Bus Átha Cliath

Annual Report and Financial Statements 2005

PRN.A6/0415

Contents

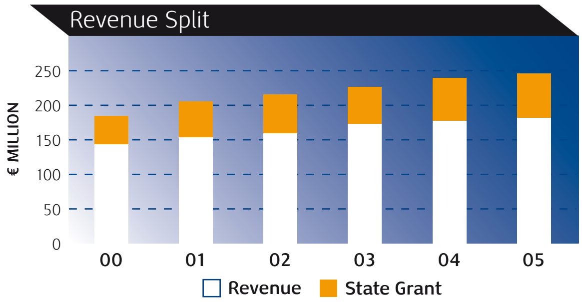
Bus Átha Cliath would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2000 - 2006 and Transport 21 as well as co-funding by the European Union.

Photographer: Mark McCall

Design: firstimpression

Operations Review

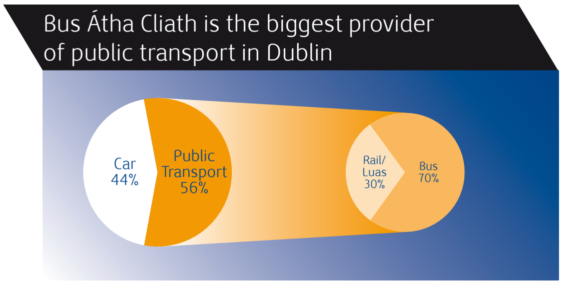
Bus Átha Cliath continued to build and improve on the strong performances in recent years. A surplus of €2 million was recorded, built on robust financial controls along with a growth in revenue to €181 million. Bus Átha Cliath is a major employer for the Dublin area and also a contributor to Exchequer funds through the payment of VAT, PAYE and PRSI contributions, which are in excess of €40 million per year.



In financial terms Bus Átha Cliath received, like all public transport companies in Europe, a Public Service Obligation (PSO) payment, commonly known as subvention, from its owner. For 2005 this was 26% of its operating costs, which equated to €65 million and is one of the lowest subsidy levels given to a European public transport bus company. A Memorandum of Understanding on service levels and targets for the year was agreed between the company and the Department of Transport. The company's level of PSO is dependent on meeting certain performance targets and during the year it met all these and in many cases surpassed those set out in the Memorandum.

Bus Átha Cliath operates a fleet of 1,079 buses over 170 routes, travelling nearly 60 million kilometres per annum, which is an increase of 5% in mileage since 2004. The fleet increased in 2005 with new triaxle buses, which were funded under the new Government Transport 21 plan at a cost of approximately €7 million. These new type double-deck buses offer 20% more capacity than standard type buses. These have proved very popular and the potential further investment in this bus type will be reviewed in 2006.

Passenger numbers for 2005 were 146 million. These figures take into account the migration of an estimated six million bus customers from routes adjacent and parallel to Luas routes. Notwithstanding the significant investment in the construction and introduction of the Luas in 2004, Bus Átha Cliath remains the largest public transport provider in Dublin with 93% of the population of Dublin having access to its services and over 70% of public transport users choosing the bus as their mode of transport. These figures clearly demonstrate that the bus provides a real transport solution with immediate, measurable results and without doubt value for money for both the Government and customers. During 2005 a number of changes and improvements were made to the network. These included increased frequencies in Bray, the Finglas extension to Tyrrellstown, improvements in Malahide and Swords Quality Bus Corridors. Services changes were implemented in Rathmines and the Dundrum area, due to the introduction of Luas.



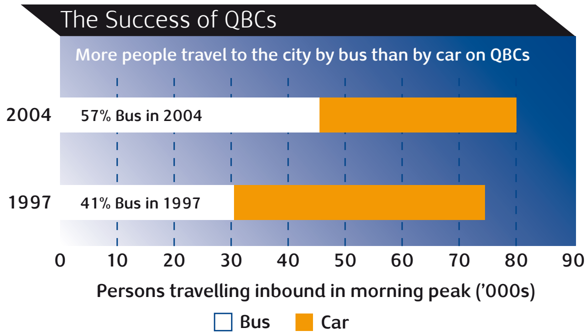
Dublin Bus carries over 70% of Public Transport customers in Dublin each morning

Operations Review (continued)

A number of successful marketing campaigns were run in 2005. These included: a joint Rambler promotion with Dublin Zoo, a safety campaign which was run with Bus Éireann and a successful NiteLink campaign. In addition the second half of the year saw the redesign of many of the company's brochures and publications to reflect a consistent look and feel and make it easier for customers to have access to information about our products and services.

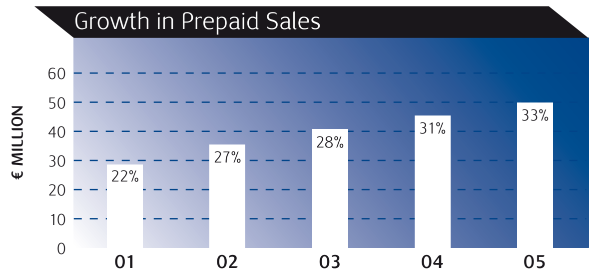
Every day Bus Átha Cliath operates in, what is now considered by transport experts, some of the worst congestion and gridlock for a city of Dublin's size. The company continually uses its expertise and experience to counteract this situation, however BDO Simpson Xavier Consulting estimates that congestion is costing the company €60 million per annum.

The success of Bus Átha Cliath in providing an efficient public transport system is not only dependent on the company's operations but also on bus priority and more significantly by the introduction of Quality Bus Corridors (QBC). The QBCs have been key factors in helping Bus Átha Cliath provide a more effective service for commuters. Experience has shown that the greater the level of priority, the greater the growth in passenger numbers and in 2005 Bus Átha Cliath commenced a significant in-depth network review in the context of expanding the QBC network and the Bus Átha Cliath fleet. The Stillorgan QBC demonstrates the best attributes of bus priority in Dublin, due largely to the continuous bus priority for the majority of the route. Customer growth on the Stillorgan QBC has increased by 210% with significant growth on many more corridors such as Malahide (84%) and Lucan (36%). The proposed investment under Transport 21, to double the number of QBCs, will be critical in achieving faster bus journey times, growth in bus passenger numbers and will be crucial in offering the car user a real alternative mode of public transport.



Bus/Car Divide at Canal Cordon Inbound
AM Peak (7-10) 1997 v 2004

Bus Átha Cliath has a responsibility to provide the best possible transport service with its range of products and tickets, with which to meet the public needs and demands. The company continued in 2005 to remain flexible and responsive to the changing demands of the city and customer expectations. The provision of accurate, easy to understand and timely information is vital for customer loyalty and our website www.dublinbus.ie received over 1.6 million hits in 2005. This means over 130,000 users per month availed of the services including purchasing tickets online, maps, timetables and route planning information. In addition, BUSTXT, the bus timetable texting service had over 1.4 million requests for information. There was a further expansion of the ticket agency network through which Bus Átha Cliath sells to its customers. In 2005 the number of ticket agents increased to over 400.



% represents proportion of total passenger revenue

In addition to information provision Bus Átha Cliath continues to develop its range of pre-paid tickets to reflect the increasing public transport options for commuters and their lifestyle options. Customers can avail of a full range of

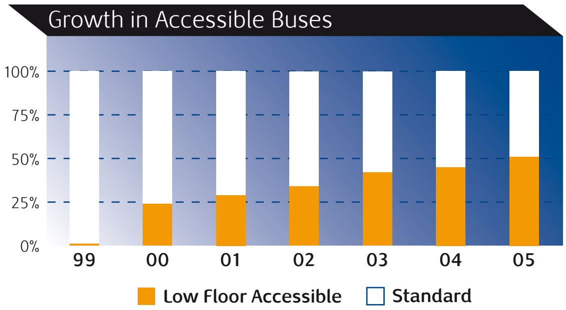
Operations Review (continued)

bus only, bus/Luas and bus/rail tickets. These tickets offer considerable discounts and flexibility and their popularity is reflected in the increase in sales.

- Prepaid ticket sales have increased by 75% in terms of passenger usage since 2001, with revenue of €50 million for 2005.
- The popularity of the prepaid Rambler range of products has continued to grow and their sales now account for 45% of all prepaid revenue.
- The TaxSaver benefit-in-kind scheme had sales of almost €17 million in 2005. Over 40,000 regular commuters from 1,700 companies in and around Dublin now enjoy substantial discounts on their travel costs as a result of the TaxSaver ticket.

Capital investment by Bus Átha Cliath and the Government has focused primarily on improving and modernising the fleet, incorporating the latest technology into our systems and supporting full public transport integration and development. These improvements have included:

- The purchase of 50 new double deck buses to replace older buses. The fleet replacement programme is central to the provision of a modern and comfortable fleet, increasing the percentage of fully accessible low floor buses and ensuring efficient operating costs.
- December 2005 saw the start of delivery of 20 additional new triaxle buses funded under the new Government Transport 21 plan at a cost of approximately €7 million. These new type double-deck buses offer 20% more capacity than standard type buses.
- Over 90% of the fleet has been fitted with new digital CCTV security systems. This state-of-the-art system means that each bus is fitted with up to eight digital cameras, which continually record all on-board bus activities. This system has further enhanced the safety and security of our customers, staff and fleet. The project costing €2.8 million was funded by the Department of Transport.
- Significant progress on the development of a new on-bus ticketing system has taken place. Over 75% of the fleet has been fitted with the new ticketing machines. These machines will provide a platform to support the introduction of smartcard ticketing. A programme was developed with the Rail Procurement Agency (RPA) which will see the implementation of a smartcard on Bus Átha Cliath services in early 2007 and the introduction of the Integrated Ticketing System (ITS) smartcard in 2008.
- The company continues to fulfil its commitment to the mobility-impaired with 50% of the bus fleet being fully accessible and over 40% of all Bus Átha Cliath routes dedicated fully accessible. The company received a total of €1.75 million in 2005 from the Department of Transport and this funding enabled the installation of new disability friendly Kassel kerbing, bus shelters with information panels, the running of information and educational campaigns and media advertisements. The O_2 Ability Awards have once again honoured Bus Átha Cliath with an award for "Retention and Well-Being".



Operations Review (continued)

Bus Átha Cliath is the only Irish company which is included in a Compendium of Good Practice in Workplace Diversity (2005), which has been compiled by the European Commission. The inclusion of the company in this report is an endorsement of our commitment to diversity and recognition of the number of our employees from ethnic minorities, older people and people with disabilities.

Throughout the year Bus Átha Cliath ran a number of external information road-show campaigns. The “It’s Your Service” campaigns took place in The Square Tallaght Shopping Centre and in Donaghmede Shopping Centre. The shows consisted of information stands with local depot personnel of all levels, competitions and entertainment for children. These very successful campaigns gave the company an opportunity to engage face to face with our customers and to listen to their suggestions and comments.

As part of the company’s emphasis on training and customer care, specialised training courses in fleet familiarisation and driver safety continued throughout the year. The Quality Customer Awareness (QCA) 2005 programme was developed with communication courses for all staff and coaching sessions for supervisory and managerial staff. New driver safety handbooks were issued to driving staff to further re-enforce safety consciousness. The quality and safety of the Bus Átha Cliath services is of paramount importance to the company. Collision accident levels are 4% down on 2004. Customer accidents are down 13% on 2004. In addition the company’s claims/accident ratio is currently at 22%, which is the lowest level for 10 years.

The era of cheap fossil fuel supplies is coming to an end. In the case of oil, the depletion of supplies and increase in price has the potential to seriously impact on the transport industry over the next twenty years. As an island nation that currently imports almost 90% of its energy needs, the provision of a secure, environmentally acceptable energy supply at a reasonable cost will be one of the biggest challenges facing this country in the coming decades. The problem can be alleviated by reduced and more efficient use of available energy together with the development of alternative renewable energy sources.

Bus Átha Cliath is undertaking a review of alternative fuels and alternative vehicle technology. Such alternatives are receiving renewed attention throughout the world in the light of rising oil prices. The review is also taking into account the need to achieve reductions in Greenhouse Gas Emissions and to reduce dependence on imported oil. Areas to be covered by this review will include:

- use of biofuels/vegetable oils;
- use of bio-diesel blends; and
- use of fuel efficient hybrid-vehicles (which combine an electric motor with a diesel fuelled internal combustion engine).

The company sees service to the community as a core value and the success of its business is inextricably linked to the wellbeing of the communities served. Since 2004 some 300 charities have received €500,000 from the Bus Átha Cliath Community Support Programme. This programme recognises the work of voluntary groups who are dedicated to making a difference within their communities.

The company has been very successful in meeting all the challenges that it has faced to date, and it will seek to continue in this manner. Bus Átha Cliath will continue to serve the needs of the growing city and will work closely with the Department of Transport to provide an ever-improving bus service. The bus has proved itself over the years to be the backbone of public transport and is without a doubt the most flexible and economical mode for the city and its public.

Directors and Other Information

Directors at 24th March, 2006

Chairman	Dr. J.J. Lynch
Directors	Mr. T. Coffey Mr. D. Egan Mr. B. McCamley Mr. J. Moloney Mr. A. O'Byrne Mr. P. Webster
Chief Executive	Mr. J. Meagher
Secretary	Mr. P. O'Neill
Registered Office	59 Upper O'Connell Street, Dublin 1.
Telephone	+353 1 872 0000
Facsimile	+353 1 873 1195
Website	www.dublinbus.ie
Registered Number	119569
Auditors	PricewaterhouseCoopers, Chartered Accountants, and Registered Auditors, Wilton Place, Dublin 2.

Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 31st December, 2005.

Principal Activities and Financial Review

The principal activities of the company are the provision of a comprehensive bus service for the city of Dublin and its hinterland.

Bus Átha Cliath recorded a trading surplus of €2 million in 2005. Revenue for the company, which is regulated by the Department of Transport, amounted to €181 million in 2005, an increase of 2.2% over 2004. The company continues to concentrate on the provision of good customer service and the development of both the fleet and the network. Passenger numbers were down slightly on 2004 with carryings of 146 million in 2005 (2004 – 149 million) due to the impact of Luas and the completion of the weekend Dart upgrade works during the year for which the company had provided bus support. The underlying passenger trends show positive growth in numbers and the company is confident that 2006 will see an increase in passengers carried and the bus will remain the backbone of public transport in the capital. A fares increase of 3.5% was sanctioned in January 2005.

Capital Investment

Bus Átha Cliath continues to invest in improving the fleet and passenger services. During 2005 capital investment included:

- 66 new low floor double deck buses
- €1 million on various accessibility projects
- €1.8 million on installation of CCTV on buses (total project costs €2.8 million)

Employee Participation

All employees have completed the awareness programme on equality, ethnicity and accessibility. Over 90% of all drivers are accredited with the Institute of Advanced Motoring certification. The programme of managerial development continued with a number of managers completing MBA studies and several more undertaking a variety of courses. In addition the Quality Customer Awareness (QCA) 2005 programme has continued with communications and customer care courses for all staff.

Equality and Diversity

The Equality and Diversity Strategy helps Bus Átha Cliath to deliver a more efficient and fulfilling work environment for staff, meet the changing needs of customers and develop a greater connection to the entire community served.

Bus Átha Cliath is committed to delivering a quality service to all its customers and to creating a fair and inclusive workplace where individuals are respected and people can work to the best of their ability.

The company have developed an action plan that covers a number of areas including applying the principles of equality and inclusion to people management, involving staff who reflect the diversity of the workforce and evaluating the benefits of any changes made in relation to equality and diversity.

The Equality and Diversity Strategy was selected for inclusion in the European Commission Compendium of Good Practice in Diversity. A study, funded by the National Framework Committee for Equal Opportunities at the Level of the Enterprise, was undertaken to specifically look at the role and progress of women in the workplace.

Report of the Directors (continued)

Results and Reserves

The financial statements for the year ended 31st December, 2005 are set out in detail on pages 14 to 28. The results for 2005 show a surplus of €1,996,000 (2004 – €2,039,000).

Health and Safety

The company is fully committed to complying with the Safety, Health and Welfare at Work Act, 2005 and all other national and EU regulations. The Safety Statement adopted by the company in February 1991 is kept under review and updated on an ongoing basis.

During 2005 the company developed a Safety Management System (SMS) document. This details the procedures and responsibilities for all aspects of health and safety management within the company. Safety committees set up in previous years continue to involve employees in all aspects of safety and risk management.

Payment Practices

Bus Átha Cliath acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment) Regulation 2002. The company payment policy is to comply with the requirements of the Regulation.

Principal Risks

Bus Átha Cliath deals with the principal risks to the business in a number of ways including health and safety described above. A risk register is maintained and updated periodically that examines the various risks to the company and includes action plans for addressing these.

Córas Iompair Éireann (CIÉ), on behalf of Bus Átha Cliath, enters into currency forward purchasing where it deems there is value and reduced risk to the company.

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 Átha Cliath, 59 Upper O'Connell Street, Dublin 1.

Code of Practice for the Governance of State Bodies

Details of the policies and procedures implemented by the company following publication of the Code of Practice for the Governance of State Bodies are provided in the Córas Iompair Éireann Group accounts.

Directors

The directors of the company are appointed by the chairman of Córas Iompair Éireann with the consent of the Minister for Transport. The names of persons who were directors during the year ended 31st December, 2005, or who have since been appointed are as set out below. Except where indicated, they served as directors for the entire year.

Dr. J.J. Lynch	Chairman
Mr. G. Charles	(Retired 30th November, 2005)
Mr. T. Coffey	(Re-appointed 29th April, 2005)
Mr. D. Egan	(Re-appointed 9th February, 2005 and 9th February, 2006)
Ms. A.M. Mannix	(Retired 30th November, 2005)
Mr. B. McCamley	(Retired 30th November, 2005, re-appointed 1st January, 2006)
Mr. J. Moloney	(Appointed 1st January, 2006)
Mr. A. O'Byrne	(Re-appointed 1st June, 2005)
Mr. P. Webster	(Re-appointed 1st June, 2005)

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.

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

Dr. Alan Westwell, Managing Director, retired in March 2005. Dr. Westwell joined Bus Átha Cliath in 1997 and was instrumental in driving the company forward in both customer service and performance. Mr. Joe Meagher, Chief Executive, joined the company in May 2005.

Auditors

The auditors, PricewaterhouseCoopers, 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. A. O'Byrne, Director

24th March, 2006

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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 requirements of the Irish Companies Acts, 1963 to 2005. 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 Átha Cliath – Dublin Bus

We have audited the financial statements on pages 14 to 28.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable Irish law and Accounting Standards generally accepted in Ireland are set out on page 11, 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 of 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 2005. 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 balance sheet, are not more than half 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 of 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.

Report of the Auditors (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st December, 2005 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 2005.

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 directors' report on pages 8 to 10 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 17, 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, 2005, 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.

24th March, 2006

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 2005. 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

Road passenger vehicles are depreciated on the basis of the historical cost of vehicles in the fleet spread over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their 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) European Union and Exchequer grants

European Union (EU) and Exchequer grants, which relate to capital expenditure on specific projects, 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. Grants in respect of revenue expenditure are credited to deferred income as they become receivable and released to the relevant expenditure account in the year to which the expenditure relates.

(ii) Public Service Obligation Payment

The Public Service Obligation payment received during the year is dealt with in the profit and loss account.

Principal Accounting Policies (continued)

(F) Foreign Currency

Transactions denominated in 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 currency 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 the independent actuary, 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 pension benefits 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	2005	2004
		€000	€000
Revenue		**181,453**	177,553
Costs			
Payroll and related costs	2	**(166,171)**	(159,059)
Materials and services	3	**(63,847)**	(66,130)
Depreciation	4	**(15,760)**	(14,755)
Total operating costs		**(245,778)**	(239,944)
Deficit before (loss)/gain on disposal of tangible assets, interest and Public Service Obligation payment		**(64,325)**	(62,391)
(Loss)/gain on disposal of tangible assets		**(45)**	1,191
Deficit before interest and Public Service Obligation payment		**(64,370)**	(61,200)
Interest receivable	5	**1,466**	1,429
Deficit for the year before Public Service Obligation payment		**(62,904)**	(59,771)
Public Service Obligation payment	6	**64,900**	61,810
Surplus for the year after Public Service Obligation payment		**1,996**	2,039
Accumulated deficit at beginning of the year		**(12,363)**	(14,402)
Accumulated deficit at end of the year		**(10,367)**	(12,363)

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. A. O'Byrne, Director

Balance Sheet

As at 31st December	Notes	2005	2004
		€000	€000
Fixed assets			
Tangible assets	7	120,708	119,601
Current assets			
Stocks	8	3,500	2,592
Debtors	9	81,566	79,886
Cash at bank and in hand		187	—
		85,253	82,478
Creditors (amounts falling due within one year)	10	(39,548)	(39,990)
Net current assets		45,705	42,488
Total assets less current liabilities		166,413	162,089
Provision for liabilities and charges	12	(80,104)	(76,992)
Deferred income	13	(43,903)	(44,687)
		42,406	40,410
Financed by:			
Capital and reserves			
Called up share capital	14	31,743	31,743
Asset replacement reserve		21,030	21,030
Profit and loss account		(10,367)	(12,363)
Shareholders' funds	15	42,406	40,410

On behalf of the board

Dr. J.J. Lynch, Chairman

Mr. A. O'Byrne, Director

Cash Flow Statement

Year ended 31st December	Notes	2005	2004
		€000	€000
Net cash inflow from operating activities	16 (A)	**14,191**	19,068
Returns on investments and servicing of finance	16 (B)	**1,466**	1,429
Capital expenditure	16 (B)	**(27,825)**	(13,984)
Net cash (outflow)/inflow from disposal of tangible fixed assets	16 (B)	**(11)**	1,590
Capital grants received	16 (B)	**10,609**	753
Cash (outflow)/inflow before use of liquid resources and financing		**(1,570)**	8,856
Net management of liquid resources		**631**	(11,954)
Financing	16 (B)	**—**	(598)
Decrease in cash in the year		**(939)**	(3,696)

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

Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year	16 (C)	**(939)**	(3,696)
Net cash (outflow)/inflow from holding company balance and lease financing	16 (C)	**(631)**	12,552
Movement in net funds in the year		**(1,570)**	8,856
Net funds at 1st January	16 (C)	**73,719**	64,863
Net funds at 31st December	16 (C)	**72,149**	73,719

Notes to the Financial Statements

1 NET SURPLUS BY ACTIVITY

	Social Activities		Commercial Activities	
	2005	2004	**2005**	2004
	€000	€000	**€000**	€000
Revenue	**168,359**	165,313	**13,094**	12,240
Costs	**(235,804)**	(228,469)	**(8,553)**	(8,855)
Operating (deficit)/surplus	**(67,445)**	(63,156)	**4,541**	3,385
Public Service Obligation Payment	**64,900**	61,810	**—**	—
Net (deficit)/surplus	**(2,545)**	(1,346)	**4,541**	3,385

2 PAYROLL AND RELATED COSTS

	2005	2004
	€000	€000
Staff costs		
Wages and salaries	**146,317**	140,332
Social welfare costs	**13,161**	12,701
Other pension costs	**6,725**	6,216
Own work capitalised	**(167)**	(429)
Total staff costs	**166,036**	158,820
Directors' remuneration		
Emoluments		
- for services as directors	**40**	40
- for other services	**95**	199
Total directors' remuneration and emoluments	**135**	239
Total payroll and related costs	**166,171**	159,059

	Staff Numbers	
	2005	2004
The average number of employees during the year was:	**3,407**	3,408

Notes to the Financial Statements (continued)

	2005 €000	2004 €000
3 MATERIALS AND SERVICES		
Fuel and lubricants	**13,022**	10,723
Materials	**16,505**	16,077
Road tax and licences	**560**	505
Rent and rates	**512**	486
Auditors' remuneration	**39**	40
Operating lease rentals	**388**	361
Third party and employer's liability claims	**12,017**	15,586
Other services	**21,118**	24,636
Revenue grants *(note 13)*	**(314)**	(2,284)
	63,847	66,130

4 DEPRECIATION

	2005 €000	2004 €000
Depreciation *(note 7)*	**26,684**	26,739
Amortisation of EU/Exchequer capital grants	**(10,924)**	(11,984)
	15,760	14,755

5 INTEREST (RECEIVABLE)/PAYABLE

	2005 €000	2004 €000
On balances with holding company	**(1,465)**	(1,439)
On finance leases	**—**	11
Other interest receipts	**(1)**	(1)
	(1,466)	(1,429)

6 PUBLIC SERVICE OBLIGATION

The Public Service Obligation payment payable to Bus Átha Cliath – Dublin Bus through its holding company, Córas Iompair Éireann, amounted to €64,900,000 for the year ended 31st December, 2005 (2004 – €61,810,000).

Notes to the Financial Statements (continued)

7 TANGIBLE FIXED ASSETS

	Road Passenger Vehicles €000	Plant and Machinery €000	Total €000
Cost			
At 1st January, 2005	248,023	30,064	278,087
Additions	20,369	7,456	27,825
Disposals	(799)	(1,710)	(2,509)
At 31st December, 2005	267,593	35,810	303,403
Depreciation			
At 1st January, 2005	141,620	16,866	158,486
Charge for the year	23,390	3,294	26,684
Disposals	(765)	(1,710)	(2,475)
At 31st December, 2005	164,245	18,450	182,695
Net book amounts			
At 31st December, 2005	103,348	17,360	120,708
At 31st December, 2004	106,403	13,198	119,601

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

	Lives (Years)
Road passenger vehicles	8 – 10
Plant and machinery	1 – 15

(b) Road passenger vehicles at a cost of €31,029,000 (2004 – €13,068,000) were fully depreciated but still in use at the balance sheet date.

(c) Included in additions above are €31,000 (2004 – €16,000) in respect of road passenger vehicles, being assets in the course of construction and assets not yet in service

Notes to the Financial Statements (continued)

	2005 €000	2004 €000
8 STOCKS		
Maintenance materials and spare parts	**2,042**	1,645
Fuel, lubricants and other sundry stocks	**1,458**	947
	3,500	2,592

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

9 DEBTORS

Trade debtors	**5,091**	4,663
Amounts owed by holding company	**73,432**	74,063
EU/Exchequer grants receivable	**2,028**	—
Other debtors and accrued income	**1,015**	1,160
	81,566	79,886

10 CREDITORS (amounts falling due within one year)

Overdraft	**1,470**	344
Trade creditors	**5,510**	4,780
Income tax deducted under PAYE	**1,714**	2,702
Pay related social insurance	**1,802**	3,437
Value added tax and other taxes	**268**	(102)
Other creditors	**2,086**	2,184
Deferred revenue	**3,127**	2,652
Accruals	**2,247**	3,224
Voluntary severance	**184**	98
Third party and employer's liability claims *(note 12)*	**10,000**	10,000
Deferred income *(note 13)*	**11,140**	10,671
	39,548	39,990
Creditors for taxation and social welfare included above	**3,784**	6,037

	2005 €000	2004 €000

11 LEASE OBLIGATIONS

Operating Leases

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

	2005 €000	2004 €000
Within one year	**96**	115
Between one and five years	**67**	139
	163	254

12 PROVISION FOR LIABILITIES AND CHARGES

	2005 €000	2004 €000
Third party and employer's liability claims		
Balance at 1st January, 2005	**86,992**	80,173
Utilised during the year	**(8,414)**	(8,253)
Transfer from profit and loss account	**11,526**	15,072
Balance carried forward at 31st December, 2005	**90,104**	86,992
Apportioned:		
Current liability *(note 10)*	**10,000**	10,000
Amounts falling due after more than one year	**80,104**	76,992
	90,104	86,992

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

(A) External Insurance Cover

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

(i) third party liability in excess of €2,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of actions taken for road claims subject to United States jurisdiction where the excess is US$3,300,000;

(ii) third party liability for the Group in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks 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 €15,000,000 in aggregate in the twelve month period, April 2005 to March 2006; subject to an overall Group self insured retention of €27,000,000;

(iv) terrorism public liability cover for the Group of €10,000,000, subject to the excesses appropriate to the incident category;

12 PROVISION FOR LIABILITIES AND CHARGES (continued)

(A) External Insurance Cover (continued)

(v) Group combined liability insurance overall indemnity is €200,000,000 for the twelve month period, April 2005 to March 2006, for rail and road transport third party and other risks liabilities;

(vi) fire and special perils for the Group, 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; and

(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 Provisions and Related Recoveries

Provision is made at the year end for the estimated cost of liabilities incurred but not finalised 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 externally in managing claims but excludes the internal overhead of claims management fees. 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 outstanding potential liabilities the company calculates individual file valuations to which contingency provisions are added with the assistance of external actuarial advice. The actuary's mathematical modelling is 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 create distortions in the underlying statistics or which might cause the potential liabilities to increase or reduce when compared with the cost of previously finalised claims including, for example, changes in the legal environment, the effects of inflation, changes in operational activity and the impact of large losses.

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

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

Provisions for claims are calculated gross of any reinsurance recoveries 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 recoveries having regard to notification from the company's brokers of any re-insurers in run off.

Notes to the Financial Statements (continued)

	2005 €000	2004 €000

13 DEFERRED INCOME

This account represents EU/Exchequer grants which are accounted for in accordance with accounting policy E.

	2005 €000	2004 €000
European Union/Exchequer grants		
Balance at 1st January, 2005	**55,358**	66,589
Received and receivable	**10,923**	3,037
Transfer to profit and loss account		
Amortisation of capital grants	**(10,924)**	(11,984)
Revenue grant *(note 3)*	**(314)**	(2,284)
Balance carried forward at 31 December, 2005	**55,043**	55,358
Apportioned:		
Current liability *(note 10)*	**11,140**	10,671
Amounts falling due after more than one year	**43,903**	44,687
	55,043	55,358

14 SHARE CAPITAL

	2005 €000	2004 €000
Authorised:		
Ordinary shares of €1.27 each	**38,092**	38,092
Allotted, called up and fully paid:		
Ordinary shares of €1.27 each	**31,743**	31,743

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 €000	2004 €000
Surplus for the year after Public Service Obligation payment	**1,996**	2,039
Opening equity shareholders' funds	**40,410**	38,371
Closing equity shareholders' funds	**42,406**	40,410

Notes to the Financial Statements (continued)

16 CASH FLOW STATEMENT

	2005 €000	2004 €000
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before Public Service Obligation payment	**(64,370)**	(61,200)
Public Service Obligation payment *(note 6)*	**64,900**	61,810
	530	610
Depreciation	**26,684**	26,739
Amortisation of capital grants	**(10,924)**	(11,984)
Loss/(gain) on disposal of tangible assets	**45**	(1,191)
Increase in stocks	**(908)**	(217)
Increase in debtors	**(2,311)**	(2,161)
Increase in creditors and provisions	**1,075**	7,272
Net cash inflow from operating activities	**14,191**	19,068
(B) Analysis of cash flows for headings netted in the cash flow statement		
Servicing of finance		
Interest received	**1,465**	1,439
Interest element of finance lease rentals	**—**	(11)
Other interest receipts	**1**	1
Net cash inflow from servicing of finance	**1,466**	1,429
Capital expenditure		
Purchase of tangible fixed assets	**(27,825)**	(13,984)
Net cash (outflow)/inflow from disposal of tangible assets	**(11)**	1,590
EU/Exchequer capital grants	**10,609**	753
Net cash outflow from capital expenditure	**(17,227)**	(11,641)
Financing		
Debt due within one year:		
Capital element of finance lease rentals	**—**	(598)
Net cash outflow from financing	**—**	(598)

Notes to the Financial Statements (continued)

16 CASH FLOW STATEMENT (continued)

(C) Analysis of net funds	At 1st Jan 2005 €000	Cash Flow €000	At 31st Dec 2005 €000
Cash at bank and in hand	—	187	187
Overdraft	(344)	(1,126)	(1,470)
		(939)	
Holding company balance	74,063	(631)	73,432
		(631)	
Total	73,719	(1,570)	72,149

17 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, 2005, using the bases required by Financial Reporting Statement (FRS) No. 17 (Retirement Benefits), showed a deficit of €284.4 million. Details in relation to the schemes, required by FRS 17, are contained in the accounts of Córas Iompair Éireann.

18 CAPITAL COMMITMENTS

	2005 €000	2004 €000
Contracted for	**38,884**	32,896
Authorised by the directors but not contracted for	**421**	-
	39,305	32,896

Notes to the Financial Statements (continued)

19 CONTINGENT LIABILITIES

Pending Litigation

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.

20 RELATED PARTY TRANSACTIONS

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.

21 MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

Bus Átha Cliath – Dublin 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 24th March, 2006.