



Bus Éireann Annual Report and Financial Statements 2018



making
better
connections

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Financial and Operating Highlights

Operating revenues*

2018 €337.6m

2017 €309.3m

Average number of employees

2018 2,562

2017 2,530

EBITDA before exceptional costs

2018 €9.7m

2017 €2.9m

Number of customer Journeys

2018 83.6m

2017 78.6m

Deficit for the year

2018 €6.4m

2017 €23.7m

Contractors

2018 €165.1m

2017 €147.6m

Payroll and related costs

2018 €129.1m

2017 €125.6m

Contribution to the exchequer

2018 €58.1m

2017 €54.7m

Children carried daily on schools services in 2018

2018 c.117,800

2017 c.115,000

Schools served in 2018

2018 c.3,000

2017 c.3,000

* Operating revenues for 2017 are after 21 less days of operations due to industrial action

Financial and Operating Highlights (continued)

VALUE CREATION

OUR ASSETS

CUSTOMERS

Passengers transported across Ireland each day

EMPLOYEES

Over 2,500 employees

DEVELOPMENT INITIATIVES

Technology enabled transformation

Increasingly fuel efficient and emissions efficient buses

FLEET AND DEPOTS

Modern fleet of Road Passenger buses

Extensive nationwide depot coverage

FUEL

CIE Group sourcing and importing of fuel at keen prices

FINANCIAL RESOURCES

Strengthened balance sheet during 2018

National Transport Authority funding

Department of Education and Skills funding of Schools

MODEL AND OPERATIONS

VISION

To be the most customer centred and sustainable transport company

BUSINESS CONCEPT

Simplify everyday travelling

BUSINESS MODEL

Bus Éireann is the largest bus company nationally outside of Dublin

Focussed on providing PSO subvented services

Expressway and Commercial Services

School Bus Services

OPERATIONS

Every year we ensure that about 83.6 million passengers on our buses arrive at their destinations.

Our journeys are adapted to local and regional needs based on the contract terms of our stakeholders.

We train our drivers in fuel-efficient driving, which entails a calmer driving style and improved comfort for passengers.

We develop transport solutions taking into account customer needs for increased mobility and our stakeholders needs for integrated solutions.

We optimise utilisation of our fleet and driver resources to deliver the best possible value to the State.

WE PROVIDE



**2500 +
jobs**



**83.6
million bus
journeys**

VALUE CREATION

PASSENGERS

Greater customer satisfaction
Greater number of services
Better Customer care

EMPLOYEES

Good rates of pay for employees
Training and ongoing training

SOCIETY

Increased mobility for all
Increased buses adapted for mobility
impaired customers
Contribution to exchequer in taxes

SUPPLIERS

Procurement transparency and
volume driven contracts



Our relentless focus on providing the highest standards for every customer through an efficient, effective operation ensures that quality, safety and sustainability underlies our overall service ethos

Customer Journeys and Vehicle Kilometres

Year ended 31st December

	2018 Millions	2017 Millions
Customer journeys		
Provincial city services	23,058	20,177
Other scheduled services	19,007	17,683
School transport scheme	41,576	40,766
	83,641	78,626
Vehicle kilometres		
Provincial city services	10,176	9,266
Other services – own	74,155	67,031
Other services – sub contracted	109,848	105,455
	194,179	181,752

Company Highlights and Key Messages

Customer, Commercial, Accessibility and Schools

A fresh new customer focus has commenced across all touchpoints of our service delivery.

Our relentless focus on providing the highest standards for every customer through an efficient, effective operation ensures that quality, safety and sustainability underlies our overall service ethos.

Revenue & Passenger Journeys 2018 vs 2017

Operating Turnover

+9.1% ▲

Total Journeys

+6.3% ▲

- There were 83.6m total passenger journeys in 2018 compared to 78.6m in 2017 albeit there was a three-week strike during 2017
- While Operations were impacted as a result of Storm Emma during 2018, our service response and communications were commended in the Media, and our safety protocols were fully implemented
- All of the city and town services have low floor wheelchair accessible buses and are 100% accessible
- During 2018, a new TV campaign was run nationally to promote modal shift across our city and town networks
- During 2018, Bus Éireann undertook a significant investment of over €2m in the further development and upgrade of our AVL Control Centres to improve service delivery to our customers and most especially to increase reliability and punctuality performance levels on all services we operate

- Bus Éireann introduced 25 new VDL double-deck coaches into service in early 2018, which offer the latest in modern comfort and technology
- 43% of the Bus Éireann fleet is now at Euro VI engine emissions standard and in 2018, we participated in the planning and support of the Department of Transport Tourism and Sport proposed alternative fuel trials, to identify the best environmentally friendly solution for the fleet of the future
- Over 117,800 children travel on almost 7,000 dedicated school transport routes
- More than 425 new school transport services were approved by the Department of Education and Skills in 2018
- Almost 13,400 children with special educational needs are carried who are generally provided with door-to-door services
- In January 2018, Bus Éireann launched a new online e-Vetting System
- To improve our customer contact, we deployed a National customer phone system for schools during 2018 to coincide with peak season demand
- In the latter half of 2018, Bus Éireann introduced contactless readers on a number of ticket vending machines
- During 2018, Bus Éireann introduced new PSO fares and completed the rollout of Leap Card to all PSO routes nationwide

Service Delivery, Safety Risk and Environment/Climate

Our strong record on safety was strengthened further.

Bus Éireann operates safe, reliable, convenient and good value public transportation services

- Passenger and employee accidents were substantially reduced during 2018
- All drivers undertook statutory training, manual handling and Driver CPC training
- A trial roll out of a mobile cycle detector system commenced to alert drivers to cyclists near buses
- The roll-out of the telematics system on our fleet was facilitated, with the conclusion of a contract with the chosen supplier in 2018

- The company risk management framework is aligned to the provisions of ISO 31000
- Drivers are trained in defensive driving techniques, which encourages safe driving
- All Bus Éireann training instructors are fully qualified to Road Safety Authority standards and the Institute of Advanced Motorists and Instructors standards

Our People and Training

Reshaping the culture of the organisation is essential to meet the transformation challenge and some of the building blocks that were put in place in 2018.

- In 2018, the Board appointed a new leadership team led by a new CEO, to devise and deliver a new business plan
- A new functional structure was implemented to ensure clear lines of accountability aligned to a new business plan
- More than 60 work practice reforms were implemented following the Labour Court recommendation in 2017
- 22 apprentices gained a Quality and Qualification Ireland (QQI) Level 6 in Heavy Vehicle Mechanics
- The first female apprentice in Heavy Vehicle Mechanics recruited into our training programme
- Over 200 new drivers joined to deliver our service enhancements
- The inaugural GEM (Go the Extra Mile) Awards were run during 2018, recognising outstanding contributions among our staff throughout the organisation
- Bus Éireann won the best communications award for the Expressway #waybetter campaign at the Irish Logistics and Transport Awards (ILTA) in 2018
- We participated in An Duaiscém, a study scheme, open to all staff where a variety of courses are provided to assist them in developing their skills in the workplace
- Bus Éireann continues its membership of the Diversity Charter Ireland, publicly acknowledging its commitment to diversity and inclusion
- Bus Éireann supported International Woman's Day by attending CIÉ's International Woman's Day Conference as well as attending the European Commission Conference "How to attract more women to the transportation sector"
- The company supported staff participating in the Movember fundraising campaign with all funds raised going to the Irish Cancer Society and the Movember Foundation

Financial Performance and Capital Investment

The Company has achieved a profit of €1.6 million before exceptional costs.

- Operating turnover was €337.6m for 2018 (2017: €309.3m)
- Total fuel costs for 2018 were €29.8m (2017: €27.1m)
- Net exceptional costs for 2018 were €7.9m (2017: €16.5m)
- Cash generated from operations was €3.5m for 2018 (2017: €6.4m)
- The company invested €4.1m of its own resources in capital expenditure during 2018
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was €9.7m (2017: €2.9m)
- Net shareholders funds as stated in the balance sheet were €13.7m in 2018 (2017: net shareholders liabilities €16.9m)

Earnings Before Interest Tax Depreciation & Amortisation (EBITDA)

2018	2017
€9.7m	€2.9m

2017 included a period of a three-week strike

Chairman's Statement



Bus Éireann implemented one of the most ambitious business transformation programmes ever implemented by a State company

Delivering on our new strategic goals as a commercial semi-state and creating a sustainable platform for growth built around a strong performance culture is my key objective as Chairman.

Along with the members of our Board, I am confident that with the focus and appetite for change embodied in our new five-year plan developed in conjunction with our stakeholders and new Executive team, we will achieve the goals we have set and deliver a new and secure future for Bus Éireann, which is both commercially focused and competitive while delivering on our responsibilities, of being inclusive and supportive of the overall social and economic growth of Ireland.

The Board and Executives are committed to delivering the best transport service possible, in an efficient and effective manner given the funds available. During 2018, our commitment to strengthening our customer proposition has been re-enforced by a clear new vision of the future, which delivers service excellence, uncompromised safety standards for the customer and increased value for the State.

Buoyed by the continued recovery of the Irish economy and growth in employment, revenues showed a strong performance helped by significant passenger growth across all of our services. New initiatives such as enhanced city services and low fares helped to generate new patronage from the summer onwards, bringing new pressures on our capacity not seen since before the recession.

A Year of Transformation

Throughout 2018, Bus Éireann implemented one of the most ambitious business transformation programmes ever implemented by a State company over the past thirty years. The mandate for change followed by the implementation of a bold and clearly defined strategy by the Board and the acceptance by a majority of staff for a Labour Court recommendation in June 2017, which provided the basis to re-build the finances of the company and re-focus our efforts and resources on delivering the critical dimensions of excellent standards for our customers who rely on the thousands of services we provide every day, throughout the country.

By the end of 2018, I am proud to report that real change is underway throughout the organisation, manifested not only through our financial statements, which show a turnaround in profit before exceptional of €1.6m from a loss of €6.8m the previous year, but also through our customer charter scores which improved across all key measures such as satisfaction, advocacy and value for money.

Over 60 work practice change initiatives were introduced accompanied by a significant re-structure of our people, resulting in staff reductions of 224 across all grades including drivers, supervisors, garage, clerical and executive staff. We also hired just over 250 new drivers aligned to new work practices and into new enhanced services together with other supervisory positions to improve reliability and punctuality. These new positions were supported and funded by the NTA to ensure service provision was optimised and delivered more efficiently to local communities.

Overall transformational changes delivered savings of approximately €20m to Bus Éireann in 2018 compared to 2016 and when fully implemented should deliver a range of €26-28m by the end of 2019.

On behalf of the Board, I want to acknowledge the substantial commitment of all the management and staff in Bus Éireann over the past eighteen challenging months, who have embraced significant change to ensure the company not only survives, but begins to thrive again. The Board are resolved to ensure that costs remain competitive and that our skills to deliver an outstanding customer service performance culture are strongly refined and developed to strengthen our position to retain and win new business into the future.

The Board and Executives are committed to delivering the best transport service possible, in an efficient and effective manner given the funds available.

We face the future with confidence, but must deliver to plan

There's no doubt that more challenging and testing times will continue to lie ahead with the uncertainties of Brexit and other market forces such as competition and cost increases, which could bring pressure on funding for services. To balance that, we look forward to new opportunities for growth through new tenders, new dialogues with our stakeholders for service delivery, and of course, new ideas originated by the staff of Bus Éireann, who are steadfastly committed to building an even better future for the company.

I have every confidence that the Board, the Senior Leadership Team and staff, working under our new CEO, Stephen Kent, will succeed in making Bus Éireann the preferred transport partner of our stakeholders, and ensure it remains sustainable and successful for future generations. I want to thank the staff and my fellow Board members who serve the company so well by bringing a deeply responsible practice of Corporate Governance and Assurance, which is aligned to public, staff, government and regulatory codes of practice.

I also want to acknowledge the significant contribution of Ray Hernan who served as CEO up until late summer 2018, in helping to lead the transformation plan. I would also like to thank David Mc Garry, Henry Minogue, Anne Bradley and John Moloney for their distinguished service as Board members and for giving so readily of their time and dedication when it was most needed.

Finally, I look forward to working with the Ministers, the Departments, the NTA, CIÉ and the Board. I thank the management team for their assistance and support in helping to forge a new future for Bus Éireann and look forward now to delivering our plan, most imminently in 2019.



Aidan Murphy
Chairman



We face the future
with confidence but must
deliver to plan



Chief Executive's Statement



My vision is to deliver a more customer-centric and competitive company

Our transformation for growth has started strongly, emboldened by our commitment to deliver consistently great customer experiences through the dedication and skills of our people, while ensuring we always remain competitive.

My vision is to deliver a more customer-centric and competitive company, which guarantees a future for Bus Éireann, to benefit all of our customers, staff and stakeholders throughout Ireland. Together with our new leadership team, we are extremely committed to delivering on our obligations to the Department of Transport, Tourism and Sport (DTTAS), Department of Education and Skills (DoES) and the National Transport Authority (NTA) but also to our people who have helped to improve the finances and performance culture of Bus Éireann over the past 18 months.

The transition phase of any transformation plan can present significant challenges, particularly to any business involved in the service industry. The implementation of over 60 work practise changes must be commended and while it did regrettably impact our customer and costs in the first half of the year in particular, significant improvements have begun to emerge both in customer experience and in the financial turnaround of our business, for the better.

We entered a conciliation phase of talks to address new pay terms with staff for the future, but crucially linked to the principle of productivity so that we can remain competitive. We expect this matter to be resolved in early 2019 while we continue to unite behind the principle of delivering the brilliant basics of reliability, punctuality and value for money, which are not only required in our contractual obligations, but no less than every customer deserves, when they choose Bus Éireann.

Our people are committed and dedicated to providing the highest standards of customer service, and this point was demonstrated to its greatest effect when Storm Emma arrived to our shores in early 2018, bringing with it some of the heaviest snowfalls ever seen in Ireland. It forced a full stoppage of services for two days, and demanded the deployment of our emergency plan for a severe weather event. The response, collaboration and dedication of our staff during the storm brought out the very best of the service and safety ethos, which exists within Bus Éireann.

I was particularly proud that our commitment during difficult times was recognised and commended by the media and stakeholders as we united to get Ireland moving again and did so by keeping the safety of our staff and customers to the fore, notwithstanding the difficulties of the previous 12 months, and the implementation of our transformation plan.

Passenger Growth, Revenue and Funding Growth Continues

Subvention 2018 vs 2017

+10.7%

2017 included a period of a three-week strike

I am particularly pleased to report that passenger growth levels are now the highest we have seen since 2008, brought about by new and improved services, new higher capacity fleet, a new fares strategy, and more focused marketing activity to sell the benefits of our services. Confidence in our service delivery has returned and achieving our year end forecast as a first test of our business plan, has also been critical to securing the confidence of our stakeholders.

Our engagement with the National Transport Authority (NTA) to ensure that all costs incurred in the delivery of services under contract are fully recovered and to secure additional funding for new services proved successful for PSO services, by delivering the greatest passenger growth year on year of any operator.

Significant enhancements to our services were added in Waterford, which facilitated the transition to the new gross cost contract, which we have been awarded as part of a competitive tender under the Bus Market Opening.

Significant other enhancements were made in Cork and Galway, with a significant increase in frequencies and capacity on certain corridors within the cities to ensure we meet demand. In addition, and in recognition of the cost efficiency and service quality improvements we have made, we were very proud to be awarded a Direct Award for the next five years on PSO routes and we will welcome the opportunity to tender for 5% of routes proposed in the Greater Dublin Area in 2021.

We will continue to work with the NTA to agree targeted investment with local authorities to help address the significant issue of congestion, which has started to impact our service delivery in regional cities, and this ultimately, will require new prioritisation measures, to fully realise the benefits of public transport provision.

Commercial Services Return to Growth

The new commitment by the Department of Social Protection to fund 70% of the average fare of Free Travel passenger journeys, specifically on Expressway services, matching the principle which is in place for other private operators, has helped to address the issue of a level playing field. Competition on corridors continued but Expressway now has a path to profitability, helped not only by the cost saving measures, but now by passenger growth matched with income for every passenger.

In 2019, we will complete our investment in new fare/ ticketing technology and will submit a business case for a framework investment in new fleet before the summer to ensure we continue to offer a strong customer offering and compete effectively.

Our School Transport Services Carried 117,000 Children

Bus Éireann continue to provide the State with an efficient, effective, safe and reliable School Transport Scheme. In 2018, we strengthened our commitment to the Scheme by entering into a new service level agreement with the Department of Education and Skills to ensure our service delivery is optimum and meets the needs of the Scheme and we are pleased that the quality of our procurement standards for contracting school services was recognised by the Comptroller and Auditor General as part of a review of the overall governance of the Scheme.

Chief Executive's Statement (continued)

During 2018, we also commenced a new discussion with the Department of Education and Skills in relation to a number of matters with regard to the School Transport Scheme. The expansion of the services in recent years, requires a new strategic review and this will benefit both parties as we discuss this further during 2019 to help the objectives of the Scheme whilst addressing the objectives of Bus Éireann, as we remain committed to delivering the best service possible.

Financials Recovering but Must be Safeguarded

The financial outcome of all the above initiatives shows a turnaround beginning to take effect. In 2018, we achieved an Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of € 9.7m in 2018 compared to €2.9m in 2017. Operating revenues also showed a significant improvement at €337.6m compared to €309.3m in 2017, albeit 2017 operating revenues were lower as a result of a three-week strike.

The deficit for the year of €6.4m after exceptional items, includes repayment of the Schools reserve so when this is excluded, the company bottom line position improved to break even for 2018.

Following the significant transformation and re-structuring plan implemented since 2017, we sought to re-capitalise through our holding company, CIÉ. Taking into account the minimum reserve requirement which had to be in place at the end of December 2018 to renew our Road Passenger Transport Operator Licence, the company was required to ensure sufficient shareholders' funds were in place.

The CIÉ board approved re-capitalisation of €37m and this was actioned at an Extraordinary General Meeting carried out by means of an acquisition of shares by CIÉ in Bus Éireann during December 2018 with the consent of both the Minister for Transport, Tourism and Sport and also the Minister for Public Expenditure and Reform. This action now brings our net shareholders funds position to €13.7m for 2018 compared to net shareholders liabilities of €16.9m in 2017.

We will now safeguard the future and work to ensure there is no deviation to the plan, which was approved by our Board and endorsed by CIÉ, the relevant Departments and NewEra to improve our financial position to ensure the business is sustainable for the future.

Looking Ahead to 2019 with a New Plan

Our new plan will ensure that we support the essential growth of our revenue base with new initiatives, innovation and customer focused service improvements to persuade and convert passengers to use our services more often. Our focus on cost control, funding and delivering on the sustainable business plan we have approved with our Board which allows for investment in our fleet, technology and our people will be delivered, but will require a re-invigorated focus on performance and ensuring that the culture change we have started, continues over the next few years.

Operations Review

I look forward to leading the company and meeting the challenges and opportunities, which will present themselves throughout 2019. We have a new senior management team, a new direction and a progressive and highly focused customer plan to support an unrivalled network of services which will benefit our customers, stakeholders and staff into the future. I am thankful for the ongoing advice and guidance of the Chairman and members of the Board, who have supported this business through and I look forward now to turning the page on a new chapter in 2019 and beyond.



Stephen Kent
Chief Executive Officer

Bus Éireann continue to provide the State with an efficient, effective, safe and reliable School Transport Scheme

Overview of Key Priorities

Key Priorities	Update
Strengthened senior management team	<ul style="list-style-type: none"> Recruitment complete for new strengthened senior management team New CEO appointed to drive a new business plan and strategy New Chief Customer Officer appointed to drive service delivery New Chief People Officer appointed to drive resource efficiency and cultural change New Chief Information Officer recruited New Chief Finance Officer appointed to secure funding, rebuild finances and ensure proper governance New Chief Risk and Safety Officer appointed to ensure safety and risk are never compromised New Chief Schools Officer appointed to drive transformation and devise new strategy with the DoES New Chief Commercial Officer role defined to win new business and generate commercial return on all commercial activities
Driving culture change	<ul style="list-style-type: none"> New Chief People Officer appointed and joining business August 2018 New Head of Culture & Engagement role created July 2018 Key focus on employee engagement
New business structure introduced aligned towards delivering for our customer	<ul style="list-style-type: none"> New Functional structure introduced – supporting regions in delivery to the organisation Regional operations structure introduced focused on service delivery
Performance-driven culture	<ul style="list-style-type: none"> KPIs introduced with customer focus Key focus on punctuality and reliability Focus on brilliant basics Focus on continuous improvement in all areas of the organisation
Supporting service delivery to the customer	<ul style="list-style-type: none"> Driver recruitment progressing well Upgrading AVL control centres underway Punctuality improvement plan underway Developing out-based operational structure to ensure consistent delivery to the customer

Operations Review



A fresh new customer focus has commenced across all touchpoints of our service delivery.

Our relentless focus on providing the highest

standards for every customer through an efficient, effective operation ensures that quality, safety and sustainability underlies our overall service ethos.

Service Improvements

During 2018, Bus Éireann introduced a range of significant timetable enhancements across the network of services that it operates on behalf of the National Transport Authority (NTA) including the following:

Waterford city Network

- A fully revised Waterford city network was introduced in December 2018 including higher frequencies and Sunday timetables for the first time
- This network is now operated by new low emission buses in "Transport for Ireland" livery
- In November 2018, Bus Éireann took delivery of 17 new Wrights Streetlite buses, in the new Transport for Ireland livery, for use on Waterford city services, following Bus Éireann's successful bid for this tendered network
- The Wrights Streetlite buses, a mix of 10.2 metre midi buses and 11.5 metre city buses feature an innovative Micro Hybrid system that harvests energy, normally lost through braking, to power the vehicles auxiliary systems
- All new buses delivered to Bus Éireann in 2018 feature the latest Euro VI low emission standards and are low floor fully accessible vehicles, sustaining Bus Éireann's commitment to a 100% fully accessible fleet across all regional cities and towns
- The continuous investment in fleet will enable Bus Éireann to further reduce the average age of our buses and coaches
- After fulfilling a number of conditions, the letter of intent relating to the Waterford city tender contract with the NTA was signed in December 2018
- Contract signing and operating commencement under the new contract is planned for end of April 2019
- Detailed engagement took place with the NTA in 2018 and will continue in 2019, to ensure a successful transition to the new contract type



Galway city Network

- A fully revised network was introduced during 2018, which saw increased frequencies on routes 404 and 409
- 13 new double-deck buses were also allocated to the network during the year

M4 Corridor Dublin – Mullingar

- A full revamp of this corridor was introduced in September 2018, which saw frequency from Dublin to Mullingar and Kilkock increase significantly
- A 1am service was also introduced in response to changing customer needs on the corridor

North Mayo Network

- A full revamp of services in Mayo was introduced during summer 2019, which included a significant enhancement of services linking Westport to Castlebar, Ballina and Galway

Leap Card

- During 2018, Bus Éireann completed the rollout of Leap Card to all Public Service Obligation (PSO) routes nationwide
- Usage across all networks has continued to grow particularly on our urban networks where over 40% of all trips are Leap Card users. Customers can make savings of up to 30% using a Leap Card



Expressway Fleet

- An Expressway fleet renewal procurement process commenced in 2018
- The process will identify the optimum fleet type and annual steady state investment required to grow and develop the commercial Expressway product and secure its position as the premier inter-city service, in an increasingly competitive market
- For 2019, it is planned to procure up to 30 new Expressway coaches

New Expressway Route Development

- Dublin/Donegal – 45% increase in service level and introduced a new limited stop "X" type service
- Dublin/Newry/Belfast – Re-design of corridor, including the introduction of a new standalone Newry/Dublin service
- Galway/Ballina – Re-design of route with the introduction of a new simplified routing and clock-face departures
- GoBé – 50% increase in service levels, with a number of early morning departures from Cork operating directly to Dublin Airport
- Dublin/Galway – 4 additional services per day with a new routing serving Dublin city first to cater for an increased demand in commuter business from Athlone

Marketing Campaigns

- Big Red Tour launched in March via TV digital and social channels
- Dublin Airport Summer campaign – Targeted domestic and European customers with new foreign language pages created for expressway.ie via digital and social
- Expressway carried the Dublin senior football team to an historic four-in-a-row win as official carrier

Promotion of Public Transport Usage

- During 2018, a TV campaign was run to promote modal shift across our city and town networks. It was built around the concept of connecting people to what's important to them and not just to places

Attracting the Best Talent

- A National Driver recruitment campaign, attracted over 2,000 applications and 42,000 + hits to our website from bus and coach drivers throughout the country, resulted in 250 new drivers joining Bus Éireann
- The National Apprentice Recruitment Campaign that saw the first female engineering apprentice join Bus Éireann



Operations Review (continued)

Investment in Auto Vehicle Location (AVL) Control Centres

- Providing a punctual, reliable bus service for our customers is key to ensuring the future success of Bus Éireann
- During 2018, Bus Éireann undertook a significant investment of over €2m for the development and upgrade of our AVL control centres to improve service delivery to our customers

Delight the Customer Workshops

- Innovative Customer Service training course for all employees launched in Waterford and National roll-out planned
- Continued investment in bus stop and bus station accessibility improvement works in order to increase the number of services that are fully accessible
- Bus Éireann played a significant role in supporting the NTA in the delivery of the public transport solution for the Papal visit during 2019

- Bus Éireann signed a new contract with Mix Telematics during 2018, which will see the fleet wide roll-out of vehicle telematics during 2019
- This system will assist in improving the customer journey experience by supporting drivers to deliver a smoother journey and will also support our environmental and sustainability objectives through reducing the level of diesel we use

Accessibility

In conjunction with the National Transport Authority and the Department of Transport, Tourism and Sport, improvements to accessibility for our customers continues to be a key priority for the Company.

Bus Stop Infrastructure

Bus Éireann continue to work with the NTA regarding the bus stop infrastructure and to identify vehicle types best suited to the varying needs of all our customers.



Bus Éireann also continues to work with the NTA and local authorities regarding the design of new bus stops, which will facilitate our customers being transported to their bus stops in a safe manner.

Wheelchair Accessibility

Our city and town services operated by Bus Éireann are now low floor wheelchair accessible buses and are 100% accessible. There is a designated wheelchair space on each bus and wheelchair access to the bus is by an integrated ramp. A wheelchair user has priority for use of this designated area at all times. One occupied child's buggy or pushchair may be parked in this designated area when it is not occupied by a wheelchair.

The overall percentage of wheelchair accessible vehicles within the Bus Éireann fleet will continue to grow alongside investment in new vehicles. As it currently stands, the bus fleet that operates on city and town services is 100% wheelchair accessible, and the coach fleet that operates on Commuter and Expressway services is 78% wheelchair accessible. Overall the quantity of wheelchair accessible vehicles in the Bus Éireann service fleet is 86%.

During 2018, Bus Éireann introduced full wheelchair accessibility on 11 routes and remain committed to continuing to improve accessibility for all our customers.

Joint Committee on Transport, Tourism and Sport

Accessibility of Public Transport for People with Disabilities

Bus Éireann participated with the Joint Committee on Transport, Tourism and Sport to explore the challenges experienced by people with disabilities in accessing the public transport system and identifying potential policy solutions for these challenges.

A broad range of stakeholders engaged with the Committee, including representatives from a number of disability organisations including Disability Federation of Ireland, Irish Deaf Society, Irish Wheelchair Association, National Council for the Blind Ireland and Inclusion Ireland, disability activists and transport users. Representatives from transport operators Bus Éireann, Dublin Bus, Iarnród Éireann, Transdev and the Coach Tourism and Transport Council of Ireland also appeared before the Committee on this matter, as did the National Disability Authority and the National Transport Authority.



An Roinn Iompair, Turasóireachta agus Spóirt Department of Transport, Tourism and Sport

School Transport

The safe transport of children on-board our services is our highest priority.

Bus Éireann operates the School Transport Scheme on behalf of the Department of Education and Skills and worked very closely throughout 2018 to ensure that school transport services provided by Bus Éireann under the Department's School Transport Scheme continue to be delivered in a cost-effective and efficient manner on behalf of the State.

Operations

- Over 117,800 children travel to school on 7,000 dedicated school transport routes to over 3,000 schools nationally every school day
- This includes 13,400 children with special educational needs who are provided with services that are designed to meet their individual requirements
- School transport services provided over 41 million journeys in 2018

These journeys operated safely and effectively due to the commitment of an experienced and dedicated team of school transport staff working throughout the country

Growth of Scheme

- More than 425 new services were approved by the Department of Education and Skills in 2018 with a further 1,120 amendments to services sanctioned including vehicle upgrades, extra trips and extensions to existing routes
- The vast majority of these were to cater for the increasing demand for the transport of children with special educational needs



The safe transport of children on-board our buses is our highest priority



Operations Review (continued)

Safety

The safety of school children travelling on-board our school transport services continues to be our highest priority.

- Our positive safety record is further evidenced by the reduction in collisions and passenger accidents in 2018
- Bus Éireann, the Department of Education and Skills and the Road Safety Authority (RSA) continued to engage throughout 2018 to work in a collaborative manner to ensure safety remains a key priority in the operation of the School Transport scheme
- The promotion of school bus safety and the communication of key messages to school children also remained a key focus in 2018

Bus Éireann attended a number of safety events throughout the year including the “Keep Safe” initiatives in conjunction with the Health and Safety Authority (HSA) such as that held in Ballina in May 2018. The feedback from the schools who participated in the event was extremely positive with teachers commenting *“the event was a super opportunity for the children to experience an array of real life situations in a safe environment – it was interactive and the children really engaged in it. The agencies gave very professional presentations, which I have no doubt will bring greater safety awareness to our students”*.

Child Safeguarding

In line with the requirements of the Children First Act 2015, Bus Éireann has published a Child Safeguarding Statement and carried out a Risk Assessment to address any potential dangers to children whilst in our care. In 2018, we also revised our Child Safeguarding Policy Booklet, which outlines the key principles of child safeguarding in our organisation. It provides details of Bus Éireann’s policy statement, our code of behaviour, and sets out procedures for our personnel to follow when dealing with any concern relating to child protection.

The Child Safeguarding booklet has been distributed to all Bus Éireann staff, School Transport contractors and their drivers, and serves to further enhance the safety and welfare of the children we carry.

Vetting

In January 2018, Bus Éireann launched a new online e-Vetting System to provide users, i.e. all personnel involved in the daily operation of our school transport services, with a convenient, structured and straightforward application process.

This system allows electronic data to transfer applicant information to the Garda National Vetting Bureau online system, it complements the requirements of the National Vetting Bureau (Children and Vulnerable Persons) Act 2012-2016, and provides an efficient live status for the benefit of each applicant nationally in Bus Éireann.

The online e-Vetting System automates the generation of correspondence to applicants and where appropriate, incorporates the official Code of Conduct and Child Safeguarding Policy.

In 2018, Bus Éireann’s vetting office processed and approved more than 1,600 school transport drivers and contractors in an efficient and timely manner in order to meet the requirements of the school transport operations.

Different Requirements in 2018 – Provision of July Programme

A large number of schools for children with special educational needs are carried on services for an extended period during the traditional school summer holidays. In conjunction with the Department of Education and Skills, almost a quarter of children with special educational needs avail of school transport services for this period.



**An Roinn Oideachais
agus Scileanna
Department of
Education and Skills**

Shuttle Service

Following the overnight damage caused as a result of a fire at St Louis Secondary school in Dundalk in May 2018, Bus Éireann in conjunction with Department of Education and Skills and staff from the school co-ordinated a plan to provide transport for pupils to Dundalk I.T who had offered alternative classroom facilities.

This plan was put in place at short notice thanks to co-operation of Bus Éireann staff in Dundalk, and contractors who all worked closely with staff at the school to ensure there was minimum disruption for students involved.

Second National Red Weather Warning

Following the severe winds associated with "Storm Ophelia" in 2017, we saw "Storm Emma" bring severe snowfalls in February 2018 when Met Éireann issued a further red weather warning.

The "Red Means Stop" policy for school transport services in this event had been communicated widely in advance to all stakeholders (i.e schools, parents, management bodies, Government Departments, and school transport offices) and proved effective in very challenging circumstances, providing clear and unambiguous communications about the status of school transport services before and during this challenging event.

Customer Service

In July 2018, Bus Éireann deployed a national customer telephone system for school transport offices to coincide with the peak season of payments and application processing.

- The investment in systems and technology, approved in consultation with the Department of Education and Skills, was aimed at improving the customer service experience for the 75,000 families that engage with the school transport scheme
- 35,000 calls were received during that period with up to 50% of the queries relating to ticketing and payments

The customer service programme was supplemented by an increased use of web and social media platforms for the distribution of key messages concerning closing dates for applications and payments on the 27th July 2018. This will continue to be a focus of information campaigns going forward to ensure parents are informed in relation to all key deadlines.



Operations Review (continued)

Corporate Social Responsibility

As a Commercial Semi-State Company, we have extensive stakeholder relationships and are committed to sustaining and enhancing those relationships.

National Ploughing Championships

Bus Éireann again participated in the National Ploughing Championships in 2018. Staff from across the country participated as ambassadors, meeting, greeting and engaging with the public. Customer engagement was provided by our red chair experience while music was provided by Comhaltas Ceoltóirí Éireann and young Irish talented musician, Curtis Walsh.

Movember

In 2018, the staff of Bus Éireann joined the other MoBros and MoSistas worldwide to raise funds and awareness for men's health. It was a fantastic campaign with leaders and fundraisers across all locations nationwide.

In 2018, we raised over €25,000 and by the end of the campaign we were the fourth highest company in terms of fundraising.

Go-places

As part of our Corporate Social Responsibility strategy and in order to help promote the School Transport Scheme, which Bus Éireann operate on behalf of the Department of Education and Skills, we ran a "Go-places" competition which is aimed at Transition Year students nationwide to become creative and share their stories of their journey to school. A significant number of entries was received and an independent judging panel picked winners from each of the East, South and West Regions.

Papal Visit

Pope Francis visited Ireland in August for the World Meeting of Families and in order to cater for the event Bus Éireann operated a significantly enhanced service on Sunday, August 26th. In order to cater for anticipated demand, Bus Éireann operated a greatly enhanced schedule which saw overall capacity increasing by over 100% that day. Over 800 trips on both commuter and Expressway services enabled capacity provision for over 30,000 passenger journeys to and from Dublin.





Courtesy Maxwell Photography

Bus Éireann operated a greatly enhanced schedule, which saw overall capacity increasing by over 100% that day

Operations Review (continued)

Storm Emma – National Weather Warning

Storm Emma hit Ireland in late February 2018, which resulted in significant disruption to Bus Éireann services and culminated in two days of services not operating. Throughout this period of severe weather, Bus Éireann attended the National Emergency Co-ordination Group (NECG) which allowed informed decisions to be made with regard to our operations, always ensuring that the safety of our customers and staff was never compromised at any stage.

Awards

Bus Éireann was shortlisted and ultimately won the top spot in the communications category for the Expressway #waybetter campaign in the Irish Logistics and Transport Awards (ILTA) in 2018. The campaign was a digital one with a target of growing Expressway's social media following from circa. 6,000 to 20,000 plus. This included building both Twitter and Instagram followers from a low base.

Corporate Reputation

Bus Éireann continues to work with the Reputations Agency and partake in the RepTrak survey, which analyses and rates Bus Éireann against Ireland's 100 brands.

We use the results of a detailed report to identify areas that we need to target for improvement.

Service Delivery

Bus Éireann operates safe, reliable, convenient and good value public transportation services.

During 2018, Bus Éireann introduced 67 new buses and coaches into the fleet, delivering a significant improvement in terms of both quality and capacity to our customers.

PSO Fleet – Direct Award Contract

- Bus Éireann introduced 25 new VDL double-deck coaches into service in early 2018. These 82 seater high capacity coaches are for longer distance commuter routes in the Greater Dublin Area and deliver significant capacity increases on key commuter routes
- Bus Éireann also took delivery of a further 25 new double-deck buses in the second half of 2018 for capacity enhancements on city services in Galway and Limerick. The new Volvo Wrights Gemini buses feature centre doors to aid unloading times during peak service hours



- During 2018, Bus Éireann's engineers assisted the NTA in developing this brand new low-entry public transport coach. The new coaches will feature a dedicated wheelchair space accessed via a fold out ramp at the entrance door. The wheelchair space will feature an innovative design to allow faster and simpler securing of the wheelchair, required for the safety of the wheelchair passenger at higher road speeds
- The all seated concept has capacity for 49 passengers in coach style comfort with all age automatic height adjusting 3-point seatbelts provided for all passengers, full air conditioning, individual USB charging points, complimentary Wi-Fi and a multi-camera digital CCTV system for the safety and security of all our valued passengers and staff
- Delivery of 40 of the low entry fully accessible inter-urban coaches are due to commence in mid-2019

Safety Risk Environment and Climate

We strive to ensure a robust and focused approach to risk management is maintained within the company.

The board has overall responsibility for ensuring the company's exposure to risk remains proportionate to the pursuit of its strategic goals and long-term stakeholder value.

Safety and the management of risk continue to be the highest priority collectively for both the board and the senior management team.

Detailed processes, review mechanisms and checks and balances are in place to provide the timely and necessary quality assurance required for the board and the senior management team to make the informed judgements and decisions required.

As follows sets out summary of activity during 2018 for both safety and risk related matters.

Safety

- Bus Éireann appointed a Chief Risk and Safety Officer in 2018, to ensure that safety and risk management remains at the forefront of policy and procedure development
- Safety continues to be overseen by the senior leadership team and the board Safety Committee
- An updated and expanded Emergency Plan was introduced during the year, to improve Bus Éireann's planning and response capability for emergency situations, including severe weather events
- The plan is based on industry best practice and is aligned to Government emergency preparedness guidelines. Further training and scenario testing initiatives connected with the Plan will be undertaken in 2019
- A fully updated company Safety Policy, Safety Management System and Safety Statement was prepared and communicated in 2018
- A severe weather event took place at the beginning of March with the arrival of storm Emma. Company response procedures and excellent employee commitment ensured that we had no serious accidents as a result of the storm. A decision was taken on safety grounds to cease all operations during the height of the storm
- There were no passenger, employee (work-related) or third party fatalities in 2018
- Passenger accidents and employee accidents in 2018 were substantially lower than 2017, responding to a number of key initiatives in these areas
- While school bus collisions reduced compared to 2017, road passenger collisions increased by an adjusted figure of 7%, due to the substantial increase in driver turnover to facilitate service expansion and the implementation of the transformation plan
- The accident and incident reporting CRM system was updated to provide additional analysis of accident trends and CCTV capture information. This has assisted in the investigation of accidents and subsequent management of claims
- The expansion of our safety KPIs continued with the addition of preventable accident analysis by location and benchmarking data comparing Bus Éireann's results with those of other operators under the international 'Busmark' initiative

Risk

- An expanded Risk Management Framework was introduced in Bus Éireann, aligned with the provisions of ISO 31000:2018 and complying with the requirements of the Department of Public Expenditure and Reform (DPER), Risk Management Guidance for Government Departments and Offices and the Code of Practice for the Governance of State Bodies

Operations Review (continued)

Energy management

43% of the Bus Éireann fleet is now at the cleaner Euro VI engine emissions standard.

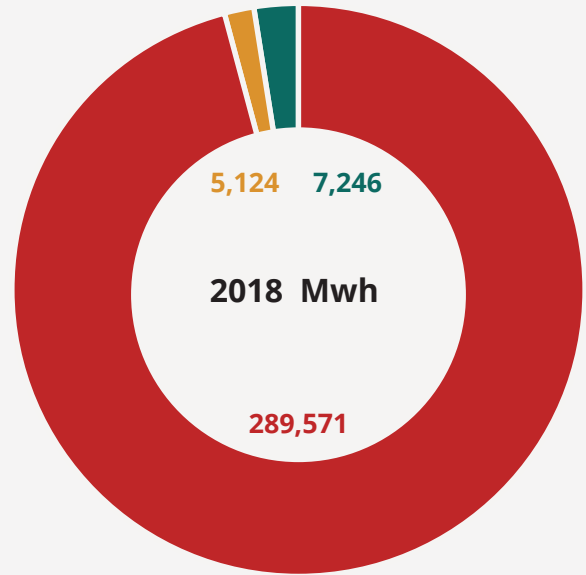
Energy management and fuel sustainability continues to be a strong focus for both board and the senior management team and are very aware of government objectives and targets in relation to energy management and fuel sustainability.

As follows is a brief summary of activity during 2018 and into 2019.

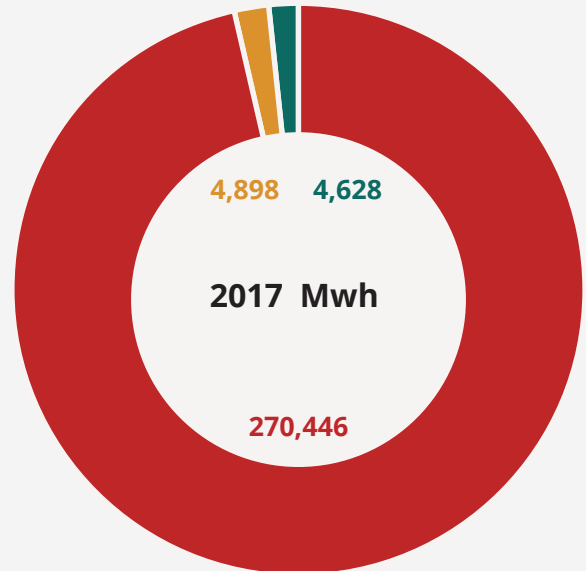
- A contract was signed with an energy efficiency advisor participating in the Government’s efficiency scheme. This will allow added focus, at no cost, to be given in 2019 to improving our energy management systems and to achieving energy reduction targets
- The roll-out of the telematics system on our fleet was facilitated, with the finalisation of a contract with the chosen supplier in 2018. The system enables improved driver awareness of driving performance, as it impacts on fuel consumption and passenger safety
- A member of the senior leadership team was designated as Bus Éireann’s Energy Performance Officer (EPO). In line with the Public Sector Energy Efficiency Strategy, this manager is accountable for energy management and performance
- Bus Éireann participated in a large scale alternative fuel trial in quarter four 2018, under the direction of the Department of Transport, Tourism and Sport (DTTAS). The trial used Bus Éireann facilities at Broadstone in Dublin and Capwell in Cork. The initiative involves monitoring the efficiency and emissions performance of six different vehicle types and will continue into 2019, with the objective of informing Government policy on public transport fleet investment
- 43% of the Bus Éireann fleet is now at the cleaner Euro VI engine emissions standard. This will increase further in 2019 with the planned delivery of new fleet
- Our total energy usage for 2018 was 289,572 mega watts, which is higher due mainly to an increased number of services in 2018, increased traffic congestion and a three-week strike during 2017

Our usage is set out as follows in Mega Watts

Energy Consumption



Diesel Electricity Gas/Heating



Environmental and Climate goals

To better manage our work and prioritise efforts concerning the global climate goal for lower carbon dioxide emissions, Bus Éireann has identified the following goals.

1. From Car To Bus

- The more people who choose to travel with us, the better it is for the environment, our economy and society at large
- Increasing public transport is the nature of our business and we address that on many levels
- We contribute via active dialogue with all stakeholders, where we advocate public transport
- Creating maximum benefits for passengers who decide to travel with us is a key component
- Additionally, it is important to communicate the positive effects of the increase of travel by bus

2. Empty Buses In Traffic

- Lowering the percentage of empty buses in traffic is an important concept in order to achieve smart traffic planning
- The goal is to provide the capacity to meet passengers' needs
- Filling the buses with passengers is also key to our ability to lower emissions and conserve our finite resources. One important element is optimising schedules to minimise idle time and empty buses in traffic
- Another is planning the shortest possible distance between the bus depot and the first stop



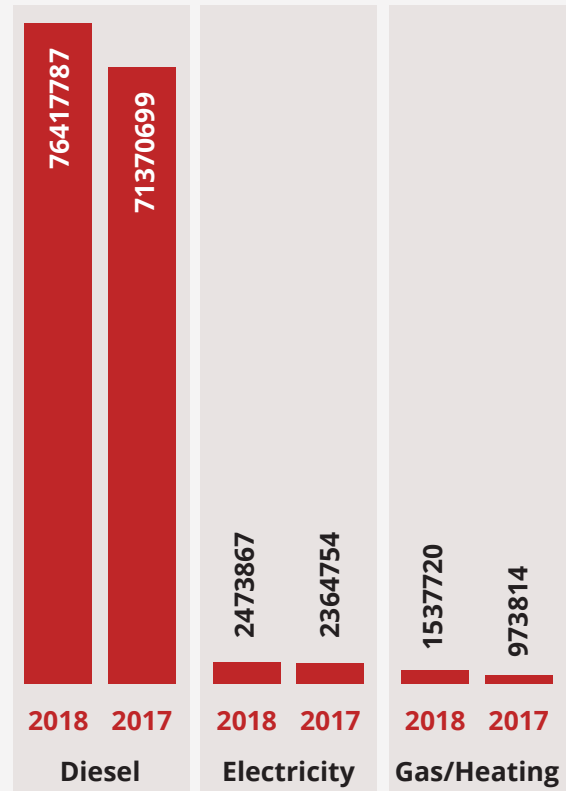
Operations Review (continued)

Department of Transport, Tourism and Sport (DTTAS) Alternative Fuel Trials

- The DTTAS invited Bus Éireann, Dublin Bus and the National Transport Authority (NTA) to participate in planning and supporting the Departments proposed Alternative Fuel Trials
- The trials are intended to inform future policy decisions on sustainable low/zero emissions drivetrain technologies in public transport bus operations
- From mid-2018, Bus Éireann's Engineering management team worked closely with the Department of Transport, Tourism and Sport (DTTAS) and Department of Communications, Climate Action and Environment (DCCA) in the planning and organisation of the trials to assess the performance of a selection of existing and developing alternative power technologies
- The trials began in late 2018 and will continue until April 2019
- The range of technologies involved in the trials include a number of full electric, hybrid electric, CNG and hydrogen fuel cell single and double-deck buses tested against existing low emission diesel technologies
- The Department plan to use the comparative results of the trial to determine the optimum technologies to be deployed on future public transport fleets, to achieve our national energy targets by 2030

Our carbon emissions for 2018 and 2017 are set out below and expressed in KG CO₂ factor

Carbon Emissions 2018 and 2017





Technology Update 2018

New technology facilitates real opportunities to drive growth, improve cost efficiencies and enable real business transformation.

Bus Éireann continued to deliver technology enhancements in 2018 in order to provide an enhanced service delivery and customer experience.

Key initiatives undertaken in 2018 included:

- Bus Éireann, in conjunction with CIÉ Group IT&T, successfully completed a significant migration from in house managed data centres and related infrastructure services to a hosted managed service provider solution with Vodafone in mid-2018
- This was a significant IT transformational project involving the migration of 100+ servers and related systems from two CIÉ data centres along with the delivery of the IT managed services
- The server migration was completed successfully in the first half of 2018 without any negative impact on backend or customer facing systems. The implementation of the IT managed services were fully implemented in mid-2018 and were backed up by comprehensive service level agreements for service delivery

- The new managed service provider solution brings significant additional benefits to Bus Éireann including increased infrastructure service coverage and response times, enhanced flexibility and agility in infrastructure provision and enhanced data centre scalability in alignment with business objectives and goals

Early in 2018, Bus Éireann successfully implemented HTML timetables on our website.

Prior to this, timetables were only provided in PDF format on the website, which presented a challenge from an accessibility perspective. Upgrading the timetables to the HTML format ensured that the timetable information became much more accessible for our customers.

In the latter half of 2018, Bus Éireann introduced contactless readers on a number of ticket vending machines. The introduction of contactless on these ticket vending machines enabled customers to tap and go with contactless enabled debit and credit cards providing a faster and more convenient payment experience for customers. Bus Éireann intend to implement more contactless readers on vending machines in 2019 and will be looking at solutions for enhanced payment options across other channels to improve the customer experience further.

We have a key role in delivering services to our communities through our employees, contractors, key stakeholders and key partnerships





Operations Review (continued)

Key Partnerships, Community and Service for all

We have a key role in delivering services to our communities through our employees, contractors, key stakeholders and key partnerships.

Trading and Supplier Partnerships

Bus Éireann works closely with a number of partners namely:

- GoBé service – operated by GoBus in conjunction with Bus Éireann
- Shared services on certain cross-border routes with Translink/Ulsterbus
- Eurolines and National Express UK on Cross Channel Services
- School bus services operated on behalf of the Department of Education and Skills
- Connectivity on Rural link services with Bus Éireann services
- Cross-border partnership with Wrights of Ballymena who manufacture buses for us
- European partnerships with bus manufacturers such as VDL, Scania and Volvo

Service Provider and IT Partnerships

Bus Éireann works closely with numerous service providers:

- Private coach hire operators to the company
- Maintenance and overhaul service providers
- Partnerships on IT projects with Trapeze and CORE and with SAP via CIÉ

Community and Special Events Partnerships

Bus Éireann works closely with a number of community groups such as:

- Green Ribbon month, National Dementia Awareness campaigns, Disability users groups, Movember Campaign
- Park and ride services in Cork City
- Ploughing Championships and concert bus shuttles and Papal visit

Regulatory and Safety Partnerships

Bus Éireann works closely with the following to ensure safe and secure journeys

- Road Safety Authority, Tusla, An Garda Síochána
- National Transport Authority, SEAI
- Freight Transport Association (FTA)

Staff Partnerships

- Engagement with staff through a number of different forums



Our People

Our employees are our most important resource in developing sustainable public transport solutions.

Bus Éireann is first and foremost a people business and so it is not surprising that people have been at the heart of the Bus Éireann transformation in 2018. Reshaping the culture of the organisation is essential to meet the transformation challenge and some of the building blocks for that new culture were put in place in 2018.

The most critical of these were the more than 60 work practice reforms were implemented following the Labour Court recommendation in 2017. These reforms resulted in an operational performance and efficiency that enabled the business to not only survive but commence a disciplined path to turnaround. They included areas such as revised roles, new pay scales or pay freezes, changes to rostering, duties and rotations, and impacted everyone across the organisation. It also meant that over 200 people took the opportunity to leave Bus Éireann through a voluntary severance programme.

While those reforms provided the basis for a difficult restructuring of payroll costs, at the same time a range of initiatives were continued or commenced to ensure we have the right people, with the right capability to deliver for our customers.

Training for the Future – Bus Éireann Apprentice Programme

Bus Éireann has a long tradition of developing apprentices to take up roles as part of our Engineering and Maintenance functions. Garage Foremen Stephen O'Regan, Adrian Larkin and Kevin O'Donnell are all testament to the great career stepping stone the Bus Éireann apprentice program provides, while in 2018 six apprentices completed their apprenticeships and took up positions as craftworkers.

“Bus Éireann has been a fantastic place to grow my technical career”.

Stephen O'Regan.

The training programme for apprentices continued in 2018 with 22 successful candidates recruited across the 18 Bus Éireann maintenance locations. This is the single biggest intake of apprentices in the company's history.

Each apprentice will undertake a four year training programme, which is provided by Bus Éireann in conjunction with SOLAS. The apprentice training programme consists of seven phases, three off-the-job and four on-the-job. In total our apprentices will complete 208 weeks of training and then be awarded the Quality and Qualifications Ireland (QQI) Level 6 Advance Certificate in Heavy Vehicle Mechanics.

2018 was a milestone year for another reason – the first female apprentice in Heavy Vehicle Mechanics recruited into our training programme. Samantha Kao has taken up her position in our Broadstone depot and brings a huge amount of enthusiasm to the role.

“It's all I ever wanted and can't believe Bus Éireann is making it happen for me”.

Samantha Kao.



Operations Review (continued)

Opportunities Today

Throughout the year a number of opportunities continuously arise for our people to progress their careers. In 2018 approximately 40 drivers were promoted to supervisor roles while a further 20 mechanics benefited from career progression within the engineering career paths. Our office based staff also enjoyed promotional opportunities across clerical and executive roles. Many of these career steps were supported by Bus Éireann's Duascéim scheme which provides support for employees to complete relevant courses such as the Transport Management Certificate of Professional Competence (CPC) required for supervisor positions, in readiness for the opportunity to progress.

"I made sure I had my Transport Management Certificate of Professional Competence (CPC) so when the opportunity came up I was ready".

Peter Doyle, driver promoted to supervisor.

Bus Éireann has proven its attractiveness as an employer for drivers with an impactful national driver recruitment campaign which attracted over 2,000 applications from bus and coach drivers throughout the country. 200 new drivers were successful in their applications and joined Bus Éireann through 2018 to support our wide range of service enhancements. Comprehensive induction, training and route familiarisation is completed before commencing service.

Diversity and Inclusion

Joanne Duffy, Services Manager, attended the European Commission conference "How to attract women to the transportation sector" along with other transport providers in Europe. The information from the conference will help shape Bus Éireann's diversity strategy in 2019, in particular how we recruit more women drivers. Bus Éireann is delighted to be a member of the 30% Club dedicated to promoting gender balance at all levels in business, as well as the Diversity Charter Ireland. Currently women comprise approximately 30% of the CEO's leadership team and 32% of the management layer. Bus Éireann continued its support of the "Say No to Racism" campaign which was launched across the public transport network in 2018 with the support of the Immigrant Council of Ireland, the National Transport Authority, and other transport providers.



Going the Extra Mile Employee Recognition

As a people business, making sure our people are recognised for when they go the extra mile is an important part of the culture we believe in. 2018 saw the launch of the Bus Éireann GEM (Go the Extra Mile) employee recognition awards with regional events held in Galway, Cork and Dublin recognising over 35 winners across a range of categories. The national award event was held in Croke Park in December with 11 national winners recognised for their outstanding achievements across areas such as Road Passenger Driver, School Bus Driver, Safety, Apprentice and Hero. At each event the winners were accompanied by family members who we believe through their support, are another key part of the Bus Éireann success. Plans are in place to expand the GEM awards in 2019.



“The thing I love most about my job is working with the children and making sure they get to school safely everyday”.

Sean White, part-time school bus driver.



Giving back to the Community

As a service organisation it is no surprise that our people are dedicated to giving back to the community they serve. Bus Éireann continued its involvement in Green Ribbon month and “Sea Change” which is a national partnership of more than 70 organisations working together to reduce stigma and challenge discrimination associated with mental health problems. Bus Éireann also continue to be a partner with the National Dementia Awareness Campaign.

In the month of November, the staff of Bus Éireann joined the other MoBros and MoSistas worldwide in the Movember campaign to raise funds and awareness for men’s health. People right across our organisation got involved by growing a beard, setting themselves a fitness target or simply fundraising. Almost €26,000 was raised placing Bus Éireann fourth highest company in the Ireland Movember fundraising league. The focus on men’s health was also supported by local talks by health professionals on mental health and wellbeing.

Bus Éireann were delighted to support the Temple Street Annual Toy Appeal in 2018. Donating toys is a simple way to make a real difference to the lives of patients and it helps make a child’s Christmas. Employees brought their donated new toys to their local office and arrangements were made for them to be put on the Bus Éireann special sleigh leaving Busáras before Christmas.



“Making sure the children at Temple Street Hospital have new toys especially at Christmas is something I’m really delighted we support”.

Suzanne McGilloway.





The Company achieved a profit of €1.6 million before exceptional costs during 2018



Operations Review (continued)

Executive Financial Review

The Company achieved a profit of €1.6 million before exceptional costs during 2018.

Bus Éireann reported a loss of €6.4m for 2018 (€1.6m profit before exceptional). This compares with a loss of €23.7m in 2017 (€7.2m before exceptional). Exceptional items in 2018 include the repayment of €6.7m of a reserve held by the Company on behalf of the Department of Education and Skills solely for expenditure on School Transport. Earnings before Interest Depreciation and Amortisation (EBITDA) was €9.7m compared to €2.9m in 2017. Payroll and related costs were €129.1m in 2018 with an average headcount of 2,562. This is in comparison to €125.6m in 2017 with an average headcount of 2,530.

Total passenger journeys have risen 6.3% to 83.6m in 2018 compared to 78.6m in 2017. Operating revenue before subvention has increased to €337.6m from €309.3m in 2017. An improved revenue position coupled with a continued focus on efficiencies have helped contribute to the pre-exceptional profit of €1.6m for 2018 (€0.5m PSO and €1.1m Commercial and Schools). Road passenger revenue increased to €121.8m in 2018 from €112.8m in 2017 (excluding DSP). City passenger journeys increased by 14% to €23.0m from €20.2m in 2017 and other services increased 8% to €19.1m.

Following recapitalisation, Bus Éireann holds a strengthened balance sheet, with an increased net asset position of €13.7m at 31 December 2018. This compares to a net liability position of €16.9m in 2017. The Company holds net current assets of €28.9m (2017 net current liabilities €0.1m). A repayment of €6.7m from reserves was also made in 2018 to the Department of Education and Skills. The recapitalisation of €37.0m was by way of an increase of 29.1m authorised shares at €1.269738 each. This recapitalisation ensures the Company meets the reserve requirement needed in order to apply for an operator's licence, plus an additional contingency of €6.0m.

The Bus Éireann transformation programme 2017/2019 is designed to secure a sustainable future for the company. The programme involves six work streams involving cost efficiency and income generating initiatives amounting to €29.6m with a target bottom line outcome of €3m to €4m in 2019. By the end of 2018, a total of €18.8m savings were achieved. A critical aspect of the income generation programme was the agreement with the Department of Social Protection (DSP) of the proper funding of DSP journeys on Expressway services in 2018.

Resulting from the review and optimisation of driver boards, both cost and working efficiencies were achieved from January 2018. Driver shortage and absenteeism resulted in an increase in bus hire which impacted the overall bottom line in 2018.

The 2018 profit and loss account reports receipts from public service obligation funding of €52.8m in the year. This is an increase in funding of €5.1m from 2017. This increase in year on year funding reflects an additional 24 PSO route service improvements in 2018 and the full year funding for a further 13 route service improvements introduced in 2017 including significant service enhancements on the Kells-Dublin (109/ NX) corridor. The 2018 profit and loss account reports receipts for the provision of School Transport Services of €185.2m in the year showing an increase of €11.1m year on year. The rise is mainly attributed to the increase in children with special education needs availing of school transport.

The improvement in the company's financial and competitive position is evident in the following:

- Direct award contract for PSO services has been awarded to Bus Éireann by the NTA for the period 2020/2024
- Bus Éireann won the Bus Market Opening (BMO) public tender for Waterford city PSO services in 2018
- Expressway has recovered from a loss-making position, recording a small profit in 2018

Expenditure

The market in which Bus Éireann operates has remained particularly challenging.

Absenteeism rates coupled with increased demand for services at peak times has impacted significantly, resulting in increased costs of bus hire. Management continue to work assiduously to reduce bus hire across the organisation.

Fuel Costs

Fuel costs are higher during 2018 at €29.8m compared to 2017 at €27.1m due to savings during the strike in 2017. There is a saving however in 2018 primarily due to lower fuel prices and efficient hedging measures undertaken.

Contractor Costs

Contractor costs are a significant cost for the company with the highest proportion being schools contractors followed by road passenger bus hire to support the peak demand requirement.

Contractor costs also include the cost of third party maintenance costs for fleet sent to third parties for overhaul and maintenance.

Total contractors costs for 2018 were €165.1m (2017: €147.6m).

Claims

Claims from third parties remain a significant cost for the company and the directors and senior management team are very mindful of the trends in court awards for claims and the settlement of claims. Claims administration and settlement are a managed service operated on behalf of the company by CIÉ claims office.

Costs incurred were €5.6m for 2018 (2017: €5.7m).

Investment in PSO Fleet

Investment in fleet is fully funded from the National Transport Authority (NTA).

Challenges remain in relation to the returns achievable in the commercial part of the business in terms of justifying major levels of investment in the fleet. Notwithstanding this, management are keenly aware of the need for additional investment as well as the availability of free cash to fund such investment given the appropriate business case for investment.

Total investment in fleet during 2018 was €24.1m (2017: €31.5m).

Contribution to the Exchequer in Taxes Collected

The company contributed €58.1m during 2018 (2017: €54.7m) in terms of taxes collected through a combination of payroll taxes, Vat, irrecoverable VAT, customs/excise duties and other taxes.



Operations Review (continued)

Exceptional Costs

Exceptional costs comprise primarily the costs of severance and the repayment of the Schools reserve in full to the Department of Education and Skills in relation to school bus services.

Net exceptional costs for 2018 were €7.9m (2017: €16.5m).

Earnings Before Interest Tax, Depreciation Amortisation and Exceptional Costs (EBITDA)

There was a significant improvement in performance under this heading during 2018.

EBITDA for 2018 was €9.7m (2017: €2.9m).

Increase in Issued Share Capital

An extensive process of engagement with key stakeholders such as CIÉ, NTA and Department of Transport, Tourism and Sport was completed during the year resulting in the successful recapitalisation of the balance sheet. The issued share capital increased by €37m during the year. Issued share capital at year end was €66.2m for 2018 and €29.2m for 2017.

It should be noted that the net assets position continues to be challenging as a result of accumulated losses incurred in prior years however EBITDA continues to improve as highlighted above. When non cash items are excluded from the balance sheet as set in the balance sheet review section below the balance sheet is in a much improved position.

Brexit Challenge

The challenges presented by the uncertainties around Brexit continue to impact many companies including Bus Éireann. A Brexit focus group composed of key stakeholders across the company has been meeting throughout 2018 and into 2019 to assess the implications of Brexit across a wide range of issues including operations of services, licencing, procurement, payment of tariffs and other issues. This focus group regularly reports its findings to the board Audit Review and Risk Group (ARRG).

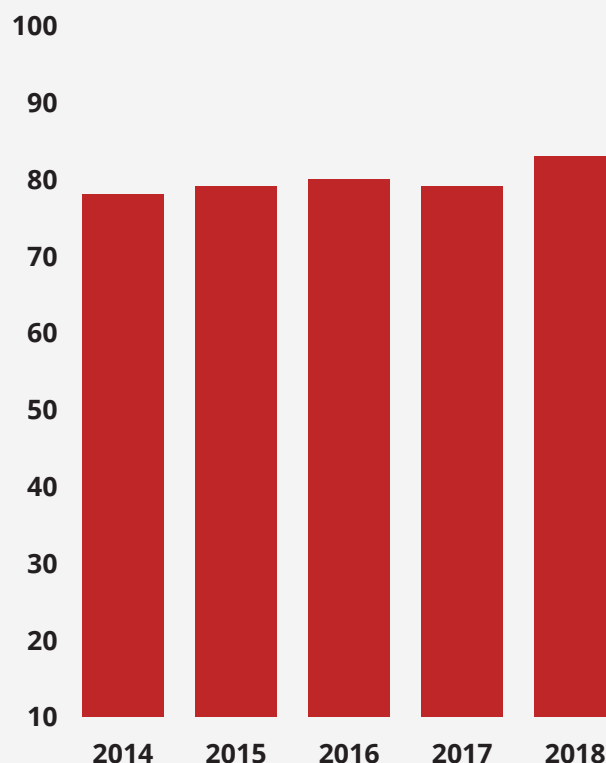
Net Assets Position

The net assets position at the end of 2018 was €13.7m and has significantly improved compared to 2017 with net liabilities of €16.9m, which is due mainly to the recapitalisation of the company during Q4 2018 the result of which was an increase in the issued share capital of €37m.

The increase in the issued share capital was funded by CIÉ.

Customer Journeys

Overall Customer Journeys (m)



Balance Sheet Review

The balance sheet position before non-cash items has improved significantly as set out below from €83.0m in 2017 to €117.9m in 2018.

Similarly, as also set out below the combined cash and inter-company account position with CIÉ is quite encouraging and which has improved from 2017 position of €50.3m to €86.4m in 2018.

The above is set out in order to comply with the requirements of the Code of Practice for the Governance of Commercial State Bodies. It confirms the level of consulting fees incurred for knowledge-based and decision-making services.

Balance sheet review

Year ended 31st December

	2018 EURO 000	2017 EURO 000
Net assets before non-cash items		
Net current assets /(liabilities)	28,200	(117)
<i>Adjust for non cash items</i>		
Deferred revenue	10,078	9,382
Deferred income	14,000	14,839
Non current deferred income	65,597	58,865
Net assets before non cash items	117,875	82,969
Cash and inter company with CIE		
Cash	1,456	942
Inter company with CIÉ	84,948	49,396
	86,404	50,338

Code of Practice summary

Year ended 31st December

	2018 EURO 000	2017 EURO 000
Code of Practice summary		
Financial advice	446	761
HR	56	106
Business improvement	14	86
	516	953

Operations Review (continued)

Senior Management Team

1 Stephen Kent – Chief Executive

Prior to his appointment as Chief Executive Officer in November 2018, Stephen Kent was appointed as Acting CEO in Autumn 2018, having previously served as Chief Commercial Officer since joining Bus Éireann in 2013.

Stephen joined from C&C Group where he was Sales and Marketing Director, and previously worked in a number of senior management roles in Waterford Crystal and Waterford Foods (now part of Glanbia plc). Stephen holds a BBS from the University of Limerick and MBA from Herriot Watt University and is also a graduate of the Marketing Institute of Ireland.

2 Rory Leahy Chief – Risk and Safety Officer

Rory Leahy was appointed Chief Risk and Safety Officer in February 2018 and is responsible for company safety policy and strategy, risk management, property and energy performance. Having started his career in Iarnród Éireann, Rory moved to Bus Éireann and has held a number of positions in business development, operations and regional general management. Rory is a graduate in Civil Engineering from UCD and holds an Environmental Management post-graduate diploma from TCD and a Master's degree in the Management of Operations from DCU. He also holds a Certificate of Professional Competence in Road Passenger Transport Operations Management (International).

3 Tom Delaney – Chief Finance Officer

Tom Delaney joined Bus Éireann from Bank of England as CFO and Company Secretary in April 2018. Tom has over 25 years senior finance experience across financial services, manufacturing, FMCG and telco sectors having worked in blue chip firms such as Coca Cola, Grafton Group, Eircom and Glanbia.

In addition to finance and company secretarial, Tom has responsibility for the areas of procurement IT, regulation and compliance within Bus Éireann.

A fellow of the Association of Chartered Certified Accountants Tom holds an MSC in Finance and Law from Queen Mary, University of London, a diploma in insolvency law from ICAI and is a full member of the Corporate Governance Association of Ireland.

4 Miriam Flynn – Chief Schools Officer

Miriam Flynn took up the role of Chief Schools Officer in February 2018 and assumes full responsibility for the operation and administration of the School Transport Scheme operated by Bus Éireann, on behalf of the Department of Education and Skills.

Miriam has worked in a number of roles within the company, such as Customer Service, Sales and Marketing, Business Development and Operations. She spent the previous 15 years in the role of Regional Manager, where she had overall responsibility for Bus Éireann operations in the South-West Region.





She graduated from NUIG with a Bachelor of Commerce degree and completed a postgraduate Diploma in Marketing at the Smurfit Business School, UCD where she also completed an Executive Leadership programme with the CIÉ Group.

She is a member of the Chartered Institute of Logistics and Transport and holds a Certificate in Professional competence in National and International Road Transport Operations.

5 Gerry Madden – Chief Commercial Officer (Acting)

Gerry Madden joined the company in April 2018 and was appointed Acting Chief Commercial Officer on 1st August 2018, prior to joining the company Gerry was the Managing Director of Transdev Ireland (LUAS). Before taking up this role Gerry had worked in the UK for Royal Mail in senior Commercial and Operational roles.

6 Allen Parker – Chief Customer Officer

Allen Parker took up the newly created role of Chief Customer Officer in May 2018.

Allen has over 27 years' experience in the bus transport market both in Ireland and in the UK. In recent years Allen has been the Managing Director of Aircoach (a subsidiary of the First Group plc).

Allen commenced his career in public transport with Bus Éireann in the 1990s before moving to work for Comfort Delgro in Ireland, including as Managing Director of inter-city coach operator Citylink and then subsequently to the First Group plc where he has held a number of senior roles.

As Chief Customer Officer, Allen has full responsibility for all aspects of service delivery and for driving continuous improvement in the overall customer journey experience. This extends to performance and planning, operations, engineering and all aspects of the customer journey experience, communications, information and accessibility. Responsibility for the management of all National Transport Authority (NTA) contract obligations also rests with the Chief Customer Officer.

Allen holds a B.SC (Hons) in Transport Technology from the University of Ulster.

7 Sinead Kilkelly – Chief People Officer

Sinead Kilkelly commenced in Bus Éireann as Chief People Officer in August 2018. She joined Bus Éireann following nine years at Etihad Aviation Group in Abu Dhabi where she held the post of Vice President People Services. In this role Sinead led a series of significant organisational change programs in addition to her responsibility for HR strategy and performance, HR technology, HR services, recruitment and people analytics for the Group of 25,000 employees.

Prior to Etihad, Sinead's HR experience included positions within RBS, Ulster Bank Group and Intel Ireland. She also previously lived in Australia.

Sinead holds an MBA from Trinity College Dublin and is a Chartered Fellow of the Chartered Institute of Personnel and Development (CIPD).



Expressway has recovered from a loss-making position, recording a small profit in 2018

Directors and Other Information

Board of Directors:

Non-Executive Directors

Mr Aidan Murphy	<i>(Chairman)</i>
Ms Deirdre Ashe	
Ms Anne Bradley	<i>(retired 10th June 2018)</i>
Mr Henry Minogue	<i>(retired 28th January 2018)</i>
Mr John Moloney	<i>(retired 31st May 2018)</i>
Mr David McGarry	<i>(retired 10th June 2018)</i>
Mr Gerard Ryan	
Mr Stephen Hannan	
Mr Thomas O'Connor	<i>(appointed 25th July 2018)</i>
Mr Diarmuid Corry	<i>(appointed 3rd August 2018)</i>

Chief Executive

Mr Ray Hernan	<i>(appointed 1st January 2018)</i> <i>(retired 31st August 2018)</i>
Mr Stephen Kent	<i>(appointed 1st November 2018)</i>

Secretary and Registered Office

Tom Delaney	<i>(appointed 10th May 2018)</i>
Tom Morgan	<i>(until 10th May 2018)</i>
Broadstone	
Dublin 7	

Website: www.buseireann.ie

Registered Number: 119570

Company Limited by Shares and Designated Activity Company under the Companies Act 2014

Independent Auditors

Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Earlsfort Terrace
Dublin 2

Biographies of Directors

1 Aidan Murphy

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

His term of office finished on 8th July 2017 and he was re-appointed a director and Chairman on 6th December 2017.

Aidan has extensive experience as a supply chain professional having held positions as CEO Pulse Logistics, Managing Director Supply at C&C Group, General Manager Wincanton Ireland and Logistics Director at 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 Strategy Committee and is also a member of the Board of CIÉ Group. He is also a member of the CIÉ Board Strategy Committee as well as being a non-executive director of M&M Walshe Group.

2 Deirdre Ashe

Deirdre Ashe was first appointed to the Board of Bus Éireann in July 2014. Her term of office finished on 9th July 2017 and she was re-appointed as a director on 23rd August 2017.

Deirdre was Chair of the Remuneration Committee until its merger into the Board Strategy Committee. She is also Chair of the Audit Review and Risk Group (ARRG) and also a member of the board Strategy 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 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).

3 Stephen Hannan

Stephen Hannan was appointed to the Board of Bus Éireann on 1st December 2017 under the Worker Participation (State Enterprises) acts 1977 to 2001.

He works in Ringsend Depot as a Bus Driver with Dublin Bus. He is a member of SIPTU and has held a wide variety of positions within the trade union for almost 30 years. He is President of the Bus Drivers Committee, Vice-Chairman of the Transport Sector Committee, the Divisional Committee and Depot Representative. Stephen is also a board member of CIÉ since December 2017 and is also a director of Dublin Bus.

4 Gerard Ryan

Gerard Ryan was appointed to the board in July 2012 and was re-appointed to the Board during 2015 and again in 2017.

Gerard has over 20 years' experience in senior management positions in the financial services and IT sectors in diverse organisations. He is currently Operations Director with Acorn Life DAC, 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 Ltd. 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 and Risk Group (ARRG) and is Chairman of the Board Strategy Committee.



5 Thomas O'Connor

Thomas O'Connor was appointed to the Board of Bus Éireann on 25th July 2018 under the Worker Participation (State Enterprises) acts 1977 to 2001.

Thomas works as a bus driver for Dublin Bus and is based in Ringsend garage. He is a member of the National Bus and Rail Union (NBRU) and sits on its National Executive and has served as Dublin Branch Secretary since 2010. Thomas is also a Board member of CIÉ since December 2017 and is also a director of Dublin Bus.

6 Diarmuid Corry

Diarmuid was appointed to the Board of Bus Éireann on 3rd August 2018 and was also appointed as Chairman of the board Safety Committee. Diarmuid is a consultant in electronic system design with a focus on air and spacecraft. He was a founder of ACRA Control Ltd., a supplier of flight test instrumentation to the aerospace industry, and served as a director until its acquisition in 2011. He is currently Chief Technology Officer for Réaltra Space Engineering, a division of Realtime Technologies Ltd. Diarmuid has a Masters in Electronic Engineering from DCU and also holds an MBA.

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 enabled 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 made her ideally suited to serve as Chairman of the board Safety Committee.

Anne assumed the chairmanship of the board Safety Committee in 2015 until her retirement as a director on 10th June 2018 and was appointed to the board Strategy Committee from 2017 onwards. Anne was also a member of the Remuneration Committee and the Audit Review and Risk Group (ARRG).

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 worked in Cork as a bus driver. He was a member of the NBRU.

John was a member of the Board Safety Committee and was also a CIÉ Board member. John retired as an employee and as a director on 31st May 2018.

Henry Minogue

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

Henry has been the IT Director for Virgin Media Ireland since 2006 having previously served as Programme Manager for Strategy and Planning and more recently in his role with Independent News & Media. 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 a member of the Audit Review & Risk Group (ARRG). He also served as a member of the Board Strategy Committee. Henry retired as a director on 28th January 2018.

David McGarry

David McGarry was appointed to the Board in June 2015.

David was Chairman of the Audit Review & Risk Group (ARRG). He was also a member of the Board Remuneration Committee and the Strategy Committee.

He is the Principal of Henley Partners, a management consulting firm. He is non-executive Chairman of Shannon Foynes Port Company. 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 investment banking with NCB Corporate Finance and in auditing and accountancy with KPMG.

David is a Chartered Accountant and 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. David retired as a director on 10th June 2018.



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 2018.

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 €6.4m (2017: €23.7m) after the receipt of Public Service Obligation (PSO) payments of €52.8m (2017: €47.7m). Fuel costs were €29.8m in 2018 compared to €27.1m in 2017. An impairment charge has been taken on the value of plant at 31 December 2018 of €0.23m.

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 cost base has required a combination of work practise changes, a rationalisation of our workforce, some commercial route closures and an overall cut to discretionary spends, a significant proportion of which were implemented by the end of 2018. The management team have implemented 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 whatsoever.

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.

Dividends

No dividends were proposed, declared or paid during the year 2018 (2017: €nil).

Reserves

Accumulated losses were €52.5m at the end of 2018 compared to €46.1m in 2017.

Principal Risks and Uncertainties

The principal risks and uncertainties for the company are the remaining parts of the implementation of restructuring plan, safety, 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 Strategy Committee reviews commercial risks and the Audit Review and Risk Group (ARRG) reviews and monitors internal control and audit risks.

Financial Position

One of the key risks that the company has faced was a severe financial position for a number of years. Management has now implemented a number of these changes in order to secure the financial and operational position of the company going forward which includes the recapitalisation of the company by means of a €37m increase in the issued share capital of the company.

Safety Risks

The continued safe delivery of our services is of paramount importance to Bus Éireann. The risk of a significant road traffic accident or fire is managed as a principle risk in our risk register with appropriate mitigating actions.

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.

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 2019 and beyond through extensive engagement with all its stakeholders.

Following changes to the management team a review of the business commenced in January 2017 and was finalised during 2018 culminating in the recapitalisation of the company during late 2018. The objective of the review and transformation process 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.

Actions have been taken to address this situation.

The business plan was implemented in full following negotiations with the unions. Exits of staff continued during 2018 as part of the cost reduction programme coupled with the full implementation of the revised agreed rostering arrangements for drivers.

Significant progress was achieved during 2018 culminating in a much improved result for Earnings before Interest Taxation Depreciation and Amortisation (EBITDA). It should also be pointed out that the bottom line excluding exceptional items for 2018 has yielded a small surplus.

The senior management team continued to build on its key stakeholder relationships with the National Transport Authority (NTA), Department of Transport Tourism and Sport, Department of Education and Skills and Department of Social Protection during 2018 and into 2019.

The senior management team in conjunction with board continues its focus on investment in fleet and in much needed depot and bus station infrastructure renewal and revamping during 2019.

The company engaged in negotiations with staff in relation to pay claims during late 2018 and into 2019 and the Labour Court issued a recommendation in early 2019 which will be voted upon by staff.

Directors' Report (continued)

Capital Investment

Capital expenditure amounted to €26.4m in 2018 (2017: €32.5m). The company received capital funding for PSO services from the NTA in 2018 of €22.2m (2017: €27.2m), including grants of €0.25m (2017: €0.27m) 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 and Reserves

Details of the company share capital is set out in note 16. There were movements during the year totalling €37m. This amount reflects the recapitalisation process undertaken and completed during late 2018.

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

The reserves of the company have deteriorated during 2018 after providing for restructuring and severance costs and accumulated losses now stand at €52.5m at the end of 2018 (2017: €46.1m).

The company also repaid an amount of €6.7m in full during 2018 to the Department of Education and Skills and this is reflected within exceptional costs as set out in note 6 (b).

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 from Córás Iompair Éireann convene an extraordinary general meeting of the company.

An Extraordinary General Meeting of the company was convened during late 2018 to approve the increase in both the authorised and called up share capital of the company as part of the recapitalisation process.

The Board

The company is controlled through its Board of directors. The Board met on seven occasions during 2018 (thirteen in 2017) 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. There are no executive directors.

One non-director Paul Mc Cann was appointed to the Audit Review and Risk Group (ARRG) during August 2018.

Attendance at Board/committee meetings

Listed below are details of directors' attendance at board/committee meetings held during 2018

	Board	Safety	Strategy	Remuneration
Mr Aidan Murphy	7/7		4/4	
Mr John Moloney	2/4	3/3		
Mr Diarmuid Corry	3/3	1/1		
Mr Gerard Ryan	7/7		4/4	
Ms Deirdre Ashe	6/7		2/4	2/2
Mr Thomas O'Connor	2/3			
Ms Anne Bradley	3/4	3/3		2/2
Mr David McGarry	4/4		1/2	2/2
Mr Stephen Hannon	7/7			
Mr Tom O'Connor	2/3	1/1		

Audit Review and Risk Group (ARRG)

The Audit Review and Risk Group (ARRG) during 2018 comprised the following non-executive directors and non-director member:

Mr D McGarry	<i>(Chairman) (retired 10th June 2018)</i>
Ms D Ashe	<i>(Chairman) (appointed 1st August 2018)</i>
Mr H Minogue	<i>(retired 28th January 2018)</i>
Mr G Ryan	
Ms A Bradley	<i>(retired 10th June 2018)</i>
Mr Paul Mc Cann	<i>(non-director and member of ARRG)</i>

The ARRG met on six occasions during 2018 (2017: ten).

Mr Paul Mc Cann was co-opted as a member to the ARRG during 2018. Mr Paul Mc Cann is not a director. The terms of reference of the ARRG allow for persons to be co-opted to the ARRG.

The main duties of the ARRG 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 ARRG discusses with the external auditor the nature and scope of the audit and the audit findings. The ARRG also monitors the integrity of the financial statements prepared by the company.

The ARRG 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 including updates from the recently appointed Chief Risk and Safety Officer.

An independent assessment of the ARRG was carried out during late 2018 as recommended by the Code of Practice for the Governance of State Bodies and the assessment was presented at an ARRG meeting during early 2019.

A review of The Terms of Reference of the ARRG was carried out during 2017 and revised Terms of Reference were approved by the board and will be reviewed going forward on a timely basis as appropriate.

The ARRG, 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 does not have an Audit Committee but the ARRG 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 two occasions during 2018 (five in 2017). It comprised the following non-executive directors:

Ms D Ashe	<i>(Chairman)</i>
Ms A Bradley	<i>(retired 10th June 2018)</i>
Mr D McGarry	<i>(retired 10th June 2018)</i>

The Committee considered and reviewed remuneration and human resources policies within the company.

A review of the Terms of Reference was completed during 2018.

It was agreed to merge the Board Remuneration Committee into the Board Strategy Committee from August 2018 onwards and for the combined Committee to be known as the Board Strategy Committee.

Board Safety Committee

The Bus Éireann Board Safety Committee, which was established at sub board level in 2004, met on four occasions in 2018 (five in 2017) 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 2018:

Ms A Bradley	<i>(Chairman) (retired 10th June 2018)</i>
Mr D Corry	<i>(Chairman) (appointed 3rd August 2018)</i>
Mr J Moloney	<i>(retired 31st May 2018)</i>
Mr T O'Connor	<i>(appointed 25th July 2018)</i>

Directors' Report (continued)

Board Strategy Committee

This committee addresses five specific areas namely enterprise development, technology innovation, marketing and research and policy and planning as well as strategy together with human resources and remuneration issues. The committee met on four occasions during 2018 (six in 2017). The Board Remuneration Committee was disbanded during 2018 and its work was absorbed into the Board Strategy Committee. The Strategy Committee comprised the following non-executive directors during 2018:

Mr G Ryan	<i>(Chairman)</i>
Ms D Ashe	
Ms A Bradley	<i>(retired 10th June 2018)</i>
Mr H Minogue	<i>(retired 28th January 2018)</i>
Mr A Murphy	

Employee Participation and Consultation

Employee engagement continued throughout the year through a number of channels.

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

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 2018 are set out below. Except where indicated they served as directors for the entire year.

Mr Aidan Murphy	<i>Chairman</i>
Mr Diarmuid Corry	<i>(appointed 3rd August 2018)</i>
Mr John Moloney	<i>(retired 31st May 2018)</i>
Mr Henry Minogue	<i>(retired 28th January 2018)</i>
Mr Gerard Ryan	
Ms Deirdre Ashe	
Mr Thomas O'Connor	<i>(appointed 25th July 2018)</i>
Ms Anne Bradley	<i>(retired 10th June 2018)</i>
Mr David McGarry	<i>(retired 10th June 2018)</i>
Mr Stephen Hannan	

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. The changes arising from the implementation of the 2016 Code of Practice for the Governance of State Bodies have been fully reflected in the 2018 financial statements and the required Statement on Internal control is set out below.

Statement on Internal Control

Scope of Responsibility

Bus  ireann acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in Bus  ireann for the year ended 31 December 2018 and up to the date of approval of the financial statements.

Capacity to Handle Risk

Bus  ireann has an Audit Review and Risk Group (ARRG), the terms of reference of the ARRG provides for a number of directors to be appointed to the ARRG, one of whom is the Chair. The ARRG met on six occasions during 2018.

Bus  ireann as part of CI  Group has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARRG.

Bus  ireann as part of CI  Group has developed a risk management structure which delegates responsibility for risk management to the newly appointed Chief Risk and Safety Officer (or suitable management alternative), and they in turn set-out a reporting structure. The board has responsibility for and approves their respective risk management framework, tailored to address their specific strategic objectives, and to manage their specific risk exposures efficiently and effectively, within the context of the policy.

The policy is to ensure that appropriate procedures are in place within Bus  ireann to identify, assess and manage the key risks facing all areas of the business. The key risks are those that can damage its reputation, operational and or financial capability or cause hazards or prevent it from achieving its objectives in a risk averse manner.

Risk and Control Framework

Risk assurance is provided by way of the three lines of defence. The key differentiating factor between the three lines of defence are their levels of independence.

The three lines of defence governance model distinguishes between risk resources, supervision and oversight as follows:

- Risk ownership i.e. functions owning and managing risks as part of their day-to-day activities (first line of defence).
- Risk supervision i.e. functions overseeing risks and providing robust challenge to the management teams (second line of defence); and
- Risk oversight, i.e. functions providing independent assurance (third line of defence)

Risk ownership is aligned with business ownership. As the heads of the departments are responsible for achieving business objectives, they are ultimately responsible, as risk owners, for identifying and managing risks associated with their areas of responsibility. They exercise this responsibility by ensuring that risk identification is fully incorporated into the day to day activities of those working within their departments.

Directors' Report (continued)

Newly identified risks are assigned to a risk owner, that is, Head of the Department. This individual may delegate the management of the risk to a risk manager who will be responsible for the further analysis, evaluation and treatment of the risk in question.

Bus Éireann has implemented a risk management system via an auditable risk software system,

Op Risk Control, which has been designed to ensure that risk owners and other department resources, adopt a consistent, robust approach at every stage of the risk management process, from risk identification through to escalation. In accordance with ISO 31000: 2018, it is policy that risks be defined at a level that can be managed, that is, they are sufficiently articulated so that the possible extent and likelihood of the event can be appraised and mitigating actions put in place.

Risks are evaluated by the responsible risk owner using risk criteria tables which have been developed so that risks which are outside of risk appetite, are assigned the appropriate risk rating, and are escalated to the appropriate level of oversight.

Ongoing Monitoring and Review

All newly identified risks and principal risks and decisions and details of any emerging risks are subject to peer review.

Periodic reports will incorporate the following as standard:

- Principal risks
- Changes in principal risk ratings
- Newly identified risks
- Emerging risks
- Overview of risk universe
- Risks in breach of risk appetite and mitigating actions

A report of all risks, status as against risk appetite and performance as against KPI's is thereafter escalated with supporting risk detail reports.

In addition to the above, all Top Group principal risks and emerging risks are escalated for assessment. A report of Top Group principal risks, status as against risk appetite and performance as against KPI's with supporting risk detail reports is escalated.

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the board, where relevant, in a timely way. Bus Éireann confirms that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

Bus Éireann confirms it has procedures in place to ensure compliance with applicable procurement rules and guidelines. CIÉ Group previously advised the DTTaS that it is applying a threshold of €50,000 for procurement non-compliances due to the volume of purchases within the CIÉ Group and the additional cost of supplying information at the lower limit. Matters arising regarding controls over procurement are highlighted to the Minister within the Comprehensive Annual Report via a Letter to the Chairman of CIÉ. Bus Éireann had non-compliant spend of €7.4m in 2018 representing 3% of eligible procurement spend.

This non-compliance occurred mainly due to the business being focused on transformation and continuity of service delivery during a particularly difficult period in its history. The non-compliance occurred mainly in the areas of bus hire and spare parts. Within the area of bus hire the company required significant extra contractor support to ensure service continuity which would not have been anticipated within the original tender. Work is underway on a fresh tender which will have been finalised during 2019 returning this area to full compliance by 2020. Within spare parts the non-compliance was caused by oversight in seeking derogation given the significant restructuring and transformation that occurred in the business during 2018 within the functions of procurement and maintenance. This has been addressed in 2019 and in addition fresh tenders are underway across several categories.

Finally, work is underway to complete and implement a corporate procurement plan and to ensure adequate and appropriately skilled resourcing within the procurement department.

Review of Effectiveness

The Code of Practice for the Governance of State Bodies 2016 published by the Department of Public Expenditure and Reform requires an external review of effectiveness of risk management framework of each State Body be completed "on a periodic basis".

Mazars were engaged to perform a review of the holding company's risk management framework during 2017 and for Bus Éireann.

The company was found to be compliant with the Code.

Furthermore, Bus Éireann confirms that it has procedures to monitor the effectiveness of its risk management and control procedures. Bus Éireann's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit Review and Risk Group which oversees their work, and the senior management within the company responsible for the development and maintenance of the internal financial control framework.

Bus Éireann confirms that the board conducted an annual review of the effectiveness of the internal controls for 2018.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2018 that require disclosure in the 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 Éireann and other CIÉ 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 CIÉ Group for all CIÉ Group operating companies and carried out by CIÉ Group Internal Audit Department. A comprehensive report was issued to and reviewed in detail by the Bus Éireann Audit Review and Risk Group. The report confirmed that Bus Éireann was in full compliance with the requirements relating to Directors Compliance Statements.

Directors' Report (continued)

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.

The company engaged in negotiations with staff in relation to pay claims during late 2018 and into 2019 and the Labour Court issued a recommendation in early 2019 which will be voted upon by staff.

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 and CIÉ Group Support

The Letter of Support from CIÉ has been evidenced in a Letter dated 3rd April 2019 from CIÉ to Bus Éireann.

The Letter states "It remains CIÉ policy that the Company is at all times in a position to meet its liabilities. CIÉ shall continue to exercise its shareholder rights and statutory obligations with a view to ensuring that the Company manages its operations, in accordance with its approved business plans, and in a manner which will enable it to meet all its obligations in a timely manner.

CIÉ 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.

The undersigned represents that the Parent has access to resources and committed facilities which provides the Parent with the capacity to provide the necessary financial support to the Company."

Bus Éireann incurred losses of €6.4m for 2018 (2017: loss of €23.7m) after exceptional costs associated with the school transport reserve and restructuring programme totalling €7.9m (2017: €16.4m). Excluding exceptional costs the result was €1.6m (2017: €7.2m deficit) which is encouraging. Furthermore, Net current assets include non-cash liabilities of € 24m (2017: €24.2) related to deferred revenue and deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items the company had net current assets of €52.9m (2017: €24.1m).

As at 31st December 2018 the balance sheet held net assets of €13.7m. This improved position compares to a net liability position of €16.9m in 2017 and is a result of recapitalisation, increased revenue and continued focus on cost efficiencies. Net current assets are €28.9m (2017 net current liabilities €0.1m). A repayment of €6.7m was made in 2018 to the Department of Education and Skills of a reserve held solely for expenditure on School Transport.

In 2018 a balance Sheet recapitalisation of €37.0m was undertaken by way of an increase of 29.1m authorised shares at €1.269738 each. This recapitalisation ensures the Company met the reserve requirement in order to apply for an operator's licence, plus an additional contingency of €6.0m.

The business plan approved by the board in May 2017 was a key factor in the board's assessment of the Company's ability to continue as a going concern. The transformation programme has already been instrumental in solidifying Bus Éireann's position as a going concern as follows:

- Direct award contract for PSO services has been awarded to Bus Éireann for the period 2020/2024
- Bus Éireann won the Bus Market Opening (BMO) public tender for Waterford city PSO services
- Expressway has recovered from a loss making position, recording a small profit in 2018
- The company has been recapitalised on the basis of its improving financial performance. The recapitalisation means that Bus Éireann can now renew its Road Passenger Transport operating licence in 2019

The current transformation programme involves six work streams involving cost efficiency and income generating initiatives amounting to €29.6m with a target bottom line outcome of €3m to €4m in 2019.

A new executive team was put in place to oversee the implementation of the programme. The required work streams are based around company restructuring, changes to employee terms and conditions according to Labour Court recommendations, savings in bus hire and other non-payroll costs, service curtailments in loss making services, and income generating initiatives. In total, 84 separate transformation projects were initiated as part of programme impacting on all aspects of the company.

By the end of 2018, a total of €18.8m mainly in increased income generation was achieved, with a renewed focus by the executive team on any potential target variances in relation to bus hire and executive/clerical transition cost overruns. A critical aspect of the income generation programme was the agreement with DSP of the proper funding of DSP journeys on Expressway services.

The detailed work programme will continue through 2019, and it is forecast that total savings will amount to between €26m and €28m, which will bring about the target bottom line outcome.

Auditors

The auditors, Deloitte Ireland LLP, 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 Ashe
Director

3rd April 2019

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 (2016).

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 Auditor's Report

To the members of Bus Éireann

Report on the Audit of the Financial Statements

Opinion on the Financial Statements of Bus Éireann (the 'Company')

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 2018 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.

The financial statements we have audited comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 27, including a summary of significant accounting policies as set out in note 1.

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 ("the relevant financial reporting framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report (continued)

Responsibilities of Directors

As explained more fully in the Directors' Report, 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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 auditor's 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.

Report on other Legal and Regulatory Requirements

Opinion on other matters Prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- 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 and the directors' report has been prepared in accordance with the Companies Act 2014.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement in the Directors Report does not reflect the companies compliance with paragraph 1.9(iv) of the 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 Ireland LLP

Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace,
Dublin 2

3rd April 2019

Matters on which we are Required to Report by Exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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.

Profit and Loss Account

Financial Year Ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Revenue			
Operating turnover		337,582	309,289
Receipts from public service obligation contract		52,825	47,713
Total revenue	3	390,407	357,002
Costs			
Payroll and related costs	4(a)	(129,107)	(125,609)
Materials and services	6(a)	(251,552)	(228,531)
Total operating costs		(380,659)	(354,140)
EBITDA before exceptional costs and revenues			
		9,748	2,862
Exceptional costs and revenues (net)	6(b)	(7,932)	(16,446)
Depreciation and amortisation (net)	6(c)	(7,932)	(9,597)
Profit/(loss) on disposal of tangible fixed assets		50	(50)
Deficit before interest and tax			
		(6,066)	(23,231)
Interest payable and similar charges	7	(316)	(447)
Deficit for the year before tax		(6,382)	(23,678)
Tax on deficit for the year	8	-	-
Deficit after tax for the year		(6,382)	(23,678)

Statement of Comprehensive Income

Financial Year Ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Deficit after tax for the year		(6,382)	(23,678)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(6,382)	(23,678)

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Balance Sheet

31 December 2018

	Notes	2018 €'000	2017 €'000
Fixed assets			
Intangible fixed assets	9	871	2,109
Tangible fixed assets	10	108,513	105,160
		109,384	107,269
Current assets			
Stocks	11	3,857	3,387
Debtors	12	95,513	61,077
Cash at bank and in hand		1,456	942
		100,826	65,406
Creditors (amounts falling due within one year)	13	(72,626)	(65,523)
Net current assets/(liabilities)		28,200	(117)
Total assets less current liabilities		137,584	107,152
Provisions for liabilities	14	(58,262)	(65,188)
Deferred income	15	(65,597)	(58,865)
		(123,859)	(124,053)
Net assets/(liabilities)		13,725	(16,901)
Capital and reserves			
Called up share capital	16	66,212	29,204
Profit and loss account –opening balance		(46,105)	(22,427)
Deficit for the year		(6,382)	(23,678)
Total equity		13,725	(16,901)

On behalf of the board

A Murphy
Chairman

D Ashe
Director

3rd April 2019

Statement of Changes in Equity

Financial Year Ended 31 December 2018

	Notes	Called up share capital €'000	Profit and loss account €'000	Total €'000
Balance at 1 January 2017		29,204	(22,427)	6,777
Deficit for the year		-	(23,678)	(23,678)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year			(23,678)	(23,678)
Balance at 31 December 2017		29,204	(46,105)	(16,901)
Balance at 1 January 2018		29,204	(46,105)	(16,901)
Increase in called up share capital	16	37,008	-	37,008
Deficit for the year		-	(6,382)	(6,382)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		37,008	(6,382)	
Balance at 31 December 2018		66,212	(52,487)	13,725

Highlights

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Statement of Cash Flows

Financial Year Ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Cash from operations			
Net cash generated from operating activities	17	3,478	6,372
Cash flows from investing activities			
Additions to intangible fixed assets	9	(143)	(250)
Additions to tangible fixed assets	10	(26,241)	(32,218)
Sale proceeds on disposal of tangible fixed assets		50	8
Capital grants received	15(b)	22,230	27,216
Increase in called up share capital		37,008	-
(Increase) in balance due from parent company		(35,552)	(1,015)
Interest paid and charged by parent company	7	(316)	(447)
Net cash used in investing activities		(2,964)	(6,706)
Cash flow from financing activities			
Net cash used in financing activities		-	-
Net increase/(decrease) in and cash equivalents		514	(334)
Cash and cash equivalents at start of year		942	1,276
Cash and cash equivalents at end of year		1,456	942

Notes to the Financial Statements

Financial Year Ended 31 December 2018

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 company registration number is 119570 and is registered in Dublin with registered offices at Broadstone Dublin 7.

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.

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.

Notes to the Financial Statements (continued)

(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).

(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.

(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 6 of the financial statements.

(g) Interest receivable/interest payable

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

(h) Exceptional costs and revenues

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.

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.

Notes to the Financial Statements (continued)

(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.

Such assets begin to be depreciated once they first enter service within the fleet. An impairment charge has been taken on the value of fleet in the year 2017 but following a detailed review during 2018, it was deemed not necessary to apply an impairment to the value of fleet during 2018.

Plant and machinery

Plant and machinery are depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives. Following a detailed review, it was deemed necessary to apply an impairment charge to the value of plant and machinery during 2018.

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.

(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.

Notes to the Financial Statements (continued)

(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.

(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.

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 19.

Notes to the Financial Statements (continued)

(u) Equity

Ordinary called up share capital and revenue reserves are classified as equity and set out in note 16 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 9 and 10.

(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 14 to the financial statements

(iii) Defined benefit pension scheme

The ClÉ 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 19 to the financial statements sets on in more detail matters related to pensions costs and the pension schemes.

(iv) Road passenger vehicles received under the bus leasing agreement with the NTA

Additions to road passenger vehicles received under the bus leasing agreement with the National Transport Authority (NTA) are recognised in line with Significant Accounting Policy (l) above. Similarly, a corresponding grant for capital expenditure is recognised in line with Significant Accounting Policy (e) above.

The company has applied judgement to the recognition of an asset and corresponding grant in incidences where the NTA provide bus assets to the company under a lease agreement.

In substance there have been no significant changes to the rights and obligations of the company and NTA, as prescribed in the Direct Award Contract. The company is getting the right to use the asset for what would appear to be the major part of the buses economic life for an annual rental charge that does not reflect the value of the asset under lease. Furthermore, substantially all the risks and rewards of ownership transfer to the company on receipt of the bus.

The cost applicable to the road passenger vehicles received under the bus leasing agreement is based on advice from the NTA on the cost the NTA incurred to acquire each bus from the supplier. The company will review and consider the estimates and judgements related to the right to use the asset periodically for any contractual changes or a change in circumstance. Further details are set out in note 10 to the financial statements.

2 Going Concern

(a) Company

As at 31st December 2018 the company has net assets of €13.7m (2017: net liabilities €16.9m) and net current assets of €28.m (2017: net current liabilities €0.12m).

Net current assets include non-cash liabilities of € 24m (2017: €24.2) related to deferred revenue and deferred income in respect of capital grants and revenue.

Therefore, excluding these non-cash items the company had net current assets of €52.9m (2017: €24.1m).

Net assets of the company include non-cash liabilities of €89.7m (2017: €83m) relating to deferred revenue and deferred income and deferred income in respect of capital grants and revenue.

Therefore, excluding these items ,the company has net assets of €103.4m (2017: € 66.1m).

The Group operates a pooled treasury system. The Company relies on the Group's banking facilities to enable it to manage its operations in accordance with its approved business plan. The Group's financial position is set out in the following section.

Letter of Support

The ongoing support of CIÉ Group is evidenced in the letter of support dated 3rd April 2019.

The letter states: "it remains CIÉ policy that the Company is at all times in a position to meet its liabilities. CIÉ shall continue to exercise its shareholder rights and statutory obligations with a view to ensuring that the Company manages its operations, in accordance with its approved business plans, and in a manner which will enable it to meet all its obligations in a timely manner. CIÉ 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".

(b) Group

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

Background

At 31 December 2018 the Group had net liabilities of €410 million (2017: €636 million) and net current liabilities of €184 million (2017: €200 million). Net current liabilities include non-cash items of €261 million (2017: €264 million) relating to deferred income in respect of capital grants and deferred revenue. Therefore, excluding these non-cash items the Group has net current assets of €77 million (2017: €64 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €547 million (2017: €784 million) and deferred income in respect of capital grants received of €2,421 million (2017: €2,494 million).

Notes to the Financial Statements (continued)

Nature of Uncertainties Facing Group

While trading performance improved considerably during 2018, 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 based on 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 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.

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.

A significant restructuring programme in relation to ensuring the long term future of Bus Éireann commenced in 2017. Following on from the successful implementation of the Transformation Programme Bus Éireann returned to profitability in 2018 before exceptional items. Bus Éireann have delivered on the key aspects of the Transformation Programme and are forecasting continued improvement.

However, due to a deterioration in the Bus Éireann balance sheet and a compliance requirement which stipulates that the company must have minimum capital and reserves amounting to; €9,000 for the first vehicle and €5,000 for each additional vehicle (equating to approximately €5 million) in order to secure a Road Passenger Transport Operator's Licence (RPTOL) a recapitalisation was undertaken in 2018 to ensure that Bus Éireann was adequately capitalised to undertake its operations on a continuing basis.

Following a rigorous review of the Transformation programme and 5 year plans by CIÉ and the DTTaS a recapitalisation of €37m was undertaken in 2018.

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 2019 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.

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 covenant, 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 authorisation of material investments and seeks confirmation of appropriate funding being in place prior to the commencement of those investments.

In November 2018 the National Transport Authority decided to:

- Directly award a new 100% contract for the provision of public bus services in the Dublin Area from December 2019 to Dublin Bus for a period of five years.
- Directly award a new contract for the provision of public bus services outside the Dublin Area to Bus Éireann for a period of five years, with the exception of a selection of services, (approximately 5%), where the direct award contract shall be for a period of no longer than two years, expiring in 2021.

The NTA is proposing to directly award a public service contract to Irish Rail for the provision of public passenger transport services by rail with a commencement date of 1 December 2019, following the expiry of the current direct award contract on 30 November 2019. It is envisaged that the direct award contract will be for ten years.

Liquidity

In January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108m for an initial period of five years, with two one year extension options exercisable with the agreement of both parties, at the end of year one and year two of the facility. At 31 December 2018 the Group had drawn down €28 million under the term 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 2018. Management expect that the Group will continue to meet the covenants set out in the new facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities. The Group currently holds a net cash balance of €221 million as at 31/12/2018.

Pensions

The Group's pension schemes are in deficit, the liability position of the pension schemes reduced significantly in the year. The decrease in liability arose mainly due to an increase in the discount rate applied to calculate the present value of the scheme and a reduction in Inflation rate assumptions. 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, the Group 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.

Notes to the Financial Statements (continued)

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 5 Year business plan.
- Discussions with the NTA and Department of Transport, Tourism and Sport on the appropriate funding structure/net financial effect for Iarnród Éireann, Bus Éireann and Bus Átha Cliath.
- Discussion with staff representatives to agree measures to address the financial position of the Group's pension funds.
- 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

In compliance with the requirements of the Code of Practice for the Governance of State Bodies CIÉ has approved a rolling five year plan which reflects the objectives of the shareholder, the Minister for Transport, Tourism and Sport, and the strategic and legal mandate of CIÉ.

As outlined above, during 2018, the Board agreed an extension of its banking facilities, on a committed basis, for a further five years. The Board also notes and welcomes the proposals of the National Transport Authority to award contracts to Bus Átha Cliath, Bus Éireann and to Iarnród Éireann for the provision of public transport services which extend beyond 12 months of the date of approval of these financial statements.

In 2017 CIÉ received a Letter of Support from the DTTaS, in finalizing the 2018 financial statements CIÉ and the DTTaS discussed whether, in light of the considerations outlined above, there was an ongoing requirement for a Letter of Support. It was agreed that, in the context of the Group's approved five year plans and of its current financial position, that such a Letter of Support is not required.

Conclusion

Having made due enquiries, and considering the uncertainties and mitigations described above, the Board Members have a reasonable expectation that the cash flow generating from the Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Group and CIÉ, 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.

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

The Board Members, having regard to above, have a reasonable expectation that the Group and CIÉ will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

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 15(b). 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

	2018 €'000	2017 €'000
Staff costs:		
Wages and salaries	108,587	105,441
Social insurance costs	10,800	9,966
Other retirement benefit costs	9,580	10,127
	128,967	125,534
Engineering work for group companies recharged	(72)	(56)
Net staff costs (excluding directors remuneration)	128,895	125,478
Directors' remuneration:		
- For services as directors	64	72
- For executive services	25	57
- Termination payments for executive services	121	-
	210	129
Contributions paid to defined benefit scheme	2	2
Total directors' remuneration and emoluments	212	131
Payroll and related costs	129,107	125,609

No costs were incurred in respect of loss of office for any directors during 2018 or 2017 or after the balance sheet date. One employee director received a termination payment for services as an employee during 2018.

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 €1,267 for 2018 (2017: €2,222).

Notes to the Financial Statements (continued)

4 (b) Code of Practice for the Governance of Commercial State Bodies – Payroll Disclosures

Short-Term Benefits

	2018	2017
	€'000	€'000
Basic	81,690	71,194
Overtime	6,678	10,292
Allowances	20,219	23,955
	108,587	105,441
Aggregate employee benefits		
Short term benefits	108,587	105,441
Termination benefits	1,458	15,611
Retirement benefits	9,580	10,127
ER PRSI	10,800	9,966
Sub total	130,425	141,145
Less		
Exceptional termination payments	1,458	15,611
Engineering work for other group companies	72	56
Sub total	128,895	125,478
Add		
Directors Remuneration	212	131
Total	129,107	125,609

Exceptional operating costs related to severance payments are set out in note 6(b).

4 (b) Code of Practice for the Governance of Commercial State Bodies – Payroll Disclosures *(continued)*

Employee Short-Term Benefits

From	To	2018 Staff Numbers	2017 Staff Numbers
€0	€25,000	1,004	712
€25,000	€50,000	1,503	1,578
€50,000	€75,000	451	450
€75,000	€100,000	35	29
€100,000	€125,000	8	6
€125,000	€150,000	6	2
€150,000	+	2	3
Total Staff		3,009	2,780

The above figures represent the numbers of employees on payroll during the year and which includes all joiners and leavers to payroll.

	2018 Number	2017 Number
The average number of employees during the year were:		
Full-time	2,211	2,157
Part-time school bus drivers	351	373
Total	2,562	2,530

*Notes to the Financial Statements (continued)***4 (c) CEO Remuneration**

Wages and salaries costs include the following remuneration payable to the CEO Mr Ray Hernan and Mr Stephen Kent for executive services. Ray Hernan stepped down from CEO on 31st August 2018. Stephen Kent was appointed CEO from 1st November 2018. As follows is the combined remuneration paid to Ray Hernan and Stephen Kent in their roles as CEO during 2018.

	2018 €'000	2017 €'000
Combined amounts		
Basic salaries	221	161
Basic salaries arrears	44	–
Taxable allowances and benefits in kind	5	–
Social insurance costs	29	17
Post-retirement benefit costs	56	21
Post-retirement benefit arrears	33	–
Termination payment	–	171
	388	370

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

4 (d) Key Management Compensation

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

	2018 €'000	2017 €'000
Salaries and short term benefits	1,110	869
Salaries and short term benefits arrears	44	–
Post-retirement benefit costs	185	198
Post-retirement benefit costs arrears	33	–
Social insurance costs	93	79
Termination payments	–	683
Total	1,465	1,829

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 during 2018.

4 (d) Key Management Compensation *(continued)*

The directors of the Company were paid director's fees for services as directors during 2018 as follows:

Mr A Murphy	€21,600
Ms D Ashe	€12,600
Ms A Bradley	€5,608
Mr H Minogue	€980
Mr G Ryan	€12,600
Mr D Corry	€4,999
Mr D Mc Garry	€5,608

Mr T O'Connor, Mr Stephen Hannon and Mr J Moloney did not receive any director's fees for services as directors from the Company.

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

5 Code of Practice for the Governance of Commercial State Bodies – Disclosures for Overheads

	2018 €'000	2017 €'000
Legal costs and settlements		
General legal fees	213	358
Settlements and related legal costs	4,327	4,449
	4,540	4,807
Travel and subs		
<i>Domestic:</i>		
Board	-	-
Employees	62	66
<i>Foreign:</i>		
Board	-	-
Employees	17	16
	79	82
Hospitality		
Staff	38	28
Other	-	-
	38	28

*Notes to the Financial Statements (continued)***6 Expenses by Nature****(a) Materials and service costs**

	2018	2017
	€'000	€'000
Fuels and lubricants	29,785	27,141
Contractors	165,155	147,635
Road tax and licences	532	603
Operating lease rentals (note 6(d))	1,703	1,720
Rates	675	671
Third party and employers liability claims (note 14)	5,600	5,685
Increase in inventory obsolescence provision	69	147
Foreign exchange losses (net)	4	22
Other materials and services	48,029	44,907
	251,552	228,531

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

(b) Exceptional operating costs and revenues

	2018	2017
	€'000	€'000
Severance paid and provided for (note 14)	1,458	15,611
Operations restructuring paid and provided for (note 14)	(202)	2,854
Additional subvention	–	(2,184)
School reserve repaid to Department of Education and Skills	6,676	–
Professional and other services	–	165
	7,932	16,446

6 Expenses by Nature *(continued)*

(c) Depreciation, impairment and amortisation of tangible and Intangible fixed assets

	2018	2017
	€'000	€'000
Impairment of tangible fixed assets (note 10)	226	2,380
Depreciation of tangible fixed assets (note 10)	22,662	21,862
Amortisation of intangible fixed assets (note 9)	1,381	1,433
Amortisation of capital grants (note 15(a))	(16,337)	(16,078)
	7,932	9,597

(d) Operating leases include

	2018	2017
	€'000	€'000
Bus leasing	1,104	1,104
Other operating leases	599	616
	1,703	1,720

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

7 Net Interest Expense

	2018	2017
	€'000	€'000
Interest payable and similar charges to parent company	(316)	(447)

*Notes to the Financial Statements (continued)***8 Taxation****(a) Tax expense included in profit or loss**

	2018 €'000	2017 €'000
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	–	–
Tax on profit on ordinary activities	–	–

(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 2018 of 12.5% (2017: 12.5%) to the deficit for the year. The differences are explained below:

	2018 €'000	2017 €'000
Deficit on ordinary activities before tax	(6,382)	(23,678)
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5%	(798)	(2,960)
Effects of:		
– Depreciation for the year in excess of capital allowances	2,121	2,372
– Income not subject to tax	(8,646)	(7,974)
– Expenses not deductible for tax purposes	242	383
– Unrelieved tax losses carried forward not recognised	6,928	8,056
– Income charged to tax at higher rate	153	153
– Other movements	–	–
Current tax charge for the year	–	–

A potential deferred tax asset of €142.6m (2017: €135.5m) has not been recognised, as the future recovery against taxable profits is uncertain.

9 Intangible Fixed Assets

	Software €'000	Total €'000
Cost		
At 1 January 2018	7,732	7,732
Additions	143	143
Disposals	-	-
At 31 December 2018	7,875	7,875
Amortisation		
At 1 January 2018	5,623	5,623
Charge for the year	1,381	1,381
Disposals	-	-
At 31 December 2018	7,004	7,004
Net book amounts		
At 31 December 2018	871	871
At 31 December 2017	2,109	2,109

(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)***10 Tangible Fixed Assets**

	Road Passenger Vehicles €'000	Plant and Machinery €'000	Total €'000
Cost			
At 1 January 2018	331,758	28,548	360,306
Additions	24,113	2,128	26,241
Disposals	(8,960)	(56)	(9,016)
At 31 December 2018	346,911	30,620	377,531
Depreciation			
At 1 January 2018	232,656	22,490	255,146
Charge for the year	21,017	1,645	22,662
Impairment	–	226	226
Disposals	(8,960)	(56)	(9,016)
At 31 December 2018	244,713	24,305	269,018
Net book amounts			
At 31 December 2018	102,198	6,315	108,513
At 31 December 2017	99,102	6,058	105,160

(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 €126.4m (2017: €84.1m) were fully depreciated but still in use at the balance sheet date.

(iii) Tangible fixed assets at 31 December 2018 include €1.0m (2017: €4.5m) 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 €nil in 2018 (2017: €0.05m) were disposed in compliance with CIÉ Group policies and procedures for disposals of assets during the year

(vi) An impairment charge has been included in depreciation for the year 2018 for plant of €0.023m (2017: €2.38m). The prior year included €1.04m related to the PSO fleet.

(vii) Road passenger vehicles above include the recognition of 42 buses received under a bus leasing agreement with the National Transport Authority (NTA). The buses recognised in 2018 came into service in 2018. The buses received are restricted for use in specified public transport services only.

10 Tangible Fixed Assets *(continued)*

The buses have been recognised at a cost of €12.9m (2017: €nil). The cost is based on confirmation from the NTA on the cost the NTA incurred to acquire each bus from the supplier.

Under the Direct Award Contract it was recognised that the NTA can make available grant funding to facilitate the acquisition of new buses to meet the company's obligations to provide specified public transport services under the Public Service Obligation (PSO) contract.

Prior to 2018 the company received grant funding from the NTA to facilitate a planned approach to fleet replacement. The company purchased vehicles directly from the supplier following a competitive tendering process. The vehicles were recognised as additions to the tangible fixed assets and the associated grants from the NTA recognised as deferred income. The cost of the vehicles is depreciated over its useful life and the corresponding grant amortised over the same period.

In 2018, a new arrangement came into effect where the NTA now purchase buses directly with the contract for purchase being between the NTA and the supplier. A formal leasing agreement between the company and the NTA facilitates the leasing of these buses from the NTA to the company for the provision of PSO services in connection with the Direct Award Contract.

The leasing agreement offers the company the right to use the new buses, which are fit to meet the operational requirements of the company, at a rental amount of €1 per annum.

It is management's assessment that substantially all the risks and rewards of ownership of the buses transfer to the company on receipt of the buses from the NTA.

Management reviewed the rights and obligations of both the company and the NTA under this funding arrangement in comparison to the rights and obligations of both parties under the previous funding arrangement and concluded that, in respect of the 2018 transaction, although the leasing agreement modifies the Direct Award Contract there is no significant change in the substance of the arrangement between the company and the NTA.

Management concluded that for the financial statements to present a true and fair view of the assets, liabilities, financial position, financial performance and cash flows of the company for 2018 it is appropriate to recognise the new buses acquired under the lease agreement as tangible fixed assets and an associated grant in deferred income. The cost of these vehicles will depreciate over the useful life of the asset and the corresponding grant amortised over the same period.

Management will review and consider the accounting treatment periodically for any contractual changes or a change in circumstance.

11 Stocks

	2018	2017
	€'000	€'000
Maintenance materials and spare parts	2,833	2,454
Fuels, lubricants and sundry stocks	1,024	933
	3,857	3,387
Stock consumed during the year:		
Stock of materials and fuel consumed net of fuel rebate	38,237	35,128

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.

*Notes to the Financial Statements (continued)***12 Debtors**

	2018	2017
	€'000	€'000
Trade debtors	1,711	2,849
Amounts due from Department of Education and Skills	8,411	8,360
Amounts owed by parent company to Bus Éireann	84,948	49,396
Other debtors	443	472
	95,513	61,077

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 €75,898 (2017: €75,898).

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

13 Creditors

	2018	2017
	€'000	€'000
Amounts falling due within one year		
Trade creditors	18,152	16,579
Income tax deducted under PAYE and USC	2,563	1,729
Social insurance	1,702	1,328
Value added tax and other taxes	115	1,061
Other creditors	1,260	1,973
Accruals	24,053	18,632
Deferred revenue	10,781	9,382
Deferred income (note 15 (a))	14,000	14,839
	72,626	65,523
Creditors for taxation and social insurance included above	4,380	4,118

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

An amount of €4.03m is owed to the Department of Education and Skills at year end and is included in accruals above.

14 Provisions for Liabilities

	Opera- tional €'000	Environ- mental €'000	Legal and other €'000	Restruc- turing €'000	Third party and employer liability claims €'000	Total €'000
2018						
Opening Balance	8,426	–	469	8,118	48,175	65,188
Charge to profit and loss account (net)	587	400	767	1,458	5,600	8,812
Used during year	(3,020)	–	(469)	(7,922)	(4,327)	(15,738)
Closing Balance	5,993	400	767	1,654	49,448	58,262

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 €3.5m (2017: €3.6m) in respect of post-retirement benefit costs.

Environmental provision

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

Legal and 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)

14 Provisions for Liabilities (continued)

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.

CIÉ as a self-regulated body operates a self-insurance model whereby the operating companies bear the financial risk associated with the cost of claims, subject to certain “one-off” incidents and annual caps in the case of third party claims. 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.

15 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

	2018	2017
	€'000	€'000
Balance at 1 January	73,704	62,566
Received and receivable	22,230	27,216
Amortisation charge net of related impairment (note 6(c))	(16,337)	(16,078)
Balance at 31 December	79,597	73,704
Made up as follows:		
Included in current liabilities (note 13 (a))	14,000	14,839
Included in non-current liabilities	65,597	58,865
	79,597	73,704

Disclosure to accord with Department of Finance Circular number 13/2014

(b) Capital grants

	2018	2017
	€'000	€'000
Capital grants were used to fund the following additions:		
Computer, Hardware Software and other	2,301	725
Buses	19,929	26,491
Property	249	270
Sub total	22,479	27,486
Less: Transferable to CIÉ (Property)	(249)	(270)
Total	22,230	27,216

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 2017 and the sponsoring government department is the Department of Transport Tourism and Sport. Grants are restricted to Public Service Obligation (PSO) activities.

Included in Capital Grants received above is €12.9m related to buses recognised under the bus leasing arrangement (note 10).

Notes to the Financial Statements (continued)

16 Share Capital and Reserves

	2018 €'000	2017 €'000
Authorised		
Opening balance		
32,000,000 Ordinary shares of €1.269738 each	40,632	40,632
Increase in Authorised Share Capital		
29,146,471 Ordinary share of €1.269738 each	37,008	–
Closing balance		
61,146,471 Ordinary shares of €1.269738 each	77,640	40,632
Allotted, called up and fully paid presented as equity		
Opening balance		
23,000,000 Ordinary shares of €1.269738 each	29,204	29,204
Increase in Called up and fully paid Share Capital		
€29,146,471 Ordinary share of €1.269738 each	37,008	–
Closing balance		
52,146,471 Ordinary shares of €1.269738 each	66,212	29,204
Revenue Reserves (accumulated losses)	(52,487)	(46,105)

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.

17 Note to the Statement of Cash Flows

	2018 €'000	2017 €'000
Deficit for the financial year	(6,382)	(23,678)
Net interest payable	316	447
Deficit before interest	(6,066)	(23,231)
(Profit)/loss on disposal of tangible fixed assets	(50)	50
Depreciation, impairment, amortisation of tangible/intangible fixed assets	24,269	25,675
Capital grants amortised	(16,337)	(16,078)
(Increase)/decrease in inventory	(470)	410
Decrease in debtors	1,115	3,471
Increase in creditors	7,943	4,178
(Decrease)/increase in provisions for liabilities	(6,926)	11,897
Cash flow from operating activities	3,478	6,372

18 Operating Lease Obligations

	2018 €'000	2017 €'000
Commitments under non-cancellable operating leases payable as follows:		
Within one year	1,597	1,196
Between one and five years	1,658	2,537
	3,255	3,733

Included above within one year and between one and five years for 2018 is an operating lease entered into during the year for buses with lease obligations of €1.1 million for 2019. The term of this lease is five years and ends during 2020.

Notes to the Financial Statements (continued)

19 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 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.

The valuations of the schemes under FRS 102 as at 31 December 2018 showed a deficit of €547m, (2017: €784.1m). 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 2018 which are publicly available from CIÉ, Heuston Station, Dublin 8.

The company's pension cost for the year under the defined benefit schemes was €9.6 million (2017: €10.1 million) and these costs are included in note 4(a). The company cost comprises of contribution payable for the year.

20 Capital Commitments and Other Commitments

	2018	2017
	€'000	€'000
Contracted for	1,158	14,643
Total	1,158	14,643
Capital commitments for which funding by way of grants is committed	575	14,170

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 €0.07m for 2018 (2017: €1.12m) and are not included above in Bus Éireann Capital Commitments.

Monies due in respect of the Schools reserve totalling €6.7m due to the Department of Education and Skills were repaid in full during 2018.

21 Guarantees and Contingent Liabilities

The CIÉ Group has borrowings of €28m (2017: €28m) 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.

22 Net Deficit by Activity

	Public Services				Total €'000
	Commercial and school transport €'000	Stage carriage €'000	City €'000	Public Services Total €'000	
2018					
Revenue	248,457	51,203	37,922	89,125	337,582
Costs (net)	(247,425)	(96,457)	(44,975)	(141,432)	(388,857)
Surplus/(Deficit) before Subvention	1,032	(45,254)	(7,053)	(52,307)	(51,275)
Subvention	-	-	-	52,825	52,825
Surplus after Subvention	1,032	(45,254)	(7,053)	518	1,550
Exceptional operating costs	-	-	-	-	(7,932)
Deficit for the year					(6,382)
2017					
Deficit for the year	(6,975)			(257)	(7,232)
Exceptional costs					(16,446)
Deficit after exceptional costs					(23,678)

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 2018 amounted to €52.3m, before exceptional items, while the compensation received amounted to €52.8m for PSO payment before exceptional PSO related to prior years.

23 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.

Notes to the Financial Statements (continued)

24 Public Service Obligation Contract

The PSO payable to the company through the holding company, Córas Iompair Éireann, amounted to €52.8m for the year ended 31 December 2018 (2017: €47.7m).

25 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.

26 Post Balance Sheet Events

There have been no significant post balance sheet events which require adjustment to or disclosure in the financial statements.

27 Approval of Financial Statements

The directors approved the financial statements on 3rd April 2019.



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