Bus Éireann

Annual Report and Financial Statements 1996

Tuarascáil Bhliantúil agus Ráitis Airgeadais don Bhliain go 31ú Nollaig 1996

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Directors and Other Information

Directors

Mr. M. P. McDonnell, Chairman

Mr. W. Lilley, Managing

Mr. A. J. O'Brien

Ms. T. Honan

Mr. B. Murtagh

Secretary and Registered Office

Mr. J. P. Lynch,
Broadstone,
Dublin 7.

Telephone (01) 830 2222
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Registered Number 119570

Auditors

Craig Gardner & Co.,
Chartered Accountants and Registered Auditors,
Gardner House,
Wilton Place,
Dublin 2.

Report of the Directors

For the Year Ended 31st December, 1996

The directors present their annual report together with the audited financial statements for the year ended 31st December, 1996.

1. Principal Activities and Review of Operations

A major review of operations was carried out during 1996, as a result of which a viability plan to achieve annual savings of IR £6 million was presented to employees in the middle of the year. This viability plan is discussed in more detail in Note 1 to the financial statements.

The following is a summary of the passenger journeys and vehicle kilometres operated by the company on scheduled services:

	Year ended 31st December	
	1996	1995
	000's	000's
Passenger journeys		
Provincial city services	**19,711**	20,229
Other scheduled services	**18,787**	18,485
School transport scheme	**48,782**	49,431
	87,280	88,145
Vehicle kilometres		
Provincial city services	**5,842**	5,502
Other scheduled services	**57,618**	57,087
	63,460	62,589

Passenger numbers declined across all city services, with the exception of the high frequency "Imp" service introduced in Waterford in late 1995. It is planned to implement similar services in the other cities during 1997. Passenger numbers increased on "Expressway" services, and remained static on rural stage carriage services. In line with previously identified demographic trends passenger numbers on the school transport scheme declined in line with the school-going population.

During 1996 the company continued its policy of investing in the fleet, putting 60 new "Expressway" coaches (including 25 under short term lease), 9 city single-deck buses and 76 second-hand school buses into service.

The financial statements continue to be prepared on a going concern basis as the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

2. Results and Reserves

The financial statements for the year ended 31st December, 1996 are set out in detail on pages 6 to 21 and a summary of the results is as follows:-

	1996
	IR £000
Deficit for the year after State Grant	**(9,146)**
Transfer to Reserve	**(190)**
Goodwill on Acquisition write-off	**(753)**
Increase in Accumulated Deficit during the Year	**(10,089)**

3. Worker Participation at Sub-Board Level

The company is among the State enterprises covered by the sub-board participation provisions of the Worker Participation (State Enterprises) Act, 1988. Proposals designed to give effect to the provisions of the Act have been drafted and the process towards implementation of the Act is continuing.

4. Health and Safety

It is the policy of the company to ensure 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, 1989.

5. Equal Opportunities

The company is an equal opportunities employer. All applications for employment and promotion are given full and fair consideration with due regard being given to the aptitude and ability of the individual and the requirements of the position being filled.

6. Directors

The directors of the company are appointed by the chairman of Córas Iompair Éireann with the consent of the Minister for Transport, Energy and Communications. The directors during the year ended 31st December, 1996 are set out below. Except where indicated, they served as directors for the entire year.

Mr. M. P. McDonnell, Chairman

Mr. D. Mangan
Resigned 1st January, 1997

Mr. S. Feely
Retired 30th November, 1996

Mr. J. J. Harrington
Retired 27th January, 1996

Mr. A. J. O'Brien
Retired 30th November, 1996,
re-appointed 5th February, 1997

Ms. T. Honan
Appointed 1st March, 1996

Mr. B. Murtagh
Appointed 1st March, 1996

Mr. W. Lilley was appointed managing director with effect from 2nd January, 1997.

None of the directors or the secretary held any interest in any shares or debentures of the company, its holding company or its fellow subsidiaries at any time during the year.

7. Auditors

Craig Gardner & Co., Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the board

M. P. McDonnell, Chairman
W. Lilley, Managing Director
29th April, 1997.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Acts, 1963 to 1990 and the European Communities (Companies: Group Accounts) Regulations, 1992. 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.

Report of the Auditors

To the Members of Bus Éireann - Irish Bus

We have audited the financial statements on pages 6 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective Responsibilities of Directors and Auditors

As described on page 4, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relating to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31st December, 1996 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1990 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the report of the directors on pages 2 to 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 9, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31st December, 1996 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Craig Gardner & Co.,
Chartered Accountants and Registered Auditors,
Dublin.
29th April, 1997.

Principal Accounting Policies

A. Basis of Accounting:

The financial statements have been prepared in accordance with generally accepted accounting principles under the historical cost convention and are expressed in Irish pounds, denoted by the symbol IR £.

B. Tangible Assets, Depreciation and Asset Replacement Reserve:

Tangible assets are stated at historical cost less accumulated depreciation based on that historical cost.

The bases of calculation of depreciation and asset replacement reserve are as follows:-

(i) 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. In addition, the excess of depreciation based on the replacement cost of the vehicles (at the beginning of the year) over this historical cost depreciation is shown separately as a transfer to reserve from the profit and loss account.

School buses in the fleet at 1st April, 1974 are depreciated, by equal annual instalments, on the basis of their written down value at that date spread over the remainder of their expected useful lives. School buses which came into service after 1st April, 1974 are depreciated, by equal annual instalments, on the basis of their original cost spread over their expected useful lives.

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

C. Leased Assets:

Operating Leases

Rental payments under operating leases are charged to the profit and loss account as they accrue.

D. Stocks:

Stocks of materials and spare parts are valued at average cost less provision for all defective and obsolete stocks.

Provision is made for the write-off of stocks which have not moved for more than four years, with the exception of stocks associated with recently acquired assets.

E. Department of Education – Funding of School Buses:

School buses funded by the Department of Education are included in tangible assets and are depreciated as described in (B) with a corresponding amortisation of the moneys received from the Department of Education.

F. Foreign Currency:

Transactions denominated in a foreign currency are translated into Irish pounds at the rate ruling at the date of the transaction, or at contract rates

Principal Accounting Policies

where the amounts payable or receivable are covered by forward contracts.

Realised exchange gains or losses on transactions settled during the year are treated as part of the surplus or deficit for the year from ordinary activities.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at contract rates where applicable.

G. Non-repayable State Grant:

The Non-repayable State grant under EU regulation No. 1107/70 (Article 3.2) is included in the profit and loss account.

H. Pensions:

The expected cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from independent actuaries, at what is expected to be a stable percentage of pensionable pay. Variations from regular pension costs, identified by periodic actuarial valuations, are spread over the expected average remaining service lives of the members of the scheme. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. The capital cost of ex gratia pensions is provided for and charged to the profit and loss account in the year that the related employee severance is recognised and is included in the cost of severance.

I. Goodwill on Acquisition:

Goodwill on acquisition, being the excess of consideration payable over the fair value of net assets acquired at the date of acquisition, is written off immediately against reserves.

Profit and Loss Account

	Notes	Year ended 31st December 1996 IR £000	1995 IR £000
Revenue			
Customer receipts		**99,566**	97,152
Miscellaneous receipts		**566**	597
Exceptional operating income	2	—	2,032
Total Revenue		**100,132**	99,781
Costs			
Operating costs	3	**(102,709)**	(103,412)
Exceptional operating costs	1 & 2	**(10,500)**	(3,592)
Total Operating Costs		**(113,209)**	(107,004)
Deficit before Profit on Disposal of Tangible Assets, Interest and State Grant		**(13,077)**	(7,223)
Profit on Disposal of Tangible Assets		**74**	36
Deficit before Interest and State Grant		**(13,003)**	(7,187)
Interest Receivable/(Payable)	4	**457**	(595)
Deficit for the Year before State Grant		**(12,546)**	(7,782)
State Grant	5	**3,400**	1,700
Deficit for the Year after State Grant		**(9,146)**	(6,082)
Transfer to Reserve	15	**(190)**	(346)
Change in Balance on the Profit and Loss Account		**(9,336)**	(6,428)
Goodwill on Acquisition Write-off	7	**(753)**	—
Accumulated (Deficit)/Surplus at the Beginning of the Year		**(3,498)**	2,930
Accumulated Deficit at the End of the Year		**(13,587)**	(3,498)

All figures relate to the continuing activities of the company.

There were no recognised gains or losses other than those included in the profit and loss account.

On behalf of the board

M. P. McDonnell, Chairman
W. Lilley, Managing Director
29th April, 1997.

Balance Sheet

	Notes	As at 31st December 1996 IR £000	1995 IR £000
Fixed Assets			
Tangible assets	6	**36,517**	32,587
Intangible assets	7	**—**	—
		36,517	32,587
Current Assets			
Stocks	8	**3,246**	3,887
Debtors	9	**16,326**	18,417
Cash at bank and in hand		**56**	74
		19,628	22,378
Creditors (Amounts falling due within one year)	10	**(22,617)**	(16,012)
Net Current (Liabilities)/Assets		**(2,989)**	6,366
Total Assets less Current Liabilities		**33,528**	38,953
Financed by:-			
Creditors (Amounts falling due after more than one year)	11	**4,917**	1,795
Provision for Liabilities and Charges	13	**15,640**	14,281
		20,557	16,076
Capital and reserves			
Called up share capital	14	**23,000**	23,000
Asset replacement reserve	15	**3,558**	3,368
Profit and loss account		**(13,587)**	(3,498)
Equity Shareholders' Funds	16	**12,971**	22,870
Department of Education Funding of School Buses	17	**—**	7
		33,528	38,953

On behalf of the board

M. P. McDonnell, Chairman
W. Lilley, Managing Director
29th April, 1997.

Cash Flow Statement

	Notes	Year ended 31st December 1996 IR £000	1995 IR £000
Net Cash Inflow from Operating Activities	18(A)	**8,142**	8,668
Returns on Investment and Servicing of Finance			
Interest receivable/(payable)	4	**457**	(595)
		8,599	8,073
Capital Expenditure			
Additions to tangible assets	6	**(10,708)**	(5,123)
Proceeds from disposal of tangible assets		**74**	36
		(10,634)	(5,087)
		(2,035)	2,986
Acquisition			
Slattery Travel - consideration paid		**(291)**	—
		(2,326)	2,986
Management of Liquid Resources			
Movement in amounts owed by holding and fellow subsidiary companies	18(B)	**3,045**	(2,244)
		719	742
Financing			
Repayment on loan from holding company		**(921)**	(220)
(Decrease)/Increase in Cash	18(C) and (D)	**(202)**	522

1. FUTURE VIABILITY

As noted in the directors' report on page 2 a major review of the company's operations was carried out during 1996, as a result of which a viability plan to achieve annual savings of IR £6 million was presented to employees in the middle of the year.

The principal features of the plan include:-

- a greater focus on providing quality service to customers;
- more efficient utilisation of all resources;
- a reduction in the numbers employed in all categories of support staff; and
- an accelerated fleet investment programme.

The directors consider that the plan can be implemented during 1997, and consequently the exceptional costs of restructuring the business in line with the plan have been provided for in the financial statements.

Exceptional restructuring costs of IR £10.5 million (Note 2) have been charged to the profit and loss account in 1996, representing the estimated cost of voluntary severance (including related pension costs) and other measures associated with the plan.

2. EXCEPTIONAL OPERATING INCOME AND COSTS

	1996	1995
	IR £000	IR £000
Exceptional Operating Income		
Payment by the Department of Education in respect of school transport services provided in earlier years	—	(2,032)
Exceptional Operating Costs		
Restructuring costs (Note 1)	**10,500**	3,592

3. OPERATING COSTS

	1996 IR £000	1995 IR £000
Staff Costs		
Wages and salaries	**41,285**	40,460
Social welfare costs	**3,480**	3,492
Other pension costs	**2,337**	2,077
	47,102	46,029
Own work capitalised and engineering work for Group companies	**(413)**	(441)
Net Staff Costs	**46,689**	45,588
Materials and Services		
Fuel and lubricants	**4,245**	4,053
School contractors	**18,774**	17,786
Road tax and licences	**268**	275
Operating lease rentals	**867**	392
Third party and employer's liability claims	**4,939**	5,872
Rates	**350**	359
Auditors' remuneration	**29**	30
Materials and other services	**19,746**	20,218
	49,218	48,985
Directors' Remuneration		
Emoluments		
– for services as directors	**3**	6
– for other service	**28**	40
	31	46
Depreciation		
– Net of Department of Education funding (Notes 6 and 17)	**6,771**	8,793
Total Operating Costs	**102,709**	103,412

The average number of persons employed during the year was as follows:-

	Staff Numbers 1996	1995
Full time	**1,910**	1,918
Part-time school bus drivers	**651**	675
Total	**2,561**	2,593

4. INTEREST RECEIVABLE/(PAYABLE)

	1996 IR £000	1995 IR £000
Interest receivable	457	—
Interest payable	—	595

5. STATE GRANT

A State grant of IR £3,400,000 for the year ended 31 December, 1996 (1995 – IR £1,700,000) in respect of deficits on road passenger services was received by the company via Córas Iompair Éireann, in accordance with EU Regulation No. 1107/70.

6. TANGIBLE ASSETS

	Road Passenger Vehicles IR £000	Plant and Machinery IR £000	Total IR £000
Cost			
At 1st January, 1996	77,888	2,664	80,552
Additions	10,605	103	10,708
Disposals	(7,247)	—	(7,247)
At 31st December, 1996	81,246	2,767	84,013
Depreciation			
At 1st January, 1996	46,139	1,826	47,965
Charge for the year	6,621	157	6,778
Disposals	(7,247)	—	(7,247)
At 31st December, 1996	45,513	1,983	47,496
Net Book Amounts			
At 31st December, 1996	35,733	784	36,517
At 31st December, 1995	31,749	838	32,587

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

	Lives (Years)
Road passenger vehicles	8 - 16
Plant and machinery	5 - 10

(b) Road passenger vehicles at a cost of IR £7,141,000 (1995 - IR £12,860,000) were fully depreciated but still in use at the balance sheet date.

(c) The tangible asset additions for 1996 include an amount of IR £2,716,771 relating to tangible assets not in service at 31st December, 1996.

7. INTANGIBLE ASSETS

	1996 IR £000	1995 IR £000
Goodwill on acquisitions at 1st January	—	—
Arising during the year	753	—
Write-off to reserves	(753)	—
Goodwill on Acquisitions at 31st December	—	—

On 2nd February 1996 the Company acquired the goodwill of Slattery Travel, a cross-channel coach operator, at a total cost of IR £753,000, comprising fixed payments totalling IR £570,000, performance related payments (over 3 years) not to exceed IR £150,000 and transaction costs of IR £33,000.

8. STOCKS

	1996 IR £000	1995 IR £000
Maintenance materials and spare parts	2,786	3,584
Fuel, lubricants and sundry stock	460	303
	3,246	3,887

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

9. DEBTORS (Amounts falling due within one year)

	1996 IR £000	1995 IR £000
Trade debtors	5,232	4,215
Amounts owed by holding and fellow subsidiary companies	9,966	13,011
Other debtors and accrued Income	1,128	1,191
	16,326	18,417

10. CREDITORS (Amounts falling due within one year)

	1996 IR £000	1995 IR £000
Bank overdraft	**518**	334
Trade creditors	**1,191**	1,804
Loan from holding company (Note 12)	**1,000**	1,169
Income tax deducted under PAYE	**759**	632
Pay related social insurance	**514**	518
Value added tax and other taxes	**145**	8
Other creditors	**1,270**	785
Accruals	**5,470**	4,560
Restructuring provision (Note 1)	**8,500**	2,952
Third party and employer's liability claims (Note 13)	**3,250**	3,250
	22,617	16,012
Creditors for taxation and social welfare included above	**1,418**	1,158

11. CREDITORS (Amounts falling due after more than one year)

	1996 IR £000	1995 IR £000
Loan from holding company (Note 12)	**859**	1,611
Restructuring provision (Note 1)	**4,058**	184
	4,917	1,795

12. LOAN FROM HOLDING COMPANY

	1996 IR £000	1995 IR £000
This loan is repayable as follows:-		
Within one year (Note 10)	**1,000**	1,169
Between one and two years	**859**	253
Between two and five years	**—**	947
After five years	**—**	411
	859	1,611
	1,859	2,780

This loan represents the net assets, less issued share capital, assigned to the company on its establishment following the re-organisation of Córas Iompair Éireann in 1987. Each year the amount outstanding is aged by reference to the bank loans held and managed by Córas Iompair Éireann on behalf of the operating subsidiary companies.

13. PROVISION FOR LIABILITIES AND CHARGES

	1996 IR £000	1995 IR £000
Third Party and Employer's Liability Claims		
Balance at 1st January	**17,531**	15,465
Utilised during the year	**(3,479)**	(3,691)
Transfer from profit and loss account	**4,838**	5,757
Balance carried forward	**18,890**	17,531
Less: Transfer to current liabilities (Note 10)	**(3,250)**	(3,250)
Balance at 31st December	**15,640**	14,281

Provision is made for the estimated ultimate cost of all third party and employer's liability claims which are not covered by external insurance policies. In arriving at the amount of the total provision required for third party liability claims, the company has had regard to the results of an independent actuarial review.

Córas Iompair Éireann has, on behalf of the company, the following external insurance cover :-

(i) third party liability in excess of IR £1,000,000 and up to IR £81,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of actions taken for road claims subject to United States jurisdiction where the excess is US $3,000,000;

(ii) third party liability in excess of IR £50,000 and up to IR £80,050,000 on any one occurrence or series of occurrences arising out of All Other Risks events, except the case of actions for All Other Risks claims subject to United States jurisdiction where the excess is US $100,000;

(iii) road transport third party liabilities in excess of a self-insured retention of IR £4,410,000 in aggregate in the twelve month period, April 1997 to March 1998; and

(iv) fire and special perils, including storm damage, to Board's property in excess of IR £200,000 on any one loss.

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

14. SHARE CAPITAL

	1996 IR £000	1995 IR £000
Authorised:		
Ordinary Shares of IR £1 each	**32,000**	32,000
Allotted, Called Up and Fully Paid:		
Ordinary Shares of IR £1 each	**23,000**	23,000

15. ASSET REPLACEMENT RESERVE

	1996 IR £000	1995 IR £000
Balance at 1st January	**3,368**	3,022
Transfer from profit and loss account	**190**	346
Balance at 31st December	**3,558**	3,368

This reserve represents the excess of depreciation based on replacement cost over that based on historical cost (Accounting Policy B).

16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1996 IR £000	1995 IR £000
Deficit for the year after State grant	**(9,146)**	(6,082)
Goodwill on acquisition write-off	**(753)**	—
Opening Equity Shareholders' Funds	**22,870**	28,952
Closing Equity Shareholders' Funds	**12,971**	22,870

17. DEPARTMENT OF EDUCATION FUNDING OF SCHOOL BUSES

	1996 IR £000	1995 IR £000
Balance at 1st January	**7**	20
Released to profit and loss account	**(7)**	(13)
Balance at 31st December	**—**	7

18. CASH FLOW STATEMENT

	1996 IR £000	1995 IR £000
(A) Reconciliation of Deficit before Interest and State Grant to Net Cash Inflow from Operating Activities		
Deficit for the year before interest and State grant	**(13,003)**	(7,187)
State grant (Note 5)	**3,400**	1,700
Exceptional operating costs (Note 2)	**10,500**	3,592
Redundancy payments made	**(1,078)**	(809)
Depreciation (Notes 6 and 17)	**6,771**	8,793
Profit on disposal of tangible assets	**(74)**	(36)
Decrease (increase) in stocks	**641**	(138)
Increase in debtors	**(954)**	(377)
Increase in creditors	**580**	1,064
Increase in provisions for liabilities and charges	**1,359**	2,066
Net Cash Inflow from Operating Activities	**8,142**	8,668

(B) Management of Liquid Resources

Liquid resources comprise amounts owed by holding and fellow subsidiary companies, which represents cash generated and not immediately required for operations made available to other group companies, repayable on demand.

(C) Reconciliation of Net Cash Flow to Movement in Net Funds

	1996 IR £000	1995 IR £000
(Decrease)/Increase in cash in the year	**(202)**	522
Cash to repay loan from holding company	**921**	220
Cash from change in liquid resources	**(3,045)**	2,244
Change in net funds	**(2,326)**	2,986
Net funds at 1st January	**9,971**	6,985
Net Funds at 31st December	**7,645**	9,971

(D) Analysis of Changes in Net Funds

	At 1st Jan. 1996 IR £000	Cash Flows IR £000	Other Changes IR £000	At 31st Dec. 1996 IR £000
Cash at bank & in hand	74	(18)	—	56
Bank overdraft	(334)	(184)	—	(518)
	(260)	(202)	—	(462)

18. CASH FLOW STATEMENT (continued)

(D) Analysis of Changes in Net Funds (continued)

	At 1st Jan. 1996 IR £000	Cash Flows IR £000	Other Changes IR £000	At 31st Dec. 1996 IR £000
Debt due within one year	(1,169)	921	(752)	(1,000)
Debt due after one year	(1,611)	—	752	(859)
Amounts owed by holding and fellow subsidiary companies	13,011	(3,045)	—	9,966
	9,971	(2,326)	—	7,645

19. OPERATING LEASE OBLIGATIONS

Commitments under non-cancellable operating leases payable in the coming year expire as follows:-

	1996 IR £000	1995 IR £000
Within one year	259	220
Between one and five years	935	433
	1,194	653

20. PENSIONS

The majority of the company's employees participate in defined benefit pension schemes based on final pensionable pay. Contributions by the company and the employees are invested in trustee-administered funds.

Proposals for the amalgamation of the Board's six pension schemes into two schemes have been accepted. Statutory Instrument No. 115 of 1996 confirmed the CIE Pension Scheme for Regular Wages Staff (Amendment) Scheme, 1996. The CIE Superannuation Scheme 1951 (Amendment) Scheme 1996 is awaiting confirmation.

Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions as incurred over employees' working lives with the group as a stable percentage of expected future pay. Contributions to the amalgamated schemes are determined by independent actuaries on the basis of annual reviews using the projected unit method.

The market value of the group pension schemes' assets at 31st December, 1996 was IR £580,104,000.

An actuarial review of the amalgamated schemes was carried out as at 31st December, 1994. The market value of the assets of the group schemes at that date was IR £440,602,000 and this exceeded 100% of the benefits which had accrued to members based on service to and pensionable pay at the review date. After allowing for future pay and pension increases the level of funding was 86%. The principal assumption in this review was that investment returns would exceed the rate of increase in pensionable remuneration and of pensions in payment by 2.5%. An actuarial valuation of the amalgamated schemes as at 31st December, 1996 is currently taking place. Actuarial reports are available to scheme members but are not available for public inspection.

20. PENSIONS (continued)

The pensions cost for the year was IR £2,337,000 (1995 – IR £2,077,000), and included in the provision for restructuring costs in Note 2 is IR £4,100,000 (1995 – IR £1,405,000) being the capital cost of the ex gratia pensions element of voluntary severance

As at 31st December, 1996 a provision for the capital cost of ex gratia pensions of IR £5,700,000 (1995 – IR £1,305,000) is included under accruals in creditors.

21. CAPITAL COMMITMENTS

	1996	1995
	IR £000	IR £000
Contracted for	**6,115**	3,686
Authorised by the directors but not contracted for	**2,180**	479
	8,295	4,165

22. CONTINGENT LIABILITIES

The company, from time to time, is party to various legal proceedings. 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.

23. NET DEFICIT BY SECTOR

The deficit for the year after the transfer to asset replacement reserve is split between city services and other services as follows:-

	City services		**Other services**	
	1996	1995	**1996**	1995
	IR £000	IR £000	**IR £000**	IR £000
Revenue				
Customer receipts	**11,763**	11,793	**87,803**	85,359
Miscellaneous receipts	**53**	55	**513**	542
Exceptional operating income	—	—	—	2,032
Total Revenue	**11,816**	11,848	**88,316**	87,933
Expenditure				
Maintenance of buildings	**204**	315	**1,206**	1,883
Maintenance of vehicles and equipment	**2,816**	2,683	**16,608**	17,723
Fuel	**442**	416	**3,803**	3,637
Road tax and licences	**19**	23	**249**	252
Operating and other expenses	**12,639**	10,685	**68,378**	60,558
Operating depreciation	**1,012**	1,614	**5,949**	7,525
Total Expenditure before Interest	**17,132**	15,736	**96,193**	91,578

23. NET DEFICIT BY SECTOR (continued)

	City services		Other services	
	1996	1995	**1996**	1995
	IR £000	IR £000	**IR £000**	IR £000
Operating Deficit before Interest and State Grant	**(5,316)**	(3,888)	**(7,877)**	(3,645)
Interest Receivable/(Payable)	**60**	(87)	**397**	(508)
Deficit before State Grant	**(5,256)**	(3,975)	**(7,480)**	(4,153)
State Grant	**1,768**	906	**1,632**	794
Deficit for the Year after State Grant	**(3,488)**	(3,069)	**(5,848)**	(3,359)

No taxation charge arises on the results for the year because certain revenues of the company are not brought into account for taxation purposes.

24. Related Parties

Entities controlled by the Irish Government are related parties of the company by virtue of the Irish Government's control of the holding company, Córas Iompair Éireann.

In the ordinary course of business the company purchases goods and services from entities controlled by the Irish Government, the principal of these being the ESB, Telecom Éireann, An Post and Bord Gáis. The directors are of the opinion that the quantum of these purchases is not material in relation to the company's business.

The financial statements of Córas Iompair Éireann provide the information required by Financial Reporting Standard No. 8 concerning transactions between that company, its subsidiaries and the Irish Government.

25. Membership of Córas Iompair Éireann Group

Bus Éireann – Irish Bus is a member of the Córas Iompair Éireann Group of Companies (the Group) and the financial statements reflect the effects of group membership.

Reference in these financial statements to the Board means the Board of Córas Iompair Éireann.

26. Approval of Financial Statements

The directors approved the financial statements on 29th April, 1997.

Value Added Statement

	Year ended 31st December			
	1996		1995	
	IR £000	**IR £000**	IR £000	IR £000
Value Added Generated				
Revenue		**100,132**		99,781
State grant (Note 5)		**3,400**		1,700
Interest receivable (note 4)		**457**		0
Own work capitalised and engineering work for group companies (note 3)		**413**		441
Profit on disposal of tangible assets		**74**		36
Less: Cost of materials and services utilised	**(49,218)**		(48,985)	
Exceptional operating costs (Note 2)	**(10,500)**	**(59,718)**	(3,592)	(52,577)
		44,758		49,381
Application of Value Added				
Net compensation of employees including pension costs		**33,966**		33,110
Government – payroll taxes		**13,167**		12,965
Providers of capital (Note 4)		—		(595)
Provision for future investment – Depreciation (Note 3)		**6,771**		8,793
Deficit for the year		**(9,146)**		(6,082)
		44,758		48,191