Bus Éireann

Bus Éireann Annual Report
2017

Celebrating 30 years transporting customers across Ireland

Contents

Córas Iompair Éireann would like to acknowledge funding on major projects by the Irish Government under the EU and by the Infrastructure and Capital Investment 2012-2016 Medium Term Exchequer framework.

Financial and Operating Highlights

Operating revenues*

2017 €309.3m
2016 €313.8m

Average number of employees

2017 2,530
2016 2,532

EBITDA before exceptional costs

2017 €2.9m
2016 (€0.01m)

Number of customer Journeys

2017 78.6m
2016 80.2 m

Deficit for the year*

2017 €23.7m
2016 €9.5m

Contractors

2017 €147.6m
2016 €136.3m

Payroll and related costs

2017 €125.6m
2016 €134.2m

Contribution to the exchequer

2017 €54.7m
2016 €60.0m

Children carried daily on schools services in 2017

c.115,000

Schools served in 2017

c.3,000

* *Operating revenues and deficit for 2017 impacted by 22 days due to industrial action and Storm Ophelia.*

Sustainability, Climate Change and Emissions

CLIMATE CHANGE

The Route to a more Sustainable and Mobile Society

Bus Éireann works to create safe, convenient and environmentally friendly journeys that contribute to an increase in mobility for our passengers and a better work environment for our drivers and other staff.

Forces Driving Growth

Urbanisation and Population Growth

Increased urbanisation is driving growth in regional cities and the Company has deployed additional services and resources in conjunction with the National Transport Authority (NTA) to meet such demand.

Increased Environmental Awareness

Environmental awareness along with additional demand amongst the public and indeed amongst decision makers is driving the requirement for the deployment of additional resources and services. Recent fleet purchased emit two hundred times less emissions than 20 years ago.

Digitisation and Technical Advances

Accelerated technical advances are continuing to impact all areas of society as well as impacting on the design of vehicles, traffic planning, traffic management and customer supports such as Real Time Passenger Information (RTPI).

Sustainable Value Creation

Bus Éireann contributes to creating a sustainable society. As more people use public transport, conditions are improved for both economic growth and increased mobility in society, at the same time as environmental impact is reduced. In this way, we create value for all of our stakeholders.

We want to be a role model for sustainable business and we seek to include this as an integrated part of our business model. By creating economic, environmental and social value in our public transport solutions, we contribute to more people opting to travel together. Public transport contributes to reducing environmental impact and has a positive effect on urban development by improving infrastructure.

Carbon Emissions

The Company continues to promote the use of sustainable public transport in conjunction with the National Transport Authority (NTA) and the other CIÉ companies as well as through active engagement with local authorities. The Company supports the use of public transport that benefits the environment through less carbon emissions. The Company estimates that for every car removed from the road and replaced with public transport the fuel emissions improves by up to 80%.

Green House Gases (GHG) are classified by how long they stay in the atmosphere. Carbon Dioxide (CO_2) emitted today, stays in the atmosphere for 100 years i.e. it's effects impact not only on us, but on our children's children.

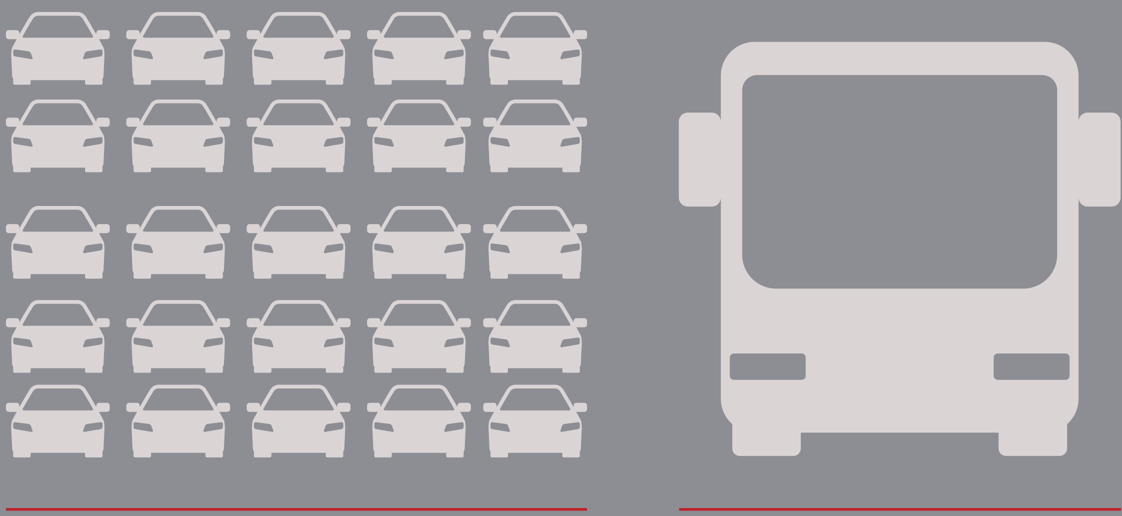
Carbon Emissions of the Company

As follows is a summary of the Company carbon emissions for 2017 expressed in Kg CO_2 factor

	Conv kWh / Unit	MWh x 1000 x Conv Factor
Diesel	0.2639 kg CO_2e	71,370,895
Electricity	0.4828 kg CO_2e	2,364,835
Gas	0.2047 kg CO_2e	855,863
Heating Oil	0.2639 kg CO_2e	118,032
		74,709,625

Emission decreases by bus

Compare average Irish car with Bus Éireann CO_2e per passenger km



167g CO_2e/km

31g CO_2e/km

The more people that choose to travel with public transport, the better it is for the environment. To reduce Bus Éireann's environmental impact we work towards optimising our fleet, traffic planning and driving which impacts positively on fuel consumption and emissions.

Company Highlights and Key Messages

Financial Performance and Capital Investment

- The market conditions in which Bus Éireann operates has remained particularly challenging
- Operating turnover was €309.3m for 2017 (2016: €313.8m)
- Payroll costs declined by €8.5m due to 3 weeks of industrial action and the impact of the implementation of the Labour Court recommendations
- Total fuel costs for 2017 were €27.1m (2016: €33.5m)
- Net exceptional costs for 2017 were €16.5m (2016: €0.9m)
- Cash generated from operations is €6.4m for 2017 (2016; €2.6m)
- Funding by the NTA enabled the Company invest €26.5m in new fleet in 2017 (2016: €14.7m)
- The Company also invested €5.2m of its own resources in capital expenditure on fleet and plant
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was €2.9m (2016: loss (€0.01m))
- Earnings before Interest Tax, Depreciation, Amortisation and Bus Leasing (EBITDAR) was €4.0m for 2017 and €1.1m for 2016
- Net liabilities as stated in the balance sheet were €16.9m in 2017 (2016: Net assets €6.8m).

Company Highlights and Key Messages *(continued)*

School Transport

- Over 115,000 children travel on almost 6,800 dedicated school transport routes
- School transport serves some 3,000 schools nationally every school day
- More than 460 new school transport services were approved by the Department of Education and Skills in 2017
- Almost 12,000 children with special educational needs are carried and are generally provided with door-to-door services.

Customer and Operations

- There were 78.6 million total passenger journeys in 2017
- A new Expressway website was successfully launched during 2017
- The introduction of new vehicles, which are wheelchair accessible with priority seats for reduced mobility passengers, bring the percentage of our fleet that is wheelchair accessible to 86%
- All recommendations from 2017 Labour Court agreement were implemented
- A significant number of staff accepted voluntary severance across different parts of the business
- Operations were severely impacted as a result of three weeks of industrial action in quarter two 2017.

Regulatory and Technology

- Driver Roster optimisations were completed by the end of 2017 using our enhanced roster management system
- The National Transport Authority (NTA) announced Bus Éireann as the preferred bidder for the Waterford City bus service in quarter 4 2017.

Accreditations, Awards, Achievements and Standards

- Qualified apprentices gain a Quality and Qualifications Ireland (QQI) Level 6 Advanced Certificate as Heavy Vehicle Mechanics
- In 2017 we had a Silver Medal winner for the 2016/17 Ireland Skills National Competitions
- We are the first PSV Operator in Republic of Ireland to train and test our Craftworkers to the Institute of Vehicle Recovery Standards
- Bus Éireann were the first PSV operator in Ireland and the UK to achieve the FTA Vansafe accreditation for the garage service vans
- Bus Éireann achieved recognition by being awarded Institute of Vehicle Recovery (IVR) Certification, ISO 9001 and PAS 43 accreditation.

Safety and Environment

- In 2017 more than 9,500 vehicle inspections were completed across our national garage network
- 6% year on year reduction in collisions due to continuous focus on driver training
- Bus Éireann School Bus Safety Roadshow visited schools and participated in a number of multi-agency events
- Drivers are required to undertake statutory training, manual handling and Driver CPC training
- Drivers are trained in Eco-driving techniques which raises awareness of environmental obligations
- A trial roll out of a mobile cycle detector system is in progress which alerts drivers to cyclists near buses.

Our People and Training

- Drivers are trained in defensive driving techniques which encourages safe driving
- An Duaiscéim is a study scheme which is open to all staff where a variety of courses are provided to assist them in developing their skills in the workplace.

Communications, Corporate Social Responsibility and Sponsorship

- In 2017 Bus Éireann continued its involvement in Green Ribbon Month and "See Change"
- Bus Éireann continued its commitment to improve accessibility for all our customers
- Bus Éireann continued its monitoring and assistance of any employees with disabilities
- Bus Éireann continues to be the primary sponsor of the Comhaltas Concert Tours of Ireland, tours that embrace local communities of all sizes throughout Ireland
- Bus Eireann is involved with over 50 charitable initiatives nationwide.

Chairman's Statement

Our work – ensuring that people across the country get to work, school and other daily activities – is the cornerstone of everything we do.

The Link Between Today and Tomorrow

Bus Éireann's overall strategy and planning focuses on improving what the Company does: providing a necesssary and important public transport service.

Our work – ensuring that people across the country get to work, school and other daily activities – is the cornerstone of everything we do.

Our Position

With the leading market share, Bus Éireann is the largest public transport provider outside of Dublin. Our experience and knowledge of local market conditions as well as established relationships with key stakeholders has ensured that we remained the market leader during 2017.

In 2017, Bus Éireann arrived at a crossroads when the financial crisis at the Company challenged the status quo and precipitated the need for the most crucial decisions on the Company's operations since our founding over 30 years ago. I am confident that the decisions reached will not only strengthen the foundations of the business but will benefit every facet of our vast network of operations throughout the country for decades to come.

Following the most protracted industrial action experienced by the Company since the 1980s, the majority decision by trade unions and staff to accept a Labour Court Recommendation has meant that a new road has been taken, which I am confident will lead to a better and brighter horizon. It will also provide confidence to our employees about the long-term future of the Company.

The recommendation brings an exceptional opportunity to draw a line under the past and re-build the finances of the Company, to restore morale, and critically win back the confidence and loyalty of our valued customers who depend on us to meet their everyday travel needs.

A Year of Transition

In 2016, our accounts showed that the overall financial deficit increased to €9.5m from €6.0m in 2015 and this trend triggered a comprehensive review of all aspects of the business. A new management team was appointed by the board of directors to lead a new change plan. Communications with staff regarding this plan began in the early part of 2017. Unfortunately, when efforts at constructive engagement to address change failed, the matter was mediated under the auspices of the Workplace Relations Commission, which ultimately referred the matter to the Labour Court who issued a recommendation. This was accepted by a majority of staff by ballot in May 2017.

This recommendation is the new cornerstone of our future, and is currently being implemented by management and staff. Successful implementation of all the recommendations, which also include significant non-payroll cost savings, will restore the solvency and the long-term viability of the Company. Additionally, the recommendations should establish a new paradigm to ensure the business is capable of competing in an increasingly competitive market to not only hold existing business, but to win new business in the future.

Chairman's Statement *(continued)*

On behalf of the board, I want to acknowledge the substantial commitment of our staff to this survival plan, which in itself has implications for many individuals throughout the organisation. It is critical that our management and staff continue to work together to ensure that this Labour Court Recommendation is implemented. The hallmark of a successful implementation will be a business which is more efficient and more competitive. These two qualities will, I believe, not only safeguard the future of Bus Éireann but open a gateway full of potential and possibilities in the years ahead.

Future Strategy

The board supports the plan which is currently being implemented by the management team that places the customer at the core of all decisions pertaining to the business. The overriding objective is to create a sustainable long-term business that is capable of competing successfully in a fast evolving marketplace. The successful delivery of this strategy will necessitate significant structural and cultural change within the organisation.

Effective and efficient management of service delivery and service quality will ensure that we meet all our obligations under our contract with the National Transport Authority (NTA) and separately in relation to the work we undertake on behalf of the Department of Education and Skills (DoES).

It is recognised that, due to the very serious financial position of the Company in recent years that there has been significant under-investment in customer facilities nationwide. With this in mind, a multi-year capital investment programme in our customer and operational facilities is being finalised. Further fleet investment in 2018 and beyond will underpin an improved customer experience.

Commitment to Safety

The board will ensure that in our quest for cost-savings and ensuring that the business becomes even more competitive, that our position on safety will never be compromised. I am pleased in this regard, that we were commended by our stakeholders and the media when we decisively and swiftly suspended all services when Storm Ophelia struck our shores in 2017, acting in the best of interests of all of our customers and staff by ensuring that safety always comes first.

The board and management remain committed to delivering the best transport system possible, in an efficient and effective manner given the funds available. Our commitment to delivering on the requirements of our stakeholders, such as the National Transport Authority (NTA) and the Department of Education and Skills (DoES) have never been stronger, which we recognize are intensely customer-centric and efficiency-focused.

Looking Forward to a New Term

In this most testing of years, I would like to thank my fellow directors for their outstanding commitment and resolve to address the financial crisis at board and sub-committee level. As set out in more detail in the Directors Report we have a strong and deeply embedded culture and process of Corporate Governance and Assurance which is aligned to the public, staff, government and the regulatory codes of practice, and every aspect of this was tested and delivered upon in 2017.

I would like to thank Mr Henry Minogue on behalf of the board for his time and service to the board of Bus Éireann following his retirement on 28th January 2018 and wish him well for the future. I would also like to thank Bill McCamley for his service to the board following his retirement on 12th February 2017.

Finally, I am delighted to have been re-appointed Chairman for another term and look forward to working with the Minister, the Departments, the NTA, CIÉ and the Bus Éireann board and management team in growing public transport in a sustainable, safe and efficient manner and putting in place an investment framework matched to a new cost structure that will secure the long-term viability of Bus Éireann.

The overriding objective is to create a sustainable long-term business that is capable of competing successfully in a fast evolving marketplace.


133 Wicklow
Bus Éireann
VDL
181-D-8105

New Double Deck buses were introduced in 2017

Operations Review
Chief Executive's Statement

2017 marked our 30th anniversary and was very much a watershed year for Bus Éireann. I am pleased to report that the detailed Labour Court Recommendation was accepted by the Company and subsequently the majority of staff by ballot. This resulted in a new comprehensive business plan being approved by the Board in May 2017 which is now in the process of being implemented by management and staff.

2017 marked our 30th anniversary and was very much a watershed year for Bus Éireann.

Key aspects of the Labour Court Recommendation incorporated almost 60 work practice changes in addition to staff reductions of 242 and commenced implementation in June 2017 and will continue through 2018. I anticipate that initiatives and non-payroll cost savings will deliver over €20m of savings to the Company in a full year, over €4.5m of savings were delivered in 2017. This has helped to ameliorate the financial position of the Company which reported Earnings before Interest,Taxation Depreciation, Amortisation and exceptional costs and revenues (EBITDA) of €2.9m in 2017 (2016: loss (€0.01m)). After exceptional costs which included once off strike penalties and restructuring and voluntary severance costs, the Company's full year deficit was €23.7m for 2017 (€9.5m for 2016).

Very significant work practice changes were recommended in a Labour Court document issued in quarter two 2017, this document was subsequently voted on and accepted narrowly by all groups of employees.

Implementation of these changes proved particularly challenging at various times during late 2017 and early 2018. Objection to some of these changes manifested itself in higher than normal levels of absenteeism which in turn resulted in some service disruption. At all stages during the implementation process the customer remained central in all decisions. Accordingly, actions were taken during this period to ensure that where possible our customer experience was not compromised.

Management remain committed to working with all staff with regard to any reasonable concerns pertaining to work practice changes implemented in 2017.

Expressions of interest have been sought for the lease of 20 Expressway coaches while significant investment has also been committed to by the National Transport Authority for the renewal and expansion of the PSO bus fleet. This on-going investment is critical to ensure the Company achieves maximum efficiency which newer vehicles can provide, ensure that the Governments energy targets are achieved through reduced emissions and ensure that our customers experience a consistent service in terms of reliability and comfort each and every time they travel.

Our engagement with key stakeholders with the objective of securing additional funding for services which were underfunded has also been successful. This includes a commitment by the Department of Social Protection to fund 70% of the average fare of Free Travel passenger journeys, specifically on Expressway services, matching the principle which is in place for other private operators.

These initiatives are incorporated in the business plan that was approved by the Board on May 29th 2017. The board believe that the successful implementation of this plan will result in the financial position of the Company improving considerably; I am confident that this – in conjunction with the organisation's restructuring – will provide the foundations for creating a company that has a viable, long-term future.

Operations Review *(continued)*

Chief Executive's Statement *(continued)*

The board and the senior management team acknowledge that the decision made by individual staff members to accept the recommendations of the Labour Court was difficult given the implications it may have on them. I recognise that we must continue to work to allay any unnecessary concerns for our staff and to clearly rationalise the need for change, achieve alignment to maintaining our objectives and ensure a new structure is implemented to support the delivery and needs of our operations for the future. I have made this process of engagement a key priority for 2018 and will be supported by a new management team to strengthen the process of implementation of our plan.

My vision is to deliver a more customer-centric and competitive company which guarantees a future for this business, which will benefit our staff and customers throughout Ireland. We are extremely committed to delivering on our obligations to the National Transport Authority (NTA) and the Department of Education and Skills (DoES).

Significant new enhancements to our services were added in Athlone and on the M3 corridor in 2017 which will help the growing economy, as near full employment is restored to the country. The Company is also currently agreeing a comprehensive work-plan with the NTA for 2018 and we look forward to continuing to deliver further growth on PSO (Public Service Obligation) services with targeted investment – particularly in the regional cities of Cork, Limerick and Galway which are already seeing the impact of congestion and need for continued and new strategic public transport investment.

In late 2017, we were delighted to have been announced as the preferred bidder for the provision of public bus services for Waterford City, a contract that will start at the end of 2018 and run for five years. These services were part of 10% of routes publicly tendered, and as the incumbent provider of existing services, we are delighted to have been granted preferred bidder status following a competitive process between five bidders that included international companies. This success is a very proud achievement for management and staff following a very difficult year.

I would like to take this opportunity to thank all staff who worked hard to achieve this outcome, and in particular to all staff in Waterford, who have provided these services for so many years.

We also took decisive action in relation to our Expressway services by withdrawing from several unprofitable routes and are now focused on strengthening the proposition on existing routes. The market for commercial services has become very competitive in recent years with new or amended licences issued on most Expressway corridors, meaning that we will have to be even more competitive.

We will require investment in new fare/ticketing technology, new fleet, marketing and enhanced service levels on some routes, but with the implementation of cost savings as part of the Labour Court Recommendation, we will be better positioned to implement this plan from 2018.

Bus Éireann has continued to provide the State with an efficient, effective, safe and reliable School Transport Scheme during 2017. The Company will continue to work with 1,250 school transport contractors nationwide in the provision of these services and who provide thousands of jobs in communities across the country. We have been operating this vital transport scheme across Ireland carrying the children of the State for almost 50 years and in 2017 we strengthened our commitment by entering into a service level agreement with the DoES to ensure our service delivery is optimum and meets the needs of the Scheme.

Bus Éireann is steadfastly committed to providing a safe and sustainable public transport service to all communities outside Dublin in partnership with our stakeholders. While we must continue to correct the Company finances and critically improve our net asset position, I firmly believe the solution is now within the terms of the Labour Court Recommendation but in addition, we must continue to relentlessly grow our revenue base and continue to persuade more passengers to use our services more regularly.

I look forward to leading the Company and meeting the challenges and opportunities which will present themselves through 2018. We will build on the proud heritage service that we provide throughout the State, and will ensure that there is a progressive and sustainable network of services which will benefit our customers, stakeholders and staff into the future.

2017 – A year of Driving Change

In order to ensure stability and improve competitiveness Bus Éireann engaged directly with staff in early 2017 to address the critical financial position. This dialogue was subsequently facilitated by the Workplace Relations Commission (WRC) and subsequently escalated to the Labour Court. Following 21 days of industrial action a Labour Court recommendation was issued, this was subsequently voted on and accepted by the various trade union groups throughout the organisation.

Key recommendations voted on, accepted and implemented during 2017:

- Optimised driver duties and rosters to ensure operational efficiency
- Implementation of a new composite pay rate for driver grades
- The recommended adjustment of meal and substance rates
- Commencement of a voluntary redundancy programme for many front line and support staff
- Implementation of new rosters for supervisory staff
- Pay cuts and increased working hours for non-driver grades.

Transformation is not achieved overnight

January Staff Letters – 16th, 18th, 27th

February 3 days of talks – commence 20th at WRC – No agreement

March 2nd March – 55 cost saving measures outlined to Staff

8th March – Attended 7 days of Talks at WRC – No Agreement

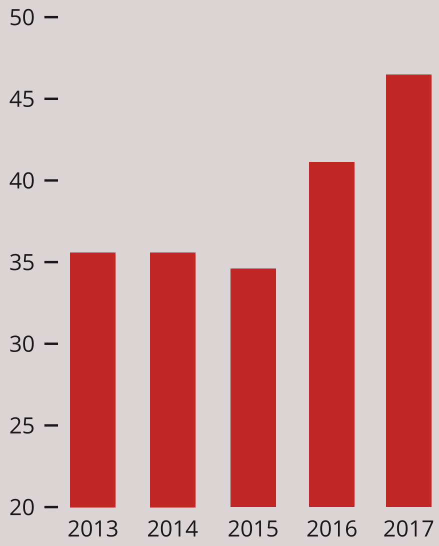
22nd March – 46 Measure Letter to Staff prompts All Out Strike

April After 5 days- Labour court issued recommendation

May Following staff ballots – Labour court recommendation was agreed

Jun-Dec Implementation – Work practice changes implemented

Subvention (€M)



Increased subvention for new services provided

Financial Overview

Revenue and passenger numbers

The Company's main revenue streams are Public Services in regional cities and on commuter/non urban routes, School Transport revenue and commercial revenues which are primarily generated under the Expressway Inter-city brand.

Expenditure

The market in which Bus Éireann operates has remained particularly challenging.

Management commenced the implementation of its restructuring business plan from June 2017 forward which included a large number of staff exits from all grades occurring before year-end and into quarter one 2018. The business plan includes more efficient rosters for drivers and re-structuring of work and responsibilities for supervisors (who were previously known as inspectors). Within the driver grade, the rate of driving as a percentage of total hours paid has increased which in turn improves both productivity and efficiency within the grade..

Revenue and passenger numbers

Overall annual revenues were impacted significantly due to the three week strike in quarter two 2017. Following the strike, revenue recovery was slow particularly Commuter/non urban, rural and Commercial Services as it has taken time to re-build customer confidence.

Operating turnover was €309.3m for 2017 (2016: €313.8m)

Payroll costs

Payroll costs are lower at €125.6m in 2017 compared to €134.1m in 2016 which is primarily as a result of the payroll savings during the period of the strike. The implementation of the business plan from June 2017 has also resulted in savings across all grades.

Fuel costs

Fuel costs are a significant overhead for the Company with a large and dispersed fleet and network.

There were some savings as a result of the strike during 2017 as well as benefits from the effects of fuel hedging for some of our fuel costs during 2017.

Total fuel costs for 2017 were €27.1m (2016: €33.5m)

Contractor costs

Contractor costs are a significant cost for the Company with the highest proportion being schools contractors followed by road passenger bus hire to support the peak demand.

Contractor costs also include the cost of third party maintenance costs for fleet sent to third parties for overhaul and maintenance.

Total contractors costs for 2017 were €147.6m (2016: €136.3m)

Subvention

Subvention was €47.7m for 2017 (2016: €41.9m). A significant uplift year on year predominantly from the provision of additional services was funded by subvention. The higher subvention was net of fines incurred for the non delivery of services during the period of industrial action.

Annual subvention is set out in the table above.

In providing a public transport service we take into account the accessibility needs of our customers

Claims

Claims from third parties remain a significant cost for the Company and the directors and senior management team are very mindful of the trends in court awards for claims and settlement of claims.

Costs incurred were €5.7m for 2017 (2016: €6.6m)

Net exceptional costs

Exceptional costs comprise primarily the costs of restructuring and severance.

Net exceptional cost for 2017 were €16.5m (2016: €0.9m).

Earnings before Interest Tax, Depreciation Amortisation and Exceptional Costs and revenues (EBITDA)

There has been a significant improvement in performance as reported notwithstanding the cost of the 3 weeks strike during quarter two 2017 and the delayed implementation of the fully optimised driver rosters until December 2017. EBITDA for 2017 was €2.9m (2016: loss €0.01m)

Balance Sheet review

Our balance sheet has been severely impacted by both the ongoing losses and exceptional costs incurred in 2017 of €16.9m. Notwithstanding the net liability position, it should be borne in mind that when non-cash items are excluded, the net assets before non-cash items has strengthened to €83.0m in 2017 compared to €80.8m in 2016 as set out below.

Furthermore, the cash position has improved also in relation to the cash and inter-company balance with CIÉ which has increased to €50.3m in 2017 from €49.7m in 2016.

Cash generated from operations was €6.4m for 2017 compared to € 2.6m in 2016.

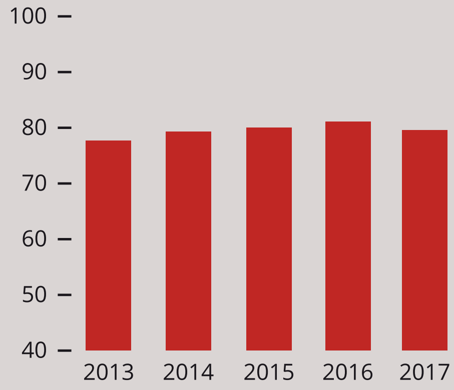
The cash improvement however also reflects a very low level of unfunded investment in structural facilities for a number of years. It is recognised that this is not sustainable and a programme of increased investment in customer and operational facilities will commence during 2018.

Balance Sheet review	2017 €000	2016 €000
Net assets before non-cash items		
Net current (liabilities)/assets	(117)	8,740
Adjust for non-cash items		
Current liabilities		
Deferred revenue	9,382	9,521
Deferred income	14,839	13,360
Sub total	**24,104**	**31,621**
Non current deferred income	58,865	49,206
Net assets before non-cash items	**82,969**	**80,827**

Cash and Inter-company balance with CIÉ		
Cash	942	1,276
Inter-company CIÉ – debit balance	49,396	48,381
	50,338	**49,657**

Cash flow from operations		
Note 17	**6,372**	**2,632**

Overall Customer Journeys (M)



* 22 days less journeys impacted by industrial action and storm Ophelia.

Operating cost and supply chain

Operational efficiencies commenced/ implemented during 2017 include

- Revised supervisory rosters across all locations resulting in establishment reductions
- Revised clerical rosters and work processes across all locations resulting in establishment reductions
- Reduction of Auxiliary Grade staff across all locations
- Revised drivers rosters implemented
- Pay cuts for administrative and managerial staff and an increase in the working week.

In line with the 2016 Code of Practice for Governance of State Bodies, consultancy costs incurred in 2017 by the Company included in materials and service costs (see Note 6) are set out in the table below.

Code of Practice for the Governance of Commercial State Bodies – consulting disclosure

Consulting	2017 000s
Financial advice	€761
HR	€106
Business improvement	€86
Total	**€953**

The above disclosure is to comply with the new code of practice and related to consulting costs incurred by the Company for knowledge-based and decision-making advice.

Customer numbers and Vehicle kilometres

Customers / Kilometres Year ended 31st December	2017 Millions	2016 Millions
Customer journeys		
Provincial city services	20,177	20,578
Other scheduled services	17,683	19,108
School transport scheme	40,766	40,508
	78,626	**80,194**
Vehicle kilometres		
Provincial city services	9,266	8,968
Other services – own	67,031	71,400
Other services – sub contracted	105,455	90,234
	181,752	**170,602**

New Fleet Investment and Funding

PSO Fleet

The first of 38 new Euro VI emissions single deck commuter coaches, manufactured by VDL in the Netherlands, entered service in early 2017.

A further 35 new double deck buses with a seating capacity for 81 people entered service on regional city and commuter routes in the second half of 2017. These vehicles all meet the latest Euro VI emissions standards.

December 2017 saw the delivery of the first of 25 new VDL double deck coaches for longer distance commuter routes within the Greater Dublin Area.

Future Plans

Following the announcement in late 2017 of Bus Éireann's successful bid for the tendered Waterford city routes, the NTA confirmed Bus Éireann will receive 17 new city buses in 2018, to operate these new services. The buses are Wrights Streetlites measuring 10.2m and 11.5m in length, designed and built in Ballymena.

For the existing Direct Award Contract to end of 2019, the NTA will provide 25 new double deck citybuses for regional cities. These new buses, built by Wrights on a Volvo chassis, will include centre doors for quicker passenger egress and will join the 72 other Euro VI buses delivered into the fleet since 2015.

This ongoing investment in fleet will enable Bus Éireann to further reduce the average age of our buses and coaches and continue to develop the fleet into a more modern, reliable and environmentally friendly one.

Expressway Fleet

The procurement process for the lease of 20 new buses for Expressway commenced in late 2017. In addition, the tender will include provision for up to eight luxury double deck intercity coaches and up to 18 high-spec single deck 2 or 3 axle coaches for frontline Expressway services over the next five-year period.

NTA Capital Funding

Funding by the NTA enabled the Company to invest €26.5m in 2017 compared to €14.7m in 2016 in funded bus fleet. The Company invested €5m of its own resources also in fleet during 2017 for Expressway.

Contribution to the Exchequer

The Company contributed €54.7m to the Exchequer in 2017 (2016: €60.2m) through a combination of payroll taxes, VAT, irrecoverable VAT, customs and excise duties and other taxes.

Congestion

Congestion increased in all regional cities during 2017.

Peak journey times have increased in 2017 compared to 2016 with average journey speeds across our city and commuter network now at 2007 levels.

Bus Éireann continues to actively engage with stakeholders in the pursuit of bus priority measures to improve journey times.

A complete network review of service reliability commenced in 2017. A number of schedule changes were implemented in 2017 to better reflect the journey speed of services, particularly in the regional cities and in the Greater Dublin Area (GDA). This review will continue during 2018.

Real Time Passenger Information (RTPI) systems provide customers with assistance regarding predictability of services. This, along with the use of social media channels, ensures real-time information is available to our customers to further enhance their travel experience.

Engineering

Technical Training and Updating

2017 saw the continuation of garage staff professional development with the completion of the final year of our three year VDL, Scania and Volvo fleet specific training programme. These programmes continue to improve the overall ability of garages to respond to fleet issues and allow our technical staff keep up to date with advances on our latest fleet introductions.

Safety and Checking

In 2017, more than 9,500 vehicle inspections were completed across our national garage network ensuring that Bus Éireann's fleet is available for service with safety and passenger comfort being the main emphasis across Public Service Obligation, Expressway and Schools services.

Facilities

The LUAS cross city project concluded in Broadstone with the opening of the Broadstone/DIT stop at the foot of Broadstone House. The realignment of the site entrance, completion of the boundary wall, revised parking and traffic management layout, surface drainage works, revised site lighting and CCTV have greatly improved site safety and security.

Partnerships

Trading Partnerships

Bus Éireann works closely with a number of partners namely:

- GoBÉ service – operated as a joint venture with GoBus
- Shared services on certain cross border routes with Translink/ Ulsterbus
- Eurolines and National Express UK on Cross Channel Services
- Connectivity on Rural link services with Bus Éireann services.

Supplier Partnerships

Bus Éireann works closely with a number of bus manufacturers and parts suppliers:

- Cross border/Cross channel partnerships with a number of bus manufacturers
- European partnerships with a number of bus manufacturers.

Service Provider and IT Partnerships

Bus Éireann works closely with numerous service providers:

- Private coach hire operators to the Company
- Maintenance and overhaul service providers
- Partnerships with suppliers and CIÉ on a number of IT projects.

Community Partnerships

Bus Éireann works closely with a number of community groups such as:

- Green ribbon month
- National Dementia Awareness campaigns
- Disability users groups.

Special Events Partnerships

Bus Éireann works closely with local authorities and event organisations for:

- Park and ride services in Cork and Galway
- Ploughing championships and concert bus shuttles.

Regulatory and Safety Partnerships

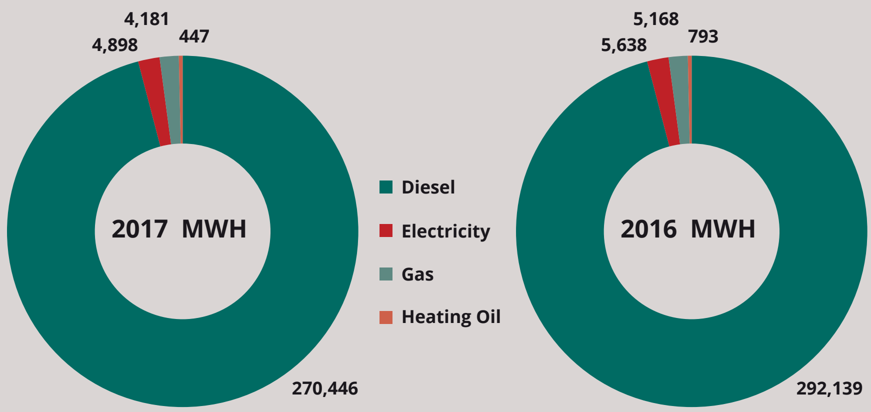
Bus Éireann works closely with the following to ensure safe and secure journeys:

- Road Safety Authority
- Tusla
- An Garda Síochána
- National Transport Authority
- SEAI
- Freight Transport Association (FTA).

Over 80 million KMs operated during 2017


4 Port Láirge
Wi Fi
on board
IRIZAR i6
SE6
IRIZAR
Expressway
www.buseireann.ie
Bus Éireann
12-D-15102

Energy Consumption in Mega Watts



Energy Management

Programme with Sustainable Energy Ireland and ISO50001

Bus Éireann participated in a number of national public and private energy conferences throughout 2017.

Energy Targets Achieved in 2017

During 2017, Bus Éireann implemented the following in order to reduce the Company's energy consumption:

- Increased the number of vehicles fitted with automatic engine idle shutdown systems
- 34% of the service fleet is now running on the new cleaner Euro VI engines
- With the increasing use of telematics to the service fleet (47%) the monitoring of fuel consumption across a wider variety of vehicles is now possible
- Monitoring of energy usage across Bus Éireann's depots and bus stations was carried out during 2017
- Analysis of Broadstone site energy usage also commenced to identify significant energy consumers
- Engine idle cut-off times have been reduced from seven minutes to five on all new fleet.

Initiatives for 2018

- Rollout of the telematics drivers cab interface, driver performance development and focussed eco-driving training
- Continued investment in new low emissions fleet
- Working closely with NTA on new alternative fuel development plans
- A number of LED lighting initiatives for 2018.

Safety

Governance of safety continues to be overseen by both the senior management team and the board Safety Committee. Both management and the board are agreed that safety remains of paramount importance across all aspects of the business.

Key safety highlights during the year were as follows:

- The overhaul of Bus Éireann's safety statistics compilation continued with increased emphasis on more detailed recording of accident and incident details nationally
- 6% year on year reduction in collisions due to continuous focus on driver training and ongoing route assessments
- The groundwork for a trial of an automatic mobile cycle detector system trial is currently underway.

Schools

Background

Bus Éireann worked very closely with the Department of Education and Skills (DoES) in 2017 to ensure that school transport services provided by Bus Éireann under the Department's School Transport Scheme for primary students, Post Primary children, and for students with special educational needs, continues to be delivered in a cost-effective and efficient manner on behalf of the State.

Operations Review

Over 115,000 children travel on almost 6,800 dedicated school transport routes to some 3,000 schools nationally every school day on services provided by Bus Éireann. This includes almost 12,000 children with special educational needs who are often provided with door-to-door services that are designed to meet their individual needs.

Expanded Services

More than 460 new school transport services were approved by the Department of Education and Skills and introduced by Bus Éireann in 2017, with new services being introduced all year round. This was over 50 more new services than we introduced the year before and represents a record high number of new services introduced under the School Transport Scheme in one year. The vast majority of these new services were for children with special educational needs.

In addition, more than 800 other service improvements involving the extension of routes, upgrading of vehicles, and extra trips were put in place during the year as the scheme continued to expand in size in order to meet demand.

Different Requirements

A large number of schools for children with special educational needs remain open during the traditional school summer holiday period and continue to be served by our school transport services. Almost a quarter of the children with special educational needs carried under the School Transport Scheme avail of these services.

Under the Post-Primary Scheme, revised school transport arrangements were made in many post primary centres during the year arising from changes in school hours related to the revised junior cycle programme.

Safety

The safety of schoolchildren travelling on board our school transport services is our highest priority and the promotion of school bus safety and the communication of key safety messages to schoolchildren continued to receive particular attention in 2017.

The Bus Éireann School Bus Safety Roadshow visited schools and participated in a number of multi-agency events promoting safety around the country.

TÚSLA
An Ghníomhaireacht um Leanaí agus an Teaghlach
Child and Family Agency

First National Red Weather Warning

The first ever national Red Weather Warning was issued by Met Éireann during October 2017 for Storm Ophelia. The "Red Means Stop" policy for school transport services in this event had been communicated widely in advance to all stakeholders (i.e. schools, parents, management bodies, Government Departments, and school transport offices), and proved robust in very challenging circumstances providing clear and unambiguous communications about the status of school transport services before and during this challenging event.

Customer Service and Support

In 2017, our team dealt with over 50,000 emails, in excess of 210,000 phone calls and approximately 115,000 social media requests. Customer complaints were 0.02% per 100,000 passenger journeys. In 2018, we expect this position to improve as 2017 was exceptional in terms of the scale of change which was introduced onto the M3 corridor, together with facilitating customer refunds on Taxsaver and commuter products as a result of the industrial action held in the early part of the year. The addition of a new website improved online ticket reservation system and social media channel for Expressway has been a great addition and this will streamline customer communications for those customers, who are more particularly focused on online purchases.

Thirty Years of Providing Public Transport Services Across Ireland

Formed in February 1987, Bus Éireann celebrated 30 years of safely transporting customers across Ireland during 2017. Despite facing many challenges over the past thirty years, Bus Éireann has always remained focused on safety, customer service and value for money. During 2017 Bus Éireann took the opportunity to engage with our customers to promote our brand and outline the benefits of travelling with Bus Éireann.

A number of regional events took place which involved outside broadcasts, customer/staff interaction events as well as some reward to our loyal customers.

Corporate Social Responsibility

Go Places with BÉ

To help celebrate 50 years of operating the School Transport Scheme operated on behalf of Department of Education and Skills launched its Go Places competition. The competition, aimed at Transition Year students nationwide, is aimed at encouraging them to become creative and share their stories of the journey to school. Students could enter by submitting photos, videos or words.

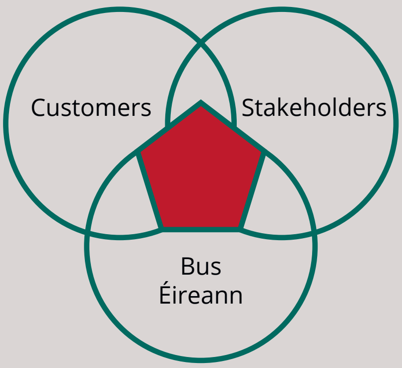
Event Supports

Bus Éireann provided transport for a number of high profile events during 2017. These include carrying both the senior IRFU and FAI sports teams to and from their home matches as well as being the official transport provider for both the All Ireland football (Dublin) and hurling (Galway) champions.

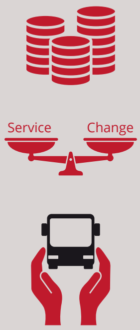
Corporate Reputation

Bus Éireann continues to work closely with the Reputations Agency and partake in the RepTrak survey which analyses and rates Bus Éireann against Ireland 100 brands. We use the results of a detailed report to identify areas that we need to target for improvement.

Corporate Reputation



Customers & Stakeholders cannot be compromised by internal change



1. Continue to Recover and Grow Revenues and Patronage
2. Balance Continued Service Provision with necessity for Change
3. Protect Existing and Win new Tenders...

Emerging as Preferred Bidder for Waterford has special significance!

Operations

Bus Market Opening

In November, following a highly competitive tendering process between five bidders that included international companies, the National Transport Authority (NTA) announced Bus Éireann as the preferred bidder for the Waterford City bus service. This announcement was a very proud achievement for our staff and the Company.

Optimisation of Driver Duties and Efficiencies

Bus Éireann fully implemented all elements of the Labour Court Recommendation during 2017. This recommendation followed three weeks of industrial action and engagement with staff representatives at the Workplace Relations Commission and the Labour Court.

The operational elements of the recommendation ensure improved duty and roster efficiencies, best use of available resources and restructuring of pay elements for drivers. The key points are summarised as follows:

- Redesign of all drivers rosters, duties and rotations
- Increased efficiencies with all drivers working five days out of seven on a rotational basis
- Improved flexibilities on the use of spare drivers and part-time drivers
- Full implementation of vehicle telematics to improve fuel consumption
- Rollout of seat reservations for Expressway services
- Use of new fleet technology
- Consolidation of all premia and overtime payments into a straightforward composite hourly rate of pay
- Reduction of allowance and facilitation of up to 120 voluntary severances.

Storm Ophelia

Storm Ophelia hit Ireland during October 2017. The conditions were well flagged in advance by a Met Éireann Red Weather Alert. The alert made for some difficult operational decisions yet with the safety of our staff and customers to the fore there was only ever one outcome, which was a cancellation of all services for the one day duration.

Through dialogue with local authorities to prioritise certain roads, all road passenger services operated the following day.

Bus Éireann was commended by the National Emergency Coordination Group and a number of other quarters for ‘leading from the front’ in its responsible decision making and clear communication from the outset.

Technology

Bus Éireann has continued to innovate in 2017 resulting in an enhanced customer experience.

Initiatives undertaken

A new Expressway website was successfully launched during 2017 which resulted in a simplified booking process for our customers.

During 2017, a new phone management system was successfully implemented to support our School Transport department. This is underpinned by;

- Call routing management and intelligent queuing system for callers on hold.

Enhancements undertaken

- In conjunction with the National Transport Authority, Bus Éireann continued to introduce Leap Card enhancements in 2017 offering customers a cheaper, flexible and more convenient way to travel on services.

Specifics of enhancements included.

- The Cork Leap Red Zone was extended into the Green Zone, offering customers greater travel flexibility and value for money
- New City Child Red Zone 24 hour products were introduced in Galway, Limerick and Waterford
- New GDA Student, Child 24 hour and 7 Day Yellow Zone products were also introduced
- Bus Éireann rolled out Leap single ticket fares on Athlone and Sligo Town Services.

TFI Leap

Our People

Our people are our most valuable asset in delivering a safe efficient and quality service to all our customers.

It is recognised by management that it is critical that engagement with staff occurs to ensure that we achieve a long-term sustainable business. Various initiatives will be completed in 2018 to deliver on this commitment.

An Duaiscéim

An Duaiscéim is a study scheme which is open to all staff where a variety of courses are provided to assist them in developing their skills in the workplace and for ongoing professional development.

Clerical Staff Development

A number of training courses were provided to staff throughout 2017 focusing on developing more efficient ways of working, including enhancing computer skills and customer care. Other internal training was performed on in-house IT systems such as CORE, SAP and Trapeze during the year. Statutory training included manual handling and First Aid training.

Management Staff Development

Bus Éireann continued to invest in its managerial team during 2017. Programmes included procurement training and other skills. Seven executives completed the Management CPC Programme in 2017.

Drivers Training and Skills Updating

Induction training

All drivers are given comprehensive induction training and route familiarisation training before commencing service. Vehicle familiarisation training is provided to allow drivers become accustomed to the handling characteristics of the vehicles they drive. This is provided by fully qualified approved driving instructors.

Regulatory focussed training

Drivers are required to undertake statutory training, manual handling and Driver CPC which covers the safe operation of vehicles, legal obligations and care for customers. Drivers have a legal obligation to carry and maintain a Driver Qualification Card confirming they have completed five modules over five years.

RSA
Údarás Um Shábháilteacht Ar Bhóithre
Road Safety Authority

Energy saving focussed training

In addition, drivers are trained in defensive and eco-driving which encourages safe driving and raises awareness of environmental obligations. All Bus Éireann training instructors are fully qualified to Road Safety Authority standards and the Institute of Advanced Motorists and Instructors standards.

Apprentice Training

The training of apprentices continued with 16 new apprentices recruited in 2017.

Apprentices were provided with initial training before being sent to their work locations. The initial training included the following;

- Work at Heights
- Abrasive Wheels Course and
- Manual Handling Course.

The apprentices undertake a four year training programme, which is provided by Bus Éireann in conjunction with SOLAS. The apprentice training programme is completed as on-the-job training across our network of 17 garages in combination with training phases in the Education Training Boards.

SOLAS
An tSeirbhís Oideachais Leanúnaigh agus Scileanna
Further Education and Training Authority

Awards

Bus Éireann were proud sponsors of the IrelandSkills Competition 2017 in which we have had much success over the years. In 2017, the Silver Medal winner for the 2016/17 IrelandSkills National Competitions was a Bus Éireann apprentice.

Progression from apprenticeship to craftworker roles

In some cases, our apprentices are employed as craftworkers following successful completion of their apprenticeship and have progressed to supervisory and management positions with the Company.

Craftworker training

All our craftworkers are provided with Continual Professional Development. This process trains technicians over a three year development period to improve knowledge of our fleet types and a greater understanding of diagnostics and repair. The training takes into consideration changes in diagnostics and Euro VI developments.

Bus Éireann are the first PSV Operator in Republic of Ireland to train and test our craftworkers to the Institute of Vehicle Recovery Standards.

Accreditation

Bus Éireann achieved recognition for this project by being awarded Institute of Vehicle Recovery (IVR) Certification, ISO 9001 and PAS 43 accreditation.

General safety training for all staff

Statutory Health and Safety training for all staff was completed for 2017.

Fleet type training was conducted in various locations throughout the country with the introduction of new fleet and subsequent movement of fleet to various locations. This training was provided to training inspectors, drivers, craft workers and other maintenance staff.

Accreditation

Bus Éireann were the first PSV operator in Ireland and the UK to achieve the FTA Vansafe accreditation for the garage service vans. This was awarded to Bus Éireann by the Minister for Housing Eoghan Murphy TD.

Equality and Diversity

Bus Eireann comply with legislation regarding the number of employees with disabilities, the current rate is 3%.

Bus Éireann continues its membership of the Diversity Charter Ireland, publicly acknowledging its commitment to diversity and inclusion. The purpose of the charter is to showcase the work in diversity and good practices being undertaken by employers.

Partnerships with Community Groups

In 2017 Bus Éireann continued its involvement in Green Ribbon Month and "See Change" which is a national partnership of more than 70 organisations which are working together to reduce stigma and challenge discrimination associated with mental health problems. Bus Éireann is involved with 50 different charitable initiatives across Ireland.

Communication and awareness campaigns

Bus Éireann contined its support of the "Say No to Racism" campaign which was launched across the public transport network in 2017 with the support of the Immigrant Council of Ireland, the National Transport Authority, and other transport providers.

National Dementia Awareness Campaign

Bus Éireann continues to be a partner with the National Dementia Awareness Campaign. This is a very worthwhile public campaign being carried out by the HSE in collaboration with partners such as the Alzheimer Society of Ireland.

International Women's Day

Bus Éireann supported International Woman's Day by attending CIÉ's International Woman's Day Conference which was held on 8th March, 2017. Over 150 women from throughout CIÉ attended the conference.

Bus Éireann are the first PSV Operator in Republic of Ireland to train and test our craftworkers to the Institute of Vehicle Recovery Standards.

Women in Transport

Bus Éireann attended a conference entitled "Women in Transport, EU Platform for Change" hosted by the European Economic and Social Committee and attended by other transport providers in Europe.

Partnerships with voluntary sector

Bus Éireann continued its commitment to improve accessibility for all our customers in conjunction with our Disability User Group which included the Irish Wheelchair Association, DeafHear, National Council for the Blind in Ireland and the Disability Focus Group of Dublin Community Forum.

Accessibility

Bus Stop improvements

Bus Éireann works closely with the NTA and local authorities regarding the design of new bus stops, which will facilitate our customers boarding and disembarking from our services at specifically designed bus stops.

Wheelchair accessibility

The introduction of the new vehicles into our fleet, which are wheelchair accessible with priority seats for reduced mobility passengers, bring the percentage of our fleet that is wheelchair accessible to 86%.

The fleet that operates on city and town services is 100% fully wheelchair accessible, and the coach fleet that operates on commuter and Expressway services is 79% wheelchair accessible.

Bus Éireann remain committed to having accessible coach services in place with wheelchair lift facilities on a route by route basis when the full complement of accessible coaches are available and the appropriate bus stop infrastructure is in place.

Directors and Other Information

Board of Directors

Non-Executive Directors

Mr Aidan Murphy *(Chairman)*

Ms Deirdre Ashe

Ms Anne Bradley

Mr John Moloney

Mr David McGarry

Mr Gerard Ryan

Mr Stephen Hannan

Chief Executive

Mr Ray Hernan *(acting 9th January 2017 to 31st December 2017 and appointed from 1st January 2018)*

Mr Martin Nolan *(resigned on 9 January 2017)*

Secretary and Registered Office

Tom Morgan
Broadstone
Dublin 7

Website: www.buseireann.ie
Registered Number: 119570

Company Limited by Shares and Designated Activity Company under the Companies Act 2014

Independent Auditors

Deloitte
Chartered Accountants and Statutory Audit Firm
Earlsfort Terrace
Dublin 2

Biographies of Directors

Aidan Murphy

Aidan Murphy was first appointed to the board of Bus Éireann in April 2013 and as Chairman in July 2014.

His term of office finished on 8th July 2017 and he was re-appointed a director and Chairman on 6th December 2017.

Aidan is the Strategy Director of Carlow Precast and has extensive experience as a supply chain professional having held positions as CEO Pulse Logistics, Managing Director Supply at C&C Group, General Manager Wincanton Ireland and Logistics Director at Allegro Ltd. He has been a keynote speaker to several European supply chain events, including Logicon and the European Supply Chain Summit and is a Fellow and past President of the Chartered Institute of Logistics and Transport Ireland.

Aidan is a member of the board Strategy Committee (previously referred to as the board Commercial and Innovation Committee) and is also a member of the Board of CIÉ Group.

Deirdre Ashe

Deirdre Ashe was first appointed to the board of Bus Éireann in July 2014. Her term of office finished on 9th July 2017 and she was re-appointed as a director on 23rd August 2017.

Deirdre is Chairperson of the board Remuneration Committee and also a member of the board Strategy Committee (previously referred to as the board Commercial and Innovation Committee).

Deirdre is Director of Personal Lines for Liberty Insurance Ireland and has been a Management Consultant working locally and internationally specialising in marketing, product and business strategy. She is a former Director of Aviva Health Insurance and has held the positions of Marketing Director, Product Director and Commercial Director where she has successfully led the formulation and delivery of company launches, integration and international alignment.

Deirdre holds a Bachelor of Arts in Economics from NUIG, an MBA and a diploma in Company Direction from the Institute of Directors (IOD).

Anne Bradley

Anne Bradley was appointed to the board in June 2015.

Anne is Director of IT in Aer Lingus and in addition holds the position of Emergency Response Director. Prior to that she served as Director of Operations Logistics with responsibility for the delivery of airline operations. Other leadership positions have included Head of Ground Operations and Airline Nominated Post Holder.

Anne's significant experience in transport and aviation enables her to bring directly relevant skills and expertise to the Board of Bus Éireann. Her understanding of operating in a highly regulated and competitive environment make her ideally suited to serve as Chairman of the board Safety Committee.

Anne assumed the chairmanship of the board Safety Committee in 2015 Anne is also a member of the board Remuneration Committee and the Audit Review and Risk Group (ARRG).

Denis Mackin

Denis Mackin was appointed to the board in July 2014. His term of office finished on 9th July 2017.

Denis has thirty three years' service with the Public Service in Post and Telegraph, Telecom Éireann, O.P.W. and most recently with the Office of Government Procurement (OGP); Denis has also served on South Dublin County Council and its committees. Denis was a member of Tallaght Community School for 22 years, is currently Chairman of Old Bawn Community School and board member of the Kilnamanagh Community Centre.

Denis was a member of the board Safety Committee until his term of office finished on 9th July 2017.

Bill McCamley

Bill McCamley was first appointed to the board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001.

Bill joined Bus Átha Cliath in 1974 and works in Phibsboro depot as a bus driver. He has held a variety of positions in his trade union, SIPTU, including membership of the Regional, Divisional and Branch Committees. Bill was most recently a member of the Transport Sector and Dublin District Committees. He has represented his trade union at a number of European transportation conferences and was a member of the Department of Justice Working Party on bus violence 1996. Bill has written extensively on transportation and trade union issues, including a book on the history of Dublin's tram workers.

Bill was also a CIÉ Board Member and retired from both the CIÉ and Bus Éireann Boards on 12th February 2017.

John Moloney

John Moloney was first appointed to the board in December 2005 under the Worker Participation (State Enterprises) Acts, 1977 to 2001.

John joined Bus Éireann in 1978 and works in Cork as a bus driver. He is a member of the NBRU.

John is a member of the board Safety Committee and is also a CIÉ board member.

Henry Minogue

Henry Minogue was first appointed to the board in October 2011.

Henry has been the IT Director for Virgin Media Ireland since 2006 having previously served as Programme Manager for Strategy and Planning. He has worked in the IT and Telecommunications sector in Ireland for 18 years. During this time he has gained extensive business experience in IT strategic planning, IT operations management, delivery and governance while also delivering business transformation through Innovation led programmes.

Henry has held numerous consulting and senior management positions in the telecommunications industry in Ireland. His portfolio also covers consulting positions in both the retail and financial sectors. Henry is a member of the Irish Computer Society and the Institute of Directors in Ireland.

Henry was a member of the Audit Review and Risk Group (ARRG) previously referred to as the Audit Review Group (ARG). He also served as a member of the board Commercial and Innovation Committee which is now referred to as the board Strategy Committee.

Henry retired as a director on 28th January 2018.

David McGarry

David McGarry was appointed to the Board in June 2015.

David is Chairman of the Audit Review and Risk Group (ARRG) previously referred to as the Audit Review Group ARG). He is also a member of the board Remuneration Committee and the board Strategy Committee (previously referred to as the board Commercial and Innovation Committee).

He is the Principal of Henley Partners, a management consulting firm. He is non-executive Chairman of Shannon Foynes Port Company. He was previously Group Chief Financial Officer of Shannon Group plc, and Finance and Development Director of Indaver Group, and prior to that worked in investment banking with NCB Corporate Finance and in auditing and accountancy with KPMG. David is a Chartered Accountant and a Chartered Director. He holds an MBA from the University of Leuven in Belgium, Bachelor of Commerce degree from University College, Cork and diploma and certificate in Company Direction from the Institute of Directors.

Gerard Ryan

Gerard Ryan was appointed to the board in July 2012 and was re-appointed to the board during 2015.

Gerard has over 20 years' experience in senior management positions in the financial services and IT sectors in diverse organisations. He is currently Operations Director with Acorn Life Ltd, a privately owned Irish life insurance company, based in Galway. He is a non-executive Director of Acorn Insurance Ltd., a general insurance brokerage which is part of the Acorn Group. He has a strong background in general management and also highly experienced in financial and cost management, project management and assessment, business change, technology led innovation, customer service and risk management.

He holds a Masters in Business Administration from the UCD Michael Smurfit Graduate Business School and is also a B.Sc. in Computer Science graduate of Trinity College, Dublin.

Gerard is a member of the Audit Review and Risk Group (ARRG) previously referred to as the Audit Review Group (ARG) and is Chairman of the board Strategy Committee (previously referred to as the board Commercial and Innovation Committee).

Stephen Hannan

Stephen Hannan was appointed to the board of Bus Éireann on 1st December 2017 under the Worker Participation (State Enterprises) acts 1977 to 2001.

He works in Ringsend Depot as a Bus Driver with Dublin Bus. He is a member of SIPTU and has held a wide variety of positions within the trade union for almost 30 Years. He is President of the Bus Drivers Committee, Vice-Chairman of the Transport Sector Committee, the Divisional Committee and Depot Representative.

Stephen is also a board member of CIÉ since December 2017 and is also a director of Dublin Bus.

Directors' Report

The directors present their annual report in accordance with their obligations under the Irish Companies Act 2014 and the Transport (Re-organisation of Córas Iompar Éireann) Act 1986 for the year ended 31 December 2017.

Principal Activities and Business Review

Bus Éireann, is a transport management company, whose principal activities are the management and planning of an integrated network of services, using its own and sub-contractor resources. This integrated network covers long distance coach services, local, rural, commuter, provincial city and town bus services. The Company is also responsible for the management and provision of the nationwide School Transport Scheme on behalf of the Department of Education and Skills.

Córas Iompair Éireann, of which Bus Éireann is a subsidiary, is Ireland's national statutory authority providing land public transport within Ireland. It is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

The Company recorded an overall deficit of €23.7 million (2016: deficit €9.5 million) after the receipt of Public Service Obligation (PSO) payments of € 47.7 million (2016: €41.9 million). Fuel costs were €27.1 million in 2017 compared to €33.5 million in 2016 mainly due to lower world market prices for fuel and savings on fuel during the period of industrial action in 2017. An impairment charge has been taken on the value of fleet at 31 December 2017 of €2.38 million.

Earnings before Interest Depreciation and Amortisation (EBITDA) was €2.87million higher in 2017 than in 2016 which is encouraging.

The deficit is very disappointing but was achieved in very challenging conditions where the Company suffered from a reduction in revenue due to a prolonged strike in 2017 and which also impacted negatively on costs. Road passenger journeys decreased by 1.83 million journeys partly due to the effects of the three weeks industrial action in 2017 when no road passenger services operated. School journeys increased by 0.26 million journeys in 2017.

The Company continues its strong focus on the delivery of a safe and efficient network of services for all customers. The market in which the Company operates for its commercial services has remained particularly challenging in terms of competition. The directors and senior management team are very mindful of the serious financial position of the Company which has seen net assets fall from €6.8 million in 2016 to net liabilities of €16.9 million in 2017. The accumulated losses have increased to €46.1 million at 31 December 2017 (€22.4 million in 2016), however this is after providing for severance, significant restructuring and operational costs as part of the business plan agreed by the board of directors and with staff and unions.

Bus Éireann cannot continue to sustain the level of losses experienced in 2017 and 2016. The Restructuring Business Plan, approved by the board in May 2017 was produced specifically to address these losses and to deliver a viability plan which would ensure the Company improves its competitiveness and delivers a reasonable profit which can be re-invested into our services. Our focus will be on delivering a safe, sustainable and competitive cost base with increased operational efficiencies, benchmarked against best international practice.

Implementation of the Labour Court Recommendation which included almost 60 work practice changes and 242 staff reductions commenced in June 2017 and is expected to continue through 2018. Whilst the productivity/payroll initiatives and non-payroll cost savings are projected to deliver circa €22m of savings to the Company in a full year, over €4.5m of savings were delivered in 2017. This has helped ease the financial position of the Company during 2017 which reported a pre-exceptional deficit of €7.2m (€8.6m deficit in 2016). Whilst this is a material loss, it is a more favourable position to the budget as set out in the Business Plan which projected a pre-exceptional loss of €16.7m and post exceptional loss of €36.7m. In addition, the Company's net liability position at year end 2017 was projected to be €29.9m, whereas, as noted above, the actual net liability position at year end 2017 was €16.9m.The 2017 pre-exceptional loss of €7.2m versus budgeted €16.7m is a favourable movement of €9.5m, there are a number of reasons for this movement with the most material items summarised as follows:

- PSO subvention increase of €6m, the key constituents of this increase include the infrastructure access charge (€1m), new service changes (€2.2m) and subvention increase due to updated cost allocations (€2.8m). The third subvention increase is a new change not previously included in the Business Plan budget
- Net cost reductions of €3.8m, there were combined savings of €10.8m in payroll, fuel, maintenance, operating and claims costs which were in part moderated by increases of €7m in Bus Hire, Group Charges and Depreciation.

The Business Plan approved by the board in May 2017 was a key factor in the board's assessment of the Company's ability to continue as a going concern. The fact that the actual 2017 out-turn was better than projected in the Business Plan will give the Board more confidence that the Company has a viable long-term future. In October 2017, Management prepared a revised budget 2018 which projected a €3m profit for the Company which is in line with the projections for 2018 as outlined in the Business Plan.

Review of Operational Financial and Engineering Performance

In monitoring the Company's performance a range of key operating and financial performance indicators are regularly reviewed by both management and directors of the Company.

Improving our cost base has required a combination of work practise changes, a rationalisation of our workforce, some commercial route closures and an overall cut to discretionary spends, a significant proportion of which were implemented by the end of 2017 and into quarter 1 2018. The management team have implemented these measures to ensure our commercial business is not only capable of competing in the market, but can deliver a margin to ensure we can continue to invest in our fleet and customer offering, which receives no State funding whatsoever.

Bus Éireann is committed to enhancing our relationships with customers, partners and stakeholders across the community to further improve customer satisfaction and Bus Éireann's corporate reputation.

Dividends

No dividends were proposed, declared or paid during the year 2017 (2016: €nil).

Principal Risks and Uncertainties

The principal risks and uncertainties for the Company are the remaining parts of the implementation of the restructuring plan, competitive and regulatory and liquidity risks.

The Company is committed to managing risk in a systematic and disciplined manner. The key risks are identified and action plans developed to mitigate these risks. A risk register is maintained by the Company and is updated for review by the directors and senior management on an ongoing basis. A board Safety Committee is in place to review safety and maintenance matters. The board Strategy Committee previously referred to as the board Commercial and Innovation Committee reviews commercial risks and the Audit Review and Risk Group (ARRG) previously referred to as the Audit Review Group (ARG) reviews and monitors internal control and audit risks.

Implementation of Restructuring Plan

One of the key risks that the Company has faced is a severe financial position for a number of years. Management has now implemented the majority of these changes which have included more efficient driver rosters, duties and rotations, consolidation of all driver premia and overtime payments into one composite hourly rate, increased flexibilities on the use of spare drivers and part-time drivers. Also the full implementation of vehicle telematics is underway too. Further changes have included pay cuts and increased hours for non-driver grades.

Competitive and Regulatory Risks

The Company is dependent upon sustainable positive market conditions for its commercial services and upon sufficient funding for public services and school bus services from the National Transport Authority (NTA) and the Department of Education and Skills respectively.

The Company is subject to extensive regulation by the NTA in respect of transport services which it provides and which includes detailed reporting requirements and challenging targets as set down by the NTA.

This also includes compliance with the terms of the five year direct award contract with NTA which was signed in late 2014.

Directors' Report (continued)

Liquidity Risks

Liquidity is tightly managed on a CIÉ Group basis. A dedicated professional team coordinates day to day cash and treasury management together with annual and multi annual planning and the securing of sufficient corporate bank funding to allow the CIÉ Group to continue to operate.

Control Environment

The Company's controls are based on a common and process oriented management system. The objective is to ensure that the Company's culture is characterised by integrity and that ethical values are not compromised. The control environment is characterised by the main business processes and the associated company policies and procedures, as well as local instructions. There is a comprehensive repository of policies, guidelines, procedures and review processes across all departments and business units to ensure that control is consistently maintained and adhered to.

Future Developments

The Company continues to monitor its revenues and costs closely into 2018 and beyond through extensive engagement with all its stakeholders.

Following changes to the management team a review of the business commenced in January 2017, the objective of which was to formalise a plan that

- stabilised and reversed the poor financial performance and
- provided a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Actions have been taken to address this situation.

Initial assessment confirmed that the challenges facing the Company were not confined to Expressway. All aspects of the Company needed to be reviewed. This review continued for 4 months during 2017. The review confirmed that the Company's work practices, organisation structure, management structure and information systems were not 'fit for purpose' and if not urgently addressed would have serious implications for the future viability of the whole company.

Immediate action was taken by management in January 2017 to stem the deteriorating finances of the Company, however engagement with staff and unions was unsuccessful and all parties were invited to the WRC. These talks were unsuccessful and resulted in industrial action been taken for a period of 3 weeks in March/April 2017 during which no bus services were operated by the Company. Additional intensive talks at WRC ultimately resulted in parties being referred to the Labour Court. Following two days of hearings the Labour Court issued a detailed recommendation which was accepted by the Company and balloted by all staff with a majority accepting.

The board and management were of the view that the Labour Court recommendation contained many initiatives which have now been implemented successfully, will enable the Company deliver on the objectives outlined above. These initiatives were incorporated in a business plan that was approved by the board in May 2017. Most of the key aspects of the work practice changes have now been implemented and which include more efficient driver rosters, duties and rotations,consolidation of all driver premia and overtime payments into one composite hourly rate, increased flexibilities on the use of spare drivers and part-time drivers. Also the full implementation of vehicle telematics is underway too. Further changes have included pay cuts and increased hours for non-driver grades.

Capital Investment

Capital expenditure amounted to €32.5 million in 2016 (2016: €30.2 million). The Company received capital funding for PSO services from the NTA in 2017 of €27.2 million (2016: €18.1 million), including grants of €0.27 million (2016: €2.6 million) in respect of land and buildings which are held by CIÉ, which enabled the Company to invest in improved services for its customers.

Share Capital and Reserves

Details of the Company share capital is set out in note 16. There were no movements in Share Capital during the year. The Company has no subsidiaries and no investments in other companies and this is consistent with the prior year.

The reserves of the Company have deteriorated significantly during 2017 after providing for restructuring and severance costs and accumulated losses now stand at €46.1 million at the end of 2017 2016: €22.4 million).

Included within revenue reserves are monies held solely for future expenditure on Schools Transport by the Company on behalf of the Department of Education and Skills. Monies held at the end of 2017 were €6.8m (2016: €6.9m).

The board and senior management team believe that reference to these funds more clearly sets out the position of the Company as regards Schools Transport. Such monies can be drawn down at times by the Company as agreed with the Department of Education and Skills to fund necessary Schools Transport expenditure during 2018 and onwards. Further details are set out in note 20 of the financial statements.

Shareholders Meetings

An annual general meeting of the Company is held once every calendar year at such time (not being more than fifteen months after the holding of the last preceding annual general meeting) and place as may be prescribed by the directors. The directors may either whenever they think fit or on request from Córas Iompair Éireann convene an extraordinary general meeting of the Company.

The Board

The Company is controlled through its board of directors. The board met on thirteen occasions during 2017 (ten in 2016) and has a schedule of matters reserved for its approval. The board comprises of non–executive directors only, two of which were worker directors at year end. There are no executive directors.

Attendance at Board/Committee Meetings

Listed below are details of directors' attendance at board/committee meetings held during 2017:

	Board	Safety	Commercial and Innovation	Remuneration
Mr Aidan Murphy	9/9		6/6	
Mr Bill McCamley	1/1			
Mr John Moloney	12/13	3/5		
Mr Henry Minogue	12/13		5/6	
Mr Gerard Ryan	13/13		6/6	
Ms Deirdre Ashe	13/13		5/6	5/5
Mr Denis Mackin	7/8	3/3	1/1	
Ms Anne Bradley	12/13	5/5		5/5
Mr David McGarry	12/13		6/6	5/5
Mr Stephen Hannan	1/1			

All meetings of the board Commercial and Innovation Committee during 2017 were joint meetings with the Audit Review and Risk Group (ARRG).

Directors' Report (continued)

Audit Review and Risk Group (ARRG)

The Audit Review Group (ARRG) during 2017 comprised the following non-executive directors:

Mr D McGarry	*(Chairman)*
Mr H Minogue	*(retired 28th January 2018)*
Mr G Ryan	
Ms A Bradley	

The ARRG met on ten occasions during 2017 (2016: four). In addition, six of the ten meetings were held jointly with the Commercial and Innovation Committee.

The main duties of the ARRG are to oversee the relationship with the external auditor, including consideration of the appointment of the external auditor, audit fees, and any question of independence, resignation or dismissal. The ARRG discusses with the external auditor the nature and scope of the audit and the audit findings. The ARRG also monitors the integrity of the financial statements prepared by the Company.

The ARRG keeps under review the effectiveness of the Company's internal controls and risk management systems through regular direct updates from the Group Internal Audit Department and from senior management.

A review of The Terms of Reference of the ARRG was carried out during 2017 and revised Terms of Reference were approved by the board and will be reviewed going forward on a timely basis as appropriate.

The ARRG, having considered all relationships between the Company and the external audit firm, does not consider that those relationships impair the auditor's judgement or independence.

Bus Éireann does not have an Audit Committee but the ARRG has similar terms of reference in relation to oversight and review which an Audit Committee would have.

Board Remuneration Committee

The board Remuneration Committee was established during late 2015 and met on five occasions during 2017 (four in 2016). It comprised the following non-executive directors:

Ms D Ashe	*(Chairman) (retired 9th July 2017, re-appointed 23rd August 2017)*
Ms A Bradley	
Mr D McGarry	

The Committee considers and reviews remuneration and human resources policies within the Company.

A review of the Terms of Reference is ongoing and is planned to be finalised and approved by board during early 2018.

Board Safety Committee

The Bus Éireann board Safety Committee, which was established at sub board level in 2004, met on five in 2017 (six in 2016) occasions during the year. This Committee monitors the safety performance of the Company against an annual safety plan and encourages the widest participation in safety awareness and accident prevention in the Company.

It comprised the following non-executive directors during 2017:

Ms A Bradley	*(Chairman)*
Mr J Moloney	
Mr D Mackin	*(retired 9th July 2017)*

Board Strategy Committee

This committee previously the board Commercial and Innovation Committee addresses four specific areas namely enterprise development, technology innovation, marketing and research and policy and planning as well as strategy. The committee met on six occasions during 2017 (five in 2016) and all were joint occasions during 2017 with the ARRG (previously the ARG). The Strategy Committee comprised the following non-executive directors during 2017:

Mr G Ryan	*(Chairman)*
Ms D Ashe	*(retired 9th July 2017, re-appointed 23rd August 2017)*
Mr H Minogue	*(retired 28th January 2018)*
Mr A Murphy	*(retired 8th July 2017, re-appointed 6th December 2017)*
Mr D McGarry	

Employee Participation and Consultation

Employee engagement continued throughout the year through a number of channels.

As part of its consultation with all staff the Company publishes an in house magazine entitled BÉ Connected and which issues on a number of occasions during the year.

Health and safety

The Company is committed to ensuring the well-being of its employees by maintaining a safe place of work and by complying with relevant employment legislation including the Safety, Health and Welfare at Work Act, 2005. Governance of Health and Safety is monitored through the board Safety Committee.

Payment Practices

The Company acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Amendment Regulation 2013. The Company payment policy is to comply with the requirements of the Regulation.

Accounting Records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records in accordance with Sections 281 to 285 of the Companies Act 2014 are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Bus Éireann, Broadstone, Dublin 7.

Directors

The directors of the Company are appointed by the Minister for Transport, Tourism and Sport. The names of persons who were directors during the year ended 31 December 2017 are set out below. Except where indicated they served as directors for the entire year.

Mr Aidan Murphy	*(retired 8th July 2017, re-appointed 6th December 2017)*
Mr Bill McCamley	*(retired 12th February 2017)*
Mr John Moloney	
Mr Henry Minogue	*(retired 28th January 2018)*
Mr Gerard Ryan	
Ms Deirdre Ashe	*(retired 9th July 2017, re-appointed 23rd August 2017)*
Mr Denis Mackin	*(retired 9th July 2017)*
Ms Anne Bradley	
Mr David McGarry	
Mr Stephen Hannan	*(appointed 1st December 2017)*

The directors and secretaries who served during the year did not hold any interest in any shares or debentures of the Company, its holding company or its fellow subsidiaries at any time during the year.

There were no contracts or arrangements entered into during the year in which a director was materially interested in relation to the Company's business.

Directors' Report (continued)

Code of Practice for the Governance of State Bodies

Details of the policies and procedures implemented by the Company following publication of the Code of Practice for the Governance of State Bodies are provided in the Córas Iompair Éireann Group Annual Report. The code provides minimum standards and the board endeavours to ensure compliance with best practice in Corporate Governance in the conduct of its business. The changes arising from the implementation of the 2016 Code of Practice for the Governance of State Bodies have been fully reflected in the 2017 financial statements and the required Statement on Internal control is set out below.

Statement on Internal Control

Scope of Responsibility

Bus Éireann acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in Bus Éireann for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk

Bus Éireann has an Audit and Risk Review Group (ARRG), the Terms of Reference of the ARRG provides for a number of directors to be appointed to the ARRG, one of whom is the Chair. The ARRG met on ten occasions during 2017.

Bus Éireann as part of CIÉ Group has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARRG.

Bus Éireann as part of CIÉ Group has developed a risk management structure which delegates responsibility for Risk Management to the newly appointed Chief Risk Officer (or suitable management alternative), and they in turn set-out a reporting structure. The Board has responsibility for and approves their respective Risk Management Framework, tailored to address their specific Strategic Objectives, and to manage their specific risk exposures efficiently and effectively, within the context of the Policy.

The policy is to ensure that appropriate procedures are in place within Bus Éireann to identify, assess and manage the key risks facing all areas of the business. The key risks are those that can damage its reputation, operational and or financial capability or cause hazards or prevent it from achieving its objectives in a risk averse manner.

Risk and Control Framework

Risk assurance is provided by way of the three lines of defence. The key differentiating factor between the three lines of defence are their levels of independence.

The three lines of the defence governance model distinguish between risk resources, supervision and oversight as follows:

- Risk ownership i.e. functions owning and managing risks as part of their day-to-day activities (first line of defence)
- Risk supervision i.e. functions overseeing risks and providing robust challenge to the management teams (second line of defence) and
- Risk oversight, i.e. functions providing independent assurance (third line of defence)

Risk ownership is aligned with business ownership. As the heads of the departments are responsible for achieving business objectives, they are ultimately responsible, as risk owners, for identifying and managing risks associated with their areas of responsibility. They exercise this responsibility by ensuring that risk identification is fully incorporated into the day to day activities of those working within their departments.

Newly identified risks are assigned to a risk owner, that is, Head of the Department. This individual may delegate the management of the risk to a risk manager who will be responsible for the further analysis, evaluation and treatment of the risk in question.

Bus Éireann has implemented a risk management system via an auditable risk software system, Op Risk Control, which has been designed to ensure that risk owners and other department resources, adopt a consistent, robust approach at every stage of the risk management process, from risk identification through to escalation. In accordance with ISO 31000, it is policy that risks be defined at a level that can be managed, that is, they are sufficiently articulated so that the possible extent and likelihood of the event can be appraised and mitigating actions put in place.

Risks are evaluated by the responsible risk owner using risk criteria tables which have been developed so that risks which are outside of risk appetite, are assigned the appropriate risk rating, and are escalated to the appropriate level of oversight.

Ongoing Monitoring and Review

All newly identified risks and principal risks and decisions and details of any emerging risks are subject to peer review.

Periodic reports will incorporate the following as standard:

- Principal risks
- Changes in principal risk ratings
- Newly identified risks
- Emerging risks
- Overview of risk universe
- Risks in breach of risk appetite and mitigating actions

A report of all risks, status as against risk appetite and performance as against KPI's is thereafter escalated with supporting risk detail reports.

In addition to the above, all Top Group principal risks and emerging risks are escalated for assessment. A report of Top Group principal risks, status as against risk appetite and performance as against KPI's with supporting risk detail reports is escalated.

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the board, where relevant, in a timely way. Bus Éireann confirms that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

Bus Éireann confirms it has procedures in place to ensure compliance with applicable procurement rules and guidelines. We confirm that there are no non-compliances in the Company for 2017.

Review of Effectiveness

The Code of Practice for the Governance of State Bodies 2016 published by the Department of Public Expenditure and Reform requires an external review of effectiveness of risk management framework of each State Body be completed "on a periodic basis". Mazars were engaged to perform a review of the Holding Company's Risk Management Framework during 2017 and for Bus Éireann.

The Company was found to be compliant with the Code.

Furthermore, Bus Éireann confirms that it has procedures to monitor the effectiveness of its risk management and control procedures. Bus Éireann's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Review Group which oversees their work, and the senior management within the Company responsible for the development and maintenance of the internal financial control framework.

Bus Éireann confirms that the Board conducted an annual review of the effectiveness of the internal controls for 2017.

Directors' Report (continued)

Internal Control Issues

No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.

Directors' Compliance Statements

For the purposes of section 225 of the Companies Act 2014 (the "Act"), we, the directors:

1. Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225 (1) of the Act (the "relevant obligations") and
2. Confirm that each of the following has been done
   - (i) a compliance statement (as defined in section 225 (3) (a) of the Act) setting out the Company's policies (that in our opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations has been drawn-up
   - (ii) appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place and
   - (iii) during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph (ii) above has been conducted.

A detailed process was undertaken by both Bus Éireann and other CIÉ Group companies to comply in full with the requirements of the Companies Act 2014 in relation to Directors' Compliance Statements. In order to provide assurance a review was carried out. This review was commissioned by the CIÉ Group for all CIÉ Group operating companies and carried out by CIÉ Group Internal Audit Department. A comprehensive report was issued to and reviewed in detail by the Bus Éireann Audit Review Group. The report confirmed that Bus Éireann was in full compliance with the requirements relating to Directors Compliance Statements.

Post Balance Sheet Events

There have been no significant post balance sheet events which require adjustment to in the financial statements other than noted below.

Staff continue to depart under a voluntary severance programme which commenced during 2017.

The company is progressing with plans to ensure compliance with new legislation which comes into force during 2018 in relation to General Data Protection Regulations (GDPR).

In March 2018, the Company was informed by the National Transport Authority (NTA) that it had been unsuccessful in its bid for the tender of the Dublin Commuter routes.

Company Status

The Company is registered as a Designated Activity Company under the Companies Act 2014.

Freedom of Information

The Freedom of Information (FOI) Act 2014 was signed into law in late 2014. During 2015, certain parts of the Bus Éireann business came under its remit. The Act was extended to the administrative activities carried out by sections of the Company. These activities relate to the provision of Schools Transport services to the Department of Education and Skills. Under the Act, Bus Éireann is subject to Freedom of Information requests via the Department of Education and Skills on records created since 21 April 2008.

Going Concern

The Company incurred a loss of €23.7 million for 2017 (2016: €9.5million) after exceptional costs and net assets have declined from €6.8 million in 2016 to net liabilities of €16.9 million in 2017. At 31 December 2017 the Company had net current liabilities of €0.12 million (2016: €8.7 million). Net current assets include non-cash items of €24 million (2016: €23 million), principally deferred income. Excluding these non-cash items, the Company has net current assets of €24.1 million (2016: €31.6 million). The net liabilities of the Company include liability in respect of deferred income in respect of capital grants received of €58.8 million (2016: €49.2 million).

The Company continues to face a challenging business environment which has led to deterioration of the financial position of the Company. Arising from the deterioration of the financial position of the Company, a comprehensive review of all aspects of the business was completed during 2017. The key aspect of this review was focussed on Expressway, the main commercial operation in the Company, which does not receive any state funding. Due to increased competition and high cost base, the performance of Expressway has deteriorated significantly over the last 3 years.

Initial assessment confirmed that the challenges facing the Company were not confined to Expressway. All aspects of the Company needed to be reviewed. The review confirmed that the Company's work practices, organisation structure, management structure and information systems were not 'fit for purpose' and if not urgently addressed would have serious implications for the future viability of the whole company.

Immediate action was taken by management in January 2017 to stem the deteriorating finances of the Company, however engagement with staff and unions was unsuccessful and all parties were invited to the WRC. These talks were unsuccessful and resulted in industrial action been taken for a period of 3 weeks in March/April 2017 during which no bus services were operated by the Company. Additional intensive talks at WRC ultimately resulted in parties being referred to the Labour Court. Following two days of hearings the Labour Court issued a detailed recommendation which was accepted by the Company and balloted by all staff with a majority accepting.

These initiatives were incorporated in a business plan that was approved by the board on May 29th, 2017. The board believe that the successful implementation of this plan will result in the financial position of the Company improving considerably; this in conjunction with organisation restructuring will provide the foundations for creating a company that has a viable long-term future.

Key recommendation voted on, accepted and implemented during 2017 were as follows

- Optimised driver duties and rosters to ensure operational efficiency
- Implementation of a new composite pay rate for driver grades
- The recommended adjustment of meal and substance rates
- Commencement a voluntary redundancy programme for many front line and support staff
- Implementation of new rosters for supervisory staff
- Pay cuts and increased working hours for non-driver grades.

The principal uncertainties affecting the future outlook of the Company are the successful conclusion of the restructuring programme and commercial revenue risk and staff absenteeism. These uncertainties will be mitigated as following:

- Ensuring the work of the Management implementation group continues via regular meetings and progress updates to the Board and
- Close monitoring of both market conditions and the Company's product performance to ensure revenue pressures can be identified and remedial actions taken promptly.
- Additionally, it has been agreed with the Department of Social Protection the principle that the Commercial operation will receive 70% of average commercial fares in line with other third party commercial operators and this underpins the projected additional revenues in 2018.

Directors' Report (continued)

Going Concern and CIÉ Group Support

The ongoing support of the DTTaS has been evidenced in the letter of support dated 4th April 2018.

The letter states: "the Department of Transport, Tourism and Sport continues to monitor the financial position of CIÉ and is engaging with CIÉ in relation to measures necessary to safeguard CIÉ's financial sustainability". Whilst the letter states that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states: "It remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities" and that "the State will continue to exercise its shareholder rights with a view to ensuring that CIÉ manages its operations in a manner that will enable it to meet all its obligations in a timely manner. Any action to be considered by the State however would have to be in compliance with EU law, including State Aid rules which may require EU Commission notification and approval".

Conclusion and CIÉ Support

Having made due enquiries, and considering the uncertainties and mitigations described above, the Board Members have a reasonable expectation that the cash flow generating from the Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Group and CIÉ, and to meet the Group's financial covenants under the Group's banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements. They also have a reasonable expectation that the Government will support measures to ensure financial stability.

Taking account of all of the above, the Board Members have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern.

The Board Members, having regard to above, have a reasonable expectation that the Group and CIÉ will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditors

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Disclosure of Information to Auditors

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- there is no relevant audit information of which the Company's auditors are unaware and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

A Murphy
Chairman

D McGarry
Director

Date: 4th April 2018

Directors' Responsibilities Statement

The directors' are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for securing the Company's compliance with the Code of Practice for the Governance of State Bodies (2016).

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

Independent Auditors' Report

To the Members of Bus Éireann

Opinion on the Financial Statements of Bus Éireann (the 'Company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of the loss for the financial year then ended and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Profit and Loss Account
- the Statement of Comprehensive Income
- the Balance Sheet
- the Statement of Changes in Equity
- the Cash Flow Statement and
- the related notes 1 to 27, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("the relevant financial reporting framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below 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 the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors 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 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 (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

Independent Auditors' Report (continued)

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are Required to Report by Exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement in the Directors Report does not reflect the companies compliance with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Ciarán O'Brien

For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 4th April 2018

Profit and Loss Account

Financial Year Ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Revenue			
Operating turnover		309,289	313,781
Receipts from public service obligation contract		47,713	41,873
Total revenue	*3*	**357,002**	**355,654**
Costs			
Payroll and related costs	*4(a)*	(125,609)	(134,149)
Materials and services	*6(a)*	(228,531)	(221,513)
Total operating costs		**(354,140)**	**(355,662)**
EBITDA before exceptional costs and revenues		**2,862**	**(8)**
Exceptional costs and revenues (net)	*6(b)*	(16,446)	(944)
Depreciation impairment and amortisation (net)	*6(c)*	(9,597)	(8,250)
(Loss)/Profit on disposal of tangible fixed assets		(50)	214
Deficit before interest and tax		**(23,231)**	**(8,988)**
Interest payable and similar charges	7	(447)	(536)
Deficit for the year before tax		**(23,678)**	**(9,524)**
Tax on deficit for the year	*8*	–	–
Deficit after tax for the year		**(23,678)**	**(9,524)**

Statement of Comprehensive Income

Financial Year Ended 31 December 2017

	2017 €'000	2016 €'000
Deficit for the year	(23,678)	(9,524)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	**(23,678)**	**(9,524)**

Balance Sheet

31 December 2017

	Notes	2017 €'000	2016 €'000
Fixed assets			
Intangible fixed assets	*9*	2,109	3,292
Tangible fixed assets	*10*	105,160	97,242
		107,269	**100,534**
Current assets			
Stocks	*11*	3,387	3,797
Debtors	*12*	61,077	63,532
Cash at bank and in hand		942	1,276
		65,406	**68,605**
Creditors (amounts falling due within one year)	*13*	**(65,523)**	**(59,865)**
Net current (liabilities)/assets		**(117)**	**8,740**
Total assets less current liabilities		**107,152**	**109,274**
Provisions for liabilities	*14*	(65,188)	(53,291)
Deferred income	*15*	(58,865)	(49,206)
		(124,053)	**(102,497)**
Net (liabilities)/assets		**(16,901)**	**6,777**
Capital and reserves			
Called up share capital	*16*	29,204	29,204
Profit and loss account		(46,105)	(22,427)
Total equity		**(16,901)**	**6,777**

On behalf of the board

A Murphy
Chairman

D McGarry
Director

Date: 4th April 2018

Statement of Changes in Equity

Financial Year Ended 31 December 2017

	Called up share capital €'000	Profit and loss account €'000	Total €'000
Balance at 1 January 2016	**29,204**	**(12,903)**	**16,301**
Deficit for the year	–	(9,524)	(9,524)
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	(9,524)	(9,524)
Balance at 31 December 2016	**29,204**	**(22,427)**	**6,777**
Balance at 1 January 2017	29,204	(22,427)	6,777
Deficit for the year	–	(23,678)	(23,678)
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	(23,678)	(23,678)
Balance at 31 December 2017	**29,204**	**(46,105)**	**(16,901)**

Statement of Cash Flows

Financial Year Ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Cash from operations			
Net cash generated from operating activities	*17*	**6,372**	**2,632**
Cash flows from investing activities			
Additions to intangible fixed assets	*9*	(250)	(783)
Additions to tangible fixed assets	*10*	(32,218)	(29,471)
Sale proceeds on disposal of tangible fixed assets		8	628
Capital grants received	*15(a)*	27,216	15,539
(Increase)/Decrease in balance with parent company		(1,015)	12,041
Interest paid and charged by parent company	*7*	(447)	(536)
Net cash used in investing activities		**(6,706)**	**(2,582)**
Cash flow from financing activities			
Net cash used in financing activities		**–**	**–**
Net (decrease)/increase in cash and cash equivalents		**(334)**	**50**
Cash and cash equivalents at start of year		1,276	1,226
Cash and cash equivalents at end of year		**942**	**1,276**
Cash at bank and in hand		**942**	**1,276**

Notes to the Financial Statements

1 Significant Accounting Policies

Statement of Compliance

The financial statements of the Company have been prepared on a going concern basis in accordance with Financial Reporting Standard 102, "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2014.

Activities and Ownership

CIÉ, of which Bus Éireann is a subsidiary, is Ireland's national statutory authority providing land public transport within Ireland. CIÉ is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

Bus Éireann is a transport management company, whose principal activities are the management and planning of an integrated network of services including the provision of schools bus services, using its own and sub-contractor resources.

Bus Éireann, the Company, is a Commercial State Company and is part of the CIÉ Group of companies. The Company was re-registered as a Designated Activity Company effective from 1 February 2016 under the Companies Act 2014. The Company registration number is 119570 and is registered in Dublin with registered offices at Broadstone Dublin 7.

The financial statements of the Company relate solely to the activities of Bus Éireann.

Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

As permitted by the Companies Act 2014, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the Company's business. EBITDA is company earnings before adjustment for interest and taxation charged, depreciation of fixed assets and amortisation of capital grants received.

(a) Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimating uncertainty at the reporting date. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out at (v) below.

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company is a qualifying entity but has not taken advantage of any available disclosure exemption for qualifying entities.

(b) Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore these entity financial statements have been prepared on a going concern basis. Further information is set out in note 2.

(c) Foreign currency

(i) Functional and presentation currency

The functional currency and presentational currency of the Company is the euro, denominated by the symbol "€" and unless otherwise stated. The financial statements have been presented in thousands ('000).

(ii) Transactions and balances

Transactions denominated in the foreign currency are translated into the functional currency using the spot exchange rates at the date of the transactions.

At the end of each financial year foreign currency monetary items are translated to Euro using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'materials and service costs'.

(d) Turnover

Turnover comprises the gross value of services provided. Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered.

Turnover is recognised in the period in which the service is provided. The key income streams are described below along with a description of the revenue recognition policy for each revenue stream:

On bus and cash integrated ticketing system revenue is recognised on the day the service is provided. Proceeds received for the sale of annual tickets and other future dated products are carried within liabilities and recognised in the income statement over the term of the relevant product.

Other revenue is recognised in the period to which it relates.

(e) Public Service Obligation Payments and Grants

(i) Public Service Obligation (PSO) payments

PSO payments received and receivable during the year are recognised in the profit and loss account in the period they become receivable.

(ii) European Union and Exchequer grants

European Union (EU) and Exchequer grants which relate to capital expenditure are credited to deferred income as they become receivable. Bus Éireann records grants using the "Accrual Model" in accordance with FRS102 section 24. They are amortised to the profit and loss account on the same basis as the related assets are depreciated.

Grants in respect of expenditure are recognised in the profit and loss at the same time as the related expenditure for which the grant is intended to compensate is incurred.

Notes to the Financial Statements (continued)

(f) Materials and Services costs

Materials and services costs otherwise referred to as operating costs constitute all costs associated with the day to day running of the operations of Bus Éireann, excluding depreciation, amortisation and payroll costs which are disclosed separately in the profit and loss account, and set out in more detail in note 6 of the financial statements.

(g) Interest receivable/interest payable

Interest income or expenses is recognised using the effective interest method.

(h) Exceptional costs and revenues

Bus Éireann's profit and loss account separately identifies results before specific items. Specific items are those that in our judgement need to be disclosed separately by virtue of their size, nature or incidence. The Company believes that this presentation provides additional analysis as it highlights exceptional items. Such items include significant business restructuring costs.

In this regard the determination of 'significant' as included in our definition, both qualitative and quantitative judgement is used by the Company in assessing the particular items, which by virtue of their scale and nature, are disclosed in the Company profit and loss account and related notes as exceptional items.

(i) Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

(ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

(j) Related party transactions

Bus Éireann is a subsidiary of CIÉ Group. Bus Éireann discloses transactions with related parties which are not wholly owned within the group. It does not disclose transactions with members of the same group that are wholly owned.

In the ordinary course of business the Company purchases goods and services from entities controlled by the Irish Government, the principal of these being An Post and National Transport Authority. The directors are of the opinion that the quantum of these purchases is not material in relation to the Company's business.

(k) Intangible fixed assets

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight-line basis. Software is not considered to have a residual value. Where factors, such as technological advancement or changes in market prices, indicate that the software's useful life has changed, the useful life is amended prospectively to reflect the new circumstances. Intangible fixed assets are reviewed for impairment if there is an indication that the intangible fixed asset may be impaired.

(l) Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to location and condition necessary for its intended use and applicable decommissioning costs.

The bases of calculation of depreciation are as follows:

(i) Depreciation and residual values

Road passenger vehicles

The historical cost of road passenger vehicles, other than school buses, are depreciated over their expected useful lives, on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical cost of school buses are depreciated in equal annual instalments over their expected useful lives.

Such assets begin to be depreciated once they first enter service within the fleet. An Impairment charge has been taken on the value of fleet in the year 2017.

Plant and machinery

Plant and machinery are depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives.

Details of the expected useful lives of the various types of assets for depreciation purposes are set out in the notes to the financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(ii) Subsequent additions and major components

Subsequent costs, including in respect of replaced components, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs and maintenance costs are expensed as incurred.

(iii) Derecognition

Tangible assets are de-recognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account.

Notes to the Financial Statements (continued)

(m) Leased assets

(i) Operating leases

Operating leases do not transfer substantially all of the risk and rewards incidental to ownership to the lessee. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into an operating lease are recognised as a reduction of the operating lease expense on a straight line basis over the period of the lease.

(n) Impairment of non-financial assets

At the end of each financial year non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use, pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account.

(o) Stocks

Stocks consist of maintenance materials, spare parts and fuel and other sundry stock items. Stocks of materials and spare parts are valued at the lower of weighted average cost and net realisable value. Cost comprises the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

At the balance sheet date, stock which is known to be obsolete is written off and a loss recorded in respect of stocks which are considered to be impaired.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(q) Financial instruments

The Company has chosen to apply the provisions of Section 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

The Company has a number of basic financial assets which include trade and other debtors, amounts owed from group companies and cash and cash equivalents and which are recorded in current assets as due in less than one year.

Basic financial assets are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year, financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

(ii) Financial liabilities

Similarly, a number of basic financial instruments are included in current liabilities, including trade and other creditors, bank loans and overdrafts and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors, bank loans and overdrafts, loans from fellow group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(r) Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Restructuring provisions are recognised when the Company has a legal or constructive obligation at the end of the financial year to carry out the restructuring. The Company has a constructive obligation to carry out a restructuring when there is a detailed, formal plan for the restructuring and the Company has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected.

Notes to the Financial Statements (continued)

Provision is made for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Company.

Other provisions consist of provisions related to the operation of bus services, pay related provisions, environmental provisions, legal claims and pension related provisions.

Provision is not made for future operating losses.

(s) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the Company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(t) Employee benefits

The Company provides a number of employee benefits to staff depending on their grade, seniority and statutory obligations. Benefits include the payment of salary or wages and the payment of premia for additional work undertaken.

In addition employer contributions in respect of pension are made for eligible staff to the respective pension schemes.

Defined benefit pension plan

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

These schemes have been accounted for in the CIÉ Group financial statements. The defined benefit pension scheme assets are measured at fair value. Defined benefit pension schemes liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet of CIÉ as a liability. All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit costs for the schemes as a whole are recognised in the separate financial statements of CIÉ as in the absence of a formal contractual arrangement the directors believe that this is entity that is legally responsible for the schemes. The other participating entities, including Bus Éireann recognise a cost equal to their contribution for the period. Further details of these schemes are set out in note 19.

(u) Equity

Ordinary called up share capital and revenue reserves are classified as equity and set out in note 16 of the financial statements.

(v) Critical accounting estimates and assumptions

Estimates and judgements made in the process of preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement and complexity and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The carrying amount of the intangible assets, property plant and equipment, and the useful economic lives for each class of asset are set out in note 9 and 10.

(ii) Third party and employer liability claims provision and related recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Company.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Further details are set out in note 14 to the financial statements

(iii) Defined benefit pension scheme

The CIÉ group, of which the Company is a member, has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Note 19 to the financial statements sets on in more detail matters related to pensions costs and the pension schemes.

2 Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company and the CIÉ Group (" the Group") of which the Company is a member, will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

Company

The Company incurred a loss of €23.7million for 2017 (2016: loss €9.5 million).At 31st December 2017 Bus Éireann had net liabilities of €16.9 million (2016: €6.8 million) and net current (liabilities)/assets of (€0.12) million (2016: €8.7 million). Net current assets include non-cash items of €24.2 million (2016: €22.9 million) relating to deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items, the Company has net current assets of €24.1million (2016: €31.6 million). Net asset of the Company after excluding long-term non-cash liabilities are €83 million (2016: €80.8 million).

Following changes to the management team a new review of the business commenced in January 2017, the objective of which was to formalise a plan that

- stabilised and reversed the poor financial performance and
- provided a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Notes to the Financial Statements (continued)

Initial assessment confirmed that the challenges facing the Company were not confined to Expressway. All aspects of the Company needed to be reviewed. The review confirmed that the Company's work practices, organisation structure, management structure and information systems were not 'fit for purpose' and if not urgently addressed would have serious implications for the future viability of the whole company.

The management team initiated critical cost savings measures in early 2017 whilst commencing discussions with staff. Engagement with staff was not successful and ultimately resulted in three weeks of industrial action in quarter two of 2017. Management engaged in discussions with the Unions through the Workplace Relations Commission (WRC) and ultimately the Labour Court. The Labour Court issued a recommendation (the "Recommendation") which was accepted by the various unions and the majority of staff by ballot.

At this time, Management prepared a detailed Business Plan which was approved by the Board. The Business Plan outlined the key pillars underpinning the restructuring plan and included a 5 year projected income statement, balance sheet and cash flow.

Implementation of the Recommendation of the WRC which included almost 60 work practice changes and 242 staff reductions commenced in June 2017 and is expected to continue through 2018. Whilst the productivity/payroll initiatives and non-payroll cost savings are projected to deliver circa €22m of savings to the Company in a full year, over €4.5m of savings were delivered in 2017. This has helped ease the financial position of the Company during 2017 which reported a pre-exceptional deficit of €7.2m (€8.6m deficit in 2016). Whilst this is a material loss, it is a more favourable position to the budget as set out in the Business Plan which projected a pre-exceptional loss of €16.7m and post exceptional loss of €36.7m. In addition, the Company's net liability position at year end 2017 was projected to be €29.9m, whereas, as noted above, the actual net liability position at year end 2017 was €16.9m. The 2017 pre-exceptional loss of €7.2m versus budgeted €16.7m is a favourable movement of €9.5m, there are a number of reasons for this movement with the most material items summarised as follows:

- PSO subvention increase of €6m, the key constituents of this increase include the infrastructure access charge (€1m), new service changes (€2.2m) and subvention increase due to updated cost allocations (€2.8m). The third subvention increase is a new change not previously included in the Business Plan budget
- Net cost reductions of €3.8m, there were combined savings of €10.8m in payroll, fuel, maintenance, operating and claims costs which were in part moderated by increases of €7m in Bus Hire, Group Charges and Depreciation.

The Business Plan approved by the Board in May 2017 was a key factor in the Board's assessment of the Company's ability to continue as a going concern. The fact that the actual 2017 out-turn was better than projected in the Business Plan will give the Board more confidence that the Company has a viable long-term future. In October 2017, Management prepared a revised budget 2018 which projected a €3m profit for the Company which is in line with the projections for 2018 as outlined in the Business Plan.

The principal uncertainties affecting the future outlook of the Company are the successful conclusion of the restructuring programme and management of commercial revenue risk and staff absenteeism. These uncertainties will be mitigated as follows:

- Ensuring the work of the Management implementation group continues via regular meetings and progress updates to the Board and
- Close monitoring of both market conditions and the Company's product performance to ensure revenue pressures can be identified and remedial actions taken promptly
- Additionally, it has been agreed with the Department of Social Protection the principle that the Commercial operation will receive 70% of average commercial fares in line with other third party commercial operators and this underpins the projected additional revenues in 2018.

The board and the senior management team have addressed these uncertainties which are

- The establishment of an implementation group by the senior management which meet regularly. Results are reviewed against planned targets and this group will continue to meet until the initiatives have been fully embedded into the activities of the Company.
- Another further significant mitigation measure is the securing of the drawdown funding facility based on the Inter Company balance which the Company has with CIÉ Group.
- Market conditions are being closely monitored by the senior management team and should further remedial action be required due to changed circumstances then the remedial action required will be swift and concise.

The Group has provided a letter of financial support to the Company which confirms that the Group will "provide the financial support necessary to permit the Company to continue operating and liquidating its liabilities in the normal course of business for at least a period of twelve months after the date of signing the financial statements. In the event of default by any CIÉ subsidiary undertaking who owe amounts to the Company, the Parent will compensate for losses incurred".

The financial statements have been prepared on a going concern basis, which assumes that CIÉ and the CIÉ Group ("the Group") will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

Group

Background

At 31 December 2017 the Group had net liabilities of €636 million (2016: €585 million) and net current liabilities of €200 million (2016: €233 million). Net current liabilities include non-cash items of €288million (2016: €289 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these non-cash items the Group has net current assets of €88 million (2016: net current liabilities €56 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €784 million (2016: €730 million) and deferred income in respect of capital grants received of €2,494 million (2016: €2,555 million).

As of January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108m for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2017, the Group had drawn down €28m under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80m.

Nature of Uncertainties Facing Group

While trading performance improved considerably during 2017, the Group continues to face a challenging business environment which gives rise to uncertainties.

While management are confident that overall financial levels including those required for the Group to meet its financial covenants will continue to be met in the forthcoming year, the Group's future performance is based on a number of challenging targets and assumptions which require constant monitoring and oversight by management.

The principal uncertainties affecting the future outlook can be summarised under the following headings:

2.1 Revenue

The achievement of the revenue growth targets set out for the year are based on a combination of assumptions related to increases in nominal fares, increases in passenger journeys and the mix of fares between cash and other fares.

In addition, the Department of Employment Affairs and Social Protection are in the process of agreeing an SLA for the operation of the Free Travel Scheme which will provide greater certainty to the Expressway commercial services of Bus Éireann.

Notes to the Financial Statements (continued)

2.2 Operating Costs

Maintaining operating costs at appropriate levels as set out in the Group's plans remains critical. Assumptions used in preparing the plans are by their nature subjective and it is imperative that performance against plan is monitored closely, so that mitigating actions, which have already been identified by management can be put in place if necessary.

During 2017 Bus Éireann has implemented a range of initiatives in consultation with staff to deliver improvements, efficiencies and reductions in costs which will be sufficient to return Bus Éireann to a financial sustainable position. While there are uncertainties associated with the timing of the achievement of these measures, Bus Éireann has the capacity to fund the costs of transition and the transition period during which these initiatives are being implemented.

These uncertainties are mitigated by monitoring and review of cost performance relative to plan. In respect of Bus Éireann the range of initiatives to be implemented have now been agreed with staff.

2.3 Investment Costs

Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of safe, effective and reliable public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group. The Group's plans for 2017 are subject to additional capital expenditure funding support from the Department of Transport, Tourism and Sport ("DTTaS") and the NTA, and also envisage funding investment from operating cash flows.

The Group's sustainability in the longer term is dependent on an appropriate level of government funding being in place to fund the public transport services that are required under the Group's Public Service Obligation contracts.

The Group's sustainability is particularly sensitive to uncertainty associated with funding future investment.

Funding of investment requirements in the longer term remains a significant challenge for all stakeholders. Should there be a shortfall in levels of funding; the risk that the Group may not generate sufficient cash flows to protect its financial stability during the life of the current 5-year business plan arises. In that event, working capital will become constrained requiring constant monitoring. Mitigating actions would be required to ensure that the overall financial covenant, to which the Group is committed, are not breached and that sufficient cash-flow is generated after investment to meet obligations as they fall due.

As mitigation, the Group manages the authorization of material investments and seeks confirmation of appropriate funding being in place prior to the commencement of those investments.

The current Public Service Obligation contracts with Dublin Bus and Bus Éireann were signed in December 2014 and are for a period of 5 years, to 2019. In the case of Iarnród Éireann, the current contract was signed in December 2009 and is for a period of 10 years, to 2019.

2.4 Liquidity

In January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108m for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2017 the Group had drawn down €28 million under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

These facilities contain a number of financial covenants, all of which have been met by the Group in 2017. Management expect that the Group will continue to meet the covenants set out in the new facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities.

2.5 Pensions

The Group's pension schemes are in deficit, the liability position of the pension schemes increased significantly in the year. The increase in liability arose mainly as a result of the low interest rate environment prevailing in Ireland and internationally and the inflation assumptions that reflect recent pay agreements across the Group. Financial markets remain volatile, the Schemes continue to be exposed to significant movements in the underlying interest rates under which liabilities are measured and the valuation of assets held by the schemes. The ongoing volatility in the valuation of the schemes require careful monitoring and the identification of measures which can be implemented, on an agreed basis, to reduce the risk in relation to the schemes.

The Group considers that the appropriate long –term mitigation for this risk is to de-risk the schemes in consultation with staff, CIÉ is engaging with its staff to identify and agree on measures which are designed to de-risk the schemes. The Group manages its budgets to ensure that, in the short-term, the cash implications of its pension obligations are accounted for appropriately.

Managements Actions

In addition to the mitigations outlined above the Group and CIÉ management have taken and are continuing to take a number of actions, including:

- Continuous review of risks and opportunities affecting the Group's business plan.
- Discussions with the NTA and Department of Transport, Tourism and Sport on the appropriate funding structure/net financial effect for Iarnród Éireann, Bus Éireann and Bus Átha Cliath.
- Discussion with staff representatives to agree measures to address the financial position of the Group's pension funds.
- Continued implementation and rigorous monitoring of cost saving initiatives.
- Close monitoring by management of the daily, weekly and monthly cash position across the Group.
- Implementation of revenue protection initiatives and seeking new revenue generating activities

Letter of Support

The ongoing support of the DTTaS has been evidenced in the letter of support dated 4th April 2018.

The letter states: "the Department of Transport, Tourism and Sport continues to monitor the financial position of CIÉ and is engaging with CIÉ in relation to measures necessary to safeguard CIÉ's financial sustainability" Whilst the letter states that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states: "It remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities" and that "the State will continue to exercise its shareholder rights with a view to ensuring that CIÉ manages its operations in a manner that will enable it to meet all its obligations in a timely manner. Any action to be considered by the State however would have to be in compliance with EU law, including State Aid rules which may require EU Commission notification and approval".

Conclusion

Having made due enquiries, and considering the uncertainties and mitigations described above, the Board Members have a reasonable expectation that the cash flow generating from the Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Group and CIÉ, and to meet the Group's financial covenants under the Group's banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements. They also have a reasonable expectation that the Government will support measures to ensure financial stability.

Taking account of all of the above, the Board Members have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern.

The Board Members, having regard to above, have a reasonable expectation that the Group and CIÉ will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Notes to the Financial Statements (continued)

3 Total Revenue

This comprises operating turnover, net of recoverable VAT, receipts under the Public Service Obligation Contract and Revenue grants. Details of Revenue grants are set out in note 15(c). The Company is a transport service provider and provides services throughout Ireland and is regulated by the National Transport Authority (NTA).

4(a) Payroll and Related Costs

	2017 €'000	**2016 €'000**
Staff costs:		
Wages and salaries	105,441	113,880
Social insurance costs	9,966	10,660
Other retirement benefit costs	10,127	9,546
	125,534	134,086
Engineering work for group companies recharged	(56)	(69)
Net staff costs (excluding directors remuneration)	**125,478**	**134,017**
Directors' remuneration:		
– For services as directors	72	72
– For executive services	57	58
	129	130
Contributions paid to defined benefit scheme	2	2
Total directors' remuneration and emoluments	131	132
Payroll and related costs	**125,609**	**134,149**

No costs were incurred in respect of loss of office for any directors during 2017 or 2016 or after the balance sheet date.

One employee director had contributions made by the Company to one of the defined benefit schemes managed by CIÉ Group in respect of executive services as an employee and the cost incurred was €2,222 for 2017 (2016: € 2,178)

Exceptional operating costs related to severance payments are set out in note 6(b)

4(b) Code of Practice for the Governance of Commercial State Bodies – Payroll Disclosures

Short-Term Benefits

	2017 €'000	2016 €'000
Basic	71,194	75,081
Overtime	10,292	13,185
Allowances	23,955	25,614
	105,441	**113,880**
Aggregate employee benefits		
Short-term benefits	105,441	113,880
Termination benefits	15,611	944
Retirement benefits	10,127	9,546
Social insurance costs	9,966	10,660
Sub total	**141,145**	**135,030**
Less		
Exceptional termination payments	15,611	944
Engineering work for other group companies	56	69
Sub total	**125,478**	**134,017**
Add		
Directors Remuneration	131	132
Total	**125,609**	**134,149**

Notes to the Financial Statements (continued)

Employee Short-Term Benefits

From	To	2017 Staff Numbers	2016 Staff Numbers
€0	€25,000	712	646
€25,000	€50,000	1,578	1,297
€50,000	€75,000	450	708
€75,000	€100,000	29	62
€100,000	€125,000	6	10
€125,000	€150,000	2	2
€150,000	+	3	6
Total Staff		**2,780**	**2,731**

The above figures represent the numbers of employees on payroll during the year and which includes all joiners and leavers to payroll.

	2017 Number	2016 Number
The average numbers of employees during the year were:		
Full-time	2,157	2,133
Part-time school bus drivers	373	399
Total	**2,530**	**2,532**

4(c) CEO Remuneration

Wages and salaries costs include the following remuneration payable to the CEO Mr Ray Hernan and Martin Nolan for executive services. Martin Nolan stepped down as CEO from 9th January 2017 and Ray Hernan was appointed Acting CEO from 9th January 2017. As follows is the combined remuneration paid to Martin Nolan and Ray Hernan in their roles as CEO during 2017.

	2017 €'000	2016 €'000
Combined amounts		
Basic salaries	161	190
Taxable allowances and benefits in kind	–	15
Social insurance costs	17	22
Post-retirement benefit costs	21	49
Termination payment	171	–
	370	**276**

These are in accordance with Department of Public Expenditure and Reform guidelines for Chief Executives.

4(d) Key Management Compensation

Key management compensation, including salary and benefits of CEO, and directors are as follows:

	2017 €'000	2016 €'000
Salaries and short-term benefits	869	1,247
Post-retirement benefit costs	198	273
Social insurance costs	79	90
Termination payments	683	–
Total	**1,829**	**1,610**

Key management and directors earnings comprise salaries and related costs payable to senior management and directors. No bonuses, performance related pay or compensation for loss of office costs were incurred. Termination payments made to senior executives retiring during 2017 are also set out above.

The directors of the Company were paid director's fees for services as directors during 2017 as follows:

Mr A Murphy	€12,808
Ms D Ashe	€11,093
Ms A Bradley	€12,600
Mr H Minogue	€12,600
Mr G Ryan	€12,600
Mr D Mackin	€3,003
Mr D McGarry	€7,338

Mr B McCamley, Mr Stephen Hannan and Mr J Moloney did not receive any director's fees for services as directors from the Company.

All payments comply in full with government guidelines for director's fees.

5. Code of Practice for the Governance of Commercial State Bodies – Disclosures for Overheads

	2017 €'000	2016 €000
Travel and subsistence		
Domestic:		
Board	–	–
Employees	66	85
Foreign:		
Board	–	–
Employees	16	20
	82	**105**
Hospitality		
Staff	28	36
Other	–	–
	28	**36**

6 Expenses by Nature

(a) Materials and Service Costs

	2017 €'000	2016 €'000
Fuels and lubricants	27,141	33,488
Contractors	147,635	136,268
Road tax and licences	603	620
Operating lease rentals (note 6(d))	1,720	1,756
Rates	671	638
Third party and employers liability claims (note 14)	5,685	6,591
Increase/(decrease) in inventory obsolescence provision	147	(25)
Foreign exchange losses (net)	22	64
Other materials and services	44,907	42,113
	228,531	**221,513**

Contractor costs comprise school contractors, bus hire and contract service maintenance.

(b) Exceptional Operating Costs and Revenues

	2017 €'000	2016 €'000
Severance paid and provided for (note 14)	15,611	944
Operations restructuring paid and provided for (note 14)	2,854	–
Additional subvention	(2,184)	–
Professional and other services	165	–
	16,446	**944**

(c) Depreciation, Impairment and Amortisation of Tangible and Intangible Fixed Assets

	2017 €'000	2016 €'000
Impairment of fleet (note 10)	2,380	–
Depreciation of tangible fixed assets (note 10)	21,862	20,385
Amortisation of intangible fixed assets (note 9)	1,433	1,219
Amortisation of capital grants (note 15(a))	(16,078)	(13,354)
	9,597	**8,250**

(d) Operating Leases Include

	2017 €'000	2016 €'000
Bus leasing	1,104	1,104
Other operating leases	616	652
	1,720	**1,756**

Bus leasing costs represents the annual cost of an operating lease of twenty vehicles which commenced in 2016.

7 Net Interest Expense

	2017 €'000	2016 €'000
Interest payable and similar charges to parent company	(447)	(536)
	(447)	**(536)**

Notes to the Financial Statements (continued)

8 Taxation

(a) Tax Expense Included in Profit or Loss

	2017 €'000	2016 €'000
Current tax:		
Irish corporation tax on profit for the financial year	–	–
Adjustments in respect of prior financial years	–	–
Current tax expense for the financial year	–	–
Deferred tax:		
Origination and reversal of timing differences	–	–
Deferred tax expense for the financial year	–	–
Tax on profit on ordinary activities	**–**	**–**

(b) Reconciliation of Tax Expense

Tax assessed for the financial year differs than that determined by applying the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2017 of 12.5% (2016: 12.5%) to the deficit for the year. The differences are explained below:

	2017 €'000	2016 €'000
Deficit on ordinary activities before tax	(23,678)	(9,524)
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	(2,960)	(1,191)
Effects of:		
– Depreciation for the year in excess of capital allowances	2,372	1,878
– Income not subject to tax	(7,974)	(6,768)
– Expenses not deductible for tax purposes	383	61
– Unrelieved tax losses carried forward not recognised	8,056	5,910
– Income charged to tax at higher rate	123	110
– Other movements	–	(13)
Current tax charge for the year	**–**	**–**

A potential deferred tax asset of €135.5m (2016: €127m) has not been recognised, as the future recovery against taxable profits is uncertain.

9 Intangible Fixed Assets

	Software	Total
	€000	€000
Cost		
At 1 January 2017	7,482	7,482
Additions	250	250
Disposals	–	–
At 31 December 2017	**7,732**	**7,732**
Amortisation		
At 1 January 2017	4,190	4,190
Charge for the year	1,433	1,433
Disposals	–	–
At 31 December 2017	**5,623**	**5,623**
Net book amounts		
At 31 December 2017	**2,109**	**2,109**
At 31 December 2016	3,292	3,292

The expected useful lives of the intangible assets for amortisation purposes are as follows:

Software – 3 to 5 years straight line

Notes to the Financial Statements (continued)

10 Tangible Fixed Assets

	Road Passenger Vehicles €'000	Plant and Machinery €'000	Total €'000
Cost			
At 1 January 2017	307,298	27,892	335,190
Additions	31,478	740	32,218
Disposals	(7,018)	(84)	(7,102)
At 31 December 2017	**331,758**	**28,548**	**360,306**
Depreciation			
At 1 January 2017	217,385	20,563	237,948
Charge for the year	19,850	2,012	21,862
Impairment	2,380	–	2,380
Disposals	(6,959)	(85)	(7,044)
At 31 December 2017	**232,656**	**22,490**	**255,146**
Net book amounts			
At 31 December 2017	**99,102**	**6,058**	**105,160**
At 31 December 2016	89,913	7,329	97,242

(i) The expected useful lives of the various types of assets for depreciation purposes are as follows:

	Lives (Years)
Road passenger vehicles	8 – 14
Plant and machinery	3 – 10

(ii) Road passenger vehicles at a cost of €84.1million (2016: €65.8 million) were fully depreciated but still in use at the balance sheet date.

(iii) Tangible fixed assets at 31 December 2017 include €4.5 million (2016: €1.8 million) in respect of tangible fixed assets not yet in service at that date.

(iv) The Company does not own the property or land and buildings in use; this is owned by the CIÉ Holding Company and is included in the financial statements of CIÉ.

(v) Assets with a carrying value of €0.05m in 2017 (2016:€0.42m) were disposed in compliance with CIÉ Group policies and procedures for disposals of assets during the year

(vi) An impairment charge has been included in depreciation for the year 2017 for the bus fleet of €2.35m of which €1.04m relates to PSO bus fleet (2016: nil).

11 Stocks

	2017 €'000	2016 €'000
Maintenance materials and spare parts	2,454	2,793
Fuels, lubricants and sundry stocks	933	1,004
	3,387	**3,797**
Stock consumed during the year:		
Stock of materials and fuel consumed net of fuel rebate	35,128	42,142

These amounts include parts and components necessarily held to meet operational requirements. The replacement value of inventories is not materially different from their book value.

12 Debtors

	2017 €'000	2016 €'000
Trade debtors	2,849	4,142
Amounts due from Department of Education and Skills	8,360	8,335
Amounts owed by parent company	49,396	48,381
Other debtors	472	2,674
	61,077	**63,532**

All assets fall due within one year.

Amounts owed by the parent company are unsecured, interest free and repayable on demand.

Trade debtors are stated net of a provision for doubtful debts of € 75,898 (2016: €92,529).

Amounts due from the Department of Education and Skills represent monies due in respect of the operation of the School Bus Transport Scheme

Notes to the Financial Statements (continued)

13(a) Creditors

	2017 €'000	2016 €'000
Amounts falling due within one year		
Trade creditors	16,579	14,760
Income tax deducted under PAYE and USC	1,729	2,172
Social insurance	1,328	1,640
Value added tax and other taxes	1,061	503
Other creditors	1,973	1,413
Accruals	18,632	16,496
Deferred revenue	9,382	9,521
Deferred income (note 15 (a))	14,839	13,360
	65,523	**59,865**
Creditors for taxation and social insurance included above	4,118	4,315

Trade and other creditors are payable at various date in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms.

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

Deferred revenue relates to revenue from taxsaver tickets and for the provision of school bus services

14 Provisions for Liabilities

	Opera-tional € 000	Environ-mental € 000	Legal and other €000	Restruc-turing € 000	Third party and employer liability claims € 000	Total € 000
2017						
Opening Balance	4,382	–	181	1,789	46,939	53,291
(Credit)/charge to profit and loss account (net)	4,821	–	469	15,611	5,685	26,586
Used during year	(777)	–	(181)	(9,282)	(4,449)	(14,689)
Closing Balance	**8,426**	**–**	**469**	**8,118**	**48,175**	**65,188**

Operational Provisions

The operational provision consists of provisions related to the operation of bus services and pay related provisions. Included in operational provision is an amount €3.6m (2016: €3.6m) in respect of post-retirement benefit costs and €1.48m for bus rectification costs identified in 2017

Environmental Provision

The environmental provision relates to restoration costs arising as a result of environmental legislation.

Legal and Other Provision

The other provision consists of provisions related to the legal claims.

Restructuring Provision

The restructuring provision relates to amounts payable arising from the implementation of continuing cost saving initiatives.

Third Party and Employer's Liability Claims

Any losses not covered by external insurance are charged to the profit and loss account, and unsettled amounts are included in provisions for liabilities and charges.

(a) External insurance cover

CIÉ has, on behalf of the Company, the following external cover:

(I) Third party liability in excess of €2,000,000 for school buses and €2,000,000 for other road transport, on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US$3,300,000.

(ii) Aggregate cover in the twelve month period, April 2017 to March 2018, for third party liabilities in excess of a self-insured retention of €11,000,000, subject to an overall Group self-insured annual aggregate retention of €27,000,000, after which any individual self-insured retention in that annual period will be €50,000.

(iii) Group Combined Liability Insurance with overall indemnity is €200,000,000 for the twelve month period, April 2017 to March 2018, for rail and road transport Third Party and Other Risks Liabilities, excluding Terrorism.

(iv) All risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which any individual self-insured excess in that annual period will be €100,000.

(v) Terrorism damage indemnity cover for the Group is €200,000,000, with an excess of €10,000,000 each and every loss, except for railway and road rolling stock whilst in transit where the excess is €500,000 for each and every loss in Ireland/ Northern Ireland, and €250,000 each and every loss in the United Kingdom (excluding Northern Ireland).

Similar insurance arrangements are in place in respect of earlier years.

(b) Third party and employer liability claims provision and related recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Company.

The estimated cost of claims includes expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, including statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with

Notes to the Financial Statements (continued)

past experience. Allowance is made, however, for changes or uncertainties which may cause distortion in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including, for example, changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, changes in the legal environment, the effect of inflation, changes in mix of claims and the impact of large losses.

In estimating the cost of claims notified but outstanding, the Company has regard to the accident circumstances as established by investigations, any information available from legal or other experts and information on court precedents on liabilities with similar characteristics in previous periods. Exceptionally serious accidents are assessed separately from the averages indicated by actuarial modelling.

The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimated liability for claims already notified to the Company, because of the lack of any information about the claim event except in those cases where investigators have been called to the scenes of accidents. Claim types which have a longer development tail and where the IBNR proportion of the total reserve is, therefore, high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Provisions for claims are calculated gross of any reinsurance recoveries. Reinsurance recoveries are recognised where such recoveries can be reasonably estimated. Reinsurance recoveries in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance having regard to notification from the Company's brokers of any re-insurers in run off.

15 Deferred Income

This account comprises of non-repayable EU and Exchequer grants which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated:

(a) Capital Grants

	2017 €'000	2016 €'000
Balance at 1 January	62,566	60,381
Received and receivable	27,216	15,539
Amortisation charge net of related impairment (note 6(c))	(16,078)	(13,354)
Balance at 31 December	**73,704**	**62,566**
Made up as follows:		
Included in current liabilities (note 13 (a))	14,839	13,360
Included in non-current liabilities	58,865	49,206
	73,704	**62,566**

Disclosure to accord with Department of Finance Circular number 13/2014

(b) Capital Grants

	2017 €'000	2016 €'000
Capital grants were used to fund the following additions:		
Computer, Hardware Software and other	725	814
Buses	26,491	14,725
Property	270	2,574
Sub total	**27,486**	**18,113**
Less: Transferable to CIÉ (Property)	(270)	(2,574)
Total	**27,216**	**15,539**

(c) Revenue Grants Receivable

	2017 €'000	2016 €'000
Maintenance and other	–	–

Capital Grants are amortised over the useful lives of the assets. Revenue Grants are brought to Profit and Loss in full in the relevant year received. The relevant agency and programme is the NTA and the Capital Funding Programme 2017 and the sponsoring government department is the Department of Transport Tourism and Sport. Grants are restricted to Public Service Obligation (PSO) activities.

16 Share Capital and Reserves

	2017 €'000	2016 €'000
Authorised		
32,000,000 Ordinary shares of €1.27 each	40,632	40,632
Allotted, called up and fully paid presented as equity		
23,000,000 Ordinary shares of €1.27 each	**29,204**	**29,204**

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

Notes to the Financial Statements (continued)

17 Note to the Statement of Cash Flows

	2017 €'000	2016 €'000
Deficit for the financial year	(23,678)	(9,524)
Net interest payable	447	536
Deficit before interest	(23,231)	(8,988)
Loss/(Profit) on disposal of tangible fixed assets	50	(214)
Depreciation, impairment, amortisation of tangible/intangible fixed assets	25,675	21,604
Capital grants amortised	(16,078)	(13,354)
Decrease in inventory	410	230
Decrease/(increase) in debtors	3,471	(908)
Increase in creditors	4,178	2,537
Increase in provisions for liabilities	11,897	1,725
Cash flow from operating activities	**6,372**	**2,632**

18 Operating Lease Obligations

	2017 €'000	2016 €'000
Commitments under non-cancellable operating leases payable as follows:		
Within one year	1,196	1,412
Between one and five years	2,537	3,873
	3,733	**5,285**

Included above within one year and between one and five years for 2017 is an operating lease entered into during the year for buses with lease obligations of €1.1 million and €2.2 million respectively. The term of this lease is five years.

19 Pensions

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group. The employees of Bus Éireann are members of Córas Iompair Éireann Group pension schemes. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The rules of the schemes do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit cost for the schemes as a whole are recognised in the separate financial statements of CIÉ as in the absence of a formal contractual arrangement, the directors believe that this is entity that is legally responsible for the schemes. The other participating entities, including Bus Éireann recognise a cost equal to their contribution for the period.

The valuations of the schemes under FRS 102 as at 31 December 2017 showed a deficit of €784 million, (2016: €729.7 million). The disclosures required under FRS 102 in respect of the group's defined benefit plans, in which the Company participates, are set out in the financial statements of CIÉ for the year ended 31 December 2016 which are publicly available from CIÉ, Heuston Station, Dublin 8.

The Company's pension cost for the year under the defined benefit schemes was €10.1million (2016: €9.5 million) and these costs are included in note 4(a). The Company cost comprises of contribution payable for the year.

20 Capital Commitments and Other Commitments

	2017 €'000	**2016 €'000**
Contracted for	14,643	47,634
Total	**14,643**	**47,634**
Capital commitments for which funding by way of grants is committed	**14,170**	**45,614**

Land and buildings are held in the books of CIÉ Holding Company. Commitments in respect of land and buildings occupied by Bus Éireann but stated in CIÉ Holding Company books are €1.12m for 2017 (2016: €1.13m) and are not included above in Bus Éireann Capital Commitments.

Other commitments include a School reserve held on behalf of the Department of Education and Skills which has been set aside for future expenditure on Schools Transport. The relevant School reserve balances are €6.8m for 2017 and €6.9m for 2016.

Notes to the Financial Statements (continued)

21 Guarantees and Contingent Liabilities

The CIÉ Group has borrowings of €28 million (2016: €40.9 million) at the balance sheet date. These borrowings are cross guaranteed by Bus Éireann and the other subsidiaries in the CIÉ Group at 31.12.2017.

As of January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108m for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2017, the Group had drawn down €28m under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80m.

The Company, from time to time, is party to various legal proceedings relating to commercial matters which are being handled and defended in the ordinary course of business. The status of pending or threatened proceedings is reviewed with CIÉ's group legal counsel on a regular basis. It is the opinion of the directors that losses, if any, arising in connection with these matters will not be materially in excess of provisions made in the financial statements.

Bus Éireann's capital expenditure in respect of PSO Fleet is funded through Capital Grants from the National Transport Authority. This funding is provided in line with the provisions of the Direct Award Contract, signed on 1 December 2014 and certain contingent liabilities arise under these agreements. The directors believe that the risk of the National Transport Authority exercising their rights under the related agreements is remote.

22 Net Deficit by Activity

		Public services			
	Commercial and school transport €'000	**Stage carriage €'000**	**City €'000**	**Public Services Total €'000**	**Total €'000**
2017					
Revenue	226,848	47,226	35,215	82,441	**309,289**
Costs (net)	233,823	87,385	43,026	130,411	**364,234**
Deficit before Subvention	(6,975)	(40,159)	(7,811)	(47,970)	**(54,945)**
Subvention				47,713	**47,713**
Deficit after Subvention	(6,975)			(257)	**(7,232)**
Net exceptional costs					**(16,446)**
Deficit for the year					**(23,678)**
2016					
Deficit before exceptionals	(8,732)			152	**(8,580)**
Exceptional costs					**(944)**
Deficit for the year					**(9,524)**

The Company operates commercial, schools transport and public service activities. The principal activity operated on a commercial basis is Expressway.

The School Transport Scheme is operated under "contract", more correctly described as an administrative arrangement, with the Department of Education and Skills.

The remaining principal activities are Stage Carriage which are regional and trunk routes and City Services in regional cities for which the Company receives PSO payments in respect of these public service activities. Costs for Expressway, Stage Carriage and City Services are allocated on the basis of numbers of buses, kilometres, hours and other available metrics. The cost of PSO operations in the year ended 31 December 2017 amounted to €48.0 million, before exceptional items, while the compensation received amounted to €47.7million for PSO payment before exceptional PSO related to prior years.

23 Related Parties

In the ordinary course of business the Company purchases goods and services from entities controlled by the Irish Government, the principal of these being An Post and National Transport Authority. The directors are of the opinion that the quantum of these purchases is not material in relation to the Company's business.

The Company is exempt from the disclosure requirements of paragraph 33.9 of FRS102 in relation to transactions with those entities that are a related party by virtue of the fact that the same State has control, joint control or significant influence over both the reporting entity and the other entity.

24 Public Service Obligation Contract

The PSO payable to the Company through the holding company, Córas Iompair Éireann, amounted to €47.7 million for the year ended 31 December 2017 including €2.85 million related to 2016 (2016: €41.9 million).

25 Membership of Córas Iompair Éireann Group

Bus Éireann is a wholly owned subsidiary of CIÉ and the financial statements reflect the effects of group membership. Copies of the CIÉ consolidated financial statements can be obtained from CIÉ, Heuston Station, Dublin 8.

26 Post Balance Sheet Events

There have been no significant post balance sheet events which require adjustment to or disclosure in the financial statements except as noted below.

The Company was informed by the National Transport Authority (NTA) during March 2018 that its bid for six Dublin commuter routes was unsuccessful. The NTA have advised that the loss of these routes will be offset by the expansion of services on other existing routes.

27 Approval of Financial Statements

The directors approved the financial statements on 4th April 2018.

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