

Northern Ireland Railways Company Limited
Regulatory Financial Statements
Year ended 27 March 2022

Northern Ireland Railways Company Limited
Regulatory Accounts year ended 27 March 2022

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Northern Ireland Railways Company Limited

Regulatory Accounts year ended 27 March 2022

Basis of Preparation

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

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

Source data

The regulatory accounts are based on the management accounts, as adjusted, of Northern Ireland Railways Limited for the year ended 27 March 2022 to operating profit level. These regulatory accounts do not include the accounting adjustments for derivatives and pensions which are reflected in the statutory accounts of Northern Ireland Railways Limited. The Infrastructure assets have been extracted from the trial balance of Northern Ireland Railways Limited before the accounting adjustments for derivatives, pensions and intercompany write-off, where applicable. There is no requirement to adjust for debtors/creditors/cash.

Turnover

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

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

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

Operating Costs

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

- Allocation of time spent by specified operational personnel carrying out infrastructure manager duties, based on informed estimates of time allocation;
- This allocation has resulted in 39% of operating costs (31 March 2021: 36%) allocated to IM and 61% of operating costs (31 March 2021: 64%) allocated to RU.

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Engineering Costs

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

	2021/22	2020/21
	£'000	£'000
Total engineering division costs	24,492	22,342
Deduct fuel and income	(7,509)	(6,316)
Net engineering costs	16,983	16,026
Allocated to:		
Infrastructure Manager (5%) of net engineering costs	849	801
Railway undertaking	23,643	21,541
Total engineering costs	24,492	22,342

Overhead costs

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

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

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	2021/22	2020/21
	£'000	£'000
Total overhead costs	7,101	6,945
Allocated to		
Infrastructure Manager %	40.4%	37.3%
Railway Undertaking %	59.6%	62.7%
	£'000	£'000
Infrastructure Manager	2,869	2,591
Railway Undertaking	4,232	4,354
Total overhead costs	7,101	6,945

Reconciliation to Northern Ireland Railways Statutory accounts

Financial Review

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

	Profit before tax	
	2022	2021
	£m	£m
Per Statutory Accounts	(2.8)	3.0
IAS 19 pension adjustment	9.1	5.1
Derivatives	(5.2)	(2.8)
Pro Forma	<u>1.1</u>	<u>5.3</u>

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

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Financial Review (continued)

Turnover has increased due to post COVID-19 recovery in passenger journeys offset by reduction in Government revenue support (PSO and emergency COVID-19 funding).

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

Assets

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

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

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

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



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

Telephone +44 28 9024 3377
Fax +44 28 9089 3893
Internet www.kpmg.ie

The Directors
Northern Ireland Railways Company Limited
Chamber of Commerce House
22 Great Victoria Street
Belfast
BT2 7LX

The Office of Rail and Road
1 Kemble Street
London
WC2B4AN

24 August 2022

Dear Sirs

Report of Factual Findings

In accordance with the terms of our engagement letter dated 18 June 2021, we have performed those procedures agreed with Northern Ireland Railways Company Limited (“the Company”) and The Office of Rail and Road (collectively and individually “you”) in relation to the verification of financial information included in the Northern Ireland Railways Company Limited regulatory disclosures.

Purpose of this agreed upon procedures report

Our report has been prepared solely for the purpose of assisting the Company in connection with verification of financial information included in the Northern Ireland Railways Company Limited regulatory disclosures. It has been released to the Company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company’s own internal purposes) or in part, unless permitted under the terms of the Engagement Letter or with our prior written consent.

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

Responsibilities of the Company and the responsible party

The Company has acknowledged that the agreed upon procedures are appropriate for the purpose of the engagement.

Our responsibilities

We have conducted the agreed upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed Upon Procedures Engagements. An agreed upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed



Northern Ireland Railways Company Limited

Agreed upon procedures in respect of the verification of financial information included in the Northern Ireland Railways Company Limited regulatory disclosures

upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures

This agreed upon procedures engagement is not an assurance engagement; the procedures below do not constitute either an audit or a review in accordance with International Standards on Auditing UK or International Standards on Review Engagements (UK). Accordingly, we do not express an opinion or an assurance conclusion.

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

Professional Ethics and Quality Control

We have complied with the ethical requirements in the Chartered Accountants Ireland Code of Ethics issued by Chartered Accountants Ireland which include the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (IESBA Code).

There are no specific independence requirements for this engagement. However, we are the statutory auditor of Northern Ireland Railways Company Limited and are therefore independent from Northern Ireland Railways Limited in accordance with the FRC Ethical Standard 2019 issued by the Financial Reporting Council (FRC).

Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Company:

Procedure	Finding
1 Confirmation that Northern Ireland Railways has clearly documented policies for the preparation of the regulatory disclosures including policies for the allocation of financial information between the railway undertaking ("RU") and the infrastructure manager ("IM")	With respect to the procedure we found no exceptions.



Northern Ireland Railways Company Limited

Agreed upon procedures in respect of the verification of financial information included in the Northern Ireland Railways Company Limited regulatory disclosures

Procedure	Finding
2 Confirm that the amounts of income and expenditure used in the calculation have been correctly extracted from the underlying accounting records.	With respect to the procedure we found no exceptions.
3 Confirm that the allocation of financial information is performed in accordance with aforementioned policies for the allocation of financial information between the IM and the RU.	With respect to the procedure we found no exceptions.
4 Confirm that there has been appropriate internal review at an appropriate level of seniority of whether Northern Ireland Railway's actual calculations are consistent with the stated processes and policies.	With respect to the procedure we found no exceptions.
5 Confirm that the sub-totals and total in the disclosures down cast and cross cast.	With respect to the procedure we found no exceptions.
6 Confirm that the regulatory disclosures reconcile to the statutory accounts	With respect to the procedure we found no exceptions.

Yours faithfully

KPMG

Chartered Accountants

Northern Ireland Railways Company Limited Regulatory Accounts year ended 27 March 2022

Review of activities

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

Key Achievements 2021-22

Rail Fleet

In September 2021 we launched the first new longer walk-through train into passenger service as part of a £66million project to further transform Northern Ireland's railway infrastructure. Three new train carriages, delivered in March, have been integrated with the fully refurbished existing donor Class 4000 trains to create a more accessible and high-quality onboard customer experience.

This is the first of seven longer trains to be converted when all 21 carriages arrive allowing passengers to walk the full-length of the train. Alongside delivering more seats thereby allowing us to transport more passengers via rail, this significant investment has also enabled associated infrastructure projects to be progressed including depot improvements, platform extensions and an upgrade to the driver training simulator. With around 1,600 additional seats available every day, these new trains are also greener and more energy efficient. This investment will help encourage even more people on board supporting NI's low carbon economy, protecting the environment and ensuring a better, more inclusive and resilient future for everyone.

The remaining trains will continue to be phased into service with the last one planned for summer 2022.

Yorkgate Train Station Transformation

In July 2021 we announced a significant investment project that will see the construction of a new train station at York Street, Belfast. It will provide better connectivity for everyone particularly with the opening of the new Ulster University campus this year and the planned City Quays development.

Passengers will enjoy modern, more accessible amenities including a new Changing Places facility and better links to walking and cycling options with more access to cycle parking and local cycle networks. A new footbridge will link to wider platforms and new canopies. The external design will boast an enhanced station layout with high quality landscaping and provision of a public realm area at the front of the station.

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

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Key Achievements 2021-22 (continued)

Ticketing progress and plans

We will gradually incorporate 'Tap on, Tap off' features to all bus and train services over the next 12 months, further enhancing integration of our services and ensuring customers automatically get the best value fare. This will make it much easier for people to choose the bus and train as a smarter option, which is good news for them, our climate, our air quality and a positive step towards a healthier and more active future for everyone. The new technology accepts contactless payments from smart devices with Apple Pay, Google Pay or Samsung Pay facility, Visa and Mastercard (including Maestro) contactless credit and debit cards, as well as pre-paid contactless cards.

Progress on Belfast Transport Hub

In April 2022 we announced that the new NI Executive Flagship Belfast Transport Hub will be officially called 'Belfast Grand Central Station'.

The new station is a hugely significant step forward in delivering a world-class customer experience. Set to be the largest integrated transport facility on the island of Ireland, it will showcase innovation and design on a truly grand scale. We are delighted to work with the community to present the fitting name 'Belfast Grand Central Station' for what is set to be a truly iconic landmark for the city.

It will deliver a high-class customer experience including retail options and enhanced cross border connectivity for up to 20 million passenger journeys annually. With the added benefits of active travel options, it will also play a major part in tackling the climate emergency, reduce congestion for better air quality, leading to a healthier, smarter and more sustainable city for everyone.

Translink is delighted to see this project continuing to progress on schedule and we look forward to completion in 2025.

Weavers Cross

In December 2021 we submitted a major planning application to Belfast City Council for the Weavers Cross Regeneration Project, following an extensive community consultation process.

The submission of the outline planning application sets out the development ambition for the 1.3+ million square foot brownfield site, on land surrounding the new Belfast Transport Hub, a central site just a five-minute walk from Belfast City Hall.

Once fully occupied, Weavers Cross will have the potential to create mixed use space for Grade A office, residential, leisure, retail, hospitality, social enterprise, community space and public realm in the city centre. At its heart lies the approved Belfast Transport Hub and Saltwater Square, a central gathering place for events, recreation and connection. The outline application submission follows a comprehensive pre-application community consultation that reached more than 50,000 citizens.

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Capital Investment

Capital expenditure	2022	2021
	£m	£m
Trains	32.3	36.5
Land and buildings	8.8	6.2
Infrastructure	68.6	40.8
Other	13.5	8.2
Total	123.2	91.7
KPIs		
Fleet size – rolling stock sets	45	45

Expenditure of £32.3m on trains includes the overhaul of the Class 3000, Class 4000 and Enterprise trains (£6.6m), the Class 3000 Mid Life refresh (£1.1m) and the Class 4000 Mid Life Refresh (£3.3m) and the purchase of 21 additional Class 4000 carriages (£19.8m).

Land and buildings additions of £8.8m includes the progression of Trooperslane Park and Ride Facility (£1.4m), Tree Management works (£1.4m), stabling works in the North West and modifications to platforms in Adelaide Engineering Facility to support the Additional Train Capacity Project (£0.9m), Toilet Refurbishment (£0.6m), Platform Safety Measures (£0.4m), Lineside Fencing (£0.4m), Rail Facilities Minor Works (£0.4m), York Road Consent to Discharge (£0.3m) and the commencement of enabling works for Ballymena Park and Ride (£0.3m).

Infrastructure expenditure of £68.6m includes £15.5m on Dark Arches Track Renewal, £7.7m on Structures Examinations and Assessments, £7.6m on Cullybackey Area Signalling and Level Crossing Renewals, £6.1m on Track Condition Retention projects, £2.8m on conversion of Whitehead Miniature Stop Light to Manual Control Barrier, £2.7m on Lisburn Station Interlocking Renewal, £2.3m on Fortwilliam to Bleachgreen Signalling Renewals, and £2.2m on Bridge Strengthening and Refurbishment. The Coleraine to Derry Phase 3 project was also progressed up to Business Case (£0.9m) and the Eglinton Passing Loop project was commenced (£1.0m).

Included in other capital expenditure of £13.5 is £6.2m on the Future Ticketing System, £1.6m on the Platform LED Lighting programme and £1.2m on Lanyon Station Lift and Escalator Replacement.

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Income Statement

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

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Income Statement

	Year ended 28 March 2021		
	Infrastructure Manager £'000	Railway Undertaking £'000	TOTAL £'000
Turnover excluding PSO	5,284	12,488	17,772
PSO	21,307	50,921	72,228
Total Turnover	26,591	63,409	90,000
Operating costs	(19,994)	(34,948)	(54,942)
Engineering costs	(801)	(21,541)	(22,342)
Net contribution	5,796	6,920	12,716
Overheads	(2,591)	(4,354)	(6,945)
Net depreciation	(629)	(120)	(749)
Operating profit before impairment	2,576	2,446	5,022
Impairment credit	92	28	120
Operating profit after impairment	2,668	2,474	5,142
Other operating income	-	171	171
Operating profit	2,668	2,645	5,313

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

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

		As at 28 March 2021		
	Note	Infrastructure Manager £'000	Railway Undertaking £'000	TOTAL £'000
Tangible fixed assets	1/2	218,669	172,951	391,620
Deferred government grants	3/4	(218,334)	(175,336)	(393,670)
Stocks		2,642	2,595	5,237
TOTAL		2,977	210	3,187

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



Patrick Anderson
Chief Financial Officer
18th August 2022

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Notes to the balance sheet extract

1. Tangible Fixed Assets Infrastructure Manager

	Long Leasehold buildings	Permanent way signalling and bridges	Rolling stock	Motor Vehicles Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 28 March 2021	182,853	462,328	-	19,519	664,700
Additions	8,376	68,562	-	4,639	81,577
Disposals	-	-	-	(36)	(36)
Net Group transfers	(16)	5,784	-	(420)	5,348
At 27 March 2022	191,213	536,674	-	23,702	751,589
Depreciation:					
At 28 March 2021	179,809	252,572	-	13,650	446,031
Charge for year	179	15,380	-	1,034	16,593
Provision for impairment	8,308	296	-	33	8,637
Disposals	-	-	-	(34)	(34)
Net Group transfers	-	-	-	(140)	(140)
At 27 March 2022	188,296	268,248	-	14,543	471,087
Net book value					
At 27 March 2022	2,917	268,426	-	9,159	280,502
At 28 March 2021	3,044	209,756	-	5,869	218,669

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Notes to the balance sheet extract (continued)

2. Tangible Fixed Assets Railway Undertaking

	Long Leasehold buildings £'000	Permanent way signalling and bridges £'000	Rolling stock £'000	Motor Vehicles Plant and equipment £'000	Total £'000
Cost or valuation:					
At 28 March 2021	16,435	-	303,636	56,283	376,354
Additions	423	-	32,267	8,923	41,613
Disposals	-	-	-	(2,311)	(2,311)
Net Group transfers	(4)	-	-	(65)	(69)
At 27 March 2022	16,854	-	335,903	62,830	415,587
Depreciation:					
At 28 March 2021	16,435	-	156,207	30,761	203,403
Charge for year	-	-	16,217	2,112	18,329
Provision for impairment	419	-	2	(7)	414
Disposals	-	-	-	(2,311)	(2,311)
Net Group transfers	-	-	-	(9)	(9)
At 27 March 2022	16,854	-	172,426	30,546	219,826
Net book value					
At 27 March 2022	-	-	163,477	32,284	195,761
At 28 March 2021	-	-	147,429	25,522	172,951

3. Deferred Income Infrastructure Manager

	Deferred government grants	
	2022	2021
	£'000	£'000
At start of period	218,334	192,433
Grants receivable	81,548	49,147
Transferred to Group undertaking	5,621	(767)
Write off/disposals	(213)	(607)
Transferred to profit and loss account:		
In respect of depreciation	(16,284)	(15,883)
In respect of impairment of assets	(8,688)	(5,989)
At end of period	280,318	218,334

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Notes to the balance sheet extract (continued)

4. Deferred Income Railway Undertaking

	Deferred government grants	
	2022	2021
	£'000	£'000
At start of period	175,336	170,619
Grants receivable	41,650	20,658
Transferred to Group undertaking	(59)	1,327
Write off/disposals	(48)	(182)
Transferred to profit and loss account:	-	-
In respect of depreciation	(18,233)	(16,932)
In respect of impairment of assets	(414)	(154)
At end of period	198,232	175,336