



ANNUAL REPORT
AND FINANCIAL
STATEMENTS

2003

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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.

Directors and Other Information

Directors at 29th March, 2004

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

Secretary	Mr. M. Nolan
Registered Office	Broadstone, Dublin 7
Telephone	+353 1 703 3447
Facsimile	+353 1 886 0525
Website	www.buseireann.ie
Registered Number	119570

Auditors	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, 2003.

Principal Activities

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 Science.

Business Review

The company had a very successful year in 2003. The company's financial position improved from a deficit of €9.4 million in 2002 to a surplus of €1.5 million in 2003.

This financial improvement was achieved while introducing new services and additional departures, particularly on the long distance and commuter service network to meet customer demands.

Highlights of the year were a continuing and significant increase in customer numbers, higher levels of customer satisfaction, further innovation in such areas as website journey planning and e-ticketing (buyonline@buseireann.ie), improvements in service frequency, continued investment in fleet upgrading including fully accessible city buses and further improvements in customer facilities at a number of locations throughout the country.

Bus Éireann has continued to build, innovate and improve its integrated network of services provided for customers and has done so at low subvention rates and low fares by European standards.

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 as per its business plan.
- 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.

It is generally accepted that the primary objective for public transport policy is to improve modal shift and by this means assist in easing traffic congestion. Modal shift is critical in meeting the Kyoto targets for emissions and in order to alleviate the possible fines that could be imposed. The company's

improvement in customer numbers, ahead of trends in Europe, shows the positive contribution the company has made towards increased use of public transport.

Ongoing modal shift is very much influenced by funding levels and traffic congestion issues being addressed.

Focus on Customers

• Customer numbers increased

Bus Éireann customer numbers have continued to grow over the last five years and at significantly higher rates than elsewhere in Europe. The national integrated network of Intercity, commuter, city and rural services is a major factor in this continued growth, and delivers a wide choice of services to an unparalleled range of destinations in rural Ireland.

Statistics show that Ireland has the highest rural based population in the European Union and despite this disadvantage has the second highest customer kilometres on buses. Integrated bus networks are therefore critical in Ireland due to our dispersed population.

Since 1998, customer numbers on both Expressway and commuter routes have increased by over 40%. On Bus Éireann city services, the higher frequencies offered and the continued upgrading of the fleet has resulted in a 13% increase in customers carried over the last five years.

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

	Year ended 31st December	
	2003	2002
	Thousands	Thousands
Customer journeys		
Provincial city services	21,391	20,954
Other scheduled services	27,033	25,104
School transport scheme	43,554	43,300
	91,978	89,358
Vehicle kilometres		
Provincial city services	8,198	7,745
Other services –own	75,947	71,931
Other services –sub contracted	59,876	56,311
	144,021	135,987

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.

• Customer satisfaction increased

The fourth independent audit of commitments given in the Customer Charter was undertaken during the year. The overall customer satisfaction rating was up by 3% on 2002 and 9% on 2000.

Report of the Directors

Separate market research on Bus Éireann's overall performance revealed an extremely high customer satisfaction rating of 91%.

- **New services provided**

Examples of Expressway service improvements during 2003 included four direct services daily between Galway and Shannon Airport, as well as additional services on the Dublin/Clonmel, Dublin/Ballina, Dublin/Sligo and Cork/Kilkenny routes.

A high frequency commuter service was introduced on the Dublin/Ashbourne route. New commuter services were introduced between Athlone and Dublin, and between Athlone and Galway. Late night services were introduced on the Dublin/Drogheda route, with new late night services for the pre-Christmas period on the Dublin/Newbridge, Dublin/Navan and Waterford/Tramore routes.

In Cork, the service from the city centre to Wilton was extended into the grounds of the Regional Hospital and the frequency improved. Service frequencies on routes to Carrigaline and Midleton were also increased. The company won a three-year contract from Cork City Council to operate a "Park & Ride" shuttle bus service linking a new car park at Black Ash with the city centre. This contract was tendered in an open competition and the service, using accessible double-deck vehicles, commenced early in 2004.

In Waterford the route to St. John's Park benefited from a doubling of the frequency.

- **Buyonline@buseireann.ie**

Bus Éireann was the first bus company in Europe to develop e-ticketing through an innovative system which enables the customer to print a confirmation and exchange it for a ticket on boarding the bus. The on-line ticket purchase facility has now been extended to include on-line booking, seat reservation and ticket purchase for Eurolines services to Britain.

Further development of the Bus Éireann website, including the journey planner, continued during the past year. The integration of the journey planner and "Buyonline@buseireann.ie" facility on the company's website highlights the integrated nature of the Bus Éireann network. On-line ticket purchase is available across 600 different locations; for example, it is possible to buy one ticket for a journey from Dingle to Killybegs, travelling by a seamless combination of Expressway and local services, at a significant discount.

- **Accessibility**

With the assistance of funding from the accessibility element of the National Development Plan, work was carried out at a number of bus stations in order to facilitate and improve access by mobility-impaired customers. The stations that benefited from these accessibility improvement projects were Dublin (Busáras), Galway, Drogheda, Dundalk, Monaghan and Sligo.

In addition, in order to provide modern maintenance facilities for low-floor accessible vehicles, modifications were made to garage maintenance pits at Ballina, Dublin (Broadstone), Dundalk, Galway, Limerick and Sligo.

The total amount spent on accessibility projects, including provision of disability awareness training courses for staff, was €3 million. Further re-furbishment work at Busáras and modernisation of the bus station in Cork are planned to commence during 2004.

- **Government targets surpassed**

Bus Éireann and the Department of Transport agreed a Memorandum of Understanding on Service Levels and Targets for 2003. The company surpassed all the performance targets set out in this Memorandum. In addition the company supplemented government funding of public services with €6.4 million of its' own funds generated on other commercial activities.

- **School Transport – 77 new services**

Bus Éireann and the Department of Education and Science have worked closely together to minimise the total cost of the School Transport Scheme. Further cost effective measures have been introduced with an emphasis on the effectiveness of the network and the safe provision of services. The introduction of a standard school year has assisted the co-ordination of services, resulting in tangible savings.

Some 77 new school transport services were introduced during 2003, mainly in the area of transport for special needs children. The quality and range of services now being provided by Bus Éireann in this specialised area has greatly improved, for instance, there are now 162 vehicles providing school transport services under the School Transport Scheme, which are wheelchair accessible and capable of carrying children in their wheelchairs.

More suitable school transport services enhance accessibility to education for children with special needs, and compliment the policy of the Department of Education and Science in this important area. In a related initiative, a series of training courses on Disability Awareness was arranged on a national basis in 2003, for all school bus drivers who provide services for children with special needs under the School Transport Scheme.

Bus Éireann school bus drivers received Safe Driving Awards for the first time in 2003, to acknowledge their exemplary safety record in the performance of their duties. Almost 140,000 children were transported twice daily on dedicated Bus Éireann and contracted school transport fleet of almost 3,000 vehicles and on publicly owned and privately licensed scheduled local and national bus and rail services.

71 replacement school buses have been sourced to replace older vehicles in the fleet. In addition, 12 buses were cascaded

Report of the Directors

from the Bus Éireann service fleet, resulting in a total of 83 replacement buses introduced in 2003. This is part of an ongoing fleet replacement programme.

Improving our Operations

- **Safety and risk management**

The safety of our customers and staff is of paramount importance to Bus Éireann. The management continues to reinforce a culture of safety throughout the company. The investment in advanced driver training continued to pay dividends in 2003 with both vehicle and customer accident rates declining, by over 4% and 10% respectively.

- **More new vehicles**

The company continued to invest in fleet upgrading, with 40 new vehicles delivered during 2003 and a further 38 vehicles delivered by the year end.

10 new city buses went into service in Cork during the year, of low-floor design and fully accessible in line with company policy of purchasing only fully accessible buses for urban services. Following the acquisition of these vehicles, 92 per cent of the Bus Éireann city bus fleet is now fully accessible to people who are mobility impaired, including wheelchair users. The Expressway coach fleet was upgraded through the delivery of 30 new coaches.

38 new replacement vehicles for commuter routes - 24 commuter coaches for routes in the Cork, Galway and Limerick areas and 14 fully accessible double deck vehicles for routes in the Greater Dublin hinterland area were delivered at the year end. They have subsequently entered service in 2004.

- **Traffic congestion and infrastructure**

The company welcomes and fully supports the programme of road improvements committed to by Government. In particular, the allocation of funding for development of ten "green routes" in Cork city is especially welcome in the context of building on the fleet upgrading and service frequency improvements which Bus Éireann has put in place during the last five years.

The reliability of Bus Éireann services continues to be adversely affected by worsening levels of traffic congestion. This is a feature, not only of city services, but also of longer distance commuter routes and Expressway routes.

A further study by independent consultants - BDO Simpson Xavier - estimated that traffic congestion imposed additional costs over comparable European costs of €19.2 million (€17.8 million - 2002) on the company's operations during the year. While the rate of increase in these additional costs is slower - the 2001 figure was €12.6 million - the extent of these extra costs emphasises the need to implement a much wider range of infrastructural improvements and bus priority measures so

that customers can benefit fully from the substantial investment which Bus Éireann has made in fleet and facilities. The State support to Bus Éireann of €22.9 million for the operation of public services has to be taken in the context that traffic flows in Ireland are worse than those prevailing generally in Europe, and accordingly such traffic delays impose additional costs, leading to a less effective and less efficient customer service.

For example, the average operating speeds achieved by buses in Irish cities are well below the international average of 23.1 kilometres per hour (kph). The comparative figures for Bus Éireann city services are: Cork, 11.9 kph; Galway, 13.7 kph; Limerick, 14.4 kph; Waterford, 14.5 kph.

- **€69 million paid to sub contractors**

The company paid over €69 million to sub contractors in the year. Sub contractors undertook 42% of the company's kilometres. This spend is mostly invested with rural based contractors supporting the local economy in those areas.

Investing in People

- **Special Olympics**

The company and staff were honoured to be involved as part of the logistical support team for this special International occasion. Numerous staff including many volunteers manned the many locations and vehicles ensuring that the athletes transportation to and from the many venues was professionally managed. The huge logistical effort was an enormous success and we pass on a special thanks to An Garda Síochána for ensuring timely arrival to all venues.

- **Staff training and development**

The company continued to invest heavily in staff training and development in the year.

The company's overall objectives in management development are, to ensure that as far as possible, management are equipped to deal with the challenges in a changing environment and to improve the succession planning process.

The **Management Development Programme** was devised in 2002 to develop strategic management capabilities, general management skills and competitiveness skills on a cross functional basis. The company's senior management team participated in the first series of modules. The programme continued throughout 2003 with middle management and executive staff participating.

The **Customer Management and Customer Care** course for all drivers commenced in 2003 and is continuing. Each course included modules on customer care, disability issues, vehicle safety checks etc.

Report of the Directors

A **Performance Management and Development System (PMDS)** for all management, executive and clerical staff was introduced in 2003. All staff have participated in the training programme and the initial review meetings were scheduled for January 2004.

The **Disability Awareness Programme** for all staff continued throughout 2003. In addition, the programme has been extended to include contractors' drivers and school bus drivers who operate services for children with special needs.

Results and Reserves

The financial statements for the year ended 31st December, 2003 are set out in detail on pages 8 to 19. The results for the year ended 31 December, 2003 show a surplus of €1,547,000 (2002-deficit €9,421,000).

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 Partnership Councils provided for in the scheme. The Implementation Group, comprising of management and trade union representatives, met a number of times throughout 2002 and 2003.

Their work has now been completed. Elections have been held in all the nine council areas to fill employee representative positions. The first meetings of the new councils will take place in early 2004.

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

The Equality Review Group which was established by the company and the trade unions in 2001 for the purposes of undertaking a comprehensive examination of the policies, practices and perceptions that exist in Bus Éireann has completed its work at the end of 2002.

The Group's Report was issued in 2003. Among the recommendations was that an Equality and Diversity Officer be appointed. This position has now been filled.

Books of Account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the

use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Bus Éireann, Broadstone, Dublin 7.

Directors

The directors of the company are appointed by the chairman of Córas Iompair Éireann with the consent of the Minister for Transport. The directors during the year ended 31st December, 2003 are set out below. Except where indicated they served as directors for the entire year.

Dr. J. J. Lynch, Mr. W. Lilley,	Chairman Managing Director (Retired 31st December, 2003, re-appointed 9th February, 2004)
Mr. P. Cullen Mrs. T. Honan	(Retired 30th November, 2003, re-appointed 9th February, 2004)
Ms. A. M. Mannix Ms K. Byrne Mr. R. Langford Mr. G. Charles Mr. J. Hegarty	(Appointed 29th March, 2003)

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

There were no contracts or arrangements entered into during the year in which a director was materially interested in relation to the Group's business.

Code of Practice for the Governance of State Bodies

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

Auditors

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

On behalf of the board

Dr. J. J. Lynch Chairman
Mr. W. Lilley Managing Director

29th March, 2004

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.

Report of the Auditors

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

We have audited the financial statements on pages 8 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 6 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 of 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 company balance sheet, are not more than half of its called-up share capital.

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

Basis of Audit Opinion

We conducted our audit in accordance with 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, 2003 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 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 5 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 10, 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, 2003, 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.

29th March, 2004

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

Principal Accounting Policies

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

(A) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 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.

Profit and Loss Account

Year ended 31st December		2003	2002
	Notes	€000	€000
Revenue		218,685	202,645
Costs			
Payroll and related costs	1	(102,470)	(102,951)
Materials and services	2	(123,928)	(118,873)
Depreciation and loss on disposal of tangible assets	3	(14,070)	(12,079)
Total operating costs		(240,468)	(233,903)
Deficit before interest and State grant		(21,783)	(31,258)
Interest receivable		474	69
Deficit before State grant		(21,309)	(31,189)
State grant	20	22,856	21,768
Surplus/(deficit) for the year after State grant		1,547	(9,421)
Accumulated deficit at beginning of the year		(12,172)	(2,751)
Accumulated deficit at end of the year		(10,625)	(12,172)

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

On behalf of the board

Dr. J. J. Lynch Chairman
Mr. W. Lilley Managing Director

Balance Sheet

As at 31st December	Notes	2003 €000	2002 €000
Fixed assets			
Tangible assets	4	<u>73,812</u>	75,199
Current assets			
Stocks	5	4,110	4,002
Debtors	6	37,422	25,373
Cash at bank and in hand		<u>1,581</u>	1,307
		43,113	30,682
Creditors (amounts falling due within one year)	7	<u>(35,293)</u>	(32,766)
Net current assets/(liabilities)		<u>7,820</u>	(2,084)
Total assets less current liabilities		81,632	73,115
Provision for liabilities and charges	8	<u>(31,483)</u>	(28,367)
Creditors (amounts falling due after one year)	7(B)	<u>(1,500)</u>	(2,000)
Deferred income	9	<u>(23,118)</u>	(18,764)
		25,531	23,984
Financed by:			
Capital and reserves			
Called up share capital	10	29,204	29,204
Asset replacement reserve	11	6,952	6,952
Profit and loss account		<u>(10,625)</u>	(12,172)
Shareholders' funds	12	<u>25,531</u>	23,984
On behalf of the board			
Dr. J. J. Lynch	Chairman		
Mr. W. Lilley	Managing Director		

Cash Flow Statement

Year ended 31st December	Notes	2003 €000	2002 €000
Net cash inflow from operating activities	13(A)	25,099	6,769
Returns on investment and servicing of finance			
Interest receivable		474	69
		<u>25,573</u>	<u>6,838</u>
Capital expenditure			
Additions to tangible assets	4	(16,035)	(5,304)
Proceeds from disposal of tangible assets		97	47
Capital grants received		8,646	2,616
		<u>(7,292)</u>	<u>(2,641)</u>
Inflow before use of liquid resources and financing		18,281	4,197
Management of liquid resources			
Movement in amounts owed by holding company	13(B)	(17,507)	(5,485)
Increase/(decrease) in cash	13(B)	<u>774</u>	<u>(1,288)</u>

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

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash in the year	774	(1,288)
Cash from change in liquid resources	17,507	5,485
Movement in net funds	<u>18,281</u>	<u>4,197</u>
Net funds at 1st January	6,463	2,266
Net funds at 31st December	<u>24,744</u>	<u>6,463</u>

Notes to the Financial Statements

	2003	2002
	€000	€000
1. PAYROLL AND RELATED COSTS		
Staff Costs		
Wages and salaries	90,070	85,289
Social welfare costs	7,356	6,788
Other pension costs	3,705	4,508
	101,131	96,585
Change programme costs	1,239	6,406
Engineering work for group companies	(197)	(260)
Net staff costs	102,173	102,731
Directors' remuneration		
Emoluments		
- for services as directors	28	14
- for other services	269	206
Total directors' remuneration and emoluments	297	220
Payroll and related costs	102,470	102,951
The average numbers of employees during the year were as follows:		
	Staff Numbers	
	2003	2002
Full-time	2,175	2,155
Part-time school bus drivers	546	546
Total	2,721	2,701
	2003	2002
	€000	€000
2. MATERIALS AND SERVICES		
Fuels and lubricants	9,376	11,040
Other contractors	69,170	65,118
Road tax and licences	266	262
Operating lease rental of vehicles	2,965	3,898
Third party and employer's liability claims	10,591	9,202
Rates	532	605
Auditors' remuneration	37	37
Other materials and services	30,991	28,711
	123,928	118,873
3. DEPRECIATION AND LOSS ON DISPOSAL OF TANGIBLE FIXED ASSETS		
Depreciation of tangible fixed assets (note 4)	17,078	13,586
Loss on disposal of tangible fixed assets	247	1,484
Grant amortisation (note 9)	(3,255)	(2,991)
	14,070	12,079

Notes to the Financial Statements

4. TANGIBLE FIXED ASSETS

	Road Passenger Vehicles €000	Plant and Machinery €000	Total €000
Cost			
At 1st January, 2003	169,669	10,588	180,257
Additions	15,517	518	16,035
Disposals	(1,832)	-	(1,832)
At 31st December, 2003	183,354	11,106	194,460
Depreciation			
At 1st January, 2003	97,889	7,169	105,058
Charge for the year	15,405	1,673	17,078
Disposals	(1,488)	-	(1,488)
At 31st December, 2003	111,806	8,842	120,648
Net book amounts			
At 31st December, 2003	71,548	2,264	73,812
At 31st December, 2002	71,780	3,419	75,199

- (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 €1,689,440 (2002 - €2,705,827) were fully depreciated but still in use at the balance sheet date.
- (c) Tangible fixed assets at 31st December, 2003 include €42,314 (2002 - €1,852,984) in respect of tangible fixed assets not yet in service.
- (d) Included in depreciation for the year is an amount of €2,794,126 reflecting the change in the estimate for the useful life of the school bus fleet.

	2003 €000	2002 €000
5. STOCKS		
Maintenance materials and spare parts	3,066	2,932
Fuels, lubricants and sundry stocks	1,044	1,070
	4,110	4,002

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

6. DEBTORS

Trade debtors	1,909	3,163
Department of Education and Science	6,071	11,182
Amounts owed by holding company (note 13(B))	25,163	7,656
Other debtors and accrued income	4,279	3,372
	37,422	25,373

Notes to the Financial Statements

	2003	2002
	€000	€000
7. CREDITORS		
(A) Amounts falling due within one year		
Trade creditors	10,925	9,184
Income tax deducted under PAYE	1,030	1,723
Pay-related social insurance	857	971
Value added tax and other taxes	345	554
Other creditors	1,450	1,853
Accruals	8,096	7,218
Change programme provision (note 8)	440	1,650
Third party and employer's liability claims (note 8)	7,500	6,000
Deferred income (note 9)	4,150	3,113
Loan from holding company	500	500
	<u>35,293</u>	<u>32,766</u>
Creditors for taxation and social welfare included above	<u>2,232</u>	<u>3,248</u>
(B) Amounts falling due after one year		
Loan from holding company	<u>1,500</u>	<u>2,000</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES

	Re-structuring Provision €000	Third party & Employer's Liability Claims €000	Total €000
Balance at 1st January	1,650	34,367	36,017
Utilised during the year	(1,650)	(5,975)	(7,625)
Transfer from profit and loss account	440	10,591	11,031
Balance carried forward	440	38,983	39,423
Less amount classified as current liability (note 7)	(440)	(7,500)	(7,940)
Balance at 31st December	<u>-</u>	<u>31,483</u>	<u>31,483</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.

(A) External Insurance Cover

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

- (i) Third Party liability in excess of €1,680,000 for school buses and €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (ii) Third Party liability for the Group in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risk events, except;
 - (a) at Ossory Road, Dublin, in the case of flood damage, where the excess is a non-ranking €1,000,000, and
 - (b) any other flood damage where the excess is €250,000.

Notes to the Financial Statements

8. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(A) External Insurance Cover (continued)

- (iii) Road transport liabilities in excess of a self-insured retention of €10,000,000 in aggregate in the twelve month period, April 2003 to March 2004, subject to an overall Group self insured retention of €27,000,000.
- (iv) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2003 to March 2004, for rail and road transport Third Party and Other Risks Liabilities.
- (v) Fire and Special Perils, including storm damage, to the Group's property in excess of €1,000,000 and an indemnity of €150,000,000 on any one loss or series of losses.
- (vi) Terrorism indemnity cover for the Group is €100,000,000 with an excess of €150,000 in respect of property damage, increased to €500,000 in respect of rail and road rolling stock, for each and every loss.

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

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

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

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

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

Notes to the Financial Statements

8. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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

Large or non-recurring claims impacting are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these claims. Provisions for claims are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from third-party insurers based upon the gross provisions. 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 market data on the financial strength of each of the reinsurance companies.

2003	2002
€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	21,877	22,252
Received and receivable	8,646	2,616
Transfer to profit and loss account	(3,255)	(2,991)
Balance carried forward	27,268	21,877
Less transfer to current liabilities (<i>note 7</i>)	(4,150)	(3,113)
Balance at 31st December	23,118	18,764

10. SHARE CAPITAL

Authorised

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

11. ASSET REPLACEMENT RESERVE

Balance at 31st December	6,952	6,952
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12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Surplus/(deficit) for the year	1,547	(9,421)
Opening equity shareholders' funds	23,984	33,405
Closing equity shareholders' funds	25,531	23,984

Notes to the Financial Statements

2003 2002
€000 €000

13. CASH FLOW STATEMENT

(A) Reconciliation of operating deficit to net cash inflow from operating activities

Operating deficit before State grant	(21,783)	(31,258)
Public service obligation receipts	22,856	21,768
	1,073	(9,490)
Depreciation and profit on disposal of tangible fixed assets	17,325	15,070
Capital grants amortised	(3,255)	(2,991)
Increase in stocks	(108)	(112)
(Increase)/decrease in debtors	5,458	(5,116)
Increase/(decrease) in creditors	(10)	7,525
Increase in provisions for liabilities and charges	4,616	1,883
Net cash inflow from operating activities	25,099	6,769

(B) Analysis of change in net funds

	At 1st Jan. 2003 €000	Cash Flows €000	At 31 Dec. 2003 €000
Cash at bank and in hand	1,307	274	1,581
Loan from holding company	(2,500)	500	(2,000)
		774	
Amounts owed by holding company	7,656	17,507	25,163
	6,463	18,281	24,744

2003 2002
€000 €000

14. OPERATING LEASE OBLIGATIONS

Commitments under non-cancellable operating leases payable in the coming year expire as follows:

Within one year	522	842
Between one and five years	272	1,413
	794	2,255

15. PENSIONS

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

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

Notes to the Financial Statements

15. PENSIONS (continued)

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, 2003 using the bases required by FRS 17 showed a deficit of €191.9 million. Details required by FRS 17 in relation to the schemes are contained in the accounts of CIE.

2003	2002
€000	€000

16. CAPITAL COMMITMENTS

Contracted for
Authorised by the directors, but not contracted for

6,780	7,857
1,700	210
8,480	8,067

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 & Schools Transport	Public Services		Sub Total	TOTAL
		City	Stage Carriage		
2003	€000	€000	€000	€000	€000
Revenue	158,907	20,694	39,084	59,778	218,685
Costs	(151,214)	(30,318)	(58,462)	(88,780)	(239,994)
Surplus/(deficit) before State grant	7,693	(9,624)	(19,378)	(29,002)	(21,309)
State grant				22,856	22,856
Surplus/(deficit) for year	7,693			(6,146)	1,547
2002					
Surplus/(deficit)	4,735			(14,156)	(9,421)

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.

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, C oras Iompair  ireann.

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 G ais. 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 C oras Iompair  ireann provide the information required by Financial Reporting Standard No. 8 concerning transactions between that company, its subsidiaries and the Irish Government.

20. STATE GRANT

The grant payable to the company through the holding company, C oras Iompair  ireann, is in accordance with EU regulation No. 1107/70 governing state aid to transport undertakings. Under this regulation a State grant of  22,856,000 was made to Bus  ireann - Irish Bus for the year ended 31st December, 2003 (2002 -  21,768,000).

21. MEMBERSHIP OF C ORAS IOMPAIR  IREANN GROUP

Bus  ireann-Irish Bus is a wholly owned subsidiary of C oras Iompair  ireann (the Group) and the financial statements reflect the effects of Group membership.

22. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 29th March, 2004.

