in place to deliver, enhance and maintain safe systems, a positive safety culture, emergency preparedness and high profile public safety campaigns in support of this commitment. Our Safety Management System guides our organisation and we engage every one of our employees to live by the key principles of behavioural safety.

Maintaining High Standards

We recognise that punctuality and reliability is key to customers and we have set ourselves challenging targets in our customer charter to ensure that more than 95% of services are on time and more than 99.5% of services operate reliably.

Our highly skilled workforce makes sure that our vehicles and public transport network are in good condition so that we can deliver the service we promise. Every day our fleet of 1,450 buses, coaches, Gliders and trains provide 12,500 timetabled services.

We cover a massive 44 million miles each year servicing customers across Northern Ireland and beyond.

To deliver excellent punctuality and reliability we adopt a multi-agency partnership approach to address external factors which can impact on our services such as congestion, traffic accidents, road works and track trespass.

We are continually monitoring our performance and twice a year we are independently monitored. The monitoring panel includes the Consumer Council for Northern Ireland. We use these monitors to continually improve our services.

Exploiting Technology

We increasingly use new and innovative technology to continuously make our business more efficient in planning and allocating our resources - fleets and the people who operate our business - so we can provide the best service possible. We also invest in new digital technology for our customers to make using our services easy and accessible.

Rail

We have recently ordered 21 new carriages to increase capacity of our trains. These carriages will allow us to provide an extra 1,400 seats for our growing customer base and helps us to sustain growth levels and timetable enhancements. 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 maintenance and upgrades is required to maintain this infrastructure.

Bus

We need to continue to invest in our bus fleet and are introducing new low emission technologies on bus, coach and our new Glider vehicles. Our aim is to make a step change to our high environmental and fuel efficient vehicles in our future fleet procurement. This year we introduced Ulsterbus Urby services with new higher specification double deck, low emission (Euro VI) vehicles that have free wifi, charging points, onboard information systems and more space. This new fleet has afforded the opportunity to improve our Ulsterbus service offering to customers commuting to Belfast.

Our People

We are a people business; we provide a service for people through our people. Our workforce is recognised within our industry and the broader business community for their achievements in delivering excellent services and innovation. We celebrate and embrace the benefits that diversity brings to our business and by working together to enhance our business environment, we create a culture that inspires the best – this is the 'Spirit of Translink'.

We provide excellent learning and development opportunities in order to give employees the opportunity to stretch themselves and widen their experience.

Our leadership framework sets out competencies and objectives for management and professionals to:

- Lead – Accountability and Responsibility
- Engage – Communication
- Adapt – Continuous Improvement
- Deliver – Benefits Realisation

Objective 2

Customer Satisfaction

We aim to deliver outstanding customer satisfaction at every touch point. Using Translink means that customers should get a high quality, integrated service that is friendly, helpful and professional at all times.

Customer satisfaction is built in to our Passenger's Charter and independently monitored twice a year. We have set a target to achieve greater than 85% customer satisfaction score across all our services. We use these results to better understand elements of our services that may need improving.

This year we carried out customer experience research into the everyday user experience of our customers. The research was undertaken in both Belfast and Derry~Londonderry and followed some customers and testers using our services at every stage of their journey; from planning, buying tickets, boarding services, making a trip to end of journey and how we made them feel. As a result of the research we are improving Wayfinding to our bus stops/city departure points, making our network and services easier to understand through improved mapping, logical renumbering of services, colour-coding routes and improving information at stops and online, particularly in relation to fares and tickets.

Customer Driven Innovation

Customer information is an important tool for business growth. We want to be at the forefront of technology and digital developments in transport; we are already a digital business with over 50 million digital contacts a year for information and ticketing. We have just completed an upgrade to our web/mobile services as a first step to support the implementation of our new future ticketing system. The new technology we have put in place in the first instance will improve the usability of our website aligning the customer experience of planning and buying. As the new ticketing technologies are rolled out we will be able to significantly enhance the online and mobile ticketing offering for customers

with digital tickets and top-ups. This is alongside other significant improvements such as contactless payments on-bus, account based ticketing, gated rail stations and TVMs at bus and rail stations and major boarding points that will be delivered over the next two years.

We have worked to make more data available through the Opendata platform to support local innovation through the private developer market to develop commercial applications/services. We have also shared our service data with major third parties such as Google and Apple as we recognise these are important planning platforms for everyday use.

Accessible Transport Strategy and Social Inclusion

Translink services play a vital role in providing access to public services and to support social inclusion by providing access to employment, education, health and social activities. We continue to work closely with Government Departments alongside stakeholders such as the Inclusive Mobility and Transport Advisory Committee (IMTAC), and disability groups to deliver the Vision of the new Department for Infrastructure Accessible Transport Strategy 2025 to deliver a transport network in Northern Ireland that is inclusive and accessible to all.

Our aim is to 'design in' accessibility from the outset and we have been working in partnership with IMTAC to introduce improved facilities that are welcoming and accessible to everyone including the introduction of changing facilities at major stations and upgrades to lifts and escalators.

Customer Engagement

Our social media team work hard to keep customers updated with service information, events and promotions as well as being on hand to help customers with queries and feedback. We have over 170,000 followers across main social media channels which are not only a fundamental point of contact but help us gauge how customers feel about the things we do.

Customer feedback is really important to us and gives us real insight on how we might improve our services. Over 1.6m people use our services every week so we know there will be times when things go wrong. When they do, we will do our best to put things right. Our Passenger's Charter sets out our responsibilities to dealing with problems that arise for customers, we aim to reduce the number of complaints to fewer than 15 per 100,000 journeys.

Objective 3

Passenger Growth

To continue to grow the number of passengers using public transport to support the Programme for Government outcomes, improving wellbeing for all by tackling disadvantage and driving economic growth.

We have delivered a strong performance this year achieving 84.5 million customer journeys, 3.4m up on last year and the highest in over 20 years, demonstrating that with investment in transport infrastructure more people are making the shift to public transport.

We are committed to supporting continued increase in modal shift towards sustainable transport and have developed long-term investment strategies for bus and rail services. We have been working on some exciting projects that will contribute to the transformation of our public transport network.

Glider

Representing an investment of over £90m, in September 2018 we completed and launched one of the executive flagship projects Glider that introduced two significant new routes to the Belfast network. Working with the Department for Infrastructure, Translink introduced an iconic new high quality rapid transport corridor connecting East Belfast to West Belfast and to Titanic Quarter with low emission, high capacity vehicles and new innovative ticketing technologies.

Operating on a high frequency throughout most of the day with enhanced bus priority measures Glider has carried 45,000 more passengers every week in the first 6 months of operation.

Belfast Transport Hub

This year we have been granted planning permission for the Belfast Transport Hub, a world class, modern transport interchange for Northern Ireland. This is a multimillion pound investment by the Department for Infrastructure which is at the heart of an exciting city neighbourhood regeneration called Weavers Cross that incorporates imaginative mixed use development proposals.

Portrush Train Station

The £5.6m station redevelopment was completed this spring in advance of the 148th Open Golf Championship. It provides a fully accessible modern facility that will vastly improve the experience for visitors arriving to the town.

North West Transport Hub

The North West Transport Hub in Derry~Londonderry will enhance connectivity to bus and train services for the region providing capacity for growth in our service offering and passenger numbers. Incorporating the restoration of the original listed Victorian station, tracks and signalling work, phase one of the building work is well underway and is due to complete in late 2019. The entire project is scheduled for completion by late 2020.

Belfast Lanyon Place Station

Last summer we completed the modernisation and refurbishment of the former Central Station building to reflect changing needs and growing numbers and to support regeneration of the local area. The station was re-opened as Lanyon Place Station in keeping with the locale that it serves, that itself is named after the 19th century architect Sir Charles Lanyon.

Expanded Park and Ride Programme

We will continue to focus on maximising opportunities through land purchase that best accommodates access to our main transport routes and infrastructure.

Due to the increasing popularity of Park and Ride services we are continuing to extend existing sites and to invest in new fleet like our Urby vehicles to service these facilities. We will continue to promote these as a sustainable and convenient travel option to attract new customers.

Service Developments

To continue to attract new customers to our bus and coach services we have invested in additional high-specification vehicles. 30 new Goldline coaches will be introduced into service from September 2019 and a further 15 Urby vehicles will be rolled out this summer to Hillsborough, Dromore and Carryduff. This follows the successful introduction of Urby earlier this year to services in Ballyclare, Blacks Road, and Newtownards. Plans are being developed for further extension of the Urby brand.

We will continue to invest in the Metro network, enhancing frequency on key corridors and improving halts and signage.

We have recently ordered 21 new carriages to increase capacity of our trains. These carriages will allow us to provide an extra 1,400 seats for our growing customer base and helps us to sustain growth levels and timetable enhancements.

Objective 4

Value for Money

We have continued to maintain a strong focus on cost and continuous improvement, driving business efficiency throughout the business. We have successfully delivered over £11m of business improvements in the last 3 years.

We continue to introduce eco-friendly vehicles and a range of measures to improve our fuel efficiency. Such initiatives support our efforts to manage cost, keep fares as low as possible and improve customer satisfaction on value for money.

Public transport contributes to the draft Programme for Government outcomes delivery plan; improving wellbeing for all by tackling disadvantage and driving economic growth, while also being vital to improving the environment. A high quality public transport system delivers a wider value to society, we are working with our stakeholders to understand this value and the need for sustained investment.

Fares Strategy

We will work on an annual basis with key stakeholders to review fares and maintain value for money for our customers. We have attracted an additional 5 million+ fare paying passengers to our services over the last two years.

We actively promote and encourage customers to get the best value deal to help them save money. We offer a range of special promotions and everyday value fares through bus multi-journey and travel card options as well as weekly and monthly discount options for rail customers. We will continue to innovate in this area and with the introduction of new technologies we aim to simplify the way in which customers can access best value fares.

Climate Change/Air Quality

The Committee on Climate Change's new advice for Government is to reduce greenhouse gas (GHG) emissions to zero by 2050. The UK Clean Air strategy 2019 has also said that air pollution is the top environmental risk to human health in the UK. As one of the largest sources of emissions, transport will need to see major changes. Translink intends to play its part and is developing a strategy on low and zero emission vehicles, as well as encouraging more people to use public transport to reduce car dependency.

This year Translink intends to invest in Hybrid electric and Hydrogen technologies and to develop these technologies as part of its future fleet strategy. By doing this, not only will modal shift from car to public transport deliver immediate carbon reduction and clean air benefits, but with more low/zero emission vehicles in operation Translink will contribute to the target of zero GHG emissions by 2050.

All vehicles in Belfast will meet Euro 6 emission standards as a minimum by 2022 through fleet conversion.

The Translink SPIRIT

We are committed to taking responsibility for the impact of our activities on customers, suppliers, employees, stakeholders and communities as well as our environment. We have a full range of activities based on the following key themes; Safety, Health and Wellbeing, Environment, Community Engagement and Our People.

The safety and wellbeing of our customers, employees and the general public remains central to Translink's operations. We work with the local community to instil long term support and engagement through specific projects and initiatives. These have included: rail safety campaigns, community projects, agricultural safety, interagency safety events, safety bus activity, seatbelt campaigns and regional school initiatives.

We are committed to delivering workplace health and wellbeing initiatives to help our employees lead fit and healthy lifestyles. Employee welfare is enhanced by organisational culture as well as attitudes, values, beliefs and daily practices that affect their mental and physical wellbeing.

We continue to support local communities through stakeholder engagement, disability awareness, charity activity, supporting community projects and festivals, youth initiatives, events and sponsorships. Translink holds a Silver CORE standard for Corporate Responsibility from Business in the Community (BITC) and again retained its Platinum status in BITC's Environmental Benchmarking Survey, Northern Ireland's leading environmental benchmarking exercise.

The Translink SPIRIT is embedded in everything we do, underpinning our efforts to achieve our key objectives.

Safety

The safety and wellbeing of our customers, staff and the general public is central to our operations.

We are guided by our Safety Management System and are constantly developing our safety capabilities and preparedness. We aim for zero staff or passenger safety incidents.

People

We value and seek to develop our people.

We have won a number of awards for Investors in People (IIP) and strive to achieve the gold standard. We are committed to creating a diverse workforce as we recognise the value this brings to our organisation. We have pledged to tackle the gender imbalance within the Group through the Business in the Community 'Gender Project'.

Innovation

We have worked to instil a culture of continuous improvement throughout the organisation which challenges everyone to focus on what we do, or could do, to provide an excellent service for our customers and wider stakeholders.

Further formal processes are being introduced to improve service delivery and drive efficiencies throughout the Group.

Responsibility

We believe that Corporate Social Responsibility (CSR) is an important strategic tool for our business.

We continue to deliver a comprehensive CSR programme based on the four key themes of Go Safe, Go Eco, Go Healthy and Go Together and have been recognised as one of Northern Ireland's leading businesses in this area.

Along with our continued commitment to our employees' health through our occupational health programmes, we continue to engage with and contribute to the local community to protect and enhance safety, wellbeing and the environment.

Integrity

We act with integrity in everything we do within a robust Corporate Governance Framework.

We will continue to work collaboratively with our sponsor Department and other regulators and stakeholders and governing authorities to ensure compliance with relevant regulations.

Teamwork

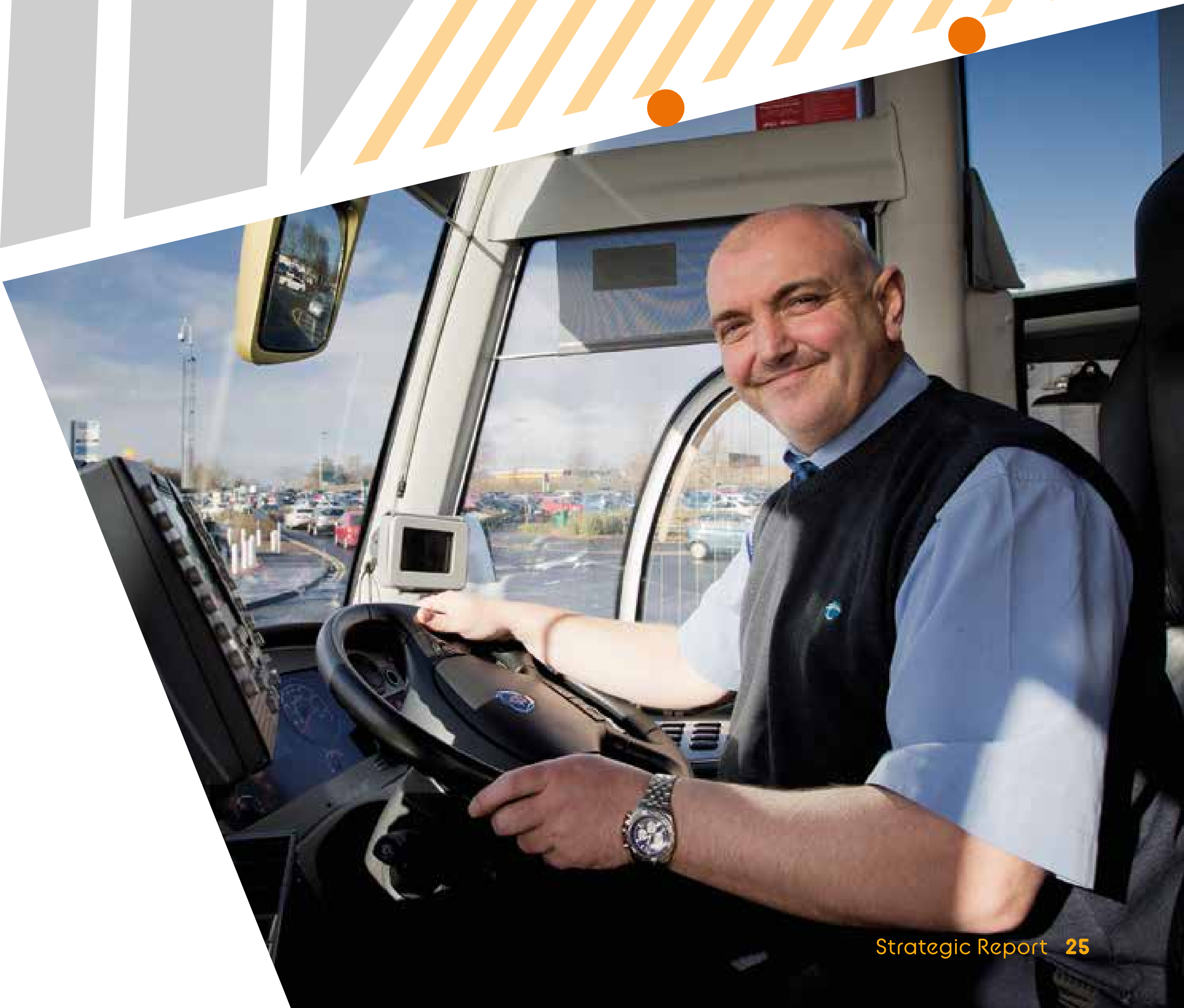
We are committed to creating the right conditions for all our people to contribute as part of a team to deliver our Vision and Values and to be an advocate for public transport.

Principal Risks and Uncertainties

The business faced a number of risks and uncertainties, both internal and external. These encompass

- Impact of funding shortfall and the continuation of the Public Service Agreement;
- Failure to optimally manage and secure sufficient benefit from key service delivery partnerships (such as Education Authority school services, Bus Éireann and Irish Rail);
- Key supplier failure/unavailability;
- Failure to maintain good employee relations;
- Planning delivery and assurance capability for projects (e.g. Belfast Transport Hub);
- Failure to avoid a catastrophic or major incident;
- Cyber security; and
- Potential impact of a "No deal" Brexit.

Further information on the key risks and uncertainties faced by the Group are set out in more detail within the Group's Corporate Risk Register and also the Governance statement on page 30.



Directors' Report

The Directors present their annual report on the affairs of the Group and parent company, together with the financial statements and auditor's report, for the year ended 31 March 2019.

There have been no significant events since the balance sheet date which have a material effect on the accounts. An indication of likely future developments in the business of the Group and Parent Company is included in the strategic report.

Directors

The Directors, who served throughout the year and up to the date of approval of the accounts are noted on page 4.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Equal Opportunities

The Group is committed to equality of opportunity for job applicants and within the workforce and values diversity.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

During the year, the policy of providing employees with information about the Group has continued through a weekly email from the Group Chief Executive, 'Team Talk' briefings and electronic publications on uLink, the Translink intranet site.

Whistleblowing / Fraud Reporting

The Group's whistleblowing procedures ensure that arrangements are in place to enable colleagues, suppliers and service providers to raise concerns about possible improprieties on a confidential basis. Whistleblowing events are monitored by the Audit and Risk Committee.

Disclosure of Information to Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will deem to be reappointed and KPMG will therefore continue in office.

Political Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2018: £nil).

Financial Instruments

The Group's principal financial instruments comprise cash, trade debtors, trade creditors, fuel derivatives and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below.

Dividends

The directors do not recommend payment of a dividend (2018: £nil).

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and exchange rates will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters. The Group does not consider currency risk or interest rate risk to be material due to the low levels of foreign currency transactions.

The Group enters into derivative financial instruments in the ordinary course of business in order to manage market risk, in the form of fuel price risk. All such transactions are carried out within guidelines set by the Board. Market risk exposures are measured using sensitivity analysis.

Under IFRS guidelines the derivative financial instruments are recognised in the Group's financial statements at fair value with full disclosure at note 23 to the financial statements.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Credit Risk

Credit risk arises on trade debtors and certain other debtors, a significant element of which relate to amounts owed by UK government bodies and in relation to which the Directors consider the credit risk to be insignificant. Group and Company policy is aimed at minimising credit risk and requires that deferred terms are granted only to non-government customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group exposure to bad debts is not significant. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

Liquidity risk arising in respect of the Company's subsidiary undertakings is managed through the Group's central purchasing and treasury function, with flexibility maintained by retaining surplus cash in readily accessible bank accounts and control of Group indebtedness. Further, significant capital projects are normally funded by grant aid, with such projects requiring approval by both the Board and Department.

Going Concern

The Directors acknowledge the guidance on the 'Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks 2016' published by the Financial Reporting Council in April 2016, the FRC guidance "Update for Audit Committees: Issues arising from Current Economic Conditions", published in November 2010, and the June 2012 publication by the Panel of the Sharman Inquiry entitled 'Final Report and Recommendations on Going Concern and Liquidity Risk', the content of which was incorporated by the FRC into its September 2014 update to the UK Corporate Governance Code.

The Group's business activities, together with the factors likely to affect its future development, performance and government funding are set out in the Strategic Report. Principal risks and uncertainties are referenced above and detailed in the Corporate Governance Statement on page 30. As a Public Corporation, whose legal status is not expected to change in the immediate future, the Group receives financial support from Government in the form of a Public Service Obligation, route subsidy and capital grant support. In addition, the Group receives recompense for the carriage of concession groups. The Group has received notification of its indicative baseline resource funding for 2019/20 and has prepared a budget on this basis. This resource baseline reflects a reduction in public service obligation funding of approximately £16m or 20% since 2013/14. The Group has budgeted to generate a trading loss for 2019/20 which it will fund entirely from reserves. A Corporate Plan has not been prepared given the context where there is currently no Minister and a lack of certainty on future resource allocations from the Northern Ireland Executive. The Consolidated Balance Sheet shows a deficit of £122.6m (2018: deficit of £92.9m).

This deficit is entirely attributable to the group's employee benefit obligation (pensions) of £231.1m, an increase of approximately £28.9m from 2017/18. The obligation is long term and does not affect the group's cash flow in the short to medium term.

The employee benefit obligation (pensions) in the balance sheet increased from £202.2m in 2018 to £231.1m in the current year, primarily because of a reduction of 0.2% in the discount rate and a reduction of 0.2% on the long-term rate of return on plan assets. This is a long-term liability and does not affect the ability of the Group to pay its debts as they fall due or the ability of the Group to operate as a going concern.

Given the Group's strategic objectives and future developments the Directors recognise that security of a long term funding strategy is key. In October 2015 Translink and DfI signed a service agreement for the provision of public transport services for at least five years. This agreement (with the Department for Infrastructure) includes a commitment that payment for these services will be maintained at such a level to ensure that as a minimum Translink is able to meet its going concern obligations. This has been a key consideration for the Directors in assessing whether the accounts can be prepared on a going concern basis. Furthermore, a letter dated 11 June 2019 from the Department for Infrastructure reaffirms the Department's commitment to ensure that NITHCo / Translink remains a viable financial entity and states that Translink is a key delivery partner in terms of the draft Programme for Government. On this basis, the Directors believe that it is reasonable to assume that the Group has and will continue to have adequate resources to meet its anticipated liabilities as they fall due and to enable it to continue in operational existence for the foreseeable future. Accordingly, the Board has concluded that it is appropriate that the accounts are prepared on a going concern basis.

Post Balance Sheet Events

There have been no events since the balance sheet date that would require adjustment or disclosure in the financial statements.

By order of the Board

P Rooney
Company Secretary
for and on behalf of
the Board

22 Great Victoria Street
Belfast
BT2 7LX

19 June 2019

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have chosen to prepare the parent company financial statements under Financial Reporting Standard 101. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group and Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and the Company financial statements are prepared in accordance with Financial Reporting Standard 101;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 19 June 2019 and is signed on its behalf by:

Chief Executive Officer
Chris Conway

19 June 2019

Chief Financial Officer
Patrick Anderson

19 June 2019

Corporate Governance Statement

Introduction

The Translink Group consists of a public corporation, the Northern Ireland Transport Holding Company ("**NITHCo**") (established under the Transport Act (Northern Ireland) 1967), which owns and controls seven private limited subsidiary companies including Citybus Ltd ('Metro'), Ulsterbus Ltd, Northern Ireland Railways Company Ltd and NIR Operations Ltd, together branded as 'Translink'. These four operating subsidiaries represent the main passenger transport companies which passengers, communities and stakeholders have come to know, trust, and depend on.

Collectively referred to as a Public Non-Financial Corporation, this effectively means Translink carries out its operational activates with a degree of commercial independence, whilst within their statutory remit and governed in policy terms by the Department for Infrastructure ('**DfI**' or "the **Department**"). Translink operates under a hybrid governance model. This means that the organisation is subject to public sector governance, private sector governance, and a very broad set of laws and regulations which come from both sectors. For example, as a public body, Translink is subject to Freedom of Information Act requests and public procurement rules, yet equally as a group of private limited companies, Translink's directors are bound by company law, directors' duties, insolvency law and annual reporting obligations.

Translink is committed to strong governance and, during the year, the Group has voluntarily complied with applicable provisions contained within the UK Corporate Governance Code, to the extent practical for a sponsored public corporation. There is an important additional layer of public sector governance set out in the Management Statement and Financial Memorandum ("**MSFM**"). The MSFM sets a bespoke corporate governance framework for the organisation, and in so doing applies relevant provisions of Managing Public Money NI because of the receipt of public funds both in capital grants and public service obligation revenue.

Relationship with the Sponsor Department

The Minister for Infrastructure is accountable to the Assembly for the activities and performance of the Translink Group. The Minister sets regional infrastructure and transport policy and performs the following functions:

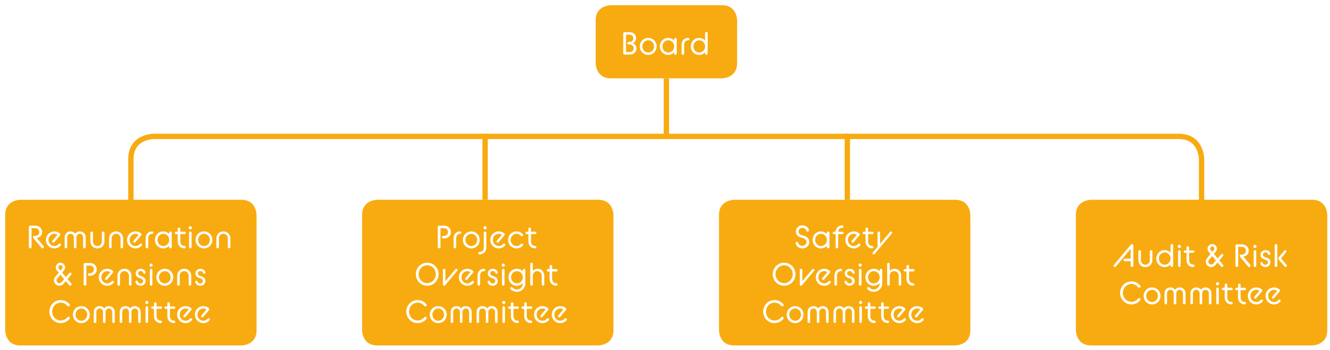
- Approves strategic objectives and corporate plan;
- Approves the accountability, policy and performance framework within which the Group operates (as detailed in the MSFM and associated documents);
- Keeps the Assembly informed as to the Group's performance;
- Approves the amount of grant/subsidy or other funds to be paid to NITHCo or its subsidiaries; and
- Performs responsibilities specified in the Transport Act (Northern Ireland) 1967, including making appointments to the Board and laying the annual report and accounts of the Group before the Assembly.

There are periodic meetings which form the top-level governance arrangements between Translink and the Department. These interfaces include:

- Meetings between the Minister and the NITHCo Chairman and/or Group Chief Executive;
- Bi-Annual Board-level governance meetings (led by the Permanent Secretary) with the full Board;
- Bi-Monthly Departmental monitoring meeting where senior sponsor branch officials meet with Translink's Chief Financial Officer and General Counsel & Company Secretary;
- Ad hoc meetings and interfaces between different management teams to keep both organisations up to date in a vein of 'no surprises'.

The Role of the Board

The Board's aim is to ensure that Translink works innovatively and efficiently, taking a collaborative approach with all relevant stakeholders in public transport, providing integrated services which connect people, enhance the economy and improve the environment, enabling a thriving Northern Ireland.



The Board collectively supports and scrutinises management against its strategic objectives thereby ensuring that Translink continues to perform successfully by providing strategy leadership, financial and business scrutiny, risk management, while endorsing the Translink values of Safety, People, Innovation, Responsibility, Integrity and Teamwork.

The Board had ten scheduled meetings during the year, including a one-day Board Strategy Workshop. The Board is supported in its activities by Non-Executive Director lead sub-committees with a dedicated secretariat resource in each case. These are the Group Remuneration and Pensions, Project Oversight, Safety Oversight and Audit and Risk Committees.

We ensure that all Board members irrespective of their committee memberships are made aware of the key discussions and decisions of each of the other committees of which they are not members. In this way, the full Board is routinely updated with respect to its knowledge base and company-awareness.

Division of Responsibilities

Chairman

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman, Frank Hewitt, is responsible for leadership of the Board, ensuring its effectiveness and for setting its agenda. He facilitates the contribution of the Non-Executive Directors through a culture of openness and debate, and ensures constructive relations between Executive and Non-Executive Directors. The Chairman's distinctive duties are set out in the MSFM.

Senior Independent Director

The role of Senior Independent Director is to act as a sounding board for the Chairman and as a trusted intermediary for the other Directors. In addition, the Senior Independent Director meets with the other Non-Executive Directors at least once a year to undertake a review of the Chairman's performance. The Senior Independent Director is Tony Depledge.

Non-Executive Directors

Translink's Non-Executive Directors are appointed by the Minister to serve for one or more terms, typically for four years each.

Group Chief Executive and Accounting Officer

The Group Chief Executive is responsible for the day to day management of the Group and executing the strategy. In addition to retaining an Executive Board position and the employment status of Group Chief Executive, Chris Conway also fulfils the distinctive public sector role of Accounting Officer. The Accounting Officer has responsibility for ensuring that the Group operates effectively and to a high standard of probity. The Accounting Officer retains a reporting line direct to the Permanent Secretary within the Department regarding particular aspects of the role (focussed on regularity, propriety and value for money).

Board Effectiveness

Composition

The Board currently comprises three Executive Directors, the Chairman and five Non-Executive Directors. The Chief Corporate Services & Human Resources Officer and the Company Secretary support the Board and attend every meeting. The Non-Executive Directors bring wide and varied commercial experience to Board and Committee deliberations.

Independence and Conflicts

Each of the Directors has a duty under the Companies Act 2006 to avoid a situation where he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Group's interests. The Board has established procedures for the disclosure of conflicts and perceptions of conflict by Directors at every meeting but also through regular recorded declarations throughout the financial year. In accordance with the spirit of the Companies Act 2006, the Board considers, manages, and documents all conflicts of interests. From this pro-active analysis, the Board is content to confirm that all Non-Executive Directors are independent as set out in in the terms of the UK Corporate Governance Code.

Board Development, Workshops and Continuous Improvement

During the year, the Directors received training on current issues and operational updates on various aspects of the business.

Information and Support

The Board receives regular updates on business performances against the Corporate Plan and Strategy. These come in the form of results-based "SMART" key performance obligations shaped from a range of corporate objectives and Departmental objectives set for the Company in its Public Service Agreement.

There is an established procedure whereby the Board or any of its Committees may take independent professional advice when appropriate. Any individual director may take independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors.

Board Evaluation

The Board undertakes a formal review of its performance and that of its Committees on an annual basis.

The Chairman is responsible for evaluation of individual Board Directors. This assessment is supplemented by the Department for Infrastructure who undertake their own assessment in consultation with the Permanent Secretary and the Chairman. This includes an assessment whether Directors are able to allocate sufficient time to the Group in order to discharge their responsibilities effectively. All of Translink's Directors routinely satisfy the requirements of these effectiveness assessments.

Attendance at Board and Committee Meetings During 2018/19

Director	Committee Membership	Board	Audit & Risk (BARC)	GRPC	Project Oversight (POC)	Safety Oversight (SOC)
F Hewitt	Board*, POC, SOC	10/10	-	-	12/12	3/3
A Depledge	Board, POC, SOC*	10/10	-	-	10/12	3/3
A Reavey	Board, BARC, GRPC	9/10	5/5	6/7	-	-
H McCartan	Board, BARC, GRPC*	10/10	5/5	7/7	-	-
B Mitchell	Board, BARC*, GRPC	9/10	5/5	6/7	-	-
M Sweeney	Board, POC*, SOC	10/10	-	-	12/12	3/3
C Conway#	Board, POC, SOC	9/10	-	-	12/12	3/3
P O'Neill	Board, POC, SOC	10/10	-	-	12/12	3/3
P Anderson#	Board, POC	10/10	-	-	12/12	-

**Denotes Chair of Committee*

#The Group Chief Executive was also in attendance at three Audit and Risk Committee meetings and the Chief Financial Officer was in attendance at all Audit and Risk Committee meetings.

Sources of Assurance and Risk Management Controls

Effective Internal Controls

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and carries out (through the Audit and Risk Committee), an annual review of the Group's risk framework, to ensure that it accurately reflects the current Group's operating environment and adequacy of the risk management process.

Translink has implemented an appropriate Corporate Risk and Assurance Framework **("Corporate RAF")** which simultaneously functions as a risk-identification and management tool as well as an assurance-mapping tool. It plays a key part of the Company's Risk Management Strategy (reserved to the Board) and ultimately its Corporate Governance framework of controls. This integrated approach to risk management and assurance to ensure that its review of risk is used to inform the internal audit plan, accountability and assurance gaps, future corporate planning, and the continuous improvement of internal controls.

Internal Audit

Internal audit services, including Head of Internal Audit, are provided by an independent firm. Internal audit conducts a comprehensive programme of audit review and ad-hoc advisory services on various control items throughout the year. The results, recommendations and significant findings are reported to senior executive management via the combined Internal Audit and Risk Review meetings. Management agrees and implements actions, which are tracked through to completion by Internal Audit and the Audit and Risk Committee.

A regular internal audit progress report is presented to every meeting of the Audit and Risk Committee throughout the annual cycle. At the end of the year, the Head of Internal Audit produces his formal opinion and provides an annual assurance rating for the Company. This provides an important element of assurance to the Accounting Officer, Audit and Risk Committee, and Board.

External Audit

The external auditors provide the Audit and Risk Committee with reports on the external audit, including a regulatory opinion, in connection with the annual accounts and general financial performance.


Goldline

Through their annual management letter and advice to the Company, key recommendations are taken on board and implemented. Safeguards have been put in place to ensure the ongoing objectivity and independence of the external auditors. In 2017 KPMG were appointed as external auditors for the Group for an initial period of three years plus options for three one-year extensions.

Risk Management Processes

The Board and Executive team are responsible for maximising the opportunities to deliver improved levels of service, while controlling the risk to public money, stewardship of publicly funded assets and the key public service which the Group provides. In meeting these commitments, the associated risk of proposed actions and decisions must be properly identified, evaluated and managed to ensure that the exposure is within an acceptable range. The tolerable range of exposure for the organisation and general boundaries for unacceptable risk (and acceptable risk) have been set by the Board (and senior managers) within their risk strategy, to reflect the Group's risk appetite.

The risk assessment process which has been developed, reviews risks from the perspective of likelihood or occurrence and impact on business. The risk management process facilitates the identification and recording of risks at both senior management and divisional level. The system of internal control encompasses a number of features which together facilitate an effective and efficient operation, enabling Translink to respond to a variety of operational, financial and commercial risks. The Corporate RAF is underpinned by a series of Divisional risk registers developed across the Group, and also include an Emerging Risks register and Near Miss log. The Divisional registers form the basis by which the Executive committee will inform the Corporate Risk and Assurance Framework. Project Risk Registers are also established for all capital projects.

Risk Champions within each Division work closely with General Counsel in quarterly risk champion forums, which act as early warning signals for changing risk profiles or emerging risks. Risk Champions escalate risks from their Divisional registers for discussion at the risk champion forum. The Group Chief Executive and General Counsel take the lead in sponsoring and maintaining the Corporate RAF. The Corporate RAF is reviewed by the Audit and Risk Committee at each quarterly meeting.

Assurance Mapping

Prior to completing this Corporate Governance Statement the Group Chief Executive requires all members of the Executive Committee to sign Assurance letters which provide regular assurance for all relevant areas of their responsibility under the MSFM and risk management strategy.

Risk Management and Internal Audit Review Meetings

The Group Chief Executive chairs the quarterly Risk Management and Internal Audit Review meetings attended by executive management and internal audit, where consideration given to any risks that read-across from the Divisional register to the Corporate RAF, along with the Emerging Risk register and Near Miss log. The meetings assist with the overall Assurance Framework, help inform and shape the work of internal audit during the year, and contribute to the progress of the annual audit plan.

Financial Reporting

The Group has comprehensive planning, budgeting, and forecasting processes in place, which include detailed operational budgets for the year ahead, and the delivery of KPOs. The Board, the Department for Infrastructure and the Minister review and approve these.

Investment Appraisal

Capital expenditure is regulated tightly (through budgetary processes and authorisation levels) and all appropriate appraisals above certain pre-agreed thresholds are escalated to the relevant Board/ Committee, and indeed the Department for Infrastructure (DfI) as appropriate, for consideration and approval.

The Work of the Board's Sub-Committees

An important part of the Group's assurance and accountability framework during the period was the role played by each of the four Board Sub-Committees (Audit and Risk, Safety Oversight, Remuneration and Pensions, and Project Oversight). These committees each have an annual cycle of work, and take on additional scrutiny over the work and activity of management throughout the year. They provide minutes of committee meetings to the full Board and Committee Chairs and provide updates (as appropriate) at Board meetings. Moreover, each sub-committee plays a vital role in submitting annual reports on their activity for the purpose of this annual report and accounts.

The above internal control systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

Principal Risks and Uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Company notes the following corporate risks that will continue to pose challenges for the foreseeable future. These particular risks require ongoing attention in order to maintain the risks to acceptable levels.

Funding Shortfalls

Uncertainty as regards government funding, exacerbated by the lack of a functioning Executive in Northern Ireland, remains a major ongoing risk. Translink is working with DfI in the context of its Public Service Contract to ensure that it is adequately funded on a recurring basis to meet the obligations set out within this Contract.

Delivery of Major Projects

Translink is responsible for the delivery of large numbers of key high value projects (the Belfast Transport Hub, the North-West Hub, Belfast Rapid Transit and the Translink Future Ticketing System) which have a number of complex interdependencies. Translink has been careful to ensure that assessments of potential risks are identified, categorised and evaluated in consultation with key project stakeholders at the commencement of projects, and also over the lifetime of the project. To supplement this, independent gateway reviews are held for all major capital projects. Latterly a Chief Business Change Officer has been appointed and business change programme commenced to mitigate identified risks associated with project interdependencies.

Other risks which appear on the Corporate Risk and Assurance Framework include:

- No Deal Brexit;
- employee relations;
- commercial challenges with related risk to income; and
- incident management.

Liaison with Regulatory Authorities

The Group has committed to preparing Regulatory Accounts for Northern Ireland Railways for the year ended 31 March 2019, in compliance with Office of Rail and Road.

Assessment of Internal Control

The Company's principal risks are tested and probed on an ongoing basis by myself as Accounting Officer but also by the Board of Directors, Divisional Executives and a dedicated group of employees known as Risk Champions.

In this statement, I have provided an outline of the most significant risks which have affected our business during the financial year balanced with the assurance I take from the range of controls and processes in place to manage these significant risks. For the period, my assessment is that the relevant systems of internal control and risk management are strong and are operating effectively. Significant risks are identified, recorded, managed, and targeted for response as appropriate.

Internal Control Divergences

There have been no major internal control divergences which have arisen during the financial year and any ongoing investigations have been outlined in the risk review above.

Conclusion

Translink has a rigorous system of accountability which I rely upon to form an opinion on the control framework. Assurances and written confirmations provided to me by Executive Committee colleagues inform my assessment of risk. I am pleased to report that I am content that Translink has operated a sound system of good governance and internal control during the reporting period.

Chris Conway

Chris Conway
Accounting Officer and Group Chief Executive

19 June 2019

Audit and Risk Committee Report

Summary of the Role of the Audit and Risk Committee

The Audit and Risk Committee is a formally constituted committee of the Board. The primary responsibilities and tasks undertaken by the Committee are to:

- monitor the integrity of the financial statements;
- review the Group's internal financial controls;
- monitor and review the effectiveness of the Group's internal audit function;
- make recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditors including remuneration and terms of engagement;
- ensure that effective risk management procedures and process are in place;
- develop and implement policy on the engagement of the Internal and External Auditors to supply non-audit services; and
- advise the Board on whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable.

The Terms of Reference of the Committee are reviewed annually, most recently in April 2019, and are available on the Translink website.

Composition of the Audit and Risk Committee

The Audit and Risk Committee is appointed by the Chairman of the Company and approved by the Board. The members during 2018/19 were non-executive Directors and comprised of Bernard Mitchell (Committee Chairman), Hilary McCartan and Angela Reavey. The Committee is independent of management and its membership has an appropriate range of skills in relation to governance, risk and control and also meets the requirements for recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and understand good financial management disciplines.

Other Attendees

In addition to members, the Group Chief Executive, the Chief Financial Officer, General Counsel and Company Secretary, the Head of Internal Audit, the External Auditors, a representative from the Department for Infrastructure (DfI) and the Committee Secretary attend committee meetings, along with any other invitees called by the Chairman to attend from time to time.

Meetings

The Committee met on five occasions in 2018/19.

Governance

The Board is kept informed of the work of the Committee by means of summaries of meetings, the approved minutes of meetings and reports from the Committee Chairman at subsequent Board meetings. On an annual basis, the Committee considers its own effectiveness and the effectiveness of the external audit function. The last such review took place in September 2018 when the Committee considered that its performance was compliant with good practice.

The Group continues to operate under the Management Statement and Financial Memorandum (MSFM) that was agreed with the DfI.

Following an open procurement competition, KPMG were appointed as External Auditors, for an initial term of three years which commenced with the audit of the 2017/18 accounts. There are a further three extension options of one year each.

PricewaterhouseCoopers LLP continued in the role of internal audit on a fully outsourced basis having been appointed in March 2016 following an open procurement competition.

The Committee only permits the Internal and External Auditors to undertake non-audit services when it considers that the nature and extent of the services and related fees do not compromise audit objectivity and independence and has regard to the Financial Reporting Council's Revised Ethical Standards in June 2016 which introduced new restrictions around the provision of non-audit services.

Activities in Respect of the Year

The Committee undertook the following activities in respect of the year:

Internal Audit

- Reviewed and approved the Internal Audit Strategy and Plan for the year;
- Received and reviewed a report from the Head of Internal Audit at each meeting including a summary of progress against the plan, recommendations arising from reviews undertaken and progress made in the implementation of such recommendations;
- Reviewed the Annual Report and opinion by Head of Internal Audit and noted that the overall level of assurance was satisfactory;
- Followed up prior year Internal Audit reviews to ensure that recommendations were implemented; and
- Considered all instances of fraud, theft and whistle-blowing.

External Audit

- Engaged with the External Auditors at all stages of their work including review of the audit strategy, audit progress and conclusions, including a review of the final Management Letter; and
- Reviewed the independence and objectivity and the effectiveness of the External Auditors.

Financial Management and Reporting

- Considered a comprehensive review of the financial statements prepared by the Chief Financial Officer;
- Considered the appropriateness of key accounting policies, whether the accounts give a true and fair view, the appropriateness of the going concern assumption, and reviewing disclosures and key judgements in the financial statements;
- Considered the report of the auditors on the financial statements and matters for those charged with governance raised by them; and
- Reviewed the 2018/19 annual financial statements, along with the documents issued with them, including the Corporate Governance Statement, and recommended the adoption of these by the Board.

Risk Management

- Regularly considered, and challenged management on, the Corporate Risk and Assurance registers, including emerging risks and near misses, the fraud and theft registers and the whistleblowing register. The key risks considered by the Committee and their response are set out in the section Principal Risks and Uncertainties set out on page 25 of the Annual report.

Governance

- Reviewed and updated its Terms of Reference;
- Approved a revised Internal Audit Charter;
- Approved additional work by the Internal Auditors in accordance with the policy;
- At each meeting reviewed any new and revised guidance from Department of Finance, DfI and the Northern Ireland Audit Office;
- Approved a revised Group Anti-Fraud, Theft and Bribery Policy; and
- Reported to the DfI audit committee on Brexit risks and preparedness.

The Committee also:

- Met separately with the External Auditors and the Head of Internal Audit, in the absence of executive management as part of its annual programme;
- Met with the Group Chief Executive and Chief Financial Officer as part of its annual programme; and
- Was briefed on the work of the Procurement department.

Conclusion

The Audit and Risk Committee considers that for the 2018/19 financial year it has discharged its responsibilities in full in accordance with its remit.

The Committee's view of the effectiveness of the system of internal control is informed by the assurances provided through the maintenance and reporting of the risk registers and the documented assurance framework, the work of the Internal Auditors, the External Auditors in their Report to those charged with Governance, and by the work of the Group Chief Executive and the Executive Committee who have responsibility for the development and maintenance of the internal control framework.

The Committee is satisfied that:

- throughout the year there was ongoing progress made in relation to Internal Audit recommendations made;
- the system of internal control in operation throughout the period is satisfactory and that there have been no material breaches of internal control brought to the attention of the Committee by either management or the Internal or External Auditors;
- there are effective risk management processes and procedures in place;
- both the Internal Auditors and the External Auditors provide effective independent challenge to management; and
- the key accounting policies applied in the preparation of the financial statements are appropriate and that the financial statements have been properly prepared in accordance with them, and give a true and fair view of the Group's results for the year and state of affairs at the year end.

Bernard Mitchell
Chairman
Audit and Risk Committee

19 June 2019

Safety Oversight Committee Report

Introduction

Translink's Safety Oversight Committee is appointed by Translink's Board to promote and monitor the Group's safety, health and environmental performance.

Throughout 2018/19 the Committee met three times, reviewing the findings of reports, presentations, safety audits, accident inquiries, incident management reports and related information to reinforce best practice and to ensure lessons are learned and embedded for the future. The Committee has been active in challenging and satisfying itself of the adequacy and effectiveness of the safety, health and environmental management systems, reporting as appropriate to the Board regarding corporate responsibility strategy and overall safety-related performance.

The Committee has reviewed and updated its terms of reference and actively participates in the Safety Tour programme. The Board demonstrates leadership in this area by engaging in Safety Tours that are designed to help drive safe behaviour and culture and to demonstrate commitment to continually improving Translink's safety, health and environmental performance.

Safety Management System (SMS)

The practical application and outworkings of the safety, health and environmental policies is steered by the Translink Safety Management System and its 14 principles which ensure that management is in line with international standards for safety, health and environmental management.

Compliance with our SMS is monitored by a continuous internal assurance process. This is an essential and prominent feature of our internal reporting throughout the business and is reviewed by the Committee.

The August 2018 staff survey asked employees their thoughts on being informed on health and safety and about Translink's interest in their wellbeing. Both results demonstrated positive scores and increases on the previous survey.

Corporate Responsibility Strategy and the Environment

Translink touches the lives of everyone in Northern Ireland and the Committee recognises the importance of placing a strong emphasis on corporate responsibility, delivering projects and initiatives which make us a leading business in this area. The Committee is actively engaged, influencing and driving strategic direction through the development and delivery of the Translink Corporate Responsibility Strategy 2017-2021.

Translink holds a Silver CORE standard for Corporate Responsibility from Business in the Community and again retained its Platinum status in BITC's Environmental Benchmarking Survey, Northern

Ireland's leading environmental benchmarking exercise, attracting organisations from more than 14 industry sectors including participants from the top 200 companies and leading public sector organisations.

Regulators and other Agencies

Translink continues to work closely with regulators, holding knowledge sharing events with the Department for Infrastructure, the Health and Safety Executive for Northern Ireland, the Rail Accident Investigation Branch, the Police Service of Northern Ireland, the Northern Ireland Environment Agency, the Commission for Railway Regulation and others. The Committee welcomes the exchange of information and knowledge through Translink's work with regulators and other agencies and through contacts with the bus and rail operating industry within Europe and more widely through our links with international trade associations.

In 2018 Northern Ireland Railway's Safety Certificate (Part A and B) and Safety Authorisation were successfully recertified to 31st August 2023.

Future Focus

The Committee will continue to oversee Safety and Corporate Responsibility key performance indicators for the Group, visit locations to review safety practices and procedures and demonstrate safety leadership, assess progress of various safety initiatives/programmes and monitor progress of implementation of group safety standards. Keeping safety as our first priority, the Committee will oversee the continual development and implementation of the Safety Management System with a clear focus on leadership, behavioural safety and assurance.

Embedding the Translink SPIRIT in everything we do, we will continuously develop our corporate social responsibility through Go Safe, Go Eco, Go Healthy and Go Together programmes.

Tony Depledge
Chairman
Safety Oversight Committee

19 June 2019

Project Oversight Committee Report

Summary of the Role of the Project Oversight Committee

The Project Oversight Committee (the "Committee") is a formally constituted sub-committee of the Board. The Terms of Reference of the Committee determine that its primary responsibilities are, subject to predetermined thresholds, to:

- Review and, where appropriate, approve spending and disposal proposals made by the Group's Executive Group;
- Review and, where appropriate, approve procurement proposals made by the Group's Executive Group;
- Monitor and track major capital projects; and
- Approve Post Benefit / Project Evaluations.

In exercising these responsibilities, the Committee has the full delegated authority of the Board.

Composition of the Committee

The Committee is chaired by Mark Sweeney (Non-Executive Director). Other members are Frank Hewitt and Tony Depledge (Non-Executive Directors), the Group Chief Executive, the Chief Business Change Officer, the Chief Financial Officer, the Director of Service Operations and the Director of Infrastructure and Projects Delivery. Committee meetings are also attended by the Committee Secretary.

The Committee may invite any member of staff to attend part or all of any of its meetings. The Committee normally meets monthly.

Governance

The minutes of each Committee meeting are circulated to the Board. Any matters deemed novel and/or contentious are highlighted therein. Minutes are also circulated to the Department for Infrastructure after each meeting.

Activities Undertaken

The Committee met on 12 occasions during the year ended 31 March 2019 and:

- Approved a range of actions regarding spending and disposal proposals, procurement proposals and Post Benefit / Project Evaluations in accordance with their mandate; and
- Monitored and tracked progress on all major capital projects at each meeting.

The Committee continues to test the value for money concept on any projects with a limited range of potential suppliers. In this regard the Committee welcomes a number of initiatives taken by the Company to proactively engage with and widen its supplier base, such as the Supplier Engagement event held by the Company in February 2019.

Conclusion

The Project Oversight Committee considers that for the 2018/19 financial year, it has discharged its responsibilities in full in accordance with its remit.

Mark Sweeney
Chairman
Project Oversight Committee
19 June 2019

Directors' Remuneration Report

The Group Remuneration and Pensions Committee (the "Committee")

Role of the Committee

The Committee's principal responsibilities are to:

- annually review remuneration for senior executives and other executives;
- annually confirm the performance related pay distribution for management, professional and technical employees;
- review the objectives set for senior executives;
- review senior executive performance;
- review the succession plans in place for senior executives;
- oversee the process of appointing to the position of Group Chief Executive and other senior executive posts;
- consider and recommend to the Board any changes to the operation or funding of the Group's pension schemes;
- consult periodically with the Trustees of the Group pension schemes on relevant statutory matters concerning the schemes; and
- recommend to the Board appointments of Trustees to the Group pension schemes.

Terms of Reference

The Committee's terms of reference are reviewed annually by the Committee and approved by the Board. They are available on request from the General Counsel and Company Secretary.

Membership

The Committee is appointed by the Chairman of the company and approved by the Board. The current members of the Committee, who are all independent Non-Executive Directors, are Hilary McCartan (Chair), Bernard Mitchell and Angela Reavey. Members' individual attendance at committee meetings for the year under review can be found on page 33.

Other Attendees

In addition to members, the Chief Human Resources and Corporate Services Officer and Human Resources Manager (Committee Secretary) attend Committee meetings along with other invitees (including the Group Chief Executive) called by the Chair to attend from time to time.

Meetings

The Committee met seven times during the year under review.

Governance

The Committee issues a set of agreed minutes to the Board Chair for information along with a short report to the Board after each meeting which provides a summary of the business discussed. Supplementary briefings are also provided to the Board as and when required.

The Committee is of the view that it has discharged its oversight responsibilities in accordance with its remit, and considers that it is operating effectively.

Committee Activities During the Year

In line with its remit, the Committee considered and discharged its responsibilities on the following matters:

- approved remuneration for senior executives and other executives;
- approved the performance related pay distribution for management, professional and technical staff;
- reviewed the objectives set for senior executives and also their performance;
- considered pension related matters;
- considered arrangements for succession planning;
- reviewed and approved the Directors' Remuneration Report;
- reviewed its terms of reference;
- reviewed its own effectiveness and training requirements; and
- served (GRPC Chair only) on the panel for the appointment of the Director of Service Operations.

Executive Director Appointments

Executive Director appointments are made on the basis of open competition and the merit principle. Furthermore, as Executive Director posts entail the receipt of a Board position, the particular requirements contained within the Transport Act (NI) 1967 are also observed – this includes the requirement to obtain the approval of the Minister for Infrastructure.

Executive Directors

The executive Directors of the Company are:

Chris Conway (Group Chief Executive)
Patrick Anderson (Chief Financial Officer)
Philip O'Neill (Chief Business Change Officer)

Remuneration Policy

The key policy objectives are to ensure that individuals are fairly rewarded for their contribution to the Group's overall performance, to provide remuneration which is designed to attract, retain and motivate executives of the right calibre and to ensure that due regard is given to guidance from the Department.

Executive Director Emoluments

The emoluments of the Executive Directors during each of the current and previous financial years were as follows:

	Salary £'000	Benefits £'000	2019 Total £'000	Total 2018 £'000
Chris Conway	170	-	170	169
Patrick Anderson	129	-	129	125
Philip O'Neill	147	14	161	161

Executive Directors do not receive bonuses.

Pensions

Accrued benefits of the Executive Directors in respect of their defined benefit pension scheme entitlements in relation to their employment services to the Group were as follows:

	Annual pension		Retiring lump sum	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Chris Conway	9	6	-	-
Patrick Anderson	9	7	-	-
Philip O'Neill	74	70	141	141

Excluding the effect of inflation, the accrued benefits of the Directors increased/(decreased) by:

	2019		2018	
	Annual pension £'000	Retiring lump sum £'000	Annual pension £'000	Retiring lump sum £'000
Chris Conway	2	-	-	-
Patrick Anderson	2	-	2	-
Philip O'Neill	2	(3)	2	(4)

The executive Directors paid pension contributions in the period as follows:

	2019 £'000	2018 £'000
Chris Conway	9	10
Patrick Anderson	14	13
Philip O'Neill	15	15

Non-Executive Directors

The appointment and remuneration of non-executive directors is determined by the Department. The non-executive Directors do not have service contracts, are not members of any of the Company's pension arrangements and do not participate in any performance-related payment arrangements.

Details of the non-executive Directors' emoluments are given in note 22 to the financial statements.

Hilary McCartan

Hilary McCartan
Chairman
Remuneration and Pensions Committee
19 June 2019

Independent Auditor's Report to the Members of Northern Ireland Transport Holding Company

1. Report on the Audit of the Financial Statements

Opinion

We have audited the Group and Company financial statements ("financial statements") of Northern Ireland Transport Holding Company for the year ended 31 March 2019 set out on pages 49 to 89, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, statement of changes in reserves, consolidated cash flow statement and the related notes, including the significant accounting policies set out in note 2. The financial reporting framework that has been applied in the preparation of the Group financial statements is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, UK law and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2019 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2019;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework, as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We Have Nothing to Report on Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease its operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Other Information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Chairman's foreword, strategic report, directors' report, directors' responsibilities, corporate governance statement, audit and risk committee report, safety oversight committee report, project oversight committee report and directors' remuneration report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report or the strategic report;
- in our opinion, the information given in the directors' report and strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on Which we are Required to Report by Exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report on these matters/in regard to these matters.

2. Respective Responsibilities and Restrictions on Use

Responsibilities of Directors for the Financial Statements

As explained more fully in the Directors' responsibilities statement set out on page 30, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Northern Ireland Transport Holding Company *(Continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Purpose of our Audit Work and to Whom We Owe our Responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

3. Opinion on Regularity

In our opinion, in all material respects, the expenditure (disbursed) and income (received) have been applied to the purposes intended by, and the financial transactions conform to, the authorities which govern them.

John Poole (Senior Statutory Auditor)

for and on behalf of
KPMG Statutory Auditor
The Soloist Building, 1 Lanyon Place
Belfast BT1 3LP

20 June 2019

Consolidated Income Statement

For the 53 weeks ended 31 March 2019

	Note	53 weeks ended 31 March 2019 £'000	52 weeks ended 25 March 2018 £'000
Continuing operations			
Revenue	4	238,484	220,509
Cost of sales		(234,341)	(218,110)
Gross profit		**4,143**	**2,399**
Administrative expenses		(17,238)	(14,595)
Fair value adjustment on fuel derivative	23	(1,536)	2,472
Other income	9	443	2,949
Operating loss	6	(14,188)	(6,775)
Finance income	7	194	167
Other finance costs	8	(5,550)	(6,644)
Loss before tax		**(19,544)**	**(13,252)**
Taxation credit	10	2,255	1,984
LOSS FOR THE YEAR		**(17,289)**	**(11,268)**

All reported results arise from continuing operations.

The notes on pages 55 to 89 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the 53 weeks ended 31 March 2019

	Notes	53 weeks ended 31 March 2019 £'000	52 weeks ended 25 March 2018 £'000
Loss for the year		**(17,289)**	**(11,268)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/surpluses on defined benefit pension schemes	21(ii)	(13,889)	66,560
Tax relating to other comprehensive income			
Defined benefit pension schemes	10(d)	1,435	(8,354)
Other comprehensive (costs)/income net of tax for the year		**(12,454)**	**58,206**
TOTAL COMPREHENSIVE (COSTS)/INCOME FOR THE YEAR		**(29,743)**	**46,938**

All reported results arise from continuing operations.

The notes on pages 55 to 89 form part of these consolidated financial statements.

Consolidated Balance Sheet

at 31 March 2019

	Notes	31 March 2019 £'000	25 March 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	641,101	605,319
Investment property	13	2,165	6,035
Employee benefits	21	1,077	1,038
Derivative financial instruments	23	-	234
Deferred tax assets	10	3,797	3,929
Deferred tax asset - employee benefits	10	28,625	25,306
Total non-current assets		**676,765**	**641,861**
Current assets			
Inventories	15	9,305	9,176
Trade and other receivables	16	97,229	79,009
Corporation tax receivables		1	1
Derivative financial instruments	23	1,318	2,246
Cash and cash equivalents	20	37,302	34,398
Total current assets		**145,155**	**124,830**
Liabilities			
Current liabilities			
Trade and other payables	17	67,354	68,075
Current tax liabilities		160	3
Derivative financial instruments	23	374	-
Provisions	18	9,519	10,036
Total current liabilities		**77,407**	**78,114**
Net current assets		**67,748**	**46,716**
Non-current liabilities			
Employee benefits	21	231,095	202,248
Deferred tax liabilities	10	1,758	2,409
Deferred income	19	634,274	576,791
Total non-current liabilities		**867,127**	**781,448**
Net liabilities		**(122,614)**	**(92,871)**
Reserves			
Other reserves		54,163	54,193
Retained earnings		(176,777)	(147,064)
Total reserves		**(122,614)**	**(92,871)**

The financial statements were approved by the board of directors and authorised for issue on 19 June 2019. They were signed on its behalf by:

F. A. Hewitt   Chris Conway

F Hewitt, Chairman   **C Conway**, Group Chief Executive

The notes on pages 55 to 89 form part of these consolidated financial statements.

Company Balance Sheet

At 31 March 2019

	Notes	31 March 2019 £'000	25 March 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	54,386	48,559
Investment property	13	2,165	6,035
Investment in subsidiaries	14	-	-
Employee benefits	21	1,077	1,038
Deferred tax asset	10	125	-
Deferred tax assets – employee benefits	10	534	504
Total non-current assets		**58,287**	**56,136**
Current assets			
Trade and other receivables	16	22,995	16,570
Cash and cash equivalents		59	1,302
Total current assets		**23,054**	**17,872**
Liabilities			
Current liabilities			
Trade and other payables	17	9,516	5,724
Corporation tax liabilities		155	-
Provisions	18	49	43
Total current liabilities		**9,720**	**5,767**
Net current assets		**13,334**	**12,105**
Non-current liabilities			
Employee benefits	21	4,218	4,002
Deferred tax liabilities	10	81	303
Deferred income	19	30,195	24,401
Total non-current liabilities		**34,494**	**28,706**
Net assets		**37,127**	**39,535**
Reserves			
Other reserves		43,923	43,953
Retained earnings		(6,796)	(4,418)
Total reserves		**37,127**	**39,535**

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial period amounted to £2,408,000 (2018: Profit £3,709,000). The financial statements were approved by the board of directors and authorised for issue on 19 June 2019. They were signed on its behalf by:

F Hewitt, Chairman

C Conway, Group Chief Executive

The notes on pages 55 to 89 form part of these consolidated financial statements.

Statement of Changes in Reserves

Group	Fixed asset revaluation reserve £'000	Other reserves £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 26 March 2017	**4,137**	**50,086**	**(751)**	**(193,281)**	**(139,809)**
Loss for the period	-	-	-	(11,268)	(11,268)
Other comprehensive income for the period	-	-	-	58,206	58,206
Transfers	(30)	-	751	(721)	-
Total comprehensive income for the period	**(30)**	**-**	**751**	**46,217**	**46,938**
Balance at 25 March 2018	**4,107**	**50,086**	**-**	**(147,064)**	**(92,871)**
Loss for the period	-	-	-	(17,289)	(17,289)
Other comprehensive income for the period	-	-	-	(12,454)	(12,454)
Transfers	(30)	-	-	30	-
Total comprehensive income for the period	**(30)**	**-**	**-**	**(29,713)**	**(29,743)**
Balance at 31 March 2019	**4,077**	**50,086**	**-**	**(176,777)**	**(122,614)**

Company	Fixed asset revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 26 March 2017	**4,139**	**39,844**	**(9,194)**	**34,789**
Profit for the period	-	-	3,709	3,709
Other comprehensive income for the period	-	-	1,037	1,037
Transfers	(30)	-	30	-
Total comprehensive income for the period	**(30)**	**-**	**4,776**	**4,746**
Balance at 25 March 2018	**4,109**	**39,844**	**(4,418)**	**39,535**
Loss for the period	-	-	(2,469)	(2,469)
Other comprehensive income for the period	-	-	61	61
Transfers	(30)	-	30	-
Total comprehensive income for the period	**(30)**	**-**	**(2,378)**	**(2,408)**
Balance at 31 March 2019	**4,079**	**39,844**	**(6,796)**	**(37,127)**

Consolidated Cash Flow Statement

for the 53 weeks ended 31 March 2019

	Notes	53 weeks ended 31 March 2019 £'000	52 weeks ended 25 March 2018 £'000
Loss for the year		**(17,289)**	**(11,268)**
Adjustments for:			
Interest receivable		(194)	(150)
Finance costs		5,550	6,644
Taxation		(2,255)	(1,984)
Other losses/(gains)		1,536	(2,474)
Depreciation of tangible assets (net of grant release)		2,809	3,167
Decrease in fair value of investment property		3,885	103
Impairment of property, plant and equipment		498	89
(Profit) on disposal of assets		(843)	(2,998)
Operating cash flows before movements in working capital		(6,303)	(8,871)
Increase in stocks		(129)	(573)
(Increase)/decrease in debtors		(36,318)	7,839
Increase in creditors		8,958	1,174
Excess of pension charge over contributions		6,474	8,542
Cash (absorbed by)/generated from operations		(27,318)	8,111
Corporation tax repaid		-	-
Net cash from operating activities		**(27,318)**	**8,111**
Investing activities			
Interest received		204	150
Purchase of property, plant and equipment		(102,380)	(84,925)
Proceeds on disposal of property, plant and equipment		1,758	511
Net cash used in investing activities		**(100,418)**	**(84,264)**
Financing activities			
Grants received		130,640	79,387
Net cash generated from financing activities		**130,640**	**79,387**
Net increase in cash and cash equivalents		**2,904**	**3,234**
Cash and cash equivalents at beginning of period	20	34,398	31,164
Cash and cash equivalents at the end of period	20	**37,302**	**34,398**

Notes to the Consolidated Financial Statements

for the 53 weeks ended 31 March 2019

1. General Information

The Northern Ireland Transport Holding Company (the Company) is a Public Corporation incorporated in Northern Ireland under the Transport Act (Northern Ireland) 1967, which requires compliance with Companies legislation with regard to accounts and audit. It follows that presentation requirements of IFRS adopted by the European Union and disclosure requirements of the Companies Act 2006 apply. The addresses of its registered office and principal place of business are disclosed on page 4. The principal activities of the Company and its subsidiaries (the Group) are described in the Strategic Report on page 8.

All references in the financial statements to "the Department" relate to the Department for Infrastructure.

2. Significant Accounting Policies

Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with those parts of the Companies Act applicable to companies reporting under IFRS.

Basis of Preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the Group and parent company unless otherwise indicated and to all years presented, unless otherwise stated.

The parent company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, transactions with wholly owned subsidiaries, compensation for key management personnel and certain disclosures required by IFRS 17 Fair Value Measurement and the disclosures required by IFRS 7.

On publishing the Group financial statements together with the Company financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of those approved financial statements.

The financial statements have been prepared under the historical cost convention as modified by investment properties, financial assets and financial liabilities (including derivative instruments) at fair value.

The financial statements are presented in pounds sterling, being the functional currency of the Company and each of its subsidiaries and all values are rounded to the nearest one thousand pounds except where otherwise noted.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the 53 weeks to 31 March 2019 (52 weeks to 25 March 2018). Control is achieved where the Company, is expected to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Although the balance sheet shows a net liability position, this is due to the provision for retirement benefits amounting to £231.1m (2018: £202.2m) which are long term in nature.

Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' report on page 27.

Inherited Pension and Compensation Payments

The Company has a statutory responsibility for the administration and payment of various pension and compensation liabilities inherited from the Ulster Transport Authority and the Belfast Corporation Transport Department. The Department reimburses the deficit of £219,000 (2018: £248,000) and has confirmed that it is the intention to fund this deficit going forward and in consequence, none of the inherited pension and compensation expenditure has been included in the financial statements.

Presentation of Income Statement and Exceptional Items

Where applicable, income statement information has been presented in a format which separately highlights exceptional items. Exceptional items include those which individually, or, if similar in nature, in aggregate, need to be disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the financial performance of the Group.

Revenue Recognition

Revenue represents gross revenue earned from public transport services operated in accordance with the Public Service Agreement, including amounts receivable from concessionary fares schemes, for Public Service Obligation compensation and route subsidy, as well as rental income from investment properties and operational properties. Where appropriate, amounts are shown net of rebates and VAT. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised by reference to the stage of completion of the customer's travel. Cash received for the sale of season tickets, travelcards and multi-journey smartcards is deferred within liabilities and recognised in the income statement over the period of the relevant ticket.

Income from advertising and other activities is recognised as income is earned.

Finance income is recognised using the effective interest method as interest accrues.

Property, Plant and Equipment

Property, plant and equipment held for use in the supply of goods or services to customers or for administration purposes are stated at cost, net of depreciation and any provision for impairment.

(i) Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, which is reviewed annually, on a straight line basis, as follows:

Land	-	not depreciated
Buildings	-	6 - 50 years
Permanent way, signalling and bridges	-	20 - 50 years
Vehicles, plant and equipment	-	2 - 20 years

(ii) The carrying values of property, plant and equipment are reviewed for impairment at each balance sheet date, if events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised in profit or loss for the amounts by which the carrying value of the asset exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(iii) Depreciation commences when assets are ready for their intended use. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

(iv) Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Prior to March 2000 the Group obtained valuations of certain properties (other than investment properties). The valuations have not been updated since this date and due to the age of the properties and the fact that a substantial portion were inherited, it is not practicable to state the difference between such valuations and historic cost. The March 2000 carrying values have therefore been adopted as deemed cost as the directors are of the view that the fair value of such assets cannot be reliably measured.

Investment in Subsidiaries

In the parent company financial statements, investments in subsidiaries are shown at cost less provision for impairment.

Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value at the balance sheet date. Gains and losses arising from changes in the fair value of investment properties are included through revenues in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from it. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the consolidated income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated balance sheet and transferred to income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income against the expense line in which the related cost was incurred in the consolidated income statement in the period in which they become receivable.

Inventories

Inventories represent consumable stores and are valued at the lower of weighted average cost and estimated net realisable value.

Employee Benefit Costs

The majority of employees of the Group are members of the Northern Ireland Local Government Officers' Superannuation Scheme which is a 'multi-employer' defined benefit pension scheme.

For defined benefit retirement plans, the cost of providing benefits is determined using the Straight Line Method, with updates to formal actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in income in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined liability or asset.

Defined benefit costs are split into three categories:
- current service cost, past service cost and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Group presents the first component of defined benefit costs within cost of sales and administrative expenses (see note 21) in its consolidated income statement. Curtailment gains and losses are accounted for as past service cost.

Net interest expense or income is recognised within other finance costs (note 8).

The employee benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the defined benefit schemes.

Operating Leases

Rentals receivable/payable under operating leases are credited/charged to income on a straight line basis over the lease term.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The amount of current tax receivable or payable reflects the best estimate.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Third Party Claims Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Any surplus realised, or expected to be realised on the settlement of claims, is included in the results for the period. Consequential loss claims, under criminal injuries legislation, are estimated and taken into account in determining the operating results, pending agreement with the Department of Justice.

The Group receives claims in respect of traffic incidents and employee claims. The Group protects against the cost of such claims through third party insurance policies. An element of the claims is not insured as a result of the "excess" or "deductible" on insurance policies.

Provision is made on a discounted basis for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date. The estimate of the balance sheet insurance provisions is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not yet been reported to the Group.

The provision is set after taking account of advice from third party insurers and solicitors.
As the timing of settlement cannot be predicted with reasonable reliability, all liabilities are classified as current.

Corporate Social Responsibility Provision

Provision is made for obligations arising from the Group's Health and Safety obligations and current Environmental Contamination policy. The provision is set after taking advice from third party environmental technical advisors.

Foreign Currency

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the profit for the year.

The principal rates of exchange applied to the financial statements were:

	2019	2018
Euro		
Year-end rate	1.17	1.13
Average rate	1.13	1.13

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

The Group measures its financial assets on initial recognition at fair value, and determines the classification of such assets at initial recognition.

Where there is no active market for a financial asset, fair value is determined using valuation techniques including recent commercial transactions and discounted cash flows. Otherwise, financial assets are carried at amortised cost.

Financial assets that have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables.

Financial Assets at Amortised Cost

Loans and receivables are measured at amortised cost using the effective interest method less any impairment. The carrying amount of these assets approximates to their fair value.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been negatively affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provisions account. When a trade receivable is considered uncollectible, it is written off against the related provisions account. Subsequent recoveries of amounts previously written off are credited to the profit and loss account. Changes in the carrying amount of the provisions account are recognised in profit or loss.

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is effective as a cashflow hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments.

Use of Estimates and Critical Judgements

The presentation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. Although these estimates are based on management's best knowledge, actual results may ultimately differ from those estimates and assumptions used.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

- the measurement of tax assets and liabilities. The measurement of tax assets and liabilities requires an assessment to be made of the potential tax consequences of certain items that will only be resolved when agreed by the relevant tax authorities (see note 10).
- the measurement of retirement obligations. The measurement of retirement benefit obligations requires the estimation of life expectancies, future changes in salaries, inflation, the expected return on scheme assets and the selection of a suitable discount rate (see note 21).
- the measurement of investment property carrying values. The measurement of investment properties fair values requires estimate of appropriate yields and forecast rental values (see note 13).
- the measurement of impairment of fixed assets. The measurement of impairment requires the comparison of book value with market value (see note 12).
- The measurement of the fair value of derivative financial instruments is based on information provided by banking institutions with high credit ratings (see note 23)
- the measurement of third party and other claims provisions. The estimation of the third party claims provision is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not yet been reported to the Group (see note 18).

Newly Adopted Standards

The following standards were effective for the Group for the first time from 26 March 2018 and have been adopted in these financial statements:

IFRS 9: Financial Instruments

IFRS 15: Revenue from contract with customers

Their impact on the Group's financial statements is discussed below:

IFRS 9 Financial Instruments

IFRS 9 Financial instruments replaced the previous guidance in IAS 39 Financial instruments: recognition and measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has assessed the impact from the application of IFRS 9 on its financial statements and concluded that the vast majority of financial assets continue to be accounted for at amortised cost. The Company has derivative financial instruments which are measured at fair value through profit and loss (FVTPL). As a result, the classification and measurement changes have not had a material impact to the Company's financial statements, and comparatives have not been restated for the impact of IFRS 9.

Given historic loss rates, normal receivable ageing, the portion of trade receivables within agreed terms and incorporation of forward looking information, the move from an incurred loss model for impairment provisioning purposes, to an expected loss model has not had a material impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised, replacing the previous guidance in IAS 18 Revenue.

The Group has undertaken an assessment of revenue earned in respect of each of its service offerings and the directors are satisfied that all such revenue is recorded on a gross basis in accordance with IFRS 15. Accordingly, the effect of applying IFRS 15 has not resulted in any reclassifications between revenue and cost of sales, and there has been no material impact to the financial statements.

Given the limited number of revenue streams generated by the Group and the assessment carried out by management, the adoption of IFRS 15 has not had a material impact on revenue recognition and comparatives have not been restated.

3. Application of New and Revised International Financial Reporting Standards (IFRSs)

At the date of authorisation of these consolidated financial statements, the following standards and amendments have been adopted for the first time, none of which had an impact on the consolidated or Company's financial statements:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRS 9 Financial Instruments
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 15 Revenue from Contracts with Customers

The accounting policies set out below have, unless otherwise stated, been applied consistently in the consolidated and Company financial statements to all periods presented.

At the date of authorisation of these consolidated financial statements, the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRS 16: Leases

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

The Group is required to adopt IFRS 16 Leases from 1 April 2019. The impact of IFRS 16 on our current operating leases will not be significant, however further assessment will be required to capture any additional assets falling into this category on the adoption of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

4. Revenue

Revenue comprises mainly income from passenger carriage, rents, the reimbursement by the Department of concessionary fares and public service obligation compensation. Revenue excludes value added tax where applicable.

	2019 £'000	2018 £'000
Continuing operations		
Passenger carriage	147,552	137,760
Rental income from investment and operational properties	4,893	4,526
Concessionary fares, public service obligation compensation and route subsidy	83,918	74,200
Other	2,121	4,023
Revenue per accounts	**238,484**	**220,509**

No geographical analysis of turnover across markets is provided as the Directors consider that such disclosure would be seriously prejudicial to the interests of the Group. Further details of revenue funding from the Department are given in note 25.

5. Impairment

In accordance with International Accounting Standard 36 "Impairment of Assets", and as a consequence of the historic loss-making status of Northern Ireland Railways Company Limited, and the current loss-making status of Ulsterbus Limited and Citybus Limited, the Directors have performed an impairment review and as a consequence, assets that are not fully grant funded have been impaired to the extent that the carrying amount may not be recoverable.

Impairment losses recognised in previous periods may be reversed in the current period as a result of improved valuations, asset disposals or adjustments to related grant funding.

In the current year, the total amount of the charge for impairment amounts to £498,000 (2018: £89,000).

6. Operating Loss

Operating loss for the year has been arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of Property, plant and equipment		
- Based on original cost or valuation (note 12)	57,076	49,862
- Transfer from deferred income (note 19)	(54,267)	(46,695)
	2,809	**3,167**
Impairment	498	89
Decrease in fair value of investment property (note 13)	3,885	103
Cost of inventories recognised as expense	40,267	33,130
Operating lease rentals – motor vehicles	13	15
Reorganisation costs	1,604	333
Government funding for reorganisation costs	(1,604)	(333)
Auditor's remuneration:		
- fees payable to the Group's auditor for the audit of the Group's annual accounts (parent - £20,000 ; 2018 - £20,000)	56	56
- Fees payable to the Group's auditor for other services to the Group:		
- other assurance services	12	12
- tax compliance and advice	12	12
- pension schemes	7	7
	87	**87**

7. Finance Income

Finance income includes:	2019 £'000	2018 £'000
Interest receivable – bank deposits	194	167

8. Other Finance Costs

	2019 £'000	2018 £'000
Retirement benefits	5,550	6,644

9. Other Income

Other income consists of profit on disposal of non-current assets.

10. Taxation

(a) Analysis of Tax Credit for Year

	2019 £'000	2018 £'000
Current taxation		
UK Corporation Tax for the period	158	(2)
Adjustments in respect of prior periods	(10)	-
Total current tax	**148**	**(2)**
Deferred Taxation		
Origination/reversal of timing differences	(2,078)	(2,592)
Adjustments in respect of prior periods	57	7
Revaluation of investment property	(353)	(46)
Derivatives	(262)	420
Effect of change in tax rate	233	229
Total deferred tax	(2,403)	(1,982)
Total tax	**(2,255)**	**(1,984)**

(b) Factors Affecting Tax Credit for the Year

The credit for the year can be reconciled to the result per income statement as follows:

	2019 £'000	2018 £'000
Loss on continuing activities before tax	**(19,544)**	**(13,252)**
Tax at 19% (2018: 19%)	(3,713)	(2,518)
On chargeable income	1,061	(976)
Deferred tax liability not recognised in respect of pension liability	731	898
Revaluation of investment property	(353)	(46)
Derivatives	(262)	420
Adjustments to tax charge in respect of prior years	48	8
Effect of change in UK corporation tax rate	233	230
Total tax	**(2,255)**	**(1,984)**

(c) Factors that May Affect Future Tax Charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were enacted by Finance Acts 2015 and 2016. Together this will reduce the Company's future tax charges accordingly.

(d) Tax on Items Taken Directly to Other Comprehensive Income

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2019 £'000	2018 £'000
Arising on income and expenses recognised in other comprehensive income:		
Actuarial (losses)/gains on defined benefit pension schemes	(1,435)	8,354
Total tax recognised in other comprehensive income	**(1,435)**	**8,354**

Deferred Tax

The following are the major tax liabilities and assets recognised by the Group and Company and movements thereon during the current and prior reporting period:

Group	Accelerated tax depreciation £'000	Other temporary differences £'000	Derivatives £'000	Losses £'000	Revaluation investment property £'000	Retirement benefit obligations £'000	Total £'000
At 26 March 2017	**(1,560)**	**1,062**	**(17)**	**2,643**	**(399)**	**31,467**	**33,196**
(Charge)/credit							
to income statement	275	(24)	(420)	(86)	46	2,193	1,984
Charge to other comprehensive income	-	-	-	-	-	(8,354)	(8,354)
At 25 March 2018	**(1,285)**	**1,038**	**(437)**	**2,557**	**(353)**	**25,306**	**26,826**
(Charge)/credit to income statement	40	(32)	262	(104)	353	1,884	2,403
Credit to other comprehensive income	-	-	-	-	-	1,435	1,435
At 31 March 2019	**(1,245)**	**1,006**	**(175)**	**2,453**	**-**	**28,625**	**30,664**

Company	Accelerated tax depreciation £'000	Other temporary differences £'000	Revaluation investment property £'000	Retirement benefit obligations £'000	Total £'000
At 26 March 2017	**(89)**	**164**	**(399)**	**669**	**345**
(Charge)/credit to income statement	6	(26)	46	47	73
Credit to other comprehensive income	-	-	-	(212)	(212)
At 25 March 2018	**(83)**	**138**	**(353)**	**504**	**206**
(Charge)/credit to income statement	2	(13)	353	42	384
Credit to other comprehensive income	-	-	-	(12)	(12)
At 31 March 2019	**(81)**	**125**	**-**	**534**	**578**

Deferred Tax *(Continued)*

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset) for financial reporting purposes:

Group	2019 £'000	2018 £'000
Deferred tax asset	3,797	3,929
Deferred tax liabilities	(1,758)	(2,411)
Deferred tax asset - Employee benefits	28,625	25,306
Total deferred tax	**30,664**	**26,824**

Company	2019 £'000	2018 £'000
Deferred tax asset	125	-
Deferred tax liabilities	(81)	(303)
Deferred tax asset - Employee benefits	534	504
Total deferred tax	**578**	**201**

11. Profit of Parent Company

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial period amounted to £2,408,000 (2018: Profit £3,709,000).

12. Property, Plant and Equipment

Group 2019	Land and Buildings £'000	Permanent Way Signalling and Bridges £'000	Vehicles, plant and Equipment £'000	Total £'000
Cost or valuation:				
At 25 March 2018	298,501	372,757	624,803	1,296,061
Additions	32,047	14,582	47,644	94,273
Disposals	(1,279)	-	(8,123)	(9,402)
At 31 March 2019	**329,269**	**387,339**	**664,324**	**1,380,932**
Depreciation and impairment:				
At 25 March 2018	138,522	209,626	342,594	690,742
Charge for year	8,377	13,821	34,878	57,076
Impairment	322	99	77	498
Disposals	(462)	-	(8,023)	(8,485)
At 31 March 2019	**146,759**	**223,546**	**369,526**	**739,831**
Net book value				
At 31 March 2019	**182,510**	**163,793**	**294,798**	**641,101**

Group 2018	Land and Buildings £'000	Permanent Way Signalling and Bridges £'000	Vehicles, plant and Equipment £'000	Total £'000
Cost or valuation:				
At 26 March 2017	260,244	355,311	600,917	1,216,472
Additions	41,704	17,446	32,315	91,465
Adjustments	-	-	-	-
Disposals	(3,447)	-	(8,429)	(11,876)
At 25 March 2018	**298,501**	**372,757**	**624,803**	**1,296,061**
Depreciation and impairment:				
At 26 March 2017	131,998	198,046	321,108	651,152
Charge for year	8,702	11,580	29,580	49,862
Impairment	12	-	77	89
Disposals	(2,190)	-	(8,171)	(10,361)
At 25 March 2018	**138,522**	**209,626**	**342,594**	**690,742**
Net book value				
At 25 March 2018	**159,979**	**163,131**	**282,209**	**605,319**

Included within the categories above are assets in the course of construction totalling £123.1m (2018: £172.0m), which are not being depreciated as they were not fully commissioned at the balance sheet date.

In accordance with the provisions of International Accounting Standard 16 Property, plant and equipment, prior valuations of property, plant and equipment of the Group (other than investment properties) have not been updated. Due to the age of the property, plant and equipment included at valuation and the fact that a substantial portion were inherited, it is not practicable to state the difference between such valuation and the historical cost of these assets.

Company 2019	Land and Buildings £'000	Vehicles, Plant and equipment £'000	Total £'000
Cost or valuation:			
At 25 March 2018	58,180	2,511	60,691
Additions	7,030	42	7,072
Disposal	(254)	(20)	(274)
Net Group Transfers	(102)	-	(102)
At 31 March 2019	**64,854**	**2,533**	**67,387**
Depreciation and impairment:			
At 25 March 2018	11,067	1,065	12,132
Charge for year	485	82	567
Impairment	322	-	322
Disposals	-	-	-
Net Group Transfers	-	(20)	(20)
At 31 March 2019	**11,874**	**1,127**	**13,001**
Net book value			
At 31 March 2019	**52,980**	**1,406**	**54,386**

Company 2018	Land and Buildings £'000	Vehicles Plant and equipment £'000	Total £'000
Cost or valuation:			
At 26 March 2017	48,221	1,908	50,129
Additions	12,869	617	13,486
Disposals	(2,910)	(14)	(2,924)
At 25 March 2018	**58,180**	**2,511**	**60,691**
Depreciation and impairment:			
At 26 March 2017	12,466	995	13,461
Charge for year	471	84	555
Impairment	12	-	12
Disposals	(1,882)	(14)	(1,896)
At 25 March 2018	**11,067**	**1,065**	**12,132**
Net book value			
At 25 March 2018	**47,113**	**1,446**	**48,559**

In accordance with the transitional provisions of International Accounting Standard 16 Property, Plant and Equipment, prior valuations of property, plant and equipment of the Company (other than investment properties) have not been updated. Due to the age of the tangible assets included at valuation and the fact that a substantial portion were inherited, it is not practicable to state the difference between such valuation and the historical cost of these assets.

Capital commitments	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Contracted for but not provided in the financial statements	99,862	62,500	6,008	2,800

13. Investment Property

Fair value	Group & Company £'000
At 26 March 2017	6,138
Decrease in fair value during the year	(103)
At 25 March 2018	**6,035**
Additions	15
Decrease in fair value during the year	(3,885)
At 31 March 2019	**2,165**

The investment properties were valued at their market value at 31 March 2019 by qualified valuers. Properties valued at £1,950,000 were valued by a third party; and the properties valued at £215,000 were valued by an employee of the company. All valuations were carried out in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
Commercial property units: Located in Northern Ireland	-	2,165	-	2,165

There were no transfers between levels 1 and 2 during the year.

Level 2 inputs applied when valuing the investment property comprise market rental value capitalised at a market yield rate.

The property rental earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £ NIL (2018: £58,000). Direct operating expenses arising on the investment property in the period amounted to £213,000 (2018: £193,000).

14. Investment in Subsidiaries

Company	Subsidiary Undertakings £'000
Cost:	
At 25 March 2018 and 26 March 2019	41,223
Provisions:	
At 25 March 2018 and 26 March 2019	(41,223)
Net book value: At 25 March 2018 and 26 March 2019	**-**

Name of company	Country of incorporation	Holding	Proportion of shares held	Nature of business
Ulsterbus Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Public transport
Citybus Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Public transport
Northern Ireland Railways Company Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Public transport
NIR Operations Limited	Northern Ireland (2)	Ordinary shares of £1 each	100%	Public transport
Flexibus Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Dormant
Translink (NI) Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Dormant
NIR Networks Ltd	Northern Ireland (1)	Ordinary shares of £1 each	100%	Dormant

(1) Registered office 22 Great Victoria Street Belfast BT2 7LX
(2) Registered office 47 East Bridge Street Belfast BT1 3PB

15. Inventories

Inventories consist of various types of consumable stores relating to engineering and infrastructure parts and fuel. Inventories expense is recognised in cost of sales. Inventories cost is net of provision for obsolescence of £1.6 million (2018: £1.4 million). The replacement cost of these inventories is not materially different from the valuation stated.

16. Trade and other Receivables

Group	2019 £'000	2018 £'000
Trade receivables	17,376	6,943
Other receivables	10,617	10,632
Grants receivable	39,881	57,980
Prepayments and accrued income	29,355	3,454
	97,229	**79,009**

The following financial assets were past due, but not impaired at the balance sheet date because there has not been a significant change in credit quality and the amounts are still considered recoverable:

Group	2019 £'000	2018 £'000
Amounts 1 to 90 days overdue	2,050	1,675
Amounts 91 to 180 days overdue	4,120	3,839
Amounts 181 to 365 days overdue	-	-
Amounts more than 365 days overdue	-	-

The Group does not hold any collateral in respect of its credit risk exposures set out above (2018: Nil) and has not taken possession of any collateral it holds or called for other credit enhancements during the year ended 31 March 2019.

Group	2019 £'000	2018 £'000
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	189	228
Net credits	(90)	(39)
Balance at the end of the period	**99**	**189**

Group	2019 £'000	2018 £'000
61-90 days	-	-
91-120 days	99	189
121+ days	-	-
Total	**99**	**189**

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Company	2019 £'000	2018 £'000
Trade receivables	856	688
Other debtors	2,190	5,762
Amounts receivable from Group undertakings	19, 844	9,762
Prepayments and accrued income	105	358
	22,995	**16,570**

Company trade debtors are stated after provisions: £65,000 (2018: £55,000).

Amounts due from Group undertakings are interest free, unsecured and repayable on demand.

17. Trade and other Payables

Group	2019 £'000	2018 £'000
Trade payables	8,212	13,910
Other payables	16,671	4,715
Accruals and deferred income	42,471	49,450
	67,354	**68,075**

Included in other creditors is £2,509,000 (2018 - £288,000) relating to outstanding contributions payable to the NILGOS Pension Scheme.

Creditors are paid within 7 days of approval of invoice.

Company	2019 £'000	2018 £'000
Other creditors	1,041	229
Amounts payable to Group undertakings	5,803	34
Amounts payable to Group undertakings – group relief	1,084	887
Other tax and social security	-	81
Accruals and deferred income	1,588	4,493
	9,516	**5,724**

Included in other creditors is £45,000 (2018 - £47,000) relating to outstanding contributions payable to the NILGOS Pension Scheme.

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

Amounts payable to Group undertakings are interest free, unsecured and repayable on demand.

18. Provisions

	Group			Company
	Group Corporate Social Responsibility £'000	Third party claims £'000	Total £'000	Third party claims £'000
At 25 March 2018	1,541	8,495	10,036	43
Utilised during period	-	(2,769)	(2,769)	(10)
Additional provision in the year	(300)	2,552	2,252	16
At 31 March 2019	**1,241**	**8,278**	**9,519**	**49**

The corporate social responsibility provision relates to anticipated clean-up costs due to land contamination at various fuelling points, estimated costs of decommissioning obsolete rolling stock in an environmentally compliant manner and provision to address the risk of damage to the railway track from the spread of invasive species. The obligations giving rise to the requirement for the provision arise from the Group's Environmental Contamination policy and the Group's Safety policy.

The third party claims provision relates to the insurance excess or self-insured element of claims received and anticipated. The provision is based upon the best estimate of the expenditure to settle each obligation on receipt of advice from legal and medical experts. The timing of settlement is dependent on a number of factors including the courts, but most claims are expected to be settled within one year.

19. Deferred Income

Group	2019 £'000	2018 £'000
At beginning of year	576,791	539,003
Grants receivable in year	113,554	84,760
Disposals	(771)	(164)
Adjustments	(1,033)	(113)
Transfer to profit and loss	(54,267)	(46,695)
At end of year	**634,274**	**576,791**

Company	2019 £'000	2018 £'000
At beginning of year	24,401	15,961
Receivable in year	6,412	8,475
Adjustments	(574)	(3)
Transfer to profit and loss	(44)	(32)
At end of year	**30,195**	**24,401**

20. Notes to the Cash Flow Statement

Cash and cash equivalents	2019 £'000	2018 £'000
Cash and bank balances	37,302	34,398

21. Employee Benefits

(i) Description of the Schemes

NILGOS Scheme

The Company participates in the Northern Ireland Local Government Officers' Superannuation ("NILGOS") scheme. The NILGOS scheme is a multi-employer defined benefit scheme, the assets of which are held in a separate fund.

Under the scheme, members are entitled to post-retirement benefits varying between one eightieth (plus lump sum of three eightieths) and one sixtieth of final pensionable salary on attainment of a retirement age of 65 years for service up to 31 March 2015 and to post-retirement benefits of one forty-ninth of pensionable salary in respect of each year on attainment of retirement age for service from 1 April 2015.

The NILGOS scheme exposes the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The pension cost and funding arrangements are assessed in accordance with the advice of qualified actuaries using the projected unit credit method (an accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings). The latest triennial valuation of the entire NILGOS scheme was at 31 March 2016. The market value of the assets at the date of the valuation was £5,280 million and represented 96% of benefits accruing to members after allowing for expected future increase in earnings and pensions. The employers' contribution rate had been set at 20% following the previous valuation. The employers' contribution rate for the years commencing 1 April 2017, 1 April 2018 and 1 April 2019 have been set at 18%, 19% and 20% respectively. In addition, deficit funding contributions amounting to £1,875,000 are payable in each of these years.

The directors have obtained an update from the 31 March 2016 NILGOS valuation to 31 March 2019 using the major assumptions set out below. This update was prepared by qualified actuaries employed by Mercer Limited.

NILGOS Scheme	2019	2018
Discount rate	2.5%	2.7%
Expected rate of salary increase	2.5%	2.4%
Future pension increases	2.2%	2.1%
Inflation (RPI)	3.2%	3.1%
Inflation (CPI)	2.2%	2.1%

Mortality assumptions:	2019 Years	2018 Years
Retiring today:		
Males	23.5	23.4
Females	26.1	26.0
Retiring in 20 years:		
Males	25.7	25.6
Females	28.4	28.3

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5.6% (£61.4m)
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by 1.8% (£19.9m)
Rate of inflation (CPI)	Increase/decrease by 0.25%	Increase/decrease by 5.3% (£58.0m)
Rate of mortality	Increase by 1 year	Increase by 2.6% (£28.9m)

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depend to a certain extent on expected inflation rates. The above analysis does not take the effect of these interrelationships into account.

Executive Scheme

This defined benefit scheme provides additional benefits for certain senior employees, with the assets being held in a separately administered fund. Pension costs and funding arrangements are assessed by a qualified actuary. The latest available full actuarial valuation was as at 1 April 2015. The scheme is closed to new entrants.

Ulsterbus/Citybus Retirement & Death Benefits Plan (1997)

The assets of this defined benefit scheme are held in a separate fund and although the scheme has no active members, a qualified actuary performs triennial actuarial valuations. The latest available actuarial valuation was at 31 March 2015. The scheme has no active members and is closed to new entrants. The latest available full actuarial valuations of the Executive and Ulsterbus/Citybus schemes have been updated using the major assumptions as set out below.

	2019	2018
Discount rate	2.5%	2.7%
Expected rate of salary increase	2.5%	2.4%
Future pension increases	2.2%	2.1%
Inflation (RPI)	3.2%	3.1%
Inflation (CPI)	2.2%	2.1%

21. Employee Benefits *(Continued)*

(ii) *Amounts Recognised in Income*

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Components of defined benefit cost				
Current service cost	31,779	522	30,503	467
Past service cost	372	56	134	-
Total service cost	**32,151**	**578**	**30,637**	**467**
Interest cost	26,757	647	25,654	634
Interest income on plan assets	(21,207)	(569)	(19,010)	(531)
Total net interest cost	**5,550**	**78**	**6,644**	**103**
Administrative expenses and taxes	483	8	442	7
Insurance premiums for risk benefits	2,412	39	2,209	33
Defined benefit cost included in consolidated income statement	**40,596**	**703**	**39,932**	**610**
Remeasurements (recognised in other comprehensive income)				
Effect of changes in demographic assumptions	-	-	-	-
Effect of changes in financial assumptions	66,087	1,193	(41,024)	(763)
Effect of experience adjustments	2,303	(47)	-	-
Return on plan assets (excluding interest income)	(54,501)	(1,219)	(25,536)	(486)
Total measurements included in other comprehensive income	**13,889**	**(73)**	**(66,560)**	**(1,249)**
Total pension cost/(credit) recognised in consolidated income statement and other comprehensive income	**54,485**	**630**	**(26,628)**	**(639)**

Of the expense for the year (total service cost), £25.9m (2018: £25.0m) has been included in cost of sales and the remainder has been included within administrative expenses.

The actual return on plan assets for the Group was £75.7m (2018: £44.5m); Company £1.8m (2018: £1.0m).

The gross cumulative amount of actuarial gains and losses recognised in other comprehensive income is losses of £184.6m (2018: £170.7m).

Expected contributions to the schemes in the next annual reporting period are £25.3m.

(iii) Amounts Included Within the Balance Sheet

The amount included in the balance sheet arising from the Group and Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Present value of funded defined benefit obligations				
- NILGOS Scheme	(1,093,350)	(22,400)	(977,498)	(20,726)
- Ulsterbus/Citybus Scheme	(868)	(868)	(1,057)	(1,057)
- Executive Scheme	(2,475)	(2,475)	(2,365)	(2,365)
Total Present Value	**(1,096,693)**	**(25,743)**	**(980,920)**	**(24,148)**
Fair value of scheme assets				
- NILGOS Scheme	862,255	18,182	775,250	16,724
- Ulsterbus/Citybus Scheme	1,720	1,720	1,850	1,850
- Executive Scheme	2,700	2,700	2,610	2,610
Total Fair Value	**866,675**	**22,602**	**779,710**	**21,184**
Net liability arising from defined benefit obligation	(230,018)	(3,141)	(201,210)	(2,964)
Disclosed as:				
Defined benefit obligation	(231,095)	(4,218)	(202,248)	(4,002)
Defined benefit asset	1,077	1,077	1,038	1,038
Total Fair Value	**(230,018)**	**(3,141)**	**(201,210)**	**2,964**

21. Employee Benefits *(Continued)*

(iv) Movements in Present Value of Defined Benefit Obligation

Movements in the present value of defined benefit obligation in the current year were as follows:

NILGOS Scheme	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
At beginning of year	977,498	20,726	973,608	20,942
Service cost				
Current service cost	31,755	498	30,479	443
Past service cost	372	56	134	-
Administrative expenses	483	8	442	7
Insurance premiums for risk benefits	2,412	39	2,209	33
Interest cost	26,669	559	25,563	543
Cash flows				
Benefits paid	(19,227)	(698)	(18,634)	(677)
Contributions from plan participants	7,944	164	7,273	139
Administrative expenses	(483)	(8)	(442)	(7)
Insurance premiums for risk benefits	(2,412)	(39)	(2,209)	(33)
Actuarial gains and losses	68,339	1,095	(40,925)	(664)
At end of year	**1,093,350**	**22,400**	**977,498**	**20,726**

Ulsterbus/Citybus Scheme	Group 2019 £'000	Company 2018 £'000
At beginning of year	1,057	1,170
Interest cost	26	28
Cash flows		
Benefits paid	(134)	(127)
Actuarial gains and losses	(81)	(14)
At end of year	**868**	**1,057**

Executive Scheme	Group 2019 £'000	Company 2018 £'000
At beginning of year	2,365	2,473
Service cost		
Current service cost	24	24
Interest cost	62	63
Cash flows		
Benefits paid	(108)	(110)
Actuarial gains and losses	132	(85)
At end of year	**2,475**	**2,365**

(v) Movements in Fair Value of Defined Benefit Obligation and Analysis of Scheme Assets

Movements in the fair value of scheme assets were as follows:

NILGOS Scheme	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
At beginning of year	775,250	16,724	722,485	16,015
Interest income	21,088	450	18,892	413
Cash flows				
Employer contributions	25,653	429	22,275	314
Contributions from scheme members	7,944	164	7,273	139
Benefits paid	(19,227)	(698)	(18,634)	(677)
Administrative expenses paid from plan assets	(483)	(8)	(442)	(7)
Insurance premiums for risk benefits	(2,412)	(39)	(2,209)	(33)
Return on plan assets (excluding interest income)	54,442	1,160	25,610	560
At end of year	**862,255**	**18,182**	**775,250**	**16,724**

(v) Movements in Fair Value of Defined Benefit Obligation and Analysis of Scheme Assets (continued)

Ulsterbus/Citybus Scheme	Group 2019 £'000	Company 2018 £'000
At beginning of year	1,850	2,010
Interest income	49	51
Cash flows		
Benefits paid	(134)	(127)
Return on plan assets (excluding interest income)	(45)	(84)
At end of year	**1,720**	**1,850**

Executive Scheme	Group 2019 £'000	Company 2018 £'000
At beginning of year	2,610	2,620
Interest income	70	67
Cash flows		
Employer contributions	24	23
Benefits paid	(108)	(110)
Return on plan assets (excluding interest income)	104	10
At end of year	**2,700**	**2,610**

The average duration of the benefit obligation at the end of the reporting period is c22 years (2018: c21 years).

The major categories of plan assets at the end of the reporting period for each category are as follows:

Fair value of assets	NILGOS		Ulsterbus/Citybus Scheme		Executive Scheme	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Equity instruments	513.0	523.4	-	-	1.4	1.3
Debt instruments	202.6	97.0	1.7	1.9	1.3	1.2
Property	94.9	116.2	-	-	-	-
Other	51.8	38.7	-	-	-	0.1
	862.3	**775.3**	**1.7**	**1.9**	**2.7**	**2.6**

Substantially all plan assets are classified as level 2 instruments.

(vi) Contingent Liability

Recent legal rulings have been made regarding the equalisation of pension benefits between men and women in relation to guaranteed minimum pension (GMP) benefits and age related discrimination with respect to pension entitlement. These rulings may have implications for other pension schemes, including the NILGOS Pension Scheme which Translink participates in. Under the GMP ruling any affected schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Currently the government is topping up public sector pension schemes and has indicated it will continue to do so until 2021. The age related discrimination case is currently subject to appeal. No adjustment has been made to the expected employer contributions and the actuarial liability to allow for the potential impact of these rulings as it is not possible to assess the impact at this time.

22. Directors' and Employees' Staff Costs

Staff costs Group	2019 £'000	2018 £'000
Wages and salaries	123,802	116,663
Social security costs	12,319	11,176
Other pension costs	25,542	22,209
	161,663	**150,048**

Staff costs Company	2019 £'000	2018 £'000
Wages and salaries	2,028	1,886
Social security costs	238	202
Other pension costs	379	314
	2,645	**2,402**

Staff costs Number of Employees (Group)	2019 No.	2018 No.
Average		
Operating	2,516	2,372
Maintenance	793	756
Administration	772	693
Average employees during the year	4,081	3,821
Total number of employees at the end of the year	**4,202**	**3,911**

Staff costs exclude voluntary exit scheme costs of £1.6m (2018: £0.3m) which were fully funded by the Department.

Number of Employees (Company)	2019 No.	2018 No.
Average		
Operating	13	13
Administration	27	22
Average employees during the year	40	35
Total number of employees at the end of the year	**36**	**36**

22. Directors' and Employees' Staff Costs *(Continued)*

Directors' Emoluments (excluding non-executive directors)	2019 £'000	2018 £'000
Basic salary and fees	447	441
Benefits in kind	14	14
	461	455
Pension contributions	85	79
	546	**534**

	2019 No.	2018 No.
Members of defined benefit pension schemes	3	3

The emoluments in respect of the highest paid Director in each year were as follows:

	2019 £'000	2018 £'000
Emoluments	170	169
Accrued annual pension	2	2
Accrued lump sum	-	-

	2019 £'000	2018 £'000
The Chairman's emoluments – fees	36	36

The emoluments of the other non-executive Directors fell within the following bands:

	2019 No.	2018 No.
£10,001 - £15,000	1	5
£15,001 - £20,000	4	-

23. Financial Instruments

(a) *Overview*

This note provides details of the Group's financial instruments. Except where otherwise stated, the disclosures in this note exclude retirement benefit assets and obligations.

Liabilities or assets that are not contractual (such as income taxes that are created as a result of statutory requirements imposed by governments, prepayments, deferred government grants, provisions and deferred income) are not financial assets or financial liabilities and accordingly are excluded from the disclosures provided in this note.

Details of the significant accounting policies and methods adopted for each class of financial asset and financial liability are disclosed in the accounting policies note.

(b) Categories and Carrying Value of Financial Instruments

	2019 £'000	2018 £'000
Financial assets		
Financial assets at amortised cost:		
Trade receivables	17,376	6,943
Other receivables	10,617	10,632
Grant receivables	39,881	57,980
Derivative instruments – current – FVTPL	1,318	2,246
Derivative instruments – non current – FVTPL	-	234
Cash and bank balances – Financial assets at amortised cost	37,302	34,398
Total financial assets	**106,494**	**112,433**
Financial liabilities		
Trade payables – other financial liabilities	8,212	13,910
Derivative instruments – current – FVTPL	374	-
Other payables and accruals – other financial liabilities	59,142	54,165
Total financial liabilities	**67,728**	**68,075**
Net financial assets	**38,766**	**44,358**

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost approximates their fair value. Given the short average time to maturity, no specific assumptions on discount rates have been made in relation to loans and receivables and financial liabilities at amortised cost.

The fair value of derivative financial instruments is calculated using discounted cash flow analysis performed using the applicable yield curve for the duration of the instruments.

(c) Fair Value Measurements Recognised in the Balance Sheet

Financial instruments that are measured in the balance sheet at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3 – Valuation techniques that include inputs for the assets or liability that are not based on observable data (that is, unobservable inputs).

The following table presents the Group's financial instruments that are measured subsequent to initial recognition at fair value within the hierarchy.

	At 31 March 2019		At 25 March 2018	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
Financial assets at FVTPL				
Derivative financial assets				
Due within one year	1,318	1,318	2,246	2,246
Due after more than one year	-	-	234	234
Total	**1,318**	**1,318**	**2,480**	**2,480**
Financial liabilities at FVTPL				
Derivative financial liabilities:				
Due within one year	(374)	(374)	-	-
Due after more than one year	-	-	-	-
Total	(374)	-	-	-
Opening fair value of derivative financial instruments	2,480	2,480	8	8
Movement in fair value	(1,536)	(1,536)	2,472	2,472
Closing fair value of derivative instruments	**944**	**944**	**2,480**	**2,480**

(d) Fair Value Adjustments Recognised in Income

Fair value adjustments are recognised in the income statement as fair value adjustment on fuel derivative.

	2019 £'000	2018 £'000
Fair value adjustments	(1,536)	2,472

(e) Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks, principally:

- Market risk – mainly price risk.
- Credit risk and
- Liquidity risk

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to reduce the likelihood and/or magnitude of adverse effects on the financial performance and financial position of the Group. The Group uses derivative financial instruments to reduce exposure to fuel price risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

This note presents qualitative information about the Group's exposure to each of the above risks, including the Group's objectives, policies and processes for measuring and managing risk. There have been no significant changes to these matters during the year ended 31 March 2019. This note also provides summary quantitative data about the Group's exposure to each risk.

The Board have approved policies on fuel hedging, energy procurement and treasury management which guide management in managing risk in these areas. Group finance is responsible for ensuring these policies are implemented. Certain financial risk management activities (for example, the management of credit risk arising from trade and other receivables) are devolved to the management of individual business units.

(i) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and exchange rates will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters. The Group does not consider currency risk or interest rate risk to be material due to low levels of foreign currency transactions and its borrowings being limited to its overdraft.

The Group enters into derivative financial instruments in the ordinary course of business in order to manage market risk, in the form of fuel price risk. All such transactions are carried out within the guidelines set by the Board. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency translation risk

Foreign currency translation risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk for the Group is not considered to be material.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is considered that the Group has no exposure in this area.

Given that the group has certain financial instruments held in fixed rate derivatives there is an exposure to interest rate however it is not considered to significant given the current interest rates and length of maturity.

Fuel Price Risk

The Group is exposed to fuel price risk. The Group's operations as at 31 March 2019 consume approximately 40 million litres of diesel fuel per annum. As a result, the Group is exposed to movements in the underlying price of fuel.

The Group's objective in managing fuel price risk is to reduce the risk that movements in fuel prices result in adverse movements in its profit and cash flow. The Group has a policy of managing the volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivative financial instruments are used to fix or cap the variable unit cost of a percentage of anticipated fuel consumption. The fuel derivatives hedge the underlying fuel price. The Group's residual exposure to fuel price risk is measured by quantifying the element of projected future fuel costs, after taking account of derivative financial instruments in place, which varies due to movements in fuel prices. Group Finance is responsible for the processes for measuring and managing fuel price risk.

The Group's overall fuel costs include the impact of delivery margins, fuel taxes and fuel tax rebates. These elements of fuel costs are not managed as part of the Group Finance's fuel price risk management and are managed directly by business unit management.

The Group uses a number of fuel derivatives to hedge against movements in price of the different types of fuel used in bus and rail operations. The fuel derivatives hedge the underlying commodity price (denominated in US$), they also hedge the currency risk due the commodity being priced in US$ and the functional currency of the two divisions being pounds sterling.

Volume at risk for the year ended 31 March 2019 is 40.0m litres (2018: 36.4 m litres) for which 83% is hedged (2018: 89%).

The following tables detail the notional principal amounts and remaining terms of fuel derivative financial instruments outstanding as at the reporting date:

Economic hedging of cashflows	Average contract fixed fuel price		Notional quantity	
	2019 p / litre	2018 p / litre	2019 '000 litres	2018 '000 litres
Less than 1 year	35.98	29.21	33,000	32,546
1 to 2 years	40.43	33.86	33,000	21,600
2 to 5 years	37.55	-	7,200	-
5 years +	-	-	-	-
			73,200	**54,146**

The fair value of fuel derivatives is further analysed by division as follows:

	Notional Quantity of fuel covered by derivatives '000 litres
As at 31 March 2019	46,336
Bus division	26,864
Rail division	
As at 25 March 2018	
Bus division	36,278
Rail division	17,868

At 31 March 2019, and 25 March 2018 the projected fuel costs (excluding premia payable on fuel derivatives, delivery margins, fuel taxes and fuel tax rebates) for the next twelve months were:

	2019 £'000	2018 £'000
Costs subject to fuel hedges		
- Bus	7,448	6,340
- Rail	4,426	3,166
	11,874	**9,506**
Costs not subject to fuel hedges		
- Bus	1,844	758
- Rail	962	378
	2,806	**1,136**
Total	**14,680**	**10,642**

Management deem 10% to be a reasonable benchmark for sensitivity analysis purposes. If all the relevant (unhedged volume) fuel prices were 10% higher at the balance sheet date, the profit before tax would be reduced by:

	2019 £'000	2018 £'000
Bus	57	75
Rail	33	38

(il) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed by a combination of Group Finance and business unit management, and arises from derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to amounts due from outstanding receivables.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate revenue and profit. It is the Group's policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings.

Trade receivables consist largely of government grants and receivables, for which credit risk is considered limited. The Group's largest credit exposures are to the Education Authority, the Department of Education and the Department for Infrastructure, all of which the Group considers unlikely to default on their respective liabilities to the Group.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group defines an Approved Counterparty as any counterparty currently satisfying the counterparty credit risk policy criteria which has been named and received specific approval from the Board.

In determining whether a financial asset is impaired, the Group takes account of:

- The fair value of the asset at the balance sheet date and where applicable, the historic fair value of the asset.
- In the case of receivables, the counterparty's typical payment patterns.
- In the case of receivables, the latest information on the counterparty's creditworthiness such as available financial statements and credit ratings.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

(iii) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's objective in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The funding policy is to finance the Group through a mixture of cash generated by the business and funding provided by its sponsor the Department for Infrastructure.

As at 31 March 2019, the Group's credit facilities were £4,250,000 (2018: £4,250,000) including utilisation for the issuance of bank guarantees, bonds etc. This facility is guaranteed by the Department for Infrastructure until further notice.

Although there is an element of seasonality in the Group's bus and rail operations, the overall impact of seasonality on working capital and liquidity is not considered significant. The Board expects the Group to be able to meet current and future funding requirements through free cash flow and continued funding from its sponsor Department.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Financial liabilities	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2019							
Non-interest bearing		53,138	6,435	7,781	-	-	67,354
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-	-
		55,138	**6,435**	**7,781**	-	-	**67,354**
2018							
Non-interest bearing		49,656	7,259	11,160	-	-	68,075
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-	-
		49,656	**7,259**	**11,160**	**-**	**-**	**68,075**

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Financial assets	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total
2019							
Non-interest bearing		49,021	16,628	25,118	4,409	-	95,176
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	0.80%	-	-	10,000	-	-	10,000
		49,021	**16,628**	**35,118**	**4,409**	**-**	**105,176**
2018							
Non-interest bearing		38,152	18,476	36,017	2,308	-	94,953
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	0.67%	-	-	15,000	-	-	15,000
		38,152	**18,476**	**51,017**	**2,308**	**-**	**109,953**

The following table details the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total
2019						
Gross settled:						
Fuel forward contracts	110	219	989	(374)	-	944
	110	**219**	**989**	**(374)**	**-**	**944**
2018						
Gross settled:						
Fuel forward contracts	223	368	1,656	234	-	2,481
	223	**368**	**1,656**	**234**	**-**	**2,481**

24. Other Financial Commitments

At 31 March 2019 the Group had commitments under non-cancellable operating leases for motor vehicles as set out below:

	2019 £'000	2018 £'000
Total remaining Operating lease payments due:		
Within one year	8	12
In two to five years	14	15
	22	**27**

Operating lease payments represent rentals payable by the Group for motor vehicles. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years. There are no formal options to extend however extensions are negotiated in certain circumstances as required.

25. Related Party Transactions

The Company is a Public Corporation sponsored by the Department for Infrastructure, its controlling party. The Department is regarded as a related party. During the year, the Company and its subsidiaries have had various material transactions with the Department including:

	2019 £m	2018 £m
Capital grants	112.9	84.8
Public Service Obligation compensation	17.0	18.4
Concessionary fare compensation for a range of groups	48.0	44.8
VES Funding	1.6	0.3
Other revenue funding	18.4	10.3

The balance owed to the Group by the Department at the year-end was £13.0m (2018: £15.9m).

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

In addition, as detailed in note 2 ("Inherited Pension and Compensation Payments") to the financial statements, due to a statutory obligation the Company administers on behalf of the Department various pension schemes for which the Department funds any deficits.

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2019 £'000	2018 £'000
Short-term employee benefits	567	561
Post-employment benefits	85	79

Notes

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Special thanks to all our customers and staff who kindly allowed us to use their photos in this publication.

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