



2004

ANNUAL REPORT AND FINANCIAL STATEMENTS 2004

PRN. No. 0152



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Bus Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2000-2006 as well as co-funding by the European Union.

Main Cover Photo: Busáras, Dublin

Photographer: Neil Warner **Design:** First Impression

Operations Review Summary

2004 was a highly successful year for Bus Éireann. The financial position of the company improved for the second consecutive year in 2004, from a surplus of €1.5 million in 2003 to a surplus of €5.7 million last year.

This record financial performance was achieved by Bus Éireann, in a year during which new services and more frequent departures were introduced, with the ongoing development of the national integrated network.

Furthermore, this strong financial result was accomplished after twelve months of significant investment in further upgrades to the company's fleet, in order to provide our passengers with safe, modern, comfortable coaches and buses, as well as investment in bus stations to provide customers with high-quality facilities.

The investment is reflected in continuing high customer numbers in 2004, and a very high customer approval rating, with Bus Éireann customers reporting a 91% satisfaction rating following an independent audit of commitments given in the Bus Éireann Passenger Charter.

Many new customer-focused developments and investments took place in 2004.

- **Fleet improvements:** 38 new high-specification commuter coaches entered service on commuter routes in Galway, Limerick and Cork as well as 14 double-deckers for high-frequency routes in the Dublin hinterland area. 65 replacement coaches were provided for long-distance services including 8 for Eurolines services to Britain from Dublin and Waterford.
- **Long-distance service improvements:** Service improvements were introduced to centres such as Waterford, Dublin, Rosslare Europort, Donegal, Knock Airport and Cork.
- **Additional commuter services:** Additional services were provided in centres such as Mullingar, Dublin, Mitchelstown, Waterford, Tramore, Sligo, Ballina, Killarney, Kenmare and Cork.
- **€4 million modernisation of Cork Bus Station:** Parnell Place Bus Station underwent a complete renovation to provide customers with first-class passenger facilities.
- **Redevelopment of Busáras:** Work on this major capital project, which commenced in 2004, is scheduled for completion in 2005.
- **Improving accessibility:** €4.9 million was spent on refurbishment of Sligo, Ballina, Letterkenny, Galway, Cork, Monaghan, Tralee and Busáras Bus Stations to enhance access for mobility-impaired customers, and to improve station facilities and ambiance for all. Disability awareness training courses were also provided for staff and drivers.



The newly refurbished interior of the Sligo Bus Station

Operations Review Summary

- **Investment in advanced driving and safety training:** Courses for drivers in advanced motoring and defensive driving continued with the investment in such training yielding dividends in 2004 with both vehicle and customer accident rates declining by 9%.
- **First 'Park & Ride' launched:** Bus Éireann's first ever Park & Ride service was established in Cork – linking the Black Ash Park & Ride on the Kinsale Road to the city.
- **Bus priority measures:** These measures were introduced on two key routes in Cork to shorten journey times for customers.
- **New school transport services:** 101 new services were introduced during 2004. Access to school for children with special needs was improved by the provision of an additional 25 fully accessible school transport vehicles which came into operation in 2004. 128 school buses in the main school bus fleet were replaced by newer models.

In 2004, Bus Éireann continued to build, innovate and improve its integrated network of services provided for customers and has done so at low subvention rates and attractive fare levels by European standards



New canopy at Cork City Bus Station

Directors and Other Information

Directors at 21st March, 2005

Dr. J.J. Lynch, Chairman

Ms. K. Byrne

Mr. G. Charles

Mr. P. Cullen

Mr. J. Hegarty

Mrs. T. Honan

Mr. R. Langford

Ms. A.M. Mannix

Secretary and Registered Office

Mr. M. Nolan,

Broadstone,

Dublin 7.

Telephone: 00 353 1 703 3447

Facsimile: 00 353 1 886 0525

Website: www.buseireann.ie

Registered Number: 119570

Auditors

PricewaterhouseCoopers,

Chartered Accountants and Registered Auditors,

Wilton Place,

Dublin 2.

Report of the Directors

For the year ended 31st December, 2004

The directors present their annual report in accordance with their obligations under the Irish Companies Acts 1963 to 2003 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

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.

Results and Reserves

The financial statements for the year ended 31st December, 2004 are set out in detail on pages 11 to 23. The results for the year ended 31st December, 2004 show a surplus of €5,776,000 (2003- Surplus €1,547,000).

Employee Participation

In accordance with the provisions of the Scheme for the Establishment of Enterprise Partnership, elections took place at the end of 2003 to fill the employee representative positions on the nine local councils. With the nomination of the company representatives the composition of the councils was completed. Meetings of all the councils were then arranged for early 2004. The local councils have all met at least twice during the year.

The Top Group chaired by the Managing Director which comprises the function heads, the full time national trade union officials, the worker directors and one representative from each local council met twice during the year as provided for in the Scheme.

In addition, the Steering Group chaired by the Managing Director and comprising the function heads and national trade union officials met once during the year. Its function is to review the working of the Scheme.

Since its inception the Enterprise Partnership Scheme has proved to be a useful channel of communication and information sharing, particularly in so far as issues which have arisen at the local council meetings can be considered at the Top Group and Steering Group levels.

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, 1989.

A Bus Éireann safety advisory group at sub board level was established in 2004 and met on a number of occasions during the year. This group 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.

Equality and Diversity

The Equality and Diversity Officer commenced her role on the 1st March, 2004. The initial focus has been on bullying, harassment and sexual harassment. Training for managers and supervisors, designated contact persons and internal investigators has been completed. A new policy is being developed and will be launched in 2005.

Report of the Directors

The Equality and Diversity Officer has held a number of workshops in various locations throughout the country. These workshops have contributed to raising the profile of equality and diversity and have facilitated discussions with employees on wide ranging topics from equality to work life balance.

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 Chairman of Córas Iompair Éireann with the consent of the Minister for Transport. The directors during the year ended 31st December, 2004 are set out below. Except where indicated they served as directors for the entire year.

Dr. J.J. Lynch, Chairman

Ms. K. Byrne

Mr. G. Charles (Re-appointed 29th April, 2004)

Mr. P. Cullen

Mr. J. Hegarty (Re-appointed 29th March, 2004)

Mrs. T. Honan (Re-appointed 9th February, 2004 and 9th February, 2005)

Mr. R. Langford (Re-appointed 29th April, 2004)

Mr. W. Lilley, Managing Director (Re-appointed 9th February, 2004 and retired as director 30th June, 2004)

Ms. A.M. Mannix

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 Córas Iompar Éireann 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

21st March, 2005.

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 2003. 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 11 to 23.

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 8 in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in 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 2003. 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 auditing standards 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, 2004 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003.

Report of the Auditors

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 6 to 7 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 14, 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, 2004, 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.

21st March, 2005

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 2003. 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) Grants

(i) State grant

State grants received during the year in respect of public service obligations are dealt with in the profit and loss account.

(ii) Exchequer grants

Exchequer grant 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.

Principal Accounting Policies

(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 | 2004 €000 | 2003 €000 |
|--|-------|------------------|--------------|
| Revenue | | 226,537 | 218,685 |
| Costs | | | |
| Payroll and related costs | 1 | (108,897) | (102,470) |
| Materials and services | 2 | (126,713) | (123,928) |
| Depreciation and loss on disposal of tangible assets | 3 | (9,843) | (14,070) |
| Total operating costs | | (245,453) | (240,468) |
| Deficit before interest and State grant | | (18,916) | (21,783) |
| Interest receivable | | 693 | 474 |
| Deficit before State grant | | (18,223) | (21,309) |
| State grant | 20 | 23,999 | 22,856 |
| Surplus for the year after State grant | | 5,776 | 1,547 |
| Accumulated deficit at beginning of the year | | (10,625) | (12,172) |
| Accumulated deficit at end of the year | | (4,849) | (10,625) |

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 | 2004 €000 | 2003 €000 |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Tangible assets | 4 | 81,059 | 73,812 |
| Current assets | | | |
| Stocks | 5 | 4,410 | 4,110 |
| Debtors | 6 | 43,780 | 37,422 |
| Cash at bank and in hand | | 159 | 1,581 |
| | | 48,349 | 43,113 |
| Creditors (amounts falling due within one year) | 7 | (37,330) | (35,293) |
| Net current assets | | 11,019 | 7,820 |
| Total assets less current liabilities | | 92,078 | 81,632 |
| Provision for liabilities and charges | 8 | (38,518) | (31,483) |
| Creditors (amounts falling due after one year) | 7(b) | (1,000) | (1,500) |
| Deferred Income | 9 | (21,253) | (23,118) |
| | | 31,307 | 25,531 |
| Financed by: | | | |
| Capital and reserves | | | |
| Called up share capital | 10 | 29,204 | 29,204 |
| Asset replacement reserve | 11 | 6,952 | 6,952 |
| Profit and loss account | | (4,849) | (10,625) |
| Shareholders' funds | 12 | 31,307 | 25,531 |

On behalf of the board

Dr. J.J. Lynch, Chairman

Mr. R. Langford, Director

Cash Flow Statement

| Year ended 31st December | Notes | 2004 €000 | 2003 €000 |
|---|-------|-----------------|----------------|
| Net cash inflow from operating activities | 13(b) | 21,941 | 25,099 |
| Returns on investment and servicing of finance | | | |
| Interest receivable | | 693 | 474 |
| | | <u>22,634</u> | <u>25,573</u> |
| Capital expenditure | | | |
| Additions to tangible assets | 4 | (21,257) | (16,035) |
| Proceeds from disposal of tangible assets | | 17 | 97 |
| Capital grants received | | 2,984 | 8,646 |
| | | <u>(18,256)</u> | <u>(7,292)</u> |
| Inflow before use of liquid resources and financing | | <u>4,378</u> | <u>18,281</u> |
| Management of liquid resources | | | |
| Movement in amounts owed by holding company | 13(b) | (5,815) | (17,507) |
| (Decrease)/increase in cash | 13(b) | <u>(1,437)</u> | <u>774</u> |
| <p>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.</p> | | | |
| Reconciliation of net cash flow to movement in net funds | | | |
| (Decrease)/increase in cash in the year | | (1,437) | 774 |
| Cash from change in liquid resources | | 5,815 | 17,507 |
| Movement in net funds | | <u>4,378</u> | <u>18,281</u> |
| Net funds at 1st January | | 24,744 | 6,463 |
| Net funds at 31st December | | <u>29,122</u> | <u>24,744</u> |

Notes to the Financial Statements

| | 2004 | 2003 |
|---|----------------------|----------------|
| | €000 | €000 |
| 1 PAYROLL AND RELATED COSTS | | |
| Staff Costs | | |
| Wages and salaries | 96,113 | 90,070 |
| Social welfare costs | 7,725 | 7,356 |
| Other pension costs | 5,013 | 3,705 |
| | <u>108,851</u> | <u>101,131</u> |
| Change programme costs | - | 1,239 |
| Engineering work for group companies | (174) | (197) |
| Net staff costs | <u>108,677</u> | <u>102,173</u> |
| Directors' remuneration | | |
| Emoluments | | |
| - for services as directors | 45 | 28 |
| - for other services | 175 | 269 |
| Total directors' remuneration and emoluments | <u>220</u> | <u>297</u> |
| Payroll and related costs | <u>108,897</u> | <u>102,470</u> |
| The average numbers of employees during the year were as follows: | | |
| | Staff Numbers | |
| | 2004 | 2003 |
| Full-time | 2,189 | 2,175 |
| Part-time school bus drivers | 547 | 546 |
| Total | <u>2,736</u> | <u>2,721</u> |
| | 2004 | 2003 |
| | €000 | €000 |
| 2 MATERIALS AND SERVICES | | |
| Fuels and lubricants | 8,075 | 9,376 |
| Other contractors | 71,115 | 69,170 |
| Road tax and licences | 299 | 266 |
| Operating lease rental of vehicles | 2,128 | 2,965 |
| Third party and employer's liability claims | 12,500 | 10,591 |
| Rates | 713 | 532 |
| Auditors' remuneration | 37 | 37 |
| Other materials and services | 31,846 | 30,991 |
| | <u>126,713</u> | <u>123,928</u> |
| 3 DEPRECIATION AND LOSS ON DISPOSAL OF TANGIBLE ASSETS | | |
| Depreciation of tangible fixed assets (note 4) | 13,780 | 17,078 |
| Loss on disposal of tangible fixed assets | 212 | 247 |
| Grant amortisation (note 9) | (4,149) | (3,255) |
| | <u>9,843</u> | <u>14,070</u> |

Notes to the Financial Statements

4 TANGIBLE FIXED ASSETS

| | Road Passenger Vehicles €000 | Plant and Machinery €000 | Total €000 |
|-------------------------------|---------------------------------------|-----------------------------------|----------------|
| Cost | | | |
| At 1st January, 2004 | 183,354 | 11,106 | 194,460 |
| Additions | 17,498 | 3,759 | 21,257 |
| Disposals | (13,210) | (5,867) | (19,077) |
| At 31st December, 2004 | 187,642 | 8,998 | 196,640 |
| Depreciation | | | |
| At 1st January, 2004 | 111,806 | 8,842 | 120,648 |
| Charge for the year | 12,595 | 1,185 | 13,780 |
| Disposals | (12,985) | (5,862) | (18,847) |
| At 31st December 2004 | 111,416 | 4,165 | 115,581 |
| Net book amounts | | | |
| At 31st December, 2004 | 76,226 | 4,833 | 81,059 |
| At 31st December, 2003 | 71,548 | 2,264 | 73,812 |

(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 €900,411 (2003 – €1,689,440) were fully depreciated but still in use at the balance sheet date.

(c) Tangible fixed assets at 31st December, 2004 include nil (2003 – €42,314) in respect of tangible fixed assets not yet in service

5 STOCKS

| | 2004 €000 | 2003 €000 |
|---------------------------------------|--------------|--------------|
| Maintenance materials and spare parts | 3,225 | 3,066 |
| Fuels, lubricants and sundry stocks | 1,185 | 1,044 |
| | 4,410 | 4,110 |

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.

Notes to the Financial Statements

| | 2004 €000 | 2003 €000 |
|---|---------------|---------------|
| 6 DEBTORS | | |
| Trade debtors | 2,319 | 1,909 |
| Department of Education and Science | 5,200 | 6,071 |
| Amounts owed by holding company (<i>note 13(b)</i>) | 30,978 | 25,163 |
| Other debtors and accrued income | 5,283 | 4,279 |
| | <u>43,780</u> | <u>37,422</u> |
| 7 CREDITORS | | |
| (A) Amounts falling due within one year | | |
| Bank overdraft | 515 | - |
| Trade creditors | 11,000 | 10,925 |
| Income tax deducted under PAYE | 1,253 | 1,030 |
| Pay-related social insurance | 1,112 | 857 |
| Value added tax and other taxes | 43 | 345 |
| Other creditors | 1,740 | 1,450 |
| Accruals | 8,317 | 8,096 |
| Change programme provision (<i>note 8</i>) | - | 440 |
| Third party and employer's liability claims (<i>note 8</i>) | 8,000 | 7,500 |
| Deferred Income (<i>note 9</i>) | 4,850 | 4,150 |
| Loan from holding company | 500 | 500 |
| | <u>37,330</u> | <u>35,293</u> |
| Creditors for taxation and social welfare included above | <u>2,408</u> | <u>2,232</u> |
| (B) Amounts falling due after one year | | |
| Loan from holding company | <u>1,000</u> | <u>1,500</u> |

Notes to the Financial Statements

8 PROVISIONS FOR LIABILITIES AND CHARGES

| | Re-structuring Provision €000 | Third party & Employer's Liability Claims €000 | Total €000 |
|---|-------------------------------------|--|---------------|
| Balance at 1st January | 440 | 38,983 | 39,423 |
| Utilised during the year | (440) | (4,965) | (5,405) |
| Transfer from profit and loss account | - | 12,500 | 12,500 |
| Balance carried forward at 31st December, 2004 | - | 46,518 | 46,518 |
| Apportioned: | | | |
| Current liabilities (<i>note 7</i>) | - | 8,000 | 8,000 |
| Amounts falling due after one year | - | 38,518 | 38,518 |
| | - | 46,518 | 46,518 |

Third party and employer's liability claims

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

(A) External Insurance Cover

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

- (i) Third party liability in excess of €1,680,000 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) 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.
- (iii) Road transport liabilities in excess of a self-insured retention of €11,000,000 in aggregate in the twelve month period, April 2004 to March 2005, subject to an overall Group self insured retention of €27,000,000.
- (iv) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2004 to March 2005, for rail and road transport Third Party and Other Risks Liabilities.
- (v) Fire and Special Perils, including storm damage, to the Group's property in excess of €1,000,000 and an indemnity of €200,000,000 on any one loss or series of losses.
- (vi) 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.

Notes to the Financial Statements

8 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(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.

9 DEFERRED INCOME

This account comprises of non-repayable 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 E).

| | 2004 €000 | 2003 €000 |
|---|---------------|---------------|
| Capital Grants | | |
| Balance at 1st January | 27,268 | 21,877 |
| Received and receivable | 2,984 | 8,646 |
| Transfer to profit and loss account | (4,149) | (3,255) |
| Balance carried forward | 26,103 | 27,268 |
| Less transfer to current liabilities (note 7) | (4,850) | (4,150) |
| Balance at 31st December | <u>21,253</u> | <u>23,118</u> |

Notes to the Financial Statements

| | 2004 €000 | 2003 €000 | |
|---|-----------------------------|-----------------------|----------------------------|
| 10 SHARE CAPITAL | | | |
| Authorised | | | |
| Ordinary shares of €1.27 each | 40,632 | 40,632 | |
| Allotted, called up and fully paid | | | |
| Ordinary shares of €1.27 each | 29,204 | 29,204 | |
| 11 ASSET REPLACEMENT RESERVE | | | |
| Balance at 31st December | 6,952 | 6,952 | |
| 12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS | | | |
| Surplus for the year | 5,776 | 1,547 | |
| Opening equity shareholders' funds | 25,531 | 23,984 | |
| Closing equity shareholders' funds | 31,307 | 25,531 | |
| 13 CASH FLOW STATEMENT | | | |
| (A) Reconciliation of operating deficit to net cash inflow from operating activities | | | |
| Operating deficit before State grant | (18,916) | (21,783) | |
| Public service obligation receipts | 23,999 | 22,856 | |
| | 5,083 | 1,073 | |
| Depreciation and loss on disposal of tangible fixed assets | 13,992 | 17,325 | |
| Capital grants amortised | (4,149) | (3,255) | |
| Increase in stocks | (300) | (108) | |
| (Increase)/decrease in debtors | (543) | 5,458 | |
| Increase/(decrease) in creditors | 324 | (10) | |
| Increase in provisions for liabilities and charges | 7,534 | 4,616 | |
| Net cash inflow from operating activities | 21,941 | 25,099 | |
| (B) Analysis of change in net funds | At 1st Jan. 2004 €000 | Cash Flows €000 | At 31 Dec. 2004 €000 |
| Bank overdraft | - | (515) | (515) |
| Cash at bank and in hand | 1,581 | (1,422) | 159 |
| Loan from holding company | (2,000) | 500 | (1,500) |
| Amounts owed by holding company | 25,163 | 5,815 | 30,978 |
| | 24,744 | 4,378 | 29,122 |

Notes to the Financial Statements

| | | | |
|----|--|----------------------------|--------------|
| 14 | OPERATING LEASE OBLIGATIONS | 2004 €000 | 2003 €000 |
| | Commitments under non-cancellable operating leases payable in the coming year expire as follows: | | |
| | Within one year | - | 522 |
| | Between one and five years | <u>212</u> | <u>272</u> |
| | | <u>212</u> | <u>794</u> |

15 PENSIONS

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

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

Whilst the schemes are defined benefit schemes the company is unable to identify its share of the underlying assets and liabilities of the schemes. The actuarial position of the schemes at 31st December, 2004 using the bases required by FRS 17 showed a deficit of €287 million. Details required by FRS 17 in relation to the schemes are contained in the accounts of CIÉ.

| | | | |
|----|---|----------------------------|--------------|
| 16 | CAPITAL COMMITMENTS | 2004 €000 | 2003 €000 |
| | Contracted for | 12,198 | 6,780 |
| | Authorised by the directors, but not contracted for | <u>1,430</u> | <u>1,700</u> |
| | | <u>13,628</u> | <u>8,480</u> |

17 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.

Notes to the Financial Statements

18 NET SURPLUS/DEFICIT BY ACTIVITY

| 2004 | Commercial & Schools Transport €000 | Public Services | | | Total €000 |
|--------------------------------------|---|-----------------|---------------------------|----------------------|---------------|
| | | City €000 | Stage Carriage €000 | Sub Total €000 | |
| Revenue | 163,149 | 22,709 | 40,679 | 63,388 | 226,537 |
| Costs | 154,354 | 33,189 | 57,217 | 90,406 | 244,760 |
| Surplus/(deficit) before State grant | 8,795 | (10,480) | (16,538) | (27,018) | (18,223) |
| State grant | | | | 23,999 | 23,999 |
| Surplus/(deficit) for Year | 8,795 | | | (3,019) | 5,776 |
| 2003 | | | | | |
| Surplus/(deficit) | 7,693 | | | (6,146) | 1,547 |

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 State grants 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.

19 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, 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.

20 STATE GRANTS

The State grant payable to the company through the holding company, Córas Iompair Éireann, in respect of public service obligations amounted to €23,999,000 for the year ended 31st December, 2004 (2003 - €22,856,000).

21 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.

22 APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 21st March, 2005

Operations Review

Focus on Customers

Customer numbers

Bus Éireann customer numbers have grown over the last five years and at significantly higher rates than elsewhere in Europe. The national integrated network of long distance, commuter, city and rural services is a major factor in this continued growth, and delivers a wide choice of services to an unparalleled range of destinations in rural Ireland.

Statistics show that Ireland has the highest rural based population in the European Union and despite this disadvantage has the second highest customer kilometres on buses. Integrated bus networks are therefore critical in Ireland due to our dispersed population.

Since 2000, customer numbers on both long distance and commuter routes have increased by 25%. On Bus Éireann city services, the higher frequencies offered and the continued upgrading of the fleet has resulted in a 10% increase in customers carried over the last five years.

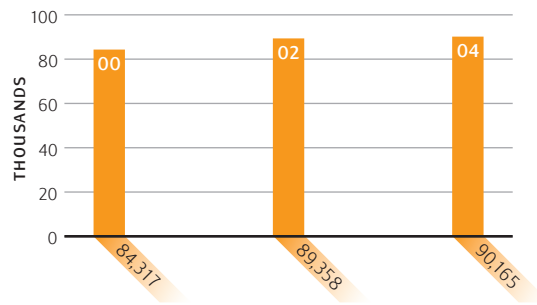
Over five years, a comparison of the customer journeys and vehicle kilometres operated by the company on scheduled services is shown below:

| Year ended 31st December | 2004 Thousands | 2000 Thousands |
|---------------------------------|-------------------|-------------------|
| Customer journeys | | |
| Provincial city services | 21,070 | 19,156 |
| Other scheduled services | 26,693 | 21,364 |
| School transport scheme | 42,402 | 43,797 |
| | 90,165 | 84,317 |
| Vehicle kilometres | | |
| Provincial city services | 8,027 | 7,197 |
| Other services – Own | 77,551 | 66,363 |
| Other services – Sub contracted | 58,875 | 47,343 |
| | 144,453 | 120,903 |



Newly refurbished interior of Cork City Bus Station, Parnell Place

Overall Customer Journeys



The reduction in customers under the School Transport Scheme in the five years is in line with the continuing decline in the national school-going population.

Bus Éireann's network of services provides a safe, effective and value for money transport system to the public at a relatively small cost to the Exchequer.

Operations Review

Customer satisfaction

The fifth independent audit of commitments given in the Customer Charter was undertaken during the year. The overall rating for customer satisfaction was at an extremely high level of 91%.

Service improvements

Long distance service improvements were introduced to centres such as Waterford, Dublin, Rosslare Europort, Donegal, Knock Airport and Cork.

Additional commuter services were provided in centres such as Mullingar, Dublin, Mitchelstown, Waterford, Tramore, Sligo, Ballina, Killarney, Kenmare and Cork.



Long distance service with Galway Mayo I.T. in the background

Park & Ride

In a significant commuter initiative Bus Éireann started the country's first permanent 'Park & Ride' service in Cork. Linking the Kinsale Road to the city centre, this dedicated bus service is operated under contract to Cork City Council.

Bus priority measures

Much progress was made in the development of bus priority measures in 2004. Cork was the focal point for a 'Green Routes' initiative designed to improve transport access between the city and suburbs. This is a joint initiative

between Cork City Council and Bus Éireann to introduce bus priority measures under the National Development Plan. The introduction of 'Green Routes' from the city centre to Bishopstown and Grange should lead to improved timekeeping and reliability going forward. A similar initiative was introduced on the Galway City to Renmore route, which has resulted in significant journey time savings.

The introduction of bus priority in the cities of Cork and Galway has been very much supported by the Department of Transport, which has funded these projects. These much needed initiatives are very welcome and the company looks forward to further progress in these areas.

www.buseireann.ie

The company website has been visited by record numbers in the year with up to 10 million hits per month. Internet ticket sales continue to develop.

Accessibility

Refurbishment work was carried out at a number of bus stations in order to improve access by mobility-impaired customers with funding from the National Development Plan. The stations that benefited from these accessibility improvement projects were Dublin (Busáras), Ballina, Letterkenny and Cork.



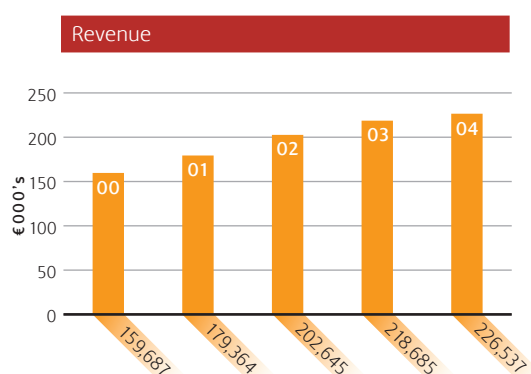
Renovation work at one of our bus stations

Operations Review

The total amount spent on accessibility projects, including provision of disability awareness training courses for staff, was €4.9 million. Further refurbishment work at Tralee, Cavan, Ennis, Rosslare, Galway and Limerick is planned to commence during 2005.

Government targets surpassed

Bus Éireann and the Department of Transport agreed a Memorandum of Understanding on Service Levels and Targets for 2004 which includes the level of State support. The company surpassed all the performance targets set out in this Memorandum. In addition the company supplemented government funding of public services with €3 million of its own funds generated on other commercial activities.



School Transport - 101 new services

Bus Éireann and the Department of Education and Science have worked closely to minimise the total cost of the School Transport Scheme. Further cost effective measures have been introduced with an emphasis on the effectiveness of the network and the safe provision of services. The introduction of a standard school year has assisted the co-ordination of services, resulting in tangible savings.

Some 101 new school transport services were introduced during 2004, mainly in the area of transport for children with special needs. The provision of a specialised transport



New vehicle livery

service enhances accessibility to education for children with special needs, and compliments the policy of the Department of Education and Science in this area. The quality and range of school transport services now being provided by Bus Éireann continues to improve. For instance, there are now 187 accessible vehicles for mobility-impaired children providing school transport services under the School Transport Scheme, 25 more than there were in 2003.

Almost 140,000 children were transported twice daily on the dedicated Bus Éireann and contracted school transport fleet of almost 3,000 vehicles and on publicly owned and privately licensed scheduled local and national bus and rail services.

68 replacement school buses have been sourced to replace older vehicles in the fleet. In addition, 60 buses were cascaded from the Bus Éireann service fleet, resulting in a total of 128 replacement buses introduced in 2004. This is part of an ongoing fleet replacement programme, and represents the replacement of almost 20% of this fleet in 2004.

Operations Review

Improving the Operations

Safety and risk management

The safety of customers and staff is of paramount importance to Bus Éireann. The management continues to reinforce a culture of safety throughout the company. The investment in advanced driver training continued to pay dividends in 2004 with both vehicle and customer accident rates declining by 9%.

Major bus station improvements

Investment in station and customer facilities totalled €7.2 million during the year, with €4.9 million of this expenditure being devoted to improving accessibility, funded under the National Development Plan 2000-2006.

Major capital investment projects included:

- The refurbishment and modernisation of Parnell Place bus station in Cork, now complete.
- The redevelopment of Busáras in Dublin, which is scheduled for completion in 2005.
- Modernisation work at Sligo Bus Station.
- Development work completed at Ballina and Letterkenny bus stations.

Fleet upgrading

The company invested €14.6 million in fleet upgrading during 2004. 38 replacement vehicles entered service on commuter routes, including 24 coaches in Cork, Galway and Limerick, and 14 double-deckers for high frequency routes in the Dublin hinterland area.

In addition, 65 replacement coaches were provided for long distance services:

- 39 for long distance services on major inter-urban routes such as Dublin/Galway, Dublin/Limerick and Dublin/Waterford

- 8 for Eurolines services to Britain from Dublin and Waterford
- 18 for the CIE Tours International contract



Aerial view of Busáras, Dublin

Traffic congestion and infrastructure

Traffic congestion is adversely affecting the reliability of Bus Éireann operations, particularly at peak times.

In this context the company welcomes and fully supports the programme of road improvements committed to by Government.

Peak demand for bus commuter services in the Dublin hinterland area has more than doubled over the past five years. The company estimates that traffic congestion costs exceed €5 million per annum in that area alone. The allocation of funding to allow buses use hard shoulders is welcome in the context of building on the fleet upgrading and service frequency improvements which Bus Éireann has put in place during the last five years.

The completion of the first of ten 'Green Routes' in Cork city and the first in Galway should alleviate some of the congestion in these areas.

Operations Review

A study by independent consultants BDO Simpson Xavier in 2003 estimated that traffic congestion imposed additional costs over comparable European costs of €19.2 million. It is estimated by management that these costs were in excess of €20 million in 2004. There is a continued need to implement wider infrastructural improvements and bus priority measures so that customers can benefit fully from the substantial investment which Bus Éireann has made in fleet and facilities.

Traffic flows in Ireland are worse than those prevailing generally in Europe, and impose additional costs, leading to a less effective and less efficient customer service. For example, the average operating speeds in 2003, achieved by buses in Irish cities are well below the international average of 23.1 kilometres per hour (kph). The comparative figures for Bus Éireann city services were: Cork, 11.9 kph; Galway, 13.7 kph; Limerick, 14.4 kph; Waterford, 14.5 kph. All of these speeds disimproved in 2004. The State grant to Bus Éireann of €24 million for the operation of public services must be viewed in this context.

€71 million paid to sub-contractors

The company paid over €71 million to sub-contractors in 2004. Sub contractors undertook 41% of the company's kilometres. This spend is mostly invested with rural based contractors supporting the local economy in those areas.

Investing in People

Staff training and development

Bus Éireann continued its strong emphasis on staff development in 2004. Initiatives included the appointment of an Equality and Diversity Officer; the securing of an 'Excellence Through People' award by the Cork area, advanced driver training, disability awareness training for all staff and for sub-contracted drivers and bullying/harassment awareness courses.

The company's overall objectives in management development are, to ensure that as far as possible, management are equipped to deal with the challenges in a changing environment and to improve the succession planning process.



Bus Éireann 'Investing in People'

A **Management Development Programme** was devised to develop strategic management capabilities, general management skills and competitiveness skills on a cross functional basis. The company's senior management team participated in the first series of modules. The programme continued throughout 2004 with the participation of middle management and executive staff.

A **Customer Management and Customer Care** course for all drivers commenced in 2003 and is ongoing. Each course included modules on customer care, disability issues, vehicle safety checks etc.

The **Performance Management and Development System (PMDS)** for all management, executive and clerical staff was introduced in 2003. All staff have participated in the training programme and the system was fully implemented in 2004.