Company Registration No: NI 006725

ULSTERBUS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 53 weeks ended 31 March 2019

ULSTERBUS LIMITED

Annual report and financial statements

Contents

ULSTERBUS LIMITED

Officers and Professional Advisers

DIRECTORS

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

COMPANY SECRETARY

Ms P Rooney (appointed 18 April 2018)
Ms C McLaughlin (resigned 18 April 2018)

AUDITOR

KPMG
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

REGISTERED OFFICE

22 Great Victoria Street
Belfast
Co. Antrim
BT2 7LX

BANKERS

Bank of Ireland
54 Donegall Place
Belfast
BT1 5BX

REGISTRATION NUMBER

NI 006725

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	2019	2018
Passengers (million) 53 week in 2019	39.4	39.1	38.1
Passengers (million) 52 week equivalent in 2019		38.7	38.1
Customer performance Index (%)*	79.2	81.4	81.3
Punctuality (% of services arriving on time)*	95.0	91.0	94.9
'On time' for bus services defined as within 7 minutes of timetable			
Reliability (% of timetabled services run)*	99.2	100.0	100.0
Accessibility (full)	100.0	100.0	100.0

*Ratings per independent monitoring surveys

Passenger journeys are 0.3m below target due to reduction in journeys made by senior citizens and home to school transport journeys. Fare paying passenger journeys were above budget and 0.3m above last year on a 52 week equivalent basis.
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 above target, reflecting good passenger ratings for Punctuality and Value for Money.
Punctuality is well below target and has been impacted by the loss of the M1 and M2 bus lanes from September, extensive road works in areas such as the A6 and the laying of gas mains throughout provincial towns west of the Bann.

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)	
	2019	2018	2019	2018
	£m	£m	£m	£m
Per Statutory Accounts	116.9	107.6	(8.1)	(10.3)
IAS 19 pension adjustment	-	-	7.9	9.5
Derivatives	-	-	0.9	(1.3)
Pro Forma	116.9	107.6	0.7	(2.1)

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 above last year reflecting continued growth in Goldline services, growth in newly introduced Ůrby services and additional funding for rural bus subsidy.
Pro forma profit has improved due to revenue growth, cost control initiatives and additional revenue subsidy from the Department.

Capital Investment

Capital expenditure	2019	2018
	£m	£m
Buses/Coaches	19.6	7.8
Land and buildings	7.5	19.2
Other	5.4	1.8
Total	**32.5**	**28.8**
KPIs Fleet size		
Buses/Coaches	1,093	1,087
Average fleet age (buses)	10.1	9.4

The bus capital of £19.5m relates to the purchase of 30 Goldline coaches, 9 double deck buses and 25 minibuses which are due to be delivered in 2019/20 and the delivery of 4 Ulsterbus Tours coaches, 25 double deck buses and the 28 double deck buses which were ordered in 2018/19. Land and buildings additions of £7.5m includes completion of the Milewater Service Centre (£5.8m), the installation of Automatic Barriers at Ulsterbus stations (£0.8m) and drainage at Craigavon Depot (£0.2m) and the progression of the Depot Improvement Programme (£0.2m). Other capital additions of £5.5m include the purchase of plant and machinery for Milewater Service Centre (£2.4m), On Bus CCTV Upgrade (£0.4m), the ICT Network Refresh project (£0.3m) and the Corporate Website and Mobile Site Replacement project (£0.5m).

Performance highlights

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

Public Service Agreement

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

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.

Safety

Our first priority is always safety and we have an excellent safety record. A significant work programme is in place to deliver, enhance and maintain safe systems, a positive safety culture, emergency preparedness and high profile public safety campaigns in support of this commitment.

Our Safety Management System guides our organisation and we engage every one of our employees to live by the key principles of behavioural safety.

Maintaining High Standards

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

Our highly skilled workforce makes sure that our vehicles and public transport network are in good condition so that we can deliver the service we promise.

This year we introduced Ulsterbus Urby services with new higher spec doubledeck vehicles that have free wifi, charging points, onboard information systems and more space. This new fleet has afforded the opportunity to improve our service offer to customers commuting to Belfast providing faster and a more direct service.

Strategic Report (continued)

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

Exploiting Technology

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

Customer Driven Innovation

Customer information is an important tool for business growth. We want to be at the forefront of technology and digital developments in transport; we are already a digital business with over 50 million digital contacts a year for information and ticketing. We have just completed an upgrade to our web/mobile services as a first step to support the implementation of our new future ticketing system. The new technology we have put in place in the first instance will improve the usability of our website aligning the customer experience of planning and buying. As the new ticketing technologies are rolled out we will be able to significantly enhance the online and mobile ticketing offer for customers with digital tickets and top-ups. This is alongside other significant improvements such as contactless payments on-bus, account based ticketing, TVMs at bus stations and major boarding points, that will be delivered over the next two years.

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

Accessible Transport Strategy and Social Inclusion

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

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

Strategic Report (continued)

Customer Engagement

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

Belfast Transport Hub

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

North West Transport Hub

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

Expanded Park and Ride Programme

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

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

Service Developments

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

To deliver value for money

We have continued to maintain a strong focus on cost and continuous improvement, driving business efficiency throughout our organisation. The cumulative impact of the business improvement measures has delivered over £11m p.a.at Group level over the last three years and the ongoing cost reduction and revenue enhancing programme of activities will deliver significant further financial benefits over the next three years.

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

We are confident that we can actively contribute to improving social inclusion, tackling disadvantage, economic growth and to contributing to a healthier region. An efficient public transport system provides a wider benefit to society; we are working with our stakeholders to champion these benefits and the need for sustained investment and funding.

Strategic Report (continued)

Fares Strategy

We will work on an annual basis with key stakeholders to review fares and maintain value for money for our customers.

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

Principal risks and uncertainties

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

- Impact of funding shortfall and the continuation of the Public Service Agreement;
- Failure to optimally manage and secure sufficient benefit from key service delivery partnerships (such as Education Authority school services 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 a "No deal" Brexit.

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 19 June 2019 and signed on behalf of the Board

Frank Hewitt (Chairman)

Chris Conway (Group Chief Executive)

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 53 weeks ended 31 March 2019.

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 Company has continued through a weekly email from the Group Chief Executive, 'Team Talk' briefings and electronic publications on uLink, the Translink intranet site.

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 donations or incurred any political expenditure during the year (2018: £nil).

Directors' Report (continued)

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.

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 (2018: £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.

Directors' Report (continued)

Going Concern (continued)

The Company has received notification of its indicative baseline resource funding for 2019/20 from the Department for Infrastructure (the "Department") and has prepared a budget on this basis. This resource baseline represents a reduction in recurrent funding for the provision of public transport services in Northern Ireland of approximately £16m or 20% since 2013/14. The Company is budgeted to generate a trading loss for 2019/20 which it will fund entirely from Group cash. A Corporate Plan has not been prepared given the context where there is currently no Minister and a lack of certainty on future resource allocations from the Northern Ireland Executive.

The Balance Sheet shows a deficit of £96.6m (2018: deficit of £83.9m). This deficit is entirely attributable to the Company's retirement benefit obligation of £126.6m, an increase of £15.1m from 2018. The obligation is long term and does not affect the Company's cash flow in the short to medium term.

In October 2015 Translink entered into a contract for the provision of public transport services for at least five years. This contract (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 11th June 2019 from the Department reaffirms the Department's commitment to ensure that the Company remains a viable financial entity and states that Translink is a key delivery partner in terms of the draft Programme for Government. On this basis, the Directors believe that it is reasonable to assume that the 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.

Post balance sheet events

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

Directors' Report (continued)

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 year. 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 19 June 2019
and signed on behalf of the Board:

P Rooney
Company Secretary

22 Great Victoria Street
Belfast
BT2 7LX

KPMG

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 31 March 2019 set out on pages 16 to 44, 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 31 March 2019 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. 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.

KPMG

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 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 12, 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.

KPMG

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

24 June 2019

John Poole (Senior Statutory Auditor)
For and on behalf of
KPMG
Statutory Auditor
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

Profit and Loss Account
for the 53 weeks ended 31 March 2019

	Notes	53 weeks ended 31 March 2019 £'000	52 weeks ended 25 March 2018 £'000
Turnover	3	116,897	107,644
Cost of sales		(115,566)	(109,691)
Gross profit/(loss)		1,331	(2,047)
Administrative expenses before intercompany write off		(5,878)	(6,107)
Administrative expenses – intercompany write off		(4)	(10)
Administrative expenses – total		(5,882)	(6,117)
Fair value adjustment on fuel derivative		(854)	1,289
Other operating income	4	169	131
Operating loss	5	(5,236)	(6,744)
Interest receivable and similar income	7	168	112
Other finance charge	20	(3,073)	(3,659)
Loss on ordinary activities before taxation		(8,141)	(10,291)
Tax on loss on ordinary activities	8	1,369	1,872
Loss for the financial year		(6,772)	(8,419)

All reported results arise from continuous operations.

The notes on pages 20 to 44 form part of these financial statements.

Statement of Comprehensive Income
for the 53 weeks ended 31 March 2019

	Note	53 weeks ended 31 March 2019 £'000	52 weeks ended 25 March 2018 £'000
Loss for the financial year		(6,772)	(8,419)
Other comprehensive (costs)/income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension schemes	20	(7,154)	35,789
Deferred tax on actuarial (losses)/gains on defined benefit pension schemes		1,216	(6,084)
Other comprehensive (costs)/income for the year, net of income tax		(5,938)	29,705
Total comprehensive (costs)/income		(12,710)	21,286

All reported results arise from continuous operations.

The notes on pages 20 to 44 form part of these financial statements.

ULSTERBUS LIMITED

Balance Sheet
as at 31 March 2019

	Notes	31 March 2019 £'000	25 March 2018 £'000
Fixed Assets			
Tangible fixed assets	9	135,239	120,934
Investments	10	-	-
Derivative financial instruments	21	-	122
Deferred tax asset	8	23,931	21,295
		159,170	**142,351**
Current assets			
Stocks	11	3,973	4,015
Debtors	12	39,728	39,547
Derivative financial instruments	21	613	1,171
Cash and cash equivalents		37,156	33,017
		81,470	77,750
Creditors: Amounts falling due within one year:			
Trade and other payables	13	(76,511)	(73,036)
Current tax liability	8	(3)	(3)
Provisions	14	(3,961)	(4,344)
Total current liabilities		**(80,475)**	**(77,383)**
Net current assets		**995**	**367**
Total assets less current liabilities		**160,165**	**142,718**
Creditors: Amounts falling due after more than one year:			
Employee benefit obligation	20	(126,616)	(111,524)
Deferred income	15	(130,019)	(115,128)
Derivative financial instruments	21	(174)	-
Total non-current liabilities		**(256,809)**	**(226,652)**
Net liabilities		**(96,644)**	**(83,934)**
Capital and reserves			
Called up share capital	19	10,273	10,273
Profit and loss account		(106,917)	(94,207)
Total shareholders' deficit		**(96,644)**	**(83,934)**

The financial statements of Ulsterbus Limited, registered number NI 006725 were approved by the board of directors on 19 June 2019.

Signed on behalf of the Board by:

Frank Hewitt
Chairman

Chris Conway
Group Chief Executive

Company registration number: NI 006725

The notes on pages 20 to 44 form part of these financial statements.

Statement of Changes in Equity
for the 53 weeks ended 31 March 2019

	Called up share capital £'000	Hedging reserve £'000	Profit and loss £'000	Total £'000
Balance at 26 March 2017	10,273	(380)	(115,113)	(105,220)
Loss for the year	-	-	(8,419)	(8,419)
Reserve transfer	-	380	(380)	-
Other comprehensive income for the year	-	-	29,705	29,705
Total comprehensive income for the year	-	380	20,906	21,286
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)

The notes on pages 20 to 44 form part of these financial statements.

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 8.

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 £126.6m. 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 9.

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

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.

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.

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:

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

Operating leases

Rentals receivable/payable under operating leases are credited/charged to income 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.

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 though 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.

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.

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.

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, 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 26 March 2018 and have been adopted in these financial statements:

IFRS 9: Financial Instruments
IFRS 15: Revenue from contract with customers

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Newly adopted standards (continued)

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

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

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

The Company has undertaken an assessment of revenue earned in respect of each of its service offerings and the directors are satisfied that all such revenue is recorded on a gross basis in accordance with IFRS 15.

Accordingly, the effect of applying IFRS 15 has not resulted in any reclassifications between revenue and cost of sales, and there has been no material impact to the financial statements.

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

3. 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

	2019 £'000	*2018* £'000
Rental income	169	131

5. OPERATING LOSS

This is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of owned and leasehold fixed assets	15,019	13,740
Provision for insurance claims and environmental provision	1,270	994
Profit on disposal of fixed assets	(72)	(131)
Government grants released	(13,878)	(12,174)
Operating lease rentals – motor vehicles	7	9
Cost of stocks	24,371	20,346
Reorganisation costs	875	118
Government funding for reorganisation costs	(875)	(118)
Write off of exceptional intercompany balances	4	10
Fair value movement	854	(1,289)
Impairment	-	-

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts :	14	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

	2019 £'000	2018 £'000
Wages and salaries	58,865	54,802
Social security costs	5,667	5,265
Other pension costs	12,179	10,808
	76,711	70,875

Staff costs include voluntary exit scheme (VES) costs of £875,000 which were fully funded by the Department (2018: VES costs £118,000).

6. STAFF COSTS (continued)

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

	2019 No.	2018 No.
Operating staff	1,439	1,399
Maintenance staff	315	314
Administrative staff	517	455
	2,271	2,168
Total number of employees at the end of the year	2,330	2,208

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

	2019 £'000	2018 £'000
Bank interest receivable	168	112

8. TAXATION

(a) Analysis of tax (credit)/charge	2019 £'000	2018 £'000
Current Taxation:		
UK corporation tax	59	(351)
Adjustments in respect of prior years	(8)	-
Total current tax	51	(351)
Deferred Taxation:		
Origination and reversal of timing differences	(1,492)	(1,561)
Effect of change in tax rate	172	(179)
Derivative financial instruments	(145)	219
Adjustments in respect of prior years	45	-
Total deferred tax	(1,420)	(1,521)
Total tax (note 8(b))	(1,369)	(1,872)

Corporation tax is calculated at 19% (2018: 19%) of the estimated taxable profit for the year.

8. TAXATION (continued)

(b) Factors affecting tax charge

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

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(8,141)	(10,291)
Tax at UK corporation tax rate of 19% (2018: 19%)	(1,547)	(1,955)
Non-deductible expenditure (non-taxable income)	115	(314)
Derivatives	(145)	219
Adjustments to tax charge in respect of prior years	36	-
Effect of change in UK corporation tax rate	172	178
Total tax (note 8(a))	(1,369)	(1,872)

(c) Factors that may affect future tax changes

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

Notes to the financial statements (continued)
for the 53 weeks ended 31 March 2019

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:

	2019 £'000	2018 £'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Actuarial (losses)/gains on defined benefit pension schemes	(1,216)	6,084

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 26 March 2017	(437)	457	23,433	2,406	(1)	25,858
(Charge)/credit to profit and loss	130	10	1,610	(10)	(219)	1,521
(Charge)/credit to other comprehensive income	-	-	(6,084)	-	-	(6,084)
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

Notes to the financial statements (continued)
for the 53 weeks ended 31 March 2019

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:

	2019	2018
	£'000	£'000
Deferred tax assets	2,406	3,946
Deferred tax asset – Retirement Benefit obligations	21,525	17,349
	23,931	21,295

9. TANGIBLE FIXED ASSETS

	Long leasehold buildings £'000	Vehicles £'000	Plant and equipment £'000	Total £'000
Cost				
At 25 March 2018	69,218	186,018	32,196	287,432
Additions	7,520	19,598	5,357	32,475
Disposals	(461)	(3,779)	(823)	(5,063)
Net Group transfers	(1,821)	(1,412)	(19)	(3,252)
At 31 March 2019	74,456	200,425	36,711	311,592
Depreciation:				
At 25 March 2018	27,264	110,824	28,410	166,498
Provided during the year	2,571	10,959	1,489	15,019
Disposals	(460)	(3,681)	(822)	(4,963)
Net Group transfers	-	(201)	-	(201)
At 31 March 2019	29,375	117,901	29,077	176,353
Net book value				
At 25 March 2018	41,954	75,194	3,786	120,934
At 31 March 2019	45,081	82,524	7,634	135,239

Included within the categories above are assets in the course of construction totalling £26.2 million (2018: £41.8 million) which are not being depreciated as they were not fully commissioned at the balance sheet date.

Notes to the financial statements (continued)
for the 53 weeks ended 31 March 2019

10. INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 25 March 2018 and 31 March 2019	749
Amounts provided	
At 25 March 2018 and 31 March 2019	(749)
Net book value	
At 25 March 2018 and 31 March 2019	-

Details of the investments in subsidiary undertakings are as follows:

	Country of incorporation	*Holding*	*Proportion of shares held*	*Nature of business*
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

	2019 £'000	2018 £'000
Trade receivables	8,825	2,656
Amounts due from Group undertakings	14,113	19,669
Amounts due from Group undertakings – Group relief	326	358
Grants receivable	8,119	11,409
Other debtors	5,028	5,254
Prepayments and accrued income	3,317	201
	39,728	39,547

Amounts due from Group undertakings are unsecured, do not bear interest and are repayable on demand. Bad debt provision in the current year was £8,000 (2018: £5,000).

Notes to the financial statements (continued)
for the 53 weeks ended 31 March 2019

13. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade payables	8,185	13,885
Amounts due to Group undertakings	43,396	38,689
Other payables	9,146	1,614
Capital accrual	3,041	5,229
Other accruals	12,743	13,619
	76,511	73,036

Included in other payables is £1,670,000 (2018 - £111,000) 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 26 March 2017	4,428	170	4,598
Utilised during period	(1,248)	-	(1,248)
Charge to profit and loss	753	241	994
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	3,615	346	3,961

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	
	2019	**2018**
	£'000	**£'000**
At start of period	115,128	100,398
Grants received	31,609	27,203
Disposals	(54)	(164)
Transfer to profit and loss account	(13,878)	(12,174)
Net transfers from to Group undertakings	(2,786)	(135)
At end of period	130,019	115,128

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

16. CAPITAL AND OTHER FINANCIAL COMMITMENTS

Capital commitments contracted for but not provided in the financial statements at the balance sheet date were £5.7 million (2018: £16.5 million).

At 31 March 2019 the Company had outstanding commitments for future lease payments under non-cancellable operating leases:

	2019	**2018**
	£'000	**£'000**
Within one year	1	9
In two to five years	8	9
	9	18

Operating lease payments represent rentals payable by the Company for motor vehicles. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years. There are no formal options to extend however extensions are negotiated in certain circumstances as required. Operating lease charges incurred during the year were £7,000 (2018: £9,000).

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 £31.6m (2018: £27.2m);
- concessionary fare compensation of £18.4m (2018 - £17.8m)
- Other revenue grants of £16.2m (2018: 10.3m)

As at the balance sheet date amounts owing by the Department were £4.2m (2018: £2.5m).

Notes to the financial statements (continued)
for the 53 weeks ended 31 March 2019

18. RELATED PARTY DISCLOSURES (continued)

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

Allotted, called up and fully paid	2019 No.'000	2019 £'000	2018 No.'000	2018 £'000
Ordinary shares of £1 each	10,273	10,273	10,273	10,273

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 2016. The market value of the assets at the date of the valuation was £5,280 million and represented 96% of benefits accruing to members after allowing for expected future increase in earnings and pensions. The employers' contribution rate had been set at 20% following the previous valuation. The employers' contribution rate for the years commencing 1 April 2017, 1 April 2018 and 1 April 2019 have been set at 18%, 19% and 20% respectively. In addition, deficit funding contributions amounting to £974k will be payable in each of these years.

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

20. EMPLOYEE BENEFITS (continued)

(i) Description of the scheme (continued)

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

Mortality assumptions:

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

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

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

Assumption	**Change in assumption**	**Impact on scheme liabilities**	
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 5.6%	(£33.3m)
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by 1.8%	(£10.8m)
Rate of inflation (CPI)	Increase/decrease by 0.25%	Increase/decrease by 5.3%	(£31.5m)
Rate of mortality	Increase by 1 year	Increase by 2.6%	(£15.7m)

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.

20. EMPLOYEE BENEFITS (continued)

(ii) Amounts recognised in income

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

	2019 £'000	2018 £'000
Components of defined benefit cost		
Current service cost	16,165	15,932
Past service cost	261	22
Total service cost	16,426	15,954
Interest cost	14,503	13,924
Interest income on plan assets	(11,430)	(10,265)
Total net interest cost	3,073	3,659
Administrative expenses and taxes	242	228
Insurance premiums for risk benefits	1,211	1,140
Defined benefit cost included in profit and loss account	**20,952**	**20,981**
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	-	-
Effect of changes in financial assumptions	35,355	(21,875)
Effect of experience adjustments	1,308	-
Return on plan assets (excluding interest income)	(29,509)	(13,914)
Total measurements included in other comprehensive income	**7,154**	**(35,789)**
Total pension cost/(credit) recognised in profit and loss account and other comprehensive income	**28,106**	**(14,808)**

Of the expense for the year (service cost), £12.7m (2018: £12.6m) 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 £40.9m (2018: £24.2m).

The gross cumulative amount of actuarial gains and losses recognised in other comprehensive income is losses of £ 98.9m (2018: £91.7m).

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:

	2019 £'000	2018 £'000
Present value of funded defined benefit obligations	(593,385)	(532,327)
Fair value of scheme assets	466,769	420,803
Net liability arising from defined benefit obligation	(126,616)	(111,524)

(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:

	2019 £'000	2018 £'000
At beginning of period	532,327	530,805
Service cost		
Current service cost	16,165	15,932
Past service cost	261	22
Administrative expenses	242	228
Insurance premiums for risk benefits	1,211	1,140
Interest cost	14,503	13,924
Cash flows		
Benefits paid	(10,469)	(10,186)
Contributions from plan participants	3,935	3,705
Administrative expenses	(242)	(228)
Insurance premiums for risk benefits	(1,211)	(1,140)
Actuarial gains and losses	36,663	(21,875)
At end of period	593,385	532,327

The defined benefit obligations shown in the above tables are 79% funded.

Expected contributions to the scheme in the next annual reporting period are £12.8m.

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:

	2019 £'000	2018 £'000
At beginning of period	420,803	392,965
Interest income	11,430	10,265
Cash flows		
Employer contributions	13,014	11,508
Contributions from scheme members	3,935	3,705
Benefits paid	(10,469)	(10,186)
Administrative expenses paid from plan assets	(242)	(228)
Insurance premiums for risk benefits	(1,211)	(1,140)
Return on plan assets (excluding interest income)	29,509	13,914
At end of period	**466,769**	**420,803**

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

	Fair value of assets	
	2019 £m	2018 £m
Equity instruments	277.7	284.0
Debt instruments	109.7	52.6
Property	51.3	63.1
Other	28.1	21.0
	466.8	420.7

(vi) Contingent Liability

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

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 31 March 2019		At 25 March 2018	
	Level 2	**Total**	**Level 2**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets at FVTPL				
Derivative financial assets				
Due within one year	613	613	1,171	1,171
Due after more than one year	-	-	122	122
Total	613	613	1,293	1,293

	At 31 March 2019		At 25 March 2018	
	Level 2	**Total**	**Level 2**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities at FVTPL				
Derivative financial liabilities				
Due within one year	-	-	-	-
Due after more than one year	(174)	(174)	-	-
Total	(174)	(174)	-	-

	At 31 March 2019		At 25 March 2018	
	Level 2	**Total**	**Level 2**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Derivative financial instruments				
Opening fair value	1,293	1,293	4	4
Movement in fair value	(854)	(854)	1,289	1,289
Closing fair value	439	439	1,293	1,293

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 31 March 2019		At 25 March 2018	
	Level 2	Total	Level 2	Total
	£'000	£'000	£'000	£'000
Financial instruments at FVTPL				
Derivative financial assets	680	680	(1,289)	(1,289)
Derivative financial liabilities	174	174	-	-
Total	854	854	(1,289)	(1,289)

(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 31 March 2019 is 18.6m litres (2018: 19.0m litres) for which 83% is hedged (2018: 89%).

If all the relevant fuel prices were 10% higher at the balance sheet date, the profit before taxation would be reduced by £42,000 (2018: £59,000).

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.