
Bus Átha Cliath

# Bus Átha Cliath Annual Report and Financial Statements 2017

# Contents



# Financial and Operating Highlights

| Revenue Growth | | Surplus | |
|---|---|---|---|
| **2017** | **€15.5m** | **2017** | **€1.0m** |
| 2016 | €8.1m | 2016 | €2.6m |

| New Buses | | Customer Journeys | |
|---|---|---|---|
| **2017** | **100** | **2017** | **139m** |
| 2016 | 110 | 2016 | 128m |

| Number of employees | | No. of KMs Travelled | |
|---|---|---|---|
| **2017** | **3,506** | **2017** | **58.4m** |
| 2016 | 3,431 | 2016 | 57.3m |

| Number of Buses | | Low Floor Accessible Fleet |
|---|---|---|
| **2017** | **1,016** | **100%** |
| 2016 | 989 | |



Córas Iompair Éireann would like to acknowledge funding on major projects by the Irish Government under the EU and by the Building on Recovery: Infrastructure and Capital Investment 2016-2021

# The Environment and Carbon Emissions

Bus Átha Cliath is Dublin's largest public transport provider (61% of all public transport trips taken into Dublin city centre are by bus). As the principal bus operator of urban buses in Dublin, the company covered 136 routes and 58.4 million kilometres in 2017. Bus Átha Cliath offers a more sustainable travel option than private car use by offering a number of key benefits:

- A single bus has the ability to remove up to 65 private cars from our roads, reducing congestion and traffic jams around the city.
- Each full bus frees up around 250 metres of roadway across Dublin city.
- Bus travel has been proven to reduce stress, road accidents and increase general fitness across its passengers.
- The cost of a typical journey in Dublin city is up to 67% less when using bus transport compared to a private car.
- Commuter carbon dioxide ($CO_2$) emissions are generally up to 80% lower, on a per seat basis when compared with private car use.
- Customers travelling on our services in 2017 saved a potential 190,000 tonnes of $CO_2$ emissions or approximately 70 million litres of fuel.
- Our passenger $CO_2$ emissions reduced by 7.9% per km in 2017 compared to 2016.
- Bus fuel consumption continues to fall year-on-year with the continued renewal of the bus fleet and increased operational efficiency of routes across Dublin.
- The graph on the following page compares the $CO_2$ emissions on a per seat basis from the average Irish car (based on industry statistics) to a Bus Átha Cliath bus (assumed to be operating at 60% capacity or at peak times).

# Energy and Environmental Highlights

### Energy Used in Gigawatt Hours (GWH)

**2017 295 GWH**

**2016 295 GWH**

### Fuel Consumption per 100 km

**2017 47.2 litres**

**2016 48.1 litres**

### Waste Recycled

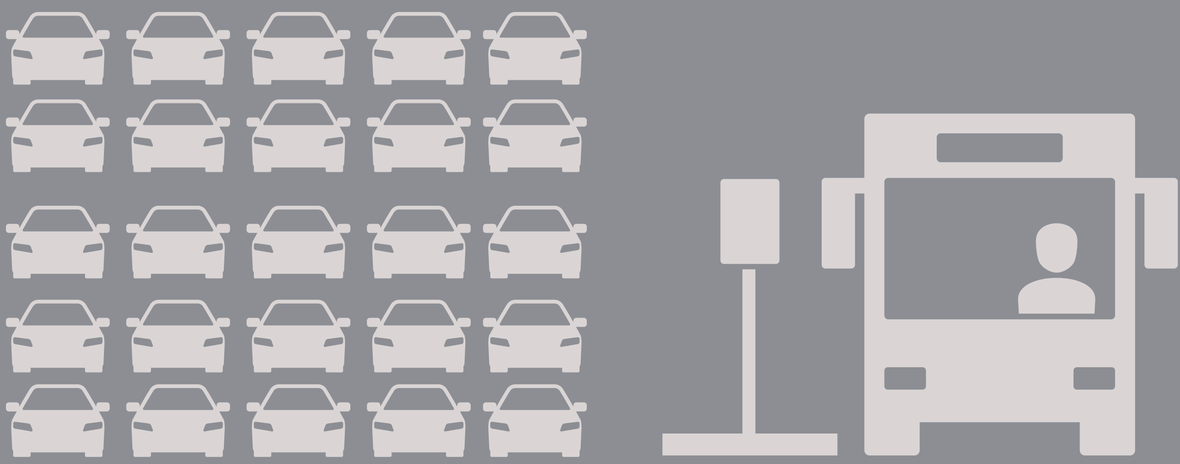
**2017 565 tonnes**

**2016 635 tonnes**

*Recycling rate was 79% in 2017, up from 75% in 2016, coupled with an overall 140 tonne reduction in waste in 2017*

# Emissions decrease through the use of a **Bus Átha Cliath bus**

Comparison: $CO_2$ emissions per seat km of average Irish car with Bus Átha Cliath



**167g $CO_2$e/km**

**24g $CO_2$e/km**

The more people that choose to travel with public transport, the better it is for the environment. To reduce our environmental impact we work towards optimising our fleet, traffic planning and driving which impacts positively on fuel consumption and emissions.

# Chairman's Statement

**Bus Átha Cliath is a strong contributor to the delivery and development of public transport services within the Greater Dublin Area (GDA). Bus Átha Cliath is a lifeline to the city itself, of crucial importance to the transport network of the city and a key driver of Dublin's economic recovery.**

## 2017 Review

I am pleased to present the Annual Report of Bus Átha Cliath for the year ended 31 December 2017 and to report an overall profit for the financial year.

Bus Átha Cliath remains committed to the operation of a profitable Public Service Contract under which high quality services are delivered in line with the contract terms. The company is a strong contributor to the delivery and development of public transport services within the Greater Dublin Area (GDA). Bus Átha Cliath is a lifeline to the city itself, of crucial importance to the transport network of the city and a key driver of Dublin's economic recovery. This year has been a year of significant progress and has seen the company deliver on key commitments outlined in my 2016 Statement. I am particularly pleased to note that 2017 has witnessed very strong growth in our Public Service Obligation (PSO) routes and Commercial Services. Customers travelling on our services have increased by 8.7% over 2016 levels. Customer journeys of 139.4 million were achieved in 2017 compared to 128.2 million customer journeys in 2016. Commercial Services have recorded a profit for 2017 following a difficult trading period in 2016.

The surplus reported for the year is €1.0 million compared to a surplus of €2.6 million in 2016. These results reflect a return to profitability for Commercial Services and a breakeven position for PSO services. The PSO result reflects strong growth in customer volume, continued investment in additional and enhanced services, the second year of the 2016 pay agreement with our employees, more productive ways of working and adjusted customer fare levels. Strong financial results allow the company to continue to contribute to the development of the public transport system for the GDA. Customer revenue ended the year at €252 million, an increase of €15.5 million on 2016 figures.

2017 included a number of significant changes in our PSO business. The company continues to propose changes to better serve the needs of our customers. Public transport must remain responsive to the evolving needs of all of our stakeholders. Bus Átha Cliath is particularly well placed to meet this challenge and to ensure that the provision of urban bus transport solutions facilitates ongoing development in both economic and social activity.

During 2017 the company participated in a competitive tender process for specified PSO routes in the Outer Dublin Metropolitan Area. The company submitted a competitive bid incorporating high safety and quality standards. While it is disappointing that the company was not successful, the focus remains on further developing PSO services within our current contract, continuing to provide a high quality network of services which are safe, efficient and reliable for the people of Dublin while also positioning the company to successfully compete for such business in the future.

The company also engaged with our stakeholders during 2017 arising from "BusConnects", a major review of the PSO network commissioned by the National

Transport Authority. The new Luas Cross City service commenced in December 2017 and the company continues to engage with all stakeholders in relation to the measures required to ensure effective operation of all public transport services. An additional 100 new double deck buses were added to our fleet during 2017, a mix of additional capacity and replacement of older vehicles. This continual and significant investment in the development of the company's fleet ensures that it remains modern, reliable and environmentally friendly, and enables Bus Átha Cliath to play a significant role in combating climate change.

In February 2017, Bus Átha Cliath celebrated thirty years at the heart of Dublin providing safe, efficient and reliable public transport within the capital. Thirty years from its foundation, the company continues to play a pivotal role in public transport and is a key support to the economy of the GDA.

## Governance

The board is committed to the highest standard of corporate governance to manage risks and drive both innovation and growth within Bus Átha Cliath. Bus Átha Cliath focused particular attention during 2017 on ensuring that the company has appropriate measures in place to comply with the 2016 Code of Practice for the Governance of State Bodies.

## People

As we reflect on thirty years of providing public transport within the capital, the role played by our employees in meeting and exceeding customer expectations cannot be overestimated. I would like thank all employees for the passion, energy and commitment with which they continue to serve our customers. We faced a number of challenges in 2017, including ex-Hurricane Ophelia, and the recent snowstorms and I would like to thank all our staff for their dedication to getting our customers to their destinations safely. Overall it is important to recognise all employees for their dedication and commitment to the company and for their focus in providing a transport service where people feel safe, connected and part of sustainable community life in Dublin.

On behalf of the board I would like to acknowledge the continued positive engagement with the National Transport Authority, as we work towards our shared objectives of increasing public transport usage and enhancing public transport services. I would also like to note the support of our shareholder, the Minister for Transport, Tourism and Sport, Mr Shane Ross and the officials of his Department during 2017.

## Outlook

2018 will again present many challenges and significant opportunities for Bus Átha Cliath. These include:

- continuing to engage with all stakeholders to develop even further our reputation as a safe, reliable partner with the ability to deliver high quality cost competitive transport services;
- working with stakeholders to introduce measures to mitigate the increasing impact of congestion;
- monitoring the impact of the first year of operations of the new Luas Cross City line;
- managing the migration of the recently tendered PSO routes to the new operator;
- monitoring economic indicators in relation to Brexit and other general economic conditions; and
- continuing to reduce emissions by keeping apace of new technologies and fleet developments.

The BusConnects project will continue in 2018 and will offer significant growth potential and considerable investment in bus service in the Dublin region. As Chairman of Bus Átha Cliath, I am pleased that the performance of the bus services in delivering economic growth in Dublin has been recognised through the BusConnects proposals. Seeking investment of €1 billion in bus transport in Dublin, BusConnects recognises the strategic benefits for the country of investment in urban buses. A key element of the project is the proposed network review. Bus Átha Cliath will engage with all stakeholders to ensure that our network experience is reflected in the project discussions.

The company has set out its strategy for the next five years in order to ensure that Bus Átha Cliath will continue to embrace emerging opportunities and challenges in respect of both PSO and Commercial Services in order to safeguard the long term future of the company. This includes the achievement of financial targets to ensure financial stability and provide funds for ongoing investment.

The board and I have every confidence that the company will continue to grow and develop and that its culture and values, including our commitment to constantly improving the service and experience we give our customers every day, will ensure Bus Átha Cliath continues to be Ireland's largest and best public transport provider.

**Ultan Courtney**
*Chairman*

Bus Átha Cliath

# Operations Review

**Bus Átha Cliath experienced very strong growth during 2017 as the company continued to deliver an effective public service, providing efficient, reliable and safe services for our customers.**

## Overview

Customer journeys on our Public Service Obligation (PSO) routes and Commercial Services grew to 139.4 million. The company continues to advance measures to enhance services for all customers wherever possible. The continued economic recovery has contributed to increased demand for services and the company was pleased to introduce both new services and increased frequency on existing services in response to this demand. While increased economic activity has also resulted in increased levels of traffic congestion, the company has worked with stakeholders to mitigate the impact of this increased congestion on customers. Over the last 12 months, Bus Átha Cliath has focused on enhancing our customer experience, through securing an increase in bus priority measures and new modern Euro 6 vehicles with multiple USB charging points. Our commitment to constant improvement and innovation is a major contributing factor to the growth in customer numbers.


The company was pleased to introduce an additional 100 buses to its fleet in 2017. The new buses are another significant development in the provision of convenient, comfortable and sustainable public transport for the people of Dublin. Bus Átha Cliath continued to operate a fully low floor accessible fleet.

Real Time Passenger Information (RTPI) remains extremely popular and is now more attractive to customers with the implementation of additional RTPI units across the city.

The company achieved a breakeven position for the operation of PSO services and recorded a surplus of €1.0 million in respect of Commercial Services. The company remains focused on delivering high quality, safe and efficient services for all customers and this includes a commitment to an ongoing focus on delivering cost efficiencies across all expenditure categories in order to ensure delivery of value for money.

## 2017 Operating Result and Financial Position

Bus Átha Cliath earned a net surplus of €1.0 million in 2017 compared to a net surplus of €2.6 million in 2016. This result, as set out below, shows a breakeven position for PSO services and a surplus of €1.0 million for Commercial Services.

| | **2017 €m** | **2016 €m** |
|---|---|---|
| PSO | 0.035 | 3.208 |
| Commercial Services | 0.968 | (0.586) |
| **Total** | **1.003** | **2.622** |

## PSO

The net cost of operating PSO services reduced from €56.4 million in 2016 to €47.4 million in 2017, a reduction of €8.9 million. This reflects increased PSO revenue of €13.3 million offset by increased expenditure of €4.4 million. This strong financial performance resulted in a reduction in the level of PSO payments required to operate the network of PSO services. The level of PSO subvention reduced from €59.6 million in 2016 to €47.5 million in 2017, a reduction of €12.1 million. PSO services achieved a breakeven position in 2017, after including all operating costs, compared to a surplus of €3.2 million in 2016.

The following table illustrates the change in the net cost of operating PSO services from 2016 to 2017 and the level of PSO subvention received in each year to generate the surplus for the year from PSO services.

Bus Átha Cliath continues to work closely with the National Transport Authority (NTA) to deliver an enhanced network of services and to improve the quality of our service offering to customers. It is recognised by all stakeholders that a reasonable surplus on the PSO contract is critical if the company is to continue its progress towards financial stability which in turn will generate cash for essential investment and provide greater security around provision of transport services. It should be noted that while PSO services achieved breakeven level in 2017, additional capital funding provided by the NTA reduced the requirement for own funded capital expenditure.

| | **2017 €m** | **2016 €m** |
|---|---|---|
| Net cost of operating PSO services in 2016 | | (56.350) |
| PSO revenue growth in 2017 | 13.335 | |
| PSO expenditure increase in 2017 | (4.432) | |
| Net PSO revenue growth in 2017 | 8.903 | |
| Net cost of operating PSO services in 2017 | (47.447) | |
| PSO subvention for operating PSO services | 47.482 | 59.558 |
| **Surplus for the year from PSO services** | **0.035** | **3.208** |

## Commercial Services

Commercial Services had an ambitious target to return to profitability in 2017 following a difficult trading year in 2016. 2017 saw further growth in Airlink services and in particular a growth in revenue on Airlink 757 services. Commercial Services achieved a surplus of €1.0 million in 2017 compared to a deficit of €0.6 million in 2016, an improvement of €1.6 million. This was achieved through a combination of revenue growth and targeted cost management. Revenue increased from €15.8 million to €17.9 million, an increase of €2.1 million. Expenditure increases, primarily associated with expanded services, were held at €0.6 million. The return to profitability for Commercial Services is providing a basis for further growth in 2018.

## Total Company Revenue

Total operating revenue grew by €15.5 million (6.5%) from €236.2 million to €251.7 million in 2017. This increase in revenue reflects the 8.7% overall increase in customer demand. An expanded network of Commercial Services has also contributed to the overall improvement.

## Total Company Expenditure

Total operating costs have increased from €281.7 million in 2016 to €287.3 million in 2017, a net increase of €5.6 million. The cost base benefited from a reduction in fuel costs of €5.0 million. The company has incurred additional costs associated with providing additional services for customers in response to increased demand arising from the recovering economy. These demand led cost increases, and the associated revenue increases, are reflected in the financial results for 2017.

Highlights
Chairman's Statement
**Review**
Financial Statements

The increase in operating costs also reflects the second year of the 2016 pay agreement and includes a pay increase of 3.75%, implemented from 1 Jan 2017. An element (1.0%) of this increased pay rate is funded through internal efficiencies. While this increase follows a pay freeze in place since 2008 and a reduction in terms and conditions introduced in 2013 to 2015 due to the financial crisis, it has resulted in increased net payroll costs of €4.0 million in 2017.

Total payroll costs increased by €9.4 million (5.1%) to €192.8 million. This increase is accounted for as follows:

| | |
|---|---|
| • Net pay rate increase after internal efficiencies | 2.5% |
| • Impact of 6 days strike on payroll in 2016 | 1.3% |
| • New services delivered under PSO contract | 1.3% |

Expenditure on materials and services for the year reduced by €3.8 million (3.8%) on 2016. Expenditure reductions on fuel and claims were offset somewhat by increases in Integrated Ticketing System (ITS) costs and maintenance materials.

Bus Átha Cliath remains committed to the operation of a profitable PSO contract under which high quality services are delivered in line with the contract terms. The company is also committed to developing its range of Commercial Services.

Bus Átha Cliath continues to serve as a strong contributor to the delivery and development of safe, reliable, customer focused public transport services within the Greater Dublin Area (GDA).

## The Importance of a Safe Workplace

The health and safety of employees and customers is one of the core values of Bus Átha Cliath. In line with our business strategy, our vision is to provide a transport service where people feel safe and to build on the experiences of customers and employees continuously to improve their working and commuting environments.

The Safety Management System provides the framework for addressing hazards and risks in the workplace and sets out the structures, responsibilities and arrangements for the effective management of health and safety. Underpinning this framework is a comprehensive range of safety policies, systems and procedures to help minimise the risk of accident or injury to employees, customers and anyone affected by the company's activities.

The introduction of Luas Cross City (LCC) in December 2017 marked a huge infrastructural change for the city and presented new challenges for Bus Átha Cliath through the introduction of shared running for buses and trams. In preparation for its implementation in December 2017, the company launched an extensive safety awareness campaign with a view to highlighting the key precautions for drivers when operating on or alongside the new LCC lines. The awareness campaign, which involved the preparation of an information booklet and driver training video, was launched in association with Transdev Ireland Ltd. as part of our annual Health & Safety week in October. Driver training instructors were also on hand to meet with drivers in all Bus Átha Cliath depots over a two week period in October/November 2017.

The awareness campaign is being extended as a key safety initiative for 2018 to ensure that all our drivers are fully informed in relation to the changed operating environment.

During 2017 Bus Átha Cliath continued its work in promoting cyclist safety by visiting a number of third level colleges throughout the city. This included visits to UCD, DCU and I.T. Blanchardstown, where students were afforded the opportunity to sit in the driver's cab and engage with driving instructors on key concepts such as driver blind spots around buses. In December 2017, we were delighted to receive a Road Safety Authority "Leading Lights in Road Safety" award in recognition of our work in this area and our ongoing commitment to promoting road safety.

As part of our ongoing commitment to ensuring a safe, reliable and accessible bus service for all of our customers, the company developed a comprehensive safety awareness strategy in 2017; this included a particular focus on older customers. An extensive suite of educational material was developed to include a customer safety awareness video which will be released in early 2018. Throughout the year, company representatives attended various events for older people's groups, providing them with on-board safety demonstrations and a useful opportunity to ask questions or raise concerns. This very important safety initiative will be extended into 2018.

## Developments in Commercial Services

2017 has seen strong growth for Bus Átha Cliath's Commercial Services. The company focused on core products; managing costs and growing customer numbers on Airlink and Sightseeing Tours with considerable success.

Commercial Services carried 3.1 million customers in 2017 which is an increase of 10.3% on 2016. This was driven by a focus on customer services, increased frequency on the Airlink 747 service and a full year of the new Airlink 757; servicing accommodation providers and businesses on the south side of Dublin.

In 2017 the company's sightseeing tours were successfully re-launched under the 'DoDublin' brand. This fresh, dynamic and impactful presence and a redeveloped and new look website and e-commerce presence have delivered considerable growth.

It is very pleasing that the commercial products returned to a position of profitability in 2017. The challenge for 2018 is sustained profit growth through continued robust cost management along with aggressive marketing and sales programmes.

## Market Opening

Bus Átha Cliath received the news that our tender bid to operate the Outer Dublin Metropolitan Area routes had been unsuccessful. This bid reflected our years of experience in providing an excellent service with high standards in customer experience. Our focus remains on providing a high quality network of services which are safe, efficient and reliable for the people of Dublin. We will continue to deliver and exceed on our commitments under the current PSO contract and will continue to work pro-actively with all stakeholders to manage the future operation of PSO services.

## Public Service Contract

Bus Átha Cliath focused on achieving the performance target obligations under the Direct Award of Public Services Contract 2014 – 2019. The contract outlines the standards of operational performance and customer service that the company must maintain. The targets centre on Lost Kilometres, Reliability, Punctuality and Customer Service Quality Performance. The company is focused on ensuring a high quality service is provided to all our customers and compliance with all performance targets. In 2017, we achieved and exceeded all quarterly and annual targets for Lost Kilometres, Punctuality and Customer Service Quality Performance.

## Accessibility – A Bus Service for All

Bus Átha Cliath continues to provide a fully accessible service. In providing a public transport service the company takes into account the accessibility needs of all of our customers. Company representatives meet with disability groups at least four times a year, listen to their concerns and improve the service accordingly. Our travel assistance scheme provided 1,226 travel assists in 2017, giving customers who require assistance the confidence to travel independently across all modes of transport in Dublin. This assistance may include visiting customers to assess their individual needs. Our staff will accompany individual customers for their initial journeys if this is required.

## Technological Advancements

RTPI on bus stop signs, on our website and our mobile app continues to provide a key component of service delivery. Independent surveys carried out by the NTA record an accuracy of 97.5% for the RTPI displayed at bus stop signs; RTPI accuracy on our website is even greater. The number of RTPI signs at bus stops reached 607 at the end of 2017 (2016: 574 RTPI signs). Bus Átha Cliath and the NTA plan to increase this further in 2018, with plans for the deployment of up to 80 additional display units in the Dublin area.

All new additions to the fleet in 2017 came equipped with an on-board audio announcement system and audio visual displays. All buses delivered in 2005 and later, approximately 940 buses, are now equipped with electronic displays. All buses have next stop audio announcements.

The statistics produced by the Automated Vehicle Location Control (AVLC) system are now being exported from the AVLC system on a daily basis to the NTA's Bus Data Management System (DMS). Final testing of this interface was concluded in early 2017, with live operation commencing in mid-2017. The NTA is now using the DMS to calculate key performance indicators of the PSO contract.

## Leap Card

Leap Card usage continued to grow in 2017. By the end of 2017, more than 2.8 million Leap Card's had been issued; over 1.0 million of these were in use during the last six months of 2017. Prepaid tickets (Airlink, Nitelink, Travel 90 (single ticket) and Tours tickets) remain available on disposable smart cards, mainly to serve the tourist market. Leap Cards accounted for approximately 76% of passenger boarding numbers (cash, e-purse & prepaid) for 2017, having risen from 73% at the start of the year.

Towards the end of 2017, approximately 370,000 Public Service Cards with Free Travel entitlements were used on our services.

The smartphone app for Leap Card, providing facilities both to top-up the stored value purse (e-purse) and also to check card balances, increased in popularity during 2017. By the end of 2017 e-purse top-ups of approximately €3.0 million per month were being added to Leap Cards using the app. At the end of 2016, the value of top-ups had been approximately €1.0 million per month.

## Market Research

The NTA carried out customer satisfaction research in 2017 covering the full range of public transport operators in Ireland. This showed Bus Átha Cliath to have the highest net promoter score of all bus, rail and tram operators.

We also conducted our own annual brand tracker research in May 2017. Fieldwork consisted of face to face interviews conducted with over 500 respondents. Overall, the research showed a strong advocacy score with 73% of respondents in the brand advocates category. Satisfaction with Bus Átha Cliath remained high with a score of 69%. From the research it was clear that the company's corporate reputation remains strong and performs better than its competitors. Research remains an annual activity and new yearly results will be available in June 2018.

## Support of Dublin Pride

In 2017 Bus Átha Cliath ran an information campaign to support route changes and diversions for Dublin Pride 2017. The campaign was also a way to encourage people to use public transport to and from the event. The company commissioned a full bus wrap which was in service during the month of June. On-board posters were also utilised to drive the campaign.

A full social media content calendar was developed as a support mechanism for the campaign including a range of animated GIFs to direct traffic to www.dublinbus.ie. The campaign was hugely successful with all social media content garnering over 6.7 million impressions.

## 30 Year Anniversary Campaign

Bus Átha Cliath celebrated 30 years of service in February 2017. In order to capitalise on this significant milestone a 'recruitment' campaign was created in order to target potential customers in the 30 year age bracket and recruit them back to our services. The campaign was rolled out in two phases; the first was a digital phase and the second was a full campaign across social, outdoor, radio and press channels. The campaign was a huge success, exceeding all KPIs set and earning significant exposure in the media.

## Digital Strategy

Bus Átha Cliath continues to invest in digital and social media advertising in order to communicate on all levels with our customers. Unlike traditional marketing, social media allows for interaction directly and immediately with our customers.

Downloads of our App amounted to 1,751,934 as at 31 December 2017. Android downloads account for 53% of all downloads with iOS at 47%. The volume of customers accessing the website from a mobile device is constantly increasing and makes up 84% of the overall traffic coming to the website.

The company continues to use social media as a tool to build brand advocates, promote the community work it currently does and develop partnerships and alliances. To achieve this, the company implemented an engagement plan consisting of a content calendar to promote services and products (apps, tickets etc.) in line with events taking place in Dublin. The company aims to enhance its social media platforms to become the home of customer engagement with a particular focus on Facebook. The company also expanded its presence on social media by developing and implementing an Instagram strategy in 2017.

Another key channel is Electronic Direct Mail (EDM). This channel allows the company to send campaigns on a regular basis to update customers on business news and marketing campaigns. EDM keeps loyal customers engaged and informed throughout the year. The company has over 418,000 customers signed up to receive EDM communications.

## Social Media and EDM

| | 2017 | 2016 |
|---|---|---|
| Number of Facebook followers | 48,000 | 39,000 |
| Number of Twitter followers | 81,000 | 59,000 |
| Website traffic average monthly sessions | 1,375,188 | 709,368 |
| Email sign-ups | 418,000 | 355,000 |

## Energy and Sustainability

Bus Átha Cliath operated a fleet of 1,016 Buses covering 58.4 million kilometres in 2017. The primary energy consumption is the fuel usage associated with running the fleet of buses. The quantity of diesel fuel used in 2017 was 27.6 million litres. The other main energy consumers include our seven depots and our office buildings. The breakdown of energy usage consists of fuel usage by our fleet (95% of consumption), electricity usage at our premises (2% of consumption) and gas consumption at our premises (3% of consumption). Up to 70% of electricity usage in the depots is associated with lighting the buildings and the external yard areas. Gas consumption is primarily associated with heating of premises. Lighting, office equipment and air conditioning units account for the majority of the office energy consumption.

In 2017 Bus Átha Cliath consumed 295,230 MWh of energy, consisting of:

| | 2017 MWh | 2016 MWh |
|---|---|---|
| Diesel fuel for running of the bus fleet | 280,716 | 278,405 |
| Electricity | 4,517 | 4,614 |
| Natural gas | 9,997 | 11,489 |
| **Total** | **295,230** | **294,508** |

### Actions Undertaken in 2017

In 2017 Bus Átha Cliath undertook a range of initiatives to improve energy performance, including:

- Delivery of 100 new buses which are fitted with Euro 6 standard engines – a smaller and more efficient engine combined with lighter chassis providing reduced fuel consumption.
- Vigil Vanguard training for drivers.
- Eco-driving techniques through driver CPC.
- Retrofit of LED light fittings in offices.
- Trials of high bay LED lighting in workshops and yards.
- Trials of automated fuel management system.

### Actions Planned for 2018

In 2018 Bus Átha Cliath intends to further improve energy performance by undertaking the following initiatives:

- Continued fleet renewal utilising buses fitted with Euro 6 standard engines. The new vehicles will replace less efficient older vehicles.
- Trials of eco-driving technology for the fleet using on-board telematics.
- Installation of an automated fuel management system in each depot.
- Complete LED lighting retrofits.
- Implementation of ISO 50001 – Energy Management System.
- Enhanced energy monitoring and energy capacity rationalisation.

The company will continue to identify further energy saving opportunities through our local energy management teams.

## Fleet Replacement Programme

During 2017 Bus Átha Cliath took delivery of 100 new double deck buses with Volvo B5TL chassis and Wrightbus (Ballymena) bodywork. These vehicles are designed to the latest Euro 6 emissions standard and will contribute to a significant improvement in nitrogen oxide and particulate emissions. The bodywork on the vehicles is significantly lighter making them more fuel efficient than previous models which will also improve CO2 emissions. In addition, the new buses are equipped with a number of features which will enhance the customer experience and improve satisfaction. These include a separate wheelchair and buggy space, next stop passenger information (audio and visual), Wi-Fi capability and, for the first time, these vehicles also have USB charging sockets for our customers. The vehicles are fitted with centre doors for customer exit, which enhance boarding efficiency and reduce wait times at stops. In addition to the 100 double decks, the company also acquired 2 single deck midi-buses to replace existing WV type buses on Route 44b. All replacement vehicles were funded by the NTA. The Fleet Refurbishment Programme progressed steadily during 2017 on VT/VG and EV type buses and a total of 73 buses were completed.

## Corporate Social Responsibility (CSR)

Through the Community Spirit Initiative, Bus Átha Cliath continued to play an active role in the communities in which we operate. The overall initiative is comprised of two main elements:

1. The Community Spirit Awards.
2. The Children's Art Competition and Calendar.

A total of 85 charities and voluntary groups from the Greater Dublin Area (GDA) were awarded grants of €1,000, €2,000 or €5,000 with over 1,800 charities and local organisations benefiting from the grants since the inception of the awards. Winners of the top awards this year were: HalfTimeTalk CLG, Anam Cara, Childcare Services Ltd, National Family Support Network and One Family.

The second element of the Community Spirit Initiative is the annual Children's Art Competition and Calendar. The company employs dedicated School and Community Co-ordinators who build and maintain relationships with young people in national and secondary schools across Dublin. Each year the co-ordinators select a number of national schools across our route network to participate in the competition and invite the children to submit a bus themed picture or poem. This year, over 2,000 children from 25 schools entered the competition. A selection of the winning entries was chosen to be displayed in this year's calendar. The competition promotes the value of public transport in local communities to younger customers and creates awareness of the negative impact of anti-social behaviour on buses for the local community itself. The winning entries were published in the Children's Art Calendar 2018, which was then distributed among the participating schools, employees and elected representatives in the GDA. Along with incorporating the winning entries into a calendar for distribution, the company staged an exhibition of some of the winning entries in Wood Quay Venue on 14 December 2017, to launch the 2018 calendar.

## Business in the Community Ireland

Bus Átha Cliath is a member of Business in the Community Ireland (BITCI), a group of companies committed to continually improving their positive impact on society. BITCI is Ireland's only membership network dedicated to responsible and sustainable business.

The company is working with BITCI to design a new CSR vision and strategy for the business which will enhance our commitment to being a responsible organisation with an active role in the sustainability of the environment and community life. They have carried out an assessment of the company's practices and benchmarked them under their "Business Working Responsibly" mark which is Ireland's only certified standard for CSR audited by the National Standards Authority of Ireland. They will also guide the company on implementing best practice in CSR.

# Senior Management Team

**The senior management team is based at 59 Upper O'Connell Street, Dublin 1 under the leadership and direction of Chief Executive Ray Coyne.**

Our experienced senior management team covers roles across all the key functions of our business in areas such as operations, finance, human resources, business development and engineering.

## Chief Executive Officer

Ray Coyne was appointed Chief Executive of Bus Átha Cliath in 2015. Ray has over 25 years' experience with the company and before taking up his current role, he spent time as the Human Resources' Services Manager.

Throughout his career, Ray has developed a deep understanding of the public transport sector from the viewpoint of all stakeholders. As Project Manager for Network Direct, the largest revision of a public transport network in Europe, he was responsible for the strategic redesign and implementation of the main public transport network in Dublin. He also held a number of operational roles earlier in his career including Area Operations Manager, at both Harristown and Conyngham Road Depots. Ray holds a Master of Business Administration (MBA) from University College Dublin (UCD) and an honours degree in Management and Information Systems from Dublin Business School.

## Head of Operations

Dónal Keating was appointed Head of Operations in 2011. He graduated from University College Cork with an Engineering Degree and began his career in Bus Átha Cliath in 1980 in the Service Planning Department. He has since held several senior management positions throughout his career in the company. Dónal holds an MSc in Transportation, an MBA and a Certificate of Professional Competence in Road Transport Operations Management. He is a member of both the Chartered Institute of Logistics and Transport (CILT) Ireland and the Institute of Engineers Ireland (IEI), and is a member of the current Council of CILT.

## Chief Financial Officer and Company Secretary

Andrea Keane is Chief Financial Officer and Company Secretary of Bus Átha Cliath, joining the company in September 2016. Andrea previously worked as Chief Financial Officer and Company Secretary for Bus Éireann, a role that she held since 2006. Andrea has responsibility for all financial matters within the company and as Company Secretary is responsible for advising the Board, through the Chairman, on governance issues. Andrea is an associate member of the Chartered Institute of Management Accountants. Andrea worked in Iarnród Éireann as Manager Management Accounts between 1997 and 2006, and has also worked in the private sector in a number of Financial and Management Accounting roles.

## Chief Engineer

Shane Doyle was appointed Chief Engineer when Bus Átha Cliath was established in February 1987 and has held the post since that date. His role includes responsibility for the technical, safety, purchase, maintenance and performance of the fleet. He is also responsible for procurement, health and safety across the entire company. Previously, he was Maintenance Engineer for Dublin City Services (DCS) from 1982 to 1987 when DCS was the division of CIÉ which operated the bus network in Dublin. Prior to that, he was Maintenance Manager for CIÉ in Cork from 1980 to 1982 with responsibility for maintenance of buses and road freight vehicles operating in the South West region and before that held the post of Maintenance Engineer for CIÉ in Galway with responsibility for vehicle maintenance in the Western region from 1979 to 1980. He holds a Bachelor of Mechanical Engineering degree from UCD, an MSc in Management from TCD and a Diploma in Accounting and Finance from the Association of Chartered and Certified Accountants (ACCA).

## Head of Human Resources and Development

Phil Donohue was appointed Head of Human Resources and Development in 2010. Prior to this he was Employee Relations Manager. In his current position he is responsible for leading and managing the human resources function and for creating, implementing and nurturing the overall HR strategy which is central to ensuring the continued success of Bus Átha Cliath. Phil joined Bus Átha Cliath in 1984 and has worked in a variety of operational roles including Divisional Manager in Area West, Area North West and Area South.

## Head of Commercial and Business Development

Ciarán Rogan joined Bus Átha Cliath in 2017. In his role he is responsible for quality and customer experience; commercial performance and business development; marketing, communications and public affairs; regulatory affairs; customer information and digital activity. Ciarán has extensive experience in public transport with Translink in Northern Ireland and through the International Association of Public Transport (UITP). He has also worked in the higher education, tourism, agri-food and consultancy sectors. He is a graduate of University College Dublin and holds postgraduate qualifications from Université Catholique de Louvain and Ulster University.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# Directors and Other Information

### Board of Directors at 4 April 2018

Mr U. Courtney *(Chairman)*

Prof P. Barker

Mr S. Hannan

Ms G. Joyce

Ms S. Madden

Mr T. O'Connor

Mr J. Quinn

Prof K. Rafter

### Chief Executive

Mr R. Coyne

### Secretary and Registered Office

Ms A. Keane
59 Upper O'Connell Street
Dublin 1

### Registered Office:

Bus Átha Cliath
59 Upper O'Connell Street
Dublin 1

**Telephone:** +353 1 872 0000
**Website:** www.dublinbus.ie
**Registered No:** 119569

Company limited by shares and registered as a Designated Activity Company under the Companies Act 2014

### Independent Auditors

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

# Directors' Report

The directors present their annual report in accordance with their obligations under the Irish Companies Act 2014, the Transport Act 1950 and the Transport (Re-organisation of Córas Iompair Éireann) Act 1986 for the year ended 31 December 2017.

## Directors' Compliance Statement

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

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

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

## Accounting records

The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records in accordance with Section 281 to 285 of Companies Act 2014 are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Bus Átha Cliath, 59 Upper O'Connell Street, Dublin 1.

## Share capital

Details of the company share capital are set out in note 18. There were no movements in share capital during the year.

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

## Shareholders meetings

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

## Going concern

The members of the board of directors are satisfied that the company will have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for the preparation of the financial statements. Further details are set out in note 2 to the financial statements.

## Principal activities and financial review

The principal activity of the company is the provision of a comprehensive bus service for the city of Dublin and its hinterland.

Córas Iompair Éireann (CIÉ), a statutory body wholly owned by the Government of Ireland and reporting to the Minister for Transport, Tourism and Sport holds 100% of the issued share capital of the company.

Total operating revenues increased by 6.5% to €251.7 million in 2017 from €236.2 million in the previous year. Passenger demand in 2017 showed sustained growth through the year. Bus Átha Cliath carried 139.4 million customers, representing an increase of 8.7% on 2016 (128.2 million).

In 2017, Bus Átha Cliath earned a net surplus of €1.0 million. This compares with a surplus of €2.6 million in 2016. Commercial Services recorded a surplus of €1.0 million while PSO services achieved a breakeven position.

The key aspects of the financial results include operating revenue growth of €15.5 million and an increase of €5.6 million in operating costs.

Bus Átha Cliath received Public Service Obligation (PSO) payments of €47.5 million in 2017; a reduction of €12.1 million compared to 2016. Strong revenue growth helped reduce the requirement for PSO subvention. Bus Átha Cliath continues to work closely with the National Transport Authority (NTA) to deliver an enhanced network of services and to improve the quality of our service offering to customers. It is recognised by all stakeholders that a reasonable surplus on the PSO contract is critical if the company is to continue its progress towards financial stability which in turn will generate cash for essential investment and provide greater security around provision of public transport services. It should be noted that while PSO services achieved breakeven level in 2017, the NTA provided additional capital expenditure funding which reduced the requirement for own funded capital expenditure.

Commercial Services had an ambitious target to return to profitability in 2017 and this was achieved through a combination of revenue growth and targeted cost management. The results for Commercial Services were encouraging with a profit of €1.0 million and this is providing the platform for further growth in 2018.

The company's net assets have strengthened to €43.5 million in 2017, an increase of 2.4% on the prior year. Bus Átha Cliath's liquidity is in a positive position with a current asset to current liability ratio of 2.3.

The directors review the periodic management accounts, financial accounts, financial and non-financial KPIs and budgets at the scheduled Bus Átha Cliath board meetings.

The company is reliant upon funding from the NTA for the provision of socially desirable but economically unviable public transport services.

## Dividends

There were no dividends paid or declared in 2017 or 2016.

## Principal risks and risk management

The company is committed to managing risk in a systematic and disciplined manner. The key risks facing the company are identified through a company-wide risk management process. Risk Management Framework and a Risk Management Information System, implemented in 2016, allows for the real time reporting of risks which are evaluated and reviewed on a monthly basis by management and on a quarterly basis by the board. An objectives driven risk prioritisation system was in place throughout the year which focuses the board on the identified risks.

CIÉ enters into fuel and currency forward purchasing arrangements where it deems there is value and reduced risk to the group. CIÉ is the counter party in respect of these transactions.

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

## Capital investment

Investment in improving services continued with the assistance of the NTA. During 2017, fleet investment also continued and Bus Átha Cliath took delivery of 100 new buses to replace older vehicles and to increase capacity. Other significant expenditure included fleet refurbishment programmes to maintain quality and reliability for the benefit of the customer.

*Directors' Report (continued)*

## Consultancy expenditure

The 2016 Code of Practice for the Governance of State Bodies requires disclosure in the Annual Report of details of expenditure on external consultants/advisors in the financial year. The company adopted the following definition of consultancy expenditure:

"Consultancy is where a person, organisation or group is engaged to provide intellectual or knowledge-based services (e.g. expert analysis and advice) through delivering reports, studies, assessments, recommendations, proposals, etc. that contribute to decision-making or policy-making in a contracting authority. The engagement should be for a limited time period to carry out a specific finite task or set of tasks involving expert skills or capabilities that would not normally be expected to reside within the contracting authority. The information sought by this disclosure is to reflect the level of consultancy expenditure incurred by the State body in the financial year. It is not intended to include expenditure on processes which have been outsourced under 'business as usual'."

In line with the 2016 Code of Practice for the Governance of State Bodies, consultancy costs incurred in 2017 by the company included in materials and services costs (see note 6) are set out in the table below:

| **Category** | **2017 €000** |
|---|---|
| Customer charter | 99 |
| Industrial relations | 37 |
| Legal | 6 |
| Organisational strategy | 121 |
| Regulatory | 132 |
| Safety | 8 |
| Stakeholder engagement | 39 |
| Other | 28 |

## The board

The company is controlled through its board of directors. The board met ten times during 2017 (ten times in 2016) and has a schedule of matters reserved for its approval.

## Directors

The directors of the company are appointed by the Minister for Transport, Tourism and Sport. The names of persons who were directors during the year ended 31 December 2017 or who have since been appointed are set out below. Except where indicated they served as directors for the entire period up to the date of the approval of these financial statements.

| | |
|---|---|
| Mr U. Courtney | *(Chairman)*<br>*(term expired 22 September 2017, re-appointed 06 December 2017)* |
| Prof P. Barker | |
| Mr S. Hannan | *(appointed 1 December 2017)* |
| Ms G. Joyce | |
| Ms S. Madden | |
| Mr B. McCamley | *(retired 11 February 2017)* |
| Mr T. O'Connor | |
| Mr J. Quinn | |
| Prof K. Rafter | |

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 company's business.

## Audit, Finance and Risk Committee

At 4 April 2018, the Audit, Finance and Risk Committee (AFRC) comprises the following non-executive members of the Board: Prof P. Barker (Chairman), Ms G. Joyce, Prof K. Rafter and Mr J. Quinn.

While all directors have a duty to act in the interests of the company, the AFRC has a particular role, acting independently from the executive, to ensure that the interests of the shareholders are properly protected in relation to the financial reporting oversight, internal control, internal and external audit, risk management and corporate governance.

During the year ended 31 December 2017, the committee monitored the budgetary process, and kept under review the effectiveness of the company's internal controls and risk management systems. In particular, the committee:

- engaged with the external auditor to ask such questions as to satisfy itself as to their independence;
- engaged with the CFO and the external auditor to assure itself as to the accounting judgements applied to the financial statements;
- received regular reports on the development of the Integrated Ticketing System (ITS) and engaged with the CFO on the measures being taken to protect the integrity of this revenue stream. In particular, reviewed the ISAE 3402 reports prepared by the NTA's Auditors and the Complimentary End User Control report produced by our own auditors;
- held a private discussion, without management, with the external auditors to ensure that there were no issues of concern and to receive matters arising from their audit;
- communicated clearly to the external auditors that they may request a meeting with the committee at any time if they consider that one is necessary to discuss a specific item or items;
- engaged with the internal auditor to assess the committees reliance on his team's work output and conclusions, and held a private discussion, without management, with the internal auditor to ensure that there were no issues of concern and to receive matters arising from their audits;
- met with the Procurement Officer to satisfy itself as to the rigour of the policies and procedures for procurement and contract management;
- conducted regular reviews of the 2017 operating results and satisfied itself with regard to the reasonableness of the 2018 Budget and Business Plan 2018 – 2022;
- monitored implementation of recommendations arising from Internal Audit reports;
- engaged with the CFO, at least twice yearly, to receive a statement of her assurance that no matters relating to fraud have come to attention which have not, in the ordinary course of reporting to the AFRC, been drawn to the committee's attention;
- monitored the Risk Management System (RMS) including the results of an external review of the RMS;
- engaged with the Risk Manager on a regular basis regarding the major risks and uncertainties impacting on the company;
- dedicated significant time and attention to the introduction of the requirements of The Companies Act, 2014 and in particular provided oversight for the board in relation to the Directors' Compliance Assurance Process;
- monitored the application of the company's Protected Disclosure Policy where complaints were received;
- conducted an internal review of our performance during the year under review;
- monitored and reviewed the company's progress in relation to plans to ensure compliance with the requirements of the General Data Protection Regulations due to be implemented in May 2018;
- monitored and reviewed the company's progress in relation to achieving compliance with the requirements of the 2016 Code of Practice for the Governance of State Bodies; and
- engaged with management in relation to the ongoing promotion and strengthening of the company's Code of Ethics.

The Terms of Reference of the AFRC have been approved by the board and are reviewed on an annual basis and amended as appropriate. The Chairman of the committee met with the Chairman of the company to discuss matters arising from the conduct of the AFRC's business. The committee met seven times in 2017 (seven times in 2016). The AFRC performs the role of the Audit Committee required to be established under Section 167 of the Companies Act 2014.

There were no material non-audit services provided by the auditors during the year under review. Therefore the AFRC, having considered all relationships between the company and the external audit firm, does not consider that those relationships impair the auditor's judgement or independence.

*Directors' Report (continued)*

## Board Safety Committee

At 4 April 2018, the Bus Átha Cliath Board Safety Committee (BSC) comprises the following members of the board: Ms S. Madden (Chairman), Mr J. Quinn and Mr T. O'Connor. Mr B. McCamley retired from the board on 11 February 2017. Mr T. O'Connor was appointed to the committee on 8 February 2017.

Ensuring the safety of employees and customers is Bus Átha Cliath's core value. The company embraces this value by providing a transport service where people feel safe and where the experiences of customers and employees are built on a continuous commitment to safe practices.

In this context, the BSC is central to ensuring that safety remains at the core of the business, and that key safety objectives and priorities are effectively managed and delivered.

The Terms of Reference of the BSC are as follows:

- preparation and annual update of Safety Plans by management;
- annual report from management on Safety Management Systems Review;
- liaison and co-operation by management as appropriate with the relevant statutory safety authorities, including the Department of Transport, Tourism and Sport, the Road Safety Authority and the Health and Safety Authority;
- key safety performance indicators as prepared and reported on by management; and
- any other health and safety matters as referred to the committee by the board or management of Bus Átha Cliath.

The committee is authorised, by the board, to investigate any activity within its terms of reference, to obtain the resources it needs to do so and to gain full access to information. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee. The committee is authorised by the board to obtain outside professional advice and, if necessary, to invite external consultants with relevant experience to attend meetings.

The Committee met on a total of four times during 2017 (five times in 2016) in accordance with the planned schedule for BSC meetings. Some of the key items reviewed during the year included the following:

- introduction of LUAS Cross City and the key safety measures being adopted by Bus Átha Cliath;
- implementation of various fleet improvement measures arising from a review of 2016 customer accidents;
- ongoing review of new drivers' performance;
- outcomes from task-related safety audits conducted within the engineering department;
- review of recommendations and actions arising from Vehicle Safety incidents; and
- adoption of key safety initiatives for 2018, to include the following:
  - focused campaign on further improving customer safety awareness; and
  - introduction of a revised Drug and Alcohol Policy to provide for post-accident, for cause and random testing.

## Board Remuneration and Succession Committee

At 4 April 2018, the Remuneration and Succession Committee comprises the following non-executive members of the Board; Prof K. Rafter (Chairman), Mr U. Courtney, Prof P. Barker and Ms G. Joyce.

Recognising the position of Bus Átha Cliath as determined by Section 14(1) of the Transport Act, 1986 the functions of the Committee are:

- To ensure implementation of government policy in relation to the remuneration of the Chief Executive Officer (CEO) and managers who report directly to him, and to ensure that the arrangements put in place by the Department of Finance, Department of Public Expenditure and Reform and the Department of Transport, Tourism and Sport for determining and approving the remuneration of the CEO, are implemented and adhered to;
- To ensure that any government guidelines and Bus Átha Cliath/CIÉ Group policies regarding the remuneration of senior managers are adhered to;
- To approve the remuneration package and the appointment/re-appointment of the CEO and all senior managers who report directly to the CEO;
- To determine performance criteria against which the performance of the CEO will be measured, which are consistent with the corporate plan approved by the board;

- In line with government policy, to approve any performance-related policy in respect of the CEO and managers who report directly to him. The CEO's review shall be undertaken by the Chairman of the board;
- To approve and regularly update succession plans covering the CEO and to also consider any proposals from the CEO regarding skills, succession planning or headcount issues;
- Where special arrangements are proposed in relation to specific appointments, to approve such arrangements and to ensure the approval of such arrangements by the Department of Finance, Department of Public Expenditure and Reform and the Department of Transport, Tourism and Sport;
- To review and approve the section of the Chairman's annual letter to be sent to the Minister for Transport, Tourism and Sport relating to the affirmation that the government guidelines in relation to the payment of fees to the directors of the board are being complied with (which is required to be delivered pursuant to the 2016 Code of Practice for the Governance of State Bodies);
- To review and approve the sections of the Annual Report and Financial Statements to be published by the company which relate to details of fees to be paid to each board director, the expenses paid to the directors and the salary of the CEO;
- To ensure adequate plans are in place to take account of an unforeseen absence of the CEO;
- To perform any other functions appropriate to a Remuneration and Succession Committee or assigned to it by the board from time to time.

The Remuneration and Succession Committee was formally established by a decision of the Bus Átha Cliath board in 2014. The committee's Terms of Reference were subsequently approved by the board and are reviewed on an annual basis and amended as appropriate. In line with its agreed work programme the Committee met three times in 2017 (2 times in 2016). During 2017 the committee, on behalf of the board, undertook a detailed exercise in relation to board succession planning in order to ensure the board continues to have the requisite skills and experience to both discharge its statutory responsibilities and fully address the key strategic issues facing Bus Átha Cliath.

## Board Strategy Review Group

At 4 April 2018, the Strategy Review Group (SRG) comprises the following non-executive members of the Board; Mr U. Courtney (Chairman), Prof P. Barker, Ms G. Joyce, Ms S. Madden, Mr J. Quinn and Prof K. Rafter.

The mandate from the board for the SRG is:

- To review the main strategic assumptions which guide the company's five year rolling business plan and make recommendations to management;
- To review the updated plan prior to it being submitted to the board for approval;
- To review the key assumptions which inform the preparation of the annual budget in the context of the approved business plan;
- To consider any event which would have a major effect on the prospects of achieving the annual budget or business plan targets.

During the year ended 31 December 2017, the SRG undertook a detailed review of the company's five-year plan 2018 – 2022 as well as conducting a review of the key strategic issues facing the company in the coming years. The SRG continues to monitor key strategic performance indicators.

The Terms of Reference of the SRG have been approved by the board and are reviewed on an annual basis and amended as appropriate. The committee met twice in 2017 (four times in 2016).

*Directors' Report (continued)*

## Attendance at Board and Committee meetings

Listed below is the attendance of board directors at board and committee meetings during 2017.

| Director | Board | Safety Committee | Audit Finance and Risk Committee | Remuneration and Succession Committee | Strategy Review Group |
|---|---|---|---|---|---|
| Ultan Courtney *(Chairman)* | 7/7 | | | 3/3 | 2/2 |
| Professor Patricia Barker | 10/10 | | 7/7 | 3/3 | 2/2 |
| Stephen Hannan | 1/1 | | | | |
| Gary Joyce | 8/10 | | 5/7 | 2/3 | 2/2 |
| Siobhán Madden | 9/10 | 4/4 | | | 2/2 |
| Bill McCamley | 2/2 | | | | |
| Thomas O'Connor | 10/10 | 3/3 | | | |
| Joe Quinn | 10/10 | 4/4 | 7/7 | | 2/2 |
| Professor Kevin Rafter | 9/10 | | 7/7 | 3/3 | 2/2 |

## Employee development

Bus Átha Cliath is committed to ensuring that the necessary skills and knowledge are identified and developed so that all employees have the opportunity to develop and make a positive contribution. A competency framework is used to identify the behaviours, skills and abilities essential to the successful performance of the various roles of employees in delivering a quality service to the required standard.

The Bus Átha Cliath Training Centre provides a number of training programmes to ensure that bus drivers are given the highest standard of training to enable them deliver a safe, efficient and reliable bus service to our customers. All bus drivers participate in one days training each year to qualify them for the Certificate of Professional Competence (CPC) in accordance with EU Directive 2003/59/EC and Road Safety Authority approval. Bus Átha Cliath have been recognised by the Road Safety Authority as a CPC Training Organisation of the Year at their Leading Lights in Road Safety Awards.

In addition to CPC, a driving skills competence development programme is delivered to all drivers. This programme uses a video training system (Vigil Vanguard) to facilitate reflective learning and behavioural change. The training programme has been acknowledged by the Chartered Institute of Logistics and Transport and the Road Safety Authority for its innovative approach to driver skills training.

The Training Centre also provides induction programmes for new bus drivers, driving instruction for category C, D and E driving licences, and a customer care training programme.

All employees are attending local communications workshops over a two year period to establish a stronger communications network between employees and management. The purpose of the workshops is to engage with employees, update them on all the challenges facing Bus Átha Cliath and allow for dialogue to take place between both sides with the ultimate goal of creating greater awareness and support of the Bus Átha Cliath future business strategy.

As part of our talent management process a number of development programmes for managers and administrative employees continued in 2017. These included third level studies, a coaching and development programme, a mentoring programme to support newly appointed executives and managers in their roles, specific training in Stakeholder Engagement, and a People Management programme. Other role specific training continued for engineering, supervisory and administrative employees.

## Health and safety

The company is fully committed to complying with the provisions of the Safety, Health and Welfare at Work Act, 2005 and all other national and EU Regulations. The Safety Management System is kept under review and is updated on an ongoing basis.

## Diversity and inclusion

Bus Átha Cliath is committed to creating an environment where employees and customers are treated with dignity and respect and where differences are respected, accommodated and valued. We also aim to create an environment in which everyone can achieve their full potential and where a broad range of individual abilities, talents and perspectives are valued and supported.

The company has a Diversity and Inclusion strategy in place which reflects our continuing commitment to equality, diversity and non-discrimination for our employees, our customers and the wider community we seek to serve. It is designed to ensure an efficient and fulfilling work environment for our employees, to meet the changing needs of our customers and underpin the quality of their experience of our services, and to deepen our connection to the diversity of the communities that we serve. It includes an annual action plan which sets out the specific steps and commitments that we take each year to progress these objectives across each of the business functions in Bus Átha Cliath.

Bus Átha Cliath continues to work in partnership with the Irish Human Rights and Equality Commission, the Immigrant Council of Ireland, Transgender Equality Network Ireland and the National Disability Authority on a number of initiatives to promote diversity and inclusion.

During 2017, Bus Átha Cliath again worked in partnership with the Immigrant Council of Ireland, the NTA and other public transport providers on the national Say No To Racism campaign.

In 2017 Bus Átha Cliath launched its Workplace Gender Transition Policy and Guidelines. The policy provides practical information on gender transition to employees, as well as foster engagement and encourages dialogue on trans issues within the workplace, both within the company and in the wider external environment. It further builds on our commitment to diversity and inclusion not just for our employees but also our customers and the wider community we serve as a public service provider.

## 2016 Code of Practice for the Governance of State Bodies

Details of the policies and procedures implemented by the company following publication of the 2016 Code of Practice for the Governance of State Bodies are provided in the Córas Iompair Éireann Annual Report. The code provides minimum standards and the board endeavours to ensure compliance with best practice in Corporate Governance in the conduct of its business. The changes arising from the implementation of the 2016 Code of Practice for the Governance of State Bodies have been fully reflected in the 2017 financial statements and the required Statement on Internal Control is set out below.

## Payment practices

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

## Post balance sheet events

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

*Directors' Report (continued)*

## Auditors

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

## Disclosure of information to auditors

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

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

# Statement of Internal Control

## Scope of responsibility

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

## Purpose of the system of internal control

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

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in Bus Átha Cliath for the year ended 31 December 2017 and up to the date of approval of the financial statements.

## Capacity to handle risk

Bus Átha Cliath has an Audit, Finance and Risk Committee (AFRC). The Charter and Terms of Reference of the AFRC provides for a number of directors to be appointed to the committee, one of whom is the Chair. The AFRC met seven times in 2017.

Bus Átha Cliath, as part of the CIÉ Group, has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the AFRC.

Bus Átha Cliath, as part of the CIÉ Group, has developed a Risk Management Policy (the Policy) which delegates responsibility for risk management to the company's Chief Risk Officer, and she has established a reporting structure. The board has responsibility for and approves the Risk Management Frameworks, tailored to address the specific strategic objectives, and to manage the specific risk exposures efficiently and effectively, within the context of the Policy.

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

## Risk and control framework

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

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

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

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

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

Bus Átha Cliath has implemented a risk management system via an auditable risk software system, OpRiskControl, which has been designed to ensure that Risk Owners and other department resources, adopt a consistent, robust approach at every stage of the risk management process, from risk identification through to escalation. In accordance with ISO 31000, it is policy that risks be defined at a level that can be managed, that is, they are sufficiently articulated so that the possible extent and likelihood of the event can be appraised and mitigating actions put in place.

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

*Statement of Internal Control (continued)*

## Ongoing monitoring and review

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

Periodic reports will incorporate the following as standard:

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

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

In addition to the above, all top group principal risks and emerging risks are escalated to the CIÉ executive board for assessment by the CIÉ executive board on a group-wide basis. A report of top group principal risks, status as against risk appetite and performance as against KPI's with supporting risk detail reports is escalated to each sitting of the AFRC and to the CIÉ Board quarterly.

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

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

## Procurement

Bus Átha Cliath confirms it has procedures in place to ensure compliance with applicable procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted to the Minister within the Comprehensive Annual Report via a Letter to the Chairman of CIÉ. We confirm that there are no material non-compliances in the company for 2017.

## Review of effectiveness

The 2016 Code of Practice for the Governance of State Bodies 2016 published by the Department of Public Expenditure and Reform requires an external review of effectiveness of risk management framework of each State Body be completed "on a periodic basis". Mazars were engaged to perform a review of the Company Risk Management Framework in May 2017.

The company was found to be compliant with the Code.

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

Bus Átha Cliath confirms that the board conducted an annual review of the effectiveness of the internal controls for 2017.

## Internal control issues

No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.

# Directors' Responsibilities Statement

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

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

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

- select suitable accounting policies for the company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring the company's compliance with the 2016 Code of Practice for the Governance of State Bodies.

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

**On behalf of the board**

**Mr U. Courtney**
*Chairman*

**Prof P. Barker**
*Director*

**Date: 4 April 2018**

# Board of Directors

**Ultan Courtney;** *Chairman*

Ultan Courtney was appointed to the Board of CIÉ and as Chairman of Bus Átha Cliath in September 2014. He has wide experience in the Human Resources and Industrial Relations field. He is Managing Director of his own consultancy business and previously held positions in C&C Group Plc, Superquinn, Waterford Foods and IBEC. Ultan holds a Degree in Economics from Trinity College Dublin and has numerous qualifications in the areas of employment law, mediation, arbitration and corporate legal governance.

**Patricia Barker**

Patricia Barker is a retired professor of accounting. She currently lectures part-time in Business Ethics in DCU. She is a Chartered Accountant and a Council Member of Chartered Accountants Ireland. Her PhD was in the disclosure of financial information to employees and she holds an MPhil from Trinity College in Gender Studies. Patricia is a director of Tallaght Hospital and of The Marine Institute and chairs their Audit and Risk Committees. She is a member of the Audit Committees of the Health Service Executive (HSE) and of The Court Services. She served as Chairman of the Blood Transfusion Services Board (BTSB) and works as a volunteer with the Rape Crisis Centre. Patricia was reappointed to the board for a further three year term in February 2016.

**Gary Joyce**

Gary Joyce was appointed to the board in 2012 and reappointed for a further three year term in July 2015. She is Managing Partner of Genesis, a consulting firm that specialises in customer and market strategy. She has extensive non-executive director experience in the public, private and not-for-profit sectors and is currently Deputy Chair of the Child and Family Agency and is on the board of Sam McCauley Chemists and Galway International Arts Festival. She is a Fellow of the Institute of Management Consultants and Advisers and of the Marketing Institute of Ireland.

**Siobhán Madden**

Siobhán Madden was appointed to the board in June 2015. Siobhán is a legal consultant and solicitor who worked for many years in international aircraft leasing, mainly in the International Financial Services Centre (IFSC), Dublin. She specialises in financial services, corporate governance and the law relating to aviation and other mobile transport equipment. She is also a tax consultant, a member of the New York Bar, and the International Bar Association. She studied in Trinity College, was a partner for 15 years in a leading Dublin law firm, and has gained international experience working in Dublin, New York and France for major international companies.

**Bill McCamley**

Bill McCamley was first appointed to the board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Bill joined Bus Átha Cliath in 1974 and worked in Phibsboro garage as a bus driver. He has held a variety of positions in his trade union, SIPTU, including membership of the Regional, Divisional and Branch committees. Bill is presently a member of the Transport Sector and Dublin District committees. He has represented his trade union at a number of European transportation conferences and was a member of the Department of Justice Working Party on Bus Violence (1996). Bill has written extensively on transportation and trade union issues, including a book on the history of Dublin's tram-workers. Bill retired from the board on 11th February 2017.

## Joe Quinn

Joe Quinn was appointed to the board in June 2015. Joe is Managing Director at RGP; an international consulting firm that specialises in finance, governance, risk and compliance consulting. He trained as a Chartered Accountant with Ernst & Young and has held finance leadership positions in a number of multi-national companies, including Guinness, Diageo and Prudential. Joe is a Fellow of the Institute of Chartered Accountants in Ireland and holds a Bachelor of Commerce degree and a post-graduate Diploma in Professional Accounting from University College Dublin. He is currently a member of the board and chairman of the Finance and Audit Committee of Oxfam Ireland.

## Thomas O'Connor

Thomas O'Connor was appointed to the board in December 2013 following his election to the CIÉ Board under the Worker Participation (State Enterprises) Acts 1977 to 2001. Thomas works as a bus driver based in Ringsend garage. He is a member of the National Bus and Rail Union (NBRU), sits on the National Executive and has served as Dublin Branch Secretary since 2010. He previously worked in the electrical and signage industry.

## Kevin Rafter

Prof Kevin Rafter was appointed to the board in January 2013 and was reappointed for a further three-year term in January 2016. He is an experienced non-executive director with senior-level communications and media expertise, and a strong track record in regulatory oversight. He is chairperson of the Compliance Committee of the Broadcasting Authority of Ireland and is a member of the Solicitors Disciplinary Tribunal. He has a BA (Mod) and MLitt in economics and a MA and PhD in political science, and a Diploma in Corporate Law and Governance.

## Stephen Hannan

Stephen Hannan was appointed to the board in December 2017 following his election to the CIÉ Board under the Worker Participation (State Enterprises) Acts 1977 to 2001. He works as a bus driver in the Ringsend garage. He is a member of SIPTU and has held a wide variety of positions within the trade union for almost 30 years. He is president of the Bus Drivers Committee, vice-chairman of the Transport Sector Committee, a member of the Divisional Committee and a depot representative.

# Independent Auditors' Report

To the Members of Bus Átha Cliath

## Report on the audit of the financial statements

### Opinion on the financial statements of Bus Átha Cliath (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2017 and of the surplus for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

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

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland ("the relevant financial reporting framework").

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

*Independent Auditors' Report (continued)*

## Report on other legal and regulatory requirements

### Opinion on other matters prescribed by the Companies Act 2014

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

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited;
- The financial statements are in agreement with the accounting records;
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

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

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

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

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement in the Directors' Report does not reflect the company's compliance with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

**Ciarán O'Brien**

**For and on behalf of Deloitte**
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

**4 April 2018**

# Profit and Loss Account

## For the Financial Year Ended 31 December 2017

| **Revenues** | **Notes** | **2017 €'000** | **2016 €'000** |
|---|---|---|---|
| Operating revenue | | 251,674 | 236,195 |
| Public Service Obligation payment | | 47,482 | 59,558 |
| Revenue grants | | 162 | 140 |
| **Total revenue** | *4* | **299,318** | **295,893** |
| | | | |
| **Costs** | | | |
| Payroll and related costs | *5* | (192,780) | (183,359) |
| Materials and services | *6* | (94,532) | (98,294) |
| **Total operating costs** | | **(287,312)** | **(281,653)** |
| | | | |
| **EBITDA before exceptional costs** | | **12,006** | **14,240** |
| | | | |
| Exceptional operating costs | *7* | (866) | (1,739) |
| Depreciation and amortisation (net) | *8* | (10,385) | (10,738) |
| Gain on disposal of tangible assets | | 325 | 741 |
| **Surplus before interest and tax** | | **1,080** | **2,504** |
| | | | |
| Interest receivable and similar income | *9a* | – | 346 |
| Interest payable and similar charges | *9b* | (77) | (228) |
| **Surplus for the year** | | **1,003** | **2,622** |
| | | | |
| Tax on surplus | *10* | – | – |
| **Surplus for the year after tax** | | **1,003** | **2,622** |

# Statement of Total Comprehensive Income

## For the Financial Year Ended 31 December 2017

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| Surplus for the year | 1,003 | 2,622 |
| **Total comprehensive income for the year** | **1,003** | **2,622** |

# Balance Sheet

## As at 31 December 2017

| | Notes | 2017 €'000 | 2016 €'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | *11* | 855 | 2,170 |
| Tangible assets | *12* | 179,977 | 177,649 |
| | | **180,832** | **179,819** |
| **Current assets** | | | |
| Stocks | *13* | 5,044 | 4,071 |
| Debtors | *14* | 157,241 | 143,805 |
| Cash at bank and in hand | | 984 | 815 |
| | | **163,269** | **148,691** |
| **Creditors** (amounts falling due within one year) | *15* | (69,821) | (61,878) |
| **Net current assets** | | **93,448** | **86,813** |
| **Total assets less current liabilities** | | **274,280** | **266,632** |
| Provision for liabilities | *16* | (96,129) | (96,586) |
| Deferred income | *17* | (134,619) | (127,517) |
| **Net assets** | | **43,532** | **42,529** |
| **Capital and reserves** | | | |
| Called up share capital | *18* | 69,836 | 69,836 |
| Profit and loss account | | (26,304) | (27,307) |
| **Equity** | | **43,532** | **42,529** |

**On behalf of the board**

**Mr U. Courtney**
*Chairman*

**Prof. P. Barker**
*Director*

**Date: 4 April 2018**

# Statement of Changes in Equity

## For the Financial Year Ended 31 December 2017

| | Called up share capital €'000 | Profit and loss account €'000 | Total €'000 |
|---|---|---|---|
| **Balance at 1 January 2016** | **69,836** | **(29,929)** | **39,907** |
| Surplus for the year | – | 2,622 | 2,622 |
| Other comprehensive income for the year | – | – | – |
| **Balance at 31 December 2016** | **69,836** | **(27,307)** | **42,529** |
| | | | |
| **Balance at 1 January 2017** | **69,836** | **(27,307)** | **42,529** |
| Surplus for the year | – | 1,003 | 1,003 |
| Other comprehensive income for the year | – | – | – |
| **Balance at 31 December 2017** | **69,836** | **(26,304)** | **43,532** |

# Cashflow Statement

## For the Financial Year Ended 31 December 2017

| | Notes | 2017 €'000 | 2016 €'000 |
|---|---|---|---|
| **Net cash generated from operating activities** | *19* | **16,660** | **19,593** |
| **Cash flow from investing activities** | | | |
| Purchase of intangible fixed assets | | (415) | (1,266) |
| Purchase of tangible fixed assets | | (6,504) | (21,453) |
| Proceeds from disposal of tangible fixed assets | | 326 | 755 |
| Capital grants received | *17* | 3,816 | 15,015 |
| Increase in balance with parent company | | (13,637) | (12,497) |
| Interest (paid)/received | *9* | (77) | 118 |
| **Net cash used in investing activities** | | **(16,491)** | **(19,328)** |
| **Cash flow from financing activities** | | **–** | **–** |
| **Net cash used in financing activities** | | **–** | **–** |
| **Net increase in cash and cash equivalents** | | **169** | **265** |
| Cash and cash equivalents at beginning of year | | 815 | 550 |
| **Cash and cash equivalents at end of year** | | **984** | **815** |

# Notes to the Financial Statements

## 1 Significant Accounting Policies

### Statement of compliance

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

### Activities and ownership

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

Bus Átha Cliath is Dublin's leading provider of public transport.

Bus Átha Cliath, the company, is a Commercial State Company and is part of the CIÉ Group of companies. The company was re-registered as a Designated Activity Company effective from 1 February 2016, under the Companies Act 2014. The company is registered in Dublin. The company registration number is 119569 and the registered office is located at 59 Upper O'Connell Street, Dublin 1.

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

### Summary of significant accounting policies

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

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

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

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

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

FRS 102 allows a qualifying entity certain disclosure exemptions. Bus Átha Cliath has not taken advantage of any available exemption for qualifying entities for the year ended 31 December 2017.

#### *(b) Going concern*

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

### (c) Foreign currency

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

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

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

### (d) Turnover

Turnover comprises the gross value of services provided. Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered. Bus Átha Cliath recognises turnover in the period in which the service is provided.

Bus Átha Cliath recognises revenue through its different revenue streams as follows:

*On Bus cash*

On bus cash revenue is recognised at point of sale which is the day the service is provided.

*Integrated Ticketing System (ITS) e-purse revenue*

On bus ITS e-purse revenue is recognised on the day in which the service is provided.

*Taxsaver*

Taxsaver annual tickets are recognised evenly over the periods in the year which the product relates to.

*Bus shelter advertising revenue*

Bus shelter advertisement revenue is recognised over the period of the relevant contract. Revenue is earned from bi-monthly and quarterly contracts with the associated revenue receipts received in arrears.

*Department of Employment Affairs and Social Protection (DEASP) revenue*

DEASP revenue is received monthly and is recognised in the month to which it relates. The revenue receipts are received in arrears.

# *Notes to the Financial Statements (continued)*

### *(e) Grant income – European Union and public service obligations and other Exchequer grants*

Bus Átha Cliath recognise government grants in line with the accruals model under FRS 102.

*Grants for capital expenditure*

Grants for capital expenditure 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.

*Public Service Obligation (PSO) payments*

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

*Revenue grants*

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

### *(f) Materials and services costs*

Materials and services costs, otherwise referred to as operating costs, constitute all costs associated with the day-to-day running of the operations of Bus Átha Cliath, excluding depreciation, amortisation and payroll costs which are disclosed separately in the profit and loss account, and set out in more detail in note 6 of the financial statements.

### *(g) Interest receivable/interest payable*

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

### *(h) Exceptional costs*

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

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

### *(i) Taxation*

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

Current or deferred taxation assets and liabilities are not discounted.

*(i) Current tax*

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

*(ii) Deferred tax*

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

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

### *(j) Related parties*

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

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

### *(k) Intangible fixed assets*

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

### *(l) Tangible fixed assets*

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

*(i) The bases of calculation of depreciation are as follows:*

*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. The expected useful life of assets in this category is between 3 and 12 years.

*Bus stops and shelters*

Bus stops and shelters are depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives. The expected useful life of assets in this category is between 3 and 15 years.

*Plant and machinery*

Plant and machinery are depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives. The expected useful life of assets in this category is between 3 and 10 years.

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

*(ii) Subsequent additions*

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

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

Repairs and maintenance costs are expensed as incurred.

# *Notes to the Financial Statements (continued)*

*(iii) Derecognition*

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

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

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

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

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

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

## *(n) Leased assets*

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

## *(o) Stocks*

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

At the end of each financial year, stocks are assessed for impairment and provision is made for stocks considered to be impaired.

## *(p) Cash and cash equivalents*

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

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

## *(q) Financial instruments*

The company has chosen to adopt the provisions of Section 11 and 12 of FRS 102 in respect of financial instruments.

*(i) Financial assets*

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

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

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

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

*(ii) Financial liabilities*

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

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

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

### *(r) Provisions and contingencies*

*(i) Provisions*

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

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

*Notes to the Financial Statements (continued)*

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

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

Provision is made for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the company.

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

Provisions are not made for future operating losses.

*(ii) Contingencies*

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

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

### *(s) Employee benefits*

The company provides a number of employee benefits to staff depending on their grade, seniority and statutory obligations. Benefits include the payment of salary or wages and the payment of premia for additional work undertaken. In addition employer contributions in respect of pension are made for eligible staff to the respective pension schemes.

*Post-employment benefits*

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group.

A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

These schemes have been accounted for in the CIÉ Group financial statements. The defined benefit pension scheme assets are measured at fair value. Defined benefit pension schemes liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet of CIÉ as a liability.

All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit costs for the schemes, as a whole, are recognised in the separate financial statements of CIÉ, as in the absence of a formal contractual arrangement the directors believe that this is the entity that is legally responsible for the schemes. The other participating entities, including Bus Átha Cliath recognise a cost equal to their contribution for the period. Further details of these schemes are set out in note 20.

### *(t) Equity*

Bus Átha Cliath equity shares are wholly owned by CIÉ. Ordinary called up share capital and revenue reserves are classified as equity and set out in note 18 of the financial statements.

### *(u) Critical accounting estimates and assumptions*

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

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

*(i) Useful economic lives of intangible and tangible assets*

The annual amortisation charge for intangible assets and the depreciation charge for tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The useful economic lives for each class of intangible and tangible assets are set out at (k) and (l) above. The carrying amount of intangible and tangible assets are set out in notes 11 and 12.

*(ii) Defined benefit pension scheme*

The CIÉ group, of which the company is a member has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including assumptions in respect of life expectancy, salary increases and the discount rate on corporate bonds. Further details are set out in note 20.

*(iii) Third party and employer liability claims provision and related recoveries*

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the company.

The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Further details are set out in note 16 to the financial statements.

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

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

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

In substance there have been no significant changes to the rights and obligations of the company and NTA, as prescribed in the Direct Award Contract December 2014 – December 2019. The company is getting the right to use the asset for what would appear to be the major part of the buses economic life for an annual rental charge that does not reflect the value of the asset under lease. Furthermore, substantially all the risks and rewards of ownership transfer to the company on receipt of the bus.

The cost of road passenger vehicles received under the bus leasing agreement with the NTA is the open market value of an equivalent bus or the cost of the most recent equivalent bus procured by the company.

The company will review and consider these estimates and judgements periodically for any contractual changes or a change in circumstance.

Further details are set out in note 12 to the financial statements.

## 2 Going concern

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

### Background

*Company*

At 31 December 2017 the company had net assets of €44 million (2016: €43 million) and net current assets of €93 million (2016: €87 million).

Net current assets include non-cash liabilities of €37 million (2016: €36 million) relating to deferred revenue and deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items the company has net current assets of €131 million (2016: €123 million).

Net assets of the company include non-cash liabilities of €172 million (2016: €163 million) relating to deferred revenue and deferred income in respect of capital grants and revenue. Therefore, excluding these items the company has net assets of €216 million (2016: €206 million).

*Group*

At 31 December 2017 the Group had net liabilities of €636 million (2016: €585 million) and net current liabilities of €200 million (2016: €233 million). Net current liabilities include non-cash items of €288 million (2016: €289 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these non-cash items the Group has net current assets of €88 million (2016: net current liabilities €56 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €784 million (2016: €730 million) and deferred income in respect of capital grants received of €2,494 million (2016: €2,555 million).

As of January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108 million for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2017, the Group had drawn down €28 million under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

### Nature of Uncertainties Facing Group

While trading performance improved considerably during 2017, the Group continues to face a challenging business environment which gives rise to uncertainties.

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

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

### *2.1 Revenue*

The achievement of the revenue growth targets set out for the year are based on a combination of assumptions related to increases in nominal fares, increases in customer journeys and the mix of fares between cash and other fares.

In addition, the Department of Employment Affairs and Social Protection are in the process of agreeing an SLA for the operation of the Free Travel Scheme which will provide greater certainty to the Expressway commercial services of Bus Éireann.

### *2.2 Operating Costs*

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

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

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

### *2.3 Investment Costs*

Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of safe, effective and reliable public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group. The Group's plans for 2018 are subject to additional capital expenditure funding support from the Department of Transport, Tourism and Sport (DTTaS) and the NTA, and also envisage funding investment from operating cash flows.

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

The Group's sustainability is particularly sensitive to uncertainty associated with funding future investment.

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

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

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

### *2.4 Liquidity*

In January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108 million for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2017 the Group had drawn down €28 million under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

# *Notes to the Financial Statements (continued)*

These facilities contain a number of financial covenants, all of which have been met by the Group in 2017. Management expect that the Group will continue to meet the covenants set out in the new facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities.

### *2.5 Pensions*

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

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

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

### Managements Actions

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

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

### Letter of Support

The ongoing support of the DTTaS has been evidenced in the letter of support dated 3 April 2018.

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

### Conclusion

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

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

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

## 3 Net surplus/(deficit) by activity

| | Social Activities | | Commercial Activities | |
|---|---|---|---|---|
| | 2017 €'000 | 2016 €'000 | 2017 €'000 | 2016 €'000 |
| Revenue | 233,929 | 220,572 | 17,907 | 15,763 |
| Costs | (281,376) | (276,922) | (16,939) | (16,349) |
| Operating (deficit)/surplus | (47,447) | (56,350) | 968 | (586) |
| Public service obligation payment | 47,482 | 59,558 | – | – |
| **Net surplus/(deficit)** | **35** | **3,208** | **968** | **(586)** |

Bus Átha Cliath originally received a total of €56,174,000 (2016: €74,663,000) in subvention from the National Transport Authority (NTA) relating to 2017. €3,566,000 (2016: €15,015,000) related to capital grants and was recognised as deferred income (note 17) in the balance sheet and will be amortised over the useful economic life of the related assets. The final agreed figure for operating subvention amounted to €47,482,000 (2016: €59,558,000) and accordingly €4,980,000 (2016: €nil) was recognised as a creditor (amounts falling due within one year) (note 15) in the balance sheet and is repayable to the NTA at 31 December 2017.

## 4 Revenue

### (a) Total revenue

This comprises operating turnover, net of recoverable VAT, and includes receipts under the Public Service Obligation (PSO) contract and revenue grants. Details of revenue grants are set out in note 17. The company is a transport service provider and provides services throughout Dublin and is regulated by the NTA.

### (b) Public service obligation

The PSO payment payable to Bus Átha Cliath – through its holding company, Córas Iompair Éireann, amounted to €47,482,000 for the year ended 31 December 2017 (2016: €59,558,000).

*Notes to the Financial Statements (continued)*

## 5 Payroll and related costs

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Staff costs comprise:** | | |
| Wages and salaries | 163,401 | 155,218 |
| Social insurance costs | 16,284 | 15,375 |
| Other retirement benefit costs (note 20) | 12,940 | 12,555 |
| **Total staff costs (excluding directors' remuneration)** | **192,625** | **183,148** |
| | | |
| **Directors' remuneration** | | |
| Emoluments | | |
| – for services as directors | 80 | 92 |
| – for other services | 73 | 117 |
| | **153** | **209** |
| Contributions paid to defined benefit scheme | 2 | 2 |
| **Total directors' remuneration and emoluments** | **155** | **211** |
| **Total payroll and related costs** | **192,780** | **183,359** |

Retirement benefits are accruing to 2 directors during the year (2016: 2 directors) under a defined benefit pension scheme.

No costs were incurred in respect of loss of office for any directors during 2017 or 2016 or after the balance sheet date.

| | Numbers | Numbers |
|---|---|---|
| The average number of employees during the year were: | **2017** | **2016** |
| Wages grade | 3,060 | 2,993 |
| Executive/clerical | 391 | 384 |
| Temporary/contract | 55 | 54 |
| **Total** | **3,506** | **3,431** |

### Key management compensation

Key management includes the directors and members of senior management. Wages and salaries costs include the following remuneration payable to the Chief Executive Officer.

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Chief Executive Officer compensation** | | |
| Basic salary | 167 | 167 |
| Social insurance costs | 4 | 4 |
| Taxable allowance and BIK | – | – |
| Post-retirement benefit costs | 41 | 41 |
| **Total** | **212** | **212** |

The Chief Executive's salary is in line with the Department of Public Expenditure and Reform guidelines for Chief Executives.

The compensation paid or payable to key management for employee services (including the Chief Executive Officer) is shown below:

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| **Key management compensation** | | |
| Salary | 1,072 | 1,112 |
| Social insurance costs | 30 | 39 |
| Taxable allowance and BIK | – | – |
| Post-retirement benefit costs | 213 | 250 |
| **Total** | **1,315** | **1,401** |

The directors of the company were paid directors' fees for services as directors during 2017 as follows:

| | |
|---|---|
| Mr U. Courtney | €19,324 |
| Prof P. Barker | €12,600 |
| Ms G. Joyce | €12,600 |
| Ms S. Madden | €12,600 |
| Mr J. Quinn | €12,600 |
| Prof K. Rafter | €12,600 |

Mr B. McCamley, Mr T. O'Connor and Mr S. Hannan did not receive any directors' fees from the company.

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

The expenses paid for directors in 2017 and 2016 amounted to nil.

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| **Included in wages and salaries:** | | |
| Salary | 105,154 | 95,604 |
| Overtime | 13,994 | 12,739 |
| Allowances | 44,253 | 46,875 |
| **Total** | **163,401** | **155,218** |

### 5(a) Payroll and related costs: additional disclosure requirements under the 2016 Code of Practice for the Governance of State Bodies:

Number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards.

*Notes to the Financial Statements (continued)*

| | Number of Employees | |
|---|---|---|
| | 2017 | 2016 |
| €50,001 to €75,000 | 941 | 722 |
| €75,001 to €100,000 | 113 | 90 |
| €100,001 to €125,000 | 17 | 14 |
| €125,001 to €150,000 | – | 1 |
| Over €150,001 | 5 | 4 |

## 6 Materials and services costs

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| Fuel and lubricants | 28,034 | 33,016 |
| Materials | 19,305 | 17,889 |
| Road tax and licences | 765 | 725 |
| Rent and rates | 675 | 861 |
| Foreign exchange losses | 20 | 27 |
| (Credit)/charge for movement in provision for impairment of stocks | (14) | 41 |
| Charge/(credit) for movement in provision for impairment of debtors | 9 | (42) |
| Operating lease rentals | 427 | 450 |
| Third party and employer's liability claims | 6,111 | 8,579 |
| Other services | 39,200 | 36,748 |
| | **94,532** | **98,294** |

### 6(a) Materials and services costs: additional disclosure requirements under the 2016 Code of Practice for the Governance of State Bodies:

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| Travel and subsistence | | |
| National travel and subsistence | 6 | 18 |
| International travel and subsistence | 16 | 17 |
| Hospitality | 38 | 37 |
| **Total travel and subsistence** | **60** | **72** |

# 7 Exceptional operating costs

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Restructuring costs (note 16) | 866 | 1,739 |

### 7(a) Termination/severance: additional disclosure requirements under the 2016 Code of Practice for the Governance of State Bodies:

No termination or severance payments made in the reporting period.

# 8 Depreciation and amortisation of tangible and intangible assets

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Amortisation of intangible fixed assets (note 11) | 1,730 | 2,513 |
| Depreciation of tangible fixed assets (note 12) | 33,194 | 30,310 |
| Amortisation of EU/Exchequer capital grants (note 17) | (24,539) | (22,085) |
| | **10,385** | **10,738** |

# 9 Interest receivable/(payable)

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| *(a) Interest receivable and similar income* | | |
| On balances with holding company | – | 346 |
| *(b) Interest payable and similar charges* | | |
| On balances with holding company | (74) | (225) |
| Other interest payments | (3) | (3) |
| | **(77)** | **(228)** |

*Notes to the Financial Statements (continued)*

## 10 Taxation

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Tax expense included in profit or loss** | | |
| Current tax: | | |
| Irish corporation tax on surplus for the financial year | – | – |
| Adjustments in respect of prior financial years | – | – |
| Current tax expense for the financial year | – | – |
| Deferred tax: | | |
| Origination and reversal of timing differences | – | – |
| Deferred tax expense for the financial year | – | – |
| **Tax on profit on ordinary activities** | **–** | **–** |

### Factors affecting tax charge for the year

Tax assessed for the financial year differs than that determined by applying the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2017 of 12.5% (2016: 12.5%) to the surplus for the year. The differences are explained below:

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Surplus on ordinary activities before tax | 1,003 | 2,622 |
| Surplus on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2016: 12.5%) | 125 | 328 |
| *Effects of:* | | |
| Depreciation in excess of capital allowances for year | 3,679 | 3,523 |
| Non-taxable income | (9,002) | (10,205) |
| Unrelieved tax losses carried forward | 4,686 | 5,843 |
| Income charged to tax at higher rate | 502 | 534 |
| Other timing differences | 10 | (23) |
| **Current tax charge for the year** | **–** | **–** |

A potential deferred tax asset of €189.9 million (2016: €180.9 million) has not been recognised, as the future recovery against taxable profits is uncertain.

## 11 Intangible fixed assets

| | Software €'000 | Total €'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2017 | 11,668 | 11,668 |
| Additions | 415 | 415 |
| Disposals | (6) | (6) |
| **At 31 December 2017** | **12,077** | **12,077** |
| | | |
| **Amortisation** | | |
| At 1 January 2017 | (9,498) | (9,498) |
| Charge for the year (note 8) | (1,730) | (1,730) |
| Disposals | 6 | 6 |
| **At 31 December 2017** | **(11,222)** | **(11,222)** |
| | | |
| **Net book amounts** | | |
| **At 31 December 2017** | **855** | **855** |
| At 31 December 2016 | 2,170 | 2,170 |

The expected useful lives of the intangible assets for amortisation purpose is as follows:

Software – 3-5 years

*Notes to the Financial Statements (continued)*

## 12 Tangible fixed assets

| | Road passenger vehicles €'000 | Bus Stops and shelters €'000 | Plant and machinery €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 360,935 | 32,988 | 47,173 | 441,096 |
| Additions | 33,923 | 20 | 1,584 | 35,527 |
| Disposals | (15,861) | – | (354) | (16,215) |
| **At 31 December 2017** | **378,997** | **33,008** | **48,403** | **460,408** |
| **Depreciation** | | | | |
| At 1 January 2017 | (209,265) | (16,094) | (38,088) | (263,447) |
| Charge for the year (note 8) | (28,350) | (2,182) | (2,662) | (33,194) |
| Disposals | 15,856 | – | 354 | 16,210 |
| **At 31 December 2017** | **(221,759)** | **(18,276)** | **(40,396)** | **(280,431)** |
| **Net book amounts** | | | | |
| **At 31 December 2017** | **157,238** | **14,732** | **8,007** | **179,977** |
| At 31 December 2016 | 151,670 | 16,894 | 9,085 | 177,649 |

(i) Road passenger vehicles at a cost of €31.1 million (2016: €26.1 million) were fully depreciated but still in use at the balance sheet date.

(ii) There are no additions in respect of road passenger vehicles, being assets in the course of construction and assets not yet in service (2016: Nil).

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

(iv) Assets with a carrying value of €5,000 were disposed of during the year in compliance with CIÉ Group policies and procedures for disposals of assets and a profit of €325,000 was obtained.

(v) Road passenger vehicles above include the recognition of 83 buses received under a bus leasing agreement with the National Transport Authority (NTA). The buses recognised in 2017 came into service in the period from 27 July 2017 to 31 December 2017. The buses received are restricted for use in specified public transport services only.

The buses have been recognised at a cost of €29,023,000 (2016: €nil). The cost is based on management's estimate of the open market value of an equivalent bus if procured directly by the company.

Under the Direct Award Contract December 2014 – December 2019 it was recognised that the NTA can make available grant funding to facilitate the acquisition of new buses to meet the company's obligations to provide specified public transport services under the Public Service Obligation (PSO) contract.

Prior to 2017 the company received grant funding from the NTA to facilitate a planned approach to fleet replacement. The company purchased vehicles directly from the supplier following a competitive tendering process. The vehicles were recognised as additions to the tangible fixed assets and the associated grants from the NTA recognised as deferred income. The cost of the vehicles is depreciated over its useful life and the corresponding grant amortised over the same period.

In 2017, a new arrangement came into effect where the NTA now purchase buses directly with the contract for purchase being between the NTA and the supplier. A formal leasing agreement between the company and the NTA facilitates the leasing of these buses from the NTA to the company for the provision of PSO services in connection with the Direct Award Contract.

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

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

Management reviewed the rights and obligations of both the company and the NTA under this funding arrangement in comparison to the rights and obligations of both parties under the previous funding arrangement and concluded that, in respect of the 2017 transaction, although the leasing agreement modifies the Direct Award Contract there is no significant change in the substance of the arrangement between the company and the NTA.

Management concluded that for the financial statements to present a true and fair view of the assets, liabilities, financial position, financial performance and cash flows of the company for 2017 it is appropriate to recognise the new buses acquired under the lease agreement as tangible fixed assets and an associated grant in deferred income. The cost of these vehicles will depreciate over the useful life of the asset and the corresponding grant amortised over the same period.

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

## 13 Stocks

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| Maintenance materials and spare parts | 3,337 | 2,703 |
| Fuel, lubricants and other sundry stocks | 1,707 | 1,368 |
| | **5,044** | **4,071** |

The stock above is stated net of a stock obsolescence provision of €387,000 (2016: €402,000).

There is no significant difference between the replacement cost of stock and their carrying amounts.

*Notes to the Financial Statements (continued)*

## 14 Debtors

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Trade debtors | 9,305 | 9,516 |
| Amounts owed by holding company | 146,965 | 133,328 |
| Prepayments | 458 | 347 |
| Other debtors and accrued income | 513 | 614 |
| | **157,241** | **143,805** |

Amounts owed by the holding company are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The debtors above are stated net of provision for bad debts of €21,000 (2016: €19,000).

## 15 Creditors (amounts falling due within one year)

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Trade creditors | 5,016 | 4,979 |
| Income tax/levy deducted under PAYE | 3,234 | 4,686 |
| Pay related social insurance | 2,312 | 2,773 |
| Value added tax | 111 | 122 |
| Withholding tax | 37 | 12 |
| Other creditors | 8,192 | 2,795 |
| Deferred revenue | 12,460 | 11,973 |
| Deferred income (note 17) | 24,868 | 23,674 |
| Accruals | 13,591 | 10,864 |
| | **69,821** | **61,878** |
| | | |
| Creditors for taxation and social insurance included above | 5,694 | 7,593 |

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

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

Deferred revenue relates to revenue from Taxsaver tickets.

## 16 Provision for liabilities

| | Environ-ment matters €'000 | Legal and related matters €'000 | Restruct-uring €'000 | Third party and employer liability claims €'000 | Total €'000 |
|---|---|---|---|---|---|
| As at 1 January 2016 | 2,500 | 1,450 | 1,268 | 85,865 | 91,083 |
| Charge to profit and loss account | 1,558 | 200 | 1,739 | 8,595 | 12,092 |
| Utilised during year | – | (500) | (270) | (5,819) | (6,589) |
| **As at 31 December 2016** | **4,058** | **1,150** | **2,737** | **88,641** | **96,586** |
| As at 1 January 2017 | 4,058 | 1,150 | 2,737 | 88,641 | 96,586 |
| Charge to profit and loss account | 974 | 275 | 866 | 6,112 | 8,227 |
| Utilised during year | (786) | (900) | (413) | (6,585) | (8,684) |
| **As at 31 December 2017** | **4,246** | **525** | **3,190** | **88,168** | **96,129** |

### Environment matters

The land and buildings occupied by Bus Átha Cliath are of varying age. The environmental provision relates to substantial building works that are currently required to be performed to meet the company's obligations under Environment and Health and Safety legislation.

### Legal and related matters

The provision relates to third party and employee legal disputes. These disputes are currently on-going and the provision represents the estimated cost of settling these matters.

### Restructuring

The restructuring provision relates to changed business processes and payments for staff who are impacted by such changes. The provision relates to non-routine payroll expenditure. The provision is expected to be utilised during year ended 31 December 2018.

### Third party and employer 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.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the company.

CIÉ as a self-regulated body operates a self-insurance model whereby the operating companies bear the financial risk associated with the cost of claims, subject to certain "one-off" incidents and annual caps in the case of third party claims. The estimated cost of claims includes expenses to be incurred in settling claims. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

*Notes to the Financial Statements (continued)*

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

In estimating the cost of claims notified but outstanding, the company has regard to the accident circumstances as established by investigations, any information available from legal or other experts and information on court precedents on liabilities with similar characteristics in previous periods. Exceptionally serious accidents are assessed separately from the averages indicated by actuarial modelling.

The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimated liability for claims already notified to the company, because of the lack of any information about the claim event except in those cases where investigators have been called to the scenes of accidents. Claim types which have a longer development tail and where the IBNR proportion of the total reserve is, therefore, high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Provisions for claims are calculated gross of any reinsurance recoveries. Reinsurance recoveries are recognised where such recoveries can be reasonably estimated. Reinsurance recoveries in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance having regard to notification from the company's brokers of any re-insurers in run off.

## 17 Deferred income

This represents EU/Exchequer and other grants which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated:

| | 2017<br>€'000 | 2016<br>€'000 |
|---|---|---|
| **Capital grants** | | |
| Balance at 1 January | 151,191 | 158,277 |
| Received and receivable | 3,816 | 15,015 |
| Recognised under bus leasing agreement (note 12) | 29,023 | - |
| Amortisation of capital grants (note 8) | (24,539) | (22,085) |
| Asset Disposal | (4) | (16) |
| **Balance carried forward at 31 December** | **159,487** | **151,191** |
| | | |
| **Apportioned:** | | |
| Current liability (note 15) | 24,868 | 23,674 |
| Amounts falling due after more than one year | 134,619 | 127,517 |
| | **159,487** | **151,191** |

### 17(a) Disclosure in accordance with Department of Finance Circular Reference 13/2014

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Capital grants** | | |
| Vehicles and plant | 2,066 | 15,015 |
| **Total capital grants paid** | **2,066** | **15,015** |

Capital grants are amortised over the useful lives of the assets. Revenue grants are brought to profit and loss account in full in the relevant year received. The relevant agency and programme is the NTA and the Capital Funding Programme 2017 and the sponsoring government department is the Department of Transport, Tourism and Sport. Grants are restricted to PSO activities.

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Revenue grants** | | |
| Accessibility Programme – NTA | 139 | 75 |
| Cordon Counts Programme – NTA | 7 | 16 |
| Luas Cross City Project – Transport Infrastructure Ireland | 16 | 49 |
| **Total revenue grants paid** | **162** | **140** |

Revenue grants are brought to profit and loss account in full in the relevant year received. The relevant agency and programme are set out above and the sponsoring government department is the Department of Transport, Tourism and Sport. Grants are restricted to PSO activities.

**17(b)** Total capital grants recognised in 2017 were €32,839,000 (2016: €15,015,000), including €29,023,000 recognised under the bus leasing arrangement (note 12), €2,066,000 received from the NTA under the Capital Funding Programme 2017, €1,500,000 received from the NTA under the capital allowance within the Total Operating Price funding programme and €250,000 from other sources.

## 18 Share capital

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Authorised:** | | |
| 100,000,000 Ordinary shares of €1.27 each | 126,974 | 126,974 |
| **Allotted, called up and presented as equity:** | | |
| 55,000,000 Ordinary shares of €1.27 each | 69,836 | 69,836 |

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

*Notes to the Financial Statements (continued)*

## 19 Cash flow statement

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| **Reconciliation of operating cash flows** | | |
| Surplus before interest and tax | 1,080 | 2,504 |
| Depreciation of tangible fixed assets | 33,194 | 30,310 |
| Amortisation of intangible fixed assets | 1,730 | 2,513 |
| Amortisation of capital grants | (24,539) | (22,085) |
| Profit on disposal of tangible fixed assets | (325) | (741) |
| (Increase) in stocks | (973) | (250) |
| Decrease/(increase) in debtors | 201 | (664) |
| Increase in creditors and provisions | 6,292 | 8,006 |
| **Net cash generated from operating activities** | **16,660** | **19,593** |

## 20 Pensions

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

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

The valuations of the schemes under FRS 102 as at 31 December 2017 showed a deficit of €786 million, (2016: €730 million). The disclosures required under FRS 102 in respect of the group's defined benefit plans, in which the company participates, are set out in the financial statements of CIÉ for the year ended 31 December 2017 which are publicly available from CIÉ, Heuston Station, Dublin 8, Ireland.

The company's pension cost for the year under the defined benefit schemes was €12.9 million (2016: €12.6 million) and these costs are included as post retirement benefits in note 5. The company's cost comprises of contributions payable for the year.

## 21 Capital commitments

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Contracted for: | 7,299 | 6,777 |

Capital commitments represent capital expenditure projects that have been approved by Board whereby work has commenced on these projects but are not fully completed at the end of the period. The capital commitments included capital projects funded by the NTA to the value of €3.5 million (2016: €0.8 million).

## 22 Operating leases

| | 2017 €'000 | 2016 €'000 |
|---|---|---|
| Future minimum lease payments under non-cancellable operating leases payable at the end of the year were: | | |
| Within one year | 33 | 105 |
| Between one and 5 years | 172 | 153 |
| | **205** | **258** |

## 23 Guarantees and contingent liabilities

The CIÉ Group has borrowings of €28.0 million (2016: €40.9 million) at the balance sheet date. These borrowings are cross guaranteed by Bus Átha Cliath and the other subsidiaries in the CIÉ Group.

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

Bus Átha Cliath capital expenditure in respect of PSO Fleet is funded through capital grants from the NTA. This funding is provided in line with the provisions of the Direct Award Contract, signed on 1 December 2014 and certain contingent liabilities arise under these agreements. The directors believe that the risk of the NTA exercising their rights under the related agreements is remote.

## 24 Related party transactions

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

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

*Notes to the Financial Statements (continued)*

## 25 Membership of Córas Iompair Éireann Group

Bus Átha Cliath is a wholly owned subsidiary of CIÉ and the financial statements reflect the effects of Group membership.

Some group wide functions such as Treasury, Legal, Property and Pensions are carried out by the holding company on a shared services basis for which the company and other subsidiary companies are charged on an agreed apportionment basis. Copies of the CIÉ consolidated financial statements can be obtained from the Company Secretary at Heuston Station, Dublin 8, Ireland.

## 26 Post balance sheet events

The board of directors are not aware of any events since the end of the financial year which require adjustment to or disclosure in the financial statements.

## 27 Approval of financial statements

The financial statements were authorised for issue by the board of directors on 4 April 2018.

Contact Info
59 Upper O'Connell Street,
Dublin 1
www.dublinbus.ie