



The Green Light to Revolutionising Public Transport



Annual Report and Financial Statements 2007

Operations Review	3	Principal Accounting Policies	19
Directors and Other Information	13	Profit and Loss Account	20
Report of the Directors	14	Balance Sheet	21
Statement of Directors' Responsibilities	17	Cash Flow Statement	22
Report of the Auditors	18	Notes to the Financial Statements	23

With a 14.7% growth in passenger numbers since 2001, Bus Éireann's services provide a vital link for local and rural communities, while through its commercial and profitable Expressway network, the company competes with Irish and multinational operators on price, quality, range of services and frequency.

transport21
progress in motion



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

Design: First Impression



Bus Éireann employees Mai Conole and Sharon Glennon are pictured with Minister for Transport Noel Dempsey T.D. and Bus Éireann CEO Tim Hayes at the launch of improved Doughiska service.

Commercially significant developments in the year ended 31st December, 2007 and major issues likely to arise in the short to medium term

Financial Performance

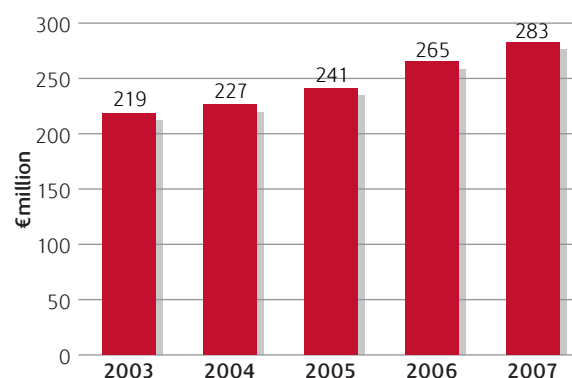
The company incurred a loss of €2.1 million in 2007 before the release of provisions for liabilities and charges as compared to a profit of €2.3 million in 2006. 2007 proved to be a challenging year for the company. Increased costs in respect of fuel and wage agreements and the increased cost of worsening traffic congestion impacted on a significant proportion of the company's cost base. Increased competition from other modes of transport as well as increased competition within the bus market arising from the issuing of licences on primary routes also impacted on the company's revenue.

On the positive side, release of provisions for liabilities and charges have resulted in a credit of €9 million to the profit and loss account. Overall the company recorded a profit of €6.9 million in 2007.

Total revenue earned in 2007 amounted to €282.9 million. This reflects the continued growth of recent years.

Revenue has climbed steadily in recent years, as the following table shows:

Revenue



Financial Turnaround Achieved

The financial performance of the company has turned around since 2002, when it recorded losses of €9.4 million.

The current profitable financial position has been achieved through strong financial controls and the introduction of ongoing improvements in operations and cost management programmes, at a time when the company continued to expand its range of services, including social services, whilst having to contend with the ever-growing problem of traffic congestion. During 2007 however there was increasing pressure on the cost base as a result of fuel price increases and wage agreement increases. Revenue targets were also under pressure due to increased competition in 2007.

Subvention

Bus Éireann received a subvention from the State, as payment for its Public Service Obligation (PSO), of €36.6 million in 2007. This is a low level of subsidy for the wide range of services provided nationwide. The cost of providing these services amounted to €41.8 million before the release of provision for liabilities and charges. Bus Éireann has been using its own resources, generated on its commercial services to subsidise the under funding of social services.

Bus Éireann and the Department of Transport have a memorandum of understanding on service levels and targets for 2007 which includes the level of state support. The company met all the performance targets set out in this memorandum.

Increase in Payments to Sub-contractors

The company paid €116 million to sub-contractors in 2007. The amount refers to the cost of bus hire and outside bus maintenance.

Major Employer

Bus Éireann is a large national employer with a workforce of 2,784.

A further 1,428 suppliers are contracted to provide services mainly to the School Transport Scheme. Our business activities also create employment for people in many other sectors who supply Bus Éireann with goods and services.

Focus On Customers

Customers Numbers up to 96 million

Bus Éireann customer numbers increased to 96 million in 2007, up from 92 million in 2006. The increased numbers travelling represented an average increase of 4% on 2006.

	Year ended 31st Dec 2007 Thousands	2006 Thousands	Percentage Change
Customer journeys			
Provincial city services	22,085	21,940	1%
Other scheduled services	28,136	27,783	1%
School transport scheme	45,507	42,367	7%
	95,728	92,090	4%

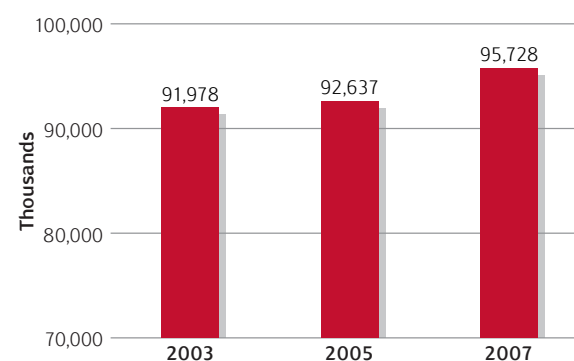
As shown in the table below, the company operated a total of 167.62 million vehicle kilometres in 2007.

	Year ended 31st Dec 2007 Thousands	2006 Thousands	Percentage Change
Vehicle kilometres			
Provincial city services	8,529	8,317	3%
Other services – own	84,400	83,401	1%
Other services – sub contracted	74,695	65,791	14%
	167,624	157,509	6%

Consistent Five Year Growth in Customers

In the past five years, Bus Éireann has achieved growth in customer numbers on Expressway, commuter and city services. Customer journeys increased from a total of 92 million in 2003, to 92.6 million in 2005 to 95.7 million in 2007.

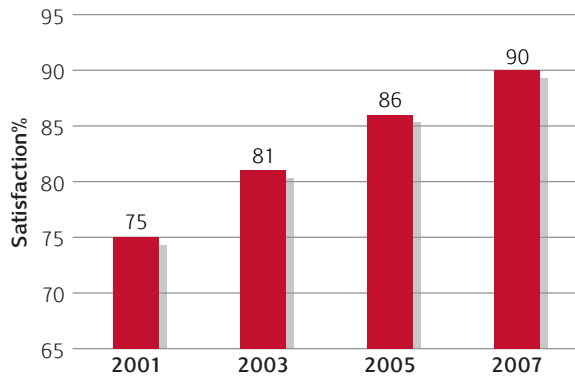
Overall Customer Journeys



Customer Satisfaction Remains High

The eighth independent audit of commitments given in the Bus Éireann customer charter was undertaken in 2007. This audit rates customer satisfaction against a range of performance commitments given in the customer charter.

Overall Customer Satisfaction



As the table above shows customer satisfaction has been rising steadily each year. An overall customer satisfaction of 90% was recorded in 2007, while customer satisfaction levels rose in terms of bus safety, service frequency, punctuality, queuing times, friendliness of drivers and station staff.

Customer usage of the Bus Éireann website continued to grow both to access information and to buy tickets online. The website received over 250 million hits in 2007, which was on average 22 million per month. Results of the independent audit indicated that 43% of Bus Éireann customers accessed information online.

New Customer Services

A range of new, improved and innovative customer services were introduced in 2007.



Bus Éireann introduced ticket vending machines to a range of new locations in 2007.

Eastern Region

In the Eastern region, a full 24 hour service went into operation on the Dublin/Dublin Airport/Belfast route. This service, the first of its kind, provides customers with an unparalleled level of connections between the two cities and Dublin Airport, round the clock seven days a week. The service is jointly operated by Bus Éireann and Ulsterbus.

The first Transport 21 service in the Eastern region was implemented in December 2007 with the start of the new 109A route. The 109A provides on the hour connections from 5am connecting Navan, Dublin Airport and DCU. The service which has proved popular with commuters, students and holiday makers provides important strategic links between key locations in Co Meath, it's principal commuting towns, Dublin Airport and DCU, one of the country's largest third level institutions.

A new service was also started to the popular Scandinavian homestore Ikea which opened in Belfast during the year. Bus Éireann commenced two services to the store, from Busáras in Dublin and from Drogheda and Dundalk.

Western Region

A high-frequency service commenced on the Galway city/ Doughiska route in July 2007. The improved service was introduced by Bus Éireann under Transport 21. Frequency has been increased on the route.

Late night services were enhanced in the city, with the introduction of Nightrider service, operating on Friday and Saturday nights from Eyre Square to Oranmore (via Doughiska) and Claregalway.

Expressway services were also given a boost. A new late night departure to Dublin Airport was implemented, with the commencement of a direct service from Galway Bus Station at midnight on a nightly basis.

Southern Region

In Cork, a number of improvements were introduced on suburban services including the Cork to Monkstown, Blarney, Ballyvolane routes, with additional services implemented on the Cork Airport route.

Additional services were also introduced on commuter routes such as Fermoy, Youghal, Clonakilty, Skibbereen and Bandon.

South-Western Region

A change in license conditions sought by Bus Éireann led to an improved service on the Cork/Limerick/Galway service. All Expressway services on the route now operate via Shannon Airport connecting the airport with the three of the main regional cities, on an hourly basis in both directions.

Two new daily summer services were also introduced on the Kerry/Limerick route.

Special Events

Transport 21 Launches

In spring 2007, Bus Éireann held a series of events in Cork, Galway, Limerick, Waterford and Dublin, to communicate to key stakeholders its expansion plans under Transport 21.

The launches were attended by the then Minister for Transport Martin Cullen TD, who welcomed the company's development plans.

Each event was well-attended, reflecting the very significant local interest in the future of bus transport in the various locations. Presentations were made by the various Regional Managers and the Minister endorsed the company's plans to improve services, under the Transport 21 programme.

Specially tailored brochures were also produced for the events, which set out the details of the development plans, region by region. These set out the planned expansion in the fleet and details of the new and improved services which are to be implemented as a result of the investment and the many benefits this will bring to the community from an economic, social and environmental standpoint.



Winners of the 2007 Bus Éireann Limerick Community Support Programme with Minister Willie O'Dea T.D. and Bus Éireann personnel.

Each event generated significant media coverage and a very positive local reaction, with substantial support expressed for the plans and proposals.

Opening of New and Improved Bus Stations and Services

During the year, a number of launches took place to mark the opening of new facilities and the introduction of expanded customer services.

The fully accessible new bus station in Tralee was officially unveiled by then Minister for Transport Martin Cullen TD in February.

In April, after a refurbishment aimed at enhancing accessibility, Ennis Bus Station was officially opened, also by Minister Cullen.

In July, the newly appointed Minister for Transport Noel Dempsey launched the improved frequency on the Galway Doughiska service at an event in Eyre Square.

Music Festivals

Bus Éireann operated coaches to and from some of the country's biggest music festivals and concerts of 2007. Amongst the events served were Motocross at Slane Castle, the Garden Party at Ballinlough Castle in Athboy, Oxegen at Punchestown, the Midlands Music Festival in Mullingar, the Rolling Stones at Slane and the Electric Picnic in Stradbally.

Sporting Events

Bus Éireann successfully operated a shuttle service during Race Week in Galway in July. In the region of 55,000 people were carried to Ballybrit on the dedicated service, significantly reducing congestion on the main routes to and from the racecourse.

Community Involvement

Limerick Community Support Programme

The second annual Limerick Community Support Programme took place in 2007. The objective of the programme is to provide financial assistance to voluntary organisations working at grassroots level to improve community life. 30 awards were made to groups ranging from residents associations to disability groups in 2007. The programme is run in conjunction with the Limerick Leader newspaper.

Limerick Community Awareness Programme

The programme, now in its fourth year, continued in 2007, with the much appreciated assistance of local schools in Limerick, the community, Gardaí and the programme co-ordinator (a Bus Éireann driver).

The aim of the programme is to highlight to children the important role the bus plays in the life of the community and how vandalism adversely affects neighbourhoods. New figures from Bus Éireann showing a decline in instances of vandalism in the city indicate it is beginning to have an effect. In 2007, the co-ordinator visited 24 schools and spoke with 3,390 children.

Bus Éireann Recognised for Community Collaboration

Bus Éireann was nominated for a prestigious award at the Allianz Business2Arts Awards 2007. The nomination was in recognition of the collaborative work carried out between Bus Éireann and Cork's leading arts group, the Triskel Arts Centre. Bus Éireann has partnered with Triskel on a number of initiatives, including the painting of a giant mural at the bus station and a mobile exhibition on a Bus Éireann city bus.

Traffic Congestion and Infrastructure

The worsening traffic congestion with consequential effects on costs and reliability is a considerable source of concern to the company.

It is a major difficulty for the company resulting in the need to deploy additional resources in order to maintain existing services.



One of the new Transport 21 low floor accessible city buses.

It continues to adversely affect the reliability of Bus Éireann services, particularly at peak times which in turns affects our ability to maintain revenues. Traffic speeds are lower in Ireland than in equivalent European locations. A recent analysis showed that traffic congestion cost the company over €23 million. This is as a result of traffic flows and average speeds which are considerably worse than in comparable cities and towns in other European countries.

Bus Éireann has long supported the introduction of bus lanes and bus priority measures in cities and towns across Ireland to tackle traffic congestion. Freeing up road space for public transport results in shorter journey times, increasing the appeal of public transport. This in turn reduces the number of private cars on the road which improves general traffic conditions and reduces emissions.

Bus Éireann has engaged with the local authority management in Cork, Galway, Limerick, Waterford and the Greater Dublin Area to plan and progress priority measures. The company has also promoted the potential for the opening up of hard shoulders and their use as bus lanes where possible.

During 2008 the company is anxious to progress this matter forward.

Bus Priority Measures

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

Measures such as Green Routes and Quality Bus Corridors are vital for separating the bus from traffic jams and improving the reliability and attractiveness of public transport.

The following progress was made in the development of bus priority measures across the main cities in 2007.

In Cork, further progress was made and there are now 5 of the 9 Green Routes outlined in the Cork Area Strategic Plan (CASP).

These are:

- Grange/Frankfield to City Centre (No 6 Route)
- Curraheen to City Centre (No 8 Route south)

- Mayfield to City Centre (No 8 Route north)
- Airport to City Centre (Routes 226/249)
- Knocknaheeny/Gurranabraher to City Centre (Routes 2/3 north)

The Knocknaheeny/Gurranabraher Green Route introduced in 2007 includes a contra flow bus lane on Camden Quay and St. Patrick's Bridge, which has proved to be very beneficial for bus services.

The 'city' section of the Ballincollig to City Centre Green Route is also complete but the 'county' section in Ballincollig town will not be complete until 2009 because of main drainage works in the town. Progress is also expected on two other Green Routes – Farranree/Blackpool to City Centre and Ringaskiddy/Carrigaline via Douglas to City Centre during 2008.

In the Eastern Region, the company continues to work closely with the Quality Bus Network Office and all local authorities in relation to the provision of additional bus priority measures especially on the main radial approaches to Dublin. During 2007 a large number of these schemes are being progressed including a scheme to provide greater bus priority measures on the N3 Corridor.

In Limerick, the County Council completed the city's second Green Route stretching from Coonagh roundabout to the junction at Ivans in Caherdavin.

This is a welcome initiative given the severe traffic congestion which delay services for customers in Limerick.



Cllr Flan Garvey, Mayor of Clare, Minister for Transport Martin Cullen T.D., Miriam Flynn, Regional Manager, Tony Killeen T.D. and Brendan Daly T.D. are pictured at the launch of Ennis Bus Station.

The further extension of this Green Route which presently exists in the County area from the Raheen Roundabout to the Crescent Shopping Centre and into the city centre is critical to the provision of an efficient high frequency service on this route and discussions are ongoing with Limerick City council in this regard.

Initiatives such as the Green Routes, funded by the Department of Transport under the National Development Plan, are very welcome and the company looks forward to further progress in this area in 2008 in all cities including Dublin.

Park and Ride

Cork

Bus Éireann operates the Black Ash Park and Ride service in Cork under contract to Cork City Council. A two year extension to the original three year contract was successfully negotiated in 2007. The service provided by Bus Éireann in conjunction with the city council is increasingly popular with customers. A 15% increase in the number of vehicles using the Black Ash in 2007 was recorded.

In 2007, Bus Éireann also successfully operated the annual Christmas Park and Ride from Cork County Hall to the city centre.

Galway

In 2007, Bus Éireann was successful for the third consecutive year in Galway's City Council's tender process for a Christmas Park and Ride operator. The Park and Ride service operates from the racecourse in Ballybrit to the Fairgreen in the city centre, via College Road and Lough Atalia. It operates every 15 minutes on weekdays during the Christmas period.

Technology

Further progress on the roll-out of an Automatic Vehicle Location System (AVL) was achieved in 2007 as follows:

GPS information was gathered from over 2,000 bus stops located around the country. This information is necessary for the AVL system to function properly.

A mobile network solution was put in place by a leading network operator for the AVL project. A wireless LAN network was installed at 12 Bus Éireann bus stations

around the country. Using this network, large amounts of data can be downloaded wirelessly to and from buses.

In 2007 530 Bus Éireann buses were fully fitted with AVL system. All new buses delivered in 2007 were also fully fitted with the AVL system. Some of the key equipment installed included a voice communication system, a monitor for interaction with the system and an onboard computer for running the system.

It is envisaged the AVL system will test live in the Dublin area during 2008. When the system goes live, real time data will be made available to the public using an SMS service, on the Internet and on arrivals displays at Busáras.

Further progress was also made with the introduction of ticket vending machines at bus stations during the year. Machines were installed in Athlone and Tralee and additional machines were also introduced in Busáras and Cork. The machines are popular with customers who find them quick and easy to use. The new machines introduced in 2007 have a Chip & Pin functionality to enable secure credit/debit card transactions and will be compatible with plans for integrated ticketing.

Accessibility

Refurbishment work was undertaken and completed at Ennis Bus Station in 2007 in order to enhance accessibility for mobility-impaired customers and staff. The project was funded by the Irish Government under the National Development Plan 2007-2013.



A Warning Flashing Light System for school buses was tested during 2007.

A new full accessible bus station was also completed and officially opened in Tralee in February 2007.

Under Transport 21 and Bus Éireann's fleet upgrade programme, orders were placed for new and accessible city, commuter and Expressway vehicles.

School Transport

Bus Éireann has worked intensively with the Department of Education & Science on a number of initiatives to enhance the quality of services provided under the School Transport Scheme, and to enhance the safety of schoolchildren travelling. These initiatives are as follows:

- From January 2007 all Bus Éireann and contractors school buses which provide the dedicated services under the Department of Education & Science School Transport Scheme have safety belts of an appropriate standard installed.
- The approach of providing accommodation on a three pupil to two adult seat ratio has been fully abolished. All services provided under the School Transport Scheme now offer accommodation on the basis of one child per adult seat.
- The development continues of an effective prototype Warning Flashing Light System for school buses. The area of greatest potential risk to the safety of schoolchildren who use transport has been identified as the time before children board or after they alight from the school bus. This system is intended to enhance the safety of children during this crucial period of their journey to and from school by clearly alerting motorists, using a system of flashing lights, that there are schoolchildren in the vicinity of the bus, and to approach with caution.
- By the end of 2007 a total of 50 dedicated school buses, painted in a distinctive yellow livery and fitted with CCTV systems, were introduced to the School Bus Fleet.
- As part of our ongoing Safety Campaign a Bus Éireann School Bus Safety Road show was developed and visited agricultural shows in nineteen counties across the country in 2007. The Road show featured two new school buses specially adapted to promote school bus

safety and the wearing of safety belts. Although inclement summer weather curtailed the original event calendar, the Road show proved tremendously popular appearing at 30 shows.

- Each visit of the School Bus Safety Road show was complemented by local media campaigns both to promote the visit and to convey important safety messages. This element of the Safety Campaign continued throughout the summer months and also generated national media interest. The company also worked with the Road Safety Authority on their Schools Safety Programme.
- To coincide with the beginning of the new School Year, a media campaign featuring a television commercial produced by Bus Éireann and the Department of Education & Science to encourage schoolchildren to put their safety belt on took place over several weeks, accompanied by a similar campaign aimed mainly at parents on national and local radio, and in cinemas.
- Bus Éireann has employed the services of external independent experts to conduct random inspections of maintenance standards on Bus Éireann school buses and contractors buses that are used to provide services under the Department of Education & Science School Transport Scheme, to provide advice and assistance that will help to ensure that fleet maintenance procedures remain consistent with best industry practices.



The quality and range of school transport services being provided under the School Transport Scheme continues to improve, with two hundred and fifty two new services introduced in 2007. New services for children with special needs continues to be the main component of all newly introduced services. A significant number of the new services were also provided to serve an increasing number of Gaelscoileanna and Educate-Together schools nationally.

There are now 263 wheelchair accessible vehicles providing school transport services every school day, representing an increase of 27 more than there were in 2006.

In the region of 135,000 children were transported twice daily on dedicated Bus Éireann and on a contracted school transport fleet of over 3,850 vehicles, and also on publicly owned and privately licensed scheduled local and national bus and rail services. More than 45.5 million journeys are undertaken by children travelling under the School Transport Scheme each year, and the school buses used travel some 91 million kilometres annually.

Improving The Operations

Safety and Risk Management

The safety of our customers and staff is of paramount importance to Bus Éireann. The company continues to reinforce a culture of safety throughout the operation. The company continued to invest in training such as Advanced Driver Training and vehicle inspection training for maintenance staff in 2007. In line with policy the company regularly reviews and updates its safety management systems.

Major Bus Station Improvements

Two significant bus station developments came to fruition in 2007, with the opening of the new Tralee Bus Station in February and the completion of the refurbishment of Ennis Bus Station. Refurbishment works were also completed in Busáras during the year and in Rosslare, an accessibility project commenced.

Tralee

The new station, which is 440 square metres in size and fully accessible, is located adjacent to Tralee Railway Station, enabling customers to make a seamless transfer between bus and rail facilities, and promoting the objective of integrated transport provision.

It incorporates features such as automatic doors, ramped paths, hearing loop systems, accessible toilets for people with disabilities, colour contrast systems, full and adequate signage systems etc. There are dedicated bus bays to allow safe entry and exit for our customers.

Ennis

Ennis Bus Station has been upgraded in 2007. The interior was redesigned and upgraded, with the provision of new counter facilities with mobility and hearing aid features. A widened walk area is also provided for wheelchairs and buggies.

Busáras

The second phase of the refurbishment of Busáras was completed in 2007.

This phase involved the restoration of the building's bronze glazing, the upgrading of the main entrance and the installation of additional lighting. The bus yard layout was reconfigured with new footpaths and safer access. The arrivals canopy was designed and erected on the Store Street side. Brick and stone repairs were also carried out to the building.

Fleet Upgrades

Under Transport 21, funding for the procurement of 160 vehicles was approved in 2006, with additional funding for an extra 75 vehicles approved in spring 2007. This funding is enabling Bus Éireann to upgrade existing customer services on PSO routes and to commence new services.

This investment was part of Transport 21 during the year. 48 Volvo Wrights low floor wheelchair accessible city buses were purchased, a number of which entered



service in 2007. Another 69 accessible commuter coaches were also procured.

Bus Éireann also funded from its own resources new accessible Expressway coaches. The first of these 11 new Scania SP coaches were delivered as part of a tranche of 60 accessible coaches.

Improvements to the Road Network across the Country

The opening of motorways and construction of bypasses has meant that there are both opportunities and hurdles for the company. Prior to this many locations got a good service on a commercial basis as the route had to travel through that location. This is no longer the case with the alternatives of using the motorways and bypasses and therefore services through some locations will become uneconomic. This is compounded by licences being issued to other operators to run more direct services and some ahead of Bus Éireann services along the main corridors. In summary the maintenance of such services via certain secondary locations will be very much dependant upon the level of PSO funding available.

Investing in People

Staff Training & Development

Various programmes of training and development were carried out throughout 2007 with staff from the various categories participating.

Driver Training

Driver refresher training for regular and part time drivers continued throughout the year with the focus on defensive driving techniques and accident prevention.

Maintenance Staff

Throughout the year a number of maintenance staff participated in specialist technical training programmes, to upgrade their skills in engine diagnostics.

Apprentice Training

The company undertakes an apprentice training programme in conjunction with FÁS. Training is both "on the job" and also involves block release to Institutes of Technology. The programme is necessary to maintain the establishment of skilled staff as part of the recruitment planning process.

Clerical Staff

Training for clerical staff focussed primarily on the development and updating of specific skills such as information technology and customer care for frontline staff.

Supervisory Development

A Supervisory Development Programme for inspectors and maintenance supervisors commenced in 2007 and will continue throughout 2008. The programme focuses on supervisory styles and also develops the necessary competencies to carry out the role of supervisor effectively.

Management Development

A Diploma Programme in Transport Management Studies which commenced in September 2005 continued throughout 2006 and 2007. This programme was developed by the Dublin Institute of Technology and the Irish Aviation Authority. A total of 4 staff commenced studies in 2005, 14 in 2006 and 8 in 2007. The objective of the course is to develop staff for managerial positions and to identify the different aspects of the management function and give the appropriate training with on-going assessment.

Bus Licensing/Policing

The company's concerns on the issuing of licences and policing of regulations have been forwarded to officials of the Department of Transport.

While the advent of motorways creates an opportunity to provide more direct services it also creates a challenge regarding the maintaining of services to secondary/by-passed locations. These locations were previously on the main route and thus enjoyed the benefit of a good frequency of long distance services which could be operated on a commercial basis. Going forward, the continuation of these services will be less economic to provide.

The challenge of maintaining the fabric of such services can be compounded where competing services that focus on operating directly between the main centres are introduced.

Bus Éireann provides a nationwide network of services based on interlinking timetables and interchange locations. Travel can be undertaken on one through ticket with a reduced fare. It is recognised that this is particularly important for provincial locations as it connects smaller locations to the nearest town and onwards to a wide range of destinations. A significant number of customers avail of this present integrated network to make journeys from their homes to a wide range of locations throughout the country that are not connected directly.

Decentralisation

The company supports the principle of decentralisation. The company must however be able to operate at least as efficiently /effectively as at present.



The new bus station in Tralee, funded under the NDP, was officially opened in February 2007.

Directors at 31st March, 2008

Dr. J.J. Lynch, Chairman

Mrs. T. Honan

Mr. J. Pender

Mr. J. Byrne

Mr. J. Hegarty

Mr. R. Langford

Mr. J. Moloney

Mr. B. McCamley

Chief Executive

Mr T. Hayes

Secretary and Registered Office

Ms. A. Keane,

Broadstone,

Dublin 7.

Telephone: 00 353 1 703 3447

Facsimile: 00 353 1 703 3486

Website: www.buseireann.ie

Registered Number: 119570

Auditors

PricewaterhouseCoopers,

Chartered Accountants and Registered Auditors,

Spencer Dock,

Dublin 1.

For the year ended 31st December, 2007

The directors present their annual report in accordance with their obligations under the Irish Companies Acts 1963 to 2006 and the Transport (Re-organisation of Córas Iompar Éireann) Act 1986. The accounts of the company and the related notes, which form part of the accounts and are included in this report, have been prepared in accordance with accounting standards generally accepted in Ireland.

Principal Activities and Financial Review

Bus Éireann, is a transport management company, whose principal activities are the management and planning of an integrated network of services, using its own and sub-contractor resources. This integrated network covers long distance coach services, local, rural, commuter, provincial city and town bus services. The company is also responsible for the management and provision of the nationwide Schools Transport Scheme on behalf of the Department of Education and Science.

The company recorded an overall surplus of €6,903,000 after the Public Service Obligation payment of €36,595,000. Road passenger journeys increased by 1% to 50.22 million journeys and School journeys increased by 7% to 45.5 million journeys in 2007.

Turnover increased by €17.9 million to €282.9 million in a difficult year of trading with increased competition on the most lucrative elements of the network. Payroll and related costs increased to €130 million during the year in line with the increase in the national wage agreement and increased change programme costs.

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

A reduction in the provision for liabilities and charges was achieved as a result of the more favourable overall claims environment and which contributed to the improved surplus in 2007 of €6.9 million (2006 – €2.3 million).

€32.2 million was invested in fleet improvements during the year as part of Transport 21.

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

A detailed review of the company's activity for the year is contained in the Operations Review on pages 3 to 12.

Results and Reserves

The financial statements for the year ended 31st December, 2007 are set out in detail on pages 19 to 32. The results for the year ended 31st December, 2007 show a surplus of €6,903,000 (2006 – Surplus €2,311,000).

Internal Control and Risk Management

The board of Bus Éireann has an Audit Review Group in place to review the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. A risk register is maintained by the company and is updated for review by the directors and senior management on an ongoing basis.

A Board Safety Committee and a Board Maintenance Committee are also in place to review safety matters, maintenance matters and procedures and which report to the Bus Éireann board.

Employee Participation

In 2007, there were 13 meetings of the local partnership councils which took place at the company's locations throughout the country. A meeting of the Steering Group which comprises of the Chief Executive, function heads and full time national trade union officials took place in Dublin.

A meeting of the Top Group comprising the Chief Executive, function heads, full time national trade union officials, worker directors and one representative from each local council also took place during the year.

Since its inception in 2003 the Scheme for Enterprise Partnership has proven to be a very worthwhile forum for the exchange of information between management and staff for suggestions and proposals for business

development and other issues which have benefits for all. The local councils have made very practical contributions to the partnership process.

Health and Safety

The company is committed to ensuring the well-being of its employees by maintaining a safe place of work and by complying with relevant employment legislation including the Safety, Health and Welfare at Work Act, 2005.

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

EC (Late Payment) Regulation 2002

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

Equality and Diversity

There was continued progress on equality and diversity in Bus Éireann in 2007.

The Equality Advisory Group meet four times during the year and developed a new Equality & Diversity Statement for Bus Éireann. This statement is being distributed to all staff.

Bus Éireann continued its involvement with the Equality Authority and with other transport companies in a programme focusing on ageism. A report *"Implementing an Action Plan for Promoting Age Friendly Transport Services"* was launched by the Equality Authority in May 2007 outlining the progress made to date. In tandem Bus Éireann developed a document entitled *"Age Friendly Services for our Customers"*. This document has been given to all staff and is now being included in the induction documents provided to all new employees.

A comprehensive survey of all staff with regard to disability in the workplace was conducted. This survey received a very positive response and an overwhelming 38% of staff replied to the survey. This very high response rate demonstrates the great commitment of the staff and management of Bus Éireann to the area of disability.

In order to support the growing diverse profile of customers and employees and building on the work carried out in previous years, Anti-Racist Workplace Week was marked with a flag day recognising the 29 different nationalities of employees working in Bus Éireann.

Books of Account

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

Directors

The directors of the company are appointed by the Chairman of Córas Iompair Éireann with the consent of the Minister for Transport. The directors during the year ended 31st December, 2007 are set out below. Except where indicated they served as directors for the entire year.

Dr. J.J. Lynch, Chairman (Reappointed 28th March, 2008)

Mr. J. Byrne

Ms. K. Byrne (Retired 31st May, 2007)

Mr. J. Hegarty (Reappointed 29th March, 2008)

Mrs. T. Honan (Reappointed 29th March, 2008)

Mr. R. Langford (Reappointed 29th March, 2007)

Mr. J. Moloney (Reappointed 1st January, 2007 and 1st January, 2008)

Mr. B. Mc Camley (Reappointed 1st January, 2007 and 1st January, 2008)

Mr. J. Pender (Appointed 29th April, 2007)

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

Code of Practice for the Governance of State Bodies

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

Auditors

The auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board

Dr. J.J. Lynch Chairman

Mr. R. Langford Director

Statement of Directors' Responsibilities



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

In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 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.

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

We have audited the financial statements on pages 19 to 32.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 17 in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 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 company balance sheet, are not more than half of its called-up share capital.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31st December, 2007 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 report of the directors on pages 14 to 16 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 21, 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, 2007, a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers,

Chartered Accountants and Registered Auditors, Dublin.

Date: 3rd April, 2008

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

The historical costs of road passenger vehicles other than school buses are depreciated over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical costs of school buses are depreciated in equal annual instalments over their expected useful lives.

(ii) Plant and machinery

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

(C) Leased Assets

Operating leases

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

(D) Stocks

Stocks of materials and spare parts are valued at the lower of average cost and net realisable value.

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

(E) Public Service Obligation Payments and Grants

(i) Public Service Obligation payment

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

(ii) European Union and Exchequer grants

European Union (EU) and Exchequer grants which relate to capital expenditure are credited to deferred income as they become receivable. They are amortised to the profit and loss account on the same basis as the related assets are depreciated.

(F) Foreign Currency

Transactions denominated in a foreign currency are translated into euro at the rate ruling at the date of the transaction, or at contract rates where the amounts payable or receivable are covered by forward contracts.

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

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

(G) Pensions

The expected cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from independent actuaries, at what is expected to be a stable percentage of pensionable pay. Variations from regular pension costs, identified by periodic actuarial valuations, are spread over the expected average remaining service lives of the members of the scheme.

The capital cost of supplementary pensions is provided for and charged to the profit and loss account in the year that the related employee severance is recognised and is included in the cost of severance.

Profit and Loss Account



Year ended 31st December	Notes	2007 €000	2006 €000
Revenue		282,948	265,069
Costs			
Payroll and related costs	1	(130,014)	(122,703)
Materials and services	2	(179,296)	(159,282)
Depreciation	3	(13,869)	(12,164)
Total operating costs		(323,179)	(294,149)
Deficit before, interest, Public Service Obligation Payment contribution from parent company and release of provision for liabilities and charges		(40,231)	(29,080)
Interest receivable		1,516	932
Deficit before, Public Service Obligation Payment contribution from parent company and release of provision for liabilities and charges		(38,715)	(28,148)
Public Service Obligation payment	20	36,595	26,459
Deficit for the year after Public Service Obligation payment and before contribution from parent company and release of provision for liabilities and charges		(2,120)	(1,689)
Contribution from parent company		-	4,000
(Deficit)/Surplus for the year after Public Service Obligation payment and contribution from parent company and before release of provision for liabilities and charges		(2,120)	2,311
Release of provision for liabilities and charges	8	9,023	-
Surplus for the year after Public Service Obligation payment and contribution from parent company	12	6,903	2,311

All figures relate to the continuing activities of the company.

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

On behalf of the board

Dr. J.J. Lynch Chairman

Mr. R. Langford Director

Balance Sheet



As at 31st December	Notes	2007 €000	2006 €000
Fixed assets			
Tangible assets	4	121,706	95,192
Current assets			
Stocks	5	4,732	4,920
Debtors	6	69,218	56,274
Cash at bank and in hand		843	901
		74,793	62,095
Creditors (amounts falling due within one year)	7	(54,065)	(45,598)
Net current assets		20,728	16,497
Total assets less current liabilities		142,434	111,689
Provision for liabilities and charges	8	(39,500)	(45,525)
Deferred Income	9	(58,888)	(29,021)
		44,046	37,143
Financed by:			
Capital and reserves			
Called up share capital	10	29,204	29,204
Asset replacement reserve	11	-	6,952
Profit and loss account	12	14,842	987
Shareholders' funds	12	44,046	37,143

On behalf of the board

Dr. J.J. Lynch Chairman

Mr. R. Langford Director

Cash Flow Statement



Year ended 31st December		2007 €000	2006 €000
Net cash inflow from operating activities	Notes 13(a)	14,157	19,459
Returns on investment and servicing of finance			
Interest receivable		1,516	932
		15,673	20,391
Capital expenditure			
Additions to tangible assets	4	(46,281)	(31,926)
Disposal of tangible assets		-	103
Capital grants received	9	40,361	12,835
		(5,920)	(18,988)
Inflow before use of liquid resources and financing		9,753	1,403
Management of liquid resources			
Movement in amounts owed by holding company	13(b)	(9,311)	(1,182)
Increase in cash	13(b)	442	221

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

Reconciliation of net cash flow to movement in net funds

Increase in cash in the year	442	221
Cash from change in liquid resources	9,311	1,182
Movement in net funds	9,753	1,403
Net funds at 1st January	41,785	40,382
Net funds at 31st December	51,538	41,785

1. Payroll and Related Costs

	2007 €000	2006 €000
Staff Costs		
Wages and salaries	110,768	105,135
Social welfare costs	9,380	8,736
Other pension costs	5,808	6,158
	125,956	120,029
Change programme costs	4,006	2,658
Engineering work for group companies	(80)	(113)
Net staff costs	129,882	122,574
Directors' remuneration		
Emoluments		
- for services as directors	79	78
- for other services	53	51
Total directors' remuneration and emoluments	132	129
Payroll and related costs	130,014	122,703

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

	Staff Numbers	
	2007	2006
Full-time	2,249	2,216
Part-time school bus drivers	535	540
Total	2,784	2,756

2. Materials and Services

	2007 €000	2006 €000
Fuels and lubricants	15,823	14,167
Other contractors	115,916	100,108
Road tax and licences	339	309
Operating lease rental of vehicles	674	720
Third party and employer's liability claims (<i>note 8</i>)	7,903	6,515
Rates	736	717
Auditors' remuneration	50	50
Other materials and services	37,855	36,696
	179,296	159,282

3. Depreciation and Loss on Disposal of Tangible Assets

	2007 €000	2006 €000
Depreciation of tangible fixed assets (note 4)	19,011	16,425
Loss on disposal	756	79
Grant amortisation (note 9)	(5,898)	(4,340)
	13,869	12,164

4. Tangible Fixed Assets

	Road Passenger Vehicles €000	Plant And Machinery €000	Total €000
Cost			
At 1st January, 2007	207,492	11,648	219,140
Additions	43,515	2,766	46,281
Disposals	(14,404)	-	(14,404)
At 31st December, 2007	236,603	14,414	251,017
Depreciation			
At 1st January, 2007	117,987	5,961	123,948
Charge for the year	17,836	1,175	19,011
Disposals	(13,648)	-	(13,648)
At 31st December, 2007	122,175	7,136	129,311
Net book amounts			
At 31st December, 2007	114,428	7,278	121,706
At 31st December, 2006	89,505	5,687	95,192

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

	Lives (Years)
Road passenger vehicles	8 – 14
Plant and machinery	5 – 10

(b) Road passenger vehicles at a cost of €24,355,556 (2006 – €15,331,716) were fully depreciated but still in use at the balance sheet date.

(c) Tangible fixed assets at 31st December, 2007 include €21,548,709 (2006 – €4,754,453) in respect of tangible fixed assets not yet in service.

5. Stocks

	2007 €000	2006 €000
Maintenance materials and spare parts	3,543	3,443
Fuels, lubricants and sundry stocks	1,189	1,477
	4,732	4,920

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

6. Debtors

	2007 €000	2006 €000
Trade debtors	1,966	2,335
Department of Education and Science	12,207	8,855
Amounts owed by holding company (<i>note 13(b)</i>)	50,695	41,384
Other debtors and accrued income	4,350	3,700
	69,218	56,274

7. Creditors

	2007 €000	2006 €000
(A) Amounts falling due within one year		
Trade creditors	17,209	15,722
Income tax deducted under PAYE	1,379	1,319
Pay-related social insurance	1,457	1,156
Value added tax and other taxes	514	1,057
Other creditors	1,995	1,644
Accruals	12,469	9,754
Third party and employer's liability claims (<i>note 8</i>)	9,000	9,000
Deferred Income (<i>note 9</i>)	10,042	5,446
Loan from holding company	-	500
	54,065	45,598
Creditors for taxation and social welfare included above	3,350	3,532

8. Provisions for Liabilities and Charges

	2007 €000	2006 €000
Third Party & Employers Liability Claims		
Balance at 1st January	54,525	51,697
Utilised during the year	(4,905)	(3,687)
Transfer from profit and loss account <i>(note 2)</i>	7,903	6,515
Release of provisions for liabilities and charges	(9,023)	-
Balance carried forward at 31st December, 2007	48,500	54,525
Apportioned:		
Current liabilities <i>(note 7)</i>	9,000	9,000
Amounts falling due after one year	39,500	45,525
	48,500	54,525

Third Party and Employer's Liability Claims

Provisions coming forward from previous years have been transferred to the profit and loss account to the extent they have been deemed overprovided based on recent claims history.

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

(A) External Insurance Cover

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

- (i) Third party liability in excess of €2,000,000 for school buses and €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (ii) Tour Operators liability for the Group with an indemnity of €2,000,000 on any one incident and in the aggregate, subject to an excess of €250,000.
- (iii) Third party liability for the Group in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risk events, except;
 - (a) at Ossory Road, Dublin, in the case of flood damage, where the excess is a non-ranking €1,000,000, and
 - (b) any other flood damage where the excess is €250,000.
- (iv) Road transport liabilities in excess of a self-insured retention of €11,000,000 in aggregate in the twelve month period, April 2007 to March 2008, subject to an overall Group self insured retention of €27,000,000.
- (v) Terrorism Public Liability cover for the group of €30,000,000 subject to excesses appropriate to the incident category.
- (vi) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2007 to March 2008, for rail and road transport third party and other risks liabilities.

8. Provisions for Liabilities and Charges *(continued)*

- (vii) All risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the risks annual excess capped at €5,000,000 in aggregate.
- (viii) Terrorism indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.

(B) Third Party and Employer Liability Claims Provision and Related Recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the company. The estimated cost of claims includes expenses to be incurred in settling claims. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims the company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may cause distortion in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including, for example, changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, changes in the legal environment, the effect of inflation, changes in mix of business and the impact of large losses.

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

The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, because of the lack of any information about the claim event. Claim types which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Provisions for claims are calculated gross of any reinsurance recoveries where such recoveries can be reasonably estimated. Reinsurance recoveries in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance having regard to notification from the company's brokers of any re-insurers in run off.

9. Deferred Income

This account comprises of non-repayable EU and Exchequer grants which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated (accounting policy E).

	2007 €000	2006 €000
Capital Grants		
Balance at 1st January	34,467	25,972
Received and receivable	40,361	12,835
Transfer to profit and loss account	(5,898)	(4,340)
Balance carried forward	68,930	34,467
Less transfer to current liabilities (<i>note 7</i>)	(10,042)	(5,446)
Balance at 31st December	58,888	29,021

10. Share Capital

	2007 €000	2006 €000
Authorised		
Ordinary shares of €1.27 each	40,632	40,632
Allotted, called up and fully paid		
Ordinary shares of €1.27 each	29,204	29,204

11. Asset Replacement Reserve

	2007 €000	2006 €000
Balance at 1st January	6,952	6,952
Transfer to profit and loss	(6,952)	-
Balance at 31st December	-	6,952

12. Reconciliation of Movement in Shareholders' Funds

	Balance At 1st Jan €000	Transfers €000	Surplus for the year €000	Balance At 31st Dec €000
2007				
Called up share capital	29,204			29,204
Asset replacement reserve	6,952	(6,952)		
Profit and loss	987	6,952	6,903	14,842
Total equity shareholders funds	37,143	-	6,903	44,046
2006				
Called up share capital	29,204			29,204
Asset replacement reserve	6,952			6,952
Profit and loss	(1,324)		2,311	987
Total equity shareholders funds	34,832		2,311	37,143

13. Cash Flow Statement

	2007 €000	2006 €000
(A) Reconciliation of operating deficit to net cash inflow from operating activities		
Operating deficit before Public Service Obligation and contribution from parent company	(40,231)	(29,080)
Public service obligation payment and contribution from parent company	36,595	30,459
	(3,636)	1,379
Depreciation and loss on disposal of tangible fixed assets	19,767	16,504
Capital grants amortised	(5,898)	(4,340)
Release of provision for liabilities and charges	9,023	-
Decrease/(Increase) in stocks	188	(474)
(Increase) in debtors	(3,633)	(2,483)
Increase in creditors	4,371	6,045
(Decrease)/Increase in provisions for liabilities and charges	(6,025)	2,828
Net cash inflow from operating activities	14,157	19,459

13. Cash Flow Statement *(continued)*

(B) Analysis of change in net funds

	At 1st Jan 2007 €000	Flows €000	At 31 Dec 2007 €000
Cash at bank and in hand	901	(58)	843
Loan from holding company	(500)	500	-
Amounts owed by holding company	41,384	9,311	50,695
	41,785	9,753	51,538

14. Operating Lease Obligations

	2007 €000	2006 €000
Commitments under non-cancellable operating leases payable in the coming year expire as follows:		
Within one year	-	-
Between one and five years	141	141
	141	141

15. Pensions

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

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

Whilst the schemes are defined benefit schemes the company is unable to identify its share of the underlying assets and liabilities of the schemes. The actuarial position of the schemes at 31st December, 2007 using the bases required by FRS 17 showed a deficit of €162.8 million. Details required by Financial Reporting Standard 17 (Retirement Benefits) in relation to the schemes are contained in the accounts of CIÉ.

16. Capital Commitments

	2007 €000	2006 €000
Contracted for	62,859	7,654
Authorised by the directors, but not contracted for	11,095	4,221
	73,954	11,875
Funded	41,888	7,801

17. Contingent Liabilities

The company, from time to time, is party to various legal proceedings. It is the opinion of the directors that losses, if any, arising in connection with these matters will not be materially in excess of provisions made in the financial statements.

18. Net Surplus/Deficit by Activity

	Public Services				Total €000
	Commercial and schools transport €000	Stage Carriage €000	City €000	Sub Total €000	
2007					
Revenue	216,371	42,077	24,500	66,577	282,948
Costs	208,389	63,306	40,945	104,251	312,640
Surplus/(deficit) before Public Service Obligation payment	7,982	(21,229)	(16,445)	(37,674)	(29,692)
Public Service Obligation payment				36,595	36,595
Surplus/(deficit) for year	7,982			(1,079)	6,903
2006					
Surplus/(deficit)	7,243			(4,932)	2,311

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

19. Related Parties

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

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

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

20. Public Service Obligation payment

The Public Service Obligation payable to the company through the holding company, Córas Iompair Éireann, amounted to €36,595,000 for the year ended 31st December, 2007 (2006 - €26,459,000 plus €4,000,000 from CÍÉ).

21. Membership of Córas Iompair Éireann Group

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

22. Approval of Financial Statements

The directors approved the financial statements on 31st March, 2008.