



DRIVING EFFICIENCY



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Bus Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2007-2013 as well as co-funding by the European Union.

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transport21
progress in motion



OPERATIONS REVIEW

Financial Review

The company incurred a loss of €4.7m in 2009 compared to a loss of €6.1m before exceptional items in 2008. The loss after exceptional items amounted to €11.2m for 2009.

Bus Éireann faced a number of challenges during 2009. Factors such as the serious downturn in the economy, the fall in retail sales and the increasing number of job losses and drop in tourist numbers have had a severe impact on passenger numbers. Competition from other modes of transport also impacted on passenger numbers. The operation of licensed and unlicensed services across the best elements of the network and in many cases just ahead of Bus Éireann's established departure times has impacted on the Company's revenue base. Core road passenger products recorded a drop in passenger numbers of approx 12.3% against 2008 levels.

The loss of the excise duty rebate in respect of fuel used on road transport operations has added €10m to the cost base of the company in 2009. The carbon tax announced in the December 2009 budget will further increase fuel costs in 2010.

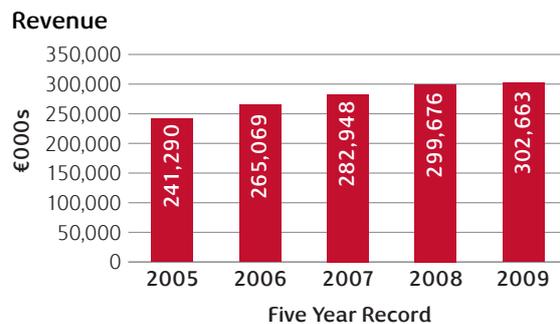
Cost Efficiency

Bus Éireann has successfully implemented cost saving programmes over the last numbers of years and €6m in cost reductions were achieved in 2009 across all areas of the business without any impact on service levels.

The company has successfully implemented cost saving programmes over the last number of years and these programmes were escalated in 2009 in light of the current economic environment. The company achieved substantial cost reductions during the year with overall reductions of 4% being achieved in core road passenger expenditure. This programme is continuing in 2010 with the company planning to reduce the cost base in line with current demand levels.

Total revenue earned in 2009 amounted to €302.7 million compared to €299.7m in 2008.

The revenue performance over recent years is set out in the table below:



Efficiencies Implemented

According to the independent Deloitte report, which was commissioned by the Department of Transport, Bus Éireann is an efficient and effective public transport operator compared to European standards operating on a low subvention compared to other similar operators in Europe.

In order to achieve these efficiencies, Bus Éireann has had in place ongoing cost saving programmes over the last number of years and challenging targets are included in each annual budget. Savings of approximately 4% were achieved in both 2008 and 2009, which equated to approximately €6m in savings in 2009 without any impact on services levels or the standard of service being delivered.

OPERATIONS REVIEW (CONTINUED)

Cost savings were achieved in all areas through companywide efficiencies and also from reducing external supplier costs. Efficiencies were achieved in areas such as payroll costs, overtime, absenteeism, fuel efficiency, vehicle accident damage, and maintenance and bus hire costs. Core payroll costs reduced year on year.

Operational Savings

During 2009, the company introduced further efficiency measures across a wide range of areas, as recommended by the Deloitte report. This included use of on-street ticket vending machines, utilisation of higher capacity vehicles, and integration with Rural Transport Programme and HSE transport services.

The company also made significant procurement savings in external supplier costs during the year across all areas – maintenance, materials, bus hire, service costs etc. Administration costs were also reduced. There was also a reduction in professional fees paid to suppliers. A review of all of the above costs is on-going.

As recommended by the Deloitte report, Bus Éireann introduced double-deck coaches on key commuter routes in the east of the country. This has increased capacity per vehicle by up to 50 per cent, which reduced the requirement for additional vehicles to be deployed to cover demand at peak times.

Technology was also used to reduce costs. For example, the use of ticket vending machines at bus stations around the country and in third-party locations such as Dublin, Cork and Shannon Airports led to a reduction in opening hours and staffing levels for ticket offices.

Network Planning

More efficient operations and more effective customer services were achieved through the ongoing network review of scheduled services. Similarly there was a comprehensive reorganisation of school transport services, which yielded a reduction in vehicle numbers being used, while additional services were introduced. This was achieved through network planning to fully utilise existing resources in the most effective manner, through the amalgamation of routes, and renegotiation of contractor rates and greater use of larger vehicles.

Synergy Initiatives

The Deloitte report recommended that Bus Éireann should explore potential synergies and value for money opportunities with the Rural Transport Programme and the HSE with a view to providing a better range of local and rural transport services. Bus Éireann has worked closely with the RTP, the HSE, the Irish Wheelchair Association and the Departments of Education and Science and Transport on this project during the year with the purpose of providing a better service in a more effective manner through network planning and better utilisation of resources.

Pilots began in Louth/Meath and Sligo/Leitrim, which see RTP and HSE services link-in with existing Bus Éireann services. Over 20 pilot projects have been progressed and there will be further progress during 2010. An assessment and review of the pilots will be finalised by mid 2010.

Cost Recovery Initiatives

Further savings will be achieved in 2010 by the introduction of the company's cost recovery plan as recommended by the Labour Court in November 2009. This followed extensive negotiations with the trade unions during 2009 internally and with the involvement of the Labour Relations Commission and the Labour Court. The cost recovery plan will see savings achieved through changes to work practices, and conditions, a reduction in employee numbers through voluntary redundancy, and rationalisation of services with low customer support.

Energy Saving Initiatives

During 2009 the company began piloting eco-driving techniques in conjunction with Sustainable Energy Ireland. This has led to reduced fuel consumption and lower fuel costs. The company also worked with Sustainable Energy Ireland to secure grant aid to retrofit induction lights in the Broadstone Garage that has reduced electricity consumption by 60 per cent while improving lighting levels. These initiatives are being expanded in 2010.

OPERATIONS REVIEW (CONTINUED)

Revenue Maximisation

Maximisation of revenue in a difficult trading environment was a priority in 2009. A wide range of successful marketing initiatives were implemented in 2009 to help promote services, retain customers and improve under-performing routes. These initiatives will continue in 2010.

Such activity included the introduction of special fares on local and national routes to encourage travel, particularly at key travel times such as school holidays and at Christmas. Promotional fares were also used on specific local routes that had not been performing well.

Joint promotions were also established with a range of third-parties, examples being Dunnes Stores, Dublin Airport, Dublin Zoo, local retailers and shopping centres.

A highly focused student campaign was also activated that saw student passenger numbers stabilise and increase. As part of the marketing strategy, an e-marketing programme was put in place to encourage on-line purchasing and increase interaction with key target audiences. The programme involved the utilisation of digital media such as Twitter and Facebook, increased use of e-mail campaigns, and the revamp of the company's website. It has been recognised that Bus Éireann is one of the few Irish companies to successfully sell products through Twitter such as promotional fares for off peak travel.

Subvention

Bus Éireann received a subvention from the State, as payment for its Public Service Obligation (PSO) of €49.365m in 2009. This was an increase of approximately €7.5m from the year before and in the current economic circumstances is greatly welcomed. However, this was offset by the elimination of the fuel rebate scheme following an EU ruling, which provided the company with approximately €10m per annum.

As the Deloitte report noted, Bus Éireann receives a low level of subvention compared to European peers. In 2009, the net cost of providing PSO services amounted to €50.4m. Bus Éireann had been using its own resources, generated on its commercial services, to support the under funding of social services. However, the economic and regulatory environment in 2009 meant that this approach was no longer possible.

Bus Éireann and the Department of Transport have a memorandum of understanding on service levels and targets for 2009 which includes the level of state support. The company met the performance targets set out in this memorandum.



OPERATIONS REVIEW (CONTINUED)

Major Employer

Bus Éireann is a large national employer with a workforce of 2,820 (including 534 part-time school bus drivers).

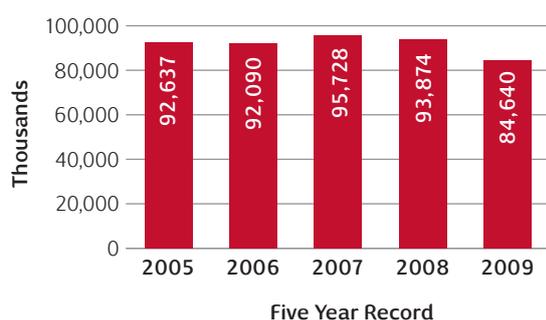
A further 1,470 suppliers are contracted to provide services mainly to the School Transport Scheme involving in the order of 3320 buses and taxis. Our business activities also create employment for people in many other sectors who supply Bus Éireann with goods and services.

Bus Éireann contributed €40.97m to the Exchequer in 2009 through PAYE/PRSI payments, VAT payments and other taxes.

Market trends

In recent years, Bus Éireann has significantly expanded its network of services across the country. However, the economic downturn has seen a significant drop in demand for public transport because of the fall in the number of people in work, the drop in the number of non-Irish nationals in the country, the significant slowdown in retailing and a substantial reduction in the number of tourists visiting Ireland. By its nature, public transport usage mirrors economic activity. This has resulted in Bus Éireann customer numbers decreasing by 12.3%.

Overall Customer Journeys



Customers/Kilometres

Year ended 31st December

	2009 Thousands	2008 Thousands
Customer journeys		
Provincial city services	18,323	21,217
Other scheduled services	23,929	26,948
School transport scheme	42,388	45,709
	84,640	93,874
Vehicle kilometres		
Provincial city services	8,784	8,841
Other services – own	85,341	87,007
Other services – sub contracted	83,372	83,652
	177,497	179,500

Customer Satisfaction

Bus Éireann continues to have a high level of customer satisfaction. An overall customer satisfaction of 86 % was recorded in 2009, while the company scored highly in terms of bus safety (96 %); queuing times (95 %); friendliness of drivers (88 %) and station staff (95 %); information availability at stations (90 %); and punctuality (86 %). 93 % of respondents said they would recommend Bus Éireann to a friend.

Bus Éireann's website – www.buseireann.ie – continued to be a highly popular resource for the travelling public with the site receiving an average of over 240,000 individual visits a month in 2009, which was a 20 per cent increase from 2008 and meant Bus Éireann's website remained one of the most visited Irish websites.

OPERATIONS REVIEW (CONTINUED)

Results of the independent audit indicated that a significant number of Bus Éireann customers accessed information online and availed of the journey planner with many also purchasing tickets. The journey planner enables people travelling to different destinations across the country to see how they can make onward connections using Bus Éireann's integrated network. Our integrated network enables customers to travel between a wide variety of destinations throughout the country in a seamless manner using one ticket at reduced fares.

Service Enhancements

Under Transport 21 and with the on-going support of the Minister for Transport and his Department, a number of improvements were made to existing services to meet customer demands.

A number of routes were revamped to improve service levels and to extend services by making better use of existing resources such as the increase in services to Dublin Airport from Rosslare, Wicklow, Ballina and Sligo.

The use of double-deck buses funded under Transport 21 on key commuter routes in the Eastern region has enabled capacity per vehicle to be increased by between 30 and 50 per cent. Higher capacity vehicles have lowered costs by reducing the number of vehicles required to cater for customer demand at peak periods.

In Cork, the allocation of 25 new buses under Transport 21 for use on city services enabled an increase in capacity on these routes. Where buses were allocated to specific routes this allowed them to be branded with customer and marketing information relevant to that route so as to promote travel along that corridor.

Further adjustments were made to the network of services in each of the regions to match changing customer needs, for example, timetables were adjusted to suit customer needs.

As part of the company's on-going plan to improve information at bus stops and bus shelters, a bus shelter investment programme was initiated with over 50 shelters erected during the year in conjunction with the company's commercial partner.

Maintaining Services in Difficult Conditions

Bus Éireann recognises its role as a key provider of public transport throughout the country and this was demonstrated on several occasions during 2009 when the company provided a high level of services in a safe manner in difficult circumstances.

During the flooding and bad weather conditions from November onwards, Bus Éireann, in conjunction with the Department of Transport, Gardai and local authorities, maintained a wide range of services throughout the country ensuring that customers could continue to travel to work and school/college, to the shops and to visit family and friends.

Bus Éireann's school transport scheme, working with the Department of Education and Science, ensured at very short notice that a full school transport service operated to facilitate the holding of an extra exam day on Saturday 6th June 2009. This unprecedented request was fulfilled with over 2,000 services provided nationally.

Energy Efficiency

Bus Éireann, in conjunction with Sustainable Energy Ireland, introduced a number of energy savings programmes in 2009 including eco-driving trials to reduce fuel consumption, and energy-efficient heating and lighting systems in garages.

OPERATIONS REVIEW (CONTINUED)

Due to very bad weather conditions at the Irish Open at Baltray, Bus Éireann, in conjunction with the Gardai, was called upon to put in place at very short notice a shuttle coach service to successfully transport thousands of people to and from the event at a time when many attendees were unable to access the car park facilities.

To maintain services in such circumstances in a safe manner requires significant skills and expertise and the commitment of our employees. This was recognised by the many messages and letters of thanks received from a range of sources.

Supporting Irish Rail during a period of line closure

Immediately following the disruption to rail services on the Dublin-Belfast line, Bus Éireann, in conjunction with the Department of Transport and Irish Rail, put in place a significant number of replacement and additional services to cater for commuters travelling along the corridor. There was excellent feedback from commuters on these services, as well as from local public representatives.

Festivals & Events

Bus Éireann operated coaches to and from some of the country's biggest festivals during 2009. These included Oxegen in Punchestown, Electric Picnic in Stradbally, the National Ploughing Championships, Summerfest in Killarney, the Cork Jazz Festival and the Tall Ships in Belfast.

Sporting Events

Bus Éireann operated special services to the All-Ireland Football and Hurling Championships Finals, and trialled Park n Ride services to Croke Park for select Championship matches.

It also operated special services to the Irish Open, the Volvo Ocean Race, the FAI Cup Final, and the Galway Races, as well as shuttle services from Limerick city to Thomond Park stadium for Munster rugby matches.

Bus Éireann was also the official coach supplier to the Grand Slam winning Irish International Rugby team.

Community Involvement

Bus Éireann continued its commitment to local communities throughout the country with its support for a number of local projects some of which are referred to below.

Bus Éireann played an active role working with the Department of Transport, and other State and local bodies to promote European Mobility Week, which is an initiative to encourage greater public transport use at national and local level.

In conjunction with the local Chamber of Commerce and Credit Union, Bus Éireann gave support for Ballinasloe's recovery after the floods in the town by running a locally-based competition. The promotion was welcomed locally.

In addition, a number of local events for Culture Night were supported by Bus Éireann including the hosting of concerts by local musical groups at bus stations such as in Sligo.

Bus Éireann also promoted services to the Trim Swift Festival as a means of developing business and travel in the Meath area.

Bus Éireann continued its support for the development of the Irish language by assisting Gailimh le Gaeilge's campaign to encourage businesses in Galway to use Irish by carrying advertising messages on a number of buses.

Traffic Congestion

Although traffic congestion was not as high as previous years due to the economic downturn, it remained a significant impediment to our operations, which impacts on the company's costs and reliability of service.

Congestion results in Bus Éireann services, particularly those at peak times operating at greatly reduced operating speeds with a resulting increase in journey times and costs. This also affects the reliability of services.

OPERATIONS REVIEW (CONTINUED)

Traffic flows and average speeds are considerably worse than in comparable cities and towns in other European countries. In order to tackle this problem, Bus Éireann has long supported the introduction of bus lanes and bus priority measures in cities and towns across Ireland. Freeing up road space for public transport results in shorter journey times and increasing the appeal of public transport. This in turn reduces the number of private cars on the road, which improves the general traffic conditions and reduces emissions.

Bus Priority Measures

The introduction of bus priority measures, green routes and quality bus corridors are critical to the provision of a cost effective and efficient service geared towards meeting the needs of customers.

The following progress was made in the development of bus priority measures across the main cities in 2009:

Regional Summaries

Southern Region

Considerable progress has taken place in Cork with a special group involving Cork City Council, Cork County Council, An Garda Síochána and Bus Éireann established to examine how benefits from Green Routes can be maximised. The group's work is on-going.

Bus Éireann, in conjunction with the Lord Mayor of Cork, Cork City Council, An Garda Síochána and Cork Business Association, operated an initiative in February to demonstrate the benefits of using Green Routes when travelling to and from Cork city.

Bus Priority measures introduced in Cork in 2009 include additional Bus Lanes, parking management, adjustments to traffic lights and Bus Stop improvements on South Douglas Road, Turners Cross and South Terrace/Georges Quay, which have assisted in the efficient movement of buses through these areas. Similar improvements have taken place in South Mall and the Grange area.

Western Region

Further bus priority measures were introduced in Galway where the City Council completed approximately 800m of Bus Lane outbound on the Dublin Road. This has benefited City services as well as Dublin, Limerick, and Cork Expressway services, and some local services such as Gort, Kinvara, West Clare and Athenry.

Galway County Council opened the in-bound bus lane through Claregalway which was needed and has given benefit to bus services. The company looks forward to further progress in Galway.

Eastern region

Management continue to work closely with the Quality Bus Network Office and all local authorities in relation to the provision of additional bus priority measures, especially on the main radial approaches to Dublin. Ongoing progress is being achieved on a range of corridors.



OPERATIONS REVIEW (CONTINUED)

The introduction of the Bus Gate in Dublin city centre for a short period in 2009 led to a number of benefits for several key commuter routes operating through the city centre. These included reduced journey times, more consistent operating times, and improved reliability of the services in terms of arrival and departure times along their routes. There has been very positive feedback from customers on these services. Bus Éireann welcomes the re-introduction of the Bus Gate in early 2010.

South Western Region

Traffic congestion in Limerick city has been a significant cost to the company over a number of years and has hampered the introduction of the full development plans for enhanced public transport services in Limerick city

While traffic congestion has continued to pose problems for our operations at peak hours, 2009 saw an overall reduction in the volumes of traffic across the city. This was due primarily to the economic downturn in the region with the loss of significant number of jobs.

There was progress on a number of bus priority measures by Limerick City Council during the year. This included work commencing on bus lanes on Condell Road, Ennis Road and Mulgrave Street.

Bus Éireann has long awaited the introduction of the bus lanes on the Ennis Road and Mulgrave Street, which would complement those already constructed by Limerick County Council, and welcomes the progress that has been made in this regard.

Bus Éireann will continue to work closely with the local authority officials to deal with traffic and transportation issues and looks forward to further progress in Limerick.

North Western Region

Bus Éireann worked with local authorities in the North West on the provision of measures to enhance services for customers.

At regional and national level, Bus Éireann has been working with the relevant authorities on solutions to traffic congestion such as the opening of hard shoulders for use as bus lanes where possible and further bus priority measures. We look forward to making further progress in this area during 2010.

Park n Ride

Bus Éireann operates the Black Ash Park and Ride service in Cork under contract to Cork City Council. The service continued to be popular with customers.

Bus Éireann also successfully operated the annual Christmas Park and Ride from Galway Racecourse on behalf of Galway City Council.

Bus Éireann has also submitted a joint business case to the Department of Transport with Wicklow County Council to develop a park and ride facility for a 700 space car park facility at Rathnew, County Wicklow, which will utilise existing scheduled services on the corridor to cater for the demand.

Environment

All new vehicles, T21 vehicles and new Expressway coaches meet the highest EU emission standards. These enhancements mean that 40 % of Bus Éireann's fleet adhere to these higher standards, which has led to a major reduction in the company's carbon emissions.

Bus Éireann is working with Sustainable Energy Ireland on a number of issues including an Eco driving program which is currently running on a pilot basis in the Dublin area.

The company is also implementing a range of eco-friendly initiatives in its facilities and on buses that are designed to reduce waste, fuel usage and emissions.

OPERATIONS REVIEW (CONTINUED)

Technology

Bus Éireann implemented its public trial phase of the implementation of the Automatic Vehicle Location System (AVL) technology during 2009. The trial saw customers able to access real-time information on arrivals and departures for routes via the company's website, using SMS and at information displays at a number of bus stations across the country. Feedback from the public has been used to improve the delivery of customer information via AVL.

It is expected that the system will be fully operational during 2010 when customers will be able to access information via the company's website and SMS mobile phone technology on the "up-to-second time" when individual buses will arrive at Bus Éireann stops around the country.

As recommended in the Deloitte report, Bus Éireann is working with the relevant local authorities to introduce Real Time Passenger Information (RTPI) at bus shelters in the GDA and Cork.

The installation of more ticket vending machines across locations continued during 2009.

Further technological advances were made in other areas of the business during 2009. These included an upgrade of the website to provide a simpler interface for customers; the use of Facebook and Twitter to keep customers up-to-date on services, promotions and offers. This facility was used extensively during the period of severe weather. Furthermore, the company's use of Facebook and Twitter has been referred to positively in the media and by industry experts.

Accessibility

Bus Éireann continued to make progress in relation to the provision of accessible services.

All city services are fully accessible, as well as major town services such as Athlone, Sligo, Dundalk and Drogheda.

The main challenge in delivering wheelchair accessible services outside of town and city services remains the provision of adequate facilities and space at bus stops to ensure the safe use of the wheelchair lift on coaches. The Bus Stop Working Group, which included Bus Éireann, has developed a template for the design of wheelchair accessible bus stops, which has been circulated to all local authorities for their use when developing bus stop infrastructure.

During the year, accessible coach services with wheelchair lifts were introduced on the three inter-city routes: Waterford-Cork; Galway-Athlone; and Galway-Ballina. Due to issues in relation to bus stop infrastructure, the wheelchair accessible services operate end-to-end only apart from Waterford-Cork where an appropriate accessible bus stop has been put in place in Castlemartyr.

Further wheelchair accessible services will be made available on inter-city services in 2010.

The 109A Navan to DCU via the Airport route is also scheduled to be accessible at main locations during 2010.

Operating Efficiency

According to the Deloitte report, Bus Éireann is an efficient and effective public transport operator by European standards. Further efficiency measures introduced in 2009 included the utilisation of higher capacity vehicles, re-organisation of school transport services, the use of on-street ticket vending machines, and integration with Rural Transport Programme and HSE transport services.

OPERATIONS REVIEW (CONTINUED)

The Bus Éireann Disability User Group, which comprises members from representative organisations, met four times during the year to review and give input on the progress being made by Bus Éireann in this area including infrastructural projects.

School Transport

In the region of 125,000 children were transported twice daily under the School Transport Scheme in 2009.

Bus Éireann works very closely with the Department of Education and Science in order to ensure that School Transport Services are delivered in a safe, cost effective and efficient manner. Significant efficiencies have been achieved through using network management skills to revamp a range of services and to provide better and more effective utilisation of vehicle resources.

The safety of schoolchildren travelling on board our school transport services is our highest priority. The promotion of school bus safety, communication of key safety messages, and initiatives to encourage schoolchildren in this regard received particular attention at a local level throughout the country. For example:

- The Bus Éireann School Bus Safety Roadshow visited more than 30 agricultural shows in 2009 including the National Ploughing Championships in Offaly and attended the Community Games in Athlone. The specially adapted Safety Roadshow School Bus also visited over 20 school centres promoting school bus safety. In all some 200,000 people attended these events.
- Bus Éireann actively participated in local safety campaigns to promote school bus safety at eight multi-agency events in 2009 such as the 'Be Safe' programme in County Sligo. Bus Éireann also worked with other local authorities and their Safety Officers including those in Mayo, Carlow and Kerry. We were also pleased to work in conjunction with the Garda Authorities, the RSA, the Department of Education & Science, and the Emergency Services in order to communicate important safety messages to schoolchildren.

- Bus Éireann personnel from all over the country including management, administration officers, School Bus Inspectors, and Drivers, were all involved in delivering these important safety messages at various events across the country.

The quality and range of school transport services being provided under the School Transport Scheme continued to improve with one hundred and seven new services introduced in 2009. A significant number of the new services were provided to serve an increasing number of Gael Scoileanna and Educate-Together schools nationally.

However, even with this increase, the total number of vehicles employed under the Scheme was reduced by 59 through effective and careful network planning which contributed significantly to cost efficiencies.

The number of wheelchair accessible vehicles providing school transport services every school day under the School Transport Scheme increased during the year by 53 to 361.

In addition, annual school transport tickets were introduced. The ability to purchase a ticket and secure a school bus seat for the entire School Year in contrast to the former term by term arrangement was introduced during 2009.

To ensure standards are consistent with best industry practice across the wide range of School Transport Scheme services, an independent expert organisation has been deployed to conduct spot checks on contractors buses used to provide School Transport Scheme services. A similar programme has already been in place for Bus Éireann's own fleet.

Safety & Risk Management

The safety of our customers and staff is Bus Éireann's main priority. The management continues to reinforce a safety culture throughout the organisation. As part of this, the company continued to invest in training for staff such as Driver Certificate of Professional Competence (CPC) and technical training for maintenance staff in 2009. In line with policy, the company regularly reviews and updates its safety management systems.

OPERATIONS REVIEW (CONTINUED)

Fleet Upgrades

Transport 21 investment in 2009 enabled Bus Éireann to enhance existing services and increase capacity on key commuter routes.

During 2009, Bus Éireann took delivery of the remainder of the fleet order thereby adding over 90 new accessible vehicles to its fleet under Transport 21, which not only enhanced the travel experience for customers, but also facilitated the improvement of services.

This included the introduction of 32 accessible double deck coaches on commuter routes in Leinster in a €15m investment. The state-of-the-art coaches can carry up to 78 passengers and their use led to an increase in capacity per vehicle of up to 50% on heavily used routes. This improved the company's ability to cater for demand on commuter routes thereby improving efficiency with a smaller number of buses. In addition the double deck coaches contributed to a better journey experience for customers due to their high quality specification.

Double deck commuter buses and single deck buses were also introduced on services in Cork city, and single deck and city buses were utilised for town services in Sligo and Dundalk.

In total, under Transport 21, Bus Éireann has introduced 239 new buses and coaches in an investment of approximately €71 million. The company also purchased a further 60 Expressway coaches from its own resources in 2008 to be used for commercial purposes.

These enhancements across the fleet have had significant benefits for customers in terms of accessibility, comfort and the reduction in carbon footprint.

Garage Upgrades

The building of a new bus garage for the company's fleet in Galway was completed in 2009 on time and on budget.

The 3,500 sq m state-of-the-art garage facility provides increased space for vehicle maintenance and parking, and utilises technology to manage traffic movement, safety systems, heating and light. The building and all its equipment meet the highest health and safety, and

environmental standards. The building also includes administration and staff accommodation.

The ongoing upgrading of necessary garage equipment continued during the year.

Improvements to the Road Network across the Country

According to the Deloitte report, the opening of motorways and by-passes presents both opportunities and hurdles for the company.

The report noted that the opening of motorways and town bypasses place additional pressure on the maintenance of the existing network. The report states, "However, with major improvements to the road network, customers from large towns will opt for direct express services where possible, thus diluting the financial viability of services to smaller towns. Secondary locations by-passed as a result of direct express services may become uneconomic and may require PSO funding."

This situation is compounded by licences being issued to other companies to run more direct services and by the operation of unlicensed services some just ahead of Bus Éireann's established departure times along the main corridors.



OPERATIONS REVIEW (CONTINUED)

In summary, as the Deloitte report stated, the maintenance of such services via certain secondary locations as a result will be dependant upon the level of PSO funding available.

Investing in People

In 2009, Bus Éireann continued its on-going investment in staff training and development, across all staff groups.

Driver Training

In 2009, driver training focused on safety training, advancement of defensive driving techniques, customer care, the introduction of new technology, wheelchair accessible vehicle equipment, as well as vehicle familiarisation on all new vehicles introduced into the fleet.

A new version of The Drivers' Handbook and Ticketing Manual is in the process of being updated and for distribution to all drivers in 2010. This is complemented by regular quarterly road safety information bulletins which are distributed to drivers.

The first module of Drivers CPC training as approved by the Road Safety Authority was completed during the year. The second module will be completed by 2010.

Maintenance Staff

There was extensive training for maintenance staff in 2009 in relation to new vehicle systems.

Training on safety issues and maintenance best practice is taking place on an ongoing basis.

Apprentice Training

The training of apprentices continued with 15 new apprentices hired in 2009. The apprentices undertake a four year training programme, which is provided by Bus Éireann in conjunction with FÁS.

Clerical Staff

A number of training courses were provided to relevant staff throughout the year including training on new and existing IT systems, which are extensively deployed within the business.

An Duaiscéim

Through An Duaiscéim, a scheme open to all staff, a variety of courses were provided to staff to assist them in developing their skills in the workplace.

Management Development

Bus Éireann continued to invest in its managerial experience during the year with staff undertaking a number of professional development programmes.

Bus Éireann continued to sponsor a number of staff on a Diploma programme in Management Studies for the Transport Sector. This course, run by the Irish Aviation Authority (IAA), Dublin Institute of Technology (DIT) and FÁS, focuses on developing individuals skills in the area of people management and providing them with a full understanding of the wider business environment in which Bus Éireann operates. 26 staff have completed the two year course and there are currently 17 staff in the first and second year.

Bus Licensing/Policy

The Public Transport Regulation Act was passed into law in December. This Act extends the remit of the Dublin Transport Authority by establishing a National Transport Authority.

On 1st December 2009 a Public Service Contract was signed between the NTA and Bus Éireann. The contract sets out in detail the network and range of services to be provided by Bus Éireann, the performance levels to be achieved by the company under the public service obligation and the compensation to be paid by the NTA for the provision of these services. The contract includes challenging targets for Bus Éireann and we look forward to working in the new regulatory environment and building a good relationship with the NTA.

All new public service obligation services will be put out to tender by the NTA.

The PTR Act includes a section on commercial licensing which repeals the Transport Act 1932. This section will likely be enacted once licensing guidelines are finalized later in 2010. Until that time, the 1932 Act will be the basis for issuing commercial licenses.

DIRECTORS AND OTHER INFORMATION

Directors at 1st April 2010

Dr. J.J. Lynch, Chairman

Mrs. T. Honan

Mr. J. Pender

Mr. J. Byrne

Mr. J. Griffin

Mr. R. Langford

Mr. J. Moloney

Mr. B. McCamley

Ms. S. Donohoe

Chief Executive

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Facsimile: 00 353 1 703 3486

Website: www.buseireann.ie

Registered Number: 119570

Auditors

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors,

One Spencer Dock,

Dublin 1.

REPORT OF THE DIRECTORS

For the year ended 31st December, 2009

The directors present their annual report in accordance with their obligations under the Irish Companies Acts 1963 to 2009 and the Transport (Re-organisation of Córas Iompar Éireann) Act 1986. The accounts of the company and the related notes, which form part of the accounts and are included in this report, have been prepared in accordance with accounting standards generally accepted in Ireland.

Principal Activities and Financial 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 Science.

The company recorded an overall deficit of €11,166,000 after the Public Service Obligation payment of €49,365,000. Road passenger journeys decreased by 5.91 million journeys and school journeys decreased by 3.32 million journeys in 2009.

Revenue increased by €2.99 million to €302.7 million in a difficult year of trading with increased competition on the most lucrative elements of the network. Payroll and related costs increased to €145.97 million during the year.

Materials and services costs increased primarily as a result of higher fuel costs.

The company continues its strong focus on improving quality and efficiency of its services for all customers. In monitoring the company's performance a range of key operating and financial performance indicators are regularly reviewed by both the management and directors of the company.

A detailed review of the company's activity for the year is contained in the Operations Review on pages 3 to 14.

Results and Reserves

The financial statements for the year ended 31st December, 2009 are set out in detail on pages 22 to 36. The results for the year ended 31st December, 2009 show a deficit of €11,166,000 (2008 - Deficit €8,092,000).

Internal Control and Risk Management

The board of Bus Éireann has an Audit Review Group in place to review the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. 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 and a Board Maintenance Committee are also in place to review safety matters, maintenance matters and procedures and which report to the Bus Éireann board.

Attendance at Board/Committee Meetings

Listed below are details of director's attendance at board/committee meetings held during 2009.

	BE Board	Safety	Maintenance
Dr J.J. Lynch	9/10		
R. Langford	10/10		
J. Byrne	10/10	9/9	3/3
J.Griffin	4/6		
J. Hegarty	3/3		2/3
J. Pender	8/10		
J. Moloney	10/10	4/9	2/3
B. McCamley	10/10		
T. Honan	10/10	7/9	

Employee Participation

The Enterprise Partnership local councils were appointed late in 2008. Quarterly meetings of the new local councils were held in all locations throughout 2009. Issues for discussion at the top group meetings were forwarded by local council secretaries.

REPORT OF THE DIRECTORS (CONTINUED)

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.

The Bus Éireann Board Safety Committee, which was established at sub board level in 2004, met on nine occasions during the year. This committee monitors the safety of the company against an annual safety plan and encourages the widest participation in safety awareness and accident prevention in the company.

EC (Late Payment) Regulation 2002

The directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment) Regulation 2002. Procedures have been implemented to identify the dates upon which all invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the regulations.

Equality and Diversity

A new Equality and Personnel Officer was appointed in September 2009.

As required under the Disability Act 2005, Bus Éireann continues to monitor the number of its employees with disabilities. Since Bus Éireann commenced this monitoring process there has been a slight but steady increase in the number of employees with disabilities.

Bus Éireann has now commenced an initiative with The National Institute for Intellectual Disability (NIID) at Trinity College Dublin. The NIID is an inclusive Institute focusing on lifelong learning for individuals with intellectual disabilities.

At the NIID students with intellectual disabilities can participate in a two year, full time Trinity College approved programme. In the second year of the programme the students are required to complete at least 70 hours work experience and there are now two students carrying out their work experience with Bus Éireann. This has proven

to be a very successful initiative and one which Bus Éireann anticipates continuing and expanding.

Bus Éireann continued its involvement with the Equality Authority and with other transport companies in a programme promoting age friendly transport services.

In line with the Company's comprehensive "Dignity & Respect at Work Policy" Bus Éireann has established and trained a panel of internal mediators. Through the development of this skill set within the organisation Bus Éireann is building on its commitment to creating a positive work environment where all employees, customers, contractors and visitors are welcome and treated appropriately.

Books of Account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Bus Éireann, Broadstone, Dublin 7.

Directors

The directors of the company are appointed by the Minister for Transport. Prior to 1st August 2008 directors were appointed by the Chairman of Coras Iompair Éireann with the consent of the Minister. The names of persons who were directors during the year ended 31st December 2009 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Dr. J.J. Lynch, Chairman (Re-appointed 29th March 2010)

Mr. J. Byrne

Mr. J. Hegarty (Retired 28th March 2009)

Mrs. T. Honan (Extended to 9th February 2010 and extended again to 9th February 2011)

Mr. R. Langford

Mr. J. Moloney (Re-appointed 1st December, 2009)

Mr. B. Mc Camley (Re-appointed 1st December, 2009)

Mr. J. Pender

Mr. J. Griffin (Appointed 18th May 2009)

Ms. S. Donohoe (Appointed 15th March 2010)

REPORT OF THE DIRECTORS (CONTINUED)

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.

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 set out in the C oras Iompar  ireann group accounts.

Auditors

The auditors, PricewaterhouseCoopers, 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

Dr. J.J. Lynch, Chairman

Mr. R. Langford, Director

Dated 1st April 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish 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 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 are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2009. 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

Independent Auditors' Report to the Members of Bus Éireann – Irish Bus

We have audited the financial statements on pages 22 to 36.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 19 in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant 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, 2009 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 2009.

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 16 to 18 is consistent with the financial statements.

REPORT OF THE AUDITORS (CONTINUED)

The net assets of the company, as stated in the balance sheet on page 24, 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, 2009, 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.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors,
Dublin.

Date: 1st April 2010

PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies and estimation techniques adopted by the company are as follows:

(A) Basis of accounting

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

(B) Tangible assets and depreciation

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

The bases of calculation of depreciation are as follows:

(i) Road passenger vehicles

The historical costs 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 costs of school buses are depreciated in equal annual instalments 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 the lower of average cost and net realisable value.

Stocks which are known to be obsolete at the balance sheet date are written off, and provision is made in respect of stocks which may become obsolete in the future.

(E) Public service obligation payments and grants

(i) Public Service Obligation payment

Public Service Obligation payments received during the year are dealt with in the profit and loss account.

(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. They are amortised to the profit and loss account on the same basis as the related assets are depreciated.

(F) Foreign currency

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

The capital cost of supplementary 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.

PROFIT AND LOSS ACCOUNT

Year ended 31st December	Notes	2009 €000	2008 €000
Revenue		302,663	299,676
Costs			
Payroll and related costs	1	(145,969)	(142,311)
Materials and services	2(a)	(200,564)	(195,108)
Depreciation less amortisation of grants	3	(10,282)	(11,886)
Total operating costs		(356,815)	(349,305)
Deficit before loss on disposal, interest , Public Service Obligation Payment and before exceptional items		(54,152)	(49,629)
Loss on disposal		(514)	(149)
Deficit before Public Service Obligation Payment, Interest and before exceptional items		(54,666)	(49,778)
Interest receivable		635	1,840
Deficit before Public Service Obligation payment and before exceptional items		(54,031)	(47,938)
Public Service Obligation payment	19	49,365	41,846
Deficit for the year after Public Service Obligation payment and before exceptional items		(4,666)	(6,092)
Exceptional item	2(b)	(6,500)	(2,000)
Deficit for the year after Public Service Obligation and after exceptional items		(11,166)	(8,092)
Accumulated Surplus at start of the year		6,750	14,842
Accumulated (Deficit)/Surplus at end of the year		(4,416)	6,750

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

Dr. J.J. Lynch, Chairman

Mr. R. Langford, Director

BALANCE SHEET

As at 31st December	Notes	2009 €000	2008 €000
Fixed assets			
Tangible fixed assets	4	131,746	153,440
Current assets			
Stocks	5	5,342	4,816
Debtors	6	81,081	75,854
Cash at bank and in hand		336	348
		86,759	81,018
Creditors (amounts falling due within one year)	7	(75,943)	(69,422)
Net current assets		10,816	11,596
Total assets less current liabilities		142,562	165,036
Provision for liabilities and charges	8	(46,562)	(44,270)
Deferred Income	9	(71,212)	(84,812)
		24,788	35,954
Financed by:			
Capital and reserves			
Called up share capital	10	29,204	29,204
Profit and loss account		(4,416)	6,750
Shareholders' funds	11	24,788	35,954

On behalf of the board
Dr. J.J. Lynch, Chairman
Mr. R. Langford, Director

CASH FLOW STATEMENT

Year ended 31st December		2009 €000	2008 €000
Net cash inflow from operating activities	Notes 12(a)	6,699	22,830
Returns on investment and servicing of finance			
Interest receivable		635	1,840
		7,334	24,670
Capital expenditure			
Additions to tangible assets	4	(3,644)	(54,539)
Disposal of tangible assets		38	24
Capital grants received	9	296	41,139
		(3,310)	(13,376)
Inflow before use of liquid resources and financing		4,024	11,294
Management of liquid resources			
Movement in amounts owed by holding company	12(b)	(4,036)	(11,789)
Decrease in cash	12(b)	(12)	(495)

Liquid resources comprise amounts owed by the holding company, which represent cash generated not immediately required for operations, and made available to the holding company, repayable on demand.

Reconciliation of net cash flow to movement in net funds		2009 €000	2008 €000
Decrease in cash in the year		(12)	(495)
Cash from change in liquid resources		4,036	11,789
Movement in net funds		4,024	11,294
Net funds at 1st January		62,832	51,538
Net funds at 31st December		66,856	62,832

NOTES TO THE FINANCIAL STATEMENTS

1. Payroll and Related Costs

	2009 €000	2008 €000
Staff Costs		
Wages and salaries	124,788	123,293
Social welfare costs	10,807	10,296
Other pension costs	9,950	7,563
	<u>145,545</u>	<u>141,152</u>
Change programme costs	352	1,080
Engineering work for group companies	(55)	(58)
Net staff costs	<u>145,842</u>	<u>142,174</u>
Directors' remuneration		
Emoluments		
- for services as directors	71	83
- for other services*	56	54
Total directors' remuneration and emoluments	<u>127</u>	<u>137</u>
Payroll and related costs	<u>145,969</u>	<u>142,311</u>

The directors of the company were paid directors fees for services as directors as follows:

Mr. J. Byrne €13,067, Mr. J. Griffin €7,788, Mr. J. Hegarty €3,500, Mrs. T. Honan €20,414 (Senior director), Mr. R. Langford €13,067, Mr. J. Pender €13,067. Dr. J.J. Lynch, Mr. B. McCamley, and Mr. J. Moloney did not receive any directors fees for services as directors.

Included in wages and salaries cost is €220,322 for salary of the Chief Executive Mr. T. Hayes for executive services.

* *Worker director*

The average numbers of employees during the year were as follows:

	Staff Numbers	
	2009	2008
Full-time	2,286	2,296
Part-time school bus drivers	534	541
Total	<u>2,820</u>	<u>2,837</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2(a). Materials and Services

	Notes	2009 €000	2008 €000
Fuels and lubricants		34,519	20,895
Other contractors		120,463	124,156
Road tax and licences		563	482
Operating lease rental of vehicles		581	612
Third party and employer's liability claims	8	7,670	8,940
Rates		847	827
Auditors' remuneration		50	50
Expenses paid to directors		3	6
Other materials and services		35,868	39,140
		200,564	195,108

Included in expenses reimbursed to directors are:

Subsistence/accommodation		1	4
Other		2	2
		3	6

2(b). Exceptional Item

	2009 €000	2008 €000
Restructuring cost	6,500	0
Fine	0	2,000

As part of the cost recovery programme the company has provided for the costs of voluntary severance and early retirement.

This fine relates to a court fine in respect of the Kentstown accident.

3. Depreciation and amortisation of grants

	2009 €000	2008 €000
Depreciation of tangible fixed assets (<i>note 4</i>)	24,786	22,632
Grant amortisation (<i>note 9</i>)	(14,504)	(10,746)
	10,282	11,886

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Tangible Fixed Assets

	Road Passenger Vehicles €000	Plant And Machinery €000	Total €000
Cost			
At 1st January, 2009	281,912	15,819	297,731
Additions	2,035	1,609	3,644
Disposals	(6,792)	(353)	(7,145)
At 31st December, 2009	277,155	17,075	294,230
Depreciation			
At 1st January, 2009	136,400	7,891	144,291
Charge for the year	22,923	1,863	24,786
Disposals	(6,272)	(321)	(6,593)
At 31st December 2009	153,051	9,433	162,484
Net book amounts			
At 31st December, 2009	124,104	7,642	131,746
At 31st December, 2008	145,512	7,928	153,440

(a) 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	5 - 10

(b) Road passenger vehicles at a cost of €27,171,737 (2008 - €27,701,438) were fully depreciated but still in use at the balance sheet date.

(c) Tangible fixed assets at 31st December, 2009 include Nil (2008 - €14,961,175) in respect of tangible fixed assets not yet in service

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Stocks

	2009 €000	2008 €000
Maintenance materials and spare parts	3,897	3,617
Fuels, lubricants and sundry stocks	1,445	1,199
	5,342	4,816

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.

6. Debtors

	2009 €000	2008 €000
Trade debtors	2,639	2,438
Department of Education and Science	10,615	9,439
Amounts owed by holding company (note 12(b))	66,520	62,484
Other debtors and accrued income	1,307	1,493
	81,081	75,854

7. Creditors

	2009 €000	2008 €000
Amounts falling due within one year		
Trade creditors	13,019	18,700
Income tax deducted under PAYE and Income levy	1,297	1,134
Pay-related social insurance	1,415	1,191
Value added tax and other taxes	230	918
Other creditors	(8)	194
Accruals	26,024	19,711
Third party and employer's liability claims (note 8)	9,500	9,000
Deferred Income (note 9)	13,903	14,511
Restructuring provision	10,563	4,063
	75,943	69,422
Creditors for taxation and social welfare included above	2,942	3,243

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Provisions for Liabilities and Charges

	2009 €000	2008 €000
Third party & Employers Liability Claims		
Balance at 1st January	53,270	48,500
Utilised during the year	(4,878)	(4,170)
Transfer from profit and loss account (<i>note 2a</i>)	7,670	8,940
Balance carried forward at 31st December, 2009	56,062	53,270
Apportioned:		
Current liabilities (<i>note 7</i>)	9,500	9,000
Amounts falling due after one year	46,562	44,270
	56,062	53,270

Third party and employer's liability claims

Provisions coming forward from previous years have been transferred to the Profit & Loss Account based on recent claims history.

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

Córas Iompair Éireann 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) Tour Operators liability for the group with an indemnity of €2,000,000 on any one incident and in the aggregate, subject to an excess of €250,000.
- (iii) Third party liability for the Group in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risk events, except;
 - (a) at Ossory Road, Dublin, in the case of flood damage, where the excess is a non-ranking €1,000,000, and
 - (b) any other flood damage where the excess is €250,000.
 - (c) any claim subject to United States of America jurisdiction where the excess is US\$150,000
- (iv) Road transport liabilities in excess of a self-insured retention of €11,000,000 in aggregate in the twelve month period, April 2009 to March 2010, subject to an overall Group self insured retention of €27,000,000.
- (v) Group Combined Liability Insurance which does not include Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2009 to March 2010, for rail and road transport Third Party and Other Risks Liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Provisions for Liabilities and Charges (continued)

- (vi) 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.
- (vii) Terrorism indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.

(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, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with 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 business and the impact of large losses.

In estimating the cost of claims notified but unpaid, the company has regard to the claim circumstance as reported, any information available from legal or other experts and information on the cost of settling claims with similar characteristics in previous periods.

The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, because of the lack of any information about the claim event. Claim types which have a longer reporting 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. 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 (accounting policy B).

	2009 €000	2008 €000
Capital Grants		
Balance at 1st January	99,323	68,930
Received and receivable	296	41,139
Transfer to profit and loss account (<i>note 3</i>)	(14,504)	(10,746)
Balance carried forward	85,115	99,323
Less transfer to current liabilities (<i>note 7</i>)	(13,903)	(14,511)
Balance at 31st December	<u>71,212</u>	<u>84,812</u>

10. Share Capital

	2009 €000	2008 €000
Authorised		
Ordinary shares of €1.27 each	40,632	40,632
Allotted, called up and fully paid		
Ordinary shares of €1.27 each	<u>29,204</u>	<u>29,204</u>

11. Reconciliation of Movement in Shareholders' Funds

	2009 €000	2008 €000
Deficit for the year	(11,166)	(8,092)
Opening equity shareholders' funds	35,954	44,046
Closing equity shareholders' funds	<u>24,788</u>	<u>35,954</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Cash Flow Statement

	2009 €000	2008 €000	
(a) Reconciliation of operating deficit to net cash inflow from operating activities			
Operating deficit before Public Service Obligation payment	(54,666)	(49,778)	
Public service obligation payment	49,365	41,846	
	<u>(5,301)</u>	<u>(7,932)</u>	
Depreciation and loss on disposal of tangible fixed assets	25,300	22,781	
Capital grants amortised	(14,504)	(10,746)	
Exceptional item	(6,500)	(2,000)	
(Increase) in stocks	(526)	(84)	
(Increase)/Decrease in debtors	(1,191)	5,153	
Increase in creditors	129	6,825	
Increase in provisions for liabilities and charges	2,792	4,770	
Restructuring provision	6,500	4,063	
Net cash inflow from operating activities	<u>6,699</u>	<u>22,830</u>	
(b) Analysis of change in net funds			
	1 Jan 2009 €000	Flows €000	31 Dec 2009 €000
Cash at bank and in hand	348	(12)	336
Amounts owed by holding company (note 6)	62,484	4,036	66,520
	<u>62,832</u>	<u>4,024</u>	<u>66,856</u>

13. Operating Lease Obligations

	2009 €000	2008 €000
Commitments under non-cancellable operating leases payable as follows:		
Within one year	263	488
Between one and five years	301	377
	<u>564</u>	<u>865</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Pensions

The employees of Bus Éireann are members of Córas Iompair Éireann Group pension schemes. The Córas Iompair Éireann Group operates two defined benefit schemes covering the majority of employees, each of which is funded by contributions from the group and the members.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. It is not possible to identify the individual member's shares of the Córas Iompair Éireann Group pension scheme assets and liabilities, on a consistent and reasonable basis as even if it were possible to allocate non-active members across subsidiaries based on the last day of employment, members may have worked for more than one subsidiary. Therefore, it is not possible to identify to whom the liability (and corresponding asset) for successive periods of employment belongs. The contributions to these schemes have been accounted for, as if it were a defined contribution scheme as permitted by FRS 17 'Retirement Benefits' by the Córas Iompair Éireann Group companies.

The most recent actuarial valuations of the schemes for the provision of FRS 17 showed that at 31st December 2009 that there was a deficit of €547 million on the schemes.

The pension cost for the year on the defined benefit schemes was €9.95 million; these costs are included in note 1.

15. Capital Commitments

	2009 €000	2008 €000
Contracted for	3,324	6,082
Authorised by the directors, but not contracted for	-	-
	3,324	6,082
Funded	985	-

16. Contingent Liabilities

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 CIE'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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Net Surplus/Deficit by Activity

	Public Services				Total €000
	Commercial and schools transport €000	Stage Carriage €000	City €000	Sub Total €000	
2009					
Revenue	230,447	47,576	24,640	72,216	302,663
Costs	234,089	76,396	46,209	122,605	356,694
Deficit before Public Service Obligation payment	(3,642)	(28,820)	(21,569)	(50,389)	(54,031)
Public Service Obligation payment				49,365	49,365
Result after Public Service obligation	(3,642)			(1,024)	(4,666)
Exceptional item				(6,500)	(6,500)
Deficit for year	(3,642)			(7,524)	(11,166)
2008					
Result after Public Service obligation	1,075			(9,167)	(8,092)

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 with the Department of Education and Science on a cost recovery basis. The remaining principal activities are Stage Carriage and City Services for which the company receives Public Service Obligation payments in respect of these public service activities. Costs for Expressway, Stage Carriage and City Services are allocated on the basis of metrics derived from prior period actual costs, independent studies of Bus Éireann operations, numbers of buses and mileage.

18. 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 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 (related party disclosures) concerning transactions between that company, its subsidiaries and the Irish Government.

19. Public Service Obligation payment

The Public Service Obligation payable to the company through the holding company, Córas Iompair Éireann, amounted to €49,365,000 for the year ended 31st December, 2009 (2008 – €41,846,000).

20. Membership of Córas Iompair Éireann Group

Bus Éireann-Irish Bus is a wholly owned subsidiary of Córas Iompair Éireann (the Group) and the financial statements reflect the effects of group membership.

21. Approval of Financial Statements

The directors approved the financial statements on 1st April 2010.