TRANSLINK
REPORT & ACCOUNTS

2017/18

TO BE YOUR FIRST CHOICE FOR TRAVEL IN NORTHERN IRELAND

Translink

NITHC
NORTHERN IRELAND TRANSPORT HOLDING COMPANY

www.translink.co.uk

TO BE YOUR FIRST CHOICE FOR **TRAVEL IN NORTHERN IRELAND**

Our Vision

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Annual Report 2017/18

OFFICERS & 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

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Citybus Limited
Northern Ireland Railways Company Limited
NIR Operations Limited

Non-trading Subsidiaries
Flexibus Limited
Translink (NI) Limited
NIR Networks Limited

CHAIRMAN'S **FOREWORD**

I am very pleased to present the Annual Report and Accounts for the Northern Ireland Transport Holding Company (NITHC) for the year ended 25 March 2018. During the past year, the Group has continued to make significant progress in stabilising its financial position and in increasing the numbers of passengers using our services, whilst, at the same time, facing ongoing challenges.

Constraints on public spending have continued to impact the company's financial position. However, I welcome the revenue for uneconomic, but socially necessary, rural services made available this year by the Department for Infrastructure. This non-recurrent revenue, together with measures taken by the Board and Management Team to increase passenger numbers and to control operating costs, have resulted in an annual outcome which is significantly better than budgeted.

The Group's profit for the financial year before tax and accounting adjustments relating to pensions, impairment and derivatives was £2.0m (see Review of the Business on page 12) against a budgeted loss of £14.3m. The improved financial position is attributable to increased revenues, combined with continued efforts to drive cost reductions and efficiencies in the Group.

During the year, the Group recorded over 81 million passenger journeys. This figure is the highest number recorded in 20 years and exceeded our budget for 2017/18. Metro passenger journeys grew to over 28 million while rail passenger journeys reached 15 million, the highest in NI Railways' 50 year history. There was also growth in the numbers of passengers using our Ulsterbus, Goldline, Park and Ride and Airport Express services. We are convinced that we can continue to increase these numbers with a continued focus on excellent customer service.

Increased use of our services demands that passenger and staff safety remain our top priority and we continue to identify and pursue opportunities to make our services, and our workplace, as safe as possible.

Our second Bus and Train week in May 2017, built upon the success of the previous year, stimulating much greater awareness of our public transport offering, and also highlighted the important role public transport plays in supporting economic growth, social inclusion, active lives and improving air quality. Our Smartmovers campaign, which features some of our regular passengers, is also showing positive results in promoting the benefits of public transport.

During the year, the Group recorded over 81 million passenger journeys. This figure is the highest number recorded in 20 years and exceeded our budget for 2017/18.

Our capital investment programme continues with further development on Glider, the Belfast Rapid Transit Network, scheduled for introduction in September 2018, new transport hubs in Belfast and Derry~Londonderry, a new station in Portrush and innovative future ticketing systems. The Board of NITHC regards these projects as key to the development of a modern public service network in Northern Ireland and is greatly heartened by the emphasis on public transport in the draft Programme for Government with Translink as the key delivery partner.

Our Smartmovers campaign, which features some of our regular passengers, is also showing positive results in promoting the benefits of public transport.

CHAIRMAN'S **FOREWORD** (CONTINUED)

The ongoing political uncertainty, and the absence of a functioning Northern Ireland Assembly and Executive has undoubtedly made Translink's operating environment more difficult during the year under review. The lack of budgetary clarity has made financial planning, in both the short and long term, extremely difficult.

Northern Ireland urgently needs a long term public transport policy which addresses the needs of a growing population.

The Board of Translink firmly believes that the past year's performance has demonstrated clearly that the required modal shift between private and public transport can be achieved with political commitment and the required financial resources.

It is the sincere hope of the Translink Board that Northern Ireland's political parties can find a way forward towards the resumption of devolved, functioning and effective government in the near future.

Finally, on behalf of the Board, I wish to congratulate and thank the entire Translink team for a most encouraging outcome during 2017/2018 and for the effort and commitment that made it happen.

F Hewitt
Chairman
20 June 2018

Northern Ireland urgently needs a long term public transport policy which addresses the needs of a growing population.

NORTHERN IRELAND TRANSPORT HOLDING COMPANY (NITHC) **BOARD**

Frank Hewitt
Chairman

Appointed Group Chairman in July 2015 and a Non-Executive Director of the Company between 2011 and 2015, Frank's career spans both the public and private sectors and he has held a number of public appointments. He is currently a UK board member of the Big Lottery Fund.

Chris Conway
Group Chief Executive

Appointed Group Chief Executive in September 2015, Chris previously worked as Managing Director of Tata Steel's sales and distribution business in Ireland and he was vice president of operations in Europe for Nortel and Managing Director of Nortel (NI) Ltd. He is a Chartered Company Director, a Fellow of the Institute of Directors and a Fellow of the Institution of Civil Engineers.

Hilary McCartan
Non-Executive Director

Appointed as a Non-Executive Director in January 2016, Hilary has held senior management posts in the private sector and non-executive roles in the public sector. She is a Fellow of Chartered Accountants Ireland. Hilary currently holds the following public appointments: Commissioner for Londonderry Port and Harbour Commissioners and a Non-Executive Director of the Southern Health and Social Care Trust.

Tony Depledge OBE
Non-Executive Director

Appointed as a Non-Executive Director in 2011, Tony has a background in passenger transport management in both the public and private sectors. He chairs the Board of Universitybus Ltd, in Hatfield, Hertfordshire and is a trustee of the Rees Jeffreys Road Fund. Tony is also a Fellow of the Chartered Institute of Transport and Logistics. He is an honorary President of the European Union committee of the international transport trade association UITP.

NORTHERN IRELAND TRANSPORT HOLDING COMPANY (NITHC) BOARD (CONTINUED)

Dr. Mark Sweeney OBE

Non-Executive Director

Appointed as a Non-Executive Director in January 2016, Mark has a background in the industrial, commercial and manufacturing sectors within Northern Ireland and globally. He is a former Vice President of Caterpillar and was Global Operations Director for Caterpillar's Electric Power Division and Managing Director of FG Wilson Eng. Ltd. He is a Fellow of the Institution of Mechanical Engineers and is currently a Non-Executive Director of Invest NI.

Philip O'Neill

Chief Business Change Officer

Appointed as a Director in April 2010, Philip commenced work with the Group in 1979 and since then has held various technical and managerial positions in Ulsterbus, Citybus and NI Railways. In February 2009 Philip was appointed as Chief Operating Officer and in March 2018 he took up the role of Chief Business Change Officer.

Angela Reavey

Non-Executive Director

Appointed as a Non-Executive Director in January 2016, a Fellow of Chartered Accountants Ireland, Angela has experience working at a senior level in both the public and private sectors. She is a past Chairman of the Chartered Accountants Ireland - Ulster Society, a former Board member of the Northern Ireland Science Park Foundation and a Trustee of NISP CONNECT. She is currently a Board member of Firmus Energy.

Patrick Anderson

Chief Financial Officer

Appointed Chief Financial Officer in 2015, Paddy has an extensive range of experience at Board level in both the private and public sectors. A Fellow of Chartered Accountants Ireland, Paddy previously worked in Viridian Group PLC, where he held a number of senior Finance positions, and spent his early career with PricewaterhouseCoopers in Belfast. He is a Council Member at the Northern Ireland Chamber of Commerce and Industry and a Fellow of the Institute of Directors.

Bernard Mitchell

Non-Executive Director

Appointed as a Non-Executive Director in February 2012, Bernard worked in the NI Health and Social Services from 1978 to 2011, including 10 years as a Chief Executive. He is currently Chair of the NI Guardian Ad Litem Agency and Co-Chair of the Audit and Risk Committee of the Office of the Police Ombudsman for Northern Ireland. On a voluntary basis, he is a member of the Marie Curie Cancer Care NI Advisory Board and a Board member of the Strand Arts Centre.

STRATEGIC REPORT

Introduction

As a Public Corporation constituted under the Transport Act (Northern Ireland) 1967, NITHC is not bound by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('The Act'). However, consistent with corporate entities of a similar size to the organisation, the members have adopted the main provisions of the Companies Act 2006 and therefore present a Strategic Report.

Our Business

The Translink Group consists of a Public Corporation, the Northern Ireland Transport Holding Company (NITHC) which owns and controls seven private limited subsidiary companies (together referred to as the Group or Translink). We are Northern Ireland's main public transport provider.

According to the latest Office for National Statistics classifications, we are collectively referred to as a Public Non-Financial Corporation. This effectively means we are a market body with a degree of commercial independence that is governed in policy terms by the Department for Infrastructure (DfI).

Performance 2017/18

Translink's performance in 2017/18 has been against a backdrop of continued and very challenging reductions in baseline public funding. Receipt of revenues associated with running uneconomic but socially necessary, rural services, together with growth in fare paying passenger journeys and control of operating costs has resulted in financial performance which is significantly better than budget and last year.

Profit for the year (before tax and accounting adjustments relating to pension, impairment and derivatives) was £2.0m, compared to losses of £10.9m for the prior year. (See Review of the Business on page 12).

The organisation continues to progress a business improvement strategy to ensure the ongoing efficiency of its operations while also delivering on the draft Programme for Government objective to grow the use of public transport.

This strategy has four key objectives:

- Operational excellence
- Customer satisfaction
- Value for money
- Passenger growth

The Board can report good progress in respect of the strategy with approximately £7.5m of cost reduction achieved over the last two years. There is also an on-going cost reduction and revenue enhancing programme of activities which will deliver significant further financial benefits over the next three years.

There has been strong growth during 2017/18 in both bus and rail fare paying passengers with combined growth of around 1.2 million passenger journeys compared with the previous year. A total of over 81 million passenger journeys was achieved.

Metro passengers grew to over 28 million while rail passenger journeys reached 15 million, the highest in NI Railways' 50 year history. There was also growth in passengers choosing Ulsterbus Goldline, Park and Ride and Airport Express services.

The Public Service Contract, which runs from October 2015 for an initial period of 5 years, forms the basis for the relationship between Translink and DfI. The contract 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.

The Group buys forward a significant proportion of its fuel costs to provide stability in respect of such costs for both budgeting and its passenger fares. This is reflected in the financial statements.

The employee benefit obligation (pensions) in the balance sheet reduced from £250m in 2017 to £201m in the current year, primarily because of an increase of 0.1% in the discount rate offset by return on plan assets in excess of projections. This is a long-term liability and does not affect the ability of the Group to pay its debts as they fall due or the ability of the Group to operate as a going concern.

KEY ACHIEVEMENTS 2017-2018

SAFETY MANAGEMENT

An integrated safety management system across our network to maintain high levels of safety and a positive safety culture.

3,000,000

Growth of over 3 million customer journeys since 2016.

15,000,000

15 million Rail journeys in 2017. ... the highest in our 50 year history.

90% of customers satisfied with overall service.

DIGITAL

Over 100k followers on social media, 15 million web visits per year and 100,000 customer information queries served per day.

OVER 16%

More customers buying online with an increase of over 16% this year.

TWENTY EIGHT

28 new sub-urban vehicles for commuter and park & ride services.

£40,000,000

Investing £40 million in Translink Future Ticketing to introduce innovations from 2018 -2021.

PARK & RIDE

347 park and ride spaces being introduced in Portadown in Autumn 2018.

44,000,000

Our fleet travels 44 million miles every year serving the NI public (that's almost half way to the Sun!).

1.6m

1.6 million passenger journeys every week by bus and train.

600,000

600,000 additional journeys resulting from Bus and Train week 2017.

12,500

12,500 services every day.

£5.6m

Invested in the redevelopment of Portrush train station, opening spring next year.

GLIDER

Project completing with new service introduction 3rd September 2018.

STRATEGIC REPORT (CONTINUED)

Review of the Business (continued)

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

Key Financials

	2018 Group £m	2017 Group £m
Revenue before intercompany adjustments	222.7	207.9
Intercompany adjustments	(2.2)	(2.7)
Consolidated revenue	**220.5**	**205.2**
Pro forma profit/(loss) before tax (note 1)	**2.0**	**(10.9)**
(Decrease)/increase in fair value of investment properties	(0.1)	4.9
Pensions adjustments (IAS 19)	(17.6)	(3.5)
Movement on derivatives	2.5	8.9
Consolidation adjustments	(0.1)	(0.1)
Consolidated loss before tax	**(13.3)**	**(0.7)**

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

Financial Review

The EU International Financial Reporting Standards (IFRS) results for the year are shown in the consolidated income statement on page 56.

The pro-forma profit before tax, i.e. profit for the year before tax and accounting adjustments for fair value of investment properties, pensions and derivatives, was £2.0m. This represents an improvement of £16.3m on budget (loss of £14.3m). This profit reflects the growth in fare paying passengers and receipt of revenues associated with running uneconomic but socially necessary, rural services, combined with a range of efficiency measures which have yielded in-year savings of approximately £1.5m.

The EU IFRS consolidated loss before tax for the year of £13.3m has been adjusted to arrive at the pro forma loss as follows:

- Revaluation: £0.1m debit (2017: £4.9m credit). This reflects a reduction in the value of investment property;
- Pensions: £17.6m charge (2017:£3.5m charge). This is due to an increase in the long-term cost of both providing pensions and servicing the existing pensions deficit; and
- Derivatives: £2.5m credit (2017: £8.9m credit). This reflects the effective application of the Group's forward fuel procurement policy.

The Group Balance Sheet was impacted by favourable movements in the valuation of the Group's pension deficit, which moved from £250m to £201m in the current year, primarily because of an increase of 0.1% in the discount rate offset by return on plan assets in excess of projections. This deficit, or retirement benefit obligation, is a long-term liability and does not affect the ability of the Group to pay its debts as they fall due or the going concern of the Group.

Operational Review

Passengers journeys (million)	2018	2017	2016
NI Railways	15.0	14.2	13.5
Ulsterbus	38.1	38.4	38.8
Metro	28.0	27.3	26.3
Total	**81.1**	**79.9**	**78.6**

Customer Performance Index (%)*	2018	2017	2016
NI Railways	82.0	80.5	79.3
Ulsterbus	81.3	81.6	79.2
Metro	76.3	72.8	73.9

*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.

Punctuality (% of services arriving on time)~	2018	2017	2016
NI Railways (local/long haul)	96.2/98.5	99.1/95.1	98.5/99.5
Ulsterbus	94.9	93.4	93.5
Metro	96.3	97.8	96.5

~Punctuality figures are derived from an observed sample of services during Passenger Charter Monitoring surveys which are carried out by an independent organisation; for bus services 'on time' is defined as within 7 minutes of timetable; for rail services within 5 minutes (local)/10 minutes (long haul)

Reliability (% of timetabled services run)#	2018	2017	2016
NI Railways (local/long haul)	100.0/100.0	100.0/100.0	100.0/100.0
Ulsterbus	100.0	100.0	99.9
Metro	100.0	99.8	100.0

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

Accessibility*	2018	2017	2016
Ulsterbus	100.0	100.0	100.0
Metro	100.0	100.0	100.0

*Includes 91 vehicles recorded under the Accessibility Category as they comply with Schedule 3 of The Public Service Vehicles Accessibility Regulations (Northern Ireland) 2003 but are not wheelchair accessible vehicles.

Capital Investment

Capital expenditure	2018 £m	2017 £m
Buses/Coaches	16.2	23.0
Trains	3.8	3.6
Infrastructure	17.4	35.4
Land and buildings	41.7	11.2
Other	12.4	8.1
Total	**91.5**	**81.3**

The investment in buses/coaches of £16.2m relates to the purchase of 28 Double Deck buses and 12 High Capacity coaches for deployment on our Goldline network and milestone payments for 30 Glider vehicles (Belfast Rapid Transit project) along with 18 feeder vehicles for the same project.

Expenditure of £3.8m on trains relates to the overhaul of the Class 3000 and Class 4000 trains in addition to feasibility work on the New Trains 3 project.

Infrastructure expenditure of £17.4m includes £9.4m on Knockmore to Lurgan Track Ballast Rehabilitation project, £0.9m on Cullybackey level crossing upgrade and £0.8m on the North West Transport Hub.

The investment in land and buildings of £41.7m includes construction of the Milewater Service Centre (£21.1m), progression of the Transport hubs in Belfast (£6.1m) and North West (£1.5m) and Glider shelters (£3.5m).

Other projects being progressed during the year include £7.0m on the Future Ticketing System and £0.9m on Glider CCTV and Communications.

STRATEGIC REPORT (CONTINUED)

Review of the Business (continued)

Key Performance Indicators (KPIs)

	2018	2017
Fleet size:		
Buses/coaches	1,383	1,361
Rail Rolling Stock	45 sets	45 sets
Average fleet age (buses: years)	9.2	9.0

Our Strategy

As Northern Ireland's main public transport provider we provide an essential public service to the people of Northern Ireland which impacts on everyone, supporting economic growth, social inclusion and the welfare of the local communities we serve. This supports the growth and prosperity of Northern Ireland.

Our 5-year strategy (2016-2021) entitled 'Get on Board' sets out a Vision for Translink.

'To be Your First Choice for Travel in Northern Ireland'

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. On an individual level, it gives people choices, freedom and more opportunities in terms of business, education, shopping and leisure pursuits.

This strategy has been developed in the context of the DfI Regional Development Strategy 2035 and the draft NI Executive Programme for Government (PfG). Providing a high quality public transport system impacts on many of the PfG outcomes and directly links to the outcome: 'We connect people and opportunities through our infrastructure'.

One of the key indicators for this outcome is to 'Increase the use of public transport and active travel', which links directly to this strategy.

Our 5-year strategy (2016-2021) entitled 'Get on Board' sets out a Vision for Translink.

'To be Your First Choice for Travel in Northern Ireland'

Our mission is to work innovatively, taking a collaborative approach with all appropriate stakeholders to deliver a transformation in public transport, providing integrated services which connect people, enhance the economy and improve the environment, enabling a thriving Northern Ireland.

At Translink we are passionate about providing excellent public transport and this is endorsed by our guiding Values; Safety, People, Innovation, Responsibility, Integrity and Teamwork – this is the Translink 'SPIRIT'.

We will deliver results across four key objectives:

1. Operational Excellence – to deliver excellent bus and rail service performance;
2. To deliver outstanding customer satisfaction at every touch point;
3. To grow the number of passengers using public transport; and
4. To deliver value for money.

Our Mission

"To deliver a transformation in public transport, providing integrated services which connect people, enhance the economy and improve the environment, enabling a thriving Northern Ireland."

Our Values

The 'Translink SPIRIT' is a set of guiding principles that are a fundamental part of everything we do. These core values are embedded in the culture of our organisation and enable us to lead, inspire and succeed in delivering our goals for Translink.

Translink's Strategy Wheel

S

Safety

We put safety first by taking care of the people around us.

P

People

Our people make the difference in the service customers receive. We will respect one another and seek a committed, talented and diverse workforce.

I

Innovation

We seek out new ideas and creative solutions to business challenges and are agile and responsive to the changing needs of our stakeholders.

R

Responsibility

We are responsible for our actions. We are good neighbours and corporate citizens in the communities where we operate.

I

Integrity

We do the right thing. Our actions are fair, ethical, trustworthy and straightforward.

T

Teamwork

We work together to deliver the best results. We encourage collaboration to build and nurture valuable partnerships.

STRATEGIC
REPORT (CONTINUED)

Review of the Business (continued)

OBJECTIVE 1:

Operational excellence

Delivering excellent bus and rail services is the heart of our business. We recognise that to achieve our Vision of being the first choice of travel in Northern Ireland we must offer an integrated service across our bus, coach and rail services that exceeds customer expectations on punctuality and reliability.

We have set challenging targets to ensure that more than 95% of our services are on time and more than 99.5% of services operate reliably.

Safety

The safety and well-being of our customers, employees and the general public is our first priority. 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 in everything that we do and we strive to engage each and every one of our employees to live by the key principles of behavioural safety.

Our Safety Management System aims to have zero staff or passenger safety incidents. We have an excellent safety record.

Maintaining High Punctuality and Reliability Standards

Each year our fleet travels 44 million miles servicing the Northern Ireland public. We provide 12,500 services every day with a fleet of around 1,400 buses, coaches and trains. Our fleet has become more technically complex over the years and there are challenges that we face in striving to deliver 100% consistently but we recognise the importance of service, punctuality and reliability to our customers and we employ a highly skilled workforce who work day and night to maintain the vehicles and public transport network to keep everything moving on both road and rail.

The inclement weather we encountered this past Winter demonstrated our employees' readiness and willingness to help passengers get to their places of work and home again safely and this was widely recognised and appreciated by Translink customers.

We have set challenging targets to ensure that more than 95% of our services are on time and more than 99.5% of services operate reliably. These are built into our Passenger's Charter and independently monitored twice a year. The monitoring panel includes the Consumer Council for Northern Ireland. Our latest independent monitoring results recorded excellent reliability scores, well above target for all Translink services.

STRATEGIC REPORT (CONTINUED)

Review of the Business (continued)

Exploiting Technology

We aim for continuous improvement by investing in the development and use of technology, enabling us to efficiently plan and allocate all of our resources in terms of our bus and train fleets and the people who operate our business on a 24/7 basis, to ensure we optimise and integrate our timetabled services every day.

Journey Time and other External Factors

To deliver excellent punctuality and reliability we adopt a multi-agency partnership approach to address external factors which can impact on our services such as congestion, traffic accidents, road works and track trespass.

Fleet Strategy

We are continuing to work on bringing forward plans to improve the frequency and capacity on the rail network and have a Rail Network Utilisation Strategy which prioritises our investment needs arising from the Future Rail Investment Strategy.

The Rail Network Utilisation Strategy has been developed to scope potential fleet investment in order to increase passenger capacity on the rail network.

We aim to have a bus fleet with an average age of eight years to ensure we can continue to attract more customers to use our service. It is important we establish a sustained programme of vehicle replacement and retire older buses and coaches to maintain our high standards of quality, comfort and accessibility for all our passengers. We also need to ensure we are operating with the most environmentally friendly and fuel efficient vehicles across our fleet and will continue to invest in low emissions technologies in our future fleet procurement.

Network Resilience

Our trains operate over 300 miles of track including many bridges, level crossings and signals. We routinely inspect and efficiently maintain this infrastructure to high technical, operational and safety standards. We will renew assets as they approach the end of their useful life which is measured on a balance of safety, economy, availability, reliability and ongoing maintenance. This ensures we maintain operational efficiency.

We have developed plans to upgrade the rail infrastructure and improve journey times across the network; last year we completed ballast renewal work between Lisburn and Lurgan.

People

We provide excellent learning and development opportunities in order to give employees the opportunity to stretch themselves, to do more and new things. Our workforce is recognised and has been merited both within our industry and the broader business community for their achievements in delivering excellent services and innovation.

We are committed to creating a diverse workforce as we recognise the benefits this brings to our organisation. By working together to enhance our business environment, we create a culture that inspires the best ideas, the best people and best opportunity to thrive. The Translink SPIRIT underpins this culture, it promotes Safety; People; Innovation; Responsibility, Integrity and Teamwork within an ethos of 'One Translink One Team'.

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

STRATEGIC **REPORT** (CONTINUED)

Review of the Business (continued)

OBJECTIVE 2:

To deliver outstanding customer satisfaction

The key elements that drive customer satisfaction are punctuality, value for money, availability of seating, passenger information, passenger comfort, customer service and cleanliness.

In terms of how satisfied customers are with Translink services, this year's independent research results were very positive with 9 out of every 10 customers being satisfied with their overall service.

Choosing the Translink brand means that customers should get a high quality, integrated service delivery at every touch point and when they meet with our people.

We strive to ensure everyone gets a friendly, helpful and professional service at all times. We know this is an essential lever for improving customer satisfaction and increasing trust, as well as being a predominant factor in brand choice and loyalty.

Customer satisfaction is built in to our Passenger's Charter and independently monitored twice a year. We have set a target to achieve greater than 85% customer satisfaction score across all our services. We use these results to better understand our customers pain points and to plan areas of our services that may need improving.

In terms of how satisfied customers are with Translink services, this year's independent research results were very positive with 9 out of every 10 customers being satisfied with their overall service.

A key achievement this year was the Which? Independent research survey that ranked NI Railways as number 1 operator (above 27 other UK operators) in customer satisfaction examining all aspects of service.

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 know this will grow further and our priority is continued enhancement of information provision across all channels. We want to empower customers to make decisions about travel and keep them informed during their journey, genuinely providing a valuable customer experience.

We support local innovation and we have made our data available on the Opendata platform to allow the private developer market to develop commercial applications, effectively promoting shared mobility 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 the visitor markets.

We have commenced a significant project to upgrade our web/mobile services and to further improve information about our services, fares and tickets to provide a better and more complete customer experience.

STRATEGIC REPORT (CONTINUED)

Review of the Business (continued)

Ticketing Technologies

Innovative ticketing solutions with a focus on integration, flexibility and convenience play an important role in attracting more people on board Translink services.

The Translink Future Ticketing project is underway, bringing ticketing enhancements initially to the new Belfast Rapid Transit 'Glider' service launching 3 September 2018 with ticket vending machines (TVM) at every halt and 'collect at TVM' functionality.

Enhancements such as contactless payments on-bus, e-purse (account based ticketing), TVMs at bus and rail stations and major boarding points, gated rail stations, online/app purchases and top-ups will be delivered through the project from 2018 – 2021.

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 are committed to delivering a modern, sustainable, integrated transport network to make services inclusive and accessible for all for people from all communities and backgrounds.

We aim to design our transport network and facilities to bring people together, making use of new technology where appropriate. We have been investing in enhancing accessibility with new vehicles, station and halt improvements and upgrades, better passenger information and employee training.

However, we know there is more to do. We will continue to work closely with Government Departments alongside stakeholder 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.

Customer Complaints and Compliments

Our customers are very important to us and we welcome their comments and suggestions on how we might improve our services. With over 1.6m people travelling every week, we know there will be times when things go wrong. When they do, we will do our best to put things right. Our Passenger's Charter sets out our responsibilities and is a statement of our commitment to provide high quality bus and train services in Northern Ireland. We aim to reduce the number of complaints to fewer than 15 per 100,000 journeys.

STRATEGIC REPORT (CONTINUED)

Review of the Business (continued)

OBJECTIVE 3:

To grow the number of passengers using public transport

We have achieved an additional 2.5 million public transport journeys over the last two years; In 2017/18 passenger journeys topped 81 million, the highest in 20 years.

The Glider service will operate a 7-8 minute frequency throughout most of the day with a projected reduction of up to 25% on journey times as a result of the enhanced bus priority measures.

We are committed to supporting continued increase in modal shift towards sustainable transport and have developed long-term investment strategies for bus and rail services. We will work with all key stakeholders to develop funding plans and policy support to deliver passenger growth and modal shift from private to public transport in Northern Ireland.

A number of exciting investment projects are already underway that will contribute to the transformation of our public transport network.

Glider

Working with the Department, Translink will be introducing the iconic new Glider service in September 2018. As one of the flagship projects identified by the Northern Ireland Executive and representing an investment of over £90m, the exciting new initiative will deliver a high quality transit corridor connecting East Belfast to West Belfast and to Titanic Quarter with hybrid, high capacity articulated vehicles and new innovative vehicle technologies.

The Glider service will operate a 7-8 minute frequency throughout most of the day with a projected reduction of up to 25% on journey times as a result of the enhanced bus priority measures.

The project helps to address the current and future transport needs of the city and support sustainable economic growth and regeneration; it is a huge opportunity to attract and encourage even more people to travel using this new mode of modern public transport.

Belfast Transport Hub

Following extensive consultation and engagement, plans for the Belfast Transport Hub are well developed; pending planning approval we anticipate work to commence on-site later in 2019.

An important gateway to Belfast, this transport-led regeneration project will see the development of a world class, modern interchange that will become the main transport hub for Northern Ireland within a wider masterplan known as 'Weavers Cross' that aims to regenerate and improve a large tract of Belfast City Centre.

This development will alter the dynamic of travel in Northern Ireland and cross border, ensuring the right infrastructure is in place to encourage modal shift and attract more people to use public transport. It will also stimulate further economic opportunities for Belfast and Northern Ireland.

STRATEGIC **REPORT** (CONTINUED)

Review of the Business (continued)

North West Transport Hub

Incorporating the restoration of the historic Waterside station in Derry~Londonderry this new transport hub will be a gateway to the North West. The £27m investment will deliver a whole new standard in multimodal/sustainable transport that encourages more active travel like cycling with enhanced connectivity to bus and train services for the region. Plans for the site incorporating the original listed Victorian station building have been agreed with Derry City and Strabane District Council's planning committee, with work scheduled to begin later this year.

Belfast Central Station

A refurbishment project is underway to modernise the current facility to reflect changing needs and growing numbers using the station and to support regeneration of the local area. As part of the refurbishment the station will be renamed Lanyon Place in keeping with the locale that it serves that itself is named after the 19th century architect Sir Charles Lanyon.

Portrush Train Station

A redevelopment of Portrush Train Station to provide fully accessible modern customer waiting facilities has commenced. This is a significant investment of £5.6m that will vastly improve the customer experience for visitors arriving to the town. The station redevelopment is due to complete in Spring 2019 in advance of the 148th Open Golf Championship.

Expanded Park and Ride Programme

Park and Ride solutions play an important part in a mature, integrated and sustainable transport plan. It offers a genuine travel solution, particularly for customers who live in more rural areas – it provides access to the main bus and rail network so that they too can enjoy the benefits of travelling by public transport.

In recent years we have opened new purpose-built park and ride facilities and expanded existing facilities to satisfy increasing demand and to stimulate growth. Construction of a new Park and Ride site at Portadown, due to complete this Autumn, will introduce 347 additional park and ride spaces in close proximity to Portadown Train Station.

We are currently investing in new fleet to service park and ride facilities and will continue to promote these as a sustainable and convenient travel option to attract new customers.

Event Travel

Sporting, social and cultural events are a key economic driver for Northern Ireland and continue to grow in success. We work closely with the local events industry and organisers to support event delivery. This year we have been proud to be the Transport provider to the UEFA Women's U19s final, Women's Rugby World Cup, BBC Proms in the Park, Balmoral Show, the Belfast Marathon and many more.

Rail Service Developments

Engineering work and construction continues on the rail network to secure future operation and enhance safety, reliability and service capacity. The rail business continues to grow year on year; with 15 million customer journeys this year, the highest in the 50 years of NI Railways, many services are operating at capacity. We need therefore to ensure robust rolling stock plans are in place to enable continued growth in a sustainable and safe way.

Bus and Coach Service Developments

The Goldline express coach brand has enjoyed substantial growth in recent years. We have continued to invest in fleet, service presentation and optimisation of routes to ensure that customer needs and expectations of the brand are met and that the brand continues to attract new customers. Ulsterbus provide a vital role delivering efficient rural and town services that integrate with community, health and education centres and which connect with regional inter-urban bus, coach and rail networks. Additional high-spec vehicles will be introduced to the fleet for Goldline and commuter inter-urban services this year.

Metro quality bus corridors will continue to work towards improving frequencies, to refresh bus stop infrastructure and information, and to further simplify and extend the network. Improvements will be made to customer information and mapping to improve understanding of the Belfast network and to encourage customers to use Metro services for more journeys.

Airport Services

Gateways to Northern Ireland need to be effectively served with high quality public transport links to attract business, leisure and tourism. Translink's airport services are growing strongly each year and we aim to further develop and promote these routes. We relaunched the services to both Belfast airports, introducing new vehicles with a modern livery and onboard improvements including free Wi-Fi. This year we are improving links to the International Airport from Antrim Train Station with a dedicated Airport service and tickets linking with all trains to/ from the North West.

STRATEGIC
REPORT (CONTINUED)

Review of the Business (continued)

OBJECTIVE 4:

To deliver value for money

Translink are working with stakeholders towards an agreed shared mobility model for Northern Ireland that knits public transport with other modes – walking, cycling, car sharing, and taxis - through technology and infrastructure.

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

Public Transport

We have an ambitious vision to transform public transport to become the first choice for travel in Northern Ireland. By really focusing on our customers and providing excellent services we believe we will advance modal shift and grow passenger numbers within a sustainable shared mobility framework.

Funding

Improved public transport in Northern Ireland will require appropriate levels of public funding. Whilst we have secured capital support on flagship projects to deliver improvements, public transport expenditure levels, per head of population, in NI are around 60% of that in England and Wales and 40% of that in Scotland.

If the objective by all stakeholders is to transform public transport and enhance economic development, then creating a stable environment to invest in services is required.

We will continue to work with all key stakeholders to develop funding plans and policy support to attract more people to public transport and support modal shift.

Cost Efficiency

We will maintain a strong focus on driving business efficiencies and delivering continuous improvement in order to offer best value for our customers and stakeholders.

We actively measure and seek to minimise our fuel and energy consumption. We have introduced eco-friendlier vehicles and a range of measures such as the eco-driving programme 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.

Revenue Generation

We aim to generate revenue to reinvest in frontline bus and rail services while keeping fares as low as possible. To achieve this, we will maximise commercial opportunities and look at innovative ways of generating revenue from our bus, rail and station infrastructures to invest in public transport.

STRATEGIC REPORT (CONTINUED)

Review of the Business (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 also 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 such as Smartlink and yLink, as well as other multi-journey fares including rail weeklies and monthlies. We will continue to innovate in this area and have introduced mLink and iLink fares which offer customers more choice, convenience and integration.

Our fares strategy also makes provision for tactical fares promotions to stimulate passenger uptake. This year we have offered some very attractive and successful promotions - starting in Bus and Train Week 2017 and running over the Summer months, we offered a 'return for a single' across Goldline and Ulsterbus; we will be re-running the promotion for 2018. We also offer a long term value campaign for 1/3 off train and coach services off peak.

We will continue to work alongside partners like the Consumer Council for Northern Ireland to promote best value.

Congestion

As well as affecting competitiveness and air quality, a congested town and city has both a direct and indirect economic impact. Translink will work with all key stakeholders to tackle this issue and support the development of a Transport Strategy for our cities and towns. Through our communications and marketing campaigns we create awareness of congestion and the impact it has on air quality, shared road space and the economy.

Cost Effective Rural Services

Public transport enhances rural economic growth in many ways, helping to increase the local customer base for a range of services such as local shops. It helps to sustain rural and small urban areas, supporting local employment and encourages social inclusion by reducing the effects of isolation for the people living in these communities.

Translink will continue to forge joint partnerships with community transport organisations, education and health authorities to find cost effective, integrated travel solutions for the local rural community to access local market towns, health centres and other services.

STRATEGIC REPORT (CONTINUED)

Review of the Business (continued)

The Translink Spirit

We are committed to considering the interests of society by taking responsibility for the impact of our activities on customers, suppliers, employees, stakeholders and communities as well as our environment. Our focus is on supporting sustainable economic growth and vibrant local communities, and enhancing the quality of life we enjoy across our cities, towns and rural communities. 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.

Our focus is on supporting sustainable economic growth and vibrant local communities, and enhancing the quality of life we enjoy across our cities, towns and rural communities.

We are committed to delivering workplace health and wellbeing initiatives to help our employees lead fit and healthy lifestyles. Employee welfare is impacted 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.

In recognition of our efforts we have been awarded the Platinum Award in the annual Northern Ireland Environmental Benchmarking Survey and the Business of the Year Award at the 2017 Allianz Arts & Business NI Awards. This year we were pleased to receive the silver CORE award by Business in The Community for our work on Corporate Social Responsibility.

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.

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

People
We value and seek to develop our people.

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

We are committed to creating a diverse workforce as we recognise the value this brings to our organisation. We have pledged to tackle the gender imbalance within the Group through the Business in the Community 'Gender Project'.

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 not just about ethics but is an important strategic tool for our business.

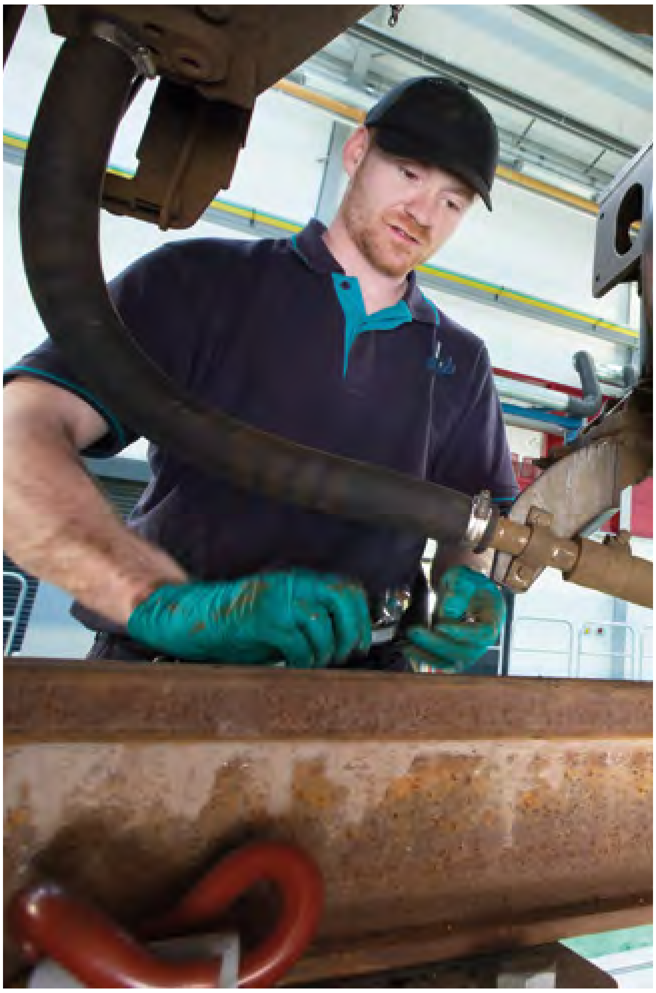
We continue to deliver a comprehensive CSR programme based on the four key themes of Go Safe, Go Eco, Go Healthy and Go Together and have been recognised as one of Northern Ireland's leading businesses in this area.

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 give of their best, to espouse our Vision and Values and to be an advocate for public transport.



PRINCIPAL RISKS & UNCERTAINTIES

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

These encompass
- Impact of funding shortfall;
- Failure to optimally manage and secure sufficient benefit from key service delivery partnerships (such as Education Authority school services, Bus Éireann and Irish Rail);
- Failure to maintain good employee relations;
- Delivery and assurance capability for projects e.g. Belfast Transport Hub);
- Failure to prevent a major incident;
- Cyber security; and
- General data protection regulations compliance

Further information on some of these key risks and uncertainties are set out in the Corporate Governance statement on page 38.

DIRECTORS' **REPORT**

The Directors present their annual report on the affairs of the Group and parent company, together with the financial statements and auditor's report, for the year ended 25 March 2018.

There have been no significant events since the balance sheet date which have a material effect on the accounts. An indication of likely future developments in the business of the Group and Parent Company is included in the strategic report.

Directors

The Directors, who served throughout the year and up to the date of approval of the accounts are noted on pages 7 and 8.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Equal opportunities

The Group is committed to equality of opportunity for job applicants and within the workforce and values diversity.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

During the year, the policy of providing employees with information about the Group has continued through a weekly email from the Group Chief Executive, 'Team Talk' briefings and electronic publications on uLink, the Translink intranet site.

Whistleblowing / Fraud Reporting

The Group's whistleblowing procedures ensure that arrangements are in place to enable colleagues, suppliers and service providers to raise concerns about possible improprieties on a confidential basis.

Whistleblowing events are monitored by the Audit and Risk Committee.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

KPMG were appointed auditors during the year and pursuant to Section 487 of the Companies Act 2006, will deem to be reappointed and will therefore continue in office.

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

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2017: £nil).

Financial Instruments

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

Dividends

The directors do not recommend payment of a dividend (2017: £nil).

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and exchange rates will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters. The Group does not consider currency risk or interest rate risk to be material due to the low levels of foreign currency transactions.

The Group enters into derivative financial instruments in the ordinary course of business in order to manage market risk, in the form of fuel price risk. All such transactions are carried out within guidelines set by the Board. Market risk exposures are measured using sensitivity analysis.

Under IFRS guidelines the derivative financial instruments are recognised in the Group's financial statements at fair value with full disclosure at note 23 to the financial statements.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Group and Company policy is aimed at minimising credit risk and requires that deferred terms are granted only to non-government customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures.

Credit Risk

Credit risk arises on trade debtors and certain other debtors, a significant element of which relate to amounts owed by UK government bodies and in relation to which the Directors consider the credit risk to be insignificant. Group and Company policy is aimed at minimising credit risk and requires that deferred terms are granted only to non-government customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group exposure to bad debts is not significant. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has received notification of its indicative baseline resource funding for 2018/19 and has prepared a budget on this basis. This resource baseline reflects a reduction in recurrent funding of approximately £16m or 20% since 2013/14.

Liquidity Risk

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

Going Concern

The Directors acknowledge the guidance on the 'Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks 2016' published by the Financial Reporting Council in April 2016, the FRC guidance "Update for Audit Committees: Issues arising from Current Economic Conditions", published in November 2010, and the June 2012 publication by the Panel of the Sharman Inquiry entitled 'Final Report and Recommendations on Going Concern

DIRECTORS' REPORT (continued)

and Liquidity Risk', the content of which was incorporated by the FRC into its September 2014 update to the UK Corporate Governance Code.

The Group's business activities, together with the factors likely to affect its future development, performance and government funding are set out in the Strategic Report. Principal risks and uncertainties are referenced above and further details are set out in the Corporate Governance Statement on page 38. As a Public Corporation, whose legal status is not expected to change in the immediate future, the Group receives financial support from Government in the form of railway Public Service Obligation, route subsidy and capital grant support. In addition the Group receives recompense for the carriage of concession groups. The Group has received notification of its indicative baseline resource funding for 2018/19 and has prepared a budget on this basis. This resource baseline reflects a reduction in recurrent funding of approximately £16m or 20% since 2013/14. The Group has budgeted to generate a trading loss for 2018/19 which it will fund entirely from reserves. 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 Consolidated Balance Sheet shows a deficit of £92.9m (2017: deficit of £139.8m).

This deficit is entirely attributable to the group's employee benefit obligation (pensions) of £201.2m, a reduction of approximately £49m from 2016/17. The obligation is long term and does not affect the Group's cash flow in the short to medium term.

Given the Group's strategic objectives and future developments the Directors recognise that security of a long term funding strategy is key. In October 2015 Translink was granted 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 13 June 2018 from the Department for Infrastructure reaffirms the Department's commitment to ensure that NITHC / Translink remains a viable financial entity and states that Translink is a key delivery partner in terms of the draft Programme for Government.

The Directors believe that it is reasonable to assume that the Group has and will continue to have adequate resources to meet its anticipated liabilities.

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

Post balance sheet events

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

P Rooney
Company Secretary
for and on behalf of the Board
20 June 2018

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the Directors to prepare such financial statements for each financial year.
Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the International Accounting Standards (IAS) Regulation and have chosen to prepare the parent company financial statements under Financial Reporting Standard 101. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and the Company and of the profit or loss of the Group and Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRS as adopted by the EU, and the Company financial statements are in line with Financial Reporting Standard 101;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2006.

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 20 June 2018 and is signed on its behalf by:

C Conway
Chief Executive Officer
20 June 2018

P Anderson
Chief Financial Officer
20 June 2018

CORPORATE GOVERNANCE **STATEMENT**

Introduction

The Translink Group is owned by the public corporation the Northern Ireland Transport Holding Company (NITHC). NITHC itself is sponsored by the Department for Infrastructure (the "Department" or "DfI"). Under the ownership of NITHC, there are seven private limited subsidiary companies including Ulsterbus, Citybus (Metro) and Northern Ireland Railways. These three operating subsidiaries represent the main passenger transport companies which passengers, communities and stakeholders have come to know, trust, and depend on.

Translink operates under a hybrid governance model. This means that the organisation is subject to public sector governance, private sector governance, and a very broad set of laws and regulations which come from both sectors. For example, as a public body, Translink is subject to Freedom of Information requests and public procurement rules, yet equally as a group of private limited companies, Translink's directors are bound by company law directors' duties, insolvency law and annual reporting obligations.

Translink is committed to strong governance and, during the year, the Group has followed all applicable UK Corporate Governance Code provisions to the extent practical for a sponsored public corporation. There is an important additional layer of public sector governance known as the Management Statement and Financial Memorandum (MSFM). The MSFM sets a bespoke corporate governance framework for the organisation, and in so doing applies relevant provisions of Managing Public Money NI because of the receipt of public funds both in capital grants and public service obligation revenue.

Relationship with the Sponsor Department

The Minister for Infrastructure is accountable to the Assembly for the activities and performance of the Translink Group. The Minister sets regional infrastructure and transport policy and performs the following functions:

- Approves strategic objectives and corporate plan;
- Approves the accountability, policy and performance framework within which the Group operates (as detailed in the MSFM and associated documents);
- Keeps the Assembly informed as to the Group's performance;
- Approves the amount of grant/subsidy or other funds to be paid to NITHC or its subsidiaries; and
- Performs responsibilities specified in the Transport Act (Northern Ireland) 1967), including making appointments to the Board and laying the annual report and accounts of the Group before the Assembly.

There are periodic meetings which form the top-level governance arrangements between Translink and the Department. These interfaces include:

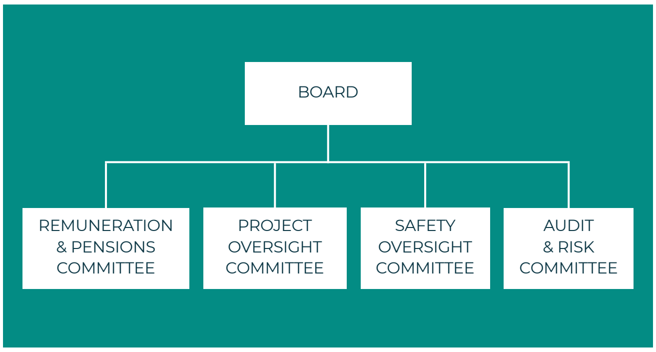
- Meetings between the Minister and the Translink Chairman and/or Group Chief Executive;
- Board-level governance meetings (led by the Permanent Secretary) with the full Board on a regular basis;
- Departmental monitoring meeting where senior sponsor branch officials meet with Translink's Chief Financial Officer and General Counsel on a bi-monthly basis;
- Ad-hoc meetings and interfaces between different management teams to keep both organisations up to date in a vein of 'no surprises'.

The Role of the Board

The Board's areas of focus in helping to transform public transport to support the growth and prosperity of NI include strategic leadership, financial and business scrutiny, risk management, governance, succession planning and stakeholder relations.
The Board collectively supports and scrutinises management against its strategic aims thereby ensuring that Translink continues to perform successfully.
The Board had ten scheduled meetings during the year, including a one day Board Strategy Workshop.

The Board is supported in its activities by sub-committees with a dedicated secretariat resource in each case. These are the Remuneration and Pensions, Project Oversight, Safety and Audit and Risk Committees. Between June and September 2017, the Board conducted a full review of its committee structure and their purposes. The powers, functions and responsibilities of each Board Committee were re-defined and modernised.

We ensure that all Board members irrespective of their committee memberships are made aware of the key discussions and decisions of each of the other committees of which they are not members. In this way, the full Board is routinely updated with respect to its knowledge base and company-awareness.



Division of responsibilities

Chairman

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman, Mr Frank Hewitt is responsible for leadership of the Board, ensuring its effectiveness and for setting its agenda. He facilitates the contribution of the Non-Executive Directors through a culture of openness and debate, and ensures constructive relations between Executive and Non-Executive Directors. The Chairman's distinctive duties are set out in the MSFM.

Senior Independent Director

The role of Senior Independent Director is to act as a sounding board for the Chairman and as a trusted intermediary for the other Directors. In addition, the Senior Independent Director meets with the other Non-Executive Directors at least once a year to undertake a review of the Chairman's performance. The Senior Independent Director is Mr Tony Depledge.

Non-Executive Directors

Translink's Non-Executive Directors are appointed by the Minister to serve for one or more terms, typically for four years each.

Group Chief Executive and Accounting Officer

The Group Chief Executive is responsible for the day to day management of the Group and executing the strategy. In addition to retaining an Executive Board position and the employment status of Group Chief Executive, Mr Chris Conway also fulfils the distinctive public sector role of Accounting Officer.
The Accounting Officer has responsibility for ensuring that the Group operates effectively and to a high standard of probity. The Accounting Officer retains a reporting line direct to the Permanent Secretary within the Department regarding particular aspects of the role (focussed on regularity, propriety and value for money).

Board effectiveness

Composition

The Board currently comprises three Executive Directors, the Chairman and five Non-Executive Directors. The Chief Corporate Services & Human Resources Officer and the Company Secretary support the Board and attend every meeting. The Non-Executive Directors bring wide and varied commercial experience to Board and Committee deliberations.

CORPORATE GOVERNANCE STATEMENT (continued)

Independence and conflicts

Each of the Directors has a duty under the Companies Act 2006 to avoid a situation where he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Group's interests. The Board has established procedures for the disclosure of conflicts and perceptions of conflict by Directors at every meeting but also through regular recorded declarations throughout the financial year. In accordance with the spirit of the Companies Act 2006, the Board considers, manages, and documents all conflicts of interests. From this pro-active analysis, the Board is content to confirm that all Non-Executive Directors are independent as set out in in the terms of the UK Corporate Governance Code.

Board development, workshops and continuous improvement

During the year, the Directors received training on current issues and operational updates on various aspects of the business.

Information and support

The Board receives regular updates on business performances against the Corporate Plan and Strategy. These come in the form of results-based "SMART" key performance indicators, shaped from a range of corporate objectives and Departmental objectives set for the Company in its Public Service Contract.

There is an established procedure whereby the Board or any of its Committees may take independent professional advice when appropriate. Any individual Director may take independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as Directors.

Board Evaluation

The Board undertakes a formal review of its performance and that of its Committees on an annual basis.

The Chairman is responsible for evaluation of individual Board Directors. This assessment is supplemented by the Department for Infrastructure who undertake their own assessment in consultation with the Permanent Secretary and the Chairman. This includes an assessment whether Directors are able to allocate sufficient time to the Group in order to discharge their responsibilities effectively. All of Translink's Directors routinely satisfy the requirements of these effectiveness assessments.

Attendance at Board and Committee Meetings during 2017/18

Director	Committee Membership	Board	Audit & Risk (BARC)	GRPC	Project Oversight (POC)	Safety Oversight (SOC)
F Hewitt	Board*, POC*[1], SOC	10/10	-	-	12/12	3/3
A Depledge	Board, POC, SOC*	10/10	-	-	11/12	3/3
A Reavey	Board, BARC, GRPC	9/10	5/5	7/7	-	-
H McCartan	Board, BARC, GRPC*	10/10	5/5	7/7	-	-
B Mitchell	Board, BARC*, GRPC	10/10	5/5	7/7	-	-
M Sweeney	Board, POC*[1], SOC	9/10	-	-	10/12	3/3
C Conway#	Board, POC, SOC	10/10	-	-	12/12	3/3
P O'Neill	Board, POC, SOC	10/10	-	-	10/12	3/3
P Anderson#	Board, POC	10/10	-	-	11/12	-

*Denotes Chair of Committee

[1]F Hewitt was chair of the Project Oversight Committee until September 2017 and from October 2017 M Sweeney assumed this role.

#The Group Chief Executive and Chief Financial Officer were also in attendance at all Audit and Risk Committee meetings.

Sources of Assurance and Risk Management Controls

Effective Internal Controls

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and carries out, at least annually, a review of their effectiveness.

Translink has implemented an appropriate Corporate Risk and Assurance Framework which simultaneously functions as a risk-identification and management tool as well as an assurance-mapping tool. It plays a key part of the Company's Risk Management Strategy (reserved to the Board) and ultimately its Corporate Governance framework of controls. This integrated approach to risk management and assurance to ensure that its review of risk is used to inform the internal audit plan, accountability and assurance gaps, future corporate planning, and the continuous improvement of internal controls.

Internal Audit

Internal audit services, including Head of Internal Audit, are provided by an independent firm. Internal audit conducts a comprehensive programme of audit review and ad-hoc advisory services on various control items throughout the year. The results, recommendations and significant findings are reported to senior executive management via the combined Internal Audit and Risk Review meetings. Management agrees and implements actions, which are tracked through to completion by Internal Audit and the Audit and Risk Committee.

A regular internal audit progress report is presented to every meeting of the Audit and Risk Committee throughout the annual cycle. At the end of the year, the Head of Internal Audit produces his formal opinion and provides an annual assurance rating for the Company. This provides an important element of assurance to the Accounting Officer, Audit and Risk Committee, and the Board.

External Audit

The external auditors provide the Audit and Risk Committee with reports on the external audit, including a regulatory opinion, in connection with the annual accounts and general financial performance. Through their annual management letter and advice to the Company, key recommendations are taken on board and implemented. Safeguards have been put in place to ensure the ongoing objectivity and independence of the external auditors. In 2017 KPMG were appointed as external auditors for the Group for an initial period of three years plus options for three one-year extensions.

Risk Management Processes

Translink has in place a risk management strategy which was last refreshed by the Board in 2014 and is scheduled to be refreshed again in 2018. Divisional risk and assurance frameworks sit underneath the Corporate Risk and Assurance Framework. Risk Champions within each division work closely with General Counsel and the wider compliance and audit teams in quarterly risk champion forums, which act as early warning signals for changing risk profiles or new risks. Divisional registers are used by executive/divisional owners to inform the Corporate Risk and Assurance Framework. This comes to the Board twice each year, and comes to every meeting of the Audit and Risk Committee. This document is influenced heavily by residual risk score (the score of a risk after management control and processes have been applied) to determine the most significant risks at any given time. The Group Chief Executive and General Counsel take the lead in sponsoring and maintaining the Corporate Risk and Assurance Framework.

Risk registers also exist for major projects. Logs also exist to capture emerging risks and near misses.

Assurance Mapping

Prior to completing this Corporate Governance Statement the Group Chief Executive requires all members of the Executive Committee to sign Assurance letters which provide regular assurance for all relevant areas of their responsibility under the MSFM and risk management strategy.

CORPORATE GOVERNANCE STATEMENT (continued)

Risk Management and Internal Audit Review Meetings

The Group Chief Executive chairs the Risk Management and Internal Audit Review meetings attended by executive management plus internal audit. The meetings assist with the overall Assurance Framework, help inform and shape the work of internal audit during the year, and contribute to the progress of the annual audit plan.

Financial Reporting

The Group has comprehensive planning, budgeting, and forecasting processes in place, which include detailed operational budgets for the year ahead, and the delivery of KPIs. The Board, the Department and the Minister review and approve these.

Investment Appraisal

Capital expenditure is regulated tightly (through budgetary processes and authorisation levels) and all appropriate appraisals above certain pre-agreed thresholds are escalated to the relevant Board/Committee, and indeed the Department for Infrastructure (DfI) as appropriate, for consideration and approval.

The Work of the Board's Sub-Committees

An important part of the Group's assurance and accountability framework during the period was the role played by each of the four Board Sub-Committees (Audit and Risk, Safety, Remuneration and Pensions, and Project Oversight). These committees each have an annual cycle of work, and takes on additional scrutiny over the work and activity of management throughout the year. They provide minutes of committee meetings to the full Board and Committee Chairs provide updates as appropriate at Board meetings. Moreover, the Audit and Risk Committee, the Safety Oversight Committee and the Remuneration and Pensions Committee play a vital role in submitting annual reports on their activity for the purpose of this annual report and accounts.

The above internal control systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

Principal Risks and Uncertainties

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Company notes the following corporate risks that will continue to pose challenges for the foreseeable future. These particular risks require ongoing attention in order to maintain the risks to acceptable levels.

Funding Shortfalls

Uncertainty as regards government funding, exacerbated by the lack of a functioning Executive in Northern Ireland, remains a major ongoing risk. Translink is working with DfI in the context of its Public Service Contract to ensure that it is adequately funded on a recurring basis to meet the obligations set out within this Contract.

Delivery of Major Projects

Translink is responsible for the delivery of large numbers of key high value projects (the Belfast Transport Hub, the North-West Hub, Belfast Rapid Transit and the Translink Future Ticketing System) which have a number of complex interdependencies. Translink has been careful to ensure that assessment of potential risks are identified, categorised and evaluated in consultation with key project stakeholders at the commencement of projects, and also over the lifetime of the project. To supplement this, independent gateway reviews are held for all major capital projects. Latterly a Chief Business Change Officer has been appointed and business change programme commenced to mitigate identified risks associated with project interdependencies.

General Data Protection Regulation Compliance
Europe's new General Data Protection Regulation (GDPR), which came into effect on 25 May 2018, is an area of focus for the Group. The GDPR imposes heightened requirements on controllers presenting compliance challenges for organisations. The requirements for holding, retaining and disposing of data will be more rigorous and if compliance is poor then fines, reputational damage and litigation may result.

The Group has embarked on a rigorous programme of work to ensure preparedness for the GDPR.

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

- information management and data security;
- employee relations;
- commercial challenges with related risk to income; and
- incident management.

Liaison with Regulatory Authorities

The Group has committed to preparing Regulatory Accounts for Northern Ireland Railways for the year ended 25 March 2018, in compliance with Office of Rail and Road.

Assessment of Internal Control

The Company's principal risks are tested and probed on an ongoing basis by myself as Accounting Officer but also by the Board of Directors, and a dedicated group of employees we call Risk Champions.
I have in this statement provided an outline of the most significant risks which have affected our business since 27 March 2017 balanced with the assurance I take from the range of controls and processes in place to manage these significant risks. For the period, my assessment is that the relevant systems of internal control and risk management are strong and are operating effectively. Significant risks are identified, recorded, managed, and targeted for response as appropriate.

Internal Control Divergences

There have been no major internal control divergences which have arisen since 27 March 2017 and any ongoing investigations have been outlined in the risk review above.

Conclusion

Translink has a rigorous system of accountability which I rely upon to form an opinion on the control framework. Assurances and written confirmations provided to me by Executive Committee colleagues inform my assessment of risk. I am pleased to report that I am content that Translink has operated a sound system of good governance and internal control during the reporting period.

Chris Conway

C Conway
Accounting Officer and
Group Chief Executive
20 June 2018

AUDIT AND RISK COMMITTEE REPORT

Summary of the role of the Audit and Risk Committee

The Audit and Risk Committee is a formally constituted committee of the Board. The primary responsibilities and tasks undertaken by the Committee are to:

- monitor the integrity of the financial statements;
- review the Group's internal financial controls;
- monitor and review the effectiveness of the Group's internal audit function;
- make recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditors including remuneration and terms of engagement;
- ensure that effective risk management procedures and process are in place;
- develop and implement policy on the engagement of the internal and External Auditors to supply non-audit services; and
- advise the Board on whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable.

The Terms of Reference of the Committee are available on request from the Company Secretary.

Composition of the Audit and Risk Committee

The Audit and Risk Committee is appointed by the Chairman of the Company and approved by the Board. The members during 2017/18 were non-executive Directors and comprised of Mr Bernard Mitchell (Committee Chair), Mrs Hilary McCartan and Ms Angela Reavey. The Committee is independent of management and its membership has an appropriate range of skills in relation to governance, risk and control and also meets the requirements for recent and relevant financial experience sufficient to allow them to competently analyse the financial statements and understand good financial management disciplines.

Other Attendees

In addition to members, the Group Chief Executive, the Chief Financial Officer, General Counsel and Company Secretary, the Head of Internal Audit, the External Auditors, an observer from the Department and the Committee Secretary attend committee meetings, along with any other invitees called by the Chairman to attend from time to time.

Meetings

The Committee met on five occasions in 2017/18.

Governance

The Board is kept informed of the work of the Committee by means of summaries of meetings, the approved minutes of meetings and reports from the Committee Chairman at subsequent Board meetings.

On an annual basis, the Committee considers its own effectiveness and the effectiveness of the external audit function. The last such review took place in September 2017 when the Committee considered that its performance was compliant with good practice, while identifying a number of areas for further consideration.

The Group continues to operate under the Management Statement and Financial Memorandum (MSFM) that was agreed with the Department and signed on 13 March 2013. There have been no amendments to the MSFM during the 2017/18 year.

Following an open procurement competition, KPMG were appointed as External Auditors, for an initial term of three years commencing with the audit of the 2017/18 accounts. There are a further three extension options of one year each. The Committee was assured by the collaborative engagement between KPMG, Internal Audit (PwC) and management in relation to the induction process. The induction has enabled KPMG to gain a deep understanding of the business, its systems, processes and risks.

The Committee would like to thank the outgoing External Auditors, Deloitte for their professionalism and assistance during their tenure.

PricewaterhouseCoopers LLP continued in the role of internal audit on a fully outsourced basis having been appointed in March 2016 following an open competition.

The Committee only permits the Internal and External Auditors to undertake non-audit services when it considers that the nature and extent of the services and related fees do not compromise audit objectivity and independence and has regard to the Revised Ethical Standards in 2016 which introduced new restrictions around the provision of non-audit services.

Activities in Respect of the Year

The Committee undertook the following activities in respect of the year:

Internal Audit

- Reviewed and approved the Internal Audit Strategy and Plan for the year;
- Received and reviewed a report from the Head of Internal Audit at each meeting including a summary of progress against the plan, recommendations arising from reviews undertaken and progress made in the implementation of such recommendations;
- Reviewed the Annual Report and opinion by Head of Internal Audit and noted that the overall level of assurance was satisfactory;
- Followed up prior year Internal Audit reviews to ensure that recommendations were implemented; and
- Considered all instances of fraud, theft and whistle-blowing.

External Audit

- Oversaw the appointment process and recommended to the Board, the appointment of KPMG as External Auditors;
- Engaged with the External Auditors at all stages of their work including review of the planned audit approach, audit progress and conclusions; and
- Reviewed the independence and objectivity and the effectiveness of the External Auditors.

Financial Management and Reporting

- Considered a comprehensive review of the financial statements prepared by the Chief Financial Officer;
- Considered the appropriateness of key accounting policies, whether the accounts give a true and fair view, the appropriateness of the going concern assumption, and reviewing disclosures and key judgements in the financial statements;
- Considered the report of the auditors on the financial statements and matters for those charged with governance raised by them; and
- Reviewed the 2017/18 annual financial statements, along with the documents issued with them, including the Corporate Governance Statement, and recommended the adoption of these by the Board.

Risk management

- Regularly considered, and challenged executives on the Corporate Risk and Assurance registers, including emerging risks and near misses, the fraud and theft registers and the whistleblowing register. The key risks considered by the Committee and their response are set out in the section Principal Risks and Uncertainties set out on page 33 of the Annual report.

Governance

- Reviewed and updated its Terms of Reference;
- Approved a revised Internal Audit Charter;
- Approved a policy for non-audit services provided by the Internal and External Auditors; and
- Approved additional work by the Internal Auditors in accordance with the policy.

The Committee also:

- Met with each of the External Auditors and the Head of Internal Audit, in the absence of executive management, to consider matters of relevance and considered new and revised guidance from Central Government;
- Is engaging with management in the development of an Assurance Map for the Group; and
- Was briefed on the work of the Projects department.

The Chairman also:
Attended the Departmental Audit Committee, as an observer.

AUDIT AND RISK COMMITTEE REPORT (continued)

Conclusion

The Audit and Risk Committee considers that for the 2017/18 financial year it has discharged its responsibilities in full in accordance with its remit.

The Committee's view of the effectiveness of the system of internal control is informed by the assurances provided through the maintenance and reporting of the risk registers and the documented assurance framework, the work of the Internal Auditors, the External Auditors in their Report to those Charged with Governance, and by the work of the Group Chief Executive and the Executive Team who have responsibility for the development and maintenance of the internal control framework.

The Committee is satisfied that:

- throughout the year there was ongoing progress made in relation to Internal Audit recommendations that had been made;
- the system of internal control in operation throughout the period is satisfactory and that there have been no material breaches of internal control brought to the attention of the Committee by either management or the Internal or External Auditors;
- there are effective risk management processes and procedures in place;
- both the Internal Auditors and the External Auditors provide effective independent challenge to management; and
- the key accounting policies applied in the preparation of the financial statements are appropriate and that the financial statements have been properly prepared in accordance with them, and give a true and fair view of the Group's results for the year and state of affairs at the year end.

B Mitchell
Chairman
Audit and Risk Committee
20 June 2018


Translink
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go
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work.shop.play.
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SAFETY OVERSIGHT COMMITTEE **REPORT**

Introduction

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

Throughout 2017/18 the Committee has met three times, reviewing the findings of reports, presentations, safety audits, accident inquiries, incident management reports and related information to reinforce best practice and to ensure lessons are learned and embedded for the future. The Committee has been active challenging, and satisfying itself of, the adequacy and effectiveness of the safety, health and environmental management systems, reporting as appropriate to the Board regarding corporate responsibility strategy and overall safety-related performance.

The Committee has reviewed and updated its terms of reference and actively participates in the Safety Tour programme. The Board demonstrates leadership in this area by engaging in Safety Tours that are designed to help drive safe behaviour and culture and to demonstrate commitment to continually improving Translink's safety, health and environmental performance.

Corporate Responsibility Strategy and the Environment

Translink touches the lives of everyone in Northern Ireland and the Committee recognises the importance of placing a strong emphasis on corporate responsibility, delivering projects and initiatives which make us a leading business in this area. The Committee is actively engaged, influencing and driving strategic direction through the development and delivery of the Translink Corporate Responsibility Strategy 2017-2021.

Translink achieved the silver CORE standard for Corporate Responsibility from Business in the Community and again retained its Platinum status in BITC's Environmental Benchmarking Survey, Northern Ireland's leading environmental benchmarking exercise, attracting organisations from more than 14 industry sectors including participants from the top 200 companies and leading public sector organisations.

Safety Management System (SMS)

The practical application and outworkings of the safety, health and environmental policies is steered by the Translink Safety Management System and its 14 principles which ensure that management is in line with international standards for safety, health and environmental management.

Compliance with our SMS is monitored by a continuous internal assurance process. This is an essential and prominent feature of our internal reporting throughout the business and is reviewed by the Committee.

Investment

The Committee is pleased to note the capital investment in 2017/18 seeking to take advantage of modern technology, incorporating additional safety benefits.

Translink touches the lives of everyone in Northern Ireland and the Committee recognises the importance of placing a strong emphasis on corporate responsibility, delivering projects and initiatives which make us a leading business in this area.

Regulators and other Agencies

Translink continues to work closely with regulators, holding knowledge sharing events with the Department for Infrastructure, the Health and Safety Executive for Northern Ireland, the Rail Accident Investigation Branch, the Police Service of Northern Ireland, the Northern Ireland Environment Agency, the Commission for Railway Regulation and others.

The Committee welcomes the exchange of information and knowledge through Translink's work with regulators and other agencies and through contacts with the bus and rail operating industry within Europe and more widely through our links with international trade associations.

Future Focus

The Committee will continue to oversee safety and environmental targets for the Group, visit locations to review safety practices and procedures and demonstrate safety leadership, assess progress of various safety initiatives/programmes and monitor progress of implementation of group safety standards

Keeping safety as our first priority, the Committee will oversee the continual development and implementation of the Safety Management System with a clear focus on leadership, behavioural safety and assurance.

Embedding the Translink SPIRIT in everything we do, we will continuously develop our corporate social responsibility through Go Safe, Go Eco, Go Healthy and Go Together programmes.

T Depledge
Chairman
Safety Oversight Committee
20 June 2018

DIRECTORS' REMUNERATION **REPORT**

The Group Remuneration and Pensions Committee (the "Committee")

Role of the Committee

The Committee's principal responsibilities are to:

- annually review remuneration for senior executives and other executives;
- annually confirm the performance related pay distribution for management, professional and technical employees;
- review the objectives set for senior executives;
- review senior executive performance;
- review the succession plans in place for senior executives and other executives;
- oversee the process of appointing to the position of Group Chief Executive and other senior executive posts;
- consider and recommend to the Board any changes to the operation or funding of the Group's pension schemes;
- consult periodically with the Trustees of the Group pension schemes on relevant statutory matters concerning the schemes; and
- recommend to the Board appointments of Trustees to the Group pension schemes.

Terms of Reference

The Committee's terms of reference are reviewed annually by the Committee and approved by the Board. They are available on request from the General Counsel and Company Secretary.

Membership

The Committee is appointed by the Chairman of the company and approved by the Board. The current members of the Committee, who are all independent Non-Executive Directors, are Mrs Hilary McCartan (Chair), Mr Bernard Mitchell and Ms Angela Reavey. Members' individual attendance at committee meetings for the year under review can be found on page 40.

Other Attendees

In addition to members, the Chief Human Resources and Corporate Services Officer and Human Resources Manager (Committee Secretary) attend Committee meetings along with other invitees (including the Group Chief Executive) called by the Chair to attend from time to time.

Meetings

The Committee met seven times during the year under review.

Governance

The Committee issues a short report to the Board after each meeting which provides a summary of the business discussed. Supplementary briefings are also provided to the Board as and when required.

The Committee is of the view that it has discharged its oversight responsibilities in accordance with its remit, and considers that it is operating effectively.

Committee Activities During the Year

In line with its remit, the Committee considered and discharged its responsibilities on the following matters:

- approved remuneration for senior executives and other executives;
- approved the performance related pay distribution for management, professional and technical staff;
- reviewed the objectives set for senior executives and also their performance;
- considered pension related matters;
- considered arrangements for succession planning;
- reviewed and approved the Directors' Remuneration Report;
- reviewed its terms of reference; and
- reviewed its own effectiveness and training requirements.

Executive Director Appointments

Executive Director appointments are made on the basis of open competition and the merit principle. Furthermore, as Executive Director posts entail the receipt of a Board position, the particular requirements contained within the Transport Act (NI) 1967 are also observed – this includes the requirement to obtain the approval of the Minister for Infrastructure.

Executive Directors

The executive Directors of the Company are:
Mr Chris Conway (Group Chief Executive)
Mr Patrick Anderson (Chief Financial Officer)
Mr Philip O'Neill (Chief Business Change Officer, formerly Chief Operating Officer)

Remuneration Policy

The key policy objectives are to ensure that individuals are fairly rewarded for their contribution to the Group's overall performance, to provide remuneration which is designed to attract, retain and motivate executives of the right calibre and to ensure that due regard is given to guidance from the Department.

Executive Director Emoluments

The emoluments of the Executive Directors during each of the current and previous financial years were as follows:

	Salary £'000	Benefits £'000	2018 Total £'000	2017 Total £'000
Mr Chris Conway	169	-	169	163
Mr Patrick Anderson	125	-	125	121
Mr Philip O'Neill	147	14	161	161

Executive Directors do not receive bonuses.

Hilary McCartan

H McCartan
Chairman
Remuneration and Pensions Committee
20 June 2018

Pensions

Accrued benefits of the Executive Directors in respect of their defined benefit pension scheme entitlements were as follows:

	Annual Pension		Retiring Lump Sum	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Mr Chris Conway	6	5	-	-
Mr Patrick Anderson	7	4	-	-
Mr Philip O'Neill	70	67	141	141

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

	2018		2017	
	Annual Pension £'000	Retiring Lump Sum £'000	Annual Pension £'000	Retiring Lump Sum £'000
Mr Chris Conway	-	-	2	-
Mr Patrick Anderson	2	-	2	-
Mr Philip O'Neill	2	(4)	3	-

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

	2018 £'000	2017 £'000
Mr Chris Conway	10	17
Mr Patrick Anderson	13	13
Mr Philip O'Neill	15	15

Non-Executive Directors

The appointment and remuneration of non-executive Directors is determined by the Department. The non-executive Directors do not have service contracts, are not members of any of the Company's pension arrangements and do not participate in any performance-related payment arrangements.

Details of the non-executive Directors' emoluments are given in note 22 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN IRELAND **TRANSPORT HOLDING COMPANY**

1. Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements ("financial statements") of Northern Ireland Transport Holding Company for the year ended 25 March 2018 set out on pages 56 to 98, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, statement of changes in reserves, consolidated cash flow statement and the related notes, including the significant accounting policies set out in note 2. The financial reporting framework that has been applied in the preparation of the Group financial statements is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, UK law and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

In our opinion:

- the Group financial statements give a true and fair view of the state of the affairs of the Group as at 25 March 2018 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the state of the affairs of the Company as at 25 March 2018;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework, as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other Information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Chairman's foreword, strategic report, directors' report, directors' responsibilities, corporate governance statement, audit and risk committee report, safety oversight committee report and directors' remuneration report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information:

- we have not identified material misstatements in the directors report or the strategic report;
- in our opinion, the information given in the directors' report and strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report on these matters/in regard to these matters.

2. Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for 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.

In preparing the financial statements, the directors are responsible for assessing the Group and 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTHERN IRELAND **TRANSPORT HOLDING COMPANY** (continued)

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

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

3. Opinion on regularity

In our opinion, in all material respects, the expenditure (disbursed) and income (received) have been applied to the purposes intended by, and the financial transactions conform to, the authorities which govern them.

J Poole
Senior Statutory Auditor
For and on behalf of:
KPMG Statutory Auditor
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP
25 June 2018


RR20
Railway Plant Services Ltd.

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 25 March 2018

	Notes	52 weeks ended 25 March 2018 £'000	52 weeks ended 26 March 2017 £'000
Continuing Operations			
Revenue	4	220,509	205,235
Cost of Sales		(218,110)	(204,447)
Gross profit		**2,399**	**788**
Administrative expenses		(14,595)	(6,457)
Fair value adjustment on fuel derivative	23	2,472	8,848
Other income	9	2,949	214
Operating (loss)/profit	6	**(6,775)**	**3,393**
Finance income	7	167	238
Other finance costs	8	(6,644)	(4,304)
Loss before tax		**(13,252)**	**(673)**
Taxation credit	10	1,984	67
Loss for the year		**(11,268)**	**(606)**

All reported results arise from continuing operations.

The notes on pages 62 to 98 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 25 March 2018

	Notes	52 weeks ended 25 March 2018 £'000	52 weeks ended 26 March 2017 £'000
Loss for the year		**(11,268)**	**(606)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial surpluses/(losses) on defined benefit pension schemes	21(ii)	66,560	(126,320)
Tax relating to other comprehensive income Defined benefit pension schemes	10(d)	(8,354)	14,667
Other comprehensive income/(costs) net of tax for the year		**58,206**	**(111,653)**
Total comprehensive income/(costs) for the year		**46,938**	**(112,259)**

All reported results arise from continuing operations.

The notes on pages 62 to 98 form part of these consolidated financial statements.

CONSOLIDATED BALANCE **SHEET**

At 25 March 2018

	Notes	25 March 2018 £'000	26 March 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	605,319	565,320
Investment property	13	6,035	6,138
Employee benefits	21	1,038	987
Derivative financial instruments	23	234	633
Deferred tax assets	10	3,929	3,804
Deferred tax asset - employee benefits	10	25,306	31,467
Total non-current assets		**641,861**	**608,349**
Current assets			
Inventories	15	9,176	8,603
Trade and other receivables	16	79,009	81,403
Corporation tax receivables		1	1
Derivative financial instruments	23	2,246	-
Cash and cash equivalents	20	34,398	31,164
Total current assets		**124,830**	**121,171**
Liabilities			
Current liabilities			
Trade and other payables	17	68,075	65,316
Current tax liabilities		3	5
Derivative financial instruments	23	-	625
Provisions	18	10,036	11,182
Total current liabilities		**78,114**	**77,128**
Net current assets		**46,716**	**44,043**
Non-current liabilities			
Employee benefits	21	202,248	251,123
Deferred tax liabilities	10	2,409	2,075
Deferred income	19	576,791	539,003
Total non-current liabilities		**781,448**	**792,201**
Net liabilities		**(92,871)**	**(139,809)**
Reserves			
Other reserves		54,193	54,223
Retained earnings		(147,064)	(194,032)
Total reserves		**(92,871)**	**(139,809)**

The financial statements were approved by the board of directors and authorised for issue on 20 June 2018.

They were signed on its behalf by:

F Hewitt
Chairman

C Conway
Group Chief Executive

The notes on pages 62 to 98 form part of these consolidated financial statements.

COMPANY BALANCE **SHEET**

At 25 March 2018

	Notes	25 March 2018 £'000	26 March 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	48,559	36,668
Investment property	13	6,035	6,138
Investment in subsidiaries	14	-	-
Employee benefits	21	1,038	987
Deferred tax assets - employee benefits	10	504	669
Total non-current assets		**56,136**	**44,462**
Current assets			
Trade and other receivables	16	16,570	11,980
Corporation tax assets		-	-
Cash and cash equivalents		1,302	4,266
Total current assets		**17,872**	**16,246**
Liabilities			
Current liabilities			
Trade and other payables	17	5,724	4,647
Provisions	18	43	60
Total current liabilities		**5,767**	**4,707**
Net current assets		**12,105**	**11,539**
Non-current liabilities			
Employee benefits	21	4,002	4,927
Deferred tax liabilities	10	303	324
Deferred income	19	24,401	15,961
Total non-current liabilities		**28,706**	**21,212**
Net assets		**39,535**	**34,789**
Reserves			
Other reserves		43,953	43,983
Retained earnings		(4,418)	(9,194)
Total reserves		**39,535**	**34,789**

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's profit for the financial period amounted to £3,709,000 (2017: £5,142,000).

The financial statements were approved by the board of directors and authorised for issue on 20 June 2018.

They were signed on its behalf by:

F Hewitt
Chairman

C Conway
Group Chief Executive

The notes on pages 62 to 98 form part of these consolidated financial statements.

STATEMENT OF CHANGES IN RESERVES

Group

	Reserves		Retained Earnings		
	Fixed asset revaluation reserve £'000	Other reserves £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Balance at 27 March 2016	**4,223**	**50,086**	**(9,599)**	**(72,260)**	**(27,550)**
Loss for the period	-	-	8,848	(9,454)	(606)
Other comprehensive income for the period	-	-	-	(111,653)	(111,653)
Transfers	(86)	-	-	86	-
Total comprehensive income for the period	**(86)**	-	**8,848**	**(121,021)**	**(112,259)**
Balance at 26 March 2017	**4,137**	**50,086**	**(751)**	**(193,281)**	**(139,809)**
Loss for the period	-	-	-	(11,268)	(11,268)
Other comprehensive income for the period	-	-	-	58,206	58,206
Transfers	(30)	-	751	(721)	-
Total comprehensive income for the period	**(30)**	-	-	**46,217**	**46,938**
Balance at 25 March 2018	**4,107**	**50,086**	-	**(147,064)**	**(92,871)**

Company

	Fixed asset revaluation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 27 March 2016	**4,225**	**39,844**	**(11,625)**	**32,444**
Profit for the period	-	-	5,142	5,142
Other comprehensive income for the period	-	-	(2,797)	(2,797)
Transfers	(86)	-	86	-
Total comprehensive income for the period	**(86)**	**-**	**2,431**	**2,345**
Balance at 26 March 2017	**4,139**	**39,844**	**(9,194)**	**34,789**
Profit for the period	-	-	3,709	3,709
Other comprehensive income for the period	-	-	1,037	1,037
Transfers	(30)	-	30	-
Total comprehensive income for the period	**(30)**	**-**	**4,776**	**4,746**
Balance at 25 March 2018	**4,109**	**39,844**	**(4,418)**	**39,535**

CONSOLIDATED CASH FLOW STATEMENT

For year ended 25 March 2018

	Notes	52 weeks ended 25 March 2018 £'000	52 weeks ended 26 March 2017 £'000
Loss for the year		(11,268)	(606)
Adjustments for:			
Interest receivable		(150)	(238)
Finance costs		6,644	4,304
Taxation		(1,984)	(67)
Other (gains)/losses		(2,474)	(8,848)
Depreciation of tangible assets (net of grant release)		3,167	4,403
Decrease/(increase) in fair value of investment property		103	(4,915)
Impairment of property, plant and equipment		89	725
Profit on disposal of assets		(2,998)	(214)
Operating cash flows before movements in working capital		(8,871)	(5,456)
(Increase)/decrease in stocks		(573)	14
Decrease/(increase) in debtors		7,839	(1,869)
Increase in creditors		1,174	8,092
Excess of pension charge over contributions		8,542	(3,733)
Cash generated from/(absorbed by) operations		8,111	(2,952)
Corporation tax repaid		-	413
Net cash from operating activities		**8,111**	**(2,539)**
Investing Activities			
Interest received		150	202
Purchases of property, plant and equipment		(84,925)	(70,259)
Proceeds on disposal of property, plant and equipment		511	452
Net cash used in investing activities		**(84,264)**	**(69,605)**
Financing Activities			
Grants received		79,387	63,565
Net cash generated from financing activities		**79,387**	**63,565**
Net increase/(decrease) in cash and cash equivalents		**3,234**	**(8,579)**
Cash and cash equivalents at beginning of period	20	31,164	39,743
Cash and cash equivalents at the end of period	**20**	**34,398**	**31,164**

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

for the 52 weeks ended 25 March 2018

1. General information

The Northern Ireland Transport Holding Company (the Company) is a Public Corporation incorporated in Northern Ireland under the Transport Act (Northern Ireland) 1967, which requires compliance with Companies legislation with regard to accounts and audit. It follows that presentation requirements of IFRS adopted by the European Union and disclosure requirements of the Companies Act 2006 apply. The addresses of its registered office and principal place of business are disclosed on page 4. The principal activities of the Company and its subsidiaries (the Group) are described in the Strategic Report on page 9.

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

2. Significant accounting policies

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with those parts of the Companies Act applicable to companies reporting under IFRS.

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the Group and parent company unless otherwise indicated and to all years presented, unless otherwise stated.

The parent company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, transactions with wholly owned subsidiaries, compensation for key management personnel and certain disclosures required by IFRS 17 Fair Value Measurement and the disclosures required by IFRS 7.

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

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the 52 weeks ended to 25 March 2018 (52 weeks to 26 March 2017). Control is achieved where the Company, is expected to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Although the balance sheet shows a net liability position, this is due to the provision for retirement benefits amounting to £201m (2017: £250m) which are long term in nature.

Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' report on page 34.

Inherited pension and compensation payments
The Company has a statutory responsibility for the administration and payment of various pension and compensation liabilities inherited from the Ulster Transport Authority and the Belfast Corporation Transport Department. The Department reimburses the deficit of £248,000 (2017: £297,000) and have confirmed that it is the intention to fund this deficit going forward and in consequence, none of the inherited pension and compensation expenditure has been included in the financial statements.

Presentation of income statement and exceptional items
Where applicable, income statement information has been presented in a format which separately highlights exceptional items. Exceptional items include those which individually, or, if similar in nature, in aggregate, need to be disclosed by virtue of their nature, size or incidence in order to allow a proper understanding of the financial performance of the Group.

Revenue recognition
Revenue represents gross revenue earned from public transport services, including amounts receivable from concessionary fares schemes, and rental income from investment properties and operational properties. Where appropriate, amounts are shown net of rebates and VAT. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised by reference to the stage of completion of the customer's travel. Cash received for the sale of season tickets, travelcards and multi-journey smartcards is deferred within liabilities and recognised in the income statement over the period of the relevant ticket.

Income from advertising and other activities is recognised as income is earned.

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

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

(i) Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, which is reviewed annually, on a straight line basis, as follows:

Land - not depreciated
Buildings - 6 - 50 years
Permanent way, signalling and bridges - 20 - 50 years
Vehicles, plant and equipment - 2 - 20 years

(ii) The carrying values of property, plant and equipment are reviewed for impairment at each balance sheet date, if events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised in profit or loss for the amounts by which the carrying value of the asset exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Investment in subsidiaries

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

Investment property

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

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

Government grants

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

Government grants are recognised in the consolidated income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated balance sheet and transferred to income on a systematic and rational basis over the useful lives of the related assets.

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

Inventories

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

Employee benefit costs

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

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with updates to formal actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in income in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined liability or asset.

Defined benefit costs are split into three categories:

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

The Group presents the first component of defined benefit costs within cost of sales and administrative expenses (see note 21) in its consolidated income statement. Curtailment gains and losses are accounted for as past service cost.

Net interest expense or income is recognised within other finance costs (note 8).

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

Operating leases

Rentals receivable/payable under operating leases are credited/charged to income on a straight line basis over the lease term.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The amount of current tax receivable or payable reflects the best estimate.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Third party claims provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Any surplus realised, or expected to be realised on the settlement of claims, is included in the results for the period. Consequential loss claims, under criminal injuries legislation, are estimated and taken into account in determining the operating results, pending agreement with the Northern Ireland Office.

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

Provision is made on a discounted basis for the estimated cost to the Group to settle claims for incidents occurring prior to the balance sheet date. The estimate of the balance sheet insurance provisions is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not yet been reported to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

2. Significant accounting policies
(continued)

Third party claims provisions (continued)
The provision is set after taking account of advice from third party insurers and solicitors. As the timing of settlement cannot be predicted with reasonable reliability, all liabilities are classified as current.

Corporate Social Responsibility Provision
Provision is made for obligations arising from the Group's Health and Safety obligations and current Environmental Contamination policy. The provision is set after taking advice from third party environmental technical advisors.

Foreign currency
Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the profit for the year.

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

Euro	2018	2017
Year-end rate	1.13	1.17
Average rate	1.13	1.19

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
The Group measures its financial assets on initial recognition at fair value, and determines the classification of such assets at initial recognition. Where there is no active market for a financial asset, fair value is determined using valuation techniques including recent commercial transactions and discounted cash flows. Otherwise, financial assets are carried at amortised cost.

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provisions account. When a trade receivable is considered uncollectible, it is written off against the related provisions account. Subsequent recoveries of amounts previously written off are credited to the profit and loss account. Changes in the carrying amount of the provisions account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities

Financial liabilities are classified according to the substance of the related contractual arrangement. When a financial liability is recognised initially, the Group measures it at its fair value net of transaction costs.

Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is effective as a cashflow hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of Financial Liabilities

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

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

2. Significant accounting policies
(continued)

Use of estimates and critical judgements

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

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

- the measurement of tax assets and liabilities. The measurement of tax assets and liabilities requires an assessment to be made of the potential tax consequences of certain items that will only be resolved when agreed by the relevant tax authorities (see note 10).
- the measurement of retirement obligations. The measurement of retirement benefit obligations requires the estimation of life expectancies, future changes in salaries, inflation, the expected return on scheme assets and the selection of a suitable discount rate (see note 21).
- the measurement of investment property carrying values. The measurement of investment properties fair values requires estimate of appropriate yields and forecast rental values (see note 13).
- the measurement of impairment of fixed assets. The measurement of impairment requires the comparison of book value with market value (see note 12).
- The measurement of the fair value of derivative financial instruments is based on information provided by banking institutions with high credit ratings (see note 23)
- the measurement of third party and other claims provisions. The estimation of the third party claims provision is based on an assessment of the expected settlement of known claims together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but for which claims have not yet been reported to the Group (see note 18).

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

At the date of authorisation of these consolidated financial statements, the following standards and amendments have been adopted for the first time, none of which had an impact on the consolidated or Company's financial statements:

- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The accounting policies set out below have, unless otherwise stated, been applied consistently in the consolidated and Company financial statements to all periods presented.

At the date of authorisation of these consolidated financial statements, the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 - Financial Instruments
- IFRS 9 (amendments) - Prepayment Features with Negative Compensation
- IFRS 15 (clarifications) - Revenue from Contracts with Customers
- IFRS 16 - Leases
- IFRS 2 (amendments) - Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (amendments) - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IAS 40 (amendments) - Transfers Of Investment Property
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

The Group is currently assessing the impact of those listed below to which the Directors do not consider will have a significant impact on the financial statements but are being assessed further:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 15 may have an impact on revenue recognition and related disclosures;
- IFRS 16 will have an impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

4. Revenue

Revenue comprises mainly income from passenger carriage, rents, the reimbursement by the Department of concessionary fares and public service obligation compensation. Revenue excludes value added tax where applicable.

	2018 £'000	2017 £'000
Continuing operations		
Passenger carriage	137,760	137,137
Rental income from investment and operational properties	4,526	4,506
Concessionary fares, public service obligation compensation and route subsidy	74,200	61,400
Other	4,023	2,192
Revenue per accounts	**220,509**	**205,235**

No geographical analysis of turnover across markets is provided as the Directors consider that such disclosure would be seriously prejudicial to the interests of the Group. Further details of revenue funding from the Department are given in note 25.

5. Impairment

In accordance with International Accounting Standard 36 "Impairment of Assets", and as a consequence of the historic loss-making status of Northern Ireland Railways Company Limited, and the current loss-making status of Ulsterbus Limited and Citybus Limited, the Directors have performed an impairment review and as a consequence assets that are not fully grant funded have been impaired to the extent that the carrying amount may not be recoverable.

Impairment losses recognised in previous periods may be reversed in the current period as a result of improved valuations, asset disposals or adjustments to related grant funding.

In the current year, the total amount of the charge for impairment amounts to £89,000 (2017: £725,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

6. Operating (loss)/profit

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

	2018 £'000	2017 £'000
Depreciation of Property, plant and equipment		
• Based on original cost or valuation (note 12)	49,862	51,904
• Transfer from deferred income (note 19)	(46,695)	(47,501)
	3,167	**4,403**
Impairment	89	725
Decrease/(increase) in fair value of investment property (note 13)	103	(4,915)
Cost of inventories recognised as expense	33,130	30,920
Operating lease rentals – motor vehicles	15	28
Reorganisation costs	333	652
Government funding for reorganisation costs	(333)	(652)
Auditor's remuneration:		
Fees payable to the Group's auditor for the audit of the Group's annual accounts (parent - £20,000; 2017 - £20,000)	56	47
Fees payable to the Group's auditor for other services to the Group:		
• other assurance services	12	50
• tax compliance and advice	12	10
• pension schemes	7	7
	87	**114**

7. Finance Income

Finance income includes:

	2018 £'000	2017 £'000
Interest receivable – bank deposits	167	238

8. Other finance costs

Finance income includes:

	2018 £'000	2017 £'000
Retirement benefits	6,644	4,304

9. Other income

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

10. Taxation

(a) Analysis of tax credit for year

	2018 £'000	2017 £'000
Current taxation		
UK Corporation Tax for the period	(2)	-
Adjustments in respect of prior periods	-	-
Total current tax	**(2)**	**-**
Deferred Taxation		
Origination/reversal of timing differences	(2,592)	(2,234)
Adjustments in respect of prior periods	7	(18)
Revaluation of investment property	(46)	-
Derivatives	420	1,769
Effect of change in tax rate	229	416
Total deferred tax	**(1,982)**	**(67)**
Total tax	**(1,984)**	**(67)**

(b) Factors affecting tax credit for the year

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

	2018 £'000	2017 £'000
Loss on continuing activities before tax	(13,252)	(673)
Tax at 19% (2017: 20%)	(2,518)	(135)
On chargeable income	(976)	(2,620)
Deferred tax liability not recognised in respect of pension liability	898	122
Revaluation of investment property	(46)	399
Derivatives	420	1,769
Adjustments to tax charge in respect of prior years	8	(18)
Effect of change in UK corporation tax rate	230	416
Total tax	**(1,984)**	**(67)**

(c) Factors that may affect future tax charges

The Finance (No.2) Act 2015 provided that the main rate of corporation tax would reduce from 20% to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The Finance Act 2016 provides that the main rate of corporation tax will be 17% rather than 18% with effect from 1 April 2020.

The above rate changes will reduce any future UK corporation tax liabilities of the Company.

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

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2018 £'000	2017 £'000
Arising on income and expenses recognised in other comprehensive income:		
Actuarial gains/(losses) on defined benefit pension schemes	8,354	(14,667)
Total tax recognised in other comprehensive income	8,354	(14,667)

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS** (CONTINUED)

for the 52 weeks ended 25 March 2018

10. Taxation (continued)

Deferred Tax

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

Group

	Accelerated tax depreciation £'000	Other temporary differences £'000	Derivatives £'000	Losses £'000	Revaluation investment property £'000	Retirement benefit obligations £'000	Total £'000
At 27 March 2016	**(2,578)**	**1,429**	**1,575**	**1,633**	**-**	**16,402**	**18,461**
(Charge)/credit to income statement	1,071	(334)	(1,769)	1,321	(399)	594	484
Charge to other comprehensive income	-	-	-	-	-	18,203	18,203
Effective change in tax rate							
• income statement	(53)	(33)	177	(311)	-	(196)	(416)
• other comprehensive income	-	-	-	-	-	(3,536)	(3,536)
At 26 March 2017	**(1,560)**	**1,062**	**(17)**	**2,643**	**(399)**	**31,467**	**33,196**
(Charge)/credit to income statement	275	(24)	(420)	(86)	46	2,193	1,984
Charge to other comprehensive income	-	-	-	-	-	(8,354)	(8,354)
At 25 March 2018	**(1,285)**	**1,038**	**(437)**	**2,557**	**(353)**	**25,306**	**26,826**

Deferred Tax (continued)

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

Company

	Accelerated tax depreciation £'000	Other temporary differences £'000	Revaluation investment property £'000	Retirement benefit obligations £'000	Total £'000
At 27 March 2016	**(170)**	**163**	**-**	**111**	**104**
(Charge)/credit to income statement	80	12	(399)	(7)	(314)
(Charge)/credit to other comprehensive income	-	-	-	671	671
Effective change in tax rate					
• income statement	1	(11)	-	7	(3)
• other comprehensive income	-	-	-	(113)	(113)
At 26 March 2017	**(89)**	**164**	**(399)**	**669**	**345**
(Charge)/credit to income statement	6	(31)	46	47	68
Credit to other comprehensive income	-	-	-	(212)	(212)
At 25 March 2018	**(83)**	**133**	**(353)**	**504**	**201**

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

Group

	2018 £'000	2017 £'000
Deferred tax asset	3,929	3,804
Deferred tax liabilities	(2,409)	(2,075)
Deferred tax asset - Employee Benefits	25,306	31,467
	26,826	**33,196**

Company

	2018 £'000	2017 £'000
Deferred tax liabilities	(303)	(324)
Deferred tax asset - Employee Benefits	504	669
	201	**345**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

11. Profit of parent Company

As permitted by s408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's profit for the financial period amounted to £3,709,000 (2017: £5,142,000).

12. Property, plant and equipment

Group

2018	Land and Buildings £'000	Permanent Way Signalling and Bridges £'000	Vehicles Plant and Equipment £'000	Total £'000
Cost or valuation:				
At 26 March 2017	260,244	355,311	600,917	1,216,472
Additions	41,704	17,446	32,315	91,465
Disposals	(3,447)	-	(8,429)	(11,876)
At 25 March 2018	**298,501**	**372,757**	**624,803**	**1,296,061**
Depreciation and impairment:				
At 26 March 2017	131,998	198,046	321,108	651,152
Charge for year	8,702	11,580	29,580	49,862
Impairment	12	-	77	89
Disposals	(2,190)	-	(8,171)	(10,361)
At 25 March 2018	**138,522**	**209,626**	**342,594**	**690,742**
Net book value				
At 25 March 2018	**159,979**	**163,131**	**282,209**	**605,319**

12. Property, plant and equipment (continued)

Group

2017	Land and Buildings £'000	Permanent Way Signalling and Bridges £'000	Vehicles Plant and Equipment £'000	Total £'000
Cost or valuation:				
At 27 March 2016	249,258	319,930	571,723	1,140,911
Additions	11,191	35,381	34,732	81,304
Adjustments	(127)	-	-	(127)
Disposals	(78)	-	(5,538)	(5,616)
At 26 March 2017	**260,244**	**355,311**	**600,917**	**1,216,472**
Depreciation and impairment:				
At 27 March 2016	123,064	187,195	293,641	603,900
Charge for year	9,010	10,445	32,449	51,904
Impairment	-	406	319	725
Disposals	(76)	-	(5,301)	(5,377)
At 26 March 2017	**131,998**	**198,046**	**321,108**	**651,152**
Net book value				
At 26 March 2017	**128,246**	**157,265**	**279,809**	**565,320**

Included within the categories above are assets in the course of construction totalling £172.0m (2017: £114.6m), which are not being depreciated as they were not fully commissioned at the balance sheet date.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS** (CONTINUED)

for the 52 weeks ended 25 March 2018

12. Property, plant and equipment (continued)

In accordance with the provisions of International Accounting Standard 16 Property, plant and equipment, prior valuations of property, plant and equipment of the Group (other than investment properties) have not been updated. Due to the age of the property, plant and equipment included at valuation and the fact that a substantial portion were inherited, it is not practicable to state the difference between such valuation and the historical cost of these assets.

Company

2018	Land and Buildings £'000	Vehicles Plant and Equipment £'000	Total £'000
Cost or valuation:			
At 26 March 2017	48,221	1,908	50,129
Additions	12,869	617	13,486
Disposals	(2,910)	(14)	(2,924)
At 25 March 2018	**58,180**	**2,511**	**60,691**
Depreciation and impairment:			
At 26 March 2017	12,466	995	13,461
Charge for year	471	84	555
Impairment	12	-	12
Disposals	(1,882)	(14)	(1,896)
At 25 March 2018	**11,067**	**1,065**	**12,132**
Net book value At 25 March 2018	**47,113**	**1,446**	**48,559**

Company

2017	Land and Buildings £'000	Vehicles Plant and Equipment £'000	Total £'000
Cost or valuation:			
At 27 March 2016	44,163	1,510	45,673
Additions	4,058	398	4,456
At 26 March 2017	**48,221**	**1,908**	**50,129**
Depreciation and impairment:			
At 27 March 2016	11,859	908	12,767
Charge for year	607	87	694
At 26 March 2017	12,466	995	13,461
Net book value At 26 March 2017	**35,755**	**913**	**36,668**

In accordance with the transitional provisions of International Accounting Standard 16 Property, Plant and Equipment, prior valuations of property, plant and equipment of the Company (other than investment properties) have not been updated. Due to the age of the tangible assets included at valuation and the fact that a substantial portion were inherited, it is not practicable to state the difference between such valuation and the historical cost of these assets.

Capital commitments

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Contracted for but not provided in the financial statements	62,500	64,900	2,800	300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

13. Investment property

Fair Value

	Group & Company £'000
At 27 March 2016	1,183
Additions	40
Increase in fair value during the year	4,915
At 26 March 2017	6,138
Decrease in fair value during the year	(103)
At 25 March 2018	**6,035**

The investment properties were valued at their market value at 25 March 2018 by a qualified valuer who is an employee of the Company, and in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors.

Details of the Group's investment properties and information about the fair value hierarchy as at 25 March 2018 are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 25 March 2018 £'000
Commercial property units: Located in Northern Ireland	-	6,035	-	6,035

There were no transfers between levels 1 and 2 during the year.

Level 2 inputs applied when valuing the investment property comprise market rental value capitalised at a market yield rate.

The property rental earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £58,000 (2017: £68,000). Direct operating expenses arising on the investment property in the period amounted to £193,000 (2017: £169,000).

14. Investment in subsidiaries

Company

	Subsidiary Undertakings £'000
Cost:	
At 26 March 2017 and 25 March 2018	41,223
Provisions:	
At 26 March 2017 and 25 March 2018	(41,223)
Net book value:	
At 26 March 2017 and 25 March 2018	**-**

Name of Company	Country of incorporation	Holding	Proportion of shares held	Nature of business
Ulsterbus Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Public transport
Citybus Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Public transport
Northern Ireland Railways Company Limited	Northern Ireland (2)	Ordinary shares of £1 each	100%	Public transport
NIR Operations Limited	Northern Ireland (3)	Ordinary shares of £1 each	100%	Public transport
Flexibus Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Dormant
Translink (NI) Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Dormant
NIR Networks Limited	Northern Ireland (1)	Ordinary shares of £1 each	100%	Dormant

(1) Registered office 3 Milewater Road Belfast BT3 9BG
(2) Registered office 22 Great Victoria Street Belfast BT2 7LX
(3) Registered office 47 East Bridge Street Belfast BT1 3PB

15. Inventories

Inventories consist of various types of consumable stores relating to engineering and infrastructure parts and fuel. Inventories expense is recognised in cost of sales. Inventories cost is net of provision for obsolescence of £1.4 million (2017: £1.2 million). The replacement cost of these inventories is not materially different from the valuation stated.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS** (CONTINUED)

for the 52 weeks ended 25 March 2018

16. Trade and other receivables

Group

	2018 £'000	2017 £'000
Trade receivables	6,943	12,074
Other receivables	10,632	6,803
Grants receivable	57,980	52,647
Prepayments and accrued income	3,454	9,879
	79,009	**81,403**

The following financial assets were past due, but not impaired at the balance sheet date because there has not been a significant change in credit quality and the amounts are still considered recoverable:

	2018 £'000	2017 £'000
Amounts 1 to 90 days overdue	1,675	1,628
Amounts 91 to 180 days overdue	3,839	4,067
Amounts 181 to 365 days overdue	-	-
Amounts more than 365 days overdue	-	-

The Group does not hold any collateral in respect of its credit risk exposures set out above (2017: Nil) and has not taken possession of any collateral it holds or called for other credit enhancements during the year ended 25 March 2018.

Movement in the allowance for doubtful debts

	2018 £'000	2017 £'000
Balance at the beginning of the period	228	219
Net (credits)/charge	(39)	9
Balance at the end of the period	**189**	**228**

Ageing of impaired trade receivables

	2018 £'000	2017 £'000
61 - 90 days	-	-
91 - 120 days	189	228
121+ days	-	-
Total	**189**	**228**

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

Company

	2018 £'000	2017 £'000
Trade receivables	688	1,875
Other debtors	5,762	-
Amounts receivable from Group undertakings	9,762	7,672
Prepayments and accrued income	358	2,433
	16,570	**11,980**

Company trade debtors are stated after provisions: £55,000 (2017: £95,000).

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

17. Trade and other payables

Group

	2018 £'000	2017 £'000
Trade payables	13,910	13,883
Other payables	4,715	4,417
Accruals and deferred income	49,450	47,016
	68,075	**65,316**

Included in other creditors is £288,000 (2017 - £94,000) relating to outstanding contributions payable to the NILGOS Pension Scheme.

Creditors are paid within 7 days of approval of invoice.

Company

	2018 £'000	2017 £'000
Other creditors	229	355
Amounts payable to Group undertakings	34	27
Amounts payable to Group undertakings – group relief	887	557
Other tax and social security	81	168
Accruals and deferred income	4,493	3,540
	5,724	**4,647**

Included in other creditors is £47,000 (2017 - £32,000) relating to outstanding contributions payable to the NILGOS Pension Scheme.

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

Amounts payable to Group undertakings are interest free, unsecured and repayable on demand.

18. Provisions

Group

	Group			Company
	Group Corporate Social Responsibility £'000	Third party claims £'000	Total £'000	Third party claims £'000
At 26 March 2017	1,300	9,882	11,182	60
Utilised during period	-	(2,366)	(2,366)	6
Additional provision in the year	241	979	1,220	(23)
At 25 March 2018	**1,541**	**8,495**	**10,036**	**43**

The corporate social responsibility provision relates to anticipated clean-up costs due to land contamination at various fuelling points, estimated costs of decommissioning obsolete rolling stock in an environmentally compliant manner and provision to address the risk of damage to the railway track from the spread of invasive species. The obligations giving rise to the requirement for the provision arise from the Group's Environmental Contamination policy and the Group's Safety policy.

The third party claims provision relates to the insurance excess or self-insured element of claims received and anticipated. The provision is based upon the best estimate of the expenditure to settle each obligation on receipt of advice from legal and medical experts. The timing of settlement is dependent on a number of factors including the courts, but most claims are expected to be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

19. Deferred income

Group

	2018 £'000	2017 £'000
At 26 March 2017	539,003	504,378
Grants receivable in year	84,760	82,976
Disposals	(164)	(161)
Adjustments	(113)	(689)
Transfer to profit and loss	(46,695)	(47,501)
At 25 March 2018	**576,791**	**539,003**

Company

	2018 £'000	2017 £'000
At 26 March 2017	15,961	11,704
Receivable in year	8,475	4,279
Adjustments	(3)	5
Transfer to profit and loss	(32)	(27)
At 25 March 2018	**24,401**	**15,961**

20. Notes to the cash flow statement

Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and bank balances	34,398	31,164

21. Employee benefits

(i) Description of the schemes

NILGOS Scheme

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

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

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

The pension cost and funding arrangements are assessed in accordance with the advice of qualified actuaries using the projected unit credit method (an accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings). The latest triennial valuation of the entire NILGOS scheme was at 31 March 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 £1,857,300 will be payable in each of these years.

The directors have obtained an update from the 31 March 2016 NILGOS valuation to 25 March 2018 using the major assumptions set out below. This update was prepared by qualified actuaries employed by Mercer Limited.

NILGOS Scheme	2018	2017
Discount rate	2.7%	2.6%
Expected rate of salary increase	2.4%	2.5%
Future pension increases	2.1%	2.2%
Inflation (RPI)	3.1%	3.2%
Inflation (CPI)	2.1%	2.2%

Mortality assumptions	2018 Years	2017 Years
Retiring today:		
Males	23.4	23.3
Females	26.0	25.9
Retiring in 20 years:		
Males	25.6	25.5
Females	28.3	28.2

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 5.5% (£53.2m)
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by 1.7% (£16.8m)
Rate of inflation (CPI)	Increase/decrease by 0.25%	Increase/decrease by 5.1% (£50.2m)
Rate of mortality	Increase by 1 year	Increase by 2.5% (£24.8m)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

21. Employee benefits (continued)

Executive Scheme
This defined benefit scheme provides additional benefits for certain senior employees, with the assets being held in a separately administered fund. Pension costs and funding arrangements are assessed by a qualified actuary. The latest available full actuarial valuation was as at 1 April 2015. The scheme is closed to new entrants.

Ulsterbus/Citybus Retirement & Death Benefits Plan (1997)
The assets of this defined benefit scheme are held in a separate fund and although the scheme has no active members, a qualified actuary performs triennial actuarial valuations. The latest available actuarial valuation was at 31 March 2015. The scheme has no active members and is closed to new entrants.

The latest available full actuarial valuations of the Executive and Ulsterbus/Citybus schemes have been updated using the major assumptions as set out below.

	2018	2017
Discount rate	2.7%	2.6%
Expected rate of salary increase	2.4%	2.5%
Future pension increases	2.1%	2.2%
Inflation (RPI)	3.1%	3.2%
Inflation (CPI)	2.1%	2.2%

(ii) Amounts recognised in income

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

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Components of defined benefit cost				
Current service cost	30,503	467	18,205	268
Past service cost	134	-	483	-
Total service cost	30,637	467	18,688	268
Interest cost	25,654	634	27,359	716
Interest income on plan assets	(19,010)	(531)	(23,055)	(697)
Total net interest cost	6,644	103	4,304	19
Administrative expenses and taxes	442	7	420	5
Insurance premiums for risk benefits	2,209	33	2,106	27
Defined benefit cost included in consolidated income statement	**39,932**	**610**	**25,518**	**319**
Remeasurements (recognised in other comprehensive income)				
Effect of changes in demographic assumptions	-	-	20,989	431
Effect of changes in financial assumptions	(41,024)	(763)	203,609	3,995
Effect of experience adjustments	-	-	(38,686)	(222)
Return on plan assets (excluding interest income)	(25,536)	(486)	(59,592)	(849)
Total measurements included in other comprehensive income	**(66,560)**	**(1,249)**	**126,320**	**3,355**
Total pension (credit)/cost recognised in consolidated income statement and other comprehensive income	**(26,628)**	**(639)**	**151,838**	**3,674**

Of the expense for the year (total service cost), £25.0m (2017: £15.3m) has been included in cost of sales and the remainder has been included within administrative expenses.

The actual return on plan assets for the Group was £44.5m (2017: £82.6m); Company £1.0m (2017: £1.5m).

The gross cumulative amount of actuarial gains and losses recognised in other comprehensive income is losses of £170.7m (2017: £237.3m).

Expected contributions to the schemes in the next annual reporting period are £22.1m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

21. Employee benefits (continued)

(iii) Amounts included within the balance sheet

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

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Present value of funded defined benefit obligations				
NILGOS Scheme	(977,498)	(20,726)	(973,608)	(20,942)
Ulsterbus/Citybus Scheme	(1,057)	(1,057)	(1,170)	(1,170)
Executive Scheme	(2,365)	(2,365)	(2,473)	(2,473)
Total Present Value	**(980,920)**	**(24,148)**	**(977,251)**	**(24,585)**
Fair value of scheme assets				
NILGOS Scheme	775,250	16,724	722,485	16,015
Ulsterbus/Citybus Scheme	1,850	1,850	2,010	2,010
Executive Scheme	2,610	2,610	2,620	2,620
Total Fair Value	**779,710**	**21,184**	**727,115**	**20,645**
Net liability arising from defined benefit obligation	(201,210)	(2,964)	(250,136)	(3,940)
Disclosed as:				
Defined benefit obligation	(202,248)	(4,002)	(251,123)	(4,927)
Defined benefit asset	1,038	1,038	987	987
Total Fair Value	**(201,210)**	**2,964**	**(250,136)**	**(3,940)**

(iv) Movements in present value of defined benefit obligation

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

NILGOS Scheme	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
At 26 March 2017	973,608	20,942	754,420	18,050
Service Cost				
Current service cost	30,479	443	18,157	220
Past service cost	134	-	483	-
Administrative expenses	442	7	420	5
Insurance premiums for risk benefits	2,209	33	2,106	27
Interest Cost	25,563	543	27,287	644
Cash Flows				
Benefits paid	(18,634)	(677)	(17,942)	(647)
Contributions from plan participants	7,273	139	6,932	112
Administrative expenses	(442)	(7)	(420)	(5)
Insurance premiums for risk benefits	(2,209)	(33)	(2,106)	(27)
Actuarial gains and losses	(40,925)	(664)	184,271	2,563
At 25 March 2018	**977,498**	**20,726**	**973,608**	**20,942**

Ulsterbus/Citybus Scheme	Group & Company 2018 £'000	Group & Company 2017 £'000
At 26 March 2017	1,170	949
Interest Cost	28	31
Cash Flows		
Benefits paid	(127)	(144)
Actuarial gains and losses	(14)	334
At 25 March 2018	**1,057**	**1,170**

Executive Scheme	Group & Company 2018 £'000	Group & Company 2017 £'000
At 26 March 2017	2,473	1,184
Service cost		
Current service cost	24	48
Interest Cost	63	41
Cash Flows		
Benefits paid	(110)	(107)
Actuarial gains and losses	(85)	1,307
At 25 March 2018	**2,365**	**2,473**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

21. Employee benefits (continued)

(v) Movements in fair value of scheme assets

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

NILGOS Scheme	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
At 26 March 2017	722,485	16,015	632,267	15,514
Interest income	18,892	413	22,911	553
Cash Flows				
Employer contributions	22,275	314	21,847	262
Contributions from scheme members	7,273	139	6,932	112
Benefits paid	(18,634)	(677)	(17,942)	(647)
Administrative expenses paid from plan assets	(442)	(7)	(420)	(5)
Insurance premiums for risk benefits	(2,209)	(33)	(2,106)	(27)
Return on plan assets (excluding interest income)	25,610	560	58,996	253
At 25 March 2018	**775,250**	**16,724**	**722,485**	**16,015**

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

Ulsterbus/Citybus Scheme	Group & Company 2018 £'000	Group & Company 2017 £'000
At 26 March 2017	2,010	1,802
Interest income	51	63
Cash Flows		
Benefits paid	(127)	(144)
Return on plan assets (excluding interest income)	(84)	289
At 25 March 2018	**1,850**	**2,010**

Executive Scheme	Group & Company 2018 £'000	Group & Company 2017 £'000
At 26 March 2017	2,620	2,248
Interest income	67	81
Cash Flows		
Employer contributions	23	91
Benefits paid	(110)	(107)
Return on plan assets (excluding interest income)	10	307
At 25 March 2018	**2,610**	**2,620**

The average duration of the benefit obligation at the end of the reporting period is c21 years (2017: c21 years).

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

	Fair value of assets					
	NILGOS		Ulsterbus/Citybus Scheme		Executive Scheme	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Equity instruments	523.4	487.9	-	-	1.3	1.3
Debt instruments	97.0	90.3	1.9	2.0	1.2	1.2
Property	116.2	108.3	-	-	-	-
Other	38.7	36.0	-	-	0.1	0.1
	775.3	**722.5**	**1.9**	**2.0**	**2.6**	**2.6**

Substantially all plan assets are classified as level 2 instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

22. Directors' and employees' staff costs

Group

Staff Costs	2018 £'000	2017 £'000
Wages and salaries	116,663	109,566
Social security costs	11,176	10,720
Other pension costs	22,209	21,660
	150,048	**141,946**

Company

Staff Costs	2018 £'000	2017 £'000
Wages and salaries	1,886	1,386
Social security costs	202	225
Other pension costs	314	268
	2,402	**1,879**

Group

Number of Employees	2018 No.	2017 No.
Average		
Operating	2,372	2,330
Maintenance	756	768
Administration	693	661
	3,821	**3,759**
Total number of employees at the end of the year	**3,911**	**3,681**

Staff costs exclude voluntary exit scheme costs of £0.3m (2017: £0.7m) which were fully funded by the Department.

Company

Number of Employees	2018 No.	2017 No.
Average		
Operating	13	16
Administration	22	20
	35	**36**
Total number of employees at the end of the year	**36**	**34**

Directors' Emoluments (excluding non-executive directors)	2018 £'000	2017 £'000
Basic salary and fees	441	431
Benefits in kind	14	14
	455	445
Pension contributions	79	86
	534	**531**

	2018 No.	2017 No.
Members of defined benefit pension schemes	3	3

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

	2018 £'000	2017 £'000
Emoluments	169	163
Accrued annual pension	2	3
Accrued lump sum	-	-

	2018 £'000	2017 £'000
The Chairman's emoluments – fees	36	35

The emoluments of the other non-executive Directors fell within the following bands:

Directors' Emoluments (excluding non-executive directors)	2018 No.	2017 No.
£10,001 - £15,000	5	5

23. Financial Instruments

(a) Overview

This note provides details of the Group's financial instruments. Except where otherwise stated, the disclosures in this note exclude retirement benefit assets and obligations.

Liabilities or assets that are not contractual (such as income taxes that are created as a result of statutory requirements imposed by governments, prepayments, deferred government grants, provisions and deferred income) are not financial assets or financial liabilities and accordingly are excluded from the disclosures provided in this note.

Details of the significant accounting policies and methods adopted for each class of financial asset and financial liability are disclosed in the accounting policies note.

(b) Categories and carrying value of financial instruments

	2018 £'000	2017 £'000
Financial assets		
Loans and receivables:		
Accrued income	-	-
Trade receivables	6,943	12,074
Other receivables	10,632	6,803
Grant receivables	57,980	52,647
Derivative instruments – current	2,246	-
Derivative instruments – non current	234	633
Cash and bank balances	34,398	31,164
Total financial assets	**112,433**	**103,321**

	2018 £'000	2017 £'000
Financial liabilities		
Amortised cost:		
Trade payables	13,908	13,883
Derivative instruments – current	-	625
Other payables and accruals	54,167	51,433
Total financial liabilities	**68,075**	**65,941**
Net financial assets	**44,358**	**37,380**

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost approximates their fair value. Given the short average time to maturity, no specific assumptions on discount rates have been made in relation to loans and receivables and financial liabilities at amortised cost.

The fair value of derivative financial instruments is calculated using discounted cash flow analysis performed using the applicable yield curve for the duration of the instruments.

(c) Fair value measurements recognised in the balance sheet

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3 – Valuation techniques that include inputs for the assets or liability that are not based on observable data (that is, unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

23. Financial Instruments (continued)

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

	At 25 March 2018		At 27 March 2017	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
Financial assets at FVTPL				
Derivative financial assets				
Due within one year	2,246	2,246	-	-
Due after more than one year	234	234	633	633
Total	**2,480**	**2,480**	**633**	**633**
Financial liabilities at FVTPL				
Derivative financial liabilities:				
Due within one year	-	-	(625)	(625)
Due after more than one year	-	-	-	-
Total	**-**	**-**	**(625)**	**(625)**

	At 25 March 2018		At 27 March 2017	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
Opening fair value of derivative financial instruments	8	8	(8,840)	(8,840)
Movement in fair value	2,472	2,472	8,848	8,848
Closing fair value of derivative financial instruments	**2,480**	**2,480**	**8**	**8**

(d) Fair value adjustments recognised in income

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

	2018 £'000	2017 £'000
Fair value adjustments	2,472	8,848

(e) Financial risk management objectives

The Group's activities expose it to a variety of financial risks, principally:

- Market risk – mainly price risk;
- Credit risk; and
- Liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to reduce the likelihood and/or magnitude of adverse effects on the financial performance and financial position of the Group. The Group uses derivative financial instruments to reduce exposure to fuel price risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

This note presents qualitative information about the Group's exposure to each of the above risks, including the Group's objectives, policies and processes for measuring and managing risk. There have been no significant changes to these matters during the year ended 25 March 2018. This note also provides summary quantitative data about the Group's exposure to each risk.

The Board have approved policies on economic hedging, energy procurement and treasury management which guide management in managing risk in these areas. Group finance is responsible for ensuring these policies are implemented. Certain financial risk management activities (for example, the management of credit risk arising from trade and other receivables) are devolved to the management of individual business units.

(i) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and exchange rates will affect the Group's financial performance and/or financial position. The objective of the Group's management of market risk is to manage and control market risk exposures within acceptable parameters. The Group does not consider currency risk or interest rate risk to be material due to low levels of foreign currency transactions and its borrowings being limited to its overdraft.

The Group enters into derivative financial instruments in the ordinary course of business in order to manage market risk, in the form of fuel price risk. All such transactions are carried out within the guidelines set by the Board. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency translation risk

Foreign currency translation risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk for the Group is not considered to be material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is considered that the Group has no exposure in this area.

Given that the group has certain financial instruments held in fixed rate derivatives there is an exposure to interest rate risk. However, it is not considered significant given the current interest rates and length of maturity.

Fuel price risk

The Group is exposed to fuel price risk. The Group's operations as at 25 March 2018 consume approximately 36 million litres of diesel fuel per annum. As a result, the Group is exposed to movements in the underlying price of fuel.

The Group's objective in managing fuel price risk is to reduce the risk that movements in fuel prices result in adverse movements in its profit and cash flow. The Group has a policy of managing the volatility in its fuel costs by maintaining an ongoing fuel hedging programme whereby derivative financial instruments are used to fix or cap the variable unit cost of a percentage of anticipated fuel consumption. The fuel derivatives hedge the underlying fuel price. The Group's residual exposure to fuel price risk is measured by quantifying the element of projected future fuel costs, after taking account of derivative financial instruments in place, which varies due to movements in fuel prices. Group Finance is responsible for the processes for measuring and managing fuel price risk.

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

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

Volume at risk for the year ended 25 March 2018 is 36.4m litres (2017: 36.4 m litres) for which 89% is hedged (2017: 88%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

23. Financial Instruments (continued)

The following tables detail the notional principal amounts and remaining terms of fuel derivative financial instruments outstanding as at the reporting date:

Economic hedging of cashflows

	Average contract fixed fuel price		Notional quantity	
	2018 p / litre	2017 p / litre	2018 Litres '000	2017 Litres '000
Less than 1 year	29.21	34.41	32,546	32,006
1 to 2 years	33.86	30.91	21,600	46,410
2 to 5 years			-	-
5 years +			-	-
			54,146	**78,416**

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

	Notional Quantity of fuel covered by derivatives thousands/litres
As at 25 March 2018	
Bus division	36,278
Rail division	17,868
As at 26 March 2017	
Bus division	52,539
Rail division	25,877

At 25 March 2018 and 27 March 2017 the projected fuel costs (excluding premia payable on fuel derivatives, delivery margins, fuel taxes and fuel tax rebates) for the next twelve months were:

	2018 £'000	2017 £'000
Costs subject to fuel hedges		
Bus	6,340	7,344
Rail	3,166	3,668
	9,506	**11,012**
Costs not subject to fuel hedges		
Bus	758	1,016
Rail	378	508
	1,136	**1,524**
Total	**10,642**	**12,536**

Management deem 10% to be a reasonable benchmark for sensitivity analysis purposes. If all the relevant (unhedged volume) fuel prices were 10% higher at the balance sheet date, the profit before tax would be reduced by:

	2018 £'000	2017 £'000
Bus	75	102
Rail	38	51

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed by a combination of Group Finance and business unit management, and arises from derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to amounts due from outstanding receivables.

The Group's objective is to minimise credit risk to an acceptable level whilst not overly restricting the Group's ability to generate revenue and profit. It is the Group's policy to invest cash assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings.

Trade receivables consist largely of government grants and receivables, for which credit risk is considered limited. The Group's largest credit exposures are to the Education Authority and the Department for Infrastructure, all of which the Group considers unlikely to default on their respective liabilities to the Group.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group defines an Approved Counterparty as any counterparty currently satisfying the counterparty credit risk policy criteria which has been named and received specific approval from the Board.

In determining whether a financial asset is impaired, the Group takes account of:

- The fair value of the asset at the balance sheet date and where applicable, the historic fair value of the asset.
- In the case of receivables, the counterparty's typical payment patterns.
- In the case of receivables, the latest information on the counterparty's creditworthiness such as available financial statements and credit ratings.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

(iii) Liquidity risk

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

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

As at 25 March 2018, the Group's credit facilities were £4,250,000 (2017: £4,250,000) including utilisation for the issuance of bank guarantees, bonds etc. This facility is guaranteed by the Department for Infrastructure until further notice.

Although there is an element of seasonality in the Group's bus and rail operations, the overall impact of seasonality on working capital and liquidity is not considered significant. The Board expects the Group to be able to meet current and future funding requirements through free cash flow and continued funding from its sponsor Department.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the 52 weeks ended 25 March 2018

23. Financial Instruments (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	5+ years £'000	Total £'000
2018							
Non-interest bearing		49,656	7,259	11,160	-	-	68,075
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-	-
		49,656	**7,259**	**11,160**	**-**	**-**	**68,075**
2017							
Non-interest bearing		50,839	6,512	4,450	3,515	-	65,316
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments		-	-	-	-	-	-
		50,839	**6,512**	**4,450**	**3,515**	**-**	**65,316**

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate %	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	5+ years £'000	Total £'000
2018							
Non-interest bearing		38,152	18,476	36,017	2,308	-	94,953
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	0.67%	-	-	15,000	-	-	15,000
		38,152	**18,476**	**51,017**	**2,308**	**-**	**109,953**
2017							
Non-interest bearing		43,078	15,968	20,628	3,014	-	82,688
Variable interest rate instruments		-	-	-	-	-	-
Fixed interest rate instruments	0.7%	-	10,000	10,000	-	-	20,000
		43,078	**25,968**	**30,628**	**3,014**	**-**	**102,688**

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

	Less than 1 month £'000	1 - 3 months £'000	3 months to 1 year £'000	1 - 5 years £'000	5+ years £'000	Total £'000
2018						
Gross settled:						
Fuel forward contracts	223	368	1,656	233	-	2,480
	223	**368**	**1,656**	**233**	**-**	**2,480**
2017						
Gross settled:						
Fuel forward contracts	(54)	(107)	(464)	632	-	7
	(54)	**(107)**	**(464)**	**632**	**-**	**7**

24. Other financial commitments

At 25 March 2018 the Group had commitments under non-cancellable operating leases for motor vehicles as set out below:

	2018 £'000	2017 £'000
Total remaining Operating lease payments due:		
Within one year	12	2
In two to five years	15	40
	27	**42**

Operating lease payments represent rentals payable by the Group 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.

25. Related party transactions

The Company is a Public Corporation sponsored by the Department for Infrastructure, its controlling party. The Department is regarded as a related party. During the year, the Company and its subsidiaries have had various material transactions with the Department including:

	2018 £m	2017 £m
Capital grants	84.8	83.0
Public Service Obligation compensation	18.4	17.8
Concessionary fare compensation for a range of groups	44.5	43.6
Other revenue funding	10.3	3.2

The balance owed to the Group by the Department at the year-end was £15.9m (2017: £19.4m).

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

In addition, as detailed in note 2 ("Inherited Pension and Compensation Payments") to the financial statements, due to a statutory obligation the Company administers on behalf of the Department various pension schemes for which the Department fundsany deficits.

The remuneration of the Executive and Non-Executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2018 £'000	2017 £'000
Short-term employee benefits	561	548
Post- employment benefits	79	86

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