

Company Registration No: NI 006725

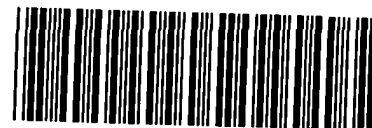
ULSTERBUS LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

For the 52 weeks ended 29 March 2020



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ULSTERBUS LIMITED

Annual report and financial statements

Contents	1
Officers and Professional Advisers	2
Strategic Report	3
Directors' Report	11
Directors' Responsibilities	15
Independent Auditor's Report to the Members of Ulsterbus Limited	16
Profit and Loss Account	19
Statement of Comprehensive Income	20
Balance Sheet	21
Statement of Changes in Equity	22
Notes to the Financial Statements	23

ULSTERBUS LIMITED

Officers and Professional Advisers

DIRECTORS

Dr Mark Sweeney OBE (appointed Chairman 21 February 2020)
Mr Frank Hewitt (resigned as Chairman 30 June 2019)
Mr Chris Conway (Group Chief Executive)
Mr Patrick Anderson (Chief Financial Officer)
Mr Philip O'Neill (Chief Business Change Officer)
Mr Anthony Depledge OBE
Mr Bernard Mitchell
Mrs Hilary McCartan
Ms Angela Reavey

COMPANY SECRETARY

Mrs Priscilla Rooney

AUDITOR

KPMG
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

REGISTERED OFFICE

22 Great Victoria Street
Belfast
Co. Antrim
BT2 7LX

BANKERS

Barclays
17 Castle Place
Belfast
BT1 1EL

REGISTRATION NUMBER

NI 006725

ULSTERBUS LIMITED

Strategic Report

Review of the business

Ulsterbus Limited, (“the Company”) is a wholly owned subsidiary of the Northern Ireland Transport Holding Company (NITHC, referred to as “the Group” or “Translink”), a public corporation established under the Transport Act (Northern Ireland) 1967 to oversee the provision of public transport in Northern Ireland. NITHC and Ulsterbus Limited have common board memberships.

Key performance indicators

The Board has determined in agreement with the Department for Infrastructure (“the Department”) that the following key performance indicators (KPIs), covering both financial and operational performance, are the most effective measures of progress towards achieving the Company’s objectives.

Operational KPIs

The operational KPIs for the Company are the punctuality and reliability of bus services and the customers’ satisfaction with those services, along with a number of key outputs: passenger numbers and bus accessibility. Operational KPIs and commentary thereon are set out in the operational review and subsequent paragraphs.

Financial KPIs

The financial KPIs are turnover and pro forma profit before tax (based on pension contributions payable rather than IAS 19 costs, excluding any IAS 36 impairment of assets and derivative movements as agreed with the Department). Financial KPIs and commentary thereon are set out in the financial review.

Operational Review

	Target	2020	2019
Passengers (million) 52 week*	38.9	37.9	38.7
Customer performance Index (%)**	79.2	78.5	81.4
Punctuality (% of services arriving on time)**	95.0	93.6	91.0
‘On time’ for bus services defined as within 7 minutes of timetable			
Reliability (% of timetabled services run)**	99.2	99.8	100.0
Accessibility (full)	100.0	100.0	100.0

*52 week equivalent in 2019; 53 week in 2019 was 39.1 million. 2020 reflects post COVID impact.

**Ratings per independent monitoring surveys

Passenger journeys are 1.0m below target and 0.8m below last year due to the significant decline in passengers during March 2020 as a result of the COVID-19 pandemic. As at February 2020 passenger journeys were 0.1m above target. Customer performance index is a weighted score of customers’ perceptions of service delivery measured during Passenger Charter Monitoring surveys carried out by an independent organisation. The customer performance index is below target reflecting a decline in punctuality. Punctuality is below target and has been impacted by the loss of the M1 and M2 bus lanes, extensive road works in areas such as the A6 and the laying of gas mains throughout provincial towns west of the Bann.

ULSTERBUS LIMITED

Strategic Report (continued)

Financial Review

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

	Turnover		(Loss) before tax (Note 1)	
	2020	2019	2020	2019
	£m	£m	£m	£m
Per Statutory Accounts	109.0	116.9	(31.5)	(8.1)
IAS 19 pension adjustment	-	-	16.2	7.9
Derivatives	-	-	5.1	0.9
Intercompany write off	-	-	-	-
Pro Forma	<u>109.0</u>	<u>116.9</u>	<u>(10.2)</u>	<u>0.7</u>

Note 1 – Pro forma loss before tax is stated after deducting pension contributions paid to NILGOS pension scheme but before any adjustments required in accordance with International Accounting Standard No.19 'Retirement Benefits', intercompany balance write off, impairment and derivatives.

Financial performance

Turnover is below last year reflecting significant downturn in passenger travel in March 2020 as a result of the COVID-19 pandemic and reductions in revenue subsidy from DfI including concessionary fares and subsidy for operating unprofitable routes.

Pro forma profit has deteriorated due to revenue decline and increased fuel costs.

Capital Investment

Capital expenditure	2020	2019
	£m	£m
Buses/Coaches	17.0	19.6
Land and buildings	3.9	7.5
Other	<u>1.3</u>	<u>5.4</u>
Total	<u>22.2</u>	<u>32.5</u>
KPIs Fleet size		
Buses/Coaches	1,098	1,093
Average fleet age (buses)	<u>10.45</u>	<u>10.1</u>

The bus capital of £17.0m relates to the purchase of 30 Goldline coaches, 37 double deck buses, 20 single deck buses and 24 minibuses. Land and buildings additions of £3.9m includes works on the Ulsterbus Safety Upgrade programme (£2.1m) and the demolition of the old Duncrue/Milewater Road premises (£0.8m). Other capital additions of £1.2m include the Bus Diagnostic Upgrade (£0.2m), RTPI On Urby and Goldline - Phase 1 (£0.2m) and the Core HR Upgrade project (£0.2m).

Performance highlights

The Company's performance in 2019/20 has been against a backdrop of continued and very challenging reductions in Public Service Obligation (PSO) funding for bus services and the devastating impact of COVID-19 on passenger carryings in March 2020.

Reduction in concession funding and PSO funding by DfI associated with running uneconomic, but socially necessary bus services, together with decline in fare paying passenger journeys arising from the COVID-19 pandemic and increased fuel costs have resulted in financial performance which is significantly worse than budget and last year.

ULSTERBUS LIMITED

Strategic Report (continued)

Public Service Agreement

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

Our strategy

There is a group strategy in place for Translink. Elements of the group strategy that are relevant to Ulsterbus are noted below.

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

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

Our 5-year strategy (2016-2021) entitled 'Get on Board' sets out a Vision for Translink as 'Your first choice for travel' by efficiently growing public transport in a way that connects people and communities, improves well-being through more active travel and enhances the economy and improves the environment to enable a thriving Northern Ireland.

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

We will deliver results across four key objectives:

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

Our People

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

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

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

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

ULSTERBUS LIMITED

Strategic Report (continued)

Key Achievements 2019-2020

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

Growing Passenger Numbers prior to COVID-19

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

Prior to the outbreak of the COVID-19 pandemic in March 2020 there had been strong growth during 2019/20 in public transport passenger journeys with growth of 162k (1.2%) in fare paying passenger journeys as at February 2020 compared with the previous year. Due to the decline in passengers travelling, other than essential key workers in March 2020, a total of 37.9 million passenger journeys was achieved for the year, reflecting reduced pupils carried in March due to school closures to curtail the spread of COVID-19.

During 2019/20 we have continued to introduce additional Urby services and fleet to our network. Designed to provide a more comfortable and convenient service to customers commuting from sub-urban/ satellite towns, the improved timetables, faster journey times and modern fleet has proved to be a very attractive proposition to customers and has enjoyed significant growth. To date, Urby services have been introduced from Dromore/ Sprucefield; Ballynahinch/ Carryduff; Newtownards; and Comber – importantly they serve our major park and ride sites offering a viable and attractive alternative to journeys being made fully by private car.

Customer satisfaction

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

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

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.

Top Platinum Award achieved for NI Environmental benchmarking survey.

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

ULSTERBUS LIMITED

Strategic Report (continued)

Key Achievements 2019-20 (continued)

The Open Golf Championship 2019

Translink was proud to be a delivery partner to The Open Golf Championship which was a remarkable and memorable event for Northern Ireland in June 2019.

North West Transport Hub

The new North west Transport Hub passenger facility was completed in October 2019 with the full project to complete mid-2020.

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

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

Progress on Belfast Transport Hub

This year we obtained planning approval of the £multi-million Belfast Transport Hub. Site preparation works for the construction are underway with the whole project expected to take around 5 years to complete. This is a very exciting and hugely important NI Executive flagship project that will be a key driver to economic growth and prosperity for Belfast and Northern Ireland. Designed to support modal shift to greener more active travel solutions it will also be a key driver to tackling air pollution and improving our climate resilience as a region. During this time, over 400 jobs will be created with opportunities for Buy Social embedded into the framework of the scheme

New Fleet

In order to maintain the attractiveness of our services in terms of quality, passenger comfort and accessibility, we aim to have a bus fleet age of eight years. This will need a sustained programme of vehicle replacement to retire older vehicles and modernise our fleet so we can make a significant contribution to tackling climate change, reducing harmful emission and enhancing air quality. Some aspects of the programme are already underway, this year we introduced 45 new buses across Ulsterbus, we are already planning to start the roll out of full electric, zero-emission buses from 2021 and preparing for the delivery in 2020 of the first Hydrogen Fuel Cell buses in Ireland.

Towards a zero / low emission fleet

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

Ticketing progress and plans

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

ULSTERBUS LIMITED

Strategic Report (continued)

COVID-19 actions

Following what has been a strong year, Translink like all aspects of society has been hugely impacted by the Pandemic COVID-19.

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

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

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

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

The Translink SPIRIT

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

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

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

We continue to support local communities through stakeholder engagement, disability awareness, charity activity, supporting community projects and festivals, youth initiatives, events and sponsorships.

Translink holds a Silver CORE standard for Corporate Responsibility from Business in the Community (BTIC) and again retained its Platinum status in BITC's Environmental Benchmarking Survey, Northern Ireland's leading environmental benchmarking exercise.

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

Safety

The safety and wellbeing of our customers, staff and the general public is central to our operations, particularly in light of the emergence of the COVID-19 pandemic.

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

ULSTERBUS LIMITED

Strategic Report (continued)

The Translink SPIRIT (continued)

People

We value and seek to develop our people.

We have won a number of awards for Investors in People (IIP) and strive to achieve the gold standard.

We are committed to creating a diverse workforce as we recognise the value this brings to our organisation.

We have pledged to tackle the gender imbalance within the Group through the Business in the Community 'Gender Project'.

Innovation

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

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

Responsibility

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

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

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

Integrity

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

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

Teamwork

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

ULSTERBUS LIMITED

Strategic Report (continued)

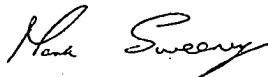
Principal risks and uncertainties

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

- Impact of funding shortfall on Translink's viability as a going concern in the short to medium term and longer term;
- Failure to optimally manage and secure sufficient benefit from key service delivery partnerships (such as Education Authority school services and Bus Éireann);
- Key supplier failure/unavailability;
- Failure to maintain good employee relations;
- Planning delivery and assurance capability for projects (e.g. Belfast Transport Hub);
- Failure to avoid a catastrophic or major incident;
- Cyber security;
- Potential impact of Brexit;
- Reputational risk arising from failure to maintain good stakeholder relations and
- COVID-19 pandemic.

Further information on the key risks and uncertainties faced by the Company are contained within the Group's Corporate Risk Register and also the Group's Corporate Governance Statement.

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



Mark Sweeney (Chairman)



Chris Conway (Group Chief Executive)

ULSTERBUS LIMITED

Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the 52 weeks ended 29 March 2020.

There have been no significant events since the balance sheet date which have a material effect on the accounts. Indications of likely future developments in the business of the Company are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 21 to the financial statements.

Directors

The Directors, who served throughout the year and up to the date of approval of the accounts are noted on page 2.

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.

Disabled employees

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 Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

During the year, the policy of providing employees with information about the Group has continued through a weekly email from the Group Chief Executive, 'Team Talk' briefings and electronic publications on uLink, the Translink intranet site. We have also recently launched a Translink Spirit mobile app to facilitate improved employee communications.

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

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

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

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

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.

ULSTERBUS LIMITED

Directors' Report (continued)

Greenhouse gas emissions

Details of greenhouse gas disclosures are continued in the Group Directors' Report.

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.

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Political contributions

The Company made no political contributions or incurred any political expenditure during the year (2019: £nil).

Financial risk management objectives and policies

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company does not consider currency risk or interest rate risk to be material due to the low levels of foreign currency transactions and nil borrowings.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other debtors.

Credit risk arises on trade receivables and certain other receivables, 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 remote. 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 Company's 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.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

ULSTERBUS LIMITED

Directors' Report (continued)

Liquidity risk

The Company's liquidity risk is managed through the Group's central purchasing and treasury function, with flexibility maintained by retaining surplus cash in readily accessible bank accounts and by bank overdraft facilities and control of Company indebtedness. Further, significant capital projects are normally funded by grant aid, with such projects requiring approval by both the Board and the Department for Infrastructure, Northern Ireland.

Dividends

The Directors do not recommend payment of a dividend (2019: £nil).

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 Company's business activities, together with the factors likely to affect its future development, performance and government funding are set out in the Strategic Report. Principal risks and uncertainties are detailed above.

As a wholly owned subsidiary of a Public Corporation, whose legal status is not expected to change in the immediate future, the Company receives financial support from Government in the form of limited-route subsidy and capital grant support. In addition, the Company receives recompense for the carriage of concession groups.

The Company has received notification of its indicative baseline resource funding for 2020/21 from the Department for Infrastructure ("the Department") and has prepared a budget on this basis. The resource funding has been frontloaded in April and May 2020 to assist with cashflow during the COVID-19 pandemic. Due to the impact of COVID-19 the Company has budgeted to generate a significant trading loss for 2020/21. It has received a commitment from the Minister for Infrastructure in NI Assembly that it will receive additional funding to cope with the impact of the coronavirus pandemic.

The Balance Sheet shows a deficit of £90.9m (2019: deficit of £96.6m). This deficit is entirely attributable to the Company's retirement benefit obligation of £107.7m, a decrease of £18.9m from 2019. The obligation is long term and does not affect the Company's cash flow in the short to medium term.

Given the Company's strategic objectives and future developments the Directors recognise that security of a long-term funding strategy is key. In October 2015 Translink and DfI signed a service agreement for the provision of public transport services for at least five years; this was subsequently extended during the current year to March 2022.

This agreement (with the Department for Infrastructure) includes a commitment that payment for these services will be maintained at such a level to ensure that as a minimum Translink is able to meet its going concern obligations. This has been a key consideration for the Directors in assessing whether the accounts can be prepared on a going concern basis. Furthermore, a letter dated 23 June 2020 from the Office of the Minister for Infrastructure reaffirms the Department's commitment to ensure that NITHCo / Translink remains a viable financial entity and states that the Northern Ireland Executive has committed to protecting Translink's financial position throughout the pandemic and to ensure that our public transport network is there to play its part in our recovery post crisis. On this basis, the Directors believe that it is reasonable to assume that the Company 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.

ULSTERBUS LIMITED
Directors' Report (continued)

Post balance sheet events

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

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

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



Mrs Priscilla Rooney
Company Secretary

22 Great Victoria Street
Belfast
BT2 7LX

ULSTERBUS LIMITED

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 financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 the 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 Company 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.

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



Mrs Priscilla Rooney
Company Secretary

22 Great Victoria Street
Belfast
BT2 7LX



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

Independent Auditor's Report to the Members of Ulsterbus Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ulsterbus Limited ("the Company") for the period ended 29 March 2020 set out on pages 19 to 49, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 March 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in 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.

We have nothing to report on going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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



Independent Auditor's Report to the Members of Ulsterbus Limited (continued)

Report on the audit of the financial statements (continued)

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 and Directors' Report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information;

- we have not 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 15, 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 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 Company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report to the Members of Ulsterbus Limited (continued)

Respective responsibilities and restrictions on use (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

The purpose of our audit work and to whom we owe our responsibilities

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

John Poole (Senior Statutory Auditor)

For and on behalf of

KPMG

Statutory Auditor

The Soloist Building

1 Lanyon Place

Belfast

BT1 3LP

1 July 2020

ULSTERBUS LIMITED

Profit and Loss Account

for the 52 weeks ended 29 March 2020

	Notes	52 weeks ended 29 March 2020 £'000	53 weeks ended 31 March 2019 £'000
Turnover	3	109,035	116,897
Cost of sales		(124,425)	(115,566)
Gross (loss)/profit		(15,390)	1,331
Administrative expenses before intercompany write off		(8,133)	(5,878)
Administrative expenses – intercompany write off		-	(4)
Administrative expenses – total		(8,133)	(5,882)
Fair value adjustment on fuel derivative		(5,098)	(854)
Other operating income	4	198	169
Operating loss	5	(28,423)	(5,236)
Interest receivable and similar income	7	170	168
Other finance charge	20	(3,240)	(3,073)
Loss before taxation		(31,493)	(8,141)
Tax on loss	8	6,779	1,369
Loss for the financial year		(24,714)	(6,772)

All reported results arise from continuous operations.

The notes on pages 23 to 49 form part of these financial statements.

ULSTERBUS LIMITED

Statement of Comprehensive Income for the 52 weeks ended 29 March 2020

		52 weeks ended 29 March 2020 £'000	53 weeks ended 31 March 2019 £'000
Loss for the financial year		<u>(24,714)</u>	<u>(6,772)</u>
Other comprehensive income/(costs)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	20	35,167	(7,154)
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes		(4,704)	1,216
Other comprehensive income/(costs) for the year, net of income tax		<u>30,463</u>	<u>(5,938)</u>
Total comprehensive income/(costs)		<u>5,749</u>	<u>(12,710)</u>

All reported results arise from continuous operations.

The notes on pages 23 to 49 form part of these financial statements.

ULSTERBUS LIMITED

Balance Sheet

as at 29 March 2020

	Notes	29 March 2020 £'000	31 March 2019 £'000
Fixed Assets			
Tangible fixed assets	9	136,945	135,239
Investments	10	-	-
Deferred tax asset	8	25,621	23,931
		162,566	159,170
Current assets			
Stocks	11	3,519	3,973
Debtors	12	49,980	39,728
Derivative financial instruments	21	-	613
Cash and cash equivalents		23,609	37,156
		77,108	81,470
Creditors: Amounts falling due within one year:			
Trade and other payables	2, 13	(82,263)	(76,511)
Current tax liability	8	-	(3)
Derivative financial instruments	21	(2,547)	-
Provisions	14	(3,884)	(3,961)
Total current liabilities		(88,694)	(80,475)
Net current (liabilities)/assets		(11,586)	995
Total assets less current liabilities		150,980	160,165
Creditors: Amounts falling due after more than one year:			
Employee benefit obligation	20	(107,656)	(126,616)
Deferred income	15	(132,092)	(130,019)
Lease liabilities	2	(15)	-
Derivative financial instruments	21	(2,112)	(174)
Total non-current liabilities		(241,875)	(256,809)
Net liabilities		(90,895)	(96,644)
Capital and reserves			
Called up share capital	19	10,273	10,273
Profit and loss account		(101,168)	(106,917)
Total shareholders' deficit		(90,895)	(96,644)

The financial statements of Ulsterbus Limited, registered number NI 006725 were approved by the board of directors on 30 June 2020.

Signed on behalf of the Board by:



Mark Sweeney
Chairman



Chris Conway
Group Chief Executive

Company registration number: NI 006725

The notes on pages 23 to 49 form part of these financial statements.

ULSTERBUS LIMITED

Statement of Changes in Equity for the 52 weeks ended 29 March 2020

	Called up share capital £'000	Profit and Loss account £'000	Total £'000
Balance at 25 March 2018	10,273	(94,207)	(83,934)
Loss for the period	-	(6,772)	(6,772)
Other comprehensive income for the period	-	(5,938)	(5,938)
Total comprehensive income for the period	-	(12,710)	(12,710)
Balance at 31 March 2019	10,273	(106,917)	(96,644)
Loss for the period	-	(24,714)	(24,714)
Other comprehensive income for the period	-	30,463	30,463
Total comprehensive income for the period	-	5,749	5,749
Balance at 29 March 2020	10,273	(101,168)	(90,895)

The notes on pages 23 to 49 form part of these financial statements.

ULSTERBUS LIMITED

Notes to the financial statements

for the 52 weeks ended 29 March 2020

1. GENERAL INFORMATION

Ulsterbus Limited is a company incorporated, domiciled and registered in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the Company's operations are set out in the Strategic Report on pages 3 to 10.

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

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Northern Ireland Transport Holding Company (NITHC). The Group accounts of Northern Ireland Transport Holding Company are available to the public and can be obtained as set out in note 22.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The 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 payments, 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 and transactions with wholly owned subsidiaries, compensation for key management personnel and certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 17.

Where relevant, equivalent disclosures have been given in the group accounts of Northern Ireland Transport Holding Company. The Group accounts of Northern Ireland Transport Holding Company are available to the public and can be obtained as set out in note 22.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Although the Balance Sheet shows a net liability position, this is due to the provision for retirement benefits of £107.7m. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 13.

Tangible Fixed Assets

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

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value which is reviewed annually, on a straight-line basis, as follows:

Long leasehold	- 20 - 30 years
Plant and equipment	- 5 years

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Fixed Assets (continued)

Leasehold improvements	- 10 years
Buses (new)	- 15 - 16 years
Buses (second hand)	- Various
Coaches	- 9 years
Plant and machinery in buildings	- 10 years
Cars, vans and lorries	- 4 years
Ticket equipment	- 4 - 10 years

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

At each balance sheet date, the carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised 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. An impairment loss or reversal of an impairment loss is recognised in the profit and loss.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for any impairment.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Presentation of profit and loss account and exceptional items

Where applicable, information has been presented in a format which separately highlights exceptional items. This is intended to enable users of the financial statements to determine more readily the impact of exceptional items on the results of the Company.

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 Company.

Operating profit

Operating profit is stated before finance income, finance costs, non-operational exceptional items and taxation.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and VAT.

Turnover represents gross revenue earned from public transport services including amounts receivable from concessionary fares schemes. Turnover incidental to the Company's principal activity (including advertising income and rental income) are reported as other operating income.

Turnover 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 profit and loss over the period of the relevant ticket. Income from advertising and other activities is recognised as income accrues (e.g. advertising sites let).

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

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Government grants**

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the 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 Company with no future related costs are recognised as income against the expense line in which the related cost was incurred, in the period in which they become receivable.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating result.

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

	2020	2019
Euro		
Year-end rate	1.12	1.17
Average rate	1.14	1.13

Operating leases (policy applicable before 1 April 2019)

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

Leases (policy applicable from 1 April 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As a lessee at commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Leases (policy applicable from 1 April 2019) (continued)**

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, this has been assessed as 5%. Lease payments included in the measurement of the lease liability comprise the following: - fixed payments, including in-substance fixed payments; - variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date - amounts expected to be payable under a residual value guarantee; and - the exercise price under a purchase option that the Company is reasonably certain to exercise, - lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and - penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

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

Interest receivable and Interest payable

Interest income, interest payable and similar expenses are recognised in profit or loss as it accrues.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

Provision is made on a discounted basis for the estimated cost to the Company 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 Company. The provision is set after taking account of advice from third party insurers and solicitors.

Corporate Social Responsibility Provision

Provision is made for obligations arising from the Company’s current Environmental Contamination policy. The provision is set after taking advice from third party environmental technical advisors.

Stock

Stock represents consumable stocks and is valued at the lower of weighted average cost and estimated net realisable value, after making due allowance for obsolete or slow-moving items.

Employee Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the straight-line basis, 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 other 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 profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined liability or asset at the beginning of the reporting period. Defined benefit costs are split into three categories:

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

The Company presents the first component of defined benefit costs within cost of sales and administrative expenses (see note 20) in its profit and loss account. Curtailments gains and losses are accounted for as past service cost.

Net interest expense or income is recognised within other finance income/costs.

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

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

The Company measures its financial assets on initial recognition at fair value and determines the classification of such assets at initial recognition and on any subsequent reclassification event. Where there is no active market for a financial asset, fair value is determined using valuation techniques including recent commercial transactions and discounted cash flows.

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

The most significant financial assets in this category are trade and other receivables and bank deposits. Trade receivables are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Bank deposits are included within cash and cash equivalents. Cash and cash equivalents, as defined for the cash flow statement, comprise cash on hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts. 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 differences 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.

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are classified according to the substance of the related contractual arrangement. When a financial liability is recognised initially, the Company measures it at its fair value net of transaction costs. Trade payables, other payables and borrowings are classified as "other financial liabilities". Subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to changes in fuel prices.

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 designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the cashflow 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 with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year 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.

Note 21 sets out details of the fair values of the derivative instruments used.

Cash at bank and in hand

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.

Trade and other payables

Trade and other payables are generally not interest bearing and are stated at amortised cost which approximates to nominal value due to creditors days being relatively low.

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share Capital

Ordinary shares are classified as equity.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 the recoverability of deferred tax assets), the measurement of retirement obligations, the measurement of insurance provisions and the measurement of the fair value of derivative financial instruments. 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. 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 20). The estimation of the insurance 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 been reported to the Company. The estimation of the fair value of derivative financial instruments is based on information provided by banking institutions with high credit ratings.

Newly adopted standards

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

- IFRS 16 leases.

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

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

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted standards (continued)

IFRS 16: Leases

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

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

(a) Definition of a lease

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

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

(b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

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

Right-of-use assets were measured at:

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

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

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

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

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

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted standards (continued)

IFRS 16: Leases

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

	1 April 2019 £'000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17	9
Discounted using the incremental borrowing rate at 1 April 2019	9
Recognition exemption for leases with less than 12 months of lease term at transition	6
Lease liabilities recognised at 1 April 2019	<u>3</u>

INTEREST-BEARING LOANS AND BORROWINGS

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

	2020 £000	2019 £000
Creditors: amounts falling due after more than one year		
Lease liabilities	15	-
	<u>15</u>	<u>-</u>
Creditors: amounts falling due within less than one year		
Lease liabilities	4	-
	<u>4</u>	<u>-</u>

3. TURNOVER

Turnover mainly comprises income from passengers, concessionary and advertising income, excluding value added tax where applicable. Due to the nature of the Company's business, the origin and destination of turnover is the same in all cases. As the Company sells bus services to individuals, it has few customers that are individually "major". Its major customers are typically public bodies that subsidise or procure transport services – such customers would include the Department for Infrastructure and the Department of Education Northern Ireland. No geographical analysis of turnover over markets is provided as the Directors consider that such disclosure would be seriously prejudicial to the interests of the Company.

4. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Rental income	<u>198</u>	<u>169</u>

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

5. OPERATING LOSS

This is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of owned and leasehold fixed assets	16,841	15,019
Provision for insurance claims and environmental provision	1,178	1,270
Profit on disposal of fixed assets	(92)	(72)
Government grants released	(15,752)	(13,878)
Operating lease rentals – motor vehicles	4	7
Cost of stocks	22,423	24,371
Reorganisation costs	227	875
Government funding for reorganisation costs	(227)	(875)
Write off of exceptional intercompany balances	-	4
Fair value movement	5,098	854
	2020 £'000	2019 £'000

Fees payable to the Company's auditor for the audit of the
Company's accounts:

15 14

Fees payable in respect of non-audit services to the Company are not required to be disclosed because the parent Company's consolidated financial statements have disclosed such fees on a consolidated basis.

6. STAFF COSTS

	2020 £'000	2019 £'000
Wages and salaries	62,217	58,865
Social security costs	5,930	5,667
Other pension costs	13,343	12,179
	<u>81,490</u>	<u>76,711</u>

Staff costs include voluntary exit scheme (VES) costs of £227,000 which were fully funded by the Department (2019: VES costs £875,000).

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

6. STAFF COSTS (continued)

The monthly average number of employees during the period was as follows:

	2020 No.	2019 No.
Operating staff	1,470	1,439
Maintenance staff	334	315
Administrative staff	486	517
	<u>2,290</u>	<u>2,271</u>
Total number of employees at the end of the year	<u>2,279</u>	<u>2,330</u>

There were no Directors' emoluments accrued by the individuals or borne by the Company in the current or prior periods. The Directors are paid by the parent company.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Bank interest receivable	<u>170</u>	<u>168</u>

8. TAXATION

(a) Analysis of tax (credit)/charge	2020 £'000	2019 £'000
Current Taxation:		
UK corporation tax	(401)	59
Adjustments in respect of prior years	16	(8)
Total current tax	<u>(385)</u>	<u>51</u>
Deferred Taxation:		
Origination and reversal of timing differences	(4,593)	(1,492)
Effect of change in tax rate	(838)	172
Derivative financial instruments	(960)	(145)
Adjustments in respect of prior years	(3)	45
Total deferred tax	<u>(6,394)</u>	<u>(1,420)</u>
Total tax (note 8(b))	<u>(6,779)</u>	<u>(1,369)</u>

Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year.

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

8. TAXATION (continued)

(b) Factors affecting tax charge

The tax credit for the year can be reconciled to the profit per the profit and loss account as follows:

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	(31,493)	(8,141)
Tax at UK corporation tax rate of 19% (2019: 19%)	(5,984)	(1,547)
Non-deductible expenditure (non-taxable income)	980	115
Derivatives	(960)	(145)
Adjustments to tax charge in respect of prior years	23	36
Effect of change in UK corporation tax rate	(838)	172
Total tax (note 8(a))	(6,779)	(1,369)

(c) Factors that may affect future tax changes

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, in the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. The deferred tax asset at 31 March 2020 has therefore been calculated at the rate of 19%.

ULSTERBUS LIMITED

Notes to the financial statements (continued)

for the 52 weeks ended 29 March 2020

8. TAXATION (continued)

(d) Tax on items taken directly to other comprehensive income

In addition to the amount charged to the Profit and Loss Account, the following amounts relating to tax have been recognised in other comprehensive income:

	2020 £'000	2019 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Actuarial (losses)/gains on defined benefit pension schemes	(4,704)	(1,216)

Deferred Tax

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

	Accelerated tax depreciation	Other temporary differences	Retirement benefit obligations	Losses	Derivative financial instruments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 25 March 2018	(307)	467	18,959	2,396	(220)	21,295
(Charge)/credit to profit and loss	37	(8)	1,350	(104)	145	1,420
(Charge)/credit to other comprehensive income	-	-	1,216	-	-	1,216
At 31 March 2019	(270)	459	21,525	2,292	(75)	23,931
(Charge)/credit to profit and loss	(30)	123	3,634	1,707	960	6,394
(Charge)/credit to other comprehensive income	-	-	(4,704)	-	-	(4,704)
At 29 March 2020	(300)	582	20,455	3,999	885	25,621

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

8. TAXATION (continued)

(d) Tax on items taken directly to other comprehensive income

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

	2020	2019
	£'000	£'000
Deferred tax assets	10,150	2,406
Deferred tax asset – Retirement Benefit obligations	15,471	21,525
	<u>25,621</u>	<u>23,931</u>

9. TANGIBLE FIXED ASSETS

	Long leasehold buildings £'000	Vehicles £'000	Plant and equipment £'000	Total £'000
Cost				
At 31 March 2019	74,456	200,425	36,711	311,592
Additions	3,923	17,040	1,242	22,205
Disposals	(242)	(11,662)	(4,052)	(15,956)
Net Group transfers	(31)	(2,191)	383	(1,839)
At 29 March 2020	78,106	203,612	34,284	316,002
Depreciation:				
At 31 March 2019	29,375	117,901	29,077	176,353
Provided during the year	3,009	11,740	2,092	16,841
Disposals	(242)	(11,524)	(4,024)	(15,790)
Net Group transfers	-	1,653	-	1,653
At 29 March 2020	32,142	119,770	27,145	179,057
Net book value				
At 31 March 2019	45,081	82,524	7,634	135,239
At 29 March 2020	45,964	83,842	7,139	136,945

Included within the categories above are assets in the course of construction totalling £26.5 million (2019: £26.2 million) which are not being depreciated as they were not fully commissioned at the balance sheet date.

Right-of-use assets

At 29th March 2020, property, plant and equipment includes right-of-use assets as follows:
Vehicles net book value £18,000.

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

10. INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 31 March 2019 and 29 March 2020	749
Amounts provided	
At 31 March 2019 and 29 March 2020	(749)
Net book value	
At 31 March 2019 and 29 March 2020	-

Details of the investments in subsidiary undertakings are as follows:

	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of shares held</i>	<i>Nature of business</i>
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

(1) Registered office is 22 Great Victoria Street, Belfast, Co. Antrim, BT2 7LX

11. STOCK

Stock consists of various types of consumable stocks valued on a weighted average cost basis. The replacement cost of these stocks is not materially different from the valuation shown in the financial statements.

12. DEBTORS – DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade receivables	7,135	8,825
Amounts due from Group undertakings	24,027	14,113
Amounts due from Group undertakings – Group relief	326	326
Grants receivable	12,356	8,119
Other debtors	5,788	5,028
Prepayments and accrued income	348	3,317
	49,980	39,728

Amounts due from Group undertakings are unsecured, do not bear interest and are repayable on demand. Bad debt provision in the current year was £15,000 (2019: £8,000).

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

13. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade payables	15,152	8,185
Amounts due to Group undertakings	39,857	43,396
Other payables	5,925	9,146
Lease liabilities	4	-
Capital accrual	10,376	3,041
Other accruals	10,949	12,743
	<u>82,263</u>	<u>76,511</u>

Included in other payables is £520,000 (2019: £1,670,000) relating to outstanding contributions payable to the NILGOS Pension Scheme. Amounts due to Group undertakings are unsecured, do not bear interest and are repayable on demand.

14. PROVISIONS FOR LIABILITIES

	Third party claims £'000	Corporate Social Responsibility Provision £'000	Total £'000
At 25 March 2018	3,933	411	4,344
Utilised during period	(1,653)	-	(1,653)
Charge to profit and loss	1,335	(65)	1,270
At 31 March 2019	<u>3,615</u>	<u>346</u>	<u>3,961</u>
Utilised during period	(1,255)	-	(1,255)
Charge to profit and loss	1,148	30	1,178
At 29 March 2020	<u>3,508</u>	<u>376</u>	<u>3,884</u>

The third-party claims provision relates to the insurance excess or self-insured element of claims received. The provision is based upon the best estimate of the expenditure to settle each obligation. 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. The corporate social responsibility provision relates to anticipated clean-up costs due to land contamination at various fuelling points. The obligations giving rise to the requirement for the provision arise from the Company's Health and Safety obligations and current Environmental Contamination policy.

15. DEFERRED INCOME

	Deferred government grants	
	2020 £'000	2019 £'000
At start of period	130,019	115,128
Grants received	22,204	31,609
Disposals	(154)	(54)
Transfer to profit and loss account	(15,752)	(13,878)
Net transfers from to Group undertakings	(4,225)	(2,786)
At end of period	<u>132,092</u>	<u>130,019</u>

Net Group transfers relate primarily to the transfer of deferred grant income on coaches transferred between companies.

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

16. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital commitments contracted for but not provided in the financial statements at the balance sheet date were £26.7 million (2019: £5.7 million).

17. TRANSACTIONS INVOLVING DIRECTORS

No director during the year had any beneficial interest in the share capital of the Company. None of the Directors had a material interest at any time during the year in any contract of significance in relation to the Company's business or any other material interest, required by law to be disclosed, in any transaction or arrangement with the Company.

18. RELATED PARTY DISCLOSURES

The Company's parent undertaking, the Northern Ireland Transport Holding Company, is a public corporation sponsored by the Department for Infrastructure ("the Department"). The Department is regarded as a related party. During the year the Company has had various material transactions with the Department, including the receipt of:

- capital grants of £22.2m (2019: £31.6m);
- concessionary fare compensation of £15.4m (2019: £18.4m)
- other revenue grants of £10.2m (2019: £16.2m)

As at the balance sheet date amounts owing by the Department were £3.8m (2019: £4.2m).

The Company has taken advantage of the exemption granted by paragraphs 8 (j) and 8(k) of FRS 101 not to disclose all transactions with wholly owned group companies and compensation of key management personnel.

19. CAPITAL AND RESERVES

	2020 No.'000	2020 £'000	2019 No.'000	2019 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	10,273	10,273	10,273	10,273

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020

20. EMPLOYEE BENEFITS

(i) Description of the scheme

NILGOS Scheme

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

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

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

The pension cost and funding arrangements are assessed in accordance with the advice of qualified actuaries using the projected unit credit method (an accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings). The latest triennial valuation of the entire NILGOS scheme was at 31 March 2019. The market value of the assets at the date of the valuation was £8,040 million and represented 112% of benefits accruing to members after allowing for expected future increase in earnings and pensions. The employers' contribution rate had been set at 20% following the previous valuation. The employers' contribution rate for the year commencing 1 April 2019 had been set at 20% along with additional deficit funding contributions amounting to £974k. The employer contribution rate for the year commencing 1 April 2020 and subsequent years has been set at 19%.

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

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

20. EMPLOYEE BENEFITS (continued)

(i) Description of the scheme (continued)

	2020	2019
NILGOS Scheme		
Discount rate	2.3%	2.5%
Expected rate of salary increase	2.4%	2.5%
Future pension increases	2.1%	2.2%
Inflation (RPI)	2.5%	3.2%
Inflation (CPI)	2.1%	2.2%
Mortality assumptions:		
	2020 Years	2019 Years
Retiring today:		
Males	21.9	23.5
Females	25.1	26.1
Retiring in 20 years:		
Males	23.2	25.7
Females	26.5	28.4

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality.

The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5.0% (£29.1m)
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by 1.6% (£9.5m)
Rate of inflation (CPI)	Increase/decrease by 0.25%	Increase/decrease by 4.7% (£27.3m)
Rate of mortality	Increase by 1 year	Increase by 2.8% (£16.6m)

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.

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

20. EMPLOYEE BENEFITS (continued)

(ii) Amounts recognised in income

Amounts recognised in income in respect of this defined benefit scheme are as follows:

	2020 £'000	2019 £'000
Components of defined benefit cost		
Current service cost	18,967	16,165
Past service cost	6,458	261
Total service cost	25,425	16,426
Interest cost	14,966	14,503
Interest income on plan assets	(11,726)	(11,430)
Total net interest cost	3,240	3,073
Administrative expenses and taxes	317	242
Insurance premiums for risk benefits	1,268	1,211
Defined benefit cost included in profit and loss account	30,250	20,952
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	(54,558)	-
Effect of changes in financial assumptions	13,984	35,355
Effect of experience adjustments	(17,050)	1,308
Return on plan assets (excluding interest income)	22,457	(29,509)
Total measurements included in other comprehensive income	(35,167)	7,154
Total pension cost/(credit) recognised in profit and loss account and other comprehensive income	(4,917)	28,106

Of the expense for the year (service cost), £20.0m (2019: £12.7m) has been included in cost of sales and the remainder has been included within administrative expenses.

The actual return on plan assets for the Company was negative £10.7m (2019: positive £40.9m).

The gross cumulative amount of actuarial gains and losses recognised in other comprehensive income is losses of £ 67.9 m (2019: £98.9m).

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

20. EMPLOYEE BENEFITS (continued)

(iii) Amounts included within the balance sheet

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

	2020 £'000	2019 £'000
Present value of funded defined benefit obligations	(580,929)	(593,385)
Fair value of scheme assets	473,273	466,769
Net liability arising from defined benefit obligation	<u>(107,656)</u>	<u>(126,616)</u>

(iv) Movements in present value of defined benefit obligation

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

	2020 £'000	2019 £'000
At beginning of period	593,385	532,327
<u>Service cost</u>		
Current service cost	18,967	16,165
Past service cost	6,458	261
Administrative expenses	317	242
Insurance premiums for risk benefits	1,268	1,211
<u>Interest cost</u>	14,966	14,503
<u>Cash flows</u>		
Benefits paid	(12,054)	(10,469)
Contributions from plan participants	4,121	3,935
Administrative expenses	(317)	(242)
Insurance premiums for risk benefits	(1,268)	(1,211)
<u>Actuarial gains and losses</u>	(44,914)	36,663
At end of period	<u>580,929</u>	<u>593,385</u>

The defined benefit obligations shown in the above tables are 81% funded.

Expected contributions to the scheme in the next annual reporting period are £12.9m.

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

20. EMPLOYEE BENEFITS (continued)

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

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

	2020 £'000	2019 £'000
At beginning of period	466,769	420,803
<u>Interest income</u>	11,726	11,430
<u>Cash flows</u>		
Employer contributions	14,043	13,014
Contributions from scheme members	4,121	3,935
Benefits paid	(12,054)	(10,469)
Administrative expenses paid from plan assets	(317)	(242)
Insurance premiums for risk benefits	(1,268)	(1,211)
<u>Return on plan assets (excluding interest income)</u>	(22,457)	29,509
Rebasing to 2019 valuation data	12,710	-
At end of period	473,273	466,769

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

	Fair value of assets	
	2020 £m	2019 £m
Equity instruments	201.1	277.7
Debt instruments	183.6	109.7
Property	47.3	51.3
Other	41.3	28.1
	<u>473.3</u>	<u>466.8</u>

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

21. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments accounted for at fair value

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – Valuation techniques that include inputs for the assets or liability that are not based on observable data (that is, unobservable inputs).

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

	At 29 March 2020		At 31 March 2019	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
<i>Financial assets at FVTPL</i>				
Derivative financial assets				
Due within one year	-	-	613	613
Due after more than one year	-	-	-	-
Total	-	-	613	613

	At 29 March 2020		At 31 March 2019	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
<i>Financial liabilities at FVTPL</i>				
Derivative financial liabilities				
Due within one year	(2,547)	(2,547)	-	-
Due after more than one year	(2,112)	(2,112)	(174)	(174)
Total	(4,659)	(4,659)	(174)	(174)

	At 29 March 2020		At 31 March 2019	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
<i>Derivative financial instruments</i>				
Opening fair value	439	439	1,293	1,293
New trades	(1,522)	(1,522)	(177)	(177)
Trades settled	(333)	(333)	(1,054)	(1,054)
Movement in fair value	(3,243)	(3,243)	377	377
Closing fair value	(4,659)	(4,659)	439	439

Notes to the financial statements (continued)
for the 52 weeks ended 29 March 2020

21. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments accounted for at fair value

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

	At 29 March 2020		At 31 March 2019	
	Level 2	Total	Level 2	Total
	£'000	£'000	£'000	£'000
<i>Financial instruments at FVTPL</i>				
Derivative financial assets	-	-	680	680
Derivative financial liabilities	5,098	5,098	174	174
Total	5,098	5,098	854	854

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of financial assets and liabilities are determined as follows: -

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

(c) Derivatives

The Company 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.

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

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

Volume at risk for the year ended 29 March 2020 is 18.9m litres (2019: 18.6m litres) for which 81% is hedged (2019: 83%).

If all the relevant fuel prices were 10% higher at the balance sheet date, the profit before taxation would be reduced by £144,000 (2019: £42,000).

ULSTERBUS LIMITED

Notes to the financial statements (continued) for the 52 weeks ended 29 March 2020

22. ULTIMATE UNDERTAKING

The Company's immediate and ultimate parent undertaking is the Northern Ireland Transport Holding Company, a body corporate established under the Transport Act (Northern Ireland) 1967. This is the parent undertaking of the largest and smallest Group of which the Company is a member and for which Group financial statements are prepared. Copies of these may be obtained from 22 Great Victoria Street, Belfast.