Bus Átha Cliath

ANNUAL REPORT AND FINANCIAL STATEMENTS

2003

PRN. No. 1690

Contents

NATIONAL DEVELOPMENT PLAN

Bus Átha Cliath 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.

PHOTOGRAPHER : NEIL WARNER **DESIGN :** CREATIVE INPUTS

Directors and Other Information

Directors at 31st March, 2004	
Chairman	Dr. J. J. Lynch
Managing Director	Dr. A. R. Westwell (UK)
Directors	Mr. G. Charles, Mr. T. Coffey, Mr. D. Egan, Ms. A. M. Mannix, Mr. B. McCamley, Mr. A. O'Byrne, Mr. P. Webster
Secretary	Mr. P. O'Neill
Registered Office	59 Upper O'Connell Street, Dublin 1
Telephone	+353 1 872 0000
Facsimile	+353 1 873 1195
Website	www.dublinbus.ie
Registered Number	119569
Auditors	PricewaterhouseCoopers Chartered Accountants and Registered Auditors Wilton Place, Dublin 2

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 and Business Review

The principal activities of the company are the provision of a comprehensive bus service for the city and the county of Dublin and its hinterland.

Bus Átha Cliath recorded a trading surplus in 2003. Revenue for the company, which is regulated by the Department of Transport, amounted to €173 million in 2003, an impressive growth of 8.5% over 2002. This growth was predicated on the provision of a good customer service coupled with progressive development of the network and resulted in growth in passenger numbers of 2.3%. A fares increase of 9% was granted in early December 2002.

The number of bus passengers carried on our bus services on Quality Bus Corridors (QBC) continued to grow during the year. The performance of the QBCs has been impressive and visitors still come to view the operation and are amazed at the results we have achieved. Overall customer numbers on QBCs have grown by 40% at peak times since implementation.

The sales of pre-paid rambler range of tickets has been the other major contributory factor to the growth – pre-paid sales grew by 13.3% over 2002. Customers now have a choice to purchase tickets at a greater number of agents or online at www.dublinbus.ie or via Ticketmaster and also through the TaxSaver scheme.

We have also shown that, as a company, we can rise to the challenge of delivering a quality product to the customer not only on the day-to-day bus service provision but also at one-off large special events such as major concerts. We also received praise of the highest order for the bus service provision during the Special Olympics. These events bring together all of the skills and experience of the organisation and clearly demonstrate the benefits of having a company which plans, manages and operates transport as a unified package.

During the year we also received accreditation for the ISO 9001 award in our Quality and Commercial Department. The results of this ISO 9001 work have been helpful in identifying where further incremental improvement can be achieved in the management of systems and procedures and in providing better information to the customer.

During the year there were two major technical developments. A new trunked radio system was introduced across the fleet that allows direct contact between supervisors and drivers and will contribute to improved communications and service quality.

The BUSTXT facility was introduced in July 2003, whereby customers can access service information over their mobile phones. This has been a tremendous success with 102,000 calls being made during the month of December.

The company also launched the Dublin Bus Community Support Programme at which over 30 organisations were in attendance representing youth work, health, hospitals and local communities. All this work comes under the umbrella of 'Dublin Bus serving the entire community'. This work will continue to unfold in the coming year.

It continues to be a challenge to operate the bus service through the streets of Dublin city with the continual change in arrangement of civil engineering works on O'Connell Street and Beresford Place to mention just two key pinch points in the city, with other challenges at other locations including the areas around and impacted by the LUAS and Port Tunnel works. Traffic congestion continues to be a major challenge for Bus Átha Cliath. Consultants have identified the cost of congestion to Bus Átha Cliath as €49.4 million per annum. Everyone involved in operating these services through such difficult environmental circumstances continues to do a good job. Once these works are completed we should see an improvement in the movement of bus services through the city.

We continue to discuss the range of further bus priority projects with the new Quality Bus Network (QBN) team in the city council which has been established to focus their entire work to designing schemes to ease pinch points and introduce further bus priority and quality bus measures to improve the performance of bus services. The QBN team will be implementing an increased number of substantial schemes in 2004 and Bus Átha Cliath is positioned to play its part in the success of these through putting more buses and services on the road. This matter is with the Department of Transport for decision.

The bus has demonstrated its ability to attract additional customers when part of the Quality Bus Corridor package. Customer research also shows that a good percentage of new bus users actually own a car but choose to travel by bus where the QBCs exist and optimum journey time is achieved. In the Dublin area the bus will therefore continue to be the workhorse for many years to come carrying a significant share of the commuter journeys. We in Bus Átha Cliath look forward to building upon our achievements to date as we move forward.

There was a significant reduction in accidents and claims during the year. Accidents in 2003 were down 9% relative to 2002, and the claims/accident ratio was also reduced. This has been as a result of increased investment in training, driving incentives, staff awareness programmes, proactive management and a positive response from staff. Despite these positive trends, a tragic accident occurred on Wellington Quay on 21st February, 2004 involving two buses, which resulted in five fatalities and 14 injuries.

The National Development Plan (NDP) investment programme enabled a range of projects to be pursued. A total of 90 new

Report of the Directors

double deck buses were delivered during the year. These buses were in accord with the Policy declared in the year 2000 that every new bus would be a fully accessible low floor design. By the end of 2003 Bus Átha Cliath had 450 fully accessible buses in the fleet, or almost 41% of our fleet.

The latest report from consultants Indecon and the Economic and Social Research Institute of the Mid-Term Evaluation of the National Development Plan 2000-2006 has highlighted that the contribution of the bus during the past three years within the Dublin Transportation System is good value for the investment involved and in the short to medium term is the most cost effective way of improving public transport.

The fleet procurement policy adopted by Bus Átha Cliath over the last number of years has exhausted all parking, maintenance and servicing facilities in our current locations. The NDP has also recognised the need for an additional depot and is providing finance for its development. Fingal County Council has granted full planning permission at Harristown and building commenced on the 5th August, 2003 with a completion date in late 2004.

Bus Átha Cliath has initiated route extensions across the city centre; both to give relief at congested termini and to improve customer service by giving more interchange and access opportunities. A substantial and successful operation to replace DART services at weekends has been running since 3rd October, 2003 and will continue throughout 2004.

Road works resulting from the development of Lines A and B of LUAS will continue into 2004. In order to manage the bus network and ensure that services can operate as near normal as possible, around the LUAS works, Bus Átha Cliath has incurred additional expenditure in terms of extra drivers, inspectors and buses. This cost, amounting to in excess of €600,000 in 2003, is being borne by Bus Átha Cliath.

Despite all these challenges Bus Átha Cliath has continued to improve revenue and grow passenger numbers during 2003. Bus Átha Cliath will continue to build on these achievements and meet customer needs by improving services, developing pre-paid tickets and ensuring value for money.

Results and Reserves

The financial statements for the year ended 31st December, 2003 are set out in detail on pages 7 to 20. The results for 2003 show a surplus of €7,394,000 (2002 - €3,414,000).

Employee Participation

All employees have completed the awareness programme on equality, ethnicity and accessibility. In addition, customer care training continued throughout the year. At the end of 2003 the company approved a major new training initiative called Quality Customer Awareness (QCA). This training scheme was launched in early 2004 and by 2005 all staff will have gone through this programme.

Over half of all drivers are accredited with the Institute of Advanced Motoring certification having completed specialist training during the year.

A two-year developmental programme for clerical staff ended with over 30 staff being awarded certificates from the National College of Ireland. The programme of managerial development continued with six managers completing MBA studies and several more undertaking a variety of courses in the IMI.

Induction and other ongoing training continued during 2003 and full staffing levels have been maintained. The introduction of an employee induction guide has proved to be an invaluable aide to both existing and new staff.

The arrangements for employee representation and mechanisms for dispute resolution continue to yield positive results. In addition, the extension of schemes, such as the MERIT awards, have allowed for even greater employee participation in the business.

Report of the Directors

Equality and Diversity

The Equality and Diversity Programme continues to promote best practice and includes an Action Plan for 2003-2006.

The plan covers actions to be taken in a range of areas including recruitment and selection, work life balance, cultural diversity, disability and training.

As a member of the EU funded Work Life Balance Network, we are exploring issues in relation to work life balance for people in different grades and work locations.

The Equality and Diversity Programme includes initiatives in relation to customers as well as staff, and is committed to promoting a service that is accessible and relevant to all our customers. An advertising campaign on buses, celebrating the fact that the customer base is one of the most culturally and ethnically diverse in Ireland, received very positive feedback from customers.

Bus Átha Cliath has a policy in place on "Dignity and Respect" at work, stating the company's commitment to providing a supportive workplace free from all forms of bullying, harassment and sexual harassment. This has been distributed to staff and is reflected in training programmes.

We have put in place information, awareness sessions and training on all equality issues for all staff.

Health and Safety

The company is committed to complying with the Safety, Health and Welfare at Work Act, 1989 and all other national and EU regulations. The Safety Statement adopted by the company in February 1991 is kept under review and updated on an ongoing basis. Safety councils set up in previous years continue to involve employees in all aspects of safety and risk management.

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 Átha Cliath, 59 Upper O'Connell Street, Dublin 1.

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.

Directors

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

Dr. J. J. Lynch	Chairman
Dr. A. R. Westwell (UK)	Managing Director (Retired 31st December, 2003, re-appointed 9th February, 2004)
Mr. G. Charles	
Mr. T. Coffey	(Re-appointed 29th April, 2003)
Mr. D. Egan	(Retired 8th December, 2003, re-appointed 9th February, 2004)
Ms. A. M. Mannix	(Re-appointed 29th April, 2003)
Mr. B. McCamley	
Mr. A. O'Byrne	(Re-appointed 1st June, 2003)
Mr. P. Webster	(Re-appointed 1st June, 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.

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
Dr. A. R. Westwell Managing Director

31st 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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 requirements of 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 Átha Cliath — Dublin Bus

We have audited the financial statements on pages 7 to 20.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the directors' 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 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 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 directors' report 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, 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.

31st 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

Road passenger vehicles are depreciated on the basis of the historical cost of vehicles in the fleet spread over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their 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

(i) Finance leases

Assets held under finance leases are accounted for in accordance with SSAP 21 (Accounting for Leases and Hire Purchase Contracts). The capital cost of such assets is included in tangible assets and depreciated over the shorter of the lease term or the estimated useful life of the asset. The capital element of the outstanding lease obligations is included in creditors. Finance charges are charged to the profit and loss account over the primary period of the lease.

(ii) 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) European Union and Exchequer grants

European Union (EU) and Exchequer grants, which relate to capital expenditure on specific projects, 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. Grants in respect of revenue expenditure are credited to deferred income as they become receivable and released to the relevant expenditure account in the year to which the expenditure relates.

(ii) State grants

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

(F) FOREIGN CURRENCY

Transactions denominated in 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 currency 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 the independent actuary, 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 pension benefits is provided for and charged to the profit and loss account in the year that the related employee severance is recognised and is included in the cost of severance.

Profit and Loss Account

Year ended 31st December	Notes	2003 €000	2002 €000
Revenue		**172,937**	159,288
Costs			
Payroll and related costs	2	**(147,430)**	(139,243)
Materials and services	3	**(59,664)**	(60,294)
Depreciation	4	**(14,151)**	(14,804)
Total operating costs		**(221,245)**	(214,341)
Deficit before gain on disposal of tangible assets, interest and State grant		**(48,308)**	(55,053)
Gain on disposal of tangible assets		**355**	1,318
Deficit before interest and State grant		**(47,953)**	(53,735)
Interest receivable	5	**1,480**	1,086
Deficit for the year before State grant		**(46,473)**	(52,649)
State grant	6	**53,867**	56,063
Surplus for the year after State grant		**7,394**	3,414
Accumulated deficit at beginning of the year		**(21,796)**	(25,210)
Accumulated deficit at end of the year		**(14,402)**	(21,796)

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
Dr. A. R. Westwell Managing Director

Balance Sheet

As at 31st December	Notes	2003	2002
	Notes	€000	€000
Fixed assets			
Tangible assets	7	132,755	131,622
Current assets			
Stocks	8	2,375	2,396
Debtors	9	65,771	64,622
Cash at bank and in hand		3,352	1,373
		71,498	68,391
Creditors (amounts falling due within one year)	10	(40,133)	(41,865)
Net current assets		31,365	26,526
Total assets less current liabilities		164,120	158,148
Creditors (amounts falling due after more than one year)	11	—	(598)
Provision for liabilities and charges	13	(71,173)	(65,500)
Deferred income	14	(54,576)	(61,073)
		38,371	30,977
Financed by:			
Capital and reserves			
Called up share capital	15	31,743	31,743
Asset replacement reserve		21,030	21,030
Profit and loss account		(14,402)	(21,796)
Shareholders' funds	16	38,371	30,977

On behalf of the board

Dr. J. J. Lynch Chairman
Dr. A. R. Westwell Managing Director

Cash Flow Statement

Year ended 31st December	Notes	2003 €000	2002 €000
Net cash inflow from operating activities	17 (A)	**23,791**	21,400
Returns on investments and servicing of finance	17 (B)	**1,480**	1,086
Capital expenditure	17 (B)	**(27,144)**	(16,902)
Net cash inflow from sales of tangible fixed assets	17 (B)	**399**	2,005
Capital grants received	17 (B)	**5,700**	17,334
Cash inflow before use of liquid resources and financing		**4,226**	24,923
Net management of liquid resources		**(1,089)**	(23,089)
Financing	17 (B)	**(1,158)**	(1,106)
Increase in cash in the year		**1,979**	728

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

Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year	17 (C)	**1,979**	728
Net cash inflow from holding company balance and lease financing	17 (C)	**2,247**	24,195
Movement in net funds in the year		**4,226**	24,923
Net funds at 1st January	17 (C)	**60,637**	35,714
Net funds at 31st December	17 (C)	**64,863**	60,637

Notes to the Financial Statements

1. NET SURPLUS BY ACTIVITY

	Social Activities		Commercial Activities	
	2003	2002	**2003**	2002
	€000	€000	**€000**	€000
Revenue	**162,405**	149,097	**10,532**	10,191
Costs	**(212,049)**	(204,685)	**(7,361)**	(7,252)
Operating (deficit)/surplus	**(49,644)**	(55,588)	**3,171**	2,939
State grant	**53,867**	56,063	**—**	—
Net surplus	**4,223**	475	**3,171**	2,939

2. PAYROLL AND RELATED COSTS

	2003	2002
	€000	€000
Staff costs		
Wages and salaries	**130,151**	124,030
Social welfare costs	**11,911**	11,355
Other pension costs	**5,230**	3,707
Own work capitalised	**(221)**	(216)
Total staff costs	**147,071**	138,876
Directors' remuneration		
Emoluments		
— for services as directors	**21**	44
— for other services	**338**	323
Total directors' remuneration and emoluments	**359**	367
Total payroll and related costs	**147,430**	139,243

	Staff Numbers	
	2003	2002
The average number of employees during the year was:	**3,367**	3,319

3. MATERIALS AND SERVICES

	2003	2002
	€000	€000
Fuel and lubricants	**9,137**	10,447
Materials	**14,918**	14,890
Road tax and licences	**489**	472
Rent and rates	**463**	431
Auditors' remuneration	**38**	39
Operating lease rentals	**399**	331
Third party and employer's liability claims	**13,599**	14,183
Other services	**21,093**	19,976
Revenue grants *(note 14)*	**(472)**	(475)
	59,664	60,294

Notes to the Financial Statements

	2003 €000	2002 €000
4. DEPRECIATION		
Depreciation *(note 7)*	**26,011**	25,514
Amortisation of EU/Exchequer capital grants	**(11,860)**	(10,710)
	14,151	14,804
5. INTEREST (RECEIVABLE)/PAYABLE		
On balances with holding company	**(1,521)**	(1,162)
On finance leases	**62**	114
Other interest receipts	**(21)**	(38)
	(1,480)	(1,086)

6. STATE GRANT

The State grant payable to Bus Átha Cliath - Dublin Bus through its holding company, Córas Iompair Éireann, in respect of public service obligations amounted to €53,867,000 for the year ended 31st December, 2003 (2002 - €56,063,000).

7. TANGIBLE FIXED ASSETS

	Road Passenger Vehicles €000	Plant & Machinery €000	Total €000
Cost			
At 1st January, 2003	**232,322**	**21,958**	**254,280**
Additions	**22,678**	**4,629**	**27,307**
Disposals	**(3,143)**	**(64)**	**(3,207)**
At 31st December, 2003	**251,857**	**26,523**	**278,380**
Depreciation			
At 1st January, 2003	**109,356**	**13,302**	**122,658**
Charge for the year	**24,394**	**1,617**	**26,011**
Disposals	**(2,980)**	**(64)**	**(3,044)**
At 31st December, 2003	**130,770**	**14,855**	**145,625**
Net book amounts			
At 31st December, 2003	**121,087**	**11,668**	**132,755**
At 31st December, 2002	122,966	8,656	131,622

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

	Lives (Years)
Road passenger vehicles	8 — 10
Plant and machinery	3 — 25

(b) Road passenger vehicles at a cost of €20,093,000 (2002 - €19,277,000) were fully depreciated but still in use at the balance sheet date.

Notes to the Financial Statements

7. **TANGIBLE FIXED ASSETS** (continued)

(c) Included in tangible fixed assets are amounts, as stated below, in respect of road passenger vehicles which are held under finance leases, whereby the company has beneficial ownership, i.e. substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

	2003 €000	2002 €000
Road passenger vehicles		
Cost	10,095	10,085
Accumulated depreciation	(9,846)	(8,895)
Net book amounts at 31st December	249	1,190
Depreciation for the year	(951)	(1,001)

(d) Included in additions above are €13,000 (2002 — €18,000) in respect of road passenger vehicles, being assets in the course of construction and assets not yet in service.

8. **STOCKS**

Maintenance materials and spare parts	1,465	1,516
Fuel, lubricants and other sundry stocks	910	880
	2,375	2,396

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.

9. **DEBTORS**

Trade debtors	3,081	2,960
Amounts owed by holding company	62,109	61,020
EU/Exchequer grants receivable	4	43
Other debtors and accrued income	577	599
	65,771	64,622

Notes to the Financial Statements

	2003 €000	2002 €000
10. CREDITORS (amounts falling due within one year)		
Trade creditors	**2,915**	4,900
Finance lease obligations *(note 12)*	**598**	1,158
Income tax deducted under PAYE	**1,666**	1,311
Pay related social insurance	**2,752**	2,542
Value added tax and other taxes	**106**	264
Other creditors	**2,533**	1,895
Deferred revenue	**2,590**	2,514
Accruals	**5,607**	5,986
Voluntary severance	**353**	—
Third party and employer's liability claims *(note 13)*	**9,000**	9,500
Deferred income *(note 14)*	**12,013**	11,795
	40,133	41,865
Creditors for taxation and social welfare included above	**4,524**	4,117

	2003 €000	2002 €000
11. CREDITORS (amounts falling due after more than one year)		
Finance lease obligations *(note 12)*	—	598

12. LEASE OBLIGATIONS

	2003 €000	2002 €000
(A) Finance Leases		
Net obligations under finance leases fall due as follows:		
Within one year *(note 10)*	**598**	1,158
Between one and five years	—	598
After five years	—	—
	—	598
	598	1,756
(B) Operating Leases		
Commitments under non-cancellable operating leases payable in the coming year expire as follows:		
Within one year	**94**	90
Between one and five years	**168**	66
	262	156

13. PROVISION FOR LIABILITIES AND CHARGES

	2003 €000	2002 €000
Third party and employer's liability claims		
Balance at 1st January	**75,000**	69,373
Utilised during the year	**(7,853)**	(8,272)
Transfer from profit and loss account	**13,026**	13,899
Balance carried forward	**80,173**	75,000
Less amount classified as current liability *(note 10)*	**(9,000)**	(9,500)
Balance at 31st December	**71,173**	65,500

Notes to the Financial Statements

13. PROVISION FOR LIABILITIES AND CHARGES (continued)

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

(A) External Insurance Cover

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

(i) third party liability in excess of €2,000,000 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 for the Group in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks 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;

(iii) road transport liabilities in excess of a self insured retention of €15,000,000 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; and

(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.

Notes to the Financial Statements

13. PROVISION FOR LIABILITIES AND CHARGES (continued)

(B) Third Party and Employer Liability Claims Provisions 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.

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 re-insurers in run off.

Notes to the Financial Statements

	2003 €000	2002 €000
14. DEFERRED INCOME		

This account represents EU/Exchequer grants which are accounted for in accordance with accounting policy E.

	2003 €000	2002 €000
European Union/Exchequer grants		
Balance at 1st January	72,868	66,300
Received and receivable	6,172	17,753
Transfer to profit and loss account		
Amortisation of capital grants	(11,979)	(10,710)
Revenue grant *(note 3)*	(472)	(475)
Balance carried forward	66,589	72,868
Less amount classified as current liability *(note 10)*	(12,013)	(11,795)
Balance at 31st December	54,576	61,073

15. SHARE CAPITAL

	2003 €000	2002 €000
Authorised:		
Ordinary shares of €1.27 each	38,092	38,092
Allotted, called up and fully paid:		
Ordinary shares of €1.27 each	31,743	31,743

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 €000	2002 €000
Surplus for the year after State grants	7,394	3,414
Opening equity shareholders' funds	30,977	27,563
Closing equity shareholders' funds	38,371	30,977

Notes to the Financial Statements

	2003 €000	2002 €000
17. CASH FLOW STATEMENT		
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before State grant	(47,953)	(53,735)
State grant *(note 6)*	53,867	56,063
	5,914	2,328
Depreciation	25,967	24,827
Amortisation of capital grants	(11,979)	(10,710)
Gain on disposal of tangible assets	(355)	(1,318)
Decrease in stocks	21	155
(Increase)/decrease in debtors	(60)	655
Increase in creditors and provisions	4,283	5,463
Net cash inflow from operating activities	23,791	21,400
(B) Analysis of cash flows for headings netted in the cash flow statement		
Servicing of finance		
Interest received	1,521	1,162
Interest element of finance lease rentals	(62)	(114)
Other interest receipts	21	38
Net cash inflow from servicing of finance	1,480	1,086
Capital expenditure		
Purchase of tangible fixed assets	(27,144)	(16,902)
Net cash inflow from sales of tangible assets	399	2,005
EU/Exchequer capital grants	5,700	17,334
Net cash (outflow)/inflow from capital expenditure	(21,045)	2,437
Financing		
Debt due within one year:		
Capital element of finance lease rentals	(1,158)	(1,106)
Net cash outflow from financing	(1,158)	(1,106)

(C) Analysis of net funds	At 1st Jan. 2003 €000	Cash Flow €000	At 31st Dec. 2003 €000
Cash at bank and in hand	1,373	1,979	3,352
Overdraft	—	—	—
		1,979	
Finance leases	(1,756)	1,158	(598)
Holding company balance	61,020	1,089	62,109
		2,247	
Total	60,637	4,226	64,863

Notes to the Financial Statements

18. PENSIONS

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

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

Whilst the schemes are defined benefit schemes, the company is unable to identify its share of the underlying assets and liabilities of the schemes. The actuarial position of the schemes at 31st December, 2003, using the bases required by Financial Reporting Statement (FRS) No. 17 (Retirement Benefits), showed a deficit of €191.9 million. Details in relation to the schemes, required by FRS 17, are contained in the accounts of Córas Iompair Éireann.

19. CAPITAL COMMITMENTS

	2003 €000	2002 €000
Contracted for	**42,605**	41,602
Authorised by the directors but not contracted for	**366**	17,091
	42,971	58,693

20. CONTINGENT LIABILITIES

(A) Pending Litigation

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.

(B) Finance Leases

Under the terms of the finance leases there are contingent liabilities whereby material taxation changes affecting the lessor's taxation liability on lease income will be offset by appropriate adjustments to lease rentals.

Notes to the Financial Statements

21. RELATED PARTY TRANSACTIONS

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

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

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

22. MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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

23. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 31st March, 2004.