

**Translink**

**Annual Report & Accounts 2019/20**

**NORTHERN IRELAND  
TRANSPORT HOLDING COMPANY  
ANNUAL REPORT AND ACCOUNTS FOR  
THE 52 WEEKS ENDED 29 MARCH 2020**

Laid before the Northern Ireland Assembly under section 52(3) of the  
Transport Act (Northern Ireland) 1967 by  
the Department for Infrastructure.

**on**

10 July 2020

# Annual report and financial statements

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# Translink Annual Report 2019/20

## Officers and Advisers

### Directors

Dr Mark Sweeney OBE (appointed as interim Chairman 12 February 2020)

Mr Frank Hewitt (resigned as Chairman 30 June 2019)

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

### Company Secretary

Mrs Priscilla Rooney

### Independent Auditor

KPMG

The Soloist Building

1 Lanyon Place

Belfast

BT1 3LP

### Head Office

22 Great Victoria Street

Belfast

BT2 7LX

### Bankers

Barclays

17 Castle Place

Belfast

BT1 1EL

### 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

# Translink Annual Report 2019/20

## 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 29 March 2020.

During the past year, the Group has successfully connected 83.4 million passengers with jobs, education and opportunities including delivering pivotal transport services to flagship events such as The Open golf championship. Prior to the outbreak of the COVID-19 pandemic in March 2020, the Group had continued to increase the numbers of passengers using public transport for the 4<sup>th</sup> year in succession with growth of 1.1m (1.5%) passenger journeys as at February 2020 compared with the previous year. This was despite facing significant and ongoing funding challenges.

The Group's loss for the financial year, before tax and accounting adjustments relating to pensions, impairment and derivatives, was £23.2m (see Review of the Business on page 8) against a budgeted loss of £15.7m due primarily to reduced in-year government funding and a major fall in passenger numbers and revenue in March 2020 due to COVID-19.

Throughout the COVID-19 pandemic, Translink has continued to ensure that essential public transport services were maintained across Northern Ireland so that key workers could travel to work safely and that other essential journeys, agencies and critical services could be supported. During this time, Translink provided free travel for all NHS and Social Care workers and added special transport services for the NHS.

Returning to other aspects of the Group's performance, I particularly welcome the sustained growth in Glider passenger numbers which demonstrates the power of partnership. The partnering with the Department for Infrastructure (DfI), and other key stakeholders to deliver increased priority measures for bus users has facilitated more frequent and reliable service delivery and attracted more people to public transport and other active travel modes. This is a great model for future public transport success.

Translink was also proud to be the transport delivery partner to The Open golf championship which was a remarkable and memorable event for Northern Ireland in June 2019. A particular highlight for Translink was the opening of the new Portrush Train Station in advance of this major sporting event, helping Northern Ireland put its best foot forward towards securing similar events in future.

Against the background of an increasing trend in passenger journeys and the immediacy of the risks and challenges posed by COVID-19, we have continued to make passenger and employee safety our number one priority. Throughout the Group, we continue to identify and pursue new opportunities to make our services, and our workplaces, as safe as possible.

I acknowledge and welcome the in-year allocation by the DfI of Public Service Obligation funding for public transport services. However, if this commitment is to be sustained, the current uncertainty around future funding needs to be addressed urgently. Operating loss making but socially necessary rural services cannot be maintained over the long term without a clear, consistent and multi-year commitment from the Executive and the Department for Infrastructure to support and fund such services.

## **Translink Annual Report 2019/20**

### **Chairman's Foreword (Continued)**

Capital investment in public transport is also essential to deliver on the draft Programme for Government. There have been a number of very significant investment decisions and milestones in the year. As well as the opening of the new Portrush Train Station, we obtained planning approval for the Belfast Transport Hub and the new North West Transport Hub will be complete by the end of 2020. The restoration and repurposing of the "Old Train Station" listed building adds to the heritage of Derry/ Londonderry while offering significant passenger enhancements and complementing the increase in train frequency on this important rail link between our two largest cities. The Board also welcomes the investment by the DfI in the rail fleet this year; however, bus fleet investment has fallen behind what is required, leading to an average bus age of almost 10 years against a target of 8 years. Encouragingly, very recent investment commitments from the Department will go some way to redress this situation. However, the Board regard regular, planned bus fleet investment as indispensable if we are to continue to develop and maintain a modern, high quality and attractive public transport service.

The Board also welcomes the Executive's and DfI's commitment to invest in low/zero carbon emission technologies and to support Translink's fleet de-carbonisation strategy to migrate to a zero-emission fleet by 2040. This is a great example of how public transport can be pivotal in the Executive's response to the "Climate Emergency".

On behalf of the Board, I want to record and recognise the great contribution made by the outgoing chairman, Mr. Frank Hewitt during his term in office. The Board benefitted from Frank's leadership and experience and his commitment to the success of the company was evident to all. I also want to thank my Board colleagues for their commitment and professionalism and for the support they have afforded me as I have taken on the role of Interim Chairman.

I am particularly proud to be the Chairman at a time, when faced with the very significant challenges and risks presented by COVID-19, the whole Translink team stepped up and demonstrated selflessness, dedication and professionalism in providing vital transport services for our healthcare and other essential workers. I wish to congratulate and thank the entire Translink team for their effort and commitment during these difficult times.

There is no doubt that COVID-19 has created great challenges for public transport operators around the world but we mustn't allow these near term setbacks to detract from the pivotal role that public transport must play in developing our economy, in tackling the environmental challenges of traffic congestion, air pollution and carbon emissions and in responding to the societal demand for increased connectivity and greater inclusion in rural communities. These are and will continue to be key priorities for economies and communities both nationally and internationally. Paradoxically, these very challenging times present a unique opportunity for the Executive to link together the response to the Climate Emergency, the commitment to the "Clean Energy" sector (as contained in the June 2020 DfE paper "Rebuilding a Stronger Economy") and the commitment to invest in Public Transport and Active Travel. This has the potential to deliver a truly cross-departmental, high impact and high value for money public spending proposal. I believe the Translink team are well placed to make an important contribution to progress on that important journey.



**Mark Sweeney**  
**Interim Chairman**  
30 June 2020

# Translink Annual Report 2019/20

## Northern Ireland Transport Holding Company (NITHC) Board

1. Dr. Mark Sweeney OBE  
Chairman

Appointed as interim Chairman in February 2020 and 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.

2. Chris Conway  
Group Chief Executive

Chris Conway took up the position of Group Chief Executive of the Northern Ireland Transport Holding Company and its operating subsidiaries (Translink) in 2015. Chris is Chair of Business in the Community Northern Ireland and also Chairperson of NI-CO (Northern Ireland Co-operation Overseas). He is a member of CBI Northern Ireland Council. He is a Chartered Company Director and a Fellow of the Institute of Directors and a Fellow of ICE (Institution of Civil Engineers).

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 and holds an MBA. Hilary is also a Non-executive Director of the Southern Health & 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, is Chairman of the Transport Committee of the North and Western Lancashire Chamber of Commerce and advises the Blackpool Pride of Place Partnership on transport policy. Tony is 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 and was appointed OBE for services to passenger transport in 2001.

5. 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.

# **Translink Annual Report 2019/20**

## **Northern Ireland Transport Holding Company (NITHC) Board (continued)**

6. 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.

7. 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, a Fellow of the Institute of Directors and a member of the Bank of England's Decision Maker Panel.

8. Bernard Mitchell  
Non-Executive Director

Appointed as a Non-Executive Director in February 2012, Bernard worked in NI Health and Social Services from 1978 to 2011, including 10 years as a Chief Executive. He served as Chair of the NI Guardian Ad Litem Agency until March 2020 and is also 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.

# Translink Annual Report 2019/20

## Strategic Report

### Introduction

As a Public Corporation constituted under the Transport Act (Northern Ireland) 1967, NITHC 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 (NITHC) 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 2019/20

Translink's performance in 2019/20 has been against a backdrop of continued and very challenging reductions in Public Service Obligation (PSO) funding for bus and rail services, reductions in concessionary fares funding and coping with the outbreak of the COVID-19 pandemic from March 2020.

Consolidated Loss for the year (before tax and accounting adjustments relating to pension, impairment and derivatives) was £23.2m, compared to £1.1m profit for the prior year. (See Review of the Business on page 8).

The organisation continues to make progress on its 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 £12m of savings over the last four years.

Prior to the outbreak of the COVID-19 pandemic in March 2020 there had been strong growth during 2019/20 in public transport passenger journeys with growth of 1.1m (1.5%) passenger journeys as at February 2020 compared with the previous year. Due to a significant decline in passengers travelling during March 2020, a total of 83.4m passenger journeys was achieved for the year (2019: 84.5m passenger journeys).

Including the continued growth in Glider usage, Metro passenger journeys grew to over 30m (0.4m above last year). Rail passenger journeys were 15.1m and Ulsterbus passenger journeys were 37.9m, reflecting reduced pupil numbers carried in March, due to school closures as part of the effort to curtail the spread of COVID-19.

# Translink Annual Report 2019/20

## Strategic Report (Continued)

The Public Service Agreement (PSA), 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 DfI 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 net employee benefit obligation (pensions) in the balance sheet decreased from £230m in 2019 to £199m in the current year, primarily because of a change in demographic assumptions to align with the 2019 NILGOSC triennial actuarial valuation (reductions in longevity) 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.

### Review of the Business

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

#### Key Financials

	<b>2020 Group £m</b>	<b>2019 Group £m</b>
<b>Revenue before intercompany adjustments</b>	229.4	241.2
<b>Intercompany adjustments</b>	(3.5)	(2.7)
<b>Consolidated revenue</b>	<b>225.9</b>	<b>238.5</b>
<b>Pro forma (loss)/profit before tax (note 1)</b>	(23.2)	1.1
<b>Decrease in fair value of investment properties</b>	-	(3.9)
<b>Pensions adjustments (IAS 19)</b>	(31.3)	(14.9)
<b>Movement on derivatives</b>	(10.9)	(1.6)
<b>Consolidation adjustments</b>	-	(0.2)
<b>Consolidated loss before tax</b>	<b>(65.4)</b>	<b>(19.5)</b>

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

# Translink Annual Report 2019/20

## Strategic Report (Continued)

### Review of the Business (continued)

#### Financial Review

The EU International Financial Reporting Standards (IFRS) results for the year are shown in the consolidated income statement on page 48.

The pro-forma loss before tax, i.e. loss for the year before tax and accounting adjustments for fair value of investment properties, pensions and derivatives, was £23.2m. This represents a reduction of £6.4m on budget (loss of £15.7m). This loss reflects a significant decline in fare paying passengers in March 2020 as a result of the COVID-19 pandemic and reductions in Government revenue support, offset with a range of efficiency measures.

The EU IFRS consolidated loss before tax for the year of £65.4m has been adjusted to arrive at the proforma loss as follows:

- Pensions: £31.3m charge (2019: £14.9m charge). This is due to an increase in the long-term cost of both providing pensions and servicing the pensions deficit; and
- Derivatives: £10.9m charge (2019: £1.6m charge). This reflects the application of the Group's forward fuel procurement policy and reflects the fall in market value of oil in March 2020.
- Revaluation: £nil (2019: £3.9m charge). This reflects a reduction in the value of investment property last year – it has remained at this value.

The Group Balance Sheet was impacted by favourable movements in the valuation of the Group's net pension deficit, which moved from £230m to £199m in the current year, primarily because of a change in demographic assumptions to align with the 2019 NILGOSC triennial actuarial valuation (reductions in longevity) offset by a reduction in the discount rate from 2.5% to 2.3% 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)	2020 *	2019 52 Weeks**	2018
NI Railways	15.1	15.8	15.0
Ulsterbus	37.9	38.7	38.1
Metro	30.4	30.0	28.0
<b>Total</b>	<b>83.4</b>	<b>84.5</b>	<b>81.1</b>

\* Passenger journeys in 2020 reflect the post COVID-19 impact and exclude free NHS worker journeys

\*\*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 (%)***	2020	2019	2018
NI Railways	81.0	83.4	82.0
Ulsterbus	78.5	81.4	81.3
Metro/Glider	74.5	75.3	76.3

\*\*\* 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.

# Translink Annual Report 2019/20

## Strategic Report (Continued)

### Operational Review (continued)

Punctuality (% of services arriving on time) ~	2020	2019	2018
NI Railways (local/long haul)	96.2/95.7	95.7/94.9	96.2/98.5
Ulsterbus	93.6	95.1	94.9
Metro/Glider	95.3	96.3	96.3

~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) #	2020	2019	2018
NI Railways (local/long haul)	99.8/00	100.0/100.0	100.0/100.0
Ulsterbus	99.8	100.0	100.0
Metro/Glider	99.0	100.0	100.0

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

Accessibility*	2020	2019	2018
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	2020 £m	2019 £m
Buses/Coaches	17.5	27.0
Trains	8.6	6.2
Infrastructure	35.3	14.5
Land and buildings	34.3	32.0
Other	12.2	14.6
<b>Total</b>	<b>107.9</b>	<b>94.3</b>

The investment in buses/coaches of £17.5m relates to the purchase of 36 Double Deck buses and 30 coaches for deployment on our Goldline network. Milestone payments were made for 30 Goldline coaches, 37 Double Deck and 20 Single Deck buses which are due to be delivered to Ulsterbus in 2020/21. Investment was also made in Metro with milestone payments for 3 Hydrogen Fuel Cell buses and 2 additional Gliders with delivery also due in 2020/21.

Expenditure of £8.6m on trains relates to the overhaul of the Class 3000, Class 4000 and Enterprise trains, the Class 3000 midlife refresh and the purchase of 21 additional Class 4000 carriages. Advance payments of £2.4m in respect of the additional carriages and modifications to the existing Class 4000 fleet has also been made to Construcciones Y Auxiliar De Ferrocarril SA and is disclosed under prepayments.

# Translink Annual Report 2019/20

## Strategic Report (Continued)

### Operational Review (continued)

Infrastructure expenditure of £35.3m includes £9.3m on Lurgan Area Track Renewals, £3.5m on signalling for the North West Multi Modal Transport Hub and various Rail Enhancement and Assurance projects.

The investment in land and buildings of £34.3m includes progression of the Belfast Transport Hub (£10.9m) and the completion of the North West Multi Modal Hub (£10.5m) and Portrush Railway Station (£1.1m).

Other projects being progressed during the year include £6.3m on the Future Ticketing System.

### Key Performance Indicators (KPIs)

	2020	2019
<b>Fleet size:</b>		
Buses/coaches	1,373	1,379
Gliders	32	30
<b>Rail Rolling Stock</b>	45 sets	45 sets
Average fleet age (buses/coaches: years)	9.9	9.8
Average fleet age (Gliders: years)	1.7	0.8

### Cyber Incident

On 5<sup>th</sup> February 2020 the group suffered a persistent and targeted cyberattack which deployed ransomware. No customer facing systems or data were affected. Various teams/departments across the business undertook tremendous efforts, including IS and various 3<sup>rd</sup> parties to restore services. We have obtained independent assurance which provides confidence over the systems recovered and can confirm the impact on these financial statements has been assessed as immaterial.

### 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.

# **Translink Annual Report 2019/20 Strategic Report (Continued)**

## **Our Strategy (Continued)**

We will deliver results across four key objectives:

1. Operational excellence
2. Outstanding customer satisfaction
3. Growth in passenger numbers
4. Value for money.

## **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

## **Key Achievements 2019-2020**

We have delivered against our key objectives of Operational Excellence, Customer Satisfaction, Value for Money, Growth in passenger numbers and Value for money by always endeavouring to continuously improve what we do, listen to our customers and embrace the Translink Spirit as we work.

### **Growing Passenger Numbers prior to COVID-19**

Translink has delivered a strong business performance during this year with clear achievement in growing passenger numbers as a result of service developments and timetable enhancements.

Prior to the outbreak of the COVID-19 pandemic in March 2020 there had been strong growth during 2019/20 in public transport passenger journeys with growth of 1.1m (1.5%) passenger journeys as at February 2020 compared with the previous year. Due to a significant decline in passengers travelling, other than essential key workers, in March 2020 a total of 83.4m passenger journeys was achieved for the year.

Including the continued growth in Glider usage, Metro passenger journeys grew to over 30m (0.4m above last year). Rail passenger journeys were 15.1m and Ulsterbus passenger journeys were 37.9m, reflecting reduced pupil numbers carried in March, due to school closures as part of the effort to curtail the spread of COVID-19.

# **Translink Annual Report 2019/20 Strategic Report (Continued)**

## **Key Achievements 2019-2020 (continued)**

It should be noted that sustained growth in Glider passenger numbers demonstrates that partnering with DfI, agencies and other relevant government departments to deliver increased bus priority measures with more frequent and reliable service delivery attracts more people to public transport services and other active travel modes.

During 2019 and 2020 we have continued to introduce additional Urby services and fleet to our network. Designed to provide a more comfortable and convenient service to customers commuting from sub-urban/ satellite towns, the improved timetables, faster journey times and modern fleet has proved to be a very attractive proposition to customers and has enjoyed significant growth. To date, Urby services have been introduced from Dromore/Sprucefield, Ballynahinch/Carryduff, Newtownards and Comber – importantly they serve our major park and ride sites offering a viable and attractive alternative to journeys being made fully by private car.

## **Customer satisfaction**

We independently monitor customer satisfaction twice each year, in spring and autumn, so we can continue to learn and understand where our services could be improved. Our customer satisfaction remains at a high level and compares well when benchmarked to other GB/ROI operators.

We know that punctuality, reliability and frequency along with vehicle cleanliness and comfort are areas that are most important to customers and so this continues to be our focus. We seek to find new, easier and more frequent methods to engage with our customers and stakeholders to allow us to respond to customer needs and expectations. Along with regular passenger panel workshops and Translink Youth Forum workshops, regular communication with Consumer Council NI and IMTAC who represent customer needs, we also openly engage through social media and invite feedback from all customers as part of our commitment to provide a network and services that benefits the people of Northern Ireland. We have introduced additional monitoring of social media feedback and sentiment to ensure we can quickly identify and respond to customer needs.

## **Performance**

There are areas where we have made strides in improving journey times and meeting our performance targets. However, there are also areas that continue to need improvement such as where there is increased congestion, parking at stops and access issues to some city centre routes, with diversions still in place as a result of the Primark Fire in September 2018. We continue to work closely with DfI and other government departments as required to address these operational issues as we strive to improve our operational excellence.

## **Environment and Safety**

Safety of customers and staff is paramount to Translink. We have a strong, positive safety culture across our organisation with an integrated Safety Management System across our network to maintain high levels of safety. To protect all customers and employees we also widely engage and promote safety messages to the public through community safety campaigns, our school safety programme and with landowners who access our rail network to ensure safe behaviour is observed when using or interfacing with public transport.

The top Platinum Award was achieved for the NI Environmental benchmarking survey.

# **Translink Annual Report 2019/20 Strategic Report (Continued)**

## **Environment and Safety (continued)**

Translink recognises the environmental threat posed by climate change and poor air quality and in addition to encouraging more people to use public transport has a target to reduce its total carbon emissions (TCO<sub>2e</sub>) from operations and buildings. Translink is at the forefront of efforts to reduce carbon emissions from transport, such as investment in electric, hydrogen and eco-hybrid vehicles. Translink has developed a bus fleet strategy that envisages a zero-emission bus fleet by 2040, using these technologies, and is also working with suppliers on a roadmap for a zero-emission train fleet. Building energy management systems are being used across the estate to also identify energy reduction measures from our buildings. All of these measures are being utilised to deliver the ambitions of the draft Programme for Government, the New decade New Approach agreement and driving the wider climate change agenda to reduce UK greenhouse gas emissions to net zero by 2050.

## **Key Achievements against our strategic objectives 2019-20**

### **The Open Golf Championship 2019 and Portrush Station re-development**

Translink was proud to be a delivery partner to The Open Golf Championship which was a remarkable and memorable event for Northern Ireland in June 2019. With shuttle services to transport spectators and visitors to the event and special train services to bring customers to Portrush, a particular highlight for Translink was the opening of the new Portrush Train Station in advance of this major sporting event helping Northern Ireland put its best foot forward towards securing similar events in future.

The new train station at Portrush provides modern and comfortable passenger facilities and is a gateway to the North Coast for many local travellers and visitors who travel to the area, helping to support the economy and local tourism.

### **North West Transport Hub**

The new North West Transport Hub passenger facility was opened to passengers in October 2019 with the full project to complete mid-2020. The restoration and repurposing of the listed building offers significant passenger enhancements and complements the increase in train frequency on this line.

An integrated multi-modal transport hub, it promotes active travel and delivers enhanced passenger facilities for train services, supported by increased bus services - including cross border services, cycling facilities and allows for a new greenway link.

There is growing interest and use of the new internal civic community space that has been created as part of this restoration with uptake from a range of community groups for an array of events and activities contributing to the overall regeneration objectives of the project.

### **Progress on Belfast Transport Hub**

This year we obtained planning approval for the Belfast Transport Hub. Site preparation works for the construction are underway with the whole project expected to take around 5 years to complete. This is a very exciting and hugely important NI Executive flagship project that will be a key driver to economic growth and prosperity for Belfast and Northern Ireland. Designed to support modal shift to greener, more active travel solutions it will also be a key driver to tackling air pollution and improving our climate resilience as a region.

During this time, over 400 jobs will be created with opportunities for Buy Social embedded into the framework of the scheme.

# **Translink Annual Report 2019/20 Strategic Report (Continued)**

## **Key Achievements against our strategic objectives 2019-20 (continued)**

### **New Fleet 2019-20**

#### **Bus**

In order to maintain the attractiveness of our services in terms of quality, passenger comfort and accessibility, we aim to have a bus fleet age of eight years. This will need a sustained programme of vehicle replacement to retire older vehicles and modernise our fleet so we can make a significant contribution to tackling climate change, reducing harmful emission and enhancing air quality. Some aspects of the programme are already underway and this year we introduced 66 new buses and 2 additional Gliders across Metro and Ulsterbus. We are already planning to start the roll out of full electric, zero-emission buses from 2021 and preparing for the delivery in 2020 of the first Hydrogen Fuel Cell buses in Ireland.

#### **Rail**

Planning, specification and procurement of 21 new rail carriages has been progressed in the last year and as a result we will see the delivery of these new train carriages from late 2021 through 2022. These carriages will bring increased capacity with around 2,000 additional seats provided at peak time.

#### **Towards a zero / low emission fleet**

We are committed to investing in low/zero emission technologies and this year have developed a Carbon Reduction Strategy and Fleet De-carbonisation Strategy with the core objective to migrate from the currently predominantly diesel only fleet to a zero-emission fleet by 2040.

#### **Ticketing progress and plans**

The Translink Future Ticketing Project continues to progress with the introduction of new ticketing hardware across the Translink network and services to support easy and convenient ticketing solutions. We have introduced ticket vending machines (TVMs) at all Glider stops. Further TVM rollouts at Europa Bus Centre, Belfast city airport and Cairnshill Park and Ride are planned for summer 2020. The next phase is the roll out of new handheld ticket readers on rail services and on bus ticket machine for the wider Metro network by the end of the year. The new ticketing hardware will enable more online e-commerce/ m-commerce products and tap on/tap off contactless card payments. The project is also currently working on new fares structures to enable account-based ticketing where customers automatically receive discounts as they travel based on the frequency and number of journeys they make.

# **Translink Annual Report 2019/20**

## **Strategic Report (Continued)**

### **COVID-19 actions**

Towards the end of what was a very successful year Translink, like all aspects of society, has been hugely impacted by the COVID-19 pandemic.

We have striven to do the right thing at all times - we follow government guidance, Public Health Agency advice and for the first time in our history we have asked customers not to travel and to make only essential journeys. This allowed us to focus our efforts around providing a service that meets the most fundamental needs of our society at this time by offering a free service to safely transport our valued health workers to hospitals and care facilities. It is with pride that we recognise the selfless commitment of our own key workers who each day worked at the frontline to deliver vital services.

During this period, we have reviewed our practices and procedures to ensure everything we do protects the health, safety and welfare of all our patrons and employees.

We have increased our cleaning and hygiene procedures to include a deep clean of all services and customer touch points, with mobile cleaning squads travelling on services to keep vehicles hygienically clean. We have replaced anti-bacterial with anti-viral regimes and at our stations and facilities made anti-viral hand sanitisers available.

We have improved ease of access to cashless payment methods, introduced cough screens, provided staff with relevant PPE and ensured social distancing around driver cab areas. We will provide levels of service, capacity and frequency in line with Government and Departmental policy and guidelines to ensure public transport remains a safe place.

# **Translink Annual Report 2019/20**

## **Strategic Report (Continued)**

### **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.

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 (BTIC) 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, particularly in light of the emergence of the COVID-19 pandemic.

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'.

# **Translink Annual Report 2019/20**

## **Strategic Report (Continued)**

### **The Translink SPIRIT (continued)**

#### **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.

# **Translink Annual Report 2019/20**

## **Strategic Report (Continued)**

### **Principal risks and uncertainties**

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

- Impact of funding shortfall on Translink's viability as a going concern in the short to medium term and longer term;
- 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;
- Potential impact of Brexit;
- Reputational risk arising from failure to maintain good stakeholder relations and
- COVID-19 pandemic.

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 Corporate Governance statement on page 27.

# **Translink Annual Report 2019/20**

## **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 29 March 2020.

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 2.

Mr Frank Hewitt, the Company Chairman resigned as a director on 30 June 2019, having completed his term of appointment. On 12 February 2020 one of the other directors, Dr Mark Sweeney was appointed as Interim Company Chairman.

### **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. We have also recently launched a Translink Spirit mobile app to facilitate improved employee communications.

### **Engagement with suppliers, customers and others in a business relationship with the Company**

A number of initiatives were undertaken by the Company to proactively engage with and widen its supplier base, such as continued participation in 'Meet the Buyer' events including an event held by Derry City and Strabane District Council on 4th March 2020 and attendance at the Northern Ireland Manufacturing and Supply Chain Exhibition in Belfast on 27th February 2020.

Other initiatives include the adoption of an agile Supplier Relationship Management (SRM) model and supporting activities with the Group's strategic and business critical contractors. This approach has been successful in identifying and managing key suppliers during the COVID-19 crisis where risk and contingency matrices were compiled and regularly updated to identify areas of risk to business continuity.

The Group independently monitors customer satisfaction twice each year, in spring and autumn, so we can continue to learn and understand where our services could be improved. Our customer satisfaction remains at a high level and compares well when benchmarked to other GB/ROI operators.

# Translink Annual Report 2019/20

## Directors' Report (Continued)

### Engagement with suppliers, customers and others in a business relationship with the Company (continued)

Along with regular passenger panel workshops and Translink Youth Forum workshops, regular communication with Consumer Council NI and IMTAC who represent customer needs, we also openly engage through social media and invite feedback from all customers as part of our commitment to provide a network and services that benefits the people of Northern Ireland. We have introduced additional monitoring of social media feedback and sentiment to ensure we can quickly identify and respond to customer needs.

### Corporate governance code

During the year, the Group has voluntarily complied with applicable provisions contained within the UK Corporate Governance Code 2018, including enhanced reporting in the Annual Report and adherence to the five new principles and associated provisions.

### Greenhouse gas emissions

#### UK Energy Use and Total Emissions

The group's total energy consumption and the respective emissions associated for 2019/20 is summarised below:

Source	Energy (kWh)	Energy Split	Emissions (TCO <sub>2</sub> e)	Emissions Split
Transport	405,661,625	92.34%	102,616	92.78%
Electricity	14,692,952	3.34%	4,074	3.68%
Gas	12,234,868	2.78%	2,251	2.03%
Oil	6,742,000	1.53%	1,663	1.50%
<b>Total</b>	<b><u>439,331,446</u></b>		<b><u>110,604</u></b>	

### Intensity Ratio

The utilisation of an Intensity Ratio allows Translink to in theory compare input against output, through the production of a Key Performance Indicator (KPI). The metric to be utilised is, Passenger Numbers against the overall emissions, this will result in a figure detailing "kgCO<sub>2</sub>e / Passenger".

	<b><u>FY19/20</u></b>
Passengers*	83.4m
Actual Emissions (TCO <sub>2</sub> e)	110,604
Normalised Emissions (TCO <sub>2</sub> e)	110,490
Actual Intensity Ratio (kgCO <sub>2</sub> e / Passenger)	<b>1.326</b>
Normalised Intensity Ratio (kgCO <sub>2</sub> e / Passenger)	<b>1.325</b>

\* It must be noted that due to the COVID-19 outbreak both Passenger Numbers and fuel consumption decreased in March 2020. However, in terms of the extent of the decrease, passenger numbers had a bigger reduction. As a result, it is suggested that if the end of 2020 was "business as usual" the intensity ratio of kgCO<sub>2</sub>e / Passenger would have improved.

### Energy Efficiency

The Group is committed to reducing carbon emissions and has a number of energy savings actions underway across bus & rail fleet, infrastructure and buildings.

# **Translink Annual Report 2019/20 Directors' Report (Continued)**

## **Greenhouse gas emissions (continued)**

### **Methodology**

Electricity - Figures sourced from downloaded data from the supplier. Over 99% of the electricity consumed is via Half Hourly Meters.

Gas - Figures sourced from downloaded data from the supplier. 100% of the gas consumed is via Half Hourly Meters.

Oil - Oil delivery information is detailed within a central database in relation to site, quantity and date.

Vehicle Fuel - Vehicle Fuel information is detailed within a central database (Fuel Fleet Report) in relation to site (Delivery), Vehicle No (refuelling), quantity and date.

Passenger Numbers - Passenger numbers travelling including fare paying, concessions and school children. Free travel given to NHS workers during COVID-19 pandemic are excluded.

Emissions Conversion Factors - The emissions conversion factors have been sourced for each respective year via the UK Government GHG Conversion Factors for Company Reporting.

Normalisation - Normalisation of thermal related fuel in compliance with CIBSE TM41.

Degree Day - Heating Degree Day data sourced from degreedays.net

### **S172(1) Compliance Statement**

The company complies with section 172(1) of the Companies Act 2006 through engagement with its various stakeholders. The Company's strategy has been informed by and its implementation continues to be informed by interaction with stakeholders. It is the intention of the Company to act responsibly towards its stakeholders.

### **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 (2019: £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.

# Translink Annual Report 2019/20

## Directors' Report (Continued)

### Dividends

The directors do not recommend payment of a dividend (2019: £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 funding are set out in the Strategic Report. Principal risks and uncertainties are referenced above and detailed in the Corporate Governance Statement on page 27. 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.

# Translink Annual Report 2019/20 Directors' Report (Continued)

## Going Concern (continued)

The Group has received notification of its indicative baseline resource funding for 2020/21 and has prepared a budget on this basis. Due to the impact of COVID-19 the Group has budgeted to generate a significant trading loss for 2020/21. It has received a commitment from the Minister for Infrastructure in NI Assembly that it will receive additional funding to cope with the impact of the coronavirus pandemic.

The Consolidated Balance Sheet shows a deficit of £120.1m (2019: deficit of £122.6m).

This deficit is entirely attributable to the group's employee benefit obligation (pensions) of £199m, a decrease of approximately £31m from 2018/19. 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 decreased from £230m (net) in 2019 to £199m (net) in the current year, primarily because of a change in demographic assumptions to align with the 2019 NILGOSC triennial actuarial valuation (reductions in longevity) offset by a reduction in the discount rate from 2.5% to 2.3% 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 was subsequently extended during the current year to March 2022.

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 23 June 2020 from the Office of the Minister for Infrastructure reaffirms the Department's commitment to ensure that NITHCo / Translink remains a viable financial entity and states that the Northern Ireland Executive has committed to protecting Translink's financial position throughout the pandemic and to ensure that our public transport network is there to play its part in our recovery post crisis. 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

From late March 2020 Translink, like all aspects of society, has been hugely impacted by the COVID-19 pandemic. We have continued to provide levels of service, capacity and frequency in line with Government and Departmental policy and guidelines to ensure public transport remains a safe place. Passenger numbers have fallen dramatically as people adhere to the Government advice to stay at home and avoid non-essential travel. The Group has received a commitment from the Minister for Infrastructure in NI Assembly that it will receive additional funding to cope with the impact of the coronavirus pandemic.

Aside from the impact of COVID-19, there have been no events since the balance sheet date that would require adjustment or disclosure in the financial statements.

Approved by the Board of Directors on 30 June 2020 and signed on behalf of the Board:



**Mrs Priscilla Rooney, Company Secretary**

# **Translink Annual Report 2019/20**

## **Statement of 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 Article 4 of the International Accounting Standards (IAS) Regulation 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.

# Translink Annual Report 2019/20

## Statement of Directors' Responsibilities (Continued)

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 30 June 2020 and is signed on its behalf by:



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**Chief Executive Officer**  
Chris Conway



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**Chief Financial Officer**  
Patrick Anderson

# Translink Annual Report 2019/20

## Corporate Governance Statement

### Introduction

The Translink Group consists of a public corporation, the Northern Ireland Transport Holding Company (“NITHC”) (established under the Transport Act (Northern Ireland) 1967), which owns and controls seven private limited subsidiary companies including Citybus Limited (‘Metro’), Ulsterbus Limited, Northern Ireland Railways Company Limited and NIR Operations Limited, 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 activities 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 2018, 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 NITHC 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.

# Translink Annual Report 2019/20

## Corporate Governance Statement (Continued)

### Relationship with the Sponsor Department (continued)

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 NITHC 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 led 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.



# Translink Annual Report 2019/20

## Corporate Governance Statement (Continued)

### Division of responsibilities

#### Chairman

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Interim Chairman, Mark Sweeney, is currently 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, ensuring 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 Interim Chairman and four 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 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.

# Translink Annual Report 2019/20

## Corporate Governance Statement (Continued)

### 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 2019/20

Director	Committee Membership		Board	Audit & Risk (BARC)	GRPC	Project Oversight (POC)	Safety Oversight (SOC)
<b>F Hewitt</b>	Board*, SOC	POC,	3/3 <sup>1</sup>			3/3	1/1
<b>A Depledge</b>	Board, SOC*	POC,	10/10			11/12	3/3
<b>A Reavey</b>	Board, GRPC	BARC,	10/10	5/5	8/8		
<b>H McCartan</b>	Board, GRPC*	BARC,	10/10	4/5	8/8		
<b>B Mitchell</b>	Board, GRPC	BARC*,	10/10	5/5	8/8		
<b>M Sweeney</b>	Board*, SOC	POC*,	10/10			12/12	3/3
<b>C Conway#</b>	Board, POC, SOC		10/10			12/12	3/3
<b>P O’Neill</b>	Board, POC, SOC		10/10			12/12	3/3
<b>P Anderson#</b>	Board, POC		10/10			10/12	

\*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.

<sup>1</sup> F Hewitt Non-Executive Director & Chairman retired 30 June 2019.

# Translink Annual Report 2019/20

## Corporate Governance Statement (Continued)

### 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. 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, along with 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.

# Translink Annual Report 2019/20

## Corporate Governance Statement (Continued)

### **Risk Management Processes (continued)**

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 takes the lead in sponsoring and maintaining the Corporate RAF. The Corporate RAF is reviewed by BARC 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 is 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 Key Performance Obligations (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 recent and unprecedented COVID-19 worldwide pandemic, 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 the Contract.

# Translink Annual Report 2019/20

## Corporate Governance Statement (Continued)

### 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 Transport Hub, Belfast Rapid Transit and the Translink Future Ticketing System) which have a number of complex interdependencies. Translink has been careful to ensure that assessment 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. A business change programme, overseen by the Chief Business Change Officer is in place to mitigate identified risks associated with project interdependencies.

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

- COVID-19;
- 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 29 March 2020, 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**  
**Accounting Officer and Group Chief Executive**  
**30 June 2020**

# Translink Annual Report 2019/20

## Audit and Risk Committee Report

### Summary of the Role of the Audit 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 2020, and are available on the Translink website.

### Composition of the Audit Committee

The Audit and Risk Committee is appointed by the Chairman of the Company and approved by the Board. The members during 2019/20 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 2019/20.

### 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 2019 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.

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. Their tenure has been extended until 31 March 2022 by the exercise of optional extensions to the contract.

# **Translink Annual Report 2019/20**

## **Audit and Risk Committee Report (Continued)**

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 the 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;
- Monitored and reviewed and the effectiveness of the internal audit function;
- Reviewed and approved an updated Whistleblowing policy; and
- Considered all instances of fraud, theft and whistleblowing.

#### **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 disclosures and key judgements in the financial statements;
- Considered significant matters in relation to the production of financial statements, including disclosures in relation to Going Concern and also the impact of the cyber-attack on the Group's IT systems on the production of 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 2019/20 annual financial statements, along with the documents issued with them, including the Corporate Governance Statement, and recommended the adoption of these by the Board.

# Translink Annual Report 2019/20

## Audit and Risk Committee Report (Continued)

### Risk Management

- Participated in the Board review of risk management processes and procedures in operation within the Company in December 2019;
- Regularly considered, and challenged management on, the Corporate Risk and Assurance registers, including emerging risks and near misses, the fraud and theft register 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 19 of the Annual report;
- Considered the management response to the cyber-attack suffered by the Company in February 2020, to ensure that appropriate action was taken and that appropriate procedures were in place and followed in the period since the attack to confirm the integrity of the reconstructed records; and
- Considered the Company response to the COVID-19 pandemic, ensuring that resultant risks were properly considered and mitigated.

### Governance

- Reviewed and updated its Terms of Reference;
- Approved additional work by the Internal Auditors in accordance with the policy; and
- At each meeting reviewed any new and revised guidance from Department of Finance, DfI and the Northern Ireland Audit Office.

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; and
- Met with the Group Chief Executive and Chief Financial Officer as part of its annual programme.

### Conclusion

The Audit and Risk Committee considers that for the 2019/20 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 30 June 2020**

# **Translink Annual Report 2019/20**

## **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 2019/20 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.

### **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.

# **Translink Annual Report 2019/20**

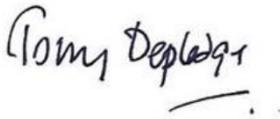
## **Safety Oversight Committee Report (Continued)**

### **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**  
**30 June 2020**

# Translink Annual Report 2019/20

## 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 Team;
- Review and where appropriate, approve procurement proposals made by the Group’s Executive Team;
- Monitor and track major capital projects and approve Post Benefit / Project Evaluations; and
- Review the performance of the Group Treasury Management Policy (TMP) and where appropriate, make recommendations on this to the Board.

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

### Composition of the Committee

The Committee is chaired by Mark Sweeney (interim Chairman). Other members are Tony Depledge (Non-Executive Director), 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. Frank Hewitt (Non-Executive Director and previous Chairman) was also a member until 30 June 2019. 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 29 March 2020 and:

- Approved a range of actions regarding spending and disposal proposals, procurement proposals and Post Benefit / Project Evaluations in accordance with its mandate;
- Monitored and tracked progress on all major capital projects at each meeting and
- Reviewed the performance of the Group Treasury Management Policy (TMP) in line with the requirements set out in the TMP.

The Committee seeks confirmation as to the value for money concept on all projects and looks for specific assurance where there are 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 continued participation in ‘Meet the Buyer’ events including an event held by Derry City and Strabane District Council on the 4th March 2020 and attendance at the Northern Ireland Manufacturing and Supply Chain Exhibition in Belfast on 27th February 2020.

Other initiatives include the adoption of an agile Supplier Relationship Management (SRM) model and supporting activities with the Group’s strategic and business critical contractors. This approach has been successful in identifying and managing key suppliers during the COVID-19 crisis where risk and contingency matrices were compiled and regularly updated to identify areas of risk to business continuity.

# **Translink Annual Report 2019/20**

## **Project Oversight Committee Report (Continued)**

### **Conclusion**

The Project Oversight Committee considers that for the 2019/20 financial year, it has discharged its responsibilities in full in accordance with its remit.



**Mark Sweeney**  
**Chairman**  
**Project Oversight Committee**  
**30 June 2020**

# Translink Annual Report 2019/20

## 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 30.

#### 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 eight times during the year under review.

# **Translink Annual Report 2019/20**

## **Directors' Remuneration Report (Continued)**

### **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; and
- reviewed its own effectiveness and training requirements.

### **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 (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.

# Translink Annual Report 2019/20

## Directors' Remuneration Report (Continued)

### 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	Total 2020 £'000	Total 2019 £'000
Chris Conway	170	-	170	170
Patrick Anderson	130	-	130	129
Philip O'Neill	152	2	152	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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Chris Conway	11	9	-	-
Patrick Anderson	13	9	-	-
Philip O'Neill	78	74	142	141

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

	2020		2019	
	Annual pension £'000	Retiring lump sum £'000	Annual pension £'000	Retiring lump sum £'000
Chris Conway	1	-	2	-
Patrick Anderson	3	-	2	-
Philip O'Neill	2	(2)	2	(3)

# Translink Annual Report 2019/20

## Directors' Remuneration Report (Continued)

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

	2020	2019
	£'000	£'000
Chris Conway	9	9
Patrick Anderson	14	14
Philip O'Neill	15	15

### Non-Executive Directors

The appointment and remuneration of non-executive directors is determined by the Department for Infrastructure. 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**  
**30 June 2020**



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

## **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 29 March 2020 set out on pages 48 to 99, 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 Parent Company financial statements, UK law and Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

In our opinion:

- the financial statements give a true and fair view of state of the Group's and Parent Company's affairs as at 29 March 2020 and of the Group's loss for the year then ended;
- 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*, issued by the UK's Financial Reporting Council; 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").



## **Independent auditor's report to the members of Northern Ireland Transport Holding (continued)**

### ***We have nothing to report on going concern (continued)***

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 of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group and the company's business model and analysed how those risks might affect the group and the company's financial resources or ability to continue operations over the going concern period. 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 auditors 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.



## **Independent auditor's report to the members of Northern Ireland Transport Holding (continued)**

### **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 25, 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.

#### ***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](http://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

**1 July 2020**



# Translink Annual Report 2019/20

## Consolidated statement of comprehensive income

for the 52 weeks ended 29 March 2020

	Notes	52 weeks ended 29 March 2020 £'000	53 weeks ended 31 March 2019 £'000
<b>Loss for the year</b>		<b><u>(53,821)</u></b>	<b><u>(17,289)</u></b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial surpluses/(losses) on defined benefit pension schemes	21(ii)	<u>62,252</u>	<u>(13,889)</u>
Tax relating to other comprehensive income Defined benefit pension schemes	10(d)	<u>(5,916)</u>	<u>1,435</u>
<b>Other comprehensive income/(costs) net of tax for the year</b>		<b><u>56,336</u></b>	<b><u>(12,454)</u></b>
<b>TOTAL COMPREHENSIVE INCOME/(COSTS) FOR THE YEAR</b>		<b><u>2,515</u></b>	<b><u>(29,743)</u></b>

All reported results arise from continuing operations.

The notes on pages 54 to 99 form part of these consolidated financial statements.

# Translink Annual Report 2019/20

## Consolidated balance sheet

at 29 March 2020

	Notes	29 March 2020 £'000	31 March 2019 £'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	12	688,247	641,101
Investment property	13	2,165	2,165
Employee benefits	21	1,739	1,077
Deferred tax assets	10	10,081	3,797
Deferred tax asset -pensions	10	27,835	28,625
<b>Total non-current assets</b>		<b>730,067</b>	<b>676,765</b>
<i>Current assets</i>			
Inventories	15	8,843	9,305
Trade and other receivables	16	109,248	97,229
Corporation tax receivables		-	1
Derivative financial instruments	23	-	1,318
Cash and cash equivalents	20	23,931	37,302
<b>Total current assets</b>		<b>142,022</b>	<b>145,155</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	17	84,843	67,354
Other financial liabilities		9	-
Current tax liabilities		-	160
Derivative financial instruments	23	5,478	374
Provisions	18	8,786	9,519
<b>Total current liabilities</b>		<b>99,116</b>	<b>77,407</b>
<b>Net current assets</b>		<b>42,906</b>	<b>67,748</b>
<i>Non-current liabilities</i>			
Employee benefits	21	200,900	231,095
Derivative financial instruments	23	4,542	-
Other financial liabilities		18	-
Deferred tax liabilities	10	1,678	1,758
Deferred income	19	685,934	634,274
<b>Total non-current liabilities</b>		<b>893,072</b>	<b>867,127</b>
<b>Net liabilities</b>		<b>(120,099)</b>	<b>(122,614)</b>
<b>Reserves</b>			
Fixed asset revaluation reserve		4,077	4,077
Other reserves		50,086	50,086
Retained earnings		(174,262)	(176,777)
<b>Total reserves</b>		<b>(120,099)</b>	<b>(122,614)</b>

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020. They were signed on its behalf by:



**M Sweeney (Chairman)**



**C Conway (Group Chief Executive)**

The notes on pages 54 to 99 form part of these consolidated financial statements

# Translink Annual Report 2019/20

## Company balance sheet

At 29 March 2020

	Notes	<u>29 March 2020</u> £'000	<u>31 March 2019</u> £'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	12	68,149	54,386
Investment property	13	2,165	2,165
Investment in subsidiaries	14	-	-
Employee benefits	21	1,739	1,077
Deferred tax asset	10	35	125
Deferred tax assets – pensions	10	373	534
<b>Total non-current assets</b>		<b><u>72,461</u></b>	<b><u>58,287</u></b>
<i>Current assets</i>			
Trade and other receivables	16	36,442	22,995
Cash and cash equivalents		226	59
<b>Total current assets</b>		<b><u>36,668</u></b>	<b><u>23,054</u></b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	17	22,397	9,516
Corporation tax liabilities		-	155
Provisions	18	22	49
<b>Total current liabilities</b>		<b><u>22,419</u></b>	<b><u>9,720</u></b>
<b>Net current assets</b>		<b><u>14,249</u></b>	<b><u>13,334</u></b>
<i>Non-current liabilities</i>			
Employee benefits	21	3,702	4,218
Deferred tax liabilities	10	71	81
Deferred income	19	43,941	30,195
<b>Total non-current liabilities</b>		<b><u>47,714</u></b>	<b><u>34,494</u></b>
<b>Net assets</b>		<b><u>38,996</u></b>	<b><u>37,127</u></b>
<i>Reserves</i>			
Fixed asset revaluation reserve		4,079	4,079
Other reserves		39,844	39,844
Retained earnings		(4,927)	(6,796)
<b>Total reserves</b>		<b><u>38,996</u></b>	<b><u>37,127</u></b>

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 profit for the financial period amounted to £480,000 (2019: Loss £2,408,000).

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020. They were signed on its behalf by:



**M Sweeney (Chairman)**

**C Conway (Group Chief Executive)**

The notes on pages 54 to 99 form part of these consolidated financial statements.

# Translink Annual Report 2019/20

## Statement of changes in reserves

### Group

	Fixed asset revaluation reserve	Other reserves	Hedging reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 25 March 2018</b>	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	-
<b>Total comprehensive income for the period</b>	(30)	-	-	(29,713)	(29,743)
<b>Balance at 31 March 2019</b>	<b>4,077</b>	<b>50,086</b>	<b>-</b>	<b>(176,777)</b>	<b>(122,614)</b>
Loss for the period	-	-	-	(53,821)	(53,821)
Other comprehensive income for the period	-	-	-	56,336	56,336
Transfers	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	2,515	2,515
<b>Balance at 29 March 2020</b>	<b>4,077</b>	<b>50,086</b>	<b>-</b>	<b>(174,262)</b>	<b>(120,099)</b>

### Company

	Fixed asset revaluation reserve	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000
<b>Balance at 25 March 2018</b>	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	-
<b>Total comprehensive income for the period</b>	(30)	-	(2,378)	(2,408)
<b>Balance at 31 March 2019</b>	<b>4,079</b>	<b>39,844</b>	<b>(6,796)</b>	<b>37,127</b>
Profit for the period	-	-	480	480
Other comprehensive income for the period	-	-	1,389	1,389
Transfers	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	1,869	1,869
<b>Balance at 29 March 2020</b>	<b>4,079</b>	<b>39,844</b>	<b>(4,927)</b>	<b>38,996</b>

# Translink Annual Report 2019/20

## Consolidated cash flow statement

for the 52 weeks ended 29 March 2020

	Notes	52 weeks ended 29 March 2020 £'000	53 weeks ended 31 March 2019 £'000
Loss for the year		(53,821)	(17,289)
Adjustments for:			
Interest receivable		(170)	(194)
Finance costs		5,894	5,550
Taxation		(11,605)	(2,255)
Fair value adjustment on fuel derivative		10,964	1,536
Depreciation of tangible assets (net of grant release)		2,716	2,809
Decrease in fair value of investment property		-	3,885
Impairment of property, plant and equipment		26	498
Profit on disposal of assets		(599)	(843)
Operating cash flows before movements in working capital		<u>(46,595)</u>	<u>(6,303)</u>
Decrease/(increase) in stocks		462	(129)
Decrease/(increase) in debtors		7,081	(36,318)
Increase in creditors		3,999	8,958
Excess of pension charge over contributions		<u>22,282</u>	<u>6,474</u>
Cash (absorbed by)/generated from operations		(12,771)	(27,318)
Corporation tax repaid		<u>(125)</u>	<u>-</u>
<b>Net cash from operating activities</b>		<u>(12,896)</u>	<u>(27,318)</u>
<b>Investing activities</b>			
Interest received		150	204
Purchases of property, plant and equipment		(92,640)	(102,380)
Proceeds on disposal of property, plant and equipment		914	1,758
<b>Net cash used in investing activities</b>		<u>(91,576)</u>	<u>(100,418)</u>
<b>Financing activities</b>			
Grants received		<u>91,101</u>	<u>130,640</u>
<b>Net cash generated from financing activities</b>		<u>91,101</u>	<u>130,640</u>
<b>Net increase in cash and cash equivalents</b>		(13,371)	2,904
Cash and cash equivalents at beginning of period	20	37,302	34,398
<b>Cash and cash equivalents at the end of period</b>	20	<u>23,931</u>	<u>37,302</u>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements

### 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 2. The principal activities of the Company and its subsidiaries (the Group) are described in the Strategic Report on page 7.

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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the 52 weeks to 29 March 2020 (53 weeks to 31 March 2019). 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 £200.9m (2019: £231.1m) 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 23.

#### **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 £186,000 (2019: £219,000) and have 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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### 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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### 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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### Operating leases (policy applicable before 1 April 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

#### Leases (policy applicable from 1 April 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee at commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, this has been assessed as 5%. Lease payments included in the measurement of the lease liability comprise the following: - fixed payments, including in-substance fixed payments; - variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date - amounts expected to be payable under a residual value guarantee; and - the exercise price under a purchase option that the Company is reasonably certain to exercise, - lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and - penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### 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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

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

<b>Euro</b>	<b>2020</b>	<b>2019</b>
Year-end rate	1.12	1.17
Average rate	1.14	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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### *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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 2. Significant Accounting Policies (continued)

#### 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 (including recoverability of deferred tax assets). 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).

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 3. Application of new and revised International Financial Reporting Standards (IFRSs)

#### Newly adopted standards

The following standards were effective for the Group and Company for the first time from 1 April 2019 and have been adopted in these financial statements:

- IFRS 16 leases.

The following standards were effective for the Group and Company for the first time from 1 April 2019 and have no transitional adjustments:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015-17 Cycle – various standards

#### *IFRS 16: Leases*

The Company initially applied IFRS 16 *Leases* from 1 April 2019. A number of other new standards are also effective from 1 April 2019, but they do not have a material effect on the Company's financial statements.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2018/19 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes and quantitative impacts are set out below. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

#### (a) *Definition of a lease*

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in the accounting policy in Note 1.

On transition to IFRS 16, the Company has reassessed all contracts to assess whether they contain a lease based upon this definition.

#### (b) *As a lessee*

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

#### *Leases classified as operating leases under IAS 17*

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019 of 5%.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 3. Application of new and revised International Financial Reporting Standards (IFRSs) *IFRS 16: Leases (continued)*

Right-of-use assets were measured at:

-their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company has used its assessment of whether leases are onerous applying IAS 37 at 1 April 2019 as an alternative to performing an impairment review of the recognised right-of-use assets on the date of transition. The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- used hindsight when determining the lease term
- used a single discount rate to a portfolio of leases with reasonably similar characteristics.

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 5%.

#### *IFRS 16: Leases*

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 March 2019 in the Company's financial statements and the lease liabilities recognised at 1 April 2019:

	<b>1 April 2019 £'000</b>
Operating lease commitments at 31 March 2019 as disclosed under IAS 17	22
Discounted using the incremental borrowing rate at 1 April 2019	22
Recognition exemption for leases with less than 12 months of lease term at transition	(6)
Lease liabilities recognised at 1 April 2019	<hr/> 16 <hr/>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 3. Application of new and revised International Financial Reporting Standards (IFRSs) *IFRS 16: Leases (continued)*

#### INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2020 £000	2019 £000
<b>Creditors: amounts falling due after more than one year</b>		
Lease liabilities	18	-
	<hr/> 18	<hr/> -
<b>Creditors: amounts falling due within less than one year</b>		
Lease liabilities	9	-
	<hr/> 9	<hr/> -

### 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.

	2020 £'000	2019 £'000
<b>Continuing operations</b>		
Passenger carriage	147,444	147,552
Rental income from investment and operational properties	4,942	4,893
Concessionary fares, public service obligation compensation and route subsidy	71,461	83,918
Other	2,004	2,121
Revenue per accounts	<hr/> 225,851	<hr/> 238,484

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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 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 £26,000 (2019: £498,000).

### 6. Operating loss

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of Property, plant and equipment		
- Based on original cost or valuation (note 12)	60,468	57,076
- Transfer from deferred income (note 19)	(57,752)	(54,267)
	<u>2,716</u>	<u>2,809</u>
Impairment	26	498
Decrease in fair value of investment property (note 13)	-	3,885
Cost of inventories recognised as expense	37,310	40,267
Operating lease rentals – motor vehicles	4	13
Reorganisation costs	363	1,604
Government funding for reorganisation costs	(363)	(1,604)
	<u></u>	<u></u>
Auditor’s remuneration:		
- fees payable to the Group’s auditor for the audit of the Group’s annual accounts (parent - £20,000 ; 2019 - £20,000)	58	56
- Fees payable to the Group’s auditor for other services to the Group:		
- other assurance services	10	12
- tax compliance and advice	14	12
- pension schemes	7	7
	<u>89</u>	<u>87</u>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 7. Finance Income

Finance income includes:	2020 £'000	2019 £'000
Interest receivable – bank deposits	170	194

### 8. Other finance costs

	2020 £'000	2019 £'000
Retirement benefits	5,894	5,550

### 9. Other income

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

### 10. Taxation

(a) Analysis of tax credit for year	2020 £'000	2019 £'000
<b>Current taxation</b>		
UK Corporation Tax for the period	-	158
Adjustments in respect of prior periods	(115)	(10)
<b>Total current tax</b>	<b>(115)</b>	<b>148</b>
<b>Deferred Taxation</b>		
Origination/reversal of timing differences	(8,437)	(2,078)
Adjustments in respect of prior periods	112	57
Revaluation of investment property	-	(353)
Deferred tax on rolled over gains	76	
Derivatives	(2,064)	(262)
Effect of change in tax rate	(1,177)	233
Total deferred tax	(11,490)	(2,403)
<b>Total tax</b>	<b>(11,605)</b>	<b>(2,255)</b>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 10. Taxation (continued)

#### (b) Factors affecting tax credit for the year

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Loss on continuing activities before tax	(65,426)	(19,544)
Tax at 19% (2019: 19%)	(12,393)	(3,713)
On chargeable income	2,301	1,061
Deferred tax liability not recognised in respect of pension liability	1,655	731
Revaluation of investment property	-	(353)
Deferred tax on rolled over gains	76	-
Derivatives	(2,064)	(262)
Adjustments to tax charge in respect of prior years	(3)	48
Effect of change in UK corporation tax rate	(1,177)	233
Total tax	(11,605)	(2,255)

#### (c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6<sup>th</sup> September 2016. However, in the 11<sup>th</sup> March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1<sup>st</sup> April 2020. The deferred tax asset at 29<sup>th</sup> March 2020 has therefore been calculated at the rate of 19%.

#### (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:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Arising on income and expenses recognised in other comprehensive income:		
Actuarial gains /(losses) on defined benefit pension schemes	5,916	(1,435)
Total tax charge/(credit) recognised in other comprehensive income	5,916	(1,435)

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 10. Taxation (continued)

#### 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:

<b>Group</b>	<u>Accelerated tax depreciation</u> <b>£'000</b>	<u>Other temporary differences</u> <b>£'000</b>	<u>Derivatives</u> <b>£'000</b>	<u>Losses</u> <b>£'000</b>	<u>Revaluation investment property</u> <b>£'000</b>	<u>Retirement benefit obligations</u> <b>£'000</b>	<u>Total</u> <b>£'000</b>
<b>At 25 March 2018</b>	(1,285)	1,038	(437)	2,557	(353)	25,306	26,826
Credit/(charge) to income statement	40	(32)	262	(104)	353	1,884	2,403
Charge to other comprehensive income						1,435	1,435
<b>At 31 March 2019</b>	(1,245)	1,006	(175)	2,453	0	28,625	30,664
Credit/(charge) to income statement	192	(63)	2,064	4,247	(76)	5,126	11,490
Credit to other comprehensive income						(5,916)	(5,916)
<b>At 29 March 2020</b>	(1,053)	943	1,889	6,700	(76)	27,835	36,238

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 10. Taxation (continued)

#### Deferred tax (continued)

Company	<u>Accelerated</u>	<u>Other</u>	<u>Revaluation</u>	<u>Retirement</u>	<u>Total</u>
	<u>tax</u>	<u>temporary</u>	<u>investment</u>	<u>benefit</u>	
	<u>depreciation</u>	<u>differences</u>	<u>property</u>	<u>obligations</u>	
	£'000	£'000	£'000	£'000	£'000
<b>At 25 March 2018</b>	(83)	138	(353)	504	206
Credit/(charge) to income statement	2	(13)	353	42	384
Credit to other comprehensive income	-	-	-	(12)	(12)
<b>At 31 March 2019</b>	(81)	125	-	534	578
Credit/(charge) to income statement	10	(90)	-	165	85
Credit to other comprehensive income	-	-	-	(326)	(326)
<b>At 29 March 2020</b>	(71)	35	-	373	337

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	2020	2019
	£'000	£'000
Deferred tax asset	10,081	3,797
Deferred tax liabilities	(1,678)	(1,758)
Deferred tax asset - Employee benefits	27,835	28,625
	<u>36,238</u>	<u>30,664</u>

Company	2020	2019
	£'000	£'000
Deferred tax asset	35	125
Deferred tax liabilities	(71)	(81)
Deferred tax asset - Employee benefits	373	534
	<u>337</u>	<u>578</u>

### 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 profit for the financial period amounted to £480,000 (2019: Loss £2,408,000).

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 12. Property, plant and equipment

Group	Land and Buildings £'000	Permanent Way Signalling and Bridges £'000	Vehicles Plant and Equipment £'000	Total £'000
<b>2020</b>				
<b>Cost or valuation:</b>				
At 31 March 2019	329,269	387,339	664,324	1,380,932
Additions	34,321	35,315	38,319	107,955
Disposals	(702)	-	(33,711)	(34,413)
<b>At 29 March 2020</b>	<b>362,888</b>	<b>422,654</b>	<b>668,932</b>	<b>1,454,474</b>
<b>Depreciation and impairment:</b>				
At 31 March 2019	146,759	223,546	369,526	739,831
Charge for year	9,445	13,821	37,202	60,468
Impairment		24	2	26
Disposals	(580)	-	(33,518)	(34,098)
<b>At 29 March 2020</b>	<b>155,624</b>	<b>237,391</b>	<b>373,212</b>	<b>766,227</b>
<b>Net book value At 29 March 2020</b>	<b>207,264</b>	<b>185,263</b>	<b>295,720</b>	<b>688,247</b>
<b>2019</b>				
<b>Cost or valuation:</b>				
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)
<b>At 31 March 2019</b>	<b>329,269</b>	<b>387,339</b>	<b>664,324</b>	<b>1,380,932</b>
<b>Depreciation and impairment:</b>				
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)
<b>At 31 March 2019</b>	<b>146,759</b>	<b>223,546</b>	<b>369,526</b>	<b>739,831</b>
<b>Net book value At 31 March 2019</b>	<b>182,510</b>	<b>163,793</b>	<b>294,798</b>	<b>641,101</b>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 12. Property, plant and equipment (continued)

Included within the categories above are assets in the course of construction totalling £182.2m (2019: £123.1m), which are not being depreciated as they were not fully commissioned at the balance sheet date.

#### Right-of-use assets

At 29<sup>th</sup> March 2020, property, plant and equipment includes right-of-use assets as follows: Vehicles net book value £27,000.

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.

<b>Company</b>	<b>Land and Buildings £'000</b>	<b>Vehicles Plant and equipment £'000</b>	<b>Total £'000</b>
<b>2020</b>			
<b>Cost or valuation:</b>			
At 31 March 2019	64,854	2,533	67,387
Additions	14,323	175	14,498
Disposal	-	(9)	(9)
Net Group Transfers	(1)	32	31
<b>At 29 March 2020</b>	<b>79,176</b>	<b>2,731</b>	<b>81,907</b>
<b>Depreciation and impairment:</b>			
At 31 March 2019	11,874	1,127	13,001
Charge for year	719	25	744
Impairment	-	-	-
Disposals	-	(9)	(9)
Net Group Transfers	-	22	22
<b>At 29 March 2020</b>	<b>12,593</b>	<b>1,165</b>	<b>13,758</b>
<b>Net book value</b>			
<b>At 29 March 2020</b>	<b>66,583</b>	<b>1,566</b>	<b>68,149</b>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 12. Property, plant and equipment (continued)

2019	Land and Buildings £'000	Vehicles Plant and equipment £'000	Total £'000
<b>Cost or valuation:</b>			
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)
<b>At 31 March 2019</b>	<b>64,854</b>	<b>2,533</b>	<b>67,387</b>
<b>Depreciation and impairment:</b>			
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)
<b>At 31 March 2019</b>	<b>11,874</b>	<b>1,127</b>	<b>13,001</b>
<b>Net book value</b>			
<b>At 31 March 2019</b>	<b>52,980</b>	<b>1,406</b>	<b>54,386</b>

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Contracted for but not provided in the financial statements	106,789	99,862	9,409	6,008

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 13. Investment property

#### Fair value

	<b>Group &amp; Company £'000</b>
At 25 March 2018	6,035
Additions	15
Decrease in fair value during the year	<u>(3,885)</u>
<b>At 31 March 2019</b>	<b>2,165</b>
Additions	-
Decrease in fair value during the year	<u>-</u>
<b>At 29 March 2020</b>	<b><u>2,165</u></b>

The investment properties were valued at their market value at 29 March 2020 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 29 March 2020 are as follows:

	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Fair value as at 29 March 2020 £'000</b>
Commercial property units Located in Northern Ireland	<u>-</u>	<u>2,165</u>	<u>-</u>	<u>2,165</u>

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 (2019: £NIL). Direct operating expenses arising on the investment property in the period amounted to £593,000 (2019: £213,000).

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## Notes to the consolidated financial statements (continued)

### 14. Investment in subsidiaries

Company	Subsidiary Undertakings £'000
Cost:	
At 31 March 2019 and 29 March 2020	41,223
Provisions:	
At 31 March 2019 and 29 March 2020	(41,223)
<b>Net book value:</b>	
<b>At 31 March 2019 and 29 March 2020</b>	<b>-</b>

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 £1.7 million (2019: £1.6 million). The replacement cost of these inventories is not materially different from the valuation stated.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 16. Trade and other receivables

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	13,473	17,376
Other receivables	9,693	10,617
Grants receivable	58,497	39,881
Prepayments and accrued income	27,585	29,355
	<u>109,248</u>	<u>97,229</u>

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:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts 1 to 90 days overdue	10,338	2,050
Amounts 91 to 180 days overdue	5,904	4,120
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 (2019: Nil) and has not taken possession of any collateral it holds or called for other credit enhancements during the year ended 29 March 2020.

#### Movement in the allowance for doubtful debts

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Balance at the beginning of the period	99	189
Net debit/ (credit)	39	(90)
Balance at the end of the period	<u>138</u>	<u>99</u>

#### Ageing of impaired trade receivables

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
61-90 days	-	-
91-120 days	17	99
121+ days	121	-
Total	<u>138</u>	<u>99</u>

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

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 16. Trade and other receivables (continued)

<b>Company</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	630	856
Other debtors	10	88
Grants receivable	8,665	2,102
Amounts receivable from Group undertakings	25,415	19,844
Prepayments and accrued income	1,722	105
	<hr/>	<hr/>
	36,442	22,995

Company trade debtors are stated after provisions: £90,000 (2019: £65,000).

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

### 17. Trade and other payables

<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	15,153	8,212
Other payables	9,618	16,671
Accruals and deferred income	26,577	26,971
Capital Accruals	33,495	15,500
	<hr/>	<hr/>
	84,843	67,354

Included in other creditors is £1,160,000 (2019 - £2,509,000) relating to outstanding contributions payable to the NILGOS Pension Scheme.

Creditors are paid within 7 days of approval of invoice.

<b>Company</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Other creditors	838	1,041
Amounts payable to Group undertakings	14,479	5,803
Amounts payable to Group undertakings – group relief	1,571	1,084
Other tax and social security	-	-
Accruals and deferred income	716	689
Capital Accruals	4,793	899
	<hr/>	<hr/>
	22,397	9,516

Included in other creditors is £ NIL (2019 - £45,000) 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

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 18. Provisions

<b>Group</b>	<b>Group Corporate Social Responsibility £'000</b>	<b>Third party claims £'000</b>	<b>Total £'000</b>	<b>Company Third party claims £'000</b>
At 31 March 2019	1,241	8,278	9,519	49
Utilised during period	(7)	(2,816)	(2,823)	(6)
Additional provision in the year	(315)	2,405	2,090	(21)
<b>At 29 March 2020</b>	<b>919</b>	<b>7,867</b>	<b>8,786</b>	<b>22</b>

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

<b>Group</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
At beginning of year	634,274	576,791
Grants receivable in year	110,028	113,554
Disposals	(303)	(771)
Adjustments	(313)	(1,033)
Transfer to profit and loss	(57,752)	(54,267)
At end of year	685,934	634,274
<b>Company</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
At beginning of year	30,195	24,401
Receivable in year	13,965	6,412
Adjustments	(30)	(574)
Transfer to profit and loss	(189)	(44)
At end of year	43,941	30,195

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 20. Notes to the cash flow statement

#### Cash and cash equivalents

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash and bank balances	23,931	37,302

### 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 2019. The market value of the assets at the date of the valuation was £8,040 million and represented 112% 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 year commencing 1 April 2019 had been set at 20%, along with additional deficit funding contributions amounting to £1,875,000. The employer contribution rate for the year commencing 1 April 2020 and subsequent years has been set at 19%.

The Directors have obtained an update from the 31 March 2019 NILGOS valuation to 29 March 2020 using the major assumptions set out below. This update was prepared by qualified actuaries employed by Mercer Limited.

<b>NILGOS Scheme</b>	<b>2020</b>	<b>2019</b>
Discount rate	2.3%	2.5%
Expected rate of salary increase	2.4%	2.5%
Future pension increases	2.1%	2.2%
Inflation (RPI)	2.5%	3.2%
Inflation (CPI)	2.1%	2.2%

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 21. Employee benefits (continued)

#### Description of the schemes

Mortality assumptions:

	<b>2020</b>	<b>2019</b>
	<b>Years</b>	<b>Years</b>
Retiring today:		
Males	21.9	23.5
Females	25.1	26.1
Retiring in 20 years:		
Males	23.2	25.7
Females	26.5	28.4

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:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on scheme liabilities</b>
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5.0% (£54.2m)
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by 1.6% (£17.6m)
Rate of inflation (CPI)	Increase/decrease by 0.25%	Increase/decrease by 4.7% (£50.8m)
Rate of mortality	Increase by 1 year	Increase by 2.8% (£30.9m)

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.

	<b>2020</b>	<b>2019</b>
Discount rate	2.3%	2.5%
Expected rate of salary increase	2.4%	2.5%
Future pension increases	2.1%	2.2%
Inflation (RPI)	2.5%	3.2%
Inflation (CPI)	2.1%	2.2%

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 21. Employee benefits (continued)

#### (ii) Amounts recognised in income

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

	<b>Group 2020 £'000</b>	<b>Company 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Company 2019 £'000</b>
-				
<u>Components of defined benefit cost</u>				
Current service cost	37,772	616	31,779	522
Past service cost	12,896	216	372	56
<b>Total service cost</b>	<b>50,668</b>	<b>832</b>	<b>32,151</b>	<b>578</b>
Interest cost	27,707	641	26,757	647
Interest income on plan assets	(21,813)	(561)	(21,207)	(569)
<b>Total net interest cost</b>	<b>5,894</b>	<b>80</b>	<b>5,550</b>	<b>78</b>
Administrative expenses and taxes	644	10	483	8
Insurance premiums for risk benefits	2,575	40	2,412	39
<b>Defined benefit cost included in consolidated income statement</b>	<b>59,781</b>	<b>962</b>	<b>40,596</b>	<b>703</b>
<u>Remeasurements (recognised in other comprehensive income)</u>				
Effect of changes in demographic assumptions	(101,345)	(2,182)	-	-
Effect of changes in financial assumptions	26,306	391	66,087	1,193
Effect of experience adjustments	(28,934)	(991)	2,303	(47)
Return on plan assets (excluding interest income)	41,721	1,067	(54,501)	(1,219)
<b>Total measurements included in other comprehensive income</b>	<b>(62,252)</b>	<b>(1,715)</b>	<b>13,889</b>	<b>(73)</b>
<b>Total pension (credit)/cost recognised in consolidated income statement and other comprehensive income</b>	<b>(2,471)</b>	<b>(753)</b>	<b>54,485</b>	<b>630</b>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 21. Employee benefits (continued)

Of the expense for the year (total service cost), £41.3m (2019: £25.9m) 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 negative £19.9m (2019: positive £75.7m); Company negative £0.5 m (2019: positive £1.8m).

The gross cumulative amount of actuarial gains and losses recognised in other comprehensive income is losses of £122.4m (2019: £184.6m).

Expected contributions to the schemes in the next annual reporting period are £26.2m.

#### (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:

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Present value of funded defined benefit obligations</b>				
-NILGOS Scheme	(1,079,102)	(23,225)	(1,093,350)	(22,400)
-Ulsterbus/Citybus Scheme	(769)	(769)	(868)	(868)
-Executive Scheme	(1,705)	(1,705)	(2,475)	(2,475)
<b>Total Present Value</b>	<u>(1,081,576)</u>	<u>(25,699)</u>	<u>(1,096,693)</u>	<u>(25,743)</u>
<b>Fair value of scheme assets</b>				
-NILGOS Scheme	878,202	19,523	862,255	18,182
-Ulsterbus/Citybus Scheme	1,603	1,603	1,720	1,720
-Executive Scheme	2,610	2,610	2,700	2,700
<b>Total Fair Value</b>	<u>882,415</u>	<u>23,736</u>	<u>866,675</u>	<u>22,602</u>
Net liability arising from defined benefit obligation	<u>(199,161)</u>	<u>(1,963)</u>	<u>(230,018)</u>	<u>(3,141)</u>
Disclosed as:				
Defined benefit obligation	(200,900)	(3,702)	(231,095)	(4,218)
Defined benefit asset	1,739	1,739	1,077	1,077
<b>Total Fair Value</b>	<u>(199,161)</u>	<u>(1,963)</u>	<u>(230,018)</u>	<u>(3,141)</u>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 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	Company	Group	Company
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
At beginning of year	1,093,350	22,400	977,498	20,726
<u>Service cost</u>				
Current service cost	37,749	593	31,755	498
Past service cost	12,896	216	372	56
Administrative expenses	644	10	483	8
Insurance premiums for risk benefits	2,575	40	2,412	39
<u>Interest cost</u>	27,626	560	26,669	559
<u>Cash flows</u>				
Benefits paid	(21,811)	(742)	(19,227)	(698)
Contributions from plan participants	8,465	179	7,944	164
Administrative expenses	(644)	(10)	(483)	(8)
Insurance premiums for risk benefits	(2,575)	(40)	(2,412)	(39)
<u>Actuarial gains and losses</u>	(79,173)	19	68,339	1,095
<b>At end of year</b>	<b>1,079,102</b>	<b>23,225</b>	<b>1,093,350</b>	<b>22,400</b>
<b>Ulsterbus/Citybus Scheme</b>			<b>Group &amp; Company</b>	<b>Group &amp; Company</b>
			<b>2020</b>	<b>2019</b>
			<b>£'000</b>	<b>£'000</b>
At beginning of year			868	1,057
<u>Interest cost</u>			20	26
<u>Cash flows</u>				
Benefits paid			(123)	(134)
<u>Actuarial gains and losses</u>			4	(81)
<b>At end of year</b>			<b>769</b>	<b>868</b>

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## Notes to the consolidated financial statements (continued)

### 21. Employee benefits (continued)

Executive Scheme	Group & Company 2020 £'000	Group & Company 2019 £'000
At beginning of year	2,475	2,365
<u>Service cost</u>		
Current service cost	23	24
<u>Interest cost</u>	61	62
<u>Cash flows</u>		
Benefits paid	(61)	(108)
<u>Actuarial gains and losses</u>	(793)	132
<b>At end of year</b>	<b>1,705</b>	<b>2,475</b>

### (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 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
At beginning of year	862,255	18,182	775,250	16,724
<u>Interest income</u>	21,704	452	21,088	450
<u>Cash flows</u>				
Employer contributions	28,386	425	25,653	429
Contributions from scheme members	8,465	179	7,944	164
Benefits paid	(21,811)	(742)	(19,227)	(698)
Administrative expenses paid from plan assets	(644)	(10)	(483)	(8)
Insurance premiums for risk benefits	(2,575)	(40)	(2,412)	(39)
<u>Return on plan assets (excluding interest income)</u>	(41,589)		54,442	
		(935)		1,160
Rebasing to 2019 valuation asset data	24,011	2,012	-	-
<b>At end of year</b>	<b>878,202</b>	<b>19,523</b>	<b>862,255</b>	<b>18,182</b>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 21. Employee benefits (continued)

#### (v) Movements in fair value and analysis of scheme assets (continued)

Ulsterbus/Citybus Scheme	Group & Company 2020 £'000	Group & Company 2019 £'000
At beginning of year	1,720	1,850
Interest income	42	49
<u>Cash flows</u>		
Benefits paid	(123)	(134)
<u>Return on plan assets (excluding interest income)</u>	(36)	(45)
<b>At end of year</b>	<b>1,603</b>	<b>1,720</b>
Executive Scheme	Group & Company 2020 £'000	Group & Company 2019 £'000
At beginning of year	2,700	2,610
Interest income	67	70
<u>Cash flows</u>		
Employer contributions		24
Benefits paid	(61)	(108)
<u>Return on plan assets (excluding interest income)</u>	(96)	104
<b>At end of year</b>	<b>2,610</b>	<b>2,700</b>

The average duration of the benefit obligation at the end of the reporting period is c20 years (2019: c22 years).

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 21. Employee benefits (continued)

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	
	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m
Equity instruments	373.2	513.0	-	-	1.4	1.4
Debt instruments	340.7	202.6	-	1.7	1.2	1.3
Property	87.8	94.9	-	-	-	-
Other	76.5	51.8	1.6	-	-	-
	<u>878.2</u>	<u>862.3</u>	<u>1.6</u>	<u>1.7</u>	<u>2.6</u>	<u>2.7</u>

Substantially all plan assets are classified as level 2 instruments.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 22. Directors' and employees' staff costs

<b>Staff costs</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group</b>		
Wages and salaries	131,098	123,802
Social security costs	12,994	12,319
Other pension costs	28,179	25,542
	<hr/>	<hr/>
	172,271	161,663
	<hr/>	<hr/>
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
Wages and salaries	2,110	2,028
Social security costs	264	238
Other pension costs	429	379
	<hr/>	<hr/>
	2,803	2,645
	<hr/>	<hr/>
	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
<b>Number of Employees (Group)</b>		
Average		
Operating	2,643	2,516
Maintenance	832	793
Administration	743	772
	<hr/>	<hr/>
	4,218	4,081
	<hr/>	<hr/>
Total number of employees at the end of the year	4,203	4,202

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 22. Directors' and employees' staff costs (continued)

Staff costs exclude voluntary exit scheme costs of £0.3m (2019: £1.6m) which were fully funded by the Department.

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
<b>Number of Employees (Company)</b>		
Average		
Operating	12	13
Administration	25	27
	<hr/> 37	<hr/> 40
Total number of employees at the end of the year	<hr/> 38	<hr/> 36

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' Emoluments (excluding non-executive directors)</b>		
Basic salary and fees	452	447
Benefits in kind	2	14
	<hr/> 454	<hr/> 461
Pension contributions	38	85
	<hr/> 492	<hr/> 546

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Members of defined benefit pension schemes	<hr/> 3	<hr/> 3

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	170	170
Accrued annual pension	4	2
Accrued lump sum	-	-
	<hr/> 170	<hr/> 170
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
The Chairmen's emoluments – fees	<hr/> 14	<hr/> 36

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 22. Directors' and employees' staff costs (continued)

The emoluments of the other non-executive Directors (including the interim Chairman in the period before his appointment as Chairman) fell within the following bands:

	2020	2019
	No	No
£10,001 - £15,000	2	1
£15,001 - £20,000	3	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

	2020	2019
	£'000	£'000
<b>Financial assets</b>		
Financial assets at amortised cost:		
Trade receivables	13,473	17,376
Other receivables	9,693	10,617
Grant receivables	58,497	39,881
Derivative instruments – current – FVTPL	-	1,318
Cash and bank balances – financial assets at amortised cost	23,931	37,302
<b>Total financial assets</b>	<b>105,594</b>	<b>106,494</b>
<b>Financial liabilities</b>		
Trade payables – Other financial liabilities	15,153	8,212
Derivative instruments – current – FVTPL	5,478	374
Derivative instruments – non-current – FVTPL	4,542	-
Other payables and accruals – Other financial liabilities	69,690	59,142
<b>Total financial liabilities</b>	<b>94,863</b>	<b>67,728</b>
<b>Net financial assets</b>	<b>10,731</b>	<b>38,766</b>

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

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 29 March 2020		At 31 March 2019	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
<b><i>Financial assets at FVTPL</i></b>				
Derivative financial assets				
Due within one year	-	-	1,318	1,318
Due after more than one year	-	-	-	-
Total	-	-	1,318	1,318
<b><i>Financial liabilities at FVTPL</i></b>				
Derivative financial liabilities:				
Due within one year	(5,478)	(5,478)	(374)	(374)
Due after more than one year	(4,542)	(4,542)	-	-
Total	(10,020)	(10,020)	(374)	(374)

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

	At 29 March 2020		At 31 March 2019	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
Opening fair value of derivative financial instruments	944	944	2,480	2,480
New trades	(3,274)	(3,274)	(380)	(380)
Trades settled	(715)	(715)	(2,246)	(2,246)
Movement in fair value	(6,975)	(6,975)	1,090	1,090
<b>Closing fair value of derivative instruments</b>	<b>(10,020)</b>	<b>(10,020)</b>	<b>944</b>	<b>944</b>

#### (d) Fair value adjustments recognised in income

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

	2020 £'000	2019 £'000
Fair value adjustments	(10,964)	(1,536)

#### (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 29 March 2020. 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.

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

#### (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 29 March 2020 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.

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

#### *Fuel price risk (continued)*

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 29 March 2020 is 40.7m litres (2019: 40.0 m litres) for which 81% is hedged (2019: 83%).

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	
			2020	2019
	p / litre	p / litre	Litres'000	Litres'000
Less than 1 year	40.43	35.98	35,750	33,000
1 to 2 years	37.54	40.43	33,000	33,000
2 to 5 years	34.08	37.55	7,200	7,200
5 years +	-	-	-	-
			75,950	73,200

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

	Notional Quantity of fuel covered by derivatives thousands/litres
<b>As at 29 March 2020</b>	48,077
Bus division	27,873
Rail division	
<b>As at 31 March 2019</b>	
Bus division	46,336
Rail division	26,864

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

At 29 March 2020, and 31 March 2019 the projected fuel costs (excluding premia payable on fuel derivatives, delivery margins, fuel taxes and fuel tax rebates) for the next twelve months were:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Costs subject to fuel hedges		
- Bus	8,363	7,448
- Rail	4,979	4,426
	<hr/> 13,342	<hr/> 11,874
Costs not subject to fuel hedges		
- Bus	1,951	1,844
- Rail	1,162	962
	<hr/> 3,113	<hr/> 2,806
Total	<hr/> 16,455	<hr/> 14,680

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:

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Bus	195	57
Rail	116	33
	<hr/>	<hr/>

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

#### (ii) 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.

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

As at 29 March 2020, the Group's credit facilities were £4,250,000 (2019: £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 which has been frontloaded to assist with cashflow during the COVID-19 pandemic,

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.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	£'000	£'000	£'000	£'000	£'000	£'000
<b>2020</b>							
Non-interest bearing		52,812	11,043	20,988	-	-	84,843
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-	-
		52,812	11,043	20,988	-	-	84,843
<b>2019</b>							
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

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

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.

	<b>Weighted average effective interest rate</b>	<b>Less than 1 month</b>	<b>1-3 month s</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>5+ years</b>	<b>Total</b>
	%	£'000	£'000	£'000	£'000	£'000	£'000
<b>2020</b>							
Non-interest bearing		37,753	36,908	29,706	1,227	-	105,594
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-	-
		<u>37,753</u>	<u>36,908</u>	<u>29,706</u>	<u>1,227</u>	<u>-</u>	<u>105,594</u>
<b>2019</b>							
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
		<u>49,021</u>	<u>16,628</u>	<u>35,118</u>	<u>4,409</u>		<u>105,176</u>

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## Notes to the consolidated financial statements (continued)

### 23. Financial Instruments (continued)

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.

	<b>Less than 1 month £'000</b>	<b>1-3 months £'000</b>	<b>3 months to 1 year £'000</b>	<b>1-5 years £'000</b>	<b>5+ years £'000</b>	<b>Total £'000</b>
<b>2020</b>						
Gross settled:						
Fuel forward contracts	(324)	(937)	(4,217)	(4,542)	-	(10,020)
	<u>(324)</u>	<u>(937)</u>	<u>(4,217)</u>	<u>(4,542)</u>	<u>-</u>	<u>(10,020)</u>
<b>2019</b>						
Gross settled:						
Fuel forward contracts	110	219	989	(374)	-	944
	<u>110</u>	<u>219</u>	<u>989</u>	<u>(374)</u>	<u>-</u>	<u>944</u>

# Translink Annual Report 2019/20

## Notes to the consolidated financial statements (continued)

### 24. 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:

	<b>2020</b>	<b>2019</b>
	<b>£m</b>	<b>£m</b>
Capital grants	110.0	112.9
Public Service Obligation compensation	19.9	17.0
Concessionary fare compensation for a range of groups	41.0	48.0
VES Funding	0.3	1.6
Other revenue funding	10.4	18.4

The balance owed to the Group by the Department at the year-end was £9.4m (2019: £13m).

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’.

	<b>2020</b>	<b>2019</b>
	<b>£’000</b>	<b>£’000</b>
Short-term employee benefits	538	567
Post- employment benefits	89	85