

# Bus Éireann Annual Report and Financial Statements 2016





## Contents

<b>Financial and Operating Highlights 2016</b>	<b>1</b>
<b>Bus Éireann Strategy</b>	<b>3</b>
<b>Company Highlights and Key Messages</b>	<b>4</b>
<b>Chairman's Statement</b>	<b>6</b>
<b>Operations Review</b>	<b>8</b>
<b>Directors and Other Information</b>	<b>21</b>
<b>Directors' Report</b>	<b>25</b>
<b>Directors' Responsibilities Statement</b>	<b>33</b>
<b>Independent Auditor's Report</b>	<b>34</b>
<b>Profit and Loss Account</b>	<b>35</b>
<b>Statement of Comprehensive Income</b>	<b>36</b>
<b>Balance Sheet</b>	<b>37</b>
<b>Statement of Changes in Equity</b>	<b>38</b>
<b>Statement of Cash Flows</b>	<b>39</b>
<b>Notes to the Financial Statements</b>	<b>40</b>



Córas Iompair Éireann would like to acknowledge funding on major projects by the Irish Government under the EU and by the Infrastructure and Capital Investment 2012-2016 Medium Term Exchequer framework.

# Financial and Operating Highlights 2016



**Operating Revenue**  
2016 €313.8m  
2015 €303.0m



**Average Number of Employees**  
2016 2,532  
2015 2,487



**EBITDA before Exceptional costs**  
2016 €0.01m  
2015 €2.00m



**Number of Customer Journeys**  
2016 80.2m  
2015 78.9m



**Contractors**  
2016 €136.3m  
2015 €127.7m



**Deficit for the year**  
2016 €9.5m  
2015 €6.0m



**Payroll and related Costs**  
2016 €134.2m  
2015 €130.3m



**Contribution to Exchequer**  
2016 €60.2m  
2015 €59.3m



**Special Needs Children carried in 2016**  
c.12,000



**Schools served in 2016**  
c.3,000



**Children carried daily on schools services during 2016**  
c.116,000







# Bus Éireann Strategy

## Bus Éireann Vision

- To provide safe, innovative and customer centred transport management solutions to world class standards.

## Bus Éireann Mission

- Craft Bus Éireann's future in a profitable, sustainable and safe manner.
- Achieve this by exceeding customer expectations, maintaining a competitive cost base, making best use of our public transport and network management skills, and making better connections with customers, stakeholders and communities.

## Bus Éireann Values

- **Safety:** Bus Éireann prioritises safety and high standards in safety management systems for its customers, employees and road users in general.
- **Employees:** Bus Éireann invests in the the welfare and competency of its employees, as they are vital to providing excellent public transport services.
- **Customers:** Bus Éireann commits to building on a strong tradition of providing safe, reliable and innovative services to customers.
- **Integrated National Network:** Bus Éireann provides an integrated national network of public transport services that links all communities from a social and economic perspective.

## Bus Éireann Objectives

- Develop a sustainable business structure through capital investment, product development, and revenue and passenger growth, while maintaining high safety standards.
- Build trusted and recognised services with the customer as a central focus.
- Maintain a competitive cost base through increased operational efficiencies
- Engage with employees to ensure commitment with the right skills and competencies.
- Strengthen relationships with customers, business partners and public transport stakeholders.

## Bus Éireann Strategy Initiatives

- **Expressway and Commercial Services:** Competitively reposition Expressway and other commercial brands through service/quality improvements, investment in fleet/technology and customer focused marketing/pricing tactics in Ireland and internationally.
- **PSO Services:** Deliver best value for money for the shareholder under Direct Award PSC through service expansion, cost optimisation and appropriate fleet investment.
- **Schools Transport:** Build on existing operational efficiencies and network effectiveness to ensure shareholder value with appropriate fleet investment.
- **"Making Better Connections":** Implement a strategic communications programme with customers, employees and stakeholders.
- **Growth Partnerships:** Support the development of a long term development plan for PT services outside the Dublin Metropolitan Area (DMA) in partnership with all stakeholders.

# Company Highlights and Key Messages

## Financial

- Market conditions remained challenging particularly on commercial routes driven by increased competition, and higher costs
- Deficit after exceptional items of €9.5m (2015: Deficit €6.0 million)
- Net assets: €6.8 million (2015: €16.3 million)
- Road passenger journeys increased by 4.8% to 39.7 million
- City service passengers increase 6.3%
- Commuter and inter city services increase by 3.2%
- PSO subvention amounted to €41.9 million in 2016 (2015: €37.8 million including revenue grants of €4 million)
- New fleet investment increased by €12.5 million to €28.3 million
- Business recovery plan agreed by key stakeholders post year-end
- Invitations for the tendering of Waterford City and Dublin Commuter bus services issued by the National Transport Authority (NTA).



## School Transport Scheme

- 116,000 children carried daily across the country
- 6,500 routes to 3,000 schools operated daily
- 12,000 special needs children provided with door to door transport service
- 90% of services are now operated by private contractor buses
- Key safety messages continue to be promoted

## Customer

- A dedicated Customer Care Team was augmented to improve the quality and response times to customer queries
- The centralised team allows dedicated staff to respond to customers' issues and queries
- Operational improvements continue with the roll-out of Real Time Passenger Information (RTPI) displays at bus stops in various locations nationally
- Ongoing investment made in 2016 to provide a state-of-the-art fleet that delivers on key comfort expectations
- On-going engagement with the NTA and local authorities regarding new bus stop development and bus priority measures

## Awards, Accreditations & Achievements

- Bus Éireann awarded Passenger Transport Company of the Year accolade
- Progressed ISO50001 accreditation under the guidance of Sustainable Energy Authority of Ireland (SEAI)
- Participated in CEM (Certified Energy Manager) programme
- All new bus fleet comply with latest Euro VI emission regulations
- First Irish PSV Operator to train employees to the Institute of Vehicle Recovery ITTSAR Standards
- Winners in the Road Safety Authority's Road Safety Awards 'Leading Lights' campaign

## Safety & Safety Innovation

- Cycle Safety System pilot scheme announced with trials commencing in 2017
- National campaign to highlight passenger safety when entering or alighting a bus
- 11% year on year reduction in passenger accidents
- 17% improvement on employee accidents due to further emphasis on personal safety on all sites

## Investment in Expressway, PSO and Schools Fleet

- 40 Expressway coaches entered service in early 2016
- All 150 Expressway fleet vehicles now carry the new red Expressway livery
- Public service obligation fleet increased by 43 vehicles as part of a €50m investment programme by National Transport Authority (NTA)
- 20 buses added to school fleet during the year

## Our People & Training

- Ongoing garage apprentice training programme across our network of 17 garages
- Bus Éireann continued to invest in training for its managerial and clerical teams during the year

## Communications, Corporate Social Responsibility & Sponsorship

- Leveraging social media for handling customer contacts and queries
- Successful inaugural exhibition at the Ploughing Championships
- Contributed to over 50 CSR initiatives nationwide in 2016
- Launched campaign, "Women of the Rising" to commemorate the 1916 Rising
- Proud sponsor of Fleadh Cheoil na hÉireann
- Official coach carrier for FAI and IRFU national senior squad
- Official Coach provider for the Dublin senior football and hurling teams, and Galway hurling and camogie teams

# Chairman's Statement



**“2016 has been a particularly challenging year for Bus Éireann as reflected in the deteriorating financial performance of the business. Despite passenger journeys increasing by almost 5% the losses at the company increased by €3.5m to €9.5m.”**

2016 has been a particularly challenging year for Bus Éireann as reflected in the deteriorating financial performance of the business. Despite passenger journeys increasing by almost 5% the losses at the company increased by €3.5m to €9.5m.

The level of losses incurred in recent years at Bus Éireann cannot be sustained. Following a comprehensive review of all operating activities in 2016 and early 2017 a programme of organisation restructuring, work practice changes and a voluntary severance programme was agreed with company employees and their representatives. The primary objective of the plan is to stabilise the financial performance of the company, while also ensuring the long term viability and success of the company. Long term viability will only be achieved by addressing our cost base and inefficiencies while also targeting passenger and revenue growth in an increasingly competitive marketplace.

The support of our staff is a critical element of achieving a sustainable business. The Board recognise that the Labour Court recommendation published in April 2017 requires our staff to accept significant changes to work practices; however successful implementation will provide greater certainty for staff and the company as it will better enable the company align itself and meet the demands and expectations of our customers into the future.

The Board and management remain committed to delivering the best transport system possible, in an efficient and effective manner.

Difficult decisions have been made but they are essential to safeguard the future of the company.

## Public Service Commitment

We are proud to have delivered on all of our commitments to the National Transport Authority (NTA) and the Department of Education & Skills (DoES) during 2016 and the key focus of the Board and management team now is to implement a business plan that delivers a competitive cost structure which will underpin a long term future for the business.

During the year, our staff worked in partnership with the NTA to deliver the best possible public transport offering for PSO services provided under our direct award contract. Passenger and capacity growth on the core network was impressive, helped by investment in new higher capacity fleet together with the continued recovery in the Irish economy. The company is currently agreeing a comprehensive work-plan with the NTA for 2017/18 and we look forward to delivering further growth on PSO services with targeted investment.

I welcome the recent publication of BusConnects, the transport strategy document in relation to the Greater Dublin Area and recognition of the enhanced and central role that bus transport will play in the development of public transport. I hope that this template will be the basis for a broader regional public transport strategy across all regions.

In relation to the School Transport Scheme, the Board welcomes the unanimous judgement by the Court of Appeal which upheld a previous High Court ruling that “the scheme is an administrative arrangement between the Minister for Education and Skills and Bus Éireann”.

As a result of this ruling Bus Éireann will continue to provide the State with an efficient, effective, safe and reliable School Transport Scheme that carries almost 116,000 school children to more than 3,000 schools on a fleet of in excess of 4,000 vehicles. The company will continue to work with 1,250 private bus operators nationwide in the provision of these services. We have been operating this vital transport scheme across Ireland for almost 50 years which makes Bus Éireann one of the most experienced school transport service providers internationally.

## Commercial Reality

The major motorways have brought an increase in applications and new licences granted to private operators, all of which has increased seat capacity on certain corridors. Growth in competition is welcome but the scale of it must be sustainable and matched to the demand within the market. Expressway's accumulated losses are due in the main to revenue erosion on certain routes together with increases in the cost of delivering our operations; our business model must be re-structured to reflect the reality of growth in competition, but also the changing requirements of our customers.

Improving our cost base will require a combination of work practice changes, a rationalisation of our workforce, some commercial route closures and an overall cut to discretionary expenditure. As stated above, the management team have been tasked with implementing a plan to ensure our commercial business is not only capable of competing in the market, but can deliver a profit margin to ensure continued investment in our fleet and customer offering. Achieving profitability is critical as Expressway is a commercial operation and as a consequence receives no public funding.

Bus Éireann is committed to enhancing our relationships with customers, partners and stakeholders across the community to further improve customer satisfaction and Bus Éireann's corporate reputation. We were pleased that notwithstanding our critical financial position, Bus Éireann was recognised by our industry peers and awarded the Passenger Transport Company of the Year accolade at the Irish Logistics and Transport Award in 2016 which was a tribute to our management and staff. I am also very mindful of the awards, accreditations and achievements in other parts of the business which were made during 2016, aligning to the objective of continuous improvement which our customers, staff and other road users expect of us.

## Strong Corporate Governance and Assurance

As set out in more detail in the Directors Report we have a strong and deeply embedded culture and process of Corporate Governance and Assurance which is aligned to the public, staff, government and the regulatory codes of practice. I would like to thank my fellow directors for their continued and unwavering support at board and sub-committee level during this demanding year.

## Acknowledgements

On behalf of the board I would like to thank Mr. Bill McCamley for his time and service to the board of Bus Éireann following his retirement on 12th February 2017 and wish him well for the future.

I would also like to thank Mr. Martin Nolan, who retired from his role as Chief Executive, for his time, efforts and achievements in Bus Éireann over many years and wish him well for the future.

Finally, I look forward to working with the Minister, the Departments, the NTA, CIÉ and the Bus Éireann Board and management team in terms of growing public transport in a sustainable, safe and efficient manner and putting in place an investment framework matched to a new cost structure that will secure the long term viability of Bus Éireann into the future.

**Aidan Murphy**

*Chairman*

# Operations Review



**Acting Chief Executive Statement**  
**“2016 continued the trend of previous years with road passenger journeys increasing by 4.8% to 39.7 million.”**

## Overview

2016 continued the trend of previous years with road passenger journeys increasing by 4.8% to 39.7 million.

Despite this passenger growth, Bus Éireann continued to face a very challenging operating environment in 2016 as evidenced by the overall financial deficit increasing to €9.5m (2015: €6.0m). This deterioration in Bus Éireann’s financial performance is unsustainable and unless urgent corrective action is taken, the future viability of the company may be brought into question.

## Business plan

Arising from the deterioration of the financial position of the company, a comprehensive review of all aspects of the business commenced in the second half of 2016. The key focus of this review was originally on Expressway, the main commercial operation in the company, which does not receive any State subvention. Due to the combination of increased competition and high cost base, the financial performance of Expressway has deteriorated significantly over the last three years. The board appointed external corporate advisors to perform a rigorous review of the various options considered by management and to assess the robustness of the management’s plans. These plans and findings were presented to the board in December 2016 with a fresh review of the business recommended by the directors.

The objective of the review was to formalise a plan that

- stabilised and reversed the poor financial performance, and
- provided a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Initial assessment by management and advisors confirmed that the challenges facing the company were not confined to Expressway. The review confirmed that the company’s work practices, organisation structure, management structure and information systems were not fully aligned and if not urgently addressed would have serious implications for the future viability of the company as a whole.

Immediate action was taken by management in January 2017 to stem the deteriorating finances of the company, however constructive engagement with staff and unions was unsuccessful and all parties were invited to the Workplace Relations Commission (WRC). Intensive talks at the WRC ultimately resulted in parties being referred to the Labour Court with the Labour Court issuing a detailed recommendation that was accepted by the company, and subsequently by the majority of staff in a ballot during May 2017.

The board and management believe that the Labour Court recommendation contains many initiatives that, if implemented successfully, will enable the company to deliver on the objectives outlined above. Key aspects of the recommendations incorporate almost 60 work practice changes in addition to staff reductions of 240. These initiatives and non-payroll cost savings will deliver circa €20m of savings to the company in a full year.



Highlights

Chairman's Statement

Review

Financial Statements

There is also on-going engagement with key external stakeholders with the objective of securing additional funding into the future for services that are currently underfunded.

These initiatives are incorporated in a business plan that was approved by the board in May 2017. The board and management believe that the successful implementation of this plan will result in the financial position of the company improving considerably; this in conjunction with organisation restructuring will provide the foundation for creating a company that has a viable and long term future.

The board and the senior management team acknowledge that the decision made by individual staff to accept the recommendations of the Labour Court was difficult given the implications it may have on them. Management recognise that they must work to allay any unnecessary concerns that staff may have and to rationalise clearly the need for change, and the potential for the company in the future if the proposals are implemented successfully. It is now essential for both staff and management to work together to proceed with implementing the plan and in so doing, safeguard the future for the majority of staff.

We are working to deliver a more competitive and efficient company which guarantees a future for this business and which will benefit our staff and customers over the longer term. The impact of the PSO market opening, intense competition on commercial routes and EU requirements for tendering of contracts, means we must become more efficient to enable us retain our existing contracts and also enable us to tender aggressively for new business.

Bus Éireann is steadfastly committed to providing a safe and sustainable public transport service to all communities outside Dublin in partnership with our stakeholders. Whilst we have arrived at a critical juncture in our finances, I firmly believe our position can be remedied. The transformation process we are embarking on will provide us with many opportunities to benefit from the renewed focus in recent months on the critical role of public transport, and in particular bus transport, must play in the future development of our economy. I am confident that Bus Éireann will continue to play a central role in public transport, and will remain part of the fabric of rural Ireland, its regional cities and all the towns and villages across the country.

We have a diverse group of customers ranging from school children, students commuting to secondary and third level colleges and workers travelling to their place of work as well as tourists and shoppers travelling daily on our three road passenger services; city, commuter, and intercity Expressway services. We are the only national operator in Ireland with in excess of 250 routes; this provides us with a unique platform to build our passenger numbers with a targeted campaign focused on each of these passenger groups in their local geographic areas. Changes have already started to our route network; timetables and pricing are also being reviewed to better align our offer with customers' needs and expectations.

The forthcoming years will give rise to challenges but also major opportunities; I am therefore looking forward to leading the company, building on the proud heritage of the past, whilst ensuring that there is a progressive and sustainable network of services which will benefit our customers, stakeholders and staff into the future.



## Financial overview

Revenue growth of 3.6% was offset by higher costs resulting in a deficit after exceptional items of €9.5 million (2015: deficit €6.0 million). The deficit before interest and taxes also increased by €3.6m to €9.0m during the period.

As a consequence the accumulated losses have increased to €22.4 million at 31 December 2016 (€12.9 million in 2015).

Revenue and passenger numbers including Schools are set out below.

### Revenue and passenger numbers

Operating turnover

**+ 3.6%** ↑

Total Journeys

**+ 1.6%** ↑

The market in which Bus Éireann operates has remained particularly challenging and especially for Expressway which has continued to experience significant competition. Increased competition and capacity on key commercial routes has resulted in a decline in average fares. The company is responding to these challenges; it intends to continue to be a premium bus operator and we believe that the combination of a frequent, reliable service delivered on a modern bus fleet will be deemed value for money by our customer.

The directors and senior management team are very mindful of this serious financial position which has seen net assets reduce to €6.8 million at year end and have been actively engaged with key stakeholders to agree a range of measures to reverse this decline in the company's current financial position.

Total operating revenue includes PSO subvention amounted to €41.9 million for 2016 (2015: €33.7 million plus revenue grants €4 million).

### Expenditure

#### Payroll costs

Payroll costs increased by €3.8 million in 2016 to €134.1 million reflecting the combination of higher employee numbers required to undertake additional services and increases in overtime payments and retirement related benefits.

#### Fuel costs

Fuel costs remained a key component of overall costs during 2016 at €33.5m (2015; €32.7m). The benefit of lower fuel prices and the introduction of more fuel efficient buses was offset by an increase in fuel consumption due to the introduction of new routes and higher frequency of some services.

#### Contractor costs

Contractor costs increased by €8.6 million during the year to €136.3m due mainly to a rise in school contractor costs as a result of the introduction of new services particularly for schoolchildren with special educational needs.

### Claims

Claims, mainly from 3rd parties increased by €1.8m to €6.6m in 2016. Larger pay-outs on individual claims as well as increased provisions for outstanding claims were the key drivers of the overall increase. Management are actively implementing initiatives to reverse this trend.

### Passenger Growth

Passenger trips made on all Bus Éireann road passenger services were 39.7 million in 2016, up over 1.8m on 2015 figures. Passenger journeys grew by over 4.8% in total road passenger journeys.

Passenger journeys in Cork city grew by 10.3% and in Galway city by 9.3%, while commuter journeys to Dublin grew by 5.8%.

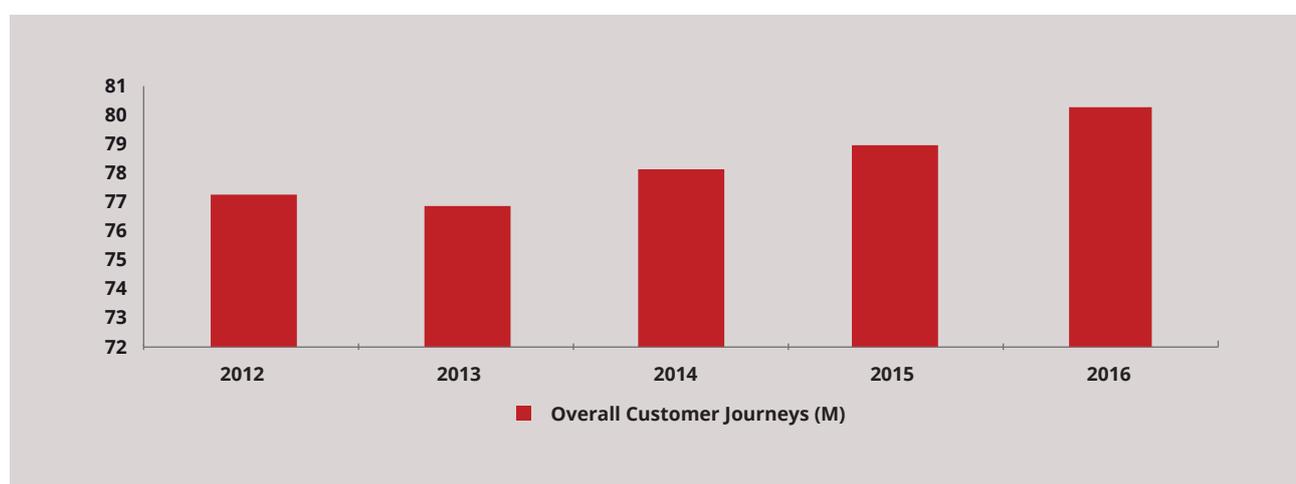
### Schools

During 2016 we carried almost 116,000 children daily on some 6,500 routes to and from 3,000 schools, including more than 12,000 children with special educational needs. More than 400 new school transport services, or an average of more than one new service every day, were approved by the Department of Education & Skills and introduced by Bus Éireann throughout 2016.

Customers/Kilometres Year ended 31st December	2016 Thousands	2015 Thousands	% Change
<b>Customer journeys</b>			
Provincial city services	<b>20,578</b>	19,352	6.3%
Other scheduled services	<b>19,108</b>	18,509	3.2%
School transport scheme	<b>40,508</b>	41,040	-1.3%
Total	<b>80,194</b>	78,901	1.6%

<b>Vehicle kilometres</b>			
Provincial city services	<b>8,968</b>	8,360	7.3%
Other services – own	<b>71,400</b>	69,390	2.9%
Other services – sub-contracted	<b>90,234</b>	85,263	5.8%
Total	<b>170,602</b>	163,013	4.7%

### Customer Journeys (Millions)





## New Fleet

### Expressway fleet

40 new Expressway coaches entered service in early 2016, replacing some of the older existing inter-city fleet. Expressway's modern fleet of 150 coaches is comprised of a mix of:

- 12m two axle coaches with 51-53 seats;
- 14m tri-axles coaches with 59-63 seats; and
- 14m double deck coaches with 82 seats.

All 150 Expressway fleet vehicles now carry the new bright red Expressway livery.

**Expressway**  
www.buseireann.ie

### PSO fleet

Funding of €46 million for new vehicles was approved by the Department of Transport, Tourism and Sport through the NTA for use on our PSO routes.

Further orders were finalised in 2016 for an additional 98 PSO vehicles, including 35 double deck buses to meet capacity demand on regional city and commuter routes, 38 single deck coaches and 25 double deck commuter coaches which will be delivered during 2017 and 2018.

### NTA Capital Funding

Funding by the NTA enabled the company invest €28.3 million (2015: €15.8 million) in bus fleet purchases, and in addition spent €1.1 million of own resources in 2016 on 20 new Expressway coaches under an operating lease.

### Additions to fleet in 2016

All 43 buses and coaches ordered in 2015 as part of the previous €50m investment by NTA, entered service during 2016. This ongoing investment in fleet will enable Bus Éireann to further reduce the average age of our buses and coaches and continue to develop the fleet into a more modern, reliable and environmentally friendly fleet.

making  
better  
connections

### New School buses entering the fleet

20 new dedicated school buses entered service in 2016, the first new school buses to enter the fleet since 2007. Proposals are being finalised for a larger programme of investment in the Schools bus fleet to reduce the overall fleet operating cost, improve the environmental footprint of the core fleet and further enhance the safety of the future school fleet.

### Bus Market Opening

In recent months the National Transport Authority (NTA) have formally issued notices for the invitation to negotiate for the tendering of

- Waterford City bus services, and
- Dublin Commuter bus services

The company is committed to submitting competitive bids for both services with an expectation of the awarding of contracts by the NTA being made later this year.

### Exchequer

The company contributed €60.2 million to the Exchequer in 2016 (2015; €59.0 million) through a combination of payroll taxes, VAT, irrecoverable VAT, Customs and Excise and other taxes.

### Congestion

Congestion increased in all of Ireland's cities during 2016.

Peak journey times have increased in 2016 compared to 2015. Bus Éireann continues to actively engage with stakeholders in the pursuit of bus priority measures to improve journey times. RTPI systems provide customers with assistance regarding predictability of services, however improving bus journey times through bus priority measures is critical for achieving modal shift.

## Making even Better Connections with our Customers

### Dedicated Customer Care Team

Further enhancements have been made to the Customer Care Team. The focus is to deliver our customer charter objectives which are also in line with our obligations under the Public Service Obligation contract awarded by the National Transport Authority (NTA). The centralised team allows for a coherent structure to provide information on Bus Éireann's products and services, respond to situations as they unfold, liaise with regions where necessary, and provide reassurance to customers who are experiencing delays.

### National Call Centre

A National Call Centre service is available seven days a week from 0830-1800 and hosts calls placed through a Lo Call number. In 2016 95% of all calls were answered within 60 seconds. The Helpline handles approximately 20,000 customer calls per month and it is planned to enhance this service by providing webchat assistance. The Customer Care team works closely with the Helpline team to assist and inform customers.

### Information technology improvements

Improvements continued such as the ongoing roll-out of Real Time Passenger Information (RTPI) displays at bus stops in the Greater Dublin Area, Cork, Limerick, Galway and Waterford cities. Further expansion is planned in 2017. RTPI was also introduced at all stops in the Bus Éireann network through the Transport for Ireland Real Time App.

### Key benchmarks and customer insights

Customer Satisfaction measures stayed consistently strong throughout 2016.

- 97% customers feel safe using Bus Éireann
- 88% of customers were satisfied with Bus Éireann service
- 89% of customers indicated they would recommend Bus Éireann to a friend
- Corporate reputation scorer remained strong in 2016 and Bus Éireann was ranked 55th in the top 100 Companies in Ireland by Reprtrak Ireland



### Seat Reservation System

An online seat reservation system has been in operation on a pilot basis on Expressway routes X1 (Dublin/Belfast), 30 (Dublin/Donegal) and 32 (Dublin/Letterkenny). This facility guarantees customers a seat on the selected service, offers 'early bird fares' for advance booking and is proving popular with those travelling to/from Dublin Airport. Seat reservation will be made available on additional routes later this year.

### Social Media

The company monitoring and response programme was implemented to provide 24/7 customer interaction and information. Bus Éireann currently has 25,000 followers on Twitter and in excess of 72,000 followers on Facebook providing us with a communications channel for engagement and feedback with our customers.

### "Passenger Company of the Year"

Bus Éireann won the prestigious Passenger Transport Company of the Year accolade at the Irish Logistics and Transport Awards, which were held in April 2016. These national annual awards recognise and celebrate excellence in logistics and transport and "encourage teams and individuals to constantly raise the bar, to innovate and maintain their commitment to the industry in their day-to-day endeavours".

### Key Passenger Transport Initiatives & Projects

In 2016 we had four key focus areas:

#### A) *Continued customer focus:*

Making Better Connections has been Bus Éireann's primary customer strategy since its inception and encapsulates Bus Éireann's initiative of strategic communications with customers, employees and stakeholders.

#### B) *Strengthen Passenger Awareness of Safety:*

A new campaign in 2016 was initiated to highlight the importance of passengers' safety.

#### C) *Promotion of services*

Expressway new seat sales promotion and third level students focussed initiatives were undertaken to demonstrate value. For PSO, we focused on promotion of our services in Waterford, Limerick, Galway and Cork. These campaigns helped to contribute to an increase in revenues of €4 million compared to 2015.

#### D) *Operational Excellence:*

In 2016, we successfully implemented over 200 network changes in conjunction with the NTA and continued the implementation of a five year Direct Award contract on our PSO services.

## State Funded Services

### Service Improvements

There were significant service improvements during 2016 including

#### *Limerick City Network*

- High frequency/additional routes increasing services by 40%

**Galway City Network**

- Route 409 increased to a 12-minute frequency
- Route 404 extended to Oranmore and frequency increased

**Cork City Network**

- Route 202 increased to a 10-minute frequency
- Route 220/220X service level increased by 33%

**Greater Dublin Area Commuter Network**

- Route 103 service level increased by 30%
- Route 105 service level increased by 50%
- Route D1 increased weekend frequency
- Route 109B new hourly frequency service to Trim

The above included extended hours of operation across many routes.



**Focus on Modal Shift & Customer Growth**

Working with our stakeholders and with local communities, the company continues to improve and invest in our services with a view to continue the growth in customer journeys and attract new users to public transport.

A range of promotions were undertaken to encourage the use of public transport and focussed on the following:

- New vehicles across the network
- Higher frequency routes
- More weekend services to cater for customer leisure travel
- Free Wi-Fi
- Leapcard giving best value in all cities



In addition a joint campaign was held with Dublin Bus, Irish Rail and Luas highlighting the benefits of Tax saver products to both employers and employees.



**Promotion of Public Transport Usage**

Public relations and public information campaigns worked in tandem highlighting the various network improvements and promotional fares that were implemented to encourage additional travel at key periods such as Christmas, Easter and Public Holidays. Bus Éireann also participated in NTA initiatives to promote public transport usage across all transport modes.

Currently in place in regional cities the Leap Card was extended to other PSO commuter routes. 25% of all journeys on our city services now involve the use of Leapcard with significant growth projected in 2017.

Joint Bus/Rail Leapcard products were introduced in Cork city in addition to the joint Tax saver products which were fully rolled out on the Mullingar – Dublin Corridor. The Leapcard has allowed passengers to benefit from an average discount factor of 27% when compared to cash fares.



**Regional cities bus travel promotion**

In summer 2016 a cities campaign was undertaken to remind people of the benefits of the network improvements and service updates.

The city services enjoy new vehicles with:

- Higher passenger capacity
- Improved accessibility
- On-board CCTV for passenger security
- High-back, extra-comfort seats with headrest
- Reduced fuel emission engines



Innovation in technology means that passengers can also enjoy:

- On-board passenger information screens with next stop and route information
- Real-time passenger information (RTPI) for improved journey planning
- On-board Wi-Fi for improved journey experience
- Great savings with Leap Card products

This campaign has resulted in significant growth in Cork, Galway and Limerick.

## Commercial Services

### Expressway

Forty Expressway coaches entered service in early 2016, replacing some of the older existing inter-city fleet.

With over 22 major intercity routes, Expressway, Bus Éireann's premium coach service, is the only coach service to present a connected network to passengers across the island of Ireland. The Expressway brand has recently undergone its own extensive rebranding process, with new state-of-the-art coaches appearing on Irish roads. Expressway's modern fleet, the average age of which has been reduced to 5.9 years with significant on-board benefits including extra comfort leather seats, tables, charging points, free Wi-Fi, and more.

Due to intense competition in the market, the brand needed to be re-framed from competing on value, to quality, with long-term communications needing to show how Expressway was "Way Better".

### Innovation for Expressway Customers

Expressway continues to invest in technology to increase the quality of the service provided with significant investment made in 2016 including the

- Roll-out of Expressway reservation systems where customers can be guaranteed their seat
- RTPI for improved journey planning
- A dedicated customer service team for Expressway customers was augmented in 2016

### Key Network Changes for Expressway

As part of a programme of continual improvement a number of key Expressway routes saw the introduction of new timetables during 2016:

- 20X20 Galway – Athlone – Dublin Airport – Dublin City
- GoBE Cork – Dublin City – Dublin Airport
- 64 Galway – Sligo – Derry
- 52 Galway – Westport – Ballina

### New Expressway marketing campaign

Expressway saw the introduction in 2016 of a new innovative marketing campaign. The focus of the campaign being on the totality of the on-board experience, and the sense of what makes Expressway different.

### Way Better

We have also introduced a new tag line for Expressway that is built on the emotional foundations of the campaign and that is "Expressway Way better". We believe it fits perfectly with the creative work showcasing Big Red and offers our customers a simple promise that we know we can all deliver by working together.



## Schools

### Overview

During the course of 2016, Bus Éireann transported almost 116,000 children on some 6,500 routes to 3,000 schools each school day, including more than 12,000 children with special educational needs who are generally provided with door-to-door services designed to meet their individual needs.



### Range of Services – Increased Service Provision

Bus Éireann operates the Primary School Transport Scheme, Post-Primary School Transport Scheme, and the School Transport Scheme for Children with Special Educational Needs each with their own criteria on behalf of the Department of Education and Skills, with whom the company works very closely to ensure we continue to provide the children we transport, and their families and the schools served, with a reliable, safe, and cost-effective service on behalf of the State.

More than 400 new school transport services, or an average of more than one new service every day, were approved by the Department of Education & Skills and introduced by Bus Éireann throughout 2016.

This was approximately 100 more new services than we introduced the year before and combined represents a significant expansion of services provided under the School Transport Scheme.

The vast majority of these new services were for children with special educational needs.

In addition, more than 700 other service improvements involving the extension of routes, upgrading of vehicles, and extra trips were implemented during the year.

### Safety

The safety of schoolchildren travelling on board our school transport services is our highest priority and the promotion of school bus safety and the communication of key safety messages to schoolchildren continued to receive particular attention in 2016.

The Bus Éireann School Bus Safety Roadshow visited schools and participated in a number of multi-agency events promoting safety around the country.

*Buster and the Belt Ups* is a Bus Éireann School Safety Campaign with a strong focus on making children aware of the importance of wearing their seatbelt, it's built on previous campaigns that we have undertaken in the past.

These campaigns highlight the importance of safety during school journeys – for the benefit of the schoolchildren we carry – and *Buster and the Belt Ups* also featured at our Ploughing Championships exhibition in 2016.

Bus Éireann also launched an exciting new competition aimed at Transition Year students to coincide with the beginning of the 2016-17 school year. Entitled 'Go Places with Bus Éireann', this competition invited students to submit their ideas for how school transport and public bus transport can best support schools and the wider public and to consider issues and submit projects under a range of categories including 'Safety' in safety standards.

# TÚSLA

**An Gníomhaireacht um  
Leanaí agus an Teaghlach**  
Child and Family Agency

## Passenger and Road User Safety Awareness

### Passenger Safety Awareness

Bus Éireann initiated a new campaign in 2016 to highlight the importance to passengers of safety when entering, alighting, or indeed interacting in any way with Bus Éireann's buses. This campaign was developed in late 2016 and will be rolled out in stations in 2017 throughout the country.

### Cyclist Safety Awareness Trial using new technology

This new trial will see Bus Éireann fit 15 "Cycle Safety Systems" to some of the longer VDL double-deck coaches used in the Dublin Commuter area. The purpose of the trial is to determine if the systems will provide a better level of safety to cyclists. The system will detect cyclists within a 2 metre zone of the vehicle.

## Energy Management

### Programme with Sustainable Energy Ireland and ISO50001

- In 2016, Bus Éireann continued towards ISO50001 accreditation in conjunction with Sustainable Energy Authority of Ireland (SEAI);
- Bus Éireann successfully participated in CEM (Certified Energy Manager) programme;
- In 2017, Bus Éireann will continue its path towards accomplishing ISO accreditation.

### Energy targets achieved in 2016

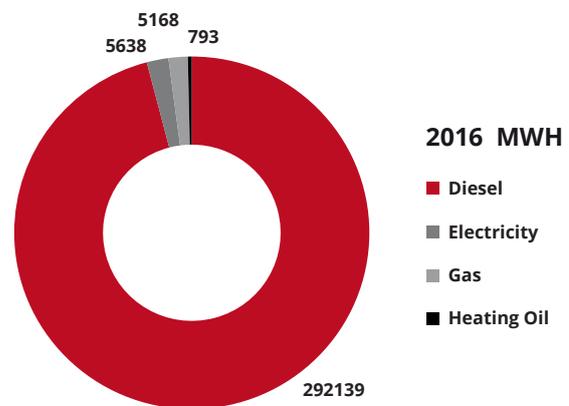
During 2016, Bus Éireann implemented the following in order to reduce the Company's energy consumption:

- Increased the number of vehicles that are fitted with automatic engine idle cut-off systems;
- Bus Éireann has increased the number of vehicles currently running on the new cleaner Euro VI engines from 16% to 25%;
- Improved monitoring of fuel consumption through onboard technology;
- The number of service fleet with onboard telematics has increased to 32% in 2016 and is projected to be fitted to 50% of the bus fleet by the end of 2017;
- The system has been used to monitor comparative fuel usage between vehicles.

### Initiatives for 2017

- In 2017, initiatives are underway to meet eco-driving targets, using the telematics cab interface;
- Automatic engine idle cut-off times will be reduced from seven to four minutes to reduce unnecessary fuel consumption;
- Development of a national staff Energy Saving awareness campaign to reduce energy consumption across Bus Éireann's depot facilities.

### Energy Consumption in Megawatts 2016



## Engine technology and innovation

Features of the new fleet include;

- Latest Euro VI emissions certification;
- Engine exhaust output is certified to the highest EU standards for emissions controls;
- The latest Euro VI standards reduce harmful NOx gases and Particulate Matter (PM) by at least 95% and 97% respectively.

## Continued focus on safety

- Reporting of near miss incidents has led to an improvement in the quality of accident reporting;
- 11% year on year reduction in passenger accidents due to continued focus on customer safety campaigns, driver training & ongoing route assessments;
- 17% improvement in employee accidents due to emphasis on personal safety on all sites;
- Continued roll out of Remote CCTV Health Check system which has commenced for the Dublin region.



## Accessibility

### Partnerships with voluntary sector

In 2016 Bus Éireann continued its commitment to improve accessibility for our customers in conjunction with our Disability User Group which includes the Irish Wheelchair Association, DeafHear, National Council for the Blind in Ireland and the Disability Focus Group of Dublin Community Forum.

### Bus Stop improvements

Bus Éireann works closely with the NTA and local authorities regarding the design of new bus stops, which will facilitate our customers boarding and disembarking our services at specifically designed bus stops.

### Wheelchair accessibility

The introduction of the new vehicles into our fleet, which are wheelchair accessible with priority seating for reduced mobility passengers, bring the percentage of our fleet that is wheelchair accessible to 84%.

The fleet that operates on city and town services is 100% fully wheelchair accessible, and the coach fleet that operates on commuter and Expressway services is 77% wheelchair accessible.

Bus Éireann remain committed to having accessible coach services in place with wheelchair lift facilities on a route by route basis as soon as the full complement of accessible coaches are available and the appropriate bus stop infrastructure is in place.

## Our People

### An Duaiscém

An Duaiscém is a study scheme which is open to all staff where a variety of courses are provided to assist them in developing their skills in the workplace. Staff can partake in computer courses at many levels including ECDL.

### Management and Clerical Staff development

Bus Éireann continued to invest in its managerial team during 2016 with staff undertaking a number of courses with particular focus on developing effective and efficient management skills.

### Driver training and skills updating

#### Induction Training

All drivers are given comprehensive induction training and route familiarisation training before commencing service. Vehicle familiarisation training is provided to allow drivers become accustomed to the handling characteristics of the vehicles they drive. This is provided by fully qualified approved driving instructors.

#### Regulatory Focussed Training

Drivers are required to undertake statutory training, manual handling and Driver CPC which covers the safe operation of vehicles, defensive/eco driving, legal obligations and care for customers.



Údarás Um Shábháilteacht Ar Bhóithre  
Road Safety Authority



## Apprentice Training

The training of apprentices continued with 14 new apprentices recruited in 2016. The apprentices undertake a four year training programme, which is provided by Bus Éireann in conjunction with SOLAS. The apprentice training programme is completed in house in conjunction with local regional technical colleges.



An tSeirbhís Oideachais Leanúnaigh agus Scileanna  
Further Education and Training Authority

## Skills Awards

Over the years, we have been very successful in the *Ireland Skills* competition.

- In 2016 we had two apprentices represent Bus Éireann in the HVM competition to the highest of standards;
- In 2015 we had a first place winner in the Heavy Vehicle Mechanic (HVM) competition;
- Bus Éireann are proud sponsors of the *Ireland Skills* Competition 2017.

## Corporate Social Responsibility

Bus Éireann remained a business partner of the National Institute for Intellectual Disability (“NIID”) at Trinity College Dublin, providing support for people with intellectual disabilities. The NIID is an inclusive Institute focusing on lifelong learning for individuals with intellectual disabilities.

In May 2016 Bus Éireann continued its involvement in Green Ribbon Month and “See Change” which is a national partnership of more than 70 organisations which are working together to reduce stigma and challenge discrimination associated with mental health problems.

The company also supported a number of other events during the year including National Dementia Awareness and International Women’s Day.

## Corporate Social Responsibility Events

Bus Éireann contributed to over 50 CSR initiatives nationwide in 2016 with two major initiatives including:

### 1. Women of the Rising

Journeys and Learnings Bus Éireann’s 1916 commemorative campaign: On the eve of International Women’s Day, Bus Éireann and the Royal Irish Academy (RIA) launched a collaborative, nationwide campaign, “Women of the Rising” to commemorate leading female participants in the 1916 Rising.

### 2. Fleadh

The company was also a proud sponsor of Fleadh Cheoil na hÉireann, which is attended by over 350,000 people annually.

We also sponsor a number of other national and local events each year.

# Directors and Other Information

## Board of Directors

### Non-Executive Directors

Mr Aidan Murphy	<i>(Chairman)</i>
Ms Deirdre Ashe	
Ms Anne Bradley	
Mr Denis Mackin	
Mr Henry Minogue	
Mr Bill Mc Camley	<i>(retired 12 February 2017)</i>
Mr John Moloney	
Mr David McGarry	
Mr Gerard Ryan	

### Executive Directors

There are no executive directors on the board

### Chief Executive

Mr Martin Nolan	<i>(resigned on 9 January 2017)</i>
-----------------	-------------------------------------

### Acting Chief Executive

Mr Ray Hernan	<i>(from 9 January 2017)</i>
---------------	------------------------------

### Secretary and Registered Office

Tom Morgan  
Broadstone  
Dublin 7

**Telephone:** 00 353 1 703 3484

**Website:** [www.buseireann.ie](http://www.buseireann.ie)

**Registered Number:** 119570

Company Limited by Shares  
Designated Activity Company under the Companies Act  
2014 (from 1 February 2016)

### Independent Auditors

Deloitte  
Chartered Accountants and Statutory Audit Firm  
Earlsfort Terrace  
Dublin 2

# Biographies of Directors

---



## **Aidan Murphy**

Aidan Murphy was appointed to the board of Bus Éireann in April 2013 and as Chairman in July 2014.

Aidan is the Chief Operating Officer of Carlow Precast and has extensive experience as a supply chain professional having held positions as CEO Pulse Logistics, Managing Director Supply C&C Group, General Manager Wincanton Ireland and Logistics Director Allegro Ltd. He has been a keynote speaker to several European supply chain events, including Logicon and the European Supply Chain Summit and is a Fellow and past President of the Chartered Institute of Logistics and Transport Ireland.

Aidan is a member of the Board Commercial and Innovation Committee and also a member of the Board of CIÉ.

---



## **Deirdre Ashe**

Deirdre Ashe was appointed to the board of Bus Éireann in July 2014. Deirdre is Chairman of the Remuneration Committee and also a member of the board Commercial and Innovation Committee.

Deirdre is Director of Personal Lines for Liberty Insurance Ireland and has been a Management Consultant working locally and internationally specialising in Marketing, Product and Business Strategy. She is a former Director of Aviva Health Insurance Limited and has held the positions of Marketing Director, Product Director and Commercial Director where she has successfully led the formulation and delivery of company launches, integration and international alignment.

Deirdre holds a Bachelor of Arts in Economics from NUIG, an MBA and a diploma in Company Direction from the Institute of Directors (IOD).

---



## **Anne Bradley**

Anne Bradley was appointed to the board in June 2015.

Anne is Director of IT in Aer Lingus and in addition holds the position of Emergency Response Director. Prior to that she served as Director of Operations Logistics with responsibility for the delivery of airline operations. Other leadership positions have included Head of Ground Operations and Airline Nominated Post Holder.

Anne's significant experience in transport and aviation enables her to bring directly relevant skills and expertise to the Board of Bus Éireann. Her understanding of operating in a highly regulated and competitive environment make her ideally suited to serve as Chairman of the board Safety Committee.

Anne assumed the chairmanship of the board Safety Committee in 2015 and was appointed to the board Commercial and Innovation Committee from 2017 onwards.



### Denis Mackin

Denis Mackin was appointed to the board in July 2014.

Denis has thirty three years' service with the Public Service in Post & Telegraph, Telecom Éireann, O.P.W. and presently Office of Government Procurement (OGP); Denis has also served on South Dublin County Council and its committees. Denis was a member of Tallaght Community School for 22 years, is currently Chairman of Old Bawn Community School and board member of the Kilnamanagh Community Centre.

Denis is a member of the board Safety Committee.



### Bill McCamley

Bill McCamley was first appointed to the board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001.

Bill joined Bus Átha Cliath in 1974 and works in Phibsboro depot as a bus driver. He has held a variety of positions in his trade union, SIPTU, including membership of the Regional, Divisional and Branch Committees. Bill is presently a member of the Transport Sector and Dublin District Committees. He has represented his trade union at a number of European transportation conferences and was a member of the Department of Justice Working Party on Bus Violence 1996. Bill has written extensively on transportation and trade union issues, including a book on the history of Dublin's tramworkers.

Bill was also a CIÉ Board Member and retired from both the CIÉ and Bus Éireann Boards on 12<sup>th</sup> February 2017.



### John Moloney

John Moloney was first appointed to the board in December 2005 under the Worker Participation (State Enterprises) Acts, 1977 to 2001.

John joined Bus Éireann in 1978 and works in Cork as a bus driver. He is a member of the NBRU.

John is a member of the Board Safety Committee and is also a CIÉ board member.



### Henry Minogue

Henry Minogue was first appointed to the board in October 2011.

Henry has been the IT Director for UPC (now Virgin Media Ireland) in Ireland since 2006 having previously served as Programme Manager for Strategy and Planning. He has worked in the IT and Telecommunications sector in Ireland for 18 years. During this time he has gained extensive business experience in IT Strategic Planning, IT Operations Management, Delivery and Governance while also delivering Business Transformation through Innovation led programmes.

Henry has held numerous consulting and senior management positions in the telecommunications industry in Ireland. His portfolio also covers consulting positions in both the retail and financial sectors. Henry is a member of the Irish Computer Society and the Institute of Directors in Ireland.

Henry was appointed Chairman of the Bus Éireann Audit Review Group during 2012 and stepped down from his role as Chairman of the Audit Review Group in 2016 but whilst remaining a member of the Audit Review Group. He also serves as a member of the Board Commercial & Innovation Committee.

Henry retired as a director on 9 October 2014 and was re-appointed as a director on 29 January 2015.



### David McGarry

David McGarry was appointed to the Board in June 2015.

David is Chairman of the Audit Review Group. He is also a member of the Remuneration Committee and the Commercial and Innovation Committee.

David is Chief Executive Officer of KM Franchising Limited. He was previously Group Chief Financial Officer of Shannon Group plc, and Finance and Development Director of Indaver Group, and prior to that worked in various executive positions with NCB Corporate Finance and Henley Partners. David qualified as a Chartered Accountant with KPMG. He is also a Chartered Director. He holds an MBA from the University of Leuven in Belgium, Bachelor of Commerce degree from University College, Cork and diploma and certificate in Company Direction from the Institute of Directors.



### Gerard Ryan

Gerard Ryan was appointed to the board in July 2012 and was re-appointed to the board during 2015.

Gerard has over 15 years' experience in senior management positions in the financial services and IT sectors in diverse organisations. He is currently Operations Director with Acorn Life Ltd, a privately owned Irish life insurance company, based in Galway. He is a non-executive Director of Acorn Insurance Ltd., a general insurance brokerage which is part of the Acorn Group. He has a strong background in general management and also highly experienced in financial and cost management, project management and assessment, business change, technology led innovation and meeting customer needs.

He holds a Masters in Business Administration from the UCD Michael Smurfit Graduate Business School and is also a B.Sc. in Computer Science graduate of Trinity College, Dublin.

Gerard is a member of the Audit Review Group and Chairman of the board Commercial and Innovation Committee.

# Directors' Report

The directors present their annual report in accordance with their obligations under the Irish Companies Act 2014 and the Transport (Re-organisation of Córas Iompar Éireann) Act 1986 for the year ended 31 December 2016.

## Principal activities and business review

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

Córas Iompair Éireann, of which Bus Éireann is a subsidiary, is Ireland's national statutory authority providing land public transport within Ireland. It is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

The company recorded an overall deficit of €9.5 million (2015: €6.0 million) after the receipt of Public Service Obligation (PSO) payments of €41.9 million (2015: €33.7 million plus revenue grants €4 million). Fuel costs increased to €33.5m in 2016 from €32.7m in 2015.

The deficit is very disappointing but was achieved in very challenging conditions where the company delivered revenue growth. Road passenger journeys increased by 1.8 million journeys and school journeys decreased by 0.5 million journeys in 2016.

The company continues its strong focus on the delivery of a safe and efficient network of services for all customers. The market in which the company operates for its commercial services has remained particularly challenging in terms of competition. The directors and senior management team are very mindful of the serious financial position of the company which has seen net assets fall from €16.3m in 2015 to €6.8m in 2016. The accumulated losses have increased to €22.4 million at 31 December 2016 (€12.9 million in 2015).

Bus Éireann cannot continue to sustain the level of losses experienced in 2016 and must now urgently undertake a comprehensive program of radical change to adapt to growth in competition. The primary challenge is to continue to build a competitive cost base across all of our products to deliver a viability plan which will ensure the company improves its competitiveness and delivers a reasonable profit which can be re-invested into our services. Our focus will be on delivering a safe, sustainable and competitive cost base with increased operational efficiencies, benchmarked against best international practice.

## Review of operational financial and engineering performance

In monitoring the company's performance a range of key operating and financial performance indicators are regularly reviewed by both management and directors of the company.

Improving our bus service will require a combination of work practice changes, a rationalisation of our workforce, some commercial route closures and an overall cut to discretionary spends. The management team have been tasked with delivering a plan for 2017 which will implement these measures to ensure our commercial business is not only capable of competing in the market, but can deliver a margin to ensure we can continue to invest in our fleet and customer offering, which receives no State funding.

Bus Éireann is committed to enhancing our relationships with customers, partners and stakeholders across the community to further improve customer satisfaction and Bus Éireann's corporate reputation. We were very pleased that notwithstanding our critical financial position, Bus Éireann was recognized by our industry peers and awarded the Passenger Transport Company of the Year accolade at the Irish Logistics and Transport Awards which was a tribute to our management and staff.

## Dividends

No dividends were proposed, declared or paid during the year (2015: €nil).

## Directors' Report (continued)

### Principal risks and uncertainties

The principal risks and uncertainties for the company are implementation of restructuring plan, competitive and regulatory and liquidity risks.

The company is committed to managing risk in a systematic and disciplined manner. The key risks are identified and action plans developed to mitigate these risks. 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 is in place to review safety and maintenance matters. The Board Commercial and Innovation Committee reviews commercial risks and the Audit Review Group reviews and monitors internal control and audit risks.

#### Implementation of restructuring plan

One of the key risks that the company has faced is a severe financial position for a number of years. Management has now taken action to implement changes which resulted in industrial action during March/April 2017 and from which a Labour court recommendation was issued, balloted upon and accepted by staff. The implementation of the changes required will be challenging. An implementation plan will fully recognise mitigating factors in order to minimise any business risk.

#### Competitive and regulatory risks

The company is dependent upon sustainable positive market conditions for its commercial services and upon sufficient funding for public services and school bus services from the National Transport Authority (NTA) and the Department of Education and Skills respectively.

The company is subject to extensive regulation by the NTA in respect of transport services which it provides and which includes detailed reporting requirements and challenging targets as set down by the NTA. This also includes compliance with the terms of the five year direct award contract with NTA which was signed in late 2014.

#### Liquidity risks

Liquidity is tightly managed on a CIÉ Group basis. A dedicated professional team coordinates day to day cash and treasury management together with annual and multi annual planning and the securing of sufficient corporate bank funding to allow the CIÉ Group to continue to operate.

### Control environment

The company's controls are based on a common and process oriented management system. The objective is to ensure that the company's culture is characterised by integrity and that ethical values are not compromised. The control environment is characterised by the main business processes and the associated company policies and procedures, as well as local instructions. There is a comprehensive repository of policies, guidelines, procedures and review processes across all departments and business units to ensure that control is consistently maintained and adhered to.

### Future developments

The company continues to monitor its revenues and costs closely into 2017 and beyond through extensive engagement with all its stakeholders.

Arising from the deterioration of the financial position of the company, a comprehensive review of all aspects of the business commenced in the second half of 2016. The key focus of this review was focussed on Expressway, the main commercial operation in the company, which does not receive any state funding. Due to increased competition and high cost base, the performance of Expressway has deteriorated significantly over the last 3 years. The board appointed external corporate advisors to assess the robustness of the management's plans. These plans were presented to the company board in December which incorporated a rigorous review and opinion by the corporate advisors. None of the proposed options were acceptable to the board.

Following changes to the management team a new review of the business commenced in January 2017, the objective of which was to formalise a plan that

- stabilises and reverses the poor financial performance; and
- provides a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Initial assessment confirmed that the challenges facing the company were not confined to Expressway. All aspects of the company needed to be reviewed. This review has continued for the last 4 months. The review confirmed that the company's work practices, organisation structure, management structure and information systems were not fully aligned and if not urgently addressed would have serious implications for the future viability of the whole company.

Immediate action was taken by management in January to stem the deteriorating finances of the company, however engagement with staff and unions was unsuccessful and all parties were invited to the WRC. These talks were unsuccessful and resulted in industrial action being taken for a period of 3 weeks in March/April 2017 during which no bus services were operated by the company. Additional intensive talks at WRC ultimately resulted in parties being referred to the Labour Court. Following two days of hearings the Labour Court issued a detailed recommendation which was accepted by the company and in recent weeks balloted by all staff with a majority accepting.

The board and management believe that the Labour Court recommendation contains many initiatives that, if implemented successfully, would enable the company deliver on the objectives outlined above. Key aspects of the recommendations incorporate almost 60 work practice changes in addition to staff reductions of 240. These initiatives will deliver circa €17m of savings to the company in a full year. Non payroll savings have also been targeted with savings of €3m identified to date. There has been engagement with key stakeholders with the objective of securing additional funding for services that are currently underfunded.

These initiatives are incorporated in a business plan that was approved by the board on May 29th 2017. The board believe that the successful implementation of this plan will result in the financial position of the company improving considerably; this in conjunction with organisation restructuring will provide the foundations for creating a company that has a viable long term future.

## Capital investment

Capital expenditure amounted to €30.2 million in 2016 (2015: €18.5 million). The company received capital funding for PSO services from the NTA in 2016 of €18.1 million (2015: €8.7 million), including grants of €1.5 million (2015: €1.5 million) in respect of land and buildings which are held by CIÉ, which enabled the company to invest in improved services for its customers.

## Share capital

Details of the Company share capital is set out in note 15. There were no movements in Share Capital during the year.

The Company has no subsidiaries and no investments in other companies and this is consistent with the prior year.

## Shareholders meetings

An annual general meeting of the Company is held once every calendar year at such time (not being more than fifteen months after the holding of the last preceding annual general meeting) and place as may be prescribed by the directors. The directors may either whenever they think fit or on request of C oras Iompair  ireann convene an extraordinary general meeting of the Company.

## The Board

The company is controlled through its board of directors. The board met on ten occasions during 2016 (ten in 2015) and has a schedule of matters reserved for its approval. The board comprises of non-executive directors only, two of which were worker directors at year end and one of which retired post year end. There are no executive directors.

## Directors' Report (continued)

### Attendance at Board/Committee meetings

Listed below are details of directors' attendance at board/committee meetings held during 2016:

	Board	Safety	Commercial & Innovation	Remuneration
Mr Aidan Murphy	10/10		5/5	-
Mr Bill McCamley	8/10		-	-
Mr John Moloney	10/10	6/6	-	-
Mr Henry Minogue	9/10		4/5	-
Mr Gerard Ryan	9/10		5/5	-
Ms Deirdre Ashe	9/10		5/5	4/4
Mr Denis Mackin	8/10	5/6	-	-
Ms Anne Bradley	7/10	5/6	-	3/4
Mr David McGarry	10/10		4/5	3/4

In addition three joint meetings of the Commercial & Innovation Committee with the Audit Review Group (ARG) were held during 2016.

### Audit Review Group

The Audit Review Group (ARG) during 2016 comprised the following non-executive directors:

Mr D McGarry (Chairman)

Mr H Minogue

Mr G Ryan

The ARG met on four occasions during 2016 (2015: nine). In addition, three joint meetings were held with the Commercial & Innovation Committee.

The main duties of the ARG are to oversee the relationship with the external auditor, including consideration of the appointment of the external auditor, audit fees, and any question of independence, resignation or dismissal. The ARG discusses with the external auditor the nature and scope of the audit and the audit findings. The ARG also monitors the integrity of the financial statements prepared by the company.

The ARG keeps under review the effectiveness of the company's internal controls and risk management systems through regular direct updates from the Group Internal Audit Department and from senior management.

The Terms of Reference of the ARG have been approved by the board and are reviewed on an annual basis and amended as appropriate. The ARG, having considered all relationships between the company and the external audit firm, does not consider that those relationships impair the auditor's judgement or independence.

Bus Éireann ARG has similar terms of reference in relation to oversight and review which an Audit Committee would have.

### Board Remuneration Committee

The Board Remuneration Committee was established during late 2015 and met on four occasions during 2016 (once in 2015). It comprised the following non-executive directors:

Ms D Ashe (Chairman)

Ms A Bradley

Mr D McGarry

The Committee considers and reviews remuneration and human resources policies within the company.

## Board Safety Committee

The Bus Éireann Board Safety Committee, which was established at sub board level in 2004, met on six (five in 2015) occasions during the year. This Committee monitors the safety performance of the company against an annual safety plan and encourages the widest participation in safety awareness and accident prevention in the company.

It comprised the following directors during 2016:

Ms A Bradley *(Chairman)*

Mr J Moloney

Mr D Mackin

## Board Commercial and Innovation Committee

This committee addresses four specific areas namely enterprise development, technology innovation, marketing and research and policy and planning. The committee met on five occasions during 2016 (eighteen in 2015) and on a further three occasions during 2016 through joint meetings with the ARG. The Commercial and Innovation Committee comprised the following non-executive directors during 2016:

Mr G Ryan *(Chairman)*

Ms D Ashe

Ms A Bradley *(Appointed 9 January 2017)*

Mr H Minogue

Mr A Murphy

## Employee participation and consultation

In 2016 meetings of the local councils continued throughout the year.

As part of its consultation with all staff the company publishes an in company magazine entitled BE Connected and which issues on a number of occasions during the year.

## 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. Governance of Health and Safety is monitored through the board Safety Committee.

## Payment practices

The company acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Amendment Regulation 2013. The company payment policy is to comply with the requirements of the Regulation.

## Accounting records

The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records in accordance with Sections 281 to 285 of the Companies Act 2014 are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Bus Éireann, Broadstone, Dublin 7.

## Directors' Report (continued)

### Directors

The directors of the company are appointed by the Minister for Transport, Tourism and Sport. The names of persons who were directors during the year ended 31 December 2016 are set out below. Except where indicated they served as directors for the entire year.

Mr Aidan Murphy	<i>Chairman</i>
Mr Bill McCamley	<i>(retired 12th February 2017)</i>
Mr John Moloney	
Mr Henry Minogue	
Mr Gerard Ryan	
Ms Deirdre Ashe	
Mr Denis Mackin	
Ms Anne Bradley	
Mr David McGarry	

The directors and secretaries who served during the year did not hold 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 company's business.

### 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 C oras Iompair  ireann Group Annual Report. The code provides minimum standards and the Board endeavours to ensure compliance with best practice in Corporate Governance in the conduct of its business. Bus  ireann continues to adopt the 2009 version of the Code of Practice for the Governance of State Bodies and is currently working through the transition to the 2016 code. The changes arising from the implementation of the 2016 Code of Practice for the Governance of State Bodies will be fully reflected in the 2017 financial statements.

### Directors' Compliance Statements

For the purposes of section 225 of the Companies Act 2014 (the "Act"), we, the directors:

1. Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225 (1) of the Act (the "relevant obligations"); and
2. Confirm that each of the following has been done
  - (i) a compliance statement (as defined in section 225 (3) (a) of the Act) setting out the Company's policies (that in our opinion, are appropriate to the company) respecting compliance by the Company with its relevant obligations has been drawn-up;
  - (ii) appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and
  - (iii) during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph (ii) above has been conducted.

A detailed process was undertaken by both Bus  ireann and other CI  Group companies to comply in full with the requirements of the Companies Act 2014 in relation to Directors' Compliance Statements. In order to provide assurance a review was carried out. This review was commissioned by the CI  Group for all CI  Group operating companies and carried out by CI  Group Internal Audit Department. A comprehensive report was issued to and reviewed in detail by the Bus  ireann Audit Review Group. The report confirmed that Bus  ireann was in full compliance with the requirements relating to Directors Compliance Statements.

### Post balance sheet events

There have been no significant post balance sheet events which require adjustment to in the financial statements other than noted below.

Disclosure is required in relation to the business plan ratification and implementation as set out below and the circumstances in regard to the related industrial action, subsequent balloting and acceptance by staff of the Labour Court recommendation. The Company management have a plan to implement changes and the plan envisages that the company will return to profit during 2018 with the net assets position strengthening from 2018 onwards. The plan does envisage that the net assets position will decline further in 2017 but

that this position will improve significantly from 2018 onwards with profits being generated once all aspects of the plan are implemented successfully. Detailed analysis, consideration of all options, engagement with all stakeholders, consideration and embedding of mitigation measures, compiling and stress testing of budgets and forecasts from 2017 to 2021 were undertaken and reviewed in detail by management in conjunction with their professional advisors from December 2016 to May 2017. This was followed with a detailed review by combined sessions of the Commercial and Innovation Committee and Audit Review Group composed of Directors who resolved to recommend the business plan in full to board during May 2017 and board ratified the business plan on May 29th, 2017.

## Company status

The company registered as a Designated Activity Company, as required under the Companies Act 2014 on 1 February 2016.

## Freedom of Information

The Freedom of Information (FOI) Act 2014 was signed into law in late 2014. During 2015, for the first time, certain parts of the Bus Éireann business came under its remit. The Act was extended to the administrative activities carried out by sections of the company. These activities relate to the provision of Schools Transport services to the Department of Education and Skills. Under the Act, Bus Éireann is subject to Freedom of Information requests via the Department of Education and Skills on records created since 21 April 2008.

## Going concern

The company incurred a loss of €9.5 million for 2016 (2015: €6 million). At 31 December 2016 Bus Éireann had net assets of €7 million (2015: €16 million) and net current assets of €9 million (2015: €24 million). Net current assets include non-cash liabilities of €23 million (2015: €21 million) relating to deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items the Company has net current assets of €32 million (2015: €45 million). Net assets of the Company includes non-cash liabilities of €72 million (2015: €69 million) relating deferred income in respect of capital grants and revenue. Therefore, excluding these items the Company has net assets of €79 million (2015: €85 million).

The company continues to face a challenging business environment which has led to deterioration of the financial position of the company. Arising from the deterioration of the financial position of the company, a comprehensive review of all aspects of the business commenced in the second half of 2016. The key focus of this review was focussed on Expressway, the main commercial operation in the company, which does not receive any state funding. Due to increased competition and high cost base, the performance of Expressway has deteriorated significantly over the last 3 years. The board appointed external corporate advisors to assess the robustness of the management's plans. These plans were presented to the company board in December which incorporated a rigorous review and opinion by the corporate advisors. None of the proposed options were acceptable to the board.

Following changes to the management team a new review of the business commenced in January 2017, the objective of which was to formalise a plan that

- stabilises and reverses the poor financial performance; and
- provides a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Initial assessment confirmed that the challenges facing the company were not confined to Expressway. All aspects of the company needed to be reviewed. This review has continued for the last 4 months. The review confirmed that the company's work practices, organisation structure, management structure and information systems were not 'fit for purpose' and if not urgently addressed would have serious implications for the future viability of the whole company.

Immediate action was taken by management in January to stem the deteriorating finances of the company, however engagement with staff and unions was unsuccessful and all parties were invited to the WRC. These talks were unsuccessful and resulted in industrial action been taken for a period of 3 weeks in March/April 2017 during which no bus services were operated by the company. Additional intensive talks at WRC ultimately resulted in parties being referred to the Labour Court. Following two days of hearings the Labour Court issued a detailed recommendation which was accepted by the company and in recent weeks balloted by all staff with a majority accepting.

## Directors' Report (continued)

The board and management believe that the Labour Court recommendation contains many initiatives that, if implemented successfully, would enable the company deliver on the objectives outlined above. Key aspects of the recommendations incorporate almost 60 work practice changes in addition to staff reductions of 240. These initiatives will deliver circa €17 million of savings to the company in a full year. Non payroll savings have also been targeted with savings of €3 million identified to date. There has been engagement with key stakeholders with the objective of securing additional funding for services that are currently underfunded.

These initiatives are incorporated in a business plan that was approved by the board on May 29th, 2017. The board believe that the successful implementation of this plan will result in the financial position of the company improving considerably; this in conjunction with organisation restructuring will provide the foundations for creating a company that has a viable long term future.

The principal uncertainty affecting the future outlook of the company is the successful implementation of the initiatives included in the plan approved by the board. The uncertainties are mitigated by

- By the establishment of an implementation group by the senior management which will meet regularly. Results will be reviewed against planned targets and this group will continue to meet until the initiatives have been fully embedded into the activities of the company.
- Another further significant mitigation measure is the securing of the drawdown funding facility based on the Inter Company balance which the Company has with CIÉ Group.
- Market conditions are being closely monitored by the senior management team and should further remedial action be required due to changed circumstances then the remedial action required will be swift and concise.

The Group has provided a letter of financial support to the Company which confirms that the Group will “provide the financial support necessary to permit the Company to continue operating and liquidating its liabilities in the normal course of business for at least a period of twelve months after the date of signing the financial statements. In the event of default by any CIÉ subsidiary undertaking who owe amounts to the Company, the Parent will compensate for losses incurred”.

Having made due enquiries, and considering the uncertainties and mitigations described above, the board of directors have a reasonable expectation that the company will have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the ‘going concern’ basis for the preparation of the financial statements. Further details are set out in note 2 of the financial statements in relation to the Going Concern position of the CIE Group of which Bus Éireann is a subsidiary.

## Auditors

Following a procurement process, Deloitte, Chartered Accountants and Statutory Audit Firm were selected as new external auditors for the CIÉ Group in 2016. The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

## Disclosure of Information to Auditors

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## On behalf of the Board

**A Murphy**  
*Chairman*

**D Mc Garry**  
*Director*

**29 June 2017**

# Directors' Responsibilities Statement

The directors' are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

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. The Directors are responsible for securing the Company's compliance with the Code of Practice for the Governance of State Bodies (2009).

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

# Independent Auditors' Report

## to the Members Of Bus Éireann

We have audited the financial statements of Bus Éireann for the financial year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 26. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2016 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

### Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (2009) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal financial control required under the Code of Practice as included in the Corporate Governance Statement in the Directors' Report does not reflect the company's compliance with paragraph 13.1 (iii) of the 2009 Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

#### Ciarán O'Brien

For and on behalf of Deloitte  
Chartered Accountants and Statutory Audit Firm  
Dublin

30 June 2017

# Profit and Loss Account

Financial Year Ended 31 December 2016

	Notes	2016 €'000	2015 €'000
<b>Revenue</b>			
Operating turnover		313,781	303,004
Revenue grants		-	4,048
Receipts from public service obligation contract		41,873	33,714
<b>Total revenue</b>	3	<b>355,654</b>	<b>340,766</b>
<b>Costs</b>			
Payroll and related costs	4(a)	(134,149)	(130,309)
Materials and services	5(a)	(221,513)	(208,429)
<b>Total operating costs</b>		<b>(355,662)</b>	<b>(338,738)</b>
<b>EBITDA before exceptional costs</b>		<b>(8)</b>	<b>2,028</b>
Exceptional costs	5(b)	(944)	(357)
Depreciation and amortisation (net)	5(c)	(8,250)	(7,067)
Profit on disposal of tangible fixed assets		214	1
<b>Deficit before interest and tax</b>		<b>(8,988)</b>	<b>(5,395)</b>
Interest payable and similar charges	6	(536)	(596)
<b>Deficit for the year before tax</b>		<b>(9,524)</b>	<b>(5,991)</b>
Tax on deficit for the year	7	-	-
<b>Deficit after tax for the year</b>		<b>(9,524)</b>	<b>(5,991)</b>

Highlights

Chairman's Statement

Review

Financial Statements

# Statement of Comprehensive Income

Financial Year Ended 31 December 2016

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
<b>Deficit for the year</b>	(9,524)	(5,991)
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>(9,524)</b>	<b>(5,991)</b>

# Balance Sheet

Financial Year ended 31 December 2016

	Notes	2016 €'000	2015 €'000
<b>Fixed assets</b>			
Intangible fixed assets	8	3,292	3,728
Tangible fixed assets	9	97,242	88,570
		<b>100,534</b>	<b>92,298</b>
<b>Current assets</b>			
Stocks	10	3,797	4,027
Debtors	11	63,532	74,664
Cash at bank and in hand		1,276	1,226
		<b>68,605</b>	<b>79,917</b>
<b>Creditors</b> (amounts falling due within one year)	12	<b>(59,865)</b>	<b>(56,267)</b>
		<b>8,740</b>	<b>23,650</b>
<b>Net current assets</b>		<b>8,740</b>	<b>23,650</b>
<b>Total assets less current liabilities</b>		<b>109,274</b>	<b>115,948</b>
Provisions for liabilities	13	(53,291)	(51,566)
Deferred income	14	(49,206)	(48,081)
		<b>(102,497)</b>	<b>(99,647)</b>
<b>Net assets</b>		<b>6,777</b>	<b>16,301</b>
<b>Capital and reserves</b>			
Called up share capital	15	29,204	29,204
Profit and loss account		(22,427)	(12,903)
<b>Total equity</b>		<b>6,777</b>	<b>16,301</b>

**On behalf of the Board**

**A Murphy**

*Chairman*

**D Mc Garry**

*Director*

**29 June 2017**

Highlights

Chairman's Statement

Review

Financial Statements

# Statement of Changes in Equity

Financial Year Ended 31 December 2016

	Called up share capital €'000	Profit and loss account €'000	Total €'000
<b>Balance at 1 January 2015</b>	29,204	(6,912)	22,292
Deficit for the year	-	(5,991)	(5,991)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(5,991)	(5,991)
<b>Balance at 31 December 2015</b>	<b>29,204</b>	<b>(12,903)</b>	<b>16,301</b>
<b>Balance at 1 January 2016</b>	29,204	(12,903)	16,301
Deficit for the year	-	(9,524)	(9,524)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(9,524)	(9,524)
<b>Balance at 31 December 2016</b>	<b>29,204</b>	<b>(22,427)</b>	<b>6,777</b>

# Statement of Cash Flows

Financial Year Ended 31 December 2016

	Notes	2016 €'000	2015 €'000
<b>Cash from operations</b>			
<b>Net cash generated from operating activities</b>	16	<b>2,632</b>	<b>5,453</b>
<b>Cash flows from investing activities</b>			
Additions to intangible fixed assets	8	(783)	(1,276)
Additions to tangible fixed assets	9	(29,471)	(17,214)
Sale proceeds on disposal of tangible fixed assets		628	6
Capital grants received	14(a)	15,539	7,157
Decrease in balance with parent company		12,041	6,634
Interest paid and charged by parent company	6	(536)	(596)
<b>Net cash used in investing activities</b>		<b>(2,582)</b>	<b>(5,289)</b>
<b>Cash flow from financing activities</b>			
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in and cash equivalents</b>		<b>50</b>	<b>164</b>
Cash and cash equivalents at start of year		1,226	1,062
<b>Cash and cash equivalents at end of year</b>		<b>1,276</b>	<b>1,226</b>

Highlights

Chairman's Statement

Review

Financial Statements

# Notes to the Financial Statements

## 1. Significant Accounting Policies

### Statement of compliance

The financial statements of the company have been prepared on a going concern basis in accordance with Financial Reporting Standard 102, “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” and the Companies Act 2014.

### Activities and ownership

CIÉ, of which Bus Éireann is a subsidiary, is Ireland’s national statutory authority providing land public transport within Ireland. CIÉ is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

Bus Éireann is a transport management company, whose principal activities are the management and planning of an integrated network of services including the provision of schools bus services, using its own and sub-contractor resources.

Bus Éireann, the company, is a Commercial State Company and is part of the CIÉ Group of companies. The company was re-registered as a Designated Activity Company effective from 1 February 2016 under the Companies Act 2014.

The financial statements of the company relate solely to the activities of Bus Éireann.

### Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

As permitted by the Companies Act 2014, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the company’s business. EBITDA is company earnings before adjustment for interest and taxation charged, depreciation of fixed assets and amortisation of capital grants received.

#### *(a) Basis of preparation*

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimating uncertainty at the reporting date. It also requires directors to exercise their judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out at (v) below.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation and is shown on the profit and loss account.

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity but has not taken advantage of any available disclosure exemption for qualifying entities.

#### *(b) Going concern*

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore these entity financial statements have been prepared on a going concern basis. Further information is set out in note 2.

#### *(c) Foreign currency*

##### *(i) Functional and presentation currency*

The functional currency and presentational currency of the company is the euro, denominated by the symbol “€” and unless otherwise stated. The financial statements have been presented in thousands (‘000).

## 1. Significant Accounting Policies (continued)

### (ii) Transactions and balances

Transactions denominated in the foreign currency are translated into the functional currency using the spot exchange rates at the date of the transactions.

At the end of each financial year foreign currency monetary items are translated to Euro using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'materials and service costs'.

### (d) Turnover

Turnover comprises the gross value of services provided. Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered.

Turnover is recognised in the period in which the service is provided. The key income streams are described below along with a description of the revenue recognition policy for each revenue stream:

On bus and cash integrated ticketing system revenue is recognised on the day the service is provided. Proceeds received for the sale of annual tickets and other future dated products are carried within liabilities and recognised in the income statement over the term of the relevant product.

Other revenue is recognised in the period to which it relates.

### (e) Public Service Obligation Payments and Grants

#### (i) Public Service Obligation (PSO) payments

PSO payments received and receivable during the year are recognised in the profit and loss account in the period they become receivable.

#### (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. Bus Éireann records grants using the "Accrual Model" in accordance with FRS102 section 24. They are amortised to the profit and loss account on the same basis as the related assets are depreciated.

Grants in respect of expenditure are recognised in the profit and loss at the same time as the related expenditure for which the grant is intended to compensate is incurred.

### (f) Materials and services costs

Materials and services costs otherwise referred to as operating costs constitute all costs associated with the day to day running of the operations of Bus Éireann, excluding depreciation, amortisation and payroll costs which are disclosed separately in the profit and loss account, and set out in more detail in note 5 of the financial statements.

### (g) Interest receivable/interest payable

Interest income or expenses is recognised using the effective interest method.

### (h) Exceptional costs

Bus Éireann's profit and loss account separately identifies results before specific items. Specific items are those that in our judgement need to be disclosed separately by virtue of their size, nature or incidence. The company believes that this presentation provides additional analysis as it highlights exceptional items. Such items include significant business restructuring costs.

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

In this regard the determination of 'significant' as included in our definition, both qualitative and quantitative judgement is used by the company in assessing the particular items, which by virtue of their scale and nature, are disclosed in the company profit and loss account and related notes as exceptional items.

#### (i) Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred taxation assets and liabilities are not discounted.

#### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

#### (ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### (j) Related party transactions

Bus Éireann is a subsidiary of CIÉ Group. Bus Éireann discloses transactions with related parties which are not wholly owned within the group. It does not disclose transactions with members of the same group that are wholly owned.

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

#### (k) Intangible fixed assets

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight-line basis. Software is not considered to have a residual value. Where factors, such as technological advancement or changes in market prices, indicate that the software's useful life has changed, the useful life is amended prospectively to reflect the new circumstances. Intangible fixed assets are reviewed for impairment if there is an indication that the intangible fixed asset may be impaired.

#### (l) Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to location and condition necessary for its intended use and applicable decommissioning costs.

The bases of calculation of depreciation are as follows:

#### (i) Depreciation and residual values

##### Road passenger vehicles

The historical cost 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 cost of school buses are depreciated in equal annual instalments over their expected useful lives.

### 1. Significant Accounting Policies (continued)

Such assets begin to be depreciated once they first enter service within the fleet.

#### *Plant and machinery*

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

Details of the expected useful lives of the various types of assets for depreciation purposes are set out in the notes to the financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

#### *(ii) Subsequent additions and major components*

Subsequent costs, including in respect of replaced components, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs and maintenance costs are expensed as incurred.

#### *(iii) Derecognition*

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account.

### **(m) Leased assets**

#### *(i) Operating leases*

Operating leases do not transfer substantially all of the risk and rewards incidental to ownership to the lessee. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

#### *(ii) Lease incentives*

Incentives received to enter into an operating lease are recognised as a reduction of the operating lease expense on a straight line basis over the period of the lease.

### **(n) Impairment of non-financial assets**

At the end of each financial year non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use, pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account.

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### (o) Stocks

Stocks consist of maintenance materials, spare parts and fuel and other sundry stock items. Stocks of materials and spare parts are valued at the lower of weighted average cost and net realisable value. Cost comprises the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

At the balance sheet date, stock which is known to be obsolete is written off and a loss recorded in respect of stocks which are considered to be impaired.

#### (p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### (q) Financial instruments

The company has chosen to apply the provisions of Section 11 and 12 of FRS 102 to account for all of its financial instruments.

##### (i) Financial assets

The company has a number of basic financial assets which include trade and other debtors, amounts owed from group companies and cash and cash equivalents and which are recorded in current assets as due in less than one year.

Basic financial assets are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year, financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

##### (ii) Financial liabilities

Similarly, a number of basic financial instruments are included in current liabilities, including trade and other creditors, bank loans and overdrafts and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors, bank loans and overdrafts, loans from fellow group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

## 1. Significant Accounting Policies (continued)

### (r) Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Restructuring provisions are recognised when the company has a legal or constructive obligation at the end of the financial year to carry out the restructuring. The company has a constructive obligation to carry out a restructuring when there is a detailed, formal plan for the restructuring and the company has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected.

Provision is made 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.

Other provisions consist of provisions related to the operation of bus services, pay related provisions, environmental provisions, legal claims and pension related provisions.

Provision is not made for future operating losses.

### (s) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

### (t) Employee benefits

The company provides a number of employee benefits to staff depending on their grade, seniority and statutory obligations. Benefits include the payment of salary or wages and the payment of premia for additional work undertaken.

In addition employer contributions in respect of pension are made for eligible staff to the respective pension schemes.

#### *Defined benefit pension plan*

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

These schemes have been accounted for in the CIÉ Group financial statements. The defined benefit pension scheme assets are measured at fair value. Defined benefit pension schemes liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet of CIÉ as a liability. All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit costs for the schemes as a whole are recognised in the separate financial statements of CIÉ as in the absence of a formal contractual arrangement the directors believe that this is entity that is legally responsible for the schemes. The other participating entities, including Bus Éireann recognise a cost equal to their contribution for the period. Further details of these schemes are set out in note 18.

#### (u) Equity

Ordinary called up share capital and revenue reserves are classified as equity and set out in note 15 of the financial statements.

#### (v) Critical accounting estimates and assumptions

Estimates and judgements made in the process of preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement and complexity and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The carrying amount of the intangible assets, property plant and equipment, and the useful economic lives for each class of asset are set out in note 8 and 9.

##### (ii) 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 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.

Further details are set out in note 13 to the financial statements

##### (iii) Defined benefit pension scheme

The CIÉ group, of which the company is a member, has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Note 18 to the financial statements sets on in more detail matters related to pensions costs and the pension schemes.

## 2. Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company and the CIE Group ("the Group") of which the Company is a member, will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

### Background

#### Company

The company incurred a loss of €9.5 million for 2016 (2015: €6.0 million). At 31st December 2016 Bus Éireann had net assets of €7 million (2015: €16 million) and net current asset of €9 million (2015: €24 million). Net current assets include non-cash items of €23 million (2015: €21 million) relating to deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items, the company has net current assets of €32 million (2015: €45 million). Net asset of the Company includes non-cash liabilities of €72 million (2015: €69 million) related to deferred income in respect of capital grants and revenue. Therefore, excluding these items the Company has net assets of €79 million (2015: €85 million).

The company continues to face a challenging business environment which has led to deterioration of the financial position of the company. Arising from the deterioration of the financial position of the company, a comprehensive review of all aspects of the business commenced in the second half of 2016. The key focus of this review was focussed on Expressway, the main commercial operation in the company, which does not receive any state funding. Due to increased competition and high cost base, the performance of Expressway has deteriorated significantly over the last three years. The board appointed external corporate advisors to assess the robustness of the management's plans. These plans were presented to the company board in December which incorporated a rigorous review and opinion by the corporate advisors. None of the proposed options were acceptable to the board.

Following changes to the management team a new review of the business commenced in January 2017, the objective of which was to formalise a plan that

- stabilises and reverses the poor financial performance; and
- provides a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Initial assessment confirmed that the challenges facing the company were not confined to Expressway. All aspects of the company needed to be reviewed. This review has continued for the last 4 months. The review confirmed that the company's work practices, organisation structure, management structure and information systems were not fully aligned and if not urgently addressed would have serious implications for the future viability of the whole company.

Immediate action was taken by management in January to stem the deteriorating finances of the company, however engagement with staff and unions was unsuccessful and all parties were invited to the WRC. These talks were unsuccessful and resulted in industrial action being taken for a period of 3 weeks in March/April 2017 during which no bus services were operated by the company. Additional intensive talks at WRC ultimately resulted in parties being referred to the Labour Court. Following two days of hearings the Labour Court issued a detailed recommendation which was accepted by the company and in recent weeks balloted by all staff with a majority accepting.

The board and management believe that the Labour Court recommendation contains many initiatives that, if implemented successfully, would enable the company deliver on the objectives outlined above. Key aspects of the recommendations incorporate almost 60 work practice changes in addition to staff reductions of 240. These initiatives will deliver circa €17 million of savings to the company in a full year. Non payroll savings have also been targeted with savings of €3 million identified to date. There has been engagement with key stakeholders with the objective of securing additional funding for services that are currently underfunded.

These initiatives are incorporated in a business plan that was approved by the board on May 29th, 2017. The board believe that the successful implementation of this plan will result in the financial position of the company improving considerably; this in conjunction with organisation restructuring will provide the foundations for creating a company that has a viable long term future.

## *Notes to the Financial Statements (continued)*

The principal uncertainty affecting the future outlook of the company is the successful implementation of the initiatives included in the plan approved by the board. The uncertainties are mitigated by

- By the establishment of an implementation group by the senior management which will meet regularly. Results will be reviewed against planned targets and this group will continue to meet until the initiatives have been fully embedded into the activities of the company.
- Another further significant mitigation measure is the securing of the drawdown funding facility based on the Inter Company balance which the Company has with CIÉ Group.
- Market conditions are being closely monitored by the senior management team and should further remedial action be required due to changed circumstances then the remedial action required will be swift and concise.

The Group has provided a letter of financial support to the Company which confirms that the Group will “provide the financial support necessary to permit the Company to continue operating and liquidating its liabilities in the normal course of business for at least a period of twelve months after the date of signing the financial statements. In the event of default by any CIÉ subsidiary undertaking who owe amounts to the Company, the Parent will compensate for losses incurred”.

### *Group*

At 31 December 2016 the Group had net liabilities of €585 million (2015: €206 million) and net current liabilities of €233 million (2015: €275 million).

The net current liabilities include non- cash items of €289 million (2015: €274 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore ,excluding these non-cash items the Group has net current assets of €56 million (2015: net current liabilities €1 million).

The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €730 million (2015: €288 million) and other non-cash items of €2,621 million (2015: €2,728 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these items the Group has net current assets of €2,766 million (2015: €2,810 million).

### *Nature of Uncertainties Facing Group*

While trading performance continued to improve during 2016 the Group continues to face a challenging business environment which gives rise to uncertainties.

While management are confident that overall financial levels including those required for the Group to meet its financial covenants will continue to be met in the forthcoming year, the Group's future performance is subject to a number of challenging targets and assumptions which require constant monitoring and oversight by management.

The principal uncertainties affecting the future outlook can be summarised under the following headings:

#### **2.1 Revenue**

The achievement of the revenue growth targets set out in the budget for the year are based on a combination of assumptions related to increases in nominal fares, increases in passenger journeys and the mix of fares between cash and other fares. The capacity of the Group to secure the fare increases assumed in its plans is principally dependent on fare determinations by the National Transport Authority (“NTA”) and increases in passenger journeys is dependent on sustained economic recovery.

This uncertainty is mitigated by the fare increases agreed for the current year being in line with plan and by the ongoing monitoring and review of revenue performance relative to plan.

## 2.2 Operating Costs

Maintaining operating costs at appropriate levels as set out in the Group's plans remains critical. Assumptions used in preparing the plans are by their nature subjective and it is imperative that performance against plan is monitored closely, so that mitigating actions, which have already been identified by management, can be put in place if necessary.

During 2016 Bus Éireann, a subsidiary undertaking, identified a range of initiatives which, when implemented during 2017 in consultation with staff, are forecast to achieve improvements, efficiencies and reductions in costs which will be sufficient to return Bus Éireann to a financially sustainable position. While there are uncertainties associated with the timing of the achievement of these measures, Bus Éireann has the capacity to fund the costs of transition and the transition period during which these initiatives are being implemented.

These uncertainties are mitigated by monitoring and review of cost performance relative to plan. In respect of Bus Éireann, the range of initiatives to be implemented have now been agreed with staff.

## 2.3 Investment Costs

Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of safe, effective and reliable public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group.

The Group's plans for 2017 are subject to additional capital expenditure funding support from the Department of Transport, Tourism and Sport ("DTTAS") and the NTA, and also envisage funding investment from operating cash flows.

The Group's sustainability in the longer term is dependent on an appropriate level of government funding being in place to fund the public transport services that are required under the Group's Public Service Obligation contracts.

The Group's sustainability is particularly sensitive to uncertainty associated with funding future investment. During 2016 Iarnród Éireann and the NTA refreshed their review and evaluation of possible solutions to Iarnród Éireann's financial requirements. The additional Government funding provision which was approved in December 2016, combined with the commitments received in respect of 2017 funding, provides the cash flow capacity to fund the planned investment requirements – both capital and maintenance – of Iarnród Éireann in 2017.

Funding of investment requirements in the longer term remains a significant challenge for all stakeholders. Should there be a shortfall in levels of funding; the risk that the Group may not generate sufficient cash flows to protect its financial stability during the life of the current 5-year business plan arises. In that event, working capital will become constrained requiring constant monitoring. Mitigating actions would be required to ensure that the overall financial covenants, to which the Group is committed, are not breached and that sufficient cash-flow is generated after investment to meet obligations as they fall due.

As mitigation, the Group manages the authorization of material investments and seeks confirmation of appropriate funding being in place from the DTTAS/NTA prior to the commencement of those investments.

In respect of the Group's Public Service Obligation contracts, the contracts with Dublin Bus and Bus Éireann were signed in December 2014 and are for a period of 5 years, to 2019. In the case of Iarnród Éireann, the current contract was signed in December 2009 and is for a period of 10 years, to 2019.

## 2.4 Liquidity

In July 2013 the Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group, committed facilities of €160 million were secured up to July 2018, of which €39 million has subsequently been repaid and is not available to be redrawn in the Group's term loan facility. At 31st December 2016, the Group had drawn down € 41 million under the terms loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

These facilities contain a number of financial covenants, all of which have been met by the Group in 2016. Management expect that the Group will continue to meet the covenants set out in the facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group has commenced the process of renewing its banking facilities during the current year.

## *Notes to the Financial Statements (continued)*

The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities.

### **2.5 Pensions**

The Group's pension schemes are in deficit, the liability position of the pension schemes increased significantly in the year. The increase in liability arose mainly as a result of the low interest rate environment prevailing in Ireland and internationally. Financial markets remain volatile, the Schemes continue to be exposed to significant movements in the underlying interest rates under which liabilities are measured and the valuation of assets held by the schemes. The ongoing volatility in the valuation of the schemes require careful monitoring and the identification of measures which can be implemented, on an agreed basis, to reduce the risk in relation to the schemes.

The Group considers that the appropriate long-term mitigation for this risk is to de-risk the schemes in consultation with staff, CIÉ is engaging with its staff to identify and agree on measures which are designed to de-risk the schemes. The Group manages its budgets to ensure that, in the short-term, the cash implications of its pension obligations are accounted for appropriately.

### **Managements Actions**

In addition to the mitigations outlined above, the Group and CIÉ management have taken and are continuing to take a number of actions, including:

- Continuous review of risks and opportunities affecting the Group's business plan.
- Discussions with the NTA and the DTTaS on the appropriate funding structure/net financial effect for Bus Átha Cliath, Bus Éireann and Iarnród Éireann
- Continued implementation and rigorous monitoring of cost saving initiatives.
- Close monitoring by management of the daily, weekly and monthly cash position across the Group.
- Implementation of revenue protection initiatives and seeking new revenue generating activities.

### **Letter of Support**

The ongoing support of the DTTaS has been evidenced in the letter of support dated 29th June 2017

The letter states: "the Department of Transport, Tourism and Sport continues to monitor the financial position of CIÉ and is engaging with CIÉ in relation to measures necessary to safeguard CIÉ's financial sustainability" Whilst the letter states that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states: "It remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities" and that "the State will continue to exercise its shareholder rights with a view to ensuring that CIÉ manages its operations in a manner that will enable it to meet all its obligations in a timely manner. Any action to be considered by the State however would have to be in compliance with EU law, including State Aid rules which may require EU Commission notification and approval".

### **Conclusion**

Having made due enquiries, and considering the uncertainties and mitigations described above for the Company and the Group, the Board of Directors have a reasonable expectation that the cash flow generating from the Company and Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Company and the Group, and to meet the Group's financial covenants under the Group's banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements.

They also have a reasonable expectation that the Government will support measures to ensure financial stability.

Taking account of all of the above, the Board of Directors have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern.

### 3. Total revenue

This comprises operating turnover, net of recoverable VAT, receipts under the Public Service Obligation Contract and Revenue grants. Details of Revenue grants are set out in note 14(c). The company is a transport service provider and provides services throughout Ireland and is regulated by the National Transport Authority (NTA).

#### 4(a) Payroll and related costs

	2016 €'000	2015 €'000
<b>Staff costs:</b>		
Wages and salaries	113,880	110,671
Social insurance costs	10,660	10,307
Other retirement benefit costs	9,546	9,253
	134,086	130,231
Engineering work for group companies recharged	(69)	(49)
<b>Net staff costs (excluding directors remuneration)</b>	<b>134,017</b>	<b>130,182</b>
<b>Directors' remuneration:</b>		
– For services as directors	72	65
– For executive services	58	60
	130	125
Contributions paid to defined benefit scheme	2	2
Total directors' remuneration and emoluments	132	127
<b>Payroll and related costs</b>	<b>134,149</b>	<b>130,309</b>

No costs were incurred in respect of loss of office for any directors during 2016 or 2015 or after the balance sheet date.

One employee director had contributions made by the company to one of the defined benefit schemes managed by CIÉ Group in respect of executive services as an employee and the cost incurred was €2,178 for 2016 (2015: € 2,219)

Exceptional operating costs related to severance payments are set out in note 5(b)

	2016 Number	2015 Number
The average numbers of employees during the year were:		
Full-time	2,133	2,078
Part-time school bus drivers	399	409
<b>Total</b>	<b>2,532</b>	<b>2,487</b>

*Notes to the Financial Statements (continued)***4(b) CEO remuneration**

Wages and salaries costs include the following remuneration payable to the CEO Mr Martin Nolan, for executive services. Martin Nolan resigned as CEO from 9th January 2017 and Ray Hernan was appointed Acting CEO from 9th January 2017. As follows is remuneration paid to Martin Nolan during 2016.

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Basic salary	190	190
Taxable allowances and benefits in kind	15	15
Social insurance costs	22	22
Post-retirement benefit costs	49	46
	<b>276</b>	<b>273</b>

These are in accordance with Department of Public Expenditure and Reform guidelines for Chief Executives.

**4(c) Key management compensation**

Key management compensation, including salary and benefits of CEO, and directors are as follows:

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Salaries and short term benefits	1,247	1,254
Post-retirement benefit costs	273	187
Social insurance costs	90	87
<b>Total</b>	<b>1,610</b>	<b>1,528</b>

Key management and directors earnings comprise salaries and related costs payable to senior management and directors. No bonuses, performance related pay or compensation for loss of office costs were incurred.

The directors of the company were paid director's fees for services as directors during 2016 as follows:

Mr A Murphy	€21,600
Ms D Ashe	€12,600
Ms A Bradley	€12,600
Mr H Minogue	€12,600
Mr G Ryan	€12,600

Mr B McCamley, Mr D Mackin, Mr D McGarry and Mr J Moloney did not receive any director's fees for services as directors.

All payments comply in full with government guidelines for director's fees.

## 5. Expenses by nature

### (a) Materials and service costs

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Fuels and lubricants	33,488	32,727
Contractors	136,268	127,697
Road tax and licences	620	608
Operating lease rentals (note 5(d))	1,756	530
Rates	638	696
Third party and employers liability claims (note 13)	6,591	4,794
(Decrease)/increase in inventory obsolescence provision	(25)	121
Foreign exchange losses (net)	64	11
Other materials and services	42,113	41,245
	<b>221,513</b>	<b>208,429</b>

Contractor costs comprise school contractors, bus hire and contract service maintenance.

### (b) Exceptional operating costs

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Restructuring paid and provided for (note 13)	944	357

### (c) Depreciation and amortisation of tangible and intangible fixed assets

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Depreciation of tangible fixed assets (note 9)	20,385	19,060
Amortisation of intangible fixed assets (note 8)	1,219	1,115
Amortisation of capital grants (note 14(a))	(13,354)	(13,108)
	<b>8,250</b>	<b>7,067</b>

### (d) Operating leases include

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Bus leasing	1,104	–
Other operating leases	652	530

Bus leasing costs represents the annual cost of an operating lease of twenty vehicles which commenced in 2016.

*Notes to the Financial Statements (continued)***6. Net interest expense**

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Interest payable and similar charges to parent company	(536)	(596)
	<b>(536)</b>	<b>(596)</b>

**7. Taxation****(a) Tax expense included in profit or loss**

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Current tax:		
Irish corporation tax on profit for the financial year	-	-
Adjustments in respect of prior financial years	-	-
Current tax expense for the financial year	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Deferred tax expense for the financial year	-	-
<b>Tax on profit on ordinary activities</b>	<b>-</b>	<b>-</b>

**(b) Reconciliation of tax expense**

Tax assessed for the financial year differs than that determined by applying the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2016 of 12.5% (2015: 12.5%) to the deficit for the year. The differences are explained below:

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
<b>Deficit on ordinary activities before tax</b>	<b>(9,524)</b>	<b>(5,991)</b>
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	(1,191)	(749)
Effects of:		
- Depreciation for the year in excess of capital allowances	1,878	1,703
- Income not subject to tax	(6,768)	(5,853)
- Expenses not deductible for tax purposes	61	153
- Unrelieved tax losses carried forward not recognised	5,910	4,635
- Income charged to tax at higher rate	110	124
- Other movements	-	(13)
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

A potential deferred tax asset of €127m (2015: €120m) has not been recognised, as the future recovery against taxable profits is uncertain.

## 8. Intangible fixed assets

	Software €000	Total €000
<b>Cost</b>		
At 1 January 2016	6,699	6,699
Additions	783	783
Disposals	-	-
<b>At 31 December 2016</b>	<b>7,482</b>	<b>7,482</b>
<b>Amortisation</b>		
At 1 January 2016	2,971	2,971
Charge for the year	1,219	1,219
Disposals	-	-
<b>At 31 December 2016</b>	<b>4,190</b>	<b>4,190</b>
<b>Net book amounts</b>		
<b>At 31 December 2016</b>	<b>3,292</b>	<b>3,292</b>
<b>At 31 December 2015</b>	3,728	3,728
<b>Cost</b>		
At 1 January 2015	5,423	5,423
Additions	1,276	1,276
Disposals	-	-
<b>At 31 December 2015</b>	<b>6,699</b>	<b>6,699</b>
<b>Amortisation</b>		
At 1 January 2015	1,856	1,856
Charge for the year	1,115	1,115
Disposals	-	-
<b>At 31 December 2015</b>	<b>2,971</b>	<b>2,971</b>
<b>Net book amounts</b>		
<b>At 31 December 2015</b>	<b>3,728</b>	<b>3,728</b>
<b>At 31 December 2014</b>	3,567	3,567

(a) The expected useful lives of the intangible assets for amortisation purposes are as follows:

Software – 3 to 5 years straight line

*Notes to the Financial Statements (continued)***9. Tangible fixed assets**

	<b>Road Passenger Vehicles €'000</b>	<b>Plant &amp; Machinery €'000</b>	<b>Total €'000</b>
<b>Cost</b>			
At 1 January 2016	303,232	27,056	330,288
Additions	28,278	1,193	29,471
Disposals	(24,212)	(357)	(24,569)
<b>At 31 December 2016</b>	<b>307,298</b>	<b>27,892</b>	<b>335,190</b>
<b>Depreciation</b>			
At 1 January 2016	222,524	19,194	241,718
Charge for the year	18,659	1,726	20,385
Disposals	(23,798)	(357)	(24,155)
<b>At 31 December 2016</b>	<b>217,385</b>	<b>20,563</b>	<b>237,948</b>
<b>Net book amounts</b>			
<b>At 31 December 2016</b>	<b>89,913</b>	<b>7,329</b>	<b>97,242</b>
At 31 December 2015	80,708	7,862	88,570
<b>Cost</b>			
At 1 January 2015	294,116	25,736	319,852
Additions	15,774	1,440	17,214
Disposals	(6,658)	(120)	(6,778)
<b>At 31 December 2015</b>	<b>303,232</b>	<b>27,056</b>	<b>330,288</b>
<b>Depreciation</b>			
At 1 January 2015	211,668	17,764	229,432
Charge for the year	17,514	1,546	19,060
Disposals	(6,658)	(116)	(6,774)
<b>At 31 December 2015</b>	<b>222,524</b>	<b>19,194</b>	<b>241,718</b>
<b>Net book amounts</b>			
<b>At 31 December 2015</b>	<b>80,708</b>	<b>7,862</b>	<b>88,570</b>
At 31 December 2014	82,448	7,972	90,420

(i) 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	3-10

(ii) Road passenger vehicles at a cost of €65.8 million (2015: €80.0 million) were fully depreciated but still in use at the balance sheet date.

(iii) Tangible fixed assets at 31 December 2016 include €1.8 million (2015: €4.6 million) in respect of tangible fixed assets not yet in service at that date.

(iv) The company does not own the property or land and buildings in use; this is owned by the CIÉ Holding Company and is included in the financial statements of CIÉ.

(v) Assets with a carrying value of €413,877 in 2016 (2015:€4,000) were disposed in compliance with CIÉ Group policies and procedures for disposals of assets during the year.

## 10. Stocks

	2016 €'000	2015 €'000
Maintenance materials and spare parts	2,793	2,867
Fuels, lubricants and sundry stocks	1,004	1,160
	<b>3,797</b>	<b>4,027</b>
Stock consumed during the year:		
Stock of materials and fuel consumed net of fuel rebate	42,142	40,860

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

## 11. Debtors

	2016 €'000	2015 €'000
Trade debtors	4,142	3,843
Amounts due from Department of Education and Skills	8,335	9,359
Amounts owed by parent company	48,381	60,422
Other debtors	2,674	1,040
	<b>63,532</b>	<b>74,664</b>

All assets fall due within one year.

Amounts owed by the parent company are unsecured, interest free and repayable on demand.

Trade debtors are stated net of a provision for doubtful debts of € 92,529 (2015: €92,529).

Amounts due from the Department of Education and Skills represent monies due in respect of the operation of the School Bus Transport Scheme.

*Notes to the Financial Statements (continued)***12(a) Creditors**

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
<b>Amounts falling due within one year</b>		
Trade creditors	14,760	15,831
Income tax deducted under PAYE and USC	2,172	2,250
Social insurance	1,640	1,591
Value added tax and other taxes	503	243
Other creditors	1,413	1,192
Accruals	16,496	13,989
Deferred revenue	9,521	8,871
Deferred income (note 14 (a))	13,360	12,300
	<b>59,865</b>	<b>56,267</b>
Creditors for taxation and social insurance included above	4,315	4,084

Trade and other creditors are payable at various date in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms.

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

Deferred revenue relates to revenue from tax saver tickets and for the provision of school bus services.

**12(b) Creditors – Vat refund to CIÉ**

CIÉ Group is registered as a single entity for VAT purposes and makes a single VAT return in respect of all Group activities. During 2016, the Revenue Commissioners agreed a revised basis for calculating the VAT liability of the CIÉ Group. This agreement gave rise to a settlement of €53.9m which reflects the revised Revenue interpretations of the vatable activities of the Group on the basis of calculating its VAT liability from November 2002 onwards.

The VAT settlement has been accounted for through the financial statements of CIÉ rather than in the financial statements of the individual subsidiary companies. All Group Companies agree that there is currently no basis, given the passage of time, and the nature of the settlement, for determining the retrospective allocation of the VAT refund between CIÉ Group Companies. A detailed and resource intensive review would be required to establish an accurate allocation basis. A cost/benefit analysis of the process required was considered and it was determined that the cost would outweigh the benefit. It was therefore decided to reflect the refund in the financial statements of the CIÉ Group rather than the financial statements of the individual subsidiary companies.

Further details in relation to this VAT repayment are included in the CIÉ Group Accounts for 2016.

## 13. Provisions for liabilities

	Operational €000	Environmental €000	Other €000	Restructuring €000	Third party and employer liability claims €000	Total €000
<b>2015</b>						
Opening Balance	4,511	150	1,043	1,300	44,539	51,543
(Credit)/charge to profit and loss account (net)	(20)	66	(114)	(100)	4,794	4,626
Used during year	(37)	(150)	(380)		(4,036)	(4,603)
<b>Closing Balance</b>	<b>4,454</b>	<b>66</b>	<b>549</b>	<b>1,200</b>	<b>45,297</b>	<b>51,566</b>
<b>2016</b>						
Opening Balance	4,454	66	549	1,200	45,297	51,566
(Credit)/charge to profit and loss account (net)	138		181	1,789	6,591	8,699
Used during year	(210)	(66)	(549)	(1,200)	(4,949)	(6,974)
<b>Closing Balance</b>	<b>4,382</b>	<b>-</b>	<b>181</b>	<b>1,789</b>	<b>46,939</b>	<b>53,291</b>

### Operational provisions

The operational provision consists of provisions related to the operation of bus services and pay related provisions. Included in operational provision is an amount €3.6m (2015: €3.8m) in respect of post-retirement benefit costs at the balance sheet date.

### Environmental provision

The environmental provision relates to restoration costs arising as a result of environmental legislation.

### Other provision

The other provision consists of provisions related to the legal claims.

### Restructuring provision

The restructuring provision relates to amounts payable arising from the implementation of continuing cost saving initiatives.

### Third party and employer's liability claims

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

## Notes to the Financial Statements (continued)

### (a) External insurance cover

CIÉ 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) Aggregate cover in the twelve month period, April 2016 to March 2017, for third party liabilities in excess of a self-insured retention of €11,000,000, subject to an overall Group self-insured annual aggregate retention of €27,000,000, after which any individual self-insured retention in that annual period will be €50,000.
- (iii) Group Combined Liability Insurance with overall indemnity is €200,000,000 for the twelve month period, April 2016 to March 2017, for rail and road transport Third Party and Other Risks Liabilities, excluding Terrorism.
- (iv) All risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which any individual self-insured excess in that annual period will be €100,000.
- (v) Terrorism damage indemnity cover for the Group is €200,000,000, with an excess of €10,000,000 each and every loss, except for railway and road rolling stock whilst in transit where the excess is €500,000 for each and every loss in Ireland/Northern Ireland, and €250,000 each and every loss in the United Kingdom(excluding Northern Ireland).

Similar insurance arrangements are in place in respect of earlier years.

### (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, including 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 claims 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. Reinsurance recoveries are recognised 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.

## 14. 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:

### (a) Capital grants

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Balance at 1 January	60,381	66,332
Received & receivable	15,539	7,157
Amortisation charge (note 5(d))	(13,354)	(13,108)
<b>Balance at 31 December</b>	<b>62,566</b>	<b>60,381</b>
<i>Made up as follows:</i>		
Included in current liabilities (note 12)	13,360	12,300
Included in non-current liabilities	49,206	48,081
	<b>62,566</b>	<b>60,381</b>

### Disclosure to accord with Department of Finance Circular number 17/2010

### (b) Capital grants

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Capital Grants were used to fund the following additions:		
Computer, Hardware Software & other	814	821
Buses	14,725	6,336
Property	2,574	1,533
<b>Sub total</b>	<b>18,113</b>	<b>8,690</b>
Less: Transferable to CIÉ	(2,574)	(1,533)
<b>Total</b>	<b>15,539</b>	<b>7,157</b>

### (c) Revenue grants receivable

Maintenance and other	-	4,048
-----------------------	---	-------

Capital Grants are amortised over the useful lives of the assets. Revenue Grants are brought to Profit and Loss in full in the relevant year received. The relevant agency and programme is the NTA and the Capital Funding Programme 2016 and the sponsoring government department is the Department of Transport Tourism and Sport. Grants are restricted to Public Service Obligation (PSO) activities.

*Notes to the Financial Statements (continued)***15. Share capital**

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
<b>Authorised</b>		
32,000,000 Ordinary shares of €1.27 each	40,632	40,632
<b>Allotted, called up and fully paid presented as equity</b>		
23,000,000 Ordinary shares of €1.27 each	<b>29,204</b>	<b>29,204</b>

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

**16. Note to the statement of cash flows**

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Deficit for the financial year	(9,524)	(5,991)
Net interest payable	536	596
Operating deficit	(8,988)	(5,395)
Profit on disposal of tangible fixed assets	(214)	(1)
Depreciation and amortisation of tangible and intangible fixed assets	21,604	20,175
Capital grants amortised	(13,354)	(13,108)
Decrease/(increase) in inventory	230	(327)
(Decrease)/increase in debtors	(908)	1,012
Increase in creditors	2,537	3,074
Increase in provisions for liabilities	1,725	23
<b>Cash flow from operating activities</b>	<b>2,632</b>	<b>5,453</b>

**17. Operating lease obligations**

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Commitments under non-cancellable operating leases payable as follows:		
Within one year	1,412	1,235
Between one and five years	3,873	4,600
	<b>5,285</b>	<b>5,835</b>

Included above within one year and between one and five years for 2016 is an operating lease entered into during the year for buses with lease obligations of €1.1 million and €3.3 million respectively. The term of this lease is five years.

## 18. Pensions

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group. The employees of Bus Éireann are members of Córas Iompair Éireann Group pension schemes. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The rules of the schemes do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit cost for the schemes as a whole are recognised in the separate financial statements of CIÉ as in the absence of a formal contractual arrangement, the directors believe that this entity that is legally responsible for the schemes. The other participating entities, including Bus Éireann recognise a cost equal to their contribution for the period.

The valuations of the schemes under FRS 102 as at 31 December 2016 showed a deficit of €729.7 million, (2015: €288.4 million). The disclosures required under FRS 102 in respect of the group's defined benefit plans, in which the company participates, are set out in the financial statements of CIÉ for the year ended 31 December 2016 which are publicly available from CIÉ, Heuston Station, Dublin 8.

The company's pension cost for the year under the defined benefit schemes was €9.55 million (2015: €9.25 million) and these costs are included in note 4(a). The company cost comprises of contribution payable for the year.

## 19. Capital commitments

	<b>2016</b> <b>€'000</b>	<b>2015</b> <b>€'000</b>
Contracted for	47,634	30,807
Authorised by Directors but not contracted for	-	6,075
	<b>47,634</b>	<b>36,882</b>
Capital commitments for which funding by way of grants is committed	<b>45,614</b>	<b>21,185</b>

Land and buildings are held in the books of CIÉ Holding Company. Commitments in respect of land and buildings occupied by Bus Éireann but stated in CIÉ Holding Company books are €1.13m for 2016 (2015; €2.26m) and are not included above in Bus Éireann Capital Commitments.

## 20. Guarantees and contingent liabilities

The CIÉ Group has borrowings of €40.9 million (2015: €53.6 million) at the balance sheet date. These borrowings are cross guaranteed by Bus Éireann and the other subsidiaries in the CIÉ Group.

The company, from time to time, is party to various legal proceedings relating to commercial matters which are being handled and defended in the ordinary course of business. The status of pending or threatened proceedings is reviewed with CIÉ's group legal counsel on a regular basis. It is the opinion of the directors that losses, if any, arising in connection with these matters will not be materially in excess of provisions made in the financial statements.

Bus Éireann's capital expenditure in respect of PSO Fleet is funded through Capital Grants from the National Transport Authority. This funding is provided in line with the provisions of the Direct Award Contract, signed on 1 December 2014 and certain contingent liabilities arise under these agreements. The directors believe that the risk of the National Transport Authority exercising their rights under the related agreements is remote.

*Notes to the Financial Statements (continued)***21. Net deficit by activity**

	Public Services			Public Services Total €'000	Total €'000
	Commercial and school transport €'000	Stage carriage €'000	City €'000		
<b>2016</b>					
Revenue	227,363	50,840	35,578	86,418	313,781
Costs (net)	236,095	84,329	43,810	128,139	364,234
<b>(Deficit) before PSO</b>	<b>(8,732)</b>	<b>(33,489)</b>	<b>(8,232)</b>	<b>(41,721)</b>	<b>(50,453)</b>
PSO				41,873	41,873
(Deficit)/surplus after PSO	(8,732)			152	(8,580)
Exceptional operating costs	(342)			(602)	(944)
<b>(Deficit) for financial year</b>	<b>(9,074)</b>			<b>(450)</b>	<b>(9,524)</b>
<b>2015</b>					
(Deficit) for financial year	(5,640)			(351)	(5,991)

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", more correctly described as an administrative arrangement, with the Department of Education and Skills.

The remaining principal activities are Stage Carriage which are regional and trunk routes and City Services in regional cities for which the company receives PSO payments in respect of these public service activities. Costs for Expressway, Stage Carriage and City Services are allocated on the basis of numbers of buses, kilometres, hours and other available metrics. The cost of PSO operations in the year ended 31 December 2016 amounted to €41.7 million, before exceptional items, while the compensation received amounted to €41.9 million for PSO payment.

**22. Related parties**

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

The company is exempt from the disclosure requirements of paragraph 33.9 of FRS102 in relation to transactions with those entities that are a related party by virtue of the fact that the same State has control, joint control or significant influence over both the reporting entity and the other entity.

**23. Public service obligation contract**

The PSO payable to the company through the holding company, Córas Iompair Éireann, amounted to €41.9 million for the year ended 31 December 2016 (2015: €33.7m plus €4 million in revenue grants).

## 24. Membership of Córas Iompair Éireann Group

Bus Éireann is a wholly owned subsidiary of CIÉ and the financial statements reflect the effects of group membership. Copies of the CIÉ consolidated financial statements can be obtained from CIÉ, Heuston Station, Dublin 8.

## 25. Post balance sheet events

There have been no significant post balance sheet events which require adjustment to or disclosure in the financial statements. Notwithstanding that there are no adjusting post balance sheet events, it should be noted that the company entered into a significant industrial relations phase with staff and the trade unions during 2017 which resulted in a strike during late March and into April 2017 followed by talks at the Workplace Relations Commission and a Labour Court recommendation which was balloted upon and accepted by all unions in the process during mid-May 2017.

The Company management have a plan to implement changes to terms and conditions and other cost saving measures which it is envisaged will reduce costs and return the company to profitability based on the Labour Court recommendation.

## 26. Approval of financial statements

The directors approved the financial statements on 29th June 2017.



Contact Info

Broadstone, Dublin 7

[www.buseireann.ie](http://www.buseireann.ie)