

Bus Átha Cliath

Annual Report and Financial Statements 2006



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

Design: First Impression

Operations Review

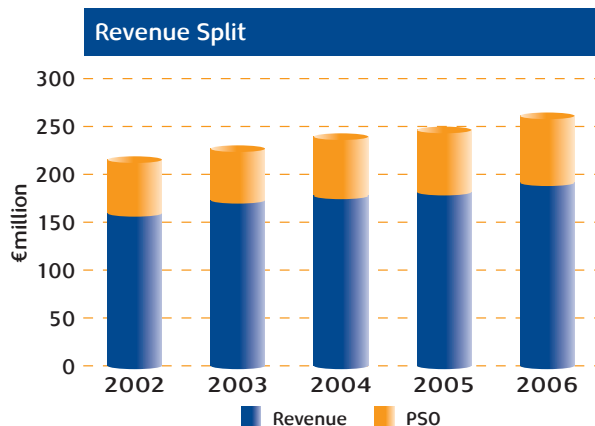


General Performance

Bus Átha Cliath - Dublin Bus had another successful year with increased profits and passenger numbers. A surplus of €4 million (2005 - €2 million) was recorded helped by strong financial controls and growth in revenue to €189 million (2005 - €181 million).

Bus Átha Cliath operated a fleet of almost 1,100 buses over 189 routes, travelling nearly 60 million kilometres per annum. Passenger numbers for 2006 were over 146 million, an increase of nearly one million over 2005. These figures take into account the migration of an additional two million bus customers from routes adjacent and parallel to Luas routes in 2006. The company remains the largest transport provider in the Dublin area with over 93% of the population having access to its services and 70% of public transport users choosing the bus as their mode of transport. This demonstrates the ability of the bus to provide transport for the public in an economic, flexible and citywide manner.

Bus Átha Cliath, like all public transport companies in Europe receives a Public Service Obligation (PSO) payment, for the provision of non-commercial services from its owner. For 2006 this amounted to €69.8 million, which represented 27% of its operating costs. This is one of the lowest subsidy levels given to a European public bus transport company. An additional €2 million in subvention was received from our parent company Córas Iompair Éireann (CIÉ). A Memorandum of Understanding on performance targets and service levels for the year was agreed between the company and the Department of Transport. The level of PSO was dependant on meeting targets and during the year Bus Átha Cliath met all these and in many cases exceeded those set out in the Memorandum. During 2006 a number of improvements were made to the bus network including the introduction of the new route 4 on the Merrion Road Quality Bus Corridor (QBC) linking Ballymun with St. Vincent's Hospital. Services to other areas including Bray, Tallaght, Finglas and Blanchardstown were also enhanced.



Safety

Safety of staff and our customers is the top priority in Bus Átha Cliath. In 2006 the company implemented its Safety Management System (SMS) procedures. The SMS outlines the safety responsibilities of the board, managers and supervisors. To ensure that a culture of safety is nurtured throughout the organisation, a series of Safety Seminars were conducted. To augment vehicle safety, the company introduced enhanced external and internal vehicle safety audits.

Operations Review (continued)



During the year, the company increased employment of new drivers. To ensure that all new drivers received maximum tuition and mentoring, the driver refresher-training programme was reviewed. Throughout the year, all new drivers received four and eight monthly refresher training and review. Also, mentoring and monitoring procedures were enhanced, with extra staff deployed to carry out these functions.

Safe Driving Award Certificates were presented to over 1,700 drivers in 2006. Claims received were the lowest for 10 years. This is due to the success of the various driver safety programmes, and supplemented by the fact that almost the entire fleet is equipped with digital CCTV equipment.

Congestion

Congestion remains a major concern to the company and its customers. During 2006 the average speed of our buses was lower than ever. A report by consultants BDO Simpson Xavier in 2005 showed that congestion was costing the company €60 million per annum. The delivery of improved public transport in Dublin over the next five years will be largely dependant on improving the bus service and this can be done through improved frequency and speed. It has been proven time and again that when frequency and speed can be improved there will be significant growth in passenger numbers, all of which can be achieved at a relatively low cost. Examples of the success of QBCs can be seen across the city with corridors such as Stillorgan, Malahide and Lucan showing significant growth in customer numbers and speeds, and significant modal shift from car to bus.

Bus Átha Cliath has been working very closely with the Dublin City Council/Quality Bus Network (QBN) office in recent months to develop a comprehensive bus priority programme for 2007 and 2008. A very substantial programme is now agreed by all the agencies, which will help address many of the serious delay points that we

currently experience across the city. It is anticipated that expenditure of €30 million in 2007 and €40 million in 2008 will arise.

In conjunction with the opening of the Port Tunnel and the HGV ban in the city centre, Bus Átha Cliath highlighted the need for the extension of bus priority along the quays. The volume of large trucks using the quays has fallen very significantly thus creating opportunities to improve conditions for other vehicles. It has now been agreed to implement continuous bus priority from St. John's Road and Conyngham Road through to O'Connell Bridge. This will be implemented in mid 2007. Services from the West and North West of the City will save in excess of 10 minutes from this initiative.

Network Review

During the year Bus Átha Cliath finalised a Network Review of the bus market in Dublin. This report was prepared by MVA consultants and included extensive consultation with stakeholders covering route performance data, analysis of journey times, loadings and development plans. The key message from all strands of the analysis is that there is a severe lack of capacity on many parts of the network and that more priority is needed.

From this analysis a staged plan for enhancing the bus network was developed covering the next five years. The key elements of the plan covered the following:

- i. the introduction of 200 additional buses and a significant enhancement to the existing QBCs within two years;
- ii. progressive reshaping of the bus network, radical additional traffic management and a further increase of 225 additional vehicles by 2010; and
- iii. the evolution of the whole bus package covering fares, integrated ticketing, service, scheduling and information provision.

Operations Review (continued)

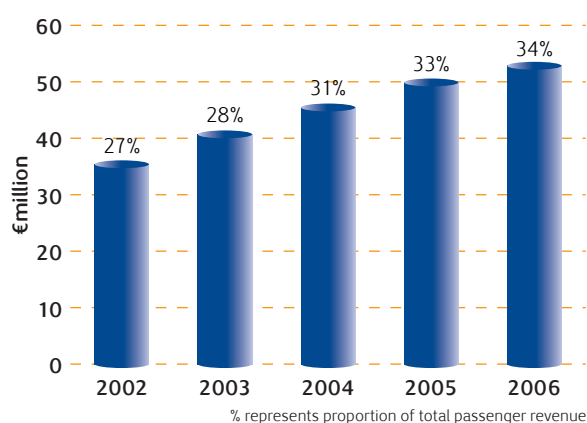


The company is pleased to note that the Department of Transport, in line with the report's findings, agreed to fund an additional 100 buses to come into service by mid 2007. These buses will be used to provide service to newly developing areas and also to support the QBC programme agreed with the local authorities. A crucial element of this strategy is the development and maintenance of bus priority through the city centre. Almost 60 million Bus Átha Cliath customers board or alight buses in the central area from St. Stephen's Green to Parnell Square. Bus Átha Cliath has lobbied strongly through the year for the development of these bus priority paths and has argued that the construction and operation of Luas line BX linking the red and green lines must not jeopardise the development of the bus service. The choice of a route for Line BX via Dawson Street, College Green and O'Connell Street would have serious implications for bus customers along that densely used corridor.

Marketing/Sales

Bus Átha Cliath tries at all times to provide the best range of products and tickets to meet customer needs. During the year the company has been flexible and responsive to the changing environment and demands from the travelling public. Significant progress was made in improving the provision and accuracy of information to our passengers. Our website received over 3.3 million hits in 2006. In addition our BUSTXT system is becoming very popular with over 1.3 million people using it in the year. The company is currently upgrading both the website and information provision and 2007 will see enhanced timetable, route and branding detail across the city. It is vital to offer better value to regular customers. To achieve this there was a further expansion of our ticket agents network to 450 and the number of companies availing of the TaxSaver BIK tickets is over 1,700.

Growth in Prepaid Sales



The company was granted a fare rise of 2.75% at the beginning of 2007 by the Department of Transport. The company had sought a greater increase to reflect the significant increases in fuel and energy costs that the company has had to absorb over the last few years along with payments awarded to staff under the partnership pay forum. A recent survey of price increases granted across regulated sectors shows that in the last five years bus fares have increased by just over 20% which was the lowest of any area. Bus Átha Cliath will continue to work towards implementing greater efficiencies and will collaborate with the Department of Transport in achieving the profitability targets that will enable the company to reinvest in improving the service to our customers.

Bus Átha Cliath is committed to moving towards integrated ticketing and customers can now use a range of Bus/Rail/Luas tickets. The company welcomes the establishment of the Integrated Ticketing Project Board and we have completed the upgrading of equipment on our buses, which will enable us to accept Smart Cards and, in due course, a fully integrated ticketing system.

Operations Review (continued)



A comprehensive package of measures has been developed to reposition the brand image of Bus Átha Cliath. These include:

- A new TV campaign based on the theme of 'Dublin Bus connects me to my Dublin'.
- New brand guidelines being developed to ensure that all printed material presents a common look and feel to customers.
- On-street information will be redesigned to achieve greater simplicity, clarity, and effectiveness.

In addition to this a complete marketing programme will complement the introduction of new services introduced under Transport 21.

Capital Investment

Capital investment by the company and the Government continues to focus on improving, modernising and increasing the number of buses in the Dublin area. During the year the company invested in a number of areas:

- The purchase of almost 200 new double deck buses. 100 of these are replacement buses with an additional 100 buses, under the Transport 21 programme, which began to be put into service at the end of 2006.
- All buses bought since 2000 have been fully accessible with over 60% of our fleet now meeting these standards. In addition the company has invested, with the help of the Department of Transport, €6.7 million since 2004 in providing kerbing, shelters and information panels that provide enhanced accessibility to our customers.
- The company is investing heavily in new technologies on ticketing. To date €7.5 million has been spent on upgrading our ticketing equipment and on-bus systems and this has paved the way for the future introduction of customer Smart Cards and integrated ticketing.

Special Services

Throughout 2006 Bus Átha Cliath was involved in the planning, management and organisation of the movement of thousands of customers to many major events. The biggest event was the Ryder Cup for which the company operated Park & Ride facilities to the K Club from four departure points around Dublin. Each day Bus Átha Cliath transported 40,000 passengers and a further 8,000 K Club staff to and from the event.

Bus Átha Cliath also provided a range of services and Park & Ride facilities for other events such as the Oxegen Festival and for concerts held at Marley Park, thus offering a frequent and convenient mode of transport for thousands of concert-goers.

There was major disruption to City Tours during the first five periods of 2006 due to road works in O'Connell Street. This disruption resulted in a fall in revenue of 10% compared to 2005. However these figures increased during the second half of the year and finished level with 2005, achieving total revenue for 2006 of €5.8 million. We also developed a central reservations system for day tours. Our sightseeing website www.dublinsightseeing.ie went live in June 2006 and is proving very successful.

Community Support Programme

The third year of the Community Support Programme (CSP) initiative was marked by the awards event, which was attended by An Taoiseach Bertie Ahern in 2006. The programme, aimed at providing monetary aid to local community based charities and voluntary associations, saw an increase in funding in 2006 by €100,000, resulting in an extra 50 grants being awarded. Since its inception in 2004, the programme has awarded €834,000 to 504 charities. In 2007 the CSP will provide similar funds to agencies that apply to the programme to enable them to continue their good work.

Operations Review (continued)



Bus Átha Cliath also continued to support many programmes across communities in 2006, and our team of Schools Co-ordinators worked continuously with schools and community organisations to emphasise the positive role of the bus.

Environment

The very significant improvement in the profile of the Bus Átha Cliath fleet, due to the ongoing investment policy, has enabled a substantial reduction in emissions over the period. This trend of improved emissions will continue as vehicles with the latest technology replace older vehicles.

Vehicles delivered in 2007 will have engines compliant with the new Euro 4 emission limits. Fuel efficiency will also be better in future batches of buses with the introduction of this technology.

Bus Átha Cliath has carried out a trial with 5% bio-diesel blend since May 2006 and is now examining the feasibility of expanding this across the fleet.

Hybrid vehicles are a developing technology in the transport industry. These have a number of advantages with regard to emissions, particularly of carbon dioxide. Bus Átha Cliath is currently examining a diesel electric bus option, which has the potential to reduce fuel consumption by up to 30%. Bus Átha Cliath will acquire a hybrid double deck bus from Wrightbus for trial in 2007 and are actively seeking other suppliers for further projects.

Bus Átha Cliath will continue to keep pace with new technologies both in the area of bio-fuels and alternative engines/power units and will move to lower carbon solutions, as quickly as commercial, logistical and technical issues will allow.

Directors and Other Information

Directors at 28th March 2007

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 2006.

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.

Revenue for the company, which is regulated by the Department of Transport, amounted to €189 million in 2006, an increase of 4.3% over 2005. The company continues to concentrate on the provision of good customer service and the development of both the fleet and the network. Passenger numbers increased slightly on 2005 with carryings of 146.3 million in 2006 (2005 - 145.6 million). The underlying passenger trends show positive growth in numbers and the company is confident that 2007 will see a further increase in passengers carried and the bus will remain the backbone of public transport in the capital.

Capital Investment

Bus Átha Cliath continues to invest in improving the fleet and passenger services. During 2006 capital investment included:

- 200 new low floor double deck buses
- €2.6 million on various accessibility projects

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 a Quality Customer Awareness (QCA) programme was completed in 2006.

Equality and Diversity

The Equality and Diversity Strategy in place 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 has developed an action plan covering the principles of equality and inclusion and this reflects the diversity of our workforce.

The Equality and Diversity Strategy was selected for inclusion in the European Commission Compendium of Good Practice in Diversity.

Results and Reserves

The financial statements for the year ended 31st December 2006 are set out in detail on pages 14 to 29. The results for 2006 show a surplus of €4,258,000 (2005 - €1,996,000).

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.

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.

Report of the Directors (continued)

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 2006, 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. T. Coffey

Mr. D. Egan (Re-appointed 9th February 2007)

Mr. B. McCamley (Re-appointed 1st January 2007)

Mr. J. Moloney (Re-appointed 1st January 2007)

Mr. A. O'Byrne (Re-appointed 1st June 2006)

Mr. P. Webster (Re-appointed 1st June 2006)

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 other than one director who declared an interest in a company which won a tender following an independently verified selection process.

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*

28th March 2007

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 2006. 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 29.

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 2006. 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.

Auditors' Report (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 2006 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 2006.

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 9 and 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 2006, 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.

28th March 2007

- A. The maintenance and integrity of the C oras Iompair  ireann website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- B. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2006. 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) Bus stops and shelters

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

(iii) 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	2006 €000	2005 €000
Revenue		189,272	181,453
Costs			
Payroll and related costs	2	(171,988)	(166,171)
Materials and services	3	(72,684)	(63,847)
Depreciation	4	(15,805)	(15,760)
Total operating costs		(260,477)	(245,778)
Deficit before gain/(loss) on disposal of tangible assets, interest, Public Service Obligation payment and CIÉ subvention		(71,205)	(64,325)
Gain/(loss) on disposal of tangible assets		1,879	(45)
Deficit before interest, Public Service Obligation payment and CIÉ subvention		(69,326)	(64,370)
Interest receivable	5	1,739	1,466
Deficit for the year before Public Service Obligation payment and CIÉ subvention		(67,587)	(62,904)
Public Service Obligation payment	6	69,845	64,900
Surplus for the year before CIÉ subvention		2,258	1,996
CIÉ subvention		2,000	—
Surplus for the year		4,258	1,996
Accumulated deficit at beginning of the year		(10,367)	(12,363)
Accumulated deficit at end of the year		(6,109)	(10,367)

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	2006 €000	2005 €000
Fixed assets			
Tangible assets	7	155,541	120,708
Current assets			
Stocks	8	2,712	3,500
Debtors	9	76,606	81,566
Cash at bank and in hand		820	187
		80,138	85,253
Creditors (amounts falling due within one year)	10	(43,269)	(39,548)
Net current assets		36,869	45,705
Total assets less current liabilities		192,410	166,413
Provision for liabilities and charges	12	(86,592)	(80,104)
Deferred income	13	(59,154)	(43,903)
		46,664	42,406
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		(6,109)	(10,367)
Shareholders' funds	15	46,664	42,406

On behalf of the board

Dr. J.J. Lynch, *Chairman*

Mr. A. O'Byrne, *Director*

Cash Flow Statement

Year ended 31st December	Notes	2006 €000	2005 €000
Net cash inflow from operating activities	16 (A)	25,813	14,191
Returns on investments and servicing of finance	16 (B)	1,739	1,466
Capital expenditure	16 (B)	(62,016)	(27,825)
Net cash inflow/(outflow) from disposal of tangible fixed assets	16 (B)	1,887	(11)
Capital grants received	16 (B)	27,962	10,609
Cash outflow before use of liquid resources and financing		(4,615)	(1,570)
Net management of liquid resources		6,718	631
Increase/(decrease) in cash in the year		2,103	(939)
<p>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.</p>			
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year	16 (C)	2,103	(939)
Net cash outflow from holding company balance	16 (C)	(6,718)	(631)
Movement in net funds in the year		(4,615)	(1,570)
Net funds at 1st January	16 (C)	72,149	73,719
Net funds at 31st December	16 (C)	67,534	72,149

Notes to the Financial Statements

1. NET SURPLUS BY ACTIVITY

	Social Activities		Commercial Activities	
	2006 €000	2005 €000	2006 €000	2005 €000
Revenue	174,390	168,359	14,882	13,094
Costs	(246,676)	(235,804)	(10,183)	(8,553)
Operating (deficit)/surplus	(72,286)	(67,445)	4,699	4,541
Public Service Obligation Payment	69,845	64,900	—	—
CIÉ Subvention	2,000	—	—	—
Net (deficit)/surplus	(441)	(2,545)	4,699	4,541

2. PAYROLL AND RELATED COSTS

	2006 €000	2005 €000
Staff costs		
Wages and salaries	151,298	146,317
Social welfare costs	13,884	13,161
Other pension costs	6,763	6,725
Own work capitalised	(78)	(167)
Total staff costs	171,867	166,036
Directors' remuneration		
Emoluments		
- for services as directors	67	40
- for other services	54	95
Total directors' remuneration and emoluments	121	135
Total payroll and related costs	171,988	166,171

Staff Numbers

	2006	2005
The average number of employees during the year was:	3,453	3,407

Notes to the Financial Statements (continued)

3. MATERIALS AND SERVICES

	2006 €000	2005 €000
Fuel and lubricants	17,537	13,022
Materials	18,030	16,505
Road tax and licences	583	560
Rent and rates	726	512
Auditors' remuneration	31	39
Operating lease rentals	364	388
Third party and employer's liability claims	11,126	12,017
Other services	24,293	21,118
Revenue grants (<i>note 13</i>)	(6)	(314)
	72,684	63,847

4. DEPRECIATION

	2006 €000	2005 €000
Depreciation (<i>note 7</i>)	27,175	26,684
Amortisation of EU/Exchequer capital grants (<i>note 13</i>)	(11,370)	(10,924)
	15,805	15,760

5. INTEREST (RECEIVABLE)/PAYABLE

	2006 €000	2005 €000
On balances with holding company	(1,753)	(1,465)
Other interest payments/(receipts)	14	(1)
	(1,739)	(1,466)

Notes to the Financial Statements (continued)

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 €69,845,000 for the year ended 31st December 2006 (2005 - €64,900,000).

7. TANGIBLE FIXED ASSETS

	Road Passenger Vehicles	Bus Stops and Shelters	Plant and Machinery	Total
	€000	€000	€000	€000
Cost				
At 1st January 2006	267,593	1,014	34,796	303,403
Additions	54,249	3,754	4,013	62,016
Disposals	(22,574)	—	—	(22,574)
At 31st December 2006	299,268	4,768	38,809	342,845
Depreciation				
At 1st January 2006	164,245	109	18,341	182,695
Charge for the year	23,293	99	3,783	27,175
Disposals	(22,566)	—	—	(22,566)
At 31st December 2006	164,972	208	22,124	187,304
Net book amounts				
At 31st December 2006	134,296	4,560	16,685	155,541
At 31st December 2005	103,348	905	16,455	120,708

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

	Lives (Years)
Road passenger vehicles	7 - 10
Bus Stops and Shelters	3 - 15
Plant and machinery	3 - 10

Notes to the Financial Statements (continued)

7. TANGIBLE FIXED ASSETS *(continued)*

- (b) Road passenger vehicles at a cost of €29,713,000 (2005 - €31,029,000) were fully depreciated but still in use at the balance sheet date.
- (c) Included in additions above are €14,052,000 (2005 - €31,000) in respect of road passenger vehicles, being assets in the course of construction and assets not yet in service.

8. STOCKS

	2006 €000	2005 €000
Maintenance materials and spare parts	1,864	2,042
Fuel, lubricants and other sundry stocks	848	1,458
	2,712	3,500

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

	2006 €000	2005 €000
Trade debtors	5,122	5,091
Amounts owed by holding company	66,714	73,432
EU/Exchequer grants receivable	2,617	2,028
Other debtors and accrued income	2,153	1,015
	76,606	81,566

Notes to the Financial Statements (continued)

10. CREDITORS (amounts falling due within one year)

	2006 €000	2005 €000
Overdraft	—	1,470
Trade creditors	6,753	5,510
Income tax deducted under PAYE	2,197	1,714
Pay related social insurance	2,152	1,802
Value added tax and other taxes	606	268
Other creditors	2,948	2,086
Deferred revenue	2,797	3,127
Accruals	4,942	2,247
Voluntary severance	393	184
Third party and employer's liability claims (<i>note 12</i>)	8,000	10,000
Deferred income (<i>note 13</i>)	12,481	11,140
	43,269	39,548
Creditors for taxation and social welfare included above	4,955	3,784

11. LEASE OBLIGATIONS

	2006 €000	2005 €000
Operating Leases		
Commitments under non-cancellable operating leases payable in the coming year expire as follows:		
Within one year	82	96
Between one and five years	94	67
	176	163

Notes to the Financial Statements (continued)

12. PROVISION FOR LIABILITIES AND CHARGES

	2006 €000	2005 €000
Third party and employer's liability claims		
Balance at 1st January 2006	90,104	86,992
Utilised during the year	(6,197)	(8,414)
Transfer from profit and loss account	10,685	11,526
Balance carried forward at 31st December 2006	94,592	90,104
Apportioned:		
Current liability (<i>note 10</i>)	8,000	10,000
Amounts falling due after more than one year	86,592	80,104
	94,592	90,104

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 2006 to March 2007; 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;
- (v) Group combined liability insurance overall indemnity is €200,000,000 for the twelve month period, April 2006 to March 2007, for rail and road transport third party and other risks liabilities;
- (vi) all risks 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.

12. PROVISION FOR LIABILITIES AND CHARGES *(continued)*

(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)

13. DEFERRED INCOME

	2006 €000	2005 €000
This account represents EU/Exchequer grants which are accounted for in accordance with accounting policy E.		
European Union/Exchequer grants		
Balance at 1st January 2006	55,043	55,358
Received and receivable	27,968	10,923
Transfer to profit and loss account		
Amortisation of capital grants (<i>note 4</i>)	(11,370)	(10,924)
Revenue grant (<i>note 3</i>)	(6)	(314)
Balance carried forward at 31 December 2006	71,635	55,043
Apportioned:		
Current liability (<i>note 10</i>)	12,481	11,140
Amounts falling due after more than one year	59,154	43,903
	71,635	55,043

14. SHARE CAPITAL

	2006 €000	2005 €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

	2006 €000	2005 €000
Surplus for the year	4,258	1,996
Opening equity shareholders' funds	42,406	40,410
Closing equity shareholders' funds	46,664	42,406

Notes to the Financial Statements (continued)

16. CASH FLOW STATEMENT

	2006 €000	2005 €000
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before interest, Public Service Obligation payment and ClÉ subvention	(69,326)	(64,370)
Public Service Obligation payment (<i>note 6</i>)	69,845	64,900
ClÉ subvention	2,000	—
	<u>2,519</u>	530
Depreciation	27,175	26,684
Amortisation of capital grants	(11,370)	(10,924)
(Gain)/loss on disposal of tangible assets	(1,879)	45
Decrease/(increase) in stocks	788	(908)
Increase in debtors	(1,758)	(2,311)
Increase in creditors and provisions	10,338	1,075
Net cash inflow from operating activities	<u>25,813</u>	<u>14,191</u>
(B) Analysis of cash flows for headings netted in the cash flow statement		
Servicing of finance		
Interest received	1,753	1,465
Other interest (payments)/receipts	(14)	1
Net cash inflow from servicing of finance	<u>1,739</u>	<u>1,466</u>
Capital expenditure		
Purchase of tangible fixed assets	(62,016)	(27,825)
Net cash inflow/(outflow) from disposal of tangible assets	1,887	(11)
EU/Exchequer capital grants	27,962	10,609
Net cash outflow from capital expenditure	<u>(32,167)</u>	<u>(17,227)</u>

Notes to the Financial Statements (continued)

16. CASH FLOW STATEMENT *(continued)*

	At 1st Jan 2006 €000	Cash Flow €000	At 31st Dec 2006 €000
(C) Analysis of net funds			
Cash at bank and in hand	187	633	820
Overdraft	(1,470)	1,470	—
		2,103	
Holding company balance	73,432	(6,718)	66,714
		(6,718)	
Total	72,149	(4,615)	67,534

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 ClÉ 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 2006, using the bases required by Financial Reporting Statement (FRS) No. 17 (Retirement Benefits), showed a deficit of €224.7 million. Details in relation to the schemes, required by FRS 17, are contained in the accounts of Córas Iompair Éireann.

18. CAPITAL COMMITMENTS

	2006 €000	2005 €000
Contracted for	23,947	38,884
Authorised by the directors but not contracted for	18,505	421
	42,452	39,305

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 28th March 2007.