



**ANNUAL REPORT AND FINANCIAL STATEMENTS 2002**  
Tuarascáil Bhlantúil agus Ráitis Airgeadais don Bhlain 2002

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Bus Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2000 – 2006 as well as co-funding by the European Union.

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## Directors and Other Information

### Directors at 24th March, 2003

<b>Chairman</b>	Dr. J. J. Lynch
<b>Managing Director</b>	Mr. W. Lilley
<b>Directors</b>	Ms. K. Byrne, Mr. G. Charles, Mr. P. Cullen, Mrs. T. Honan, Mr. R. Langford, Ms. A. M. Mannix

<b>Secretary</b>	Mr. M. Nolan
<b>Registered Office</b>	Broadstone, Dublin 7
<b>Telephone</b>	+353 1 703 3447
<b>Facsimile</b>	+353 1 703 3486
<b>Website</b>	<a href="http://www.buseireann.ie">www.buseireann.ie</a>
<b>Registered Number</b>	119570

<b>Auditors</b>	PricewaterhouseCoopers Chartered Accountants and Registered Auditors Wilton Place, Dublin 2
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# Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 31st December, 2002

## Principal Activities and Business Review

Bus Éireann's 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 of the nationwide school transport scheme on behalf of the Department of Education and Science.

Bus Éireann has substantially improved the range, quality and frequency of services on all its products. Service developments, agreed under the National Development Plan 2002-2006, were fast forwarded in 2000 and 2001 and were delivered significantly ahead of schedule and within budget:

- Peak hour commuter services into Dublin expanded by nearly 50%, with fifteen-minute frequencies on all main corridors. Many departures are augmented with additional buses.
- City service frequencies have been improved by 33% on average with many routes having frequencies doubled. Galway City for example have doubled the departures that they had two years ago.
- Long distance coach services have high frequency, hourly to two hourly services on all main corridors, with plans for further improvements. Passengers have trebled since the company's incorporation in 1987.

Substantial increases in passenger numbers were recorded in 2002: 4.5% in provincial cities; 5.7% in commuting and 5.3% in long distance coach services; whilst on the School Transport Scheme a slow decline continued in line with the fall in the school-going population. There have, however, been substantial increases in the level of special needs services. The scheme carries over 135,000 children twice daily.

The company introduced Internet journey planning and the first on-bus validation of an E-ticketing system in Europe.

A summary of the passenger journeys and vehicle kilometres operated by the company on scheduled services is shown above:

	Year ended 31st December	
	2002	2001
	Thousands	Thousands
<b>Passenger journeys</b>		
Provincial city services	20,954	20,051
Other scheduled services	25,104	23,729
School transport scheme	43,300	43,610
	<u>89,358</u>	<u>87,390</u>
<b>Vehicle kilometres</b>		
Provincial city services	7,745	7,593
Other scheduled services	71,840	70,457
	<u>79,585</u>	<u>78,050</u>

Bus Éireann's network of services provides a safe, effective and value for money transport system to the public at a relatively small cost to the Exchequer.

The company's profitability has however deteriorated due to the losses generated on public services:

- The net deficit for the year was €9.4 million. The company lost €35.9 million on Public Services and received €21.8 million in State grants to pay for these services leaving a deficit on public services of €14.1 million. The company made a profit of €4.7 million on commercial activities, which have been used to part pay for the public services.
- Many of these public services operate on congested roads at low fares and substantial portions are peak hour trips. Additionally, ongoing losses were incurred in introducing substantial increases in public services as part of the National Development Plan and in compliance with Government policy to promote a modal shift to public transport.
- It has been independently calculated by BDO Simpson Xavier that it costs the company €17.8 million additional to run its services on Irish roads compared to European roads (2000 - €12.6 million). Traffic congestion continues to place an ever-increasing cost on the company and dissipates the substantial improvements introduced in recent years.
- Since 1991 the company received fares increases of 25% while inflation has increased by 37% (labour inflation - 47%). This includes a welcome fares increase averaging 9%, granted by the Minister for Transport, in December 2002.

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## Report of the Directors

The company's cash reserves have been exhausted in funding public services. During 2002 the company was only able to purchase 10 replacement vehicles for its road passenger fleet of nearly 700 vehicles. The level of services that we provide cannot be maintained at this level of investment. In addition, the lack of available resources for investment in commercial activities has put in jeopardy their continued availability to generate profits to part pay for public services.

In order to achieve the financial return necessary for sustainable reinvestment in the services provided, the company must:

- Deliver on its programme of internal efficiencies.
- Match the level of public services provided to the level of funding available.
- Continue to work with local and national authorities to alleviate traffic congestion.

### Results and Reserves

The financial statements for the year ended 31st December, 2002 are set out in detail on pages 7 to 19. The results for the year ended 31 December, 2002 show a deficit of €9,421,000 (2001 - €4,361,000).

### The Introduction of the Euro

The company experienced no disruption or malfunction during the year 2001 or into year 2002 from its own computer systems, embedded systems, ticketing systems or manual procedures.

The lack of disruption is attributed to an analysis of the risks carried out in prior years and consequential modifications to, or replacement of, hardware and software not held to be euro compliant.

The total cost to the company was €543,700 of which €328,428 had been expensed in 2001.

### Employee Participation

In 2001, at a meeting of the Steering Group, in accordance with the Scheme for the Establishment of Enterprise Partnership, it was agreed to set up an Implementation Group to plan and oversee the introduction of the Local Enterprise Partnership Councils provided for in the scheme. The Implementation Group, comprising of management and trade union representatives, met a number of times throughout 2002 with the objective of having all elements of the scheme in place in 2003.

### 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, 1989.

### Equal Opportunities

In 2001 the company and the trade unions agreed to establish an Equality Review Group chaired by a specialist in equality issues, for the purpose of undertaking a comprehensive examination of the policies, procedures, practices and perceptions that exist in Bus Éireann in relation to these issues. This included the undertaking of a company-wide equality survey.

The Review Group concluded its work at the end of 2002 and its report will be issued in early 2003.

### Books of Account

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

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# Report of the Directors

## Directors

The directors of the company are appointed by the chairman of Córas Iompair Éireann with the consent of the Minister for Transport. The directors during the year ended 31st December, 2002 are set out below. Except where indicated they served as directors for the entire year.

Dr. J. J. Lynch	Chairman (Appointed 27th May, 2002)
Mr. W. Lilley	Managing Director (Reappointed 2nd Jan, 2003)
Mr. P. Cullen	
Mrs. T. Honan	
Mr. G. Duggan	(Reappointed 1st March, 2002) (Resigned 8th August, 2002)
Ms. A. M. Mannix	
Ms. K. Byrne	(Appointed 27th May, 2002)
Mr. R. Langford	(Appointed 29th April, 2002)
Mr. G. Charles	(Appointed 29th April, 2002)

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

## Code of Practice for the Governance of State Bodies

The company has taken measures to ensure the terms and spirit of the above code, as issued in the year 2001 by the Department of Finance, are complied with by the company on an ongoing basis.

## Auditors

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

On behalf of the board

**W. Lilley** Managing Director  
**T. Honan** Director

24th March, 2003

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## Statement of Directors' Responsibilities

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

In preparing those financial statements the directors are required to:

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2001. 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.

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# Report of the Auditors

## Independent auditors' report to the members of Bus Éireann - Irish Bus

We have audited the financial statements on pages 7 to 19.

### Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 5 in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2001. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

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

### Basis of Audit Opinion

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31st December, 2002 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the report of the directors on pages 2 to 4 is consistent with the financial statements. The net assets of the company, as stated in the balance sheet on page 9, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31st December, 2002, a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

**PricewaterhouseCoopers,**  
Chartered Accountants and Registered Auditors,  
Dublin.

24th March, 2003



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# Principal Accounting Policies

The significant accounting policies and estimation techniques adopted by the company are as follows:

## (A) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2001. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

## (B) TANGIBLE ASSETS AND DEPRECIATION

Tangible assets are stated at historical cost less accumulated depreciation based on that historical cost.

The bases of calculation of depreciation are as follows:

### (i) Road passenger vehicles

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

### (ii) Plant and machinery

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

## (C) LEASED ASSETS

### Operating leases

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

## (D) STOCKS

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

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

## (E) GRANTS

### (i) State grants

State grants received during the year in respect of public service obligations are dealt with in the profit and loss account.

### (ii) Exchequer grants

Exchequer grants are credited to deferred income as they become receivable. They are amortised to the profit and loss account on the same basis as the related assets are depreciated.

## (F) FOREIGN CURRENCY

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

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

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

## (G) PENSIONS

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

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

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## Profit and Loss Account

Year ended 31st December		2002	2001
	Notes	€000	€000
<b>Revenue</b>		<b>202,645</b>	<b>179,364</b>
<b>Costs</b>			
Payroll and related costs	1	(102,951)	(90,487)
Materials and services	2	(118,873)	(104,918)
Depreciation and loss on disposal of tangible assets	3	(12,079)	(12,110)
<b>Total operating costs</b>		<b>(233,903)</b>	<b>(207,515)</b>
<b>Deficit before interest and State grant</b>		<b>(31,258)</b>	<b>(28,151)</b>
Interest receivable/(payable)		69	(18)
<b>Deficit before State grant</b>		<b>(31,189)</b>	<b>(28,169)</b>
State grant		21,768	23,808
<b>Deficit for the year after State grant</b>		<b>(9,421)</b>	<b>(4,361)</b>
Accumulated (deficit)/surplus at beginning of the year		(2,751)	1,610
<b>Accumulated deficit at end of the year</b>		<b>(12,172)</b>	<b>(2,751)</b>

All figures relate to the continuing activities of the company.  
There were no recognised gains or losses other than those included  
in the profit and loss account.

On behalf of the board

**W. Lilley,** Managing Director  
**T. Honan,** Director

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## Balance Sheet

As at 31st December		2002	2001
	Notes	€000	€000
<b>Fixed assets</b>			
Tangible assets	4	75,199	85,014
<b>Current assets</b>			
Stocks	5	4,002	3,890
Debtors	6	25,373	14,773
Cash at bank and in hand		329	336
		<u>29,704</u>	<u>18,999</u>
<b>Creditors (amounts falling due within one year)</b>	7	<u>(31,788)</u>	<u>(21,496)</u>
<b>Net current liabilities</b>		<u>(2,084)</u>	<u>(2,497)</u>
<b>Total assets less current liabilities</b>		<u>73,115</u>	<u>82,517</u>
<b>Creditors (amounts falling due after one year)</b>	7(b)	<u>(2,000)</u>	-
<b>Provision for Liabilities and Charges</b>	8	<u>(28,367)</u>	<u>(28,040)</u>
<b>Deferred income</b>	9	<u>(18,764)</u>	<u>(21,072)</u>
		<u>23,984</u>	<u>33,405</u>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Called up share capital	10	29,204	29,204
Asset replacement reserve	11	6,952	6,952
Profit and loss account		(12,172)	(2,751)
<b>Shareholders' funds</b>	12	<u>23,984</u>	<u>33,405</u>

On behalf of the board

**W. Lilley,** Managing Director  
**T. Honan,** Director

# Cash Flow Statement

Year ended 31st December		2002	2001
	Notes	€000	€000
<b>Net cash inflow from operating activities</b>	13(A)	6,769	4,270
<b>Returns on investment and servicing of finance</b>			
Interest receivable/(payable)		69	(18)
		<u>6,838</u>	<u>4,252</u>
<b>Capital expenditure</b>			
Additions to tangible assets	4	(5,304)	(24,147)
Proceeds from disposal of tangible assets		47	48
Capital grants received		2,616	17,270
		<u>(2,641)</u>	<u>(6,829)</u>
<b>Inflow/(outflow) before use of liquid resources and financing</b>		<b>4,197</b>	<b>( 2,577)</b>
<b>Management of liquid resources</b>			
Movement in amounts owed by holding company	13(B)	(5,485)	3,087
<b>(Decrease)/increase in cash</b>	13(B)	<b>(1,288)</b>	<b>510</b>
Liquid resources comprise amounts owed by the holding company, which represent cash generated not immediately required for operations, and made available to the holding company, repayable on demand.			
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/Increase in cash in the year		(1,288)	510
Cash inflow/(outflow) from change in liquid resources		5,485	(3,087)
<b>Movement in net funds</b>		<b>4,197</b>	<b>(2,577)</b>
Net funds at 1st January		2,266	4,843
<b>Net funds at 31st December</b>		<b>6,463</b>	<b>2,266</b>

# Notes to the Financial Statements

	2002	2001
	€000	€000
<b>1. PAYROLL AND RELATED COSTS</b>		
<b>Staff Costs</b>		
Wages and salaries	85,289	79,021
Social welfare costs	6,788	6,890
Other pension costs	4,508	3,657
	<u>96,585</u>	<u>89,568</u>
Change Programme costs	6,406	1,058
Engineering work for group companies	(260)	(323)
<b>Net staff costs</b>	<u>102,731</u>	<u>90,303</u>
<b>Directors' remuneration</b>		
<b>Emoluments</b>		
- for services as directors	-	-
- for other services	220	184
<b>Total directors' remuneration and emoluments</b>	<u>220</u>	<u>184</u>
<b>Payroll and related costs</b>	<u>102,951</u>	<u>90,487</u>

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

	<b>Staff Numbers</b>	
	2002	2001
Full-time	2,155	2,093
Part-time school bus drivers	546	548
<b>Total</b>	<u>2,701</u>	<u>2,641</u>

	2002	2001
	€000	€000
<b>2. MATERIALS AND SERVICES</b>		
Fuels and lubricants	11,040	9,215
Other contractors	65,118	56,747
Road tax and licences	262	262
Operating lease rental of vehicles	3,898	4,910
Third party and employer's liability claims	9,202	7,086
Rates	605	551
Auditors' remuneration	37	37
Other materials and services	28,711	26,110
	<u>118,873</u>	<u>104,918</u>

## Notes to the Financial Statements

	2002	2001
	€000	€000
<b>3. DEPRECIATION AND LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS</b>		
Depreciation of tangible fixed assets ( <i>note 4</i> )	13,586	12,985
Loss on disposal of tangible fixed assets	1,484	305
Grants amortisation ( <i>note 9</i> )	(2,991)	(1,180)
	<u>12,079</u>	<u>12,110</u>

### 4. TANGIBLE FIXED ASSETS

	Road Passenger Vehicles €000	Plant and Machinery €000	Total €000
<b>Cost</b>			
At 1st January, 2002	170,716	9,088	179,804
Additions	3,804	1,500	5,304
Disposals	(4,851)	-	(4,851)
<b>At 31st December, 2002</b>	<u>169,669</u>	<u>10,588</u>	<u>180,257</u>
<b>Depreciation</b>			
At 1st January, 2002	89,293	5,497	94,790
Charge for the year	11,914	1,672	13,586
Disposals	(3,318)	-	(3,318)
<b>At 31st December, 2002</b>	<u>97,889</u>	<u>7,169</u>	<u>105,058</u>
<b>Net Book Amounts</b>			
<b>At 31st December, 2002</b>	<u>71,780</u>	<u>3,419</u>	<u>75,199</u>
At 31st December, 2001	81,423	3,591	85,014

- (a) The expected useful lives of the various types of assets for depreciation purposes are as follows:
- |                         | Lives (Years) |
|-------------------------|---------------|
| Road passenger vehicles | 8 - 14        |
| Plant and machinery     | 5 - 10        |

- (b) Road passenger vehicles at a cost of €2,705,827 (2001- €3,066,313) were fully depreciated but still in use at the balance sheet date.

- (c) Tangible fixed assets at 31st December, 2002 include €1,852,984 (2001-€12,491,825) in respect of tangible fixed assets not yet in service.

### 5. STOCKS

	2002	2001
	€000	€000
Maintenance materials and spare parts	2,932	2,987
Fuels, lubricants and sundry stocks	1,070	903
	<u>4,002</u>	<u>3,890</u>

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

## Notes to the Financial Statements

	2002	2001
	€000	€000
<b>6. DEBTORS</b>		
Trade debtors	3,163	2,742
Department of Education and Science	11,182	5,178
Amounts owed by holding company ( <i>note 13(B)</i> )	7,656	2,171
Other debtors and accrued income	3,372	4,682
	<u>25,373</u>	<u>14,773</u>

### 7. CREDITORS

#### (A) Amounts falling due within One Year

Bank overdraft	(978)	241
Trade creditors	9,184	7,701
Income tax deducted under PAVE	1,723	762
Pay-related social insurance	971	779
Value added tax and other taxes	554	123
Other creditors	1,853	1,748
Accruals	7,218	4,518
Change Programme provision ( <i>note 8</i> )	1,650	-
Third party and employer's liability claims ( <i>note 8</i> )	6,000	4,444
Deferred income ( <i>note 9</i> )	3,113	1,180
Loan from Holding Company	500	-
	<u>31,788</u>	<u>21,496</u>
Creditors for taxation and social welfare included above	3,248	1,664

#### (B) Amounts falling due after One Year

Loan from Holding Company	<u>2,000</u>	-
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### 8. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision €000	Third Party & Employer's Liability Claims €000	Total €000
Balance at 1st January	-	32,484	32,484
Utilised during the year	-	(7,319)	(7,319)
Transfer from profit and loss account	1,650	9,202	10,852
Balance carried forward	1,650	34,367	36,017
Less amount classified as current liability ( <i>note 7</i> )	(1,650)	(6,000)	(7,650)
Balance at 31st December	<u>-</u>	<u>28,367</u>	<u>28,367</u>

#### 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.

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# Notes to the Financial Statements

## 8. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

### (A) External Insurance Cover

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

- (i) third party liability in excess of €1,400,000 and up to €191,400,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of actions taken for road claims subject to United States jurisdiction where the excess is US\$3,300,000;
- (ii) third party liability in excess of €140,000 and up to €190,140,000 on any one occurrence or series of occurrences arising out of all other risks events, except in the case of actions taken for all other risks claims subject to United States jurisdiction where the excess is US\$140,000;
- (iii) road transport third party liabilities in excess of a self-insured retention of €6,200,000 in aggregate in the twelve month period, April 2002 to March 2003; and
- (iv) fire and special perils, including storm damage, to property in excess of €1,000,000 on any one loss.

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

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

In calculating the estimated cost of outstanding potential liabilities the company calculates individual file valuations to which contingency provisions are added with the assistance of external actuarial advice. The actuary's mathematical modelling is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the potential liabilities to increase or reduce when compared with the cost of previously finalised claims including, for example, changes in the legal environment, the effects of inflation, changes in operational activity and the impact of large losses.



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# Notes to the Financial Statements

## 8. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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

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 in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to notification from the company's brokers of any reinsurers in run off.

2002	2001
€000	€000

## 9. DEFERRED INCOME

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

### Capital grants

Balance at 1st January	22,252	6,162
Received and receivable	2,616	17,270
Transfer to profit and loss account	(2,991)	(1,180)
Balance carried forward	21,877	22,252
Less Transfer to current Liabilities ( <i>note 7</i> )	(3,113)	(1,180)
Balance at 31st December	18,764	21,072

# Notes to the Financial Statements

	2002	2001
	€000	€000
<b>10. SHARE CAPITAL</b>		
<b>Authorised</b>		
Ordinary shares of €1.27 each	40,632	40,632
<b>Allotted, called up and fully paid</b>		
Ordinary shares of €1.27 each	<u>29,204</u>	<u>29,204</u>
<b>11. ASSET REPLACEMENT RESERVE</b>		
Balance at 31st December	<u>6,952</u>	<u>6,952</u>
<b>12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>		
Deficit for the year	(9,421)	(4,361)
Opening equity shareholders' funds	33,405	37,766
Closing equity shareholders' funds	<u>23,984</u>	<u>33,405</u>
<b>13. CASH FLOW STATEMENT</b>		
<b>(A) Reconciliation of operating deficit to net cash inflow from operating activities</b>		
Operating deficit before State grants	(31,258)	(28,151)
Public service obligation receipts	21,768	23,808
	<u>(9,490)</u>	<u>(4,343)</u>
Depreciation and loss on disposal of tangible fixed assets	15,070	13,290
Capital grants amortised	(2,991)	(1,180)
Restructuring payments made	-	(1,337)
Increase in stocks	(112)	(368)
Increase in debtors	(5,116)	(396)
Increase/(decrease) in creditors	7,525	(3,551)
Increase in provisions for liabilities and charges	1,883	2,155
<b>Net cash inflow from operating activities</b>	<u>6,769</u>	<u>4,270</u>

# Notes to the Financial Statements

## 13. CASH FLOW STATEMENT (continued)

### (B) Analysis of change in net funds

	At 1st Jan. 2002 €000	Cash flows €000	At 31 Dec. 2002 €000
Cash at bank and in hand	336	(7)	329
Bank overdraft	(241)	1,219	978
Loan – from Holding Company	-	(2,500)	(2,500)
		(1,288)	
Amounts owed by holding company	2,171	5,485	7,656
	<u>2,266</u>	<u>4,197</u>	<u>6,463</u>

## 14. OPERATING LEASE OBLIGATIONS

	2002 €000	2001 €000
Commitments under non-cancellable operating leases payable in the coming year expire as follows:		
Within one year	842	718
Between one and five years	1,413	2,697
	<u>2,255</u>	<u>3,415</u>

## 15 PENSIONS

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

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

Whilst the schemes are defined benefit schemes, the company is unable to identify its share of the underlying assets and liabilities of the schemes. The actuarial position of the schemes at 31st December, 2002, using the bases required by Financial Reporting Statement (FRS) No. 17 (Retirement Benefits), showed a deficit of €220.4 million. Details in relation to the schemes, required by FRS 17, are contained in the accounts of Córas Iompair Éireann.

## Notes to the Financial Statements

	2002	2001
	€000	€000
<b>16. CAPITAL COMMITMENTS</b>		
Contracted for	7,857	820
Authorised by the directors, but not contracted for	210	388
	<u>8,067</u>	<u>1,208</u>

### 17. CONTINGENT LIABILITIES

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

### 18. NET SURPLUS/(DEFICIT) BY ACTIVITY

	Commercial and Schools Transport	City	Public Services Stage Carriage	Sub Total	TOTAL
	€000	€000	€000	€000	€000
<b>2002</b>					
Revenue	148,831	18,551	35,263	53,814	202,645
Costs	(144,096)	(30,559)	(59,179)	(89,738)	(233,834)
Surplus/(deficit) before State grant	4,735	(12,008)	(23,916)	(35,924)	(31,189)
State grant				21,768	21,768
Surplus/(deficit) for year	4,735			(14,156)	(9,421)
<b>2001</b>					
Surplus/(deficit)	5,150			(9,511)	(4,361)

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

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## Notes to the Financial Statements

### 19. RELATED PARTIES

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

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

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

### 20. MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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

### 21. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 24th March, 2003





