Annual Report & Accounts 2020/2021

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# Officers and Advisers

**Directors**

Dr Michael Wardlow OBE (appointed 1 March 2021 - Chair)

Dr Mark Sweeney OBE

(interim Chair until 28 February 2021)

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

# Chair’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 28 March 2021.

Throughout the crisis Translink staff have been at the frontline helping the NHS, and other key workers and vulnerable people get to where they need to be – to their jobs, to their homes and to their families.

The Coronavirus pandemic has seen dramatic reductions in public transport passenger numbers globally and across Northern Ireland, immediately reducing Translink’s operating revenue. We have had to adapt our business plan, in line with the

NI Executive’s recovery plan, reducing costs and preparing for a phased recovery in passenger numbers. The pandemic has prompted shifts in working and leisure patterns, which will likely change transport patterns and support a growth in demand for sustainable transport modes such as public

transport which will require ongoing investment to build back responsibly.

I acknowledge and welcome the significant emergency COVID-19 funding which has enabled essential services to be maintained during the pandemic and allowed cash reserves to be restored. 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 (“DfI”) to support and fund such services.

The Group’s profit for the financial year, before tax and accounting adjustments relating to pensions, impairment and derivatives, was £59.7m (see Review of the Business on page 11) against a budgeted loss of £43.4m due primarily to significantly increased

in-year government funding, cost reduction and efficiency measures.

Despite the impact of the Coronavirus pandemic there has been a number of very significant investment decisions and capital infrastructure milestones achieved in the year including the completion of the first key milestone in the construction of the new Belfast Transport Hub; the Enabling Works phase is due to complete late 2021.

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”.

The decarbonisation of public transport in Northern Ireland has taken a significant leap forward with a new contract for 100 zero emission buses which will be the most environmentally-friendly bus fleet in Ireland. All the new buses are

due to be in service during 2021/2022.

Planning, specification and procurement of 21 new rail carriages has also 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.

On behalf of the Board, I want to record and recognise the great contribution made by the

interim chair, Dr. Mark Sweeney, during the past year. 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 Chair.

I am particularly proud to be the Chair 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 Chris Conway and the senior team for their exemplary leadership and the entire Translink team for their effort and commitment during these difficult times.

We must continue to maintain and expand a comprehensive public transport network to help Northern Ireland recover from the current crisis, and deliver a sustainable recovery that tackles climate change and improves air quality while also connecting communities and supporting economic growth. Public transport underpins our region’s ability to build back responsibly and sustainably.

Michael Wardlow, Chair 16 June 2021

# Northern Ireland Transport Holding Company (NITHC) Board

1. **Dr. Michael Wardlow OBE Chair**

Dr Michael Wardlow was most recently the Chief

Commissioner for the Equality Commission for N Ireland,

a public appointment he held from March 2012 to February 2020.

Michael is currently Chair of Translink, Chair of the NI Police Fund, Chair of the Public Sector Chairs’ Forum and Member of OFCOM Consumer Panel.

In addition to being a graduate of Queen’s University Belfast, Michael is a Chartered Fellow of the Chartered Institute of Personnel and Development and a Fellow of the Chartered Insurance Institute.

Michael is also a Visiting Scholar in George Mitchell Institute for Global Peace, Security and Justice.

1. **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).

1. **Dr. Mark Sweeney OBE Non-executive Director**

Appointed as interim Chair from February 2020 to February 2021 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.

1. **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. In addition to being an honours graduate in modern

languages from Queen’s University Belfast, she is a Fellow of Chartered Accountants Ireland and holds an MBA. Hilary serves as a Non-Executive Director (Finance) of the Southern Health & Social Care Trust. She is also a Non-Executive member of the Youth Justice Agency Management Board and chairs the Audit and Risk Committee.

1. **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 2002.

1. **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.

1. **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.

1. **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 was also Co-Chair of the Audit and Risk Committee of the

Office of the Police Ombudsman for Northern Ireland until September 2020. On a voluntary basis, he is

a member of the Marie Curie Cancer Care NI Advisory Board.

**7. Angela Reavey**

**Non-Executive Director**

Appointed as a Non- Executive Director in January 2016, a Fellow of Chartered Accountants Ireland, Angela has experience working at

a senior level in both the public and private sectors.

She is a past Chairman of the Chartered Accountants Ireland - Ulster Society, a former Board member of the Northern Ireland Science Park Foundation. She is currently a Board

member of Firmus Energy and a Strategic Associate Adviser with the Strategic Investment Board.

# Strategic Report

**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 2020/21

Translink’s performance in 2020/21 has been against a backdrop of the devastating impact of COVID-19 on society and the impact this has had on passenger journeys and revenues. This has led to the requirement of emergency COVID-19 funding to maintain essential services, including £50m to

restore the group’s cash reserves, and cost reduction and efficiency measures.

Consolidated Profit for the year (before tax and accounting adjustments relating to pension, impairment and derivatives) was £59.7m, compared to a £23.2m loss for the prior year. (See Review of the Business on page 11).

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 Passenger growth

The board is pleased to report that cost reduction and efficiency savings of £24m were achieved during 2020/21 compared to the previous year, while maintaining focus on operating services that met the demands of those whose travel was essential during the pandemic.

There was a significant decline in passengers travelling during 2020/21 due to COVID-19 restrictions; a total of 25.7m passenger journeys was achieved for the year (2019/20: 83.4m passenger journeys).

Metro and Glider passenger journeys were 10.2m (66% below last year). Rail passenger journeys were 3.3m (78% below last year) and Ulsterbus passenger

journeys were 12.2m (68% below last year), reflecting school closures and lockdown restrictions to curtail the spread of COVID-19.

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 manage and 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.

**25.7 million**

passenger journeys

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### Review of the Business

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

#### Key Financials

|  |  |  |
| --- | --- | --- |
|  | 2021  Group  £m | 2020  Group  £m |
| Revenue before intercompany adjustments | 293.1 | 229.4 |
| Intercompany adjustments | (0.5) | (3.5) |
| Consolidated revenue | 292.6 | 225.9 |
| Pro forma profit/(loss) before tax (note 1) | 59.7 | (23.2) |
| Decrease in fair value of investment properties | (0.6) | - |
| Pensions adjustments (IAS 19) | (17.8) | (31.3) |
| Movement on derivatives | 7.7 | (10.9) |
| Consolidation adjustments | - | - |
| Consolidated profit/(loss) before tax | 49.0 | (65.4) |

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

#### Financial Review

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

The pro-forma profit before tax, i.e. profit for the year before tax and accounting adjustments for fair value of investment properties, pensions and

derivatives, was £59.7m. This represents a significant improvement of £103.1m on budget (loss of £43.4m). Whilst there was a significant decline in fare paying passengers as a result of the COVID-19 pandemic, this was more than offset by emergency COVID-19 funding, funding to restore reserves and a range of efficiency and cost reduction measures.

The EU IFRS consolidated profit before tax for the year of £49.0m has been adjusted to arrive at the pro-forma profit as follows:

Pensions: £17.8m charge (2020: £31.3m charge). This is due to an increase in the long-term cost of both providing pensions and servicing the pensions deficit;

Derivatives: £7.7m credit (2020: £10.9m charge). This reflects the application of the Group’s forward fuel procurement policy and reflects the recovery in market value of oil since last year;

Revaluation: £0.6m charge (2020: £nil). This reflects a reduction in the value of investment property this year as COVID-19 has depressed retail site valuations.

The Group Balance Sheet was impacted by adverse movements in the valuation of the Group’s net pension deficit, which moved from £199.0m to

£226.7m in the current year, primarily because of a reduction in the discount rate from 2.3% to 2.2%

offset by higher than expected return on plan assets during the year. 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) | 2021\* | 2020\* | 2019\*\* |
| NI Railways | 3.3 | 15.1 | 15.8 |
| Ulsterbus | 12.2 | 37.9 | 38.7 |
| Metro | 10.2 | 30.4 | 30.0 |
| Total | 25.7 | 83.4 | 84.5 |

*\* Passenger journeys in 2020 and 2021 exclude free health and social care worker journeys estimated at 33k per week*

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

#### Capital Investment

|  |  |  |
| --- | --- | --- |
| Capital expenditure | 2021  £m | 2020  £m |
| Buses/Coaches | 57.4 | 17.5 |
| Trains | 36.5 | 8.6 |
| Infrastructure | 40.8 | 35.3 |
| Land and buildings | 35.2 | 34.3 |
| Other | 12.9 | 12.2 |
| Total | 182.8 | 107.9 |

The investment in buses/coaches of £57.4m relates to the purchase of 25 Minibuses, 68 Double Deck buses, 34 Single Deck buses and 30 coaches for deployment on the Ulsterbus and Goldline network. Milestone payments were made for a further 74 Goldline coaches. Investment was also made in Metro with the delivery of 3 Hydrogen Fuel Cell buses and

2 additional Gliders. Milestone payments were made for 20 Hydrogen Fuel Cell and 80 Battery Electric buses which are due to be delivered in 2021/22.

Capital Investment *(Continued)* Expenditure of £14.0m on trains relates to the overhaul of the Class 3000, Class 4000 and Enterprise trains, the Class 3000 Mid Life refresh and the commencement of the Class 4000 Mid

Life Refresh and the purchase of 21 additional Class 4000 carriages. Advance payments of £22.5m made to Construcciones Y Auxiliar De Ferrocarile SA in respect of the additional carriages in prior years and previously disclosed under prepayments are shown as capital expenditure in the year as the first set of

3 carriages have been delivered.

Infrastructure expenditure of £40.8m includes

£4.4m on Track Condition Retention and Assurance projects, £3.4m on Structures Examinations and Assessments, £3.3m on Lagan Junction Switch and Crossing Renewals, £3.3m on Level Crossing Renewal Programme and other infrastructure improvement projects. The Coleraine to Derry Phase 3 project has also commenced (£0.9m).

The investment in land and buildings of £35.2m includes progression of the Belfast Transport Hub (£22.0m), the Bus Safety Upgrade Programme (£2.5m) and the completion of the North West Multi- Modal Hub. COVID-19 Social Distancing Property projects were also undertaken during the year.

Other projects being progressed during the year include £4.9m on the Future Ticketing System as well as COVID-19 Mechanical and Electrical works, Driver Protection Screens, Hand Sanitisers and Social Distancing Awareness Signage.

#### Key Performance Indicators (KPIs)

|  |  |  |
| --- | --- | --- |
|  | 2021 | 2020 |
| Fleet size: | | |
| Buses/coaches | 1,369 | 1,373 |
| Gliders | 32 | 32 |
| Rail Rolling Stock | 45 sets | 45 sets |
| Average fleet age (buses/coaches: years) | 9.9 | 9.9 |
| Average fleet age (Gliders: years) | 2.7 | 1.7 |

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 manage and operate an essential public transport network that supports economic growth, social

The North West Multi-Modal Hub

Strategic Report **13**

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

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

We will deliver results across four key objectives:

1. Operational excellence
2. **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’.

inclusion and a better environment. We offer choice, and increase individuals’ opportunities in terms of business, education, retail and leisure.

Managing and operating a high quality public transport network 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

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 2020-2021

Operating in “a new normal”

Throughout the crisis Translink staff have been at the frontline helping the NHS, and other key workers and vulnerable people get to where they need to be –

to their jobs, to their homes and to their families.

Playing our part in Northern Ireland’s recovery As businesses look to return to on-site work, we are aware that many employees travel patterns will

change, and will have new expectations for flexible, reduced carbon, and COVID-19-secure travel.

We plan to:

Work with businesses to encourage sustainable travel, such as walking, cycling and public transport, and where possible stagger start and finish times to help facilitate social distancing for their employees using public transport; and

Continue to actively call on everyone to practice the wider safety and travel advice including good hand hygiene, face covering use and social distancing where possible.

We are already:

Encouraging contactless payments and introduced a no change policy, with the remainder donated to NHS Charities Together and Cancer Focus NI;

Delivering high cleaning and sanitisation standards

– with regular enhanced deep cleaning of vehicles and facilities using a protective long-lasting anti- viral disinfectant keeping surfaces virus free,

and mobile cleaning teams out during the day sanitising common touch areas; and

Monitoring and enhancing capacity, where possible, to meet passenger needs.

We have:

Introduced protective screens in stations and on buses and hand sanitiser is available in all main bus and train stations;

Supported requirements to wear a face covering on public transport – face coverings have been given out in stations and on board to help people understand and adapt to the new guidance; and

Issued a briefing document to key stakeholders and businesses to help them provide up to date travel advice to their employees as more people return to public transport. Government and businesses working collaboratively with public transport will further help passengers overcome health and safety concerns by creating and promoting a safe travel environment and safe passenger behaviours.

#### Building Back Responsibly

The Coronavirus pandemic has seen dramatic reductions in public transport passenger numbers globally and across Northern Ireland, immediately reducing Translink’s operating revenue. We have had to adapt our business plan, in line with the

NI Executive’s recovery plan, reducing costs and preparing for a phased recovery in passenger numbers. The pandemic has prompted shifts in working and leisure patterns, which will likely change transport patterns and support a growth in demand for sustainable transport modes such as public transport which will require ongoing investment to build back responsibly. Translink is obliged to provide a comprehensive public transport offer, including school buses and rural networks. These services are essential to sustaining vital jobs in dependent sectors across the entire economy. We must continue to maintain and expand a comprehensive network

to help Northern Ireland recover from the current crisis, and deliver a sustainable recovery that tackles climate change and improves air quality while also connecting communities and supporting economic

growth. Public transport underpins our region’s ability to build back responsibly and sustainably.

#### 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

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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 (TCO2e) 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 to drive

the wider climate change agenda to reduce UK greenhouse gas emissions to net zero by 2050.

#### Progress on Belfast Transport Hub

This year we completed the first key milestone in the construction of the new Belfast Transport hub.

This multi-million pound transport led regeneration project, funded by the Department for Infrastructure, will see the transformation of the 8-hectare city centre site, delivering a modern, high quality integrated transport hub to enhance local and international connectivity with bus, coach and rail links across Northern Ireland and beyond.

Translink has been working in collaboration with construction and civil engineering contractors

**First key milestone**

in construction

of the new Belfast Transport Hub

on the Enabling Works phase, to deliver essential engineering work to clear the site ready for the main build. In this first stage of the development, extensive work has been carried out to successfully move the current bus engineering and operations facilities to new accommodation while maintaining day to day services for passengers. The Enabling Works phase is due to complete late 2021.

The Main Works and Infrastructure enhancement phases of the Belfast Transport Hub project are due to commence in 2022 and due to complete by 2025.

The construction of the Belfast Transport Hub, a key NI Executive Flagship project will provide a step change in the provision of public transport, drive economic development and play a major part in connecting communities and tackling the climate emergency.

This will be vital as we build back healthier, greener and cleaner from COVID-19.

Belfast Transport Hub

#### New Fleet 2020/21 Bus

In order to maintain the attractiveness of our services in terms of emissions, quality, passenger comfort and accessibility, we aim to have a bus fleet age of less than 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 emissions and enhancing air quality.

The decarbonisation of public transport in Northern Ireland has taken a significant leap forward with a new contract for 100 zero emission buses.

The 100 zero emission buses comprise 80 Battery Electric Vehicles and 20 Hydrogen Fuel Cell Electric Vehicles and will be the most environmentally- friendly buses in Ireland. They will be deployed between Metro in Belfast and Foyle Metro services in Derry. There will also be 45 low emissions buses for Ulsterbus services across Northern Ireland.

All the new buses are due to be in service during 2021/2022.

#### 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

**Zero-emission fleet by 2040**

Towards a Zero/Low Emission Fleet Translink is leading the transport transformation to net zero emissions, we are responding to the climate emergency and driving positive change for a healthier and more sustainable transport for future generations.

The core objective of our Carbon Reduction Strategy and Fleet De-carbonisation Strategy is to migrate from the currently predominantly diesel only fleet

to a zero-emission fleet by 2040.

#### Yorkgate Train Station Transformation

In June 2020 we announced plans to carry-out a consultation for the redevelopment of Yorkgate Train Station. This exciting project will be a further milestone in the transformation of public transport, delivering a high-quality sustainable transport

hub to replace the current station. It will also help regenerate this part of the city while providing enhanced connections to the new Ulster University Campus. Passengers will enjoy an enhanced

travel experience with modern new facilities and improvements to accessibility with better links to walking and cycling. These will be key to creating

a sustainable transport network as part of a ‘green’ economic recovery as we emerge from this crisis.

It will also help revitalise the local economy by supporting both the manufacturing and construction industry as we rebuild and recover.

#### 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. The ultimate objective of the project is to deliver account-based ticketing where customers automatically receive discounts as they travel based on the frequency and number of journeys they make. During the year we supplemented the ticket vending machines (TVMs) at all Glider stops, with additional TVMs at Europa Bus Centre, Belfast City Airport and Cairnshill Park and Ride. The next phase is the roll out of new handheld ticket devices on rail services as well as on-bus ticket machines for the wider Metro network, and Ulsterbus services by the end

of the year. Rail ticketing equipment will be installed at all rail stations next year. The new ticketing hardware platform will facilitate contactless card payments on all services and further customer opportunities to purchase online e-commerce/

m-commerce products.

#### Workplace Diversity and Inclusion – Bronze Diversity Mark Awarded

We are proud to have reached the high standards required for the Bronze Diversity Mark. This award is important to us as it not only acknowledges our achievements so far but demonstrates an ongoing commitment to diversity and inclusion.

We recognise the business benefits of having a diverse and inclusive culture in terms of attracting

and retaining the best talent, better business decision making and helping us to understand our customers better.

Employee well-being and engagement is important to us and we acknowledge the positive impact that a focus on diversity and inclusion will have on these areas as well.

Through the Charter Mark process, we’ve committed to promoting female representation in Translink and building a positive inclusive culture. The structure of reporting annual progress enables us to continuously review our approach.

## n

### 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 Gold CORE standard for Corporate Responsibility from Business in the Community (BITC) and again retained its Platinum status in BITC’s Environmental Benchmarking Survey, Northern Ireland’s leading environmental benchmarking exercise.

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

#### Safety

The safety and wellbeing of our customers, staff and the general public is central to our operations, 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 were awarded the bronze diversity mark which acknowledges our achievements so

far but demonstrates an ongoing commitment to diversity and inclusion.

#### Innovation

We have worked to instill 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.

Safety People Innovation Responsibility Integrity Teamwork

**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;

Whole Lifecycle asset management funding (maintenance, refurbishment, renewal and replacement);

COVID-19 pandemic;

Failure to optimally manage and secure sufficient benefit from key service delivery partnerships (such as Education Authority school services and Irish Rail);

Key supplier failure/unavailability;

Failure to maintain good employee relations;

Planning delivery and assurance of Portfolio, Programmes and Projects (e.g. Belfast Transport Hub);

Failure to avoid a catastrophic or major incident; Cyber security;

Potential impact of Brexit; Climate change;

Inflation and supply chain disruption; and Corporate Brand.

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 29.

# 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 28 March 2021. An indication of likely future developments in the business of the Group and Parent Company is included in the strategic report.**

### Directors

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

Dr Mark Sweeney was Interim Company Chair until 28 February 2021 and Dr Michael Wardlow was appointed Chair on 1 March 2021.

### 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, we continued to provide employees with information and updates about the Group. This included regular Group Chief Executive updates through emails, videos and podcasts. Staff briefs and posters continue to be issued when needed but the key focus of communications has moved towards more digital platforms, using uLink, our employee intranet, and we also launched an employee app which can be accessed by all colleagues and provides daily news updates, employee support information and operational updates. Using MS Teams, we were also able to provide monthly leadership briefings and hold employee events focusing on Group updates, safety, wellbeing

and inclusion.

### 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, to manage the COVID-19 situation and its implications for our Supply Chain. We identified the suppliers who we thought might be at risk either by location or nature of their business. We created a Matrix with a number of questions that asked them to outline their response in several key areas. We also created a Risk Summary Matrix which categorised the suppliers as Red/Amber/Green depending on

the health of their position based on their responses.

Procurement specialists also sat on a Joint Centre

of Procurement Excellence (CoPE) committee which was chaired by the Department for Infrastructure

to identify and address common issues caused by COVID-19 across all CoPEs. This focused on ensuring suppliers were paid to ensure their sustainability and to share agreed strategies with common suppliers.

The Group normally 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. We were unable to carry out these surveys due to restrictions imposed by COVID-19.

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 2020/21 and 2019/20 is summarised below; 2018/19 is assumed to be an appropriate baseline year:

#### Energy

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Actual Energy (kWh) | FY1819  (Baseline) | FY1920  (Past Period) | FY2021  (Present Period) | Impact on Baseline | Impact on Previous Period |
| Transport | 411,077,129 | 405,661,625 | 267,781,515 | -34.86% | -33.99% |
| Electricity | 13,603,167 | 14,692,952 | 13,632,907 | +0.22% | -7.21% |
| Gas | 12,913,438 | 12,234,868 | 15,551,176 | +20.43% | +27.11% |
| Oil | 7,233,129 | 6,742,000 | 7,556,318 | +4.47% | +12.08% |
| Total | 444,826,863 | 439,331,445 | 304,521,916 | -31.54% | -30.69% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Normalised Energy (kWh) | FY1819  (Baseline) | FY1920  (Past Period) | FY2021  (Present Period) | Impact on Baseline | Impact on Previous Period |
| Transport | 411,077,129 | 405,661,625 | 267,781,515 | -34.86% | -33.99% |
| Electricity | 13,603,167 | 14,692,952 | 13,632,907 | +0.22% | -7.21% |
| Gas | 13,616,189 | 11,856,460 | 12,638,608 | -7.18% | +6.60% |
| Oil | 7,580,526 | 6,560,520 | 6,322,452 | -16.60% | -3.63% |
| Total | 445,877,011 | 438,771,557 | 300,375,482 | -32.63% | -31.54% |

There has been a 31.54% reduction in actual energy consumption within the Translink Organisation Boundary, in relation to the baseline figures. When adjustments such as Degree Day Normalisation is applied this reduction in energy consumption increases to 32.63%.

Due to the impacts associated with COVID-19, the annual energy has decreased significantly in comparison to previous years, this would be expected to increase next year as the company returns to full operation.

**Greenhouse Gas Emissions *(Continued)***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Actual Emissions (TCO2e) | FY1819  (Baseline) | FY1920  (Past Period) | FY2021  (Present Period) | Impact on Baseline | Impact on Previous Period |
| Transport | 103,986 | 102,616 | 67,738 | -34.86% | -33.99% |
| Electricity | 4,063 | 4,074 | 3,452 | -15.04% | -15.27% |
| Gas | 2,376 | 2,251 | 2,859 | +20.33% | +27.01% |
| Oil | 1,784 | 1,663 | 1,864 | +4.48% | +12.09% |
| Total | 112,209 | 110,604 | 75,913 | -32.35% | -31.37% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Normalised Emissions (TCO2e) | FY1819  (Baseline) | FY1920  (Past Period) | FY2021  (Present Period) | Impact on Baseline | Impact on Previous Period |
| Transport | 103,986 | 102,616 | 67,738 | -34.86% | -33.99% |
| Electricity | 4,063 | 4,074 | 3,452 | -15.04% | -15.27% |
| Gas | 2,505 | 2,181 | 2,325 | -7.19% | +6.60% |
| Oil | 1,870 | 1,618 | 1,559 | -16.63% | -3.65% |
| Total | 112,424 | 110,489 | 75,074 | -33.22% | -32.05% |

There has been a 32.35% reduction in actual emissions within the Translink Organisation Boundary, against the baseline figures. When adjustments such as Degree Day Normalisation is applied this reduction in emissions increases to 33.22%.

Due to the impacts associated with COVID-19, the annual emissions have decreased significantly in comparison to previous years, this would be expected to increase next year as the company returns to full operation.

#### 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 “kgCO2e / Passenger”.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | FY1819  (Baseline) | FY1920  (Past Period) | FY2021  (Present Period) | Impact on Baseline | Impact on Previous Period |
| Passengers | 85,782,041 | 83,387,314 | 25,686,040 | -70.06% | -69.20% |
| Actual Emissions (TCO2e) | 112,209 | 110,604 | 75,913 | -32.35% | -31.37% |
| Normalised Emissions (TCO2e) | 112,424 | 110,490 | 75,074 | -33.22% | -32.05% |
| Actual Intensity Ratio (kgCO2e / Passenger) | 1.308 | 1.326 | 2.955 | +125.92% | +122.85% |
| Normalised Intensity Ratio (kgCO2e / Passenger) | 1.311 | 1.325 | 2.923 | +122.95% | +120.60% |

There has been an increase of 123% against the actual energy consumption. This is due a passenger number reduction in the region of 70% due to the restrictions associated with COVID-19. It is anticipated that this passenger number will increase resulting in the Intensity Ratio to decrease.

#### 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.

#### 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 in 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 health and social care 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 (2020: £nil).

### Financial Instruments

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

### Dividends

The Directors do not recommend payment of a dividend (2020: £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 29. 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.

Due to the continued impact of COVID-19 the Group has budgeted to generate a significant trading loss for 2021/22. It has received a commitment from the Minister for Infrastructure in NI Assembly that it will receive additional funding to cope with the ongoing impact of the coronavirus pandemic.

The Consolidated Balance Sheet shows a deficit of

£91.3m (2020: deficit of £120.1m).

This deficit is entirely attributable to the group’s employee net benefit obligation (pensions) of

£226.7m.

The employee benefit obligation (pensions) in the balance sheet increased from £199m (net) in 2020 to

£226.7m (net) in the current year, primarily because of a reduction in the discount rate from 2.3% to 2.2%, partially offset by higher than expected return on plan assets during the year. 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 to March 2022. The Department intends to award a new Public Service Agreement to Translink with effect from 1 April 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 8 June 2021 from the Office of the Minister for Infrastructure reaffirms the Department’s commitment to ensure that Translink remains a viable financial entity and states that there will be ongoing engagement with the NI Executive to secure sufficient funding for Translink in line with the Department’s obligation

to fund Translink in order to maintain its going concern status. On this basis, the Directors believe that it is reasonable to assume that the Group has and will continue to have adequate resources to meet its anticipated liabilities as they fall due and to enable it to continue in operational existence for the foreseeable future. Accordingly, the Board has concluded that it is appropriate that the accounts are prepared on a going concern basis.

### Post Balance Sheet Events

There have been no events subsequent to the balance sheet date, up to the date of this report, that requires adjustment to or disclosure in the financial statements.

Approved by the Board of Directors on 16 June 2021 and signed on behalf of the Board:

Mrs Priscilla Rooney, Company Secretary

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# Statement of Directors’ Responsibilities in Respect of the Directors’ Report

**and the Financial Statements**

**The Directors are responsible for preparing the Directors’ report, strategic report and the Group and Company financial statements in accordance with applicable law and regulations.**

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of

the Companies Act 2006 and the Company financial statements in accordance with FRS 101 *Reduced Disclosure Framewor*k and applicable law.

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 state of affairs

of the Group and Company and of the Group’s profit or loss for that period. In preparing the Group and Company 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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is 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 Group and to prevent and detect fraud and other irregularities.

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

The Directors confirm that to the best of their 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 16 June 2021 and is signed on its behalf by:

Chris Conway, Patrick Anderson, Chief Executive Officer Chief Financial Officer

# Corporate Governance Statement

**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.

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 Chair 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 Role of the Board

***(Continued)***

**Board**

**Group Remuneration and Pensions Committee**

**Project Oversight Committee**

**Safety Oversight Committee**

**Audit & Risk Committee**

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.

### Division of Responsibilities

#### Chair

There is a clear division of responsibilities between the Chair and the Chief Executive. The Chair, Michael Wardlow, 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 Chair’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 Chair 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 Chair’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 Chair and four Non-Executive Directors. The Chief Corporate Services & Human Resources Officer and the General Counsel & 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.

#### 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 Chair 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 Chair. 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 2020/21

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Director | Committee Membership | Board | Audit & Risk (BARC) | GRPC | Project Oversight (POC) | Safety Oversight (SOC) |
| M Wardlow | Board\*, POC, SOC | 1\*\*/10 | - | - | 1\*\*/12 | - |
| A Depledge | Board, POC, SOC\* | 10/10 | - | - | 12/12 | 3/3 |
| A Reavey | Board, BARC, GRPC | 10/10 | 5/6 | 6/6 | - | - |
| H McCartan | Board, BARC, GRPC\* | 10/10 | 6/6 | 6/6 | - | - |
| B Mitchell | Board, BARC\*, GRPC | 10/10 | 6/6 | 6/6 | - | - |
| M Sweeney | Board\*\*, POC\*, SOC | 10/10 | - | - | 12/12 | 3/3 |
| C Conway# | Board, POC, SOC | 10/10 | 3/6 | - | 11/12 | - |
| P O’Neill | Board, POC, SOC | 10/10 | - | - | 11/12 | - |
| P Anderson# | Board, POC | 9/10 | 6/6 | - | 10/12 | - |

*\*Denotes Chair of Committee*

*\*\* Appointed as Chair on 1 March 2021\*\*\* M Sweeney was Interim Chair of the Board Committee during the period 1 April 2020- 28 February 2021*

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

### Sources of Assurance and Risk Management Controls

#### Effective Internal Controls

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

adequacy of the risk management process. This year the Board undertook risk management training on Translink’s risk and assurance framework and the key principles of effective risk management and good practice from the HM Government Orange Book

and NIAO.

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. Their tenure has been extended until June 2023 by the exercise of optional extensions to the contract.

#### 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 have implemented an innovative and digital solution to assist the business with effectively recording and managing risk. The web-based solution provides a live risk management tool to

aid with decision making and strategic planning,

Risk Management Processes *(Continued)* driving continuous improvement of internal controls and the highest standards of reporting, business integrity and ethics. The new digital tool has worked to improve the recoding of risk across the business by linking key risks with the business objectives and working to embed risk management into all areas of the organisation.

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.

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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.

#### 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:

### Liaison with Regulatory Authorities

The Group has committed to preparing Regulatory Accounts for Northern Ireland Railways for the year ended 28 March 2021, 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 16 June 2021

pandemic; employee relations;

commercial challenges with related risk to income; incident management; and

climate change

# 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 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 2021, 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 2020/21 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 (Dfl) 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 six occasions in 2020/21.

### 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 2020 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 Dfl.

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. Their tenure has been extended until June 2023 by the exercise of optional extensions to the contract.

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.

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 Standard 2019 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:

Audit and Risk Committee Report **37**

### 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; 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 2020/21 annual financial statements, along with the documents issued with them, including the Corporate Governance Statement, and recommended the adoption of these by

the Board.

### Risk Management

Regularly considered, and challenged management on, the Corporate Risk and Assurance registers, including emerging risks and near misses, the fraud and theft 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 on page 21 of the Annual report;

Provided input and feedback on significant revisions to the format, structure and presentation of the Corporate Risk Register.

Received a presentation from the Director of Service Operations on the development of Control Risk Self-Assessment;

Received a presentation from the Property and Projects Division on the Division’s approach to risk management;

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;

Considered the Company response to the COVID-19 pandemic, ensuring that resultant risks were properly considered and mitigated; and

Undertook risk management training in relation to Translink’s risk and assurance framework including its processes, procedures, and key principles of effective risk management and good practice from the Orange Book and NIAO.

### Governance

Reviewed and updated its Terms of Reference;

Approved additional work by the Internal Auditors in accordance with the policy;

At each meeting reviewed any new and revised guidance from Department of Finance, Dfl and the Northern Ireland Audit Office; and

Highlighted significant issues raised at BARC in the Committee Chairman’s reports to Board meetings in advance of circulation of minutes.

### The Committee Also:

Met separately with the External Auditors and the Head of Internal Audit in the absence of executive management as part of its annual programme;

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

Supervised the quinquennial External Quality Assessment of the Internal Audit Function within the Company, the results of which were very positive.

### Conclusion

The Audit and Risk Committee considers that for the 2020/21 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 16 June 2021

Safety Oversight Committee Report **39**

# Safety Oversight Committee Report

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

### Introduction

Translink’s Safety Oversight Committee is appointed by Translink’s Board to promote and monitor

the Group’s safety, health and environmental performance.

The Committee meets quarterly to review 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 regularly reviews its terms of reference. The Board demonstrates leadership in this area by engaging with Senior Managers 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 Translink Safety Management System ensures that Translink’s bus and rail services, engineering, infrastructure, corporate services and all supporting functions are under the control of a single management system. Its practical application and the outworkings of the safety, health and environmental policies are 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.

**Gold Core Standard**

for Corporate Responsibility

### 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 now holds a Gold CORE standard for Corporate Responsibility from Business in the Community, upgraded from silver, 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, including 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.

### COVID-19

Together with the SMS, Translink’s Let’s Work Safely Together strategy is firmly embedded as the 5-step approach to managing the risk from COVID-19 incorporating risk assessment, cleaning and hygiene, support for homeworking, social distancing and managing the risk of transmission. The strategy is

in line with government guidance and best practice within the transport sector.

The Health and Wellbeing strategy played a vital role helping to protect the physical, emotional and social wellbeing of employees. This was complemented with an engagement and communications plan. Translink’s Employee

App ensured access to information, advice and assistance.

### Future Focus

The Committee will continue to oversee Safety and Corporate Responsibility key performance indicators for the Group, when possible visiting

locations to review safety practices and procedures

and to demonstrate safety leadership, assessing progress of various safety initiatives/programmes and monitoring progress of implementation of group safety standards.

Keeping safety as Translink’s 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 16 June 2021

Project Oversight Committee Report **41**

# 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 (Non- executive Director). Other members are Tony Depledge (Non-Executive Director), the Group Chief Executive, the Chief Business Change Officer, and the Chief Financial Officer. Committee meetings are also attended by the Director of Service Operations and the Director of Infrastructure and Projects Delivery and 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 28 March 2021 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.

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.

### Conclusion

The Project Oversight Committee considers that for the 2020/21 financial year, it has discharged its responsibilities in full in accordance with its remit.

Mark Sweeney, Chairman Project Oversight Committee 16 June 2021

# Directors’ Remuneration Report

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 31.

### 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;

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 Chair of the company and approved by the Board. The current

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

#### Governance

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

when required.

The Committee is of the view that it has discharged its oversight responsibilities in accordance with its remit, 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;

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.

#### 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 2021  £’000 | Total 2020  £’000 |
| Chris Conway | 178 | - | 178 | 170 |
| Patrick Anderson | 146 | - | 146 | 130 |
| Philip O’Neill | 156 | 2 | 158 | 152 |

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 | |
| 2021  £’000 | 2020  £’000 | 2021  £’000 | 2020  £’000 |
| Chris Conway | 13 | 11 | - | - |
| Patrick Anderson | 16 | 13 | - | - |
| Philip O’Neill | 81 | 78 | 142 | 142 |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021 | | 2020 | |
|  | Annual pension  £’000 | Retiring lump sum  £’000 | Annual pension  £’000 | Retiring  lump sum  £’000 |
| Chris Conway | 2 | - | 1 | - |
| Patrick Anderson | 3 | - | 3 | - |
| Philip O’Neill | 3 | - | 2 | (2) |

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

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Chris Conway | 9 | 9 |
| Patrick Anderson | 14 | 14 |
| Philip O’Neill | 16 | 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. Chairman Remuneration and Pensions Committee 16 June 2021

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Northern Ireland Transport Holding Company

(‘the Company’) and its consolidated undertakings (‘the Group’) for the year ended 28 March 2021

set out on pages 48 to 87 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 related notes, including the summary of 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, international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Company financial statements, UK Law and FRS 101 *Reduced Disclosure Framework.*

In our opinion:

the financial statements give a true and fair view of the state of the Group’s and of the Company’s affairs as at 28 March 2021 and of the Group’s profit for the year then ended;

the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

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 financial statements have been 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 Group in accordance with ethical requirements that are relevant to our audit of financial statements in the 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.

#### Conclusions Relating to 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 their 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 their 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”).

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.

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to

events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company’s ability to continue as a going concern for a period of at least twelve months from the

date when the financial statements are authorised for issue.

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.

#### Detecting Irregularities Including Fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity’s industry, regulatory environment and other external factors and inquiry with the Directors. In addition, our risk assessment procedures included: inquiring with the Directors as to the Group’s policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the Directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Group’s regulatory and

legal correspondence; and reading Board/audit committee minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert

among the audit team. The Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Group is subject to many other laws and regulations where the consequences of non- compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental law.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-

#### Detecting Irregularities Including Fraud

*(Continued)*

compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing

non-compliance and cannot be expected to

detect non-compliance with all laws and regulations.

#### 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 strategic report and the Directors’ report, Directors’ responsibilities, corporate governance statement, audit and risk committee report, safety oversight committee report, project oversight committee report, and Directors’ remuneration report. The financial statements and our auditor’s report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

#### Opinions on Other Matters Prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

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 the 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 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 in these respects.

### 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 28, 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 and

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, other irregularities or error, and to issue an

opinion in an auditor’s report. 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, other irregularities 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/](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.

### Opinion on Regularity

In our opinion, in all material respects, the expenditure (dispersed) and income (received) have been applied to the purposes intended by, and the financial transactions confirm 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

17 June 2021

# Consolidated Income Statement

### For the 52 weeks ended 28 March 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 52 weeks ended  28 March 2021  £’000 | 52 weeks ended  29 March 2020  £’000 |
| Revenue | 4 | 292,577 | 225,851 |
| Cost of sales |  | (228,717) | (257,316) |
| Gross profit/(loss) |  | 63,860 | (31,465) |
|  | | | |
| Administrative expenses |  | (17,860) | (17,310) |
| Fair value adjustment on fuel derivative | 23 | 7,648 | (10,964) |
| Other income | 9 | - | 37 |
| Operating profit/(loss) | 6 | 53,648 | (59,702) |
|  | | | |
| Finance income | 7 | 52 | 170 |
|  | | | |
| Other finance costs | 8 | (4,718) | (5,894) |
| Profit/(Loss) before tax |  | 48,982 | (65,426) |
|  | | | |
| Taxation (charge)/credit | 10 | (11,020) | 11,605 |
|  | | | |
| PROFIT/(LOSS) FOR THE YEAR |  | 37,962 | (53,821) |

All reported results arise from continuing operations.

The notes on pages 54 to 87 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income **49**

# Consolidated Statement of Comprehensive Income

### For the 52 weeks ended 28 March 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 52 weeks ended  28 March 2021  £’000 | 52 weeks ended  29 March 2020  £’000 |
| Profit/(Loss) for the year |  | 37,962 | (53,821) |
|  | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
|  | | | |
| Actuarial (losses)/surpluses on defined benefit pension schemes | 21(ii) | (9,778) | 62,252 |
|  | | | |
| Tax relating to other comprehensive income | | | |
| Defined benefit pension schemes | 10(d) | 575 | (5,916) |
|  | | | |
| Other comprehensive (costs)/income net of tax for the year |  | (9,203) | 56,336 |
|  | | | |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR |  | 28,759 | 2,515 |

All reported results arise from continuing operations.

The notes on pages 54 to 87 form part of these consolidated financial statements.

# Consolidated Balance Sheet

### At 28 March 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 28 March 2021  £’000 | 29 March 2020  £’000 |
| Assets | | | |
| *Non-current assets* | | | |
| Property, plant and equipment | 12 | 800,667 | 688,247 |
| Investment property | 13 | 1,615 | 2,165 |
| Employee benefits | 21 | 1,809 | 1,739 |
| Deferred tax assets | 10 | 2,189 | 10,081 |
| Deferred tax asset -pensions | 10 | 30,815 | 27,835 |
| Derivative financial instruments | 23 | 142 | - |
| Total non-current assets |  | 837,237 | 730,067 |
|  | | | |
| *Current assets* | | | |
| Inventories | 15 | 9,300 | 8,843 |
| Trade and other receivables | 16 | 105,355 | 109,248 |
| Corporation tax receivables |  | 141 | - |
| Cash and cash equivalents | 20 | 77,108 | 23,931 |
| Total current assets |  | 191,904 | 142,022 |
|  | | | |
| Liabilities | | | |
| *Current liabilities* | | | |
| Trade and other payables | 17 | 100,718 | 84,843 |
| Other financial liabilities |  | 8 | 9 |
| Current tax liabilities |  | 57 | - |
| Derivative financial instruments | 23 | 2,128 | 5,478 |
| Provisions | 18 | 10,783 | 8,786 |
| Total current liabilities |  | 113,694 | 99,116 |
|  | | | |
| Net current assets |  | 78,210 | 42,906 |
|  | | | |
| *Non-current liabilities* | | | |
| Employee benefits | 21 | 228,505 | 200,900 |
| Derivative financial instruments | 23 | 386 | 4,542 |
| Other financial liabilities |  | 9 | 18 |
| Deferred tax liabilities | 10 | 1,484 | 1,678 |
| Deferred income | 19 | 776,403 | 685,934 |
| Total non-current liabilities |  | 1,006,787 | 893,072 |
| Net liabilities |  | (91,340) | (120,099) |
|  | | | |
| Reserves | | | |
| Fixed asset revaluation reserve |  | 4,077 | 4,077 |
| Other reserves |  | 50,086 | 50,086 |
| Retained earnings |  | (145,503) | (174,262) |
| Total reserves |  | (91,340) | (120,099) |

The financial statements were approved by the board of directors and authorised for issue on 16 June 2021. They were signed on its behalf by:

M Wardlow (Chair) C Conway (Group Chief Executive)

The notes on pages 54 to 87 form part of these consolidated financial statements

Company Balance Sheet **51**

# Company Balance Sheet

### At 28 March 2021

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 28 March 2021  £’000 | 29 March 2020  £’000 |
| Assets | | | |
| *Non-current assets* | | | |
| Property, plant and equipment | 12 | 91,586 | 68,149 |
| Investment property | 13 | 1,615 | 2,165 |
| Investment in subsidiaries | 14 | - | - |
| Employee benefits | 21 | 1,809 | 1,739 |
| Deferred tax asset | 10 | 15 | 35 |
| Deferred tax assets – pensions | 10 | 278 | 373 |
| Total non-current assets |  | 95,303 | 72,461 |
|  | | | |
| C*urrent assets* | | | |
| Trade and other receivables | 16 | 55,986 | 36,442 |
| Cash and cash equivalents |  | 117 | 226 |
| Total current assets |  | 56,103 | 36,668 |
|  | | | |
| Liabilities | | | |
| *Current liabilities* | | | |
| Trade and other payables | 17 | 44,580 | 22,397 |
| Corporation tax liabilities |  | 2 | - |
| Provisions | 18 | 14 | 22 |
| Total current liabilities |  | 44,596 | 22,419 |
|  | | | |
| Net current assets |  | 11,507 | 14,249 |
|  | | | |
| *Non-current liabilities* | | | |
| Employee benefits | 21 | 3,269 | 3,702 |
| Deferred tax liabilities | 10 | 543 | 71 |
| Deferred income | 19 | 65,958 | 43,941 |
| Total non-current liabilities |  | 69,770 | 47,714 |
|  | | | |
| Net assets |  | 37,040 | 38,996 |
|  | | | |
| *Reserves* | | | |
| Fixed asset revaluation reserve |  | 4,079 | 4,079 |
| Other reserves |  | 39,844 | 39,844 |
| Retained earnings |  | (6,883) | (4,927) |
| Total reserves |  | 37,040 | 38,996 |

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company’s loss for the financial period amounted to £2,601,000 (2020: Profit of £480,000).

The financial statements were approved by the board of directors and authorised for issue on 16 June 2021. They were signed on its behalf by:

M Wardlow (Chair) C Conway (Group Chief Executive)

The notes on pages 54 to 87 form part of these consolidated financial statements

# Statement of Changes in Reserves

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | Fixed asset revaluation  reserve  £’000 | Other reserves  £’000 | Retained Earnings  £’000 | Total  £’000 |
| Balance at 31 March 2019 | 4,077 | 50,086 | (176,777) | (122,614) |
| Loss for the period | - | - | (53,821) | (53,821) |
| Other comprehensive income for the period | - | - | 56,336 | 56,336 |
| Transfers | - | - | - | - |
| Total comprehensive income for the period | - | - | 2,515 | 2,515 |
| Balance at 29 March 2020 | 4,077 | 50,086 | (174,262) | (120,099) |
| Profit for the period | - | - | 37,962 | 37,962 |
| Other comprehensive expense for the period | - | - | (9,203) | (9,203) |
| Transfers | - | - | - | - |
| Total comprehensive income for the period | - | - | 28,759 | 28,759 |
| Balance at 28 March 2021 | 4,077 | 50,086 | (145,503) | (91,340) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Fixed asset revaluation  reserve  £’000 | Other reserves  £’000 | Retained Earnings  £’000 | Total  £’000 |
| Balance at 31 March 2019 | 4,079 | 39,844 | (6,796) | 37,127 |
| Profit for the period | - | - | 480 | 480 |
| Other comprehensive income for the period | - | - | 1,389 | 1,389 |
| Transfers | - | - | - | - |
| Total comprehensive income for the period | - | - | 1,869 | 1,869 |
| Balance at 29 March 2020 | 4,079 | 39,844 | (4,927) | 38,996 |
| Loss for the period | - | - | (2,601) | (2,601) |
| Other comprehensive income for the period | - | - | 645 | 645 |
| Transfers | - | - | - | - |
| Total comprehensive income for the period | - | - | (1,956) | (1,956) |
| Balance at 28 March 2021 | 4,079 | 39,844 | (6,883) | 37,040 |

Consolidated Cash Flow Statement **53**

# Consolidated Cash Flow Statement

**For the 52 weeks ended 28 March 2021**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 52 weeks ended  28 March 2021  £’000 | 52 weeks ended  29 March 2020  £’000 |
| Profit/(Loss) for the year |  | 37,962 | (53,821) |
|  | | | |
| Adjustments for: | | | |
| Interest receivable |  | (52) | (170) |
| Finance costs |  | 4,718 | 5,894 |
| Taxation |  | 11,020 | (11,605) |
| Fair value adjustment on fuel derivative |  | (7,648) | 10,964 |
| Depreciation of tangible assets (net of grant release) |  | 2,615 | 2,716 |
| Decrease in fair value of investment property |  | 550 | - |
| Impairment of property, plant and equipment |  | 309 | 26 |
| Profit on disposal of assets |  | (85) | (599) |
| Operating cash flows before movements in working capital |  | 49,389 | (46,595) |
|  | | | |
| Increase in stocks |  | 457 | 462 |
| Decrease in debtors |  | 32,396 | 7,081 |
| Increase in creditors |  | 14,197 | 3,999 |
| Excess of pension charge over contributions |  | 9,914 | 22,282 |
|  | | | |
| Cash generated from/(absorbed by) operations |  | 106,353 | (12,771) |
|  | | | |
| Corporation tax paid |  | (5,802) | (125) |
| Net cash generated from / (used in) operating activities |  | 100,551 | (12,896) |
|  | | | |
| Investing activities | | | |
| Interest received |  | 46 | 150 |
| Purchases of property, plant and equipment |  | (179,078) | (92,640) |
| Proceeds on disposal of property, plant and equipment |  | 534 | 914 |
| Net cash used in investing activities |  | (178,498) | (91,576) |
|  | | | |
| Financing activities | | | |
| Grants received |  | 131,124 | 91,101 |
|  | | | |
| Net cash generated from financing activities |  | 131,124 | 91,101 |
|  | | | |
| Net increase in cash and cash equivalents |  | 53,177 | (13,371) |
|  | | | |
| Cash and cash equivalents at beginning of period | 20 | 23,931 | 37,302 |
| Cash and cash equivalents at the end of period | 20 | 77,108 | 23,931 |

# Notes to the Consolidated Financial Statements

### 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 and disclosure requirements of the Companies Act 2006 apply. The addresses of its registered office and principal place of business

are disclosed on page 4. The principal activities of the Company and its subsidiaries (the Group) are described in the Strategic Report on page 8.

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

### Significant Accounting Policies

#### Statement of Compliance

The Group financial statements have been prepared and approved by the directors in accordance with Companies Act 2006 and international accounting standards in conformity with the requirements of the Companies Act 2006 (‘Adopted IFRSs’)”.

#### 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 financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and with those parts of the Companies

Act applicable to companies reporting under IRFS.

The parent company meets the definition of a qualifying entity under FRS 100 (Financial

Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) ‘Reduced Disclosure Framework’ as issued by the Financial

Reporting Council. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of

comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, transactions with wholly owned subsidiaries, compensation for key management personnel and certain disclosures required by IFRS 17 Fair Value Measurement and the disclosures required by IFRS 7.

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

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

fair value.

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

#### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the 52 weeks to 28 March 2021 (52 weeks to 29 March 2020). 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.

Notes to the Consolidated Financial Statements **55**

### Going Concern

The Company’s business activities together with factors likely to affect its future developments are set out in the Directors’ report. On the basis of their assessment, the Directors believe that the Company is well placed to manage its risks successfully.

Although the balance sheet shows a net liability position, this is due to the provision for retirement benefits amounting to £228.5m (2020: £200.9m) which are long term in nature.

After making enquiries, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### 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 £143,000 (2020: £186,000) 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.

#### 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 less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis, over the useful lives of each tangible fixed asset. The estimated useful lives are as follows:

Land not depreciated

Buildings 6 – 50 years

Permanent way, signalling 20 – 50 years and bridges

Vehicles, plant and equipment 2 – 20 years

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.

**2. Significant Accounting Policies *(Continued)***

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

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

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

#### Investment in Subsidiaries

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

#### Investment Property

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

or loss in the period in which they arise.

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

#### Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply

with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the consolidated income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire

non-current assets are recognised as deferred revenue in the consolidated balance sheet and transferred to income on a systematic and rational basis over the useful lives of the related assets.

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

#### Inventories

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

#### Employee Benefit Costs

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

For defined benefit retirement plans, the cost of providing benefits is determined using the Straight- Line Method, with updates to formal actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement

recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in income in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined liability or asset.

Defined benefit costs are split into three categories:

* current service cost, past service cost and losses on curtailments and settlements;
* net interest expense or income; and
* remeasurement.

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**2. Significant Accounting Policies *(Continued)***

Employee Benefit Costs *(Continued)*

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.

#### Leases

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 insubstance 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.

#### 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.

A 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

A 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.

Restructuring Provisions

Provisions for restructuring are recognised when the Company has a present legal or constructive obligation as a result of past events and a reliable estimate of associated costs can be made.

#### 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. Foreign exchange differences arising on translation are recognised

in the profit and loss account.

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

|  |  |  |
| --- | --- | --- |
|  | 2021 | 2020 |
| Euro | | |
| Year-end rate | 1.17 | 1.12 |
| Average rate | 1.12 | 1.14 |

#### 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,

1. **Significant Accounting Policies *(Continued)***

Financial Assets ***(Continued)***

fair value is determined using valuation techniques including recent commercial transactions and discounted cash flows. Otherwise, financial assets are carried at amortised cost.

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

Financial Assets at Amortised Cost

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

Impairment of Financial Assets

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of

a provisions account. When a trade receivable is considered uncollectible, it is written off against the related provisions account. Subsequent recoveries of amounts previously written off are credited to the profit and loss account. Changes in the carrying amount of the provisions account are recognised in profit or loss.

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

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk

(i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards

of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and

also recognises a collateralised borrowing for the proceeds received.

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

#### Financial Liabilities

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are

subsequently re-measured at fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is effective as a cashflow hedging instrument, in which event the timing of the

recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are carried

as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

Other Financial Liabilities

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

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

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

Derecognition of Financial Liabilities

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

#### Cash and Cash Equivalents

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

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

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

the measurement of tax assets and liabilities (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).

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

#### Newly Adopted Standards

The following standards were effective for the Company for the first time from 30 March 2020 and have no transitional adjustments:

Amendments to references to conceptual framework in IFRS standards

Definition of a business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1 and IAS 8)

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

### 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. 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 24.

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Passenger carriage | 66,681 | 147,444 |
| Rental income from investment and operational properties | 2,609 | 4,942 |
| Concessionary fares, public service obligation compensation and route subsidy | 221,730 | 71,461 |
| Other | 1,557 | 2,004 |
| Revenue per accounts | 292,577 | 225,851 |

### 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 £309,000 (2020: £26,000).

### Operating Profit/(Loss)

Operating Profit/(Loss) for the Year has Been Arrived at After Charging/(Crediting):

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Depreciation of Property, plant and equipment | | |
| - Based on original cost or valuation (note 12) | 69,592 | 60,468 |
| - Transfer from deferred income (note 19) | (66,977) | (57,752) |
|  | 2,615 | 2,716 |
|  | | |
| Impairment | 309 | 26 |
| Decrease in fair value of investment property (note 13) | 550 | - |
| Cost of inventories recognised as expense | 26,913 | 37,310 |
| Operating lease rentals – motor vehicles | - | 4 |
| Reorganisation costs | 1,263 | 363 |
| Government funding for reorganisation costs | - | (363) |
|  | | |
| Auditor’s remuneration: | | |
| - fees payable to the Group’s auditor for the audit of the Group’s annual accounts (parent - £21,000; 2020 - £20,000) | 62 | 58 |
|  | | |
| - Fees payable to the Group’s auditor for other services to the Group: | | |
| - other assurance services | 9 | 10 |
| - tax compliance and advice | - | 14 |
| - pension schemes | 7 | 7 |
|  | 78 | 89 |

1. **Finance Income**

|  |  |  |
| --- | --- | --- |
| Finance income includes: | 2021  £’000 | 2020  £’000 |
| Interest receivable – bank deposits | 52 | 170 |

1. **Other Finance Costs**

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Retirement benefits | 4,718 | 5,894 |

1. **Other Income**

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Profit on disposal of non-current assets | - | 37 |

1. **Taxation**

#### Analysis of Tax Credit for Year

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Current taxation | | |
| UK Corporation Tax for the period | 5,747 | - |
| Adjustments in respect of prior periods | - | (115) |
|  | | |
| Total current tax | 5,747 | (115) |
|  | | |
| Deferred Taxation | | |
| Origination/reversal of timing differences | 3,712 | (8,437) |
| Adjustments in respect of prior periods | 109 | 112 |
| Deferred tax on rolled over gains | - | 76 |
| Derivatives | 1,452 | (2,064) |
| Effect of change in tax rate | - | (1,177) |
|  | | |
| Total deferred tax | 5,273 | (11,490) |
| Total tax | 11,020 | (11,605) |

1. **Taxation *(Continued)***

#### Factors Affecting the Tax Charge/(Credit) for the Year

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

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Profit/(Loss) on continuing activities before tax | 48,982 | (65,426) |
|  | | |
| Tax at 19% (2020: 19%) | 9,330 | (12,393) |
|  | | |
| Non chargeable income | (1,057) | 2,301 |
| Deferred tax not recognised in respect of pension liability | 2,252 | 1,655 |
| Deferred tax on rolled over gains | - | 76 |
| Derivatives | 386 | (2,064) |
| Adjustments to tax charge in respect of prior years | 109 | (3) |
| Effect of change in UK corporation tax rate | - | (1,177) |
|  | | |
| Total tax | 11,020 | (11,605) |

#### Factors affecting tax charge/(credit) for the year

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company’s future tax charge. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax asset would have increased by £10,318,151.

Deferred tax not recognised on the defined benefit pension scheme would have been £16,128,250 instead of

£12,257,470.

#### 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:

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Arising on income and expenses recognised in other comprehensive income: | | |
| Actuarial gains /(losses) on defined benefit pension schemes | (575) | 5,916 |
| Total tax charge/(credit) recognised in other comprehensive income | (575) | 5,916 |

#### Deferred Tax

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Group | Accelerated  tax depreciation  £’000 | Other temporary differences  £’000 | Derivatives  £’000 | Losses  £’000 | Revaluation investment property  £’000 | Retirement  benefit obligations  £’000 | Total  £’000 |
| At 31 March 2019 | (1,245) | 1,006 | (175) | 2,453 | - | 28,625 | 30,664 |
| Credit/(charge) to income statement | 192 | (63) | 2,064 | 4,247 | (76) | 5,126 | 11,490 |
| Charge to other comprehensive income | - | - | - | - | - | (5,916) | (5,916) |
| At 29 March 2020 | (1,053) | 943 | 1,889 | 6,700 | (76) | 27,835 | 36,238 |
| Credit/(charge) to income statement | (355) | 648 | (1,453) | (6,538) | - | 2,405 | (5,293) |
| Credit to other comprehensive income | - | - | - | - | - | 575 | 575 |
| At 28 March 2021 | (1,408) | 1,591 | 436 | 162 | (76) | 30,815 | 31,520 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Company | Accelerated  tax depreciation  £’000 | Other temporary differences  £’000 | Revaluation investment property  £’000 | Retirement  benefit obligations  £’000 | Total  £’000 |
| At 31 March 2019 | (81) | 125 | - | 534 | 578 |
| Credit/(charge)  to income statement | 10 | (90) |  | 165 | 85 |
| Credit to other comprehensive income | - | - | - | (326) | (326) |
| At 29 March 2020 | (71) | 35 | - | 373 | 337 |
| Credit/(charge)  to income statement | (472) | (20) | - | 56 | (436) |
| Credit to other comprehensive income | - | - | - | (151) | (151) |
| At 28 March 2021 | (543) | 15 | - | 278 | (250) |

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 | 2021  £’000 | 2020  £’000 |
| Deferred tax asset | 2,189 | 10,081 |
| Deferred tax liabilities | (1,484) | (1,678) |
| Deferred tax asset - Employee benefits | 30,815 | 27,835 |
|  | 31,520 | 36,238 |

|  |  |  |
| --- | --- | --- |
| Company | 2021  £’000 | 2020  £’000 |
| Deferred tax asset | 15 | 35 |
| Deferred tax liabilities | (543) | (71) |
| Deferred tax asset - Employee benefits | 278 | 373 |
|  | (250) | 337 |

### Profit of Parent Company

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company’s loss for the financial period amounted to £2,601,000 (2020: Profit of £480,000).

### Property, Plant and Equipment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2021 | Land and Buildings  £’000 | Permanent Way Signalling and Bridges  £’000 | Vehicles Plant and Equipment  £’000 | Total  £’000 |
| Cost or valuation: | | | | |
| At 29 March 2020 | 362,888 | 422,654 | 668,932 | 1,454,474 |
| Additions | 35,295 | 41,130 | 106,347 | 182,772 |
| Disposals | - | - | (10,762) | (10,762) |
| At 28 March 2021 | 398,183 | 463,784 | 764,517 | 1,626,484 |
|  | | | | |
| Depreciation and impairment: | | | | |
| At 29 March 2020 | 155,624 | 237,391 | 373,212 | 766,227 |
| Charge for year | 11,112 | 14,989 | 43,491 | 69,592 |
| Impairment | - | 212 | 97 | 309 |
| Disposals | - | - | (10,311) | (10,311) |
| At 28 March 2021 | 166,736 | 252,592 | 406,489 | 825,817 |
|  | | | | |
| Net book value | | | | |
| At 28 March 2021 | 231,447 | 211,192 | 358,028 | 800,667 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group 2020 | Land and Buildings  £’000 | Permanent Way Signalling and Bridges  £’000 | Vehicles Plant and Equipment  £’000 | Total  £’000 |
| Cost or valuation: | | | | |
| 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) |
| At 29 March 2020 | 362,888 | 422,654 | 668,932 | 1,454,474 |
|  | | | | |
| Depreciation and impairment: | | | | |
| 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) |
| At 29 March 2020 | 155,624 | 237,391 | 373,212 | 766,227 |
|  | | | | |
| Net book value | | | | |
| At 29 March 2020 | 207,264 | 185,263 | 295,720 | 688,247 |

Included within the categories above are assets in the course of construction totalling £228.3m (2020:

£182.2m), which are not being depreciated as they were not fully commissioned at the balance sheet date.

#### Right-of-Use Assets

At 28 March 2021, property, plant and equipment includes right-of-use assets as follows: Vehicles net book value £17,000.

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

|  |  |  |  |
| --- | --- | --- | --- |
| Company 2021 | Land and Buildings  £’000 | Vehicles Plant and  equipment  £‘000 | Total  £’000 |
| Cost or valuation: | | | |
| At 29 March 2020 | 79,176 | 2,731 | 81,907 |
| Additions | 23,529 | 825 | 24,354 |
| Disposal | (11) | 11 | - |
| At 28 March 2021 | 102,694 | 3,567 | 106,261 |
|  | | | |
| Depreciation and impairment: | | | |
| At 29 March 2020 | 12,593 | 1,165 | 13,758 |
| Charge for year | 871 | 46 | 917 |
| At 28 March 2021 | 13,464 | 1,211 | 14,675 |
|  | | | |
| Net book value | | | |
| At 28 March 2021 | 89,230 | 2,356 | 91,586 |

1. **Property, Plant and Equipment *(Continued)***

|  |  |  |  |
| --- | --- | --- | --- |
| Company 2020 | Land and Buildings  £’000 | Vehicles Plant and  equipment  £’000 | Total  £’000 |
| Cost or valuation: | | | |
| 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 |
| At 29 March 2020 | 79,176 | 2,731 | 81,907 |
|  | | | |
| Depreciation and impairment: | | | |
| 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 |
| At 29 March 2020 | 12,593 | 1,165 | 13,758 |
|  | | | |
| Net book value | | | |
| At 29 March 2020 | 66,583 | 1,566 | 68,149 |

In accordance with the transitional provisions of IFRS, 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 | |
| 2021  £’000 | 2020  £’000 | 2021  £’000 | 2020  £’000 |
| Contracted for but not provided in the financial statements | 145,026 | 106,789 | 6,897 | 9,409 |

### Investment Property

|  |  |
| --- | --- |
| Fair value | Group & Company  £’000 |
| At 31 March 2019 | 2,165 |
| Additions | - |
| Decrease in fair value during the year | - |
| At 29 March 2020 | 2,165 |
| Additions | - |
| Decrease in fair value during the year | (550) |
| At 28 March 2021 | 1,615 |

The investment properties were valued at their market value at 28 March 2021 by qualified valuers. Properties valued at £1,400,000 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 28 March 2021 are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Level 1  £’000 | Level 2  £’000 | Level 3  £’000 | Fair value as at 28 March 2021  £’000 |
| Commercial property units: Located in Northern Ireland | - | 1,615 | - | 1,615 |

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.

Direct operating expenses arising on the investment property in the period amounted to £ NIL (2020:

£593,000).

### Investment in Subsidiaries

|  |  |
| --- | --- |
| Company | Subsidiary Undertakings  £’000 |
| Cost:  At 29 March 2020 and 28 March 2021 | 41,223 |
| Provisions:  At 29 March 2020 and 28 March 2021 | (41,223) |
| Net book value:  At 29 March 2020 and 28 March 2021 | - |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 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

### 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

£1.5 million (2020: £1.7 million). The replacement cost of these inventories is not materially different from the valuation stated.

### Trade and Other Receivables

|  |  |  |
| --- | --- | --- |
| Group | 2021  £’000 | 2020  £’000 |
| Trade receivables | 5,718 | 13,473 |
| Other receivables | 11,864 | 9,693 |
| Grants receivable | 83,583 | 58,497 |
| Prepayments and accrued income | 4,190 | 27,585 |
|  | 105,355 | 109,248 |

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:

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Amounts 1 to 84 days overdue | 7,006 | 10,338 |
| Amounts more than 85 days overdue | 521 | 5,904 |

The Group does not hold any collateral in respect of its credit risk exposures set out above (2020: Nil) and has not taken possession of any collateral it holds or called for other credit enhancements during the year ended 28 March 2021.

|  |  |  |
| --- | --- | --- |
| Movement in the allowance for doubtful debts | 2021  £’000 | 2020  £’000 |
| Balance at the beginning of the period | 138 | 99 |
| Net debit | 145 | 39 |
| Balance at the end of the period | 283 | 138 |

|  |  |  |
| --- | --- | --- |
| Ageing of impaired trade receivables | 2021  £’000 | 2020  £’000 |
| 61-90 days | - | - |
| 91-120 days | 69 | 17 |
| 121+ days | 214 | 121 |
| Total | 283 | 138 |

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

|  |  |  |
| --- | --- | --- |
| Company | 2021  £’000 | 2020  £’000 |
| Trade receivables | 785 | 630 |
| Other debtors | 135 | 10 |
| Grants receivable | 9,251 | 8,665 |
| Amounts receivable from Group undertakings | 45,745 | 25,415 |
| Prepayments and accrued income | 70 | 1,722 |
|  | 55,986 | 36,442 |

Company trade debtors are stated after provisions of £241,000 (2020: £90,000).

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

### Trade and Other Payables

|  |  |  |
| --- | --- | --- |
| Group | 2021  £’000 | 2020  £’000 |
| Trade payables | 21,229 | 15,153 |
| Other payables | 13,120 | 9,618 |
| Accruals and deferred income | 32,120 | 26,577 |
| Capital Accruals | 34,249 | 33,495 |
|  | 100,718 | 84,843 |

Included in other creditors is £3,093,000 (2020: £1,160,000) relating to outstanding contributions payable to the NILGOS Pension Scheme.

Creditors are paid within 7 days of approval of invoice.

|  |  |  |
| --- | --- | --- |
| Company | 2021  £’000 | 2020  £’000 |
| Other creditors | 708 | 838 |
| Amounts payable to Group undertakings | 35,226 | 14,479 |
| Amounts payable to Group undertakings – group relief | 1,263 | 1,571 |
| Accruals and deferred income | 773 | 716 |
| Capital Accruals | 6,610 | 4,793 |
|  | 44,580 | 22,397 |

Included in other creditors is £60,825 (2020: £NIL) 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.

### Provisions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Group Corporate Social Responsibility  £’000 | Group Third party  claims  £’000 | Group Total  £’000 | Company Third party  claims  £’000 |
| At 29 March 2020 | 919 | 7,867 | 8,786 | 22 |
| Utilised during period | (30) | (1,559) | (1,589) | (25) |
| Additional provision in the year | - | 3,586 | 3,586 | 17 |
| At 28 March 2021 | 889 | 9,894 | 10,783 | 14 |

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.

1. **Provisions *(Continued)***

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.

1. **Deferred Income**

|  |  |  |
| --- | --- | --- |
| Group | 2021  £’000 | 2020  £’000 |
| At beginning of year | 685,934 | 634,274 |
| Grants receivable in year | 159,031 | 110,028 |
| Disposals | (359) | (303) |
| Adjustments | (1,226) | (313) |
| Transfer to profit and loss | (66,977) | (57,752) |
| At end of year | 776,403 | 685,934 |

|  |  |  |
| --- | --- | --- |
| Company | 2021  £’000 | 2020  £’000 |
| At beginning of year | 43,941 | 30,195 |
| Receivable in year | 22,343 | 13,965 |
| Adjustments | (7) | (30) |
| Transfer to profit and loss | (319) | (189) |
| At end of year | 65,958 | 43,941 |

1. **Cash and Cash Equivalents**

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Cash and bank balances | 77,108 | 23,931 |

1. **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 1April 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 19.5%.

The Directors have obtained an update from the 31 March 2019 NILGOS valuation to 28 March 2021 using the major assumptions set out below. This update was prepared by qualified actuaries employed by Mercer Limited.

|  |  |  |
| --- | --- | --- |
| NILGOS Scheme | 2021 | 2020 |
| Discount rate | 2.2% | 2.3% |
| Expected rate of salary increase | 3.0% | 2.4% |
| Future pension increases | 2.7% | 2.1% |
| Inflation (RPI) | 3.1% | 2.5% |
| Inflation (CPI) | 2.7% | 2.1% |

|  |  |  |
| --- | --- | --- |
| Mortality assumptions: | 2021  Years | 2020  Years |
| Retiring today: | | |
| Males | 21.9 | 21.9 |
| Females | 25.2 | 25.1 |
| Retiring in 20 years: | | |
| Males | 23.3 | 23.2 |
| Females | 26.5 | 26.5 |

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

|  |  |  |
| --- | --- | --- |
| Assumption | Change in assumption | Impact on scheme liabilities |
| Discount rate | Increase/decrease by 0.25% | Decrease/increase by 5.3% (£68.3m) |
| Rate of salary growth | Increase/decrease by 0.25% | Increase/decrease by 1.7% (£21.4m) |
| Rate of inflation (CPI) | Increase/decrease by 0.25% | Increase/decrease by 4.9% (£62.7m) |
| Rate of mortality | Increase by 1 year | Increase by 3.2% (£41.0m) |

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 2018. 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.

**21. Employee Benefits *(Continued)***

1. Description of the Schemes *(Continued)*

|  |  |  |
| --- | --- | --- |
|  | 2021 | 2020 |
| Discount rate | 2.2% | 2.3% |
| Expected rate of salary increase | 3.0% | 2.4% |
| Future pension increases | 2.7% | 2.1% |
| Inflation (RPI) | 3.1% | 2.5% |
| Inflation (CPI) | 2.7% | 2.1% |

#### Amounts Recognised in Income

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Group 2021  £’000 | Company  2021  £’000 | Group 2020  £’000 | Company  2020  £’000 |
| Components of defined benefit cost | | | | |
| Current service cost | 34,895 | 637 | 37,772 | 616 |
| Past service cost | 119 | - | 12,896 | 216 |
| Total service cost | 35,014 | 637 | 50,668 | 832 |
|  | | | | |
| Interest cost | 25,108 | 589 | 27,707 | 641 |
| Interest income on plan assets | (20,391) | (543) | (21,813) | (561) |
| Total net interest cost | 4,717 | 46 | 5,894 | 80 |
|  | | | | |
| Administrative expenses and taxes | 626 | 11 | 644 | 10 |
| Insurance premiums for risk benefits | 2,503 | 45 | 2,575 | 40 |
| Defined benefit cost included in consolidated income statement | 42,860 | 739 | 59,781 | 962 |
|  | | | | |
| Remeasurements (recognised in other comprehensive income) | | | | |
| Effect of changes in demographic assumptions | - | - | (101,345) | (2,182) |
| Effect of changes in financial assumptions | 159,476 | 2,759 | 26,306 | 391 |
| Effect of experience adjustments | - | - | (28,934) | (991) |
| Return on plan assets (excluding interest income) | (149,698) | (3,556) | 41,721 | 1,067 |
| Total remeasurements included in other comprehensive income | 9,778 | (797) | (62,252) | (1,715) |
|  | | | | |
| Total pension cost/(credit) recognised in consolidated income statement and other comprehensive income | 52,638 | (58) | (2,471) | (753) |

Of the expense for the year (total service cost), £28.7m (2020: £41.3m) 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 positive £170.0m (2020: negative £19.9m); Company positive: £4.1m (2020: negative £0.5m).

The gross cumulative amount of actuarial gains and losses recognised in other comprehensive income is losses of £132.2m (2020: £122.4m).

Expected contributions to the schemes in the next annual reporting period are £25.0m.

#### Amounts Included within the Balance Sheet

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Group 2021  £’000 | Company  2021  £’000 | Group 2020  £’000 | Company  2020  £’000 |
| Present value of funded defined benefit obligations | | | | |
| NILGOS Scheme | (1,284,780) | (26,369) | (1,079,102) | (23,225) |
| Ulsterbus/Citybus Scheme | (701) | (701) | (769) | (769) |
| Executive Scheme | (1,886) | (1,886) | (1,705) | (1,705) |
| Total Present Value | (1,287,367) | (28,956) | (1,081,576) | (25,699) |
|  | | | | |
| Fair value of scheme assets | | | | |
| NILGOS Scheme | 1,056,275 | 23,100 | 878,202 | 19,523 |
| Ulsterbus/Citybus Scheme | 1,672 | 1,672 | 1,603 | 1,603 |
| Executive Scheme | 2,724 | 2,724 | 2,610 | 2,610 |
| Total Fair Value | 1,060,671 | 27,496 | 882,415 | 23,736 |
| Net liability arising from defined benefit obligation | (226,696) | (1,460) | (199,161) | (1,963) |
|  | | | | |
| Disclosed as: | | | | |
| Defined benefit obligation | (228,505) | (3,269) | (200,900) | (3,702) |
| Defined benefit asset | 1,809 | 1,809 | 1,739 | 1,739 |
| Total Fair Value | (226,696) | (1,460) | (199,161) | (1,963) |

**21. Employee Benefits *(Continued)***

#### 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 2021  £’000 | Company  2021  £’000 | Group 2020  £’000 | Company  2020  £’000 |
| At beginning of year | 1,079,102 | 23,225 | 1,093,350 | 22,400 |
| Service cost | | | | |
| Current service cost | 34,873 | 615 | 37,749 | 593 |
| Past service cost | 119 | - | 12,896 | 216 |
| Administrative expenses | 626 | 11 | 644 | 10 |
| Insurance premiums for risk benefits | 2,503 | 45 | 2,575 | 40 |
|  | | | | |
| Interest cost | 25,054 | 535 | 27,626 | 560 |
|  | | | | |
| Cash flows | | | | |
| Benefits paid | (21,870) | (752) | (21,811) | (742) |
| Contributions from plan participants | 8,239 | 200 | 8,465 | 179 |
| Administrative expenses | (626) | (11) | (644) | (10) |
| Insurance premiums for risk benefits | (2,503) | (45) | (2,575) | (40) |
|  | | | | |
| Actuarial gains and losses | 159,263 | 2,546 | (79,173) | 19 |
|  | | | | |
| At end of year | 1,284,780 | 26,369 | 1,079,102 | 23,225 |

|  |  |  |
| --- | --- | --- |
| Ulsterbus/Citybus Scheme | Group & Company  2021  £’000 | Group & Company  2020  £’000 |
| At beginning of year | 769 | 868 |
| Interest cost | 16 | 20 |
|  | | |
| Cash flows | | |
| Benefits paid | (115) | (123) |
|  | | |
| Actuarial gains and losses | 31 | 4 |
|  | | |
| At end of year | 701 | 769 |

|  |  |  |
| --- | --- | --- |
| Executive Scheme | Group & Company  2021  £’000 | Group & Company  2020  £’000 |
| At beginning of year | 1,705 | 2,475 |
|  | | |
| Service cost | | |
| Current service cost | 22 | 23 |
|  | | |
| Interest cost | 38 | 61 |
|  | | |
| Cash flows | | |
| Benefits paid | (61) | (61) |
|  | | |
| Actuarial gains and losses | 182 | (793) |
|  | | |
| At end of year | 1,886 | 1,705 |

#### Movements in Fair Value and Analysis of Scheme Assets

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| NILGOS Scheme | Group 2021  £’000 | Company  2021  £’000 | Group 2020  £’000 | Company  2020  £’000 |
| At beginning of year | 878,202 | 19,523 | 862,255 | 18,182 |
|  | | | | |
| Interest income | 20,295 | 447 | 21,704 | 452 |
|  | | | | |
| Cash flows | | | | |
| Employer contributions | 25,103 | 445 | 28,386 | 425 |
| Contributions from scheme members | 8,239 | 200 | 8,465 | 179 |
| Benefits paid | (21,870) | (752) | (21,811) | (742) |
| Administrative expenses paid from plan assets | (626) | (11) | (644) | (10) |
| Insurance premiums for risk benefits | (2,503) | (45) | (2,575) | (40) |
|  | | | | |
| Return on plan assets (excluding interest income) | 149,435 | 3,293 | (41,589) | (935) |
|  | | | | |
| Rebasing to 2019 valuation asset data | - | - | 24,011 | 2,012 |
| At end of year | 1,056,275 | 23,100 | 878,202 | 19,523 |

1. **Employee Benefits *(Continued)***

#### (v) Movements in Fair Value and Analysis of Scheme Assets *(Continued)*

|  |  |  |
| --- | --- | --- |
| Ulsterbus/Citybus Scheme | Group & Company  2021  £’000 | Group & Company  2020  £’000 |
| At beginning of year | 1,603 | 1,720 |
|  | | |
| Interest income | 36 | 42 |
|  | | |
| Cash flows | | |
| Benefits paid | (115) | (123) |
|  | | |
| Return on plan assets (excluding interest income) | 148 | (36) |
|  | | |
| At end of year | 1,672 | 1,603 |

|  |  |  |
| --- | --- | --- |
| Executive Scheme | Group & Company  2021  £’000 | Group & Company  2020  £’000 |
| At beginning of year | 2,610 | 2,700 |
|  | | |
| Interest income | 60 | 67 |
|  | | |
| Cash flows | | |
| Employer contributions | | |
| Benefits paid | (61) | (61) |
|  | | |
| Return on plan assets (excluding interest income) | 115 | (96) |
|  | | |
| At end of year | 2,724 | 2,610 |

The average duration of the benefit obligation at the end of the reporting period is c 21 years (2020: c20 years).

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Fair value of assets | NILGOS | | Ulsterbus/ Citybus Scheme | | Executive Scheme | |
| 2021  £m | 2020  £m | 2021  £m | 2020  £m | 2021  £m | 2020  £m |
| Equity instruments | 488.0 | 373.2 | - | - | 1.4 | 1.4 |
| Debt instruments | 378.1 | 340.7 | - | - | 1.3 | 1.2 |
| Property | 94.0 | 87.8 | - | - | - | - |
| Other | 96.2 | 76.5 | 1.7 | 1.6 | - | - |
|  | 1,056.3 | 878.2 | 1.7 | 1.6 | 2.7 | 2.6 |

Substantially all plan assets are classified as level 2 instruments.

### Directors’ and Employees’ Staff Costs

|  |  |  |
| --- | --- | --- |
| Staff costs Group | 2021  £’000 | 2020  £’000 |
| Wages and salaries | 125,647 | 131,098 |
| Social security costs | 12,344 | 12,994 |
| Other pension costs | 24,972 | 28,179 |
|  | 162,963 | 172,271 |

|  |  |  |
| --- | --- | --- |
| Company | 2021  £’000 | 2020  £’000 |
| Wages and salaries | 2,247 | 2,110 |
| Social security costs | 275 | 264 |
| Other pension costs | 402 | 429 |
|  | 2,924 | 2,803 |

|  |  |  |
| --- | --- | --- |
| Staff costs  Number of Employees (Group) | 2021  No. | 2020  No. |
| Average | | |
| Operating | 2,596 | 2,643 |
| Maintenance | 840 | 832 |
| Administration | 708 | 743 |
|  | 4,144 | 4,218 |
| Total number of employees at the end of the year | 4,087 | 4,203 |

Staff costs exclude voluntary exit scheme costs of £nil (2020: £0.3m) which were fully funded by the Department).

|  |  |  |
| --- | --- | --- |
| Number of Employees (Company) | 2021  No. | 2020  No. |
| Average | | |
| Operating | 12 | 12 |
| Administration | 25 | 25 |
|  | 37 | 37 |
| Total number of employees at the end of the year | 38 | 38 |

|  |  |  |
| --- | --- | --- |
| Directors’ Emoluments (excluding non-executive directors) | 2021  £’000 | 2020  £’000 |
| Basic salary and fees | 474 | 452 |
| Benefits in kind | 2 | 2 |
|  | 476 | 454 |
| Pension contributions | 92 | 90 |
|  | 568 | 544 |

|  |  |  |
| --- | --- | --- |
|  | 2021  No. | 2020  No. |
| Members of defined benefit pension schemes | 3 | 3 |

1. **Directors’ and Employees’ Staff Costs *(Continued)***

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

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Emoluments | 178 | 170 |
| Accrued annual pension | 13 | 11 |
| Accrued lump sum | - | - |

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| The Chairmen’s emoluments – fees | 37 | 14 |

The emoluments of the other non-executive Directors (including the interim Chair in the period) fell within the following bands:

|  |  |  |
| --- | --- | --- |
|  | 2021  No | 2020  No |
| Up to £5,000 | 1 | - |
| £10,001 - £15,000 | 1 | 2 |
| £15,001 - £20,000 | 3 | 3 |

### Financial Instruments

#### 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.

#### Categories and Carrying Value of Financial Instruments

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Financial assets | | |
| Financial assets at amortised cost: | | |
| Trade receivables | 5,718 | 13,473 |
| Other receivables | 11,864 | 9,693 |
| Grant receivables | 83,583 | 58,497 |
| Derivative instruments – current – FVTPL | 142 | - |
| Cash and bank balances – financial assets at amortised cost | 77,108 | 23,931 |
| Total financial assets | 178,415 | 105,594 |
|  | | |
| Financial liabilities | | |
| Trade payables – Other financial liabilities | 21,229 | 15,153 |
| Derivative instruments – current – FVTPL | 2,128 | 5,478 |
| Derivative instruments – non-current – FVTPL | 386 | 4,542 |
| Other payables and accruals – Other financial liabilities | 79,490 | 69,690 |
| Total financial liabilities | 103,233 | 94,863 |
|  | | |
| Net financial assets | 75,182 | 10,731 |

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.

#### 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).

**23. Financial Instruments *(Continued)***

#### Fair Value Measurements Recognised in the Balance Sheet *(Continued)*

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | At 28 March 2021 | | At 29 March 2020 | |
|  | Level 2  £’000 | Total  £’000 | Level 2  £’000 | Total  £’000 |
| Financial assets at FVTPL | | | | |
| Derivative financial assets | | | | |
| Due within one year | - | - | - | - |
| Due after more than one year | 142 | 142 | - | - |
| Total | 142 | 142 | - | - |
|  | | | | |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities: | | | | |
| Due within one year | (2,128) | (2,128) | (5,478) | (5,478) |
| Due after more than one year | (386) | (386) | (4,542) | (4,542) |
| Total | (2,514) | (2,514) | (10,020) | (10,020) |
|  | | | | |
| Opening fair value of derivative financial instruments | (10,020) | (10,020) | 944 | 944 |
| New trades | 129 | 129 | (3,274) | (3,274) |
| Trades settled | 324 | 324 | (715) | (715) |
| Movement in fair value | 7,195 | 7,195 | (6,975) | (6,975) |
| Closing fair value of derivative instruments | (2,372) | (2,372) | (10,020) | (10,020) |

#### Fair Value Adjustments Recognised in Income

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

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Fair value adjustments | 7,648 | (10,964) |

#### 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 28 March 2021. 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.

#### 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 normal operations as at 28 March 2021 consume approximately 40 million litres of diesel fuel per annum. As a result, the Group is exposed to movements in the underlying price of fuel.

The Group’s objective in managing fuel price risk is to reduce the risk that movements in fuel prices result in adverse movements in its profit and cash flow.

The Group has a policy of managing the volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivative financial instruments are used to fix or cap the variable unit cost of a percentage of anticipated fuel consumption. The fuel derivatives hedge the underlying fuel price.

The Group’s residual exposure to fuel price risk is measured by quantifying the element of projected future fuel costs, after taking account of derivative financial instruments in place, which varies due

to movements in fuel prices. Group Finance is responsible for the processes for measuring and managing fuel price risk.

The Group’s overall fuel costs include the impact of delivery margins, fuel taxes and fuel tax rebates.

These elements of fuel costs are not managed as part of the Group Finance’s fuel price risk

management and are managed directly by business unit management.

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

Volume at risk for the year ended 28 March 2021 is nil million litres (2020: 40.7 m litres) for which 100% is hedged (2020: 81%).

**23. Financial Instruments *(Continued)***

(e) Financial Risk Management Objectives *(Continued)*

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 | |
|  | 2021  p / litre | 2020  p / litre | 2021  Litres’000 | 2020  Litres’000 |
| Less than 1 year | 37.77 | 40.43 | 35,750 | 35,750 |
| 1 to 2 years | 31.69 | 37.54 | 18,000 | 33,000 |
| 2 to 5 years | - | 34.08 | - | 7,200 |
| 5 years + | - | - | - | - |
|  |  |  | 53,750 | 75,950 |

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

|  |  |
| --- | --- |
|  | Notional Quantity of fuel covered by derivatives  thousands/litres |
| As at 28 March 2021 | |
| Bus division | 34,400 |
| Rail division | 19,350 |
|  | |
| As at 29 March 2020 | |
| Bus division | 48,077 |
| Rail division | 27,873 |

At 28 March 2021, and 29 March 2020 the projected fuel costs (excluding premia payable on fuel derivatives, delivery margins, fuel taxes and fuel tax rebates) for the next twelve months were:

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Costs subject to fuel hedges | | |
| - Bus | 7,771 | 8,363 |
| - Rail | 4,617 | 4,979 |
|  | 12,388 | 13,342 |
|  | | |
| Costs not subject to fuel hedges | | |
| - Bus | 1,160 | 1,951 |
| - Rail | 720 | 1,162 |
|  | 1,880 | 3,113 |
|  | | |
| Total | 14,268 | 16,455 |

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:

|  |  |  |
| --- | --- | --- |
|  | 2021  £’000 | 2020  £’000 |
| Bus | 116 | 195 |
| Rail | 72 | 116 |

#### 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.

#### Liquidity Risk

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

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

As at 28 March 2021, the Group’s credit facilities were £10,000,000 (2020: £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.

1. **Financial Instruments *(Continued)***

(e) Financial Risk Management Objectives *(Continued)*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average effective interest rate  % | Less than 1 month  £’000 | 1-3  months  £’000 | 3 months  to 1 year  £’000 | 1-5 years  £’000 | 5+ years  £’000 | Total  £’000 |
| 2021 | | | | | | | |
| Non-interest bearing |  | 73,283 | 6,771 | 20,665 | - | - | 100,719 |
| Variable interest rate instruments |  | - | - | - | - | - | - |
| Fixed interest rate instruments |  | - | - | - | - | - | - |
|  |  | 73,283 | 6,771 | 20,665 | - | - | 100,719 |
|  | | | | | | | |
| 2020 | | | | | | | |
| 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 |

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.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Weighted average effective interest rate  % | Less than 1 month  £’000 | 1-3  months  £’000 | 3 months  to 1 year  £’000 | 1-5 years  £’000 | 5+ years  £’000 | Total  £’000 |
| 2021 | | | | | | | |
| Non-interest bearing |  | 113,291 | 27,985 | 33,417 | 3,580 | - | 178,273 |
| Variable interest rate |  | - | - | - | - | - | - |
| instruments | | | | | | | |
| Fixed interest rate |  | - | - | - | - | - | - |
| instruments | | | | | | | |
|  |  | 113,291 | 27,985 | 33,417 | 3,580 | - | 178,273 |
|  | | | | | | | |
| 2020 | | | | | | | |
| Non-interest bearing |  | 37,753 | 36,908 | 29,706 | 1,227 | - | 105,594 |
| Variable interest rate instruments |  | - | - | - | - | - | - |
|  | | | | | | | |
| Fixed interest rate instruments |  | - | - | - | - | - | - |
|  |  | 37,753 | 36,908 | 29,706 | 1,227 | - | 105,594 |

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Less than 1 month  £’000 | 1-3  months  £’000 | 3 months  to 1 year  £’000 | 1-5  years  £’000 | 5+ years  £’000 | Total  £’000 |
| 2021 | | | | | | |
| Gross settled: | | | | | | |
| Fuel forward contracts | (226) | (346) | (1,556) | (244) | - | (2,372) |
|  | (226) | (346) | (1,556) | (244) | - | (2,372) |
|  | | | | | | |
| 2020 | | | | | | |
| Gross settled: | | | | | | |
| Fuel forward contracts | (324) | (937) | (4,217) | (4,542) | - | (10,020) |
|  | (324) | (937) | (4,217) | (4,542) | - | (10,020) |

### 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:

|  |  |  |
| --- | --- | --- |
|  | 2021  £m | 2020  £m |
| Capital grants | 157.3 | 110.0 |
| Public Service Obligation compensation | 72.2 | 19.9 |
| Concessionary fare compensation for a range of groups | 13.0 | 41.0 |
| VES Funding | 0.0 | 0.3 |
| Other revenue funding | 136.6 | 10.4 |

The balance owed to the Group by the Department at the year-end was £7.0m (2020: £9.4m).

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’.

|  |  |  |
| --- | --- | --- |
|  | 2021  £m | 2020  £m |
| Short-term employee benefits | 582 | 538 |
| Post- employment benefits | 92 | 89 |

### Post Balance Sheet Events

No matters have arisen since the period end, to the date of this report, that require adjustment to, or disclosure in, the financial statements.

**Notes**

**Notes**

**Notes**

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