Annual Report 2013

Iarnród Éireann
Irish Rail

Contents

Transport for Ireland

Iarnród Éireann would like to acknowledge funding on major projects by the Irish Government under the Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework.

Chief Executive's Report 2013

Overview

I want to commend the staff and management of Iarnród Éireann for their continued focus in delivering our extensive network of services to our customers in a most challenging financial situation.

In 2013, the Company, compared with 2012:

- Reduced costs by €25 million on a like for like basis, excluding 2012 one-off savings
- Increased train kilometres operated by 0.5 million train kilometres
- Delivered these increased services despite a reduction of €8.7 million in Public Service Obligation (PSO) payments
- Delivered these increased services with 261 fewer staff, a reduction of 6.4%, to our lowest ever staff number levels
- Continued to operate safely, and to achieve PSO punctuality targets on all routes
- Maintained passenger numbers, and increased freight tonnage by 4%.
- Increased revenue across all operations by €8.3 million, or 4.4%.
- Saw Rosslare Europort surplus increase to €2.1 million, with an increase in freight units of 4.5%.

This continued the trend of more efficient operation while protecting public services, a trend which has consistently been achieved throughout the economic crisis by Iarnród Éireann. Since 2008, despite a reduction of almost 30% in PSO funding, we have continued to deliver the vast majority of services and have reduced our operating cost per train kilometre by 16.6%.

It is particularly welcome to see green shoots of recovery in all business units, with total revenue growth of 4.4% following revenue stabilisation in 2012.

The past year also saw Iarnród Éireann successfully complete the internal reorganisation required by EU regulations governing the railway industry, which had previously been the subject of a derogation for Ireland. This included the establishment of separate Railway Undertaking (operations) and Infrastructure Manager organisations within Iarnród Éireann.

The Company also commenced the Customer First programme, which will transform the way we do our business by putting the customer at the heart of what we do.

To achieve our financial goals, including strict targets and covenants stipulated in renewed banking facilities for the CIÉ Group, we will continue to work to reduce our cost base – including the achievement of critically required payroll savings as early as possible in 2014 – and to grow our business and our revenue.

However, severe challenges remain, and the funding of the existing network, of current service levels, and of fleet maintenance requirements must be put on a sustainable basis. This can only be achieved with the support of our stakeholders including Government, the Department of Transport and the National Transport Authority. This encompasses capital investment requirements, current PSO funding and fare regulation decisions – including agreement on a multi-annual contract for the Infrastructure Manager business – essential for the future of our rail network as it exists today.

David Franks
Chief Executive

Iarnród Éireann

Mission

To provide sustainable transport solutions that satisfy customers' needs.

Vision

Moving Ireland Forward

Beliefs and Values

- Operating safety
- Caring for our customers, our people and our environment
- Working together
- Accountable for our actions
- Ambitious and cost effective in all we do
- Passionate about what we do

Business Reviews

Finance Overview

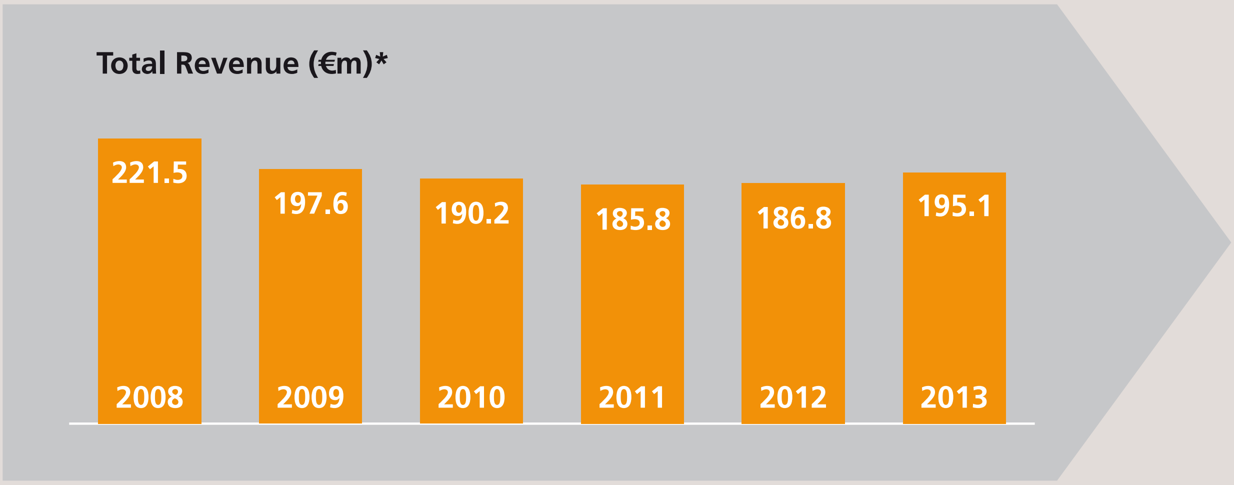
Financial Trend

Since 2008 we have reduced our operating costs by €73.1 million, despite rising fuel costs of €8 million per annum and increased depreciation of €13.7 million per annum. Combined revenues and public service obligation (PSO) payments have fallen by a greater amount than costs as shown in the table below. However, over the same period the operating cost per train kilometre (measure of efficiency) has shown significant improvement.

Movement 2008 to 2013

Revenue	✘	(€26.4m)	(11.9%)
PSO	✘	(€54.2m)	(29.9%)
Operating Costs	✔	(€73.1m)	(17.3%)
Cost Train Km	✔	(€5.22)	(21.0%)

** Revenue includes Passenger, Freight, Car Parks, Rosslare Europort and Property*



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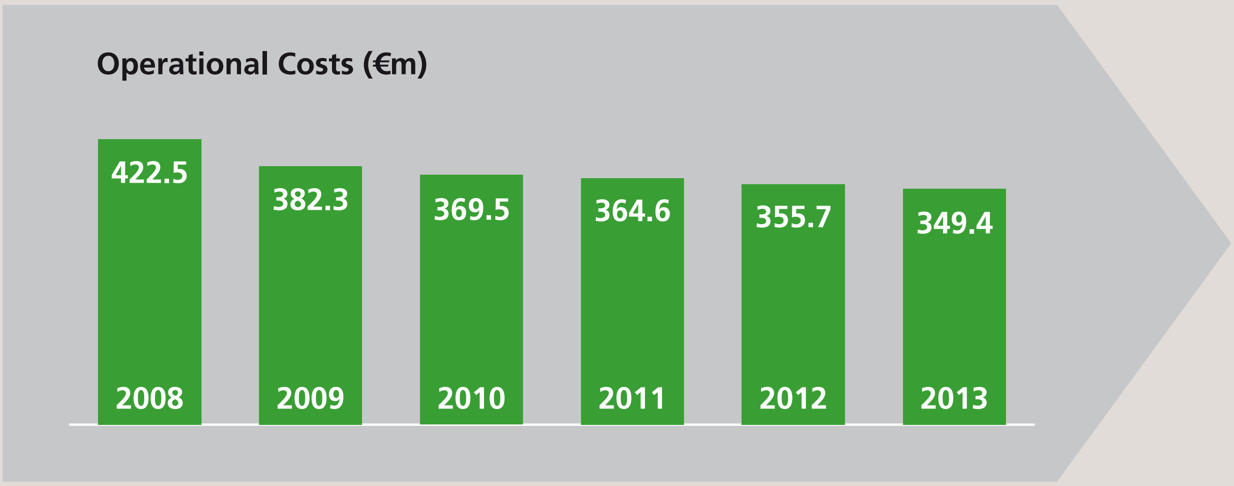


2013

2013 was another difficult financial year for Iarnród Éireann. In 2013 we faced a situation whereby we needed to bridge a gap of €25.0 million in order to deliver our budgeted loss of €16.4 million. This gap arose from the combined effect of a reduction in the regular PSO, reduced capital funding, fuel price escalation and one time saving initiatives delivered in the previous year. Management closed this gap through a series of initiatives and programmes delivered throughout the year by focusing on a number of key areas including non-core payroll, contract management, contract renegotiation, fleet rationalisation, fuel strategy and a number of one time initiatives.

Payroll Negotiations

Despite extensive engagement with our trade unions, a pay and productivity proposal to yield €8.5 million in payroll savings per annum was rejected by staff in July 2013. Securing agreement on a set of proposals to yield this saving must be achieved as early as possible in 2014.

EU Legislation

In 2012 in preparation for compliance with EU Legislation, Iarnród Éireann began preparatory work to separate its enterprise wide management systems. The systems were separated into Infrastructure Manager, Railway Undertaking, Rail Freight, Rosslare Europort and Other. The systems were separated successfully in June 2013.

Financial Stability

Renewed banking facilities were agreed for the CIÉ Group in June 2013. This is essential for the continued solvency of the Group and Iarnród Éireann, and commits the Company to very strict financial targets and covenants.

These are encompassed in the Company's 5-year plan, which also contains a number of challenging assumptions in regard to revenue growth, cost management and government funding through the Multi Annual Contract and the Public Service Obligation Contract. Iarnród Éireann's capacity to deliver the service level specified by the National Transport Authority is dependent on the funding provided through the PSC and the fares determination delivered by the NTA.

Should sustainable funding not be forthcoming, this will put at risk service levels to our customers, create cashflow difficulties, and ultimately threaten the solvency of Iarnród Éireann.

€8.3m

revenue growth in 2013

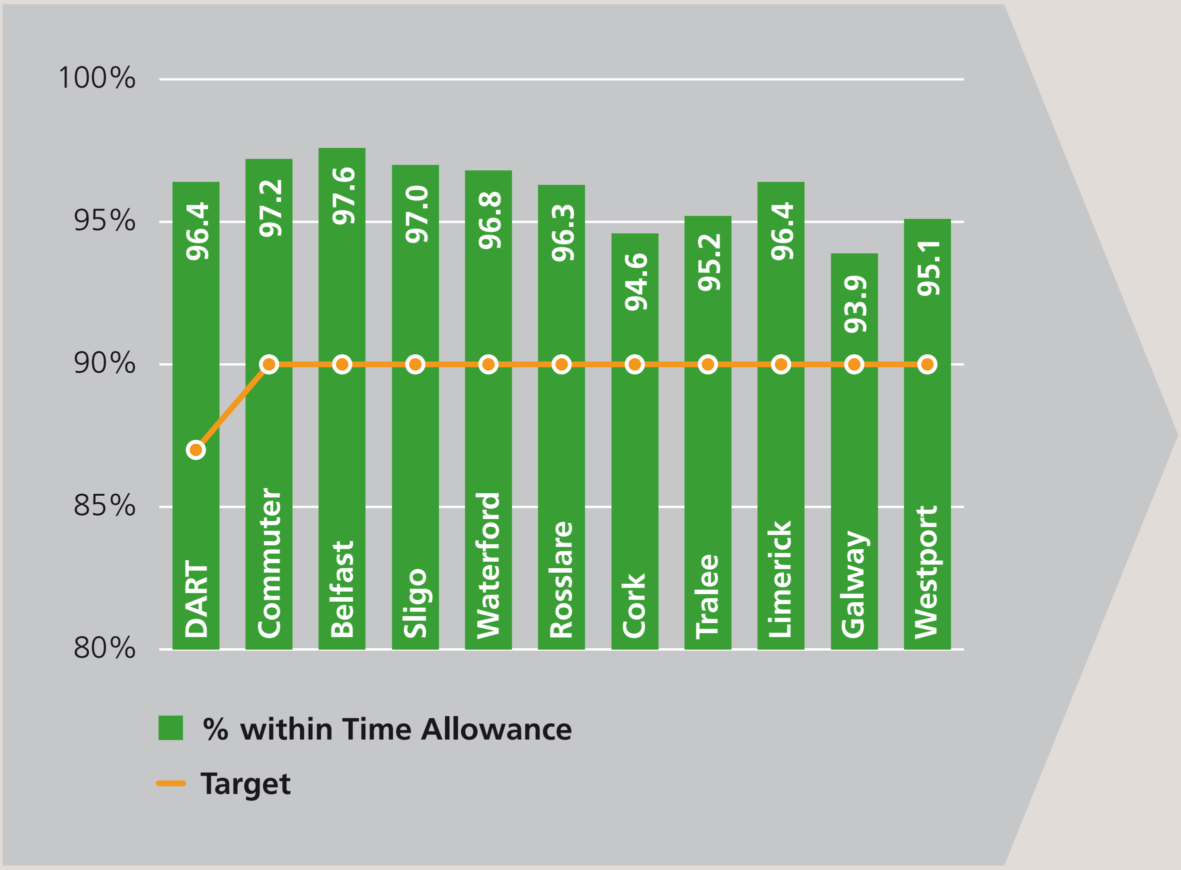
Railway Undertaking

Market Overview

The Railway Undertaking business encompasses train operations and train maintenance.

Total passenger revenue of €177 million is the highest since 2009, and at +6% compared with 2012 is the second consecutive year of revenue growth. Importantly, 2013 saw passenger numbers stabilise at 36.7 million journeys.

Intercity, Commuter and DART networks all delivered revenue growth in the year and passenger numbers increased on both DART and Commuter. Intercity numbers were more challenged and down 1% in total, however the final quarter marked a turnaround with a 2% growth in volumes over the same period in 2012.



Operational Performance

Focus on punctuality ensured that once again all routes exceeded the minimum performance target of 90% of trains being on time or within 10 minutes of time (DART 87% within 5 minutes of time) as set out in PSO contracts with the National Transport Authority, with the majority of routes exceeding 95% punctuality.

High levels of vegetation growth from the warm summer combined with a relatively mild autumn caused greater than normal leaf fall-related low rail adhesion issues, which impacted on performance during the final quarter. However, severe storms in December 2013 saw an excellent response from Iarnród Éireann staff in ensuring that services remained operational, a response which continued into the early months of 2014.

Service Enhancements and Revisions

Notwithstanding the difficult financial situation, Iarnród Éireann continues to focus on service enhancements. Major initiatives in 2013 included journey time improvements on many Intercity routes in January; new stations at Hansfield, Co Dublin and Oranmore, Co Galway; a new Pearse St entrance to Pearse Station; and continued enhancement to our online and social media presence.

Fleet Reconfigurations to Achieve Efficiencies

From September 2013, following a comprehensive service and demand review, train sizes on many services were either increased or decreased to ensure more efficient delivery of existing services. Changes implemented, particularly in off-peak DARTs and Intercity fleet configuration, will yield €3.2 million in annualised savings in fuel and maintenance.

36.7m

passenger journeys in 2013 were 36.7 million

16% growth in Taxsaver revenue

Commercial Activity

Key commercial highlights in 2013 included:

- Fare box increases weighted towards customer segments with lower elasticities grew our passenger numbers whilst delivering an additional €6 million revenue growth.
- Strong on-campus promotional activity within the Student segment delivered a revenue growth of 34%.
- The web 'Summer Sale' on irishrail.ie achieved 13% growth and represented the first wave of web sale activity. The €9.99 Winter Sale which commenced immediately post-Christmas has stimulated double digit growth in passenger numbers.
- Our business salesforce continued to focus on actively promoting the Taxsaver proposition to encourage new companies to participate and grow usage within existing participating companies. Activity centred on in-Company road shows and returned 16% growth in Taxsaver revenues.
- Increased focus on revenue protection activity, with additional resource redeployment internally supplemented with back office participation, has significantly increased ticket inspection frequency, heightened awareness of the necessity to have a ticket before you board and increased revenue collected from fare evaders.

Infrastructure Manager

The Infrastructure Manager business recorded a deficit of €16.5 million in 2013 before exceptional items. Sources of income for the Infrastructure Manager are renewals funding, track access charges from the railway undertaking and rail freight businesses, PSO payments and Exchequer safety funding, totalling €152.5 million.

The expenditure on Railway Safety and Renewals Programme (RSP3) for 2013 amounted to €90 million. This is in line with the annual profile set out in 'Railway Safety Programme, 2009-2013, Iarnród Éireann, Mid-Term Review July 2011'.

Works included:

- Relaying work
- Work on track bed conditions, with reballasting and realignment work completed
- Points and crossing renewals
- Improvements to cuttings and embankments, fencing and level crossing sightings.
- Bridge upgrade works

Improvement Projects

In addition to Safety investment, further Capital Expenditure of €35.3 million was invested in the railway during 2013. Projects currently underway include:

Phase One (Malahide/Howth to Killester) of the City Centre Resignalling Project was commissioned over the October bank-holiday weekend. Commissioning of Phase 2 (Killester to East Wall) is scheduled for Q1 2015. The design and tender preparation for phases 3 and 4 (Connolly – Grand Canal) is progressing on programme. This work will increase the capacity of our network, allowing more trains to operate.

Detailed design and enabling works stage of the proposed transport interchange at Kent Station in Cork have started, to improve accessibility to and from the city.

Major remedial works to the under track decking of Monard viaduct were carried out during a 9-day closure at the beginning of May.

4%

rail freight tonnage increased by 4%

Other project currently underway include a Train Protection pilot scheme, the installation of GSM-R train radio communications to replace the current analogue system and the installation of an overbridge to replace the busy level crossing, XG002, near Cabra.

Rail Freight

In 2013, the Company's key rail freight traffics included:

- Zinc ore from Tara Mines to Dublin Port
- Timber from Co Mayo to Waterford Pulp Mill
- Container trains from Ballina to Dublin Port and Waterford Port

Rail freight revenue in the year was €4.9 million, an increase of 2.7% on 2012.

Total tonnage transported on the network was 589,000, an increase of 4% on 2012, and 90.8 million tonne kilometres.

The Company is actively pursuing rail freight expansion opportunities and engaging with ports, exporters and industry to identify viable commercial rail freight solutions.

Rosslare Europort

At Rosslare, Iarnród Éireann is an infrastructure provider and operator, providing port facilities and related services, including stevedoring, to shipping lines. Three shipping lines operate connecting Ireland to and from South Wales and France. Agreement was reached in 2013 with a fourth operator, LD Lines, to commence a Rosslare-France-Spain service, which launched in 2014.

Rosslare Europort is the second most strategically important seaport in the State after Dublin, being the second-busiest port in terms of ship visits and gross tonnage, and handling more unitised freight than any other Irish seaport except Dublin.

A surplus of €2.1 million was achieved in 2013 from unchanged revenue of €9.7 million. Freight units increased by 4.5%, with passenger volumes down by 3.8%.

The Department of Transport Tourism and Sport commissioned Indecon International Economic Consultants to carry out a strategic review of Rosslare Europort, and further study of future options for the Port are underway.

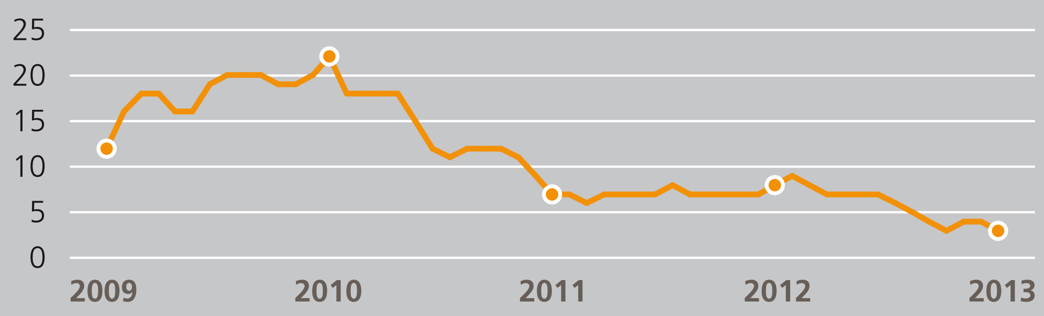
Organisational Changes

A new Chief Executive, Mr David Franks, was appointed on 1st February, 2013, following the retirement of Mr Dick Fearn.

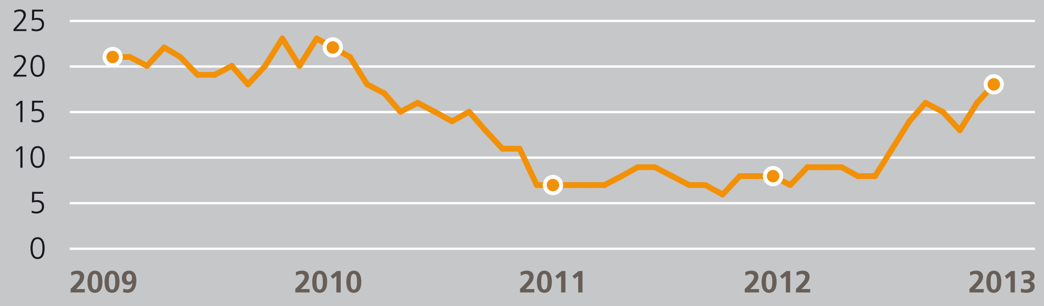
Iarnród Éireann successfully implemented a new organisation structure to comply with EU regulations, following the ending of a derogation for Ireland from these regulations in March 2013. On 15th March Iarnród Éireann published its Network Statement in advance of the EU Compliant organisation structure which went live on 25th March. The Railway Undertaking (RU) and Infrastructure Manager (IM) organisations were set up in accordance with current EU rules. The significant task of separating the accounting systems was completed in July.

Under wider industry requirements for the State from EU regulations, draft legislation has now been provided for the establishment of the Rail Regulator, with the Railway Safety Commissioner taking on that role, and the essential function body, within CIÉ. It is intended that a Multi-Annual Contract (MAC) will be signed between Iarnród Éireann and the Department of Transport Tourism and Sport for the upkeep of the railway infrastructure by the IM. Similarly, a new Public Service Obligation (PSO) contract, that is compliant with EU rules, will be agreed between Iarnród Éireann and the National Transport Authority (NTA) for the provision of passenger transport services.

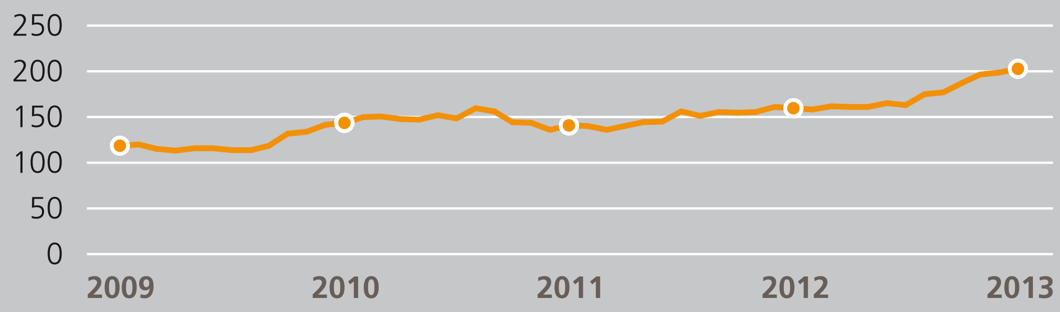
Derailments and Collisions (including Level Crossings) – Rolling 1 Year Average



Signal Passed at Danger – Rolling 1 Year Average



Third Party Accidents – Rolling 1 Year Average



0.5m Km

increase in train kilometres in 2013

zero

safety is first priority – zero train collisions – zero passenger train derailments

Living Our Values

Safety

Safety is at the heart of everything we do. For customer service, financial management, human resources management and environmental stewardship, a railway run safely is the bedrock of all these activities. Safety in Iarnród Éireann is underpinned by our Safety Management System, which has been validated by the Railway Safety Commission.

A crucial safety performance maintained during 2013 is zero for train on train collisions and zero for passenger train derailments. This statistic can only be maintained with constant vigilance and a strong safety culture. In this regard, Iarnród Éireann pays particular attention to precursor statistics.

There were 18 incidents of Signals Passed At Danger (SPAD), which reversed the consistent decline of recent years. Whilst each incident is investigated thoroughly and appropriate actions taken, the longer term solution is a train protection system, similar to that on DARTs, where the train automatically brakes at a red signal if the driver has not done so. Iarnród Éireann currently has a pilot system planned for testing during 2014 with rollout commencing, funding permitting, during 2015.

Third party incidents, particularly at level crossings, continue to be a risk factor. Work is underway to use technology to assist in making the users of the crossings more aware of approaching trains. We continue to work with the Road Safety Authority, Railway Safety Commission, Gardaí and other stakeholders to reduce this risk, and a major publicity initiative was launched in 2013 to raise awareness of the safe use of level crossings.

In a difficult year for rail safety in Europe, with major accidents in Spain, France and Switzerland, Iarnród Éireann has proactively examined these incidents to ensure that there is learning from the issues involved in each to prevent such incidents happening on this network.

Caring for Our Customers

Our customers will value us for providing safe, reliable, consistent and competitive customer focussed services which are easy to buy, easy to use and which offer a quality and value for money experience that is the preferred option for the travelling public.

The Customer First Programme launched in 2013 is designed to put the customer at the heart of our business. The programme consolidates a series of technology initiatives which will transform the way Iarnród Éireann transacts and interacts with customers. This will include quality customer relationship management, strong yield management matching supply and demand and enhanced seat reservation capabilities which will facilitate customer friendly bundles and promotion of affiliate services e.g. hotels, car rental etc.

In parallel, we have established a cross-functional team, comprised of representatives from Frontline, Commercial and Operations, with the objective of reviewing standards across the following six areas of customer service; station announcements, onboard announcements, signage and posters, station presentation and cleanliness, lost property and luggage holding, pre-departure checks and seat reservations. The team's objective is to review, re-design and prepare an implementation plan for these six standards and to concentrate efforts on delivering the most effective, quickest changes to the current customer service experience. In 2013, we have identified a number of areas for improvement which will enhance the experience of our customers through 2014.

From a customer perspective, how we handle disruptions and keep customers' informed is a significant driver of satisfaction. In 2013, a Company review of policy, processes and practices in this area has introduced a number of changes to how we respond in these circumstances. These were implemented in the final quarter of the year and have resulted in positive reaction from customers to our handling of recent weather related disruptions.

We are one of the world's leading providers of onboard free WiFi which is now available across our entire fleet nationwide. This has contributed to an improved customer experience especially as the penetration of smartphones and tablets continues to soar.

Overall Intercity customer satisfaction recorded an all-time high in 2013 with 91% of customers stating they are very or fairly satisfied with their experience. This has continually increased from a level of 75% in 2008. Dart and Commuter satisfaction remains high at 90%.

Valuing Our Community

Iarnród Éireann has responsibilities to the communities it serves and interacts with as a corporate citizen.

This ranges from our commitment to undertaking works on our network, which must frequently take place at night, with regard to those who live or work adjacent to the network; to specific community support initiatives.

In 2013, Iarnród Éireann's community support initiative "The Journey's on Us" again enabled 100 groups from the community, voluntary, charity and sporting sectors to avail of a free group travel trip by train.

We partnered with Seechange.ie for Green Ribbon Month in May 2013, dedicated to raising awareness of mental health issues in Ireland. This is an issue of great concern to us, as many of our drivers have witnessed, and suffered the traumatic effects of, attempted acts of suicide on our network.

The Company supported a range of community, arts and cultural initiatives, the highlight of which was RTÉ's Big Music Week train event, which travelled the network with a range of music events taking place.

100

community support: 100 community groups availed of free group travel

Respecting Our Environment

By their nature, railways are a sustainable industry and mode of transport. Through a range of actions and initiatives, Iarnród Éireann has reduced further the emissions from both train operations and general energy usage.

Overview of Energy Usage in 2013

Diesel Traction

A major change to the configuration of trains to match capacity to demand, while maintaining the same level of service, was implemented in late 2013; full impact will be seen in 2014.

The Enterprise fleet has been modified to reduce fuel consumption by providing auxiliary power from a smaller engine, instead of directly from the Traction engine set.

Auto-shutdown delay times have been shortened and a manual shut down of Locomotive engines has been implemented.

DART Traction

A similar change to the configuration of DART trains to match capacity to demand, while maintaining the same level of service, was implemented in mid 2013.

The Traction Control Software was modified on 50% of the fleet giving savings of 7% on these vehicles. A project is underway to modify the balance of the fleet; expected implementation date – mid 2014.

Fuel Efficiency

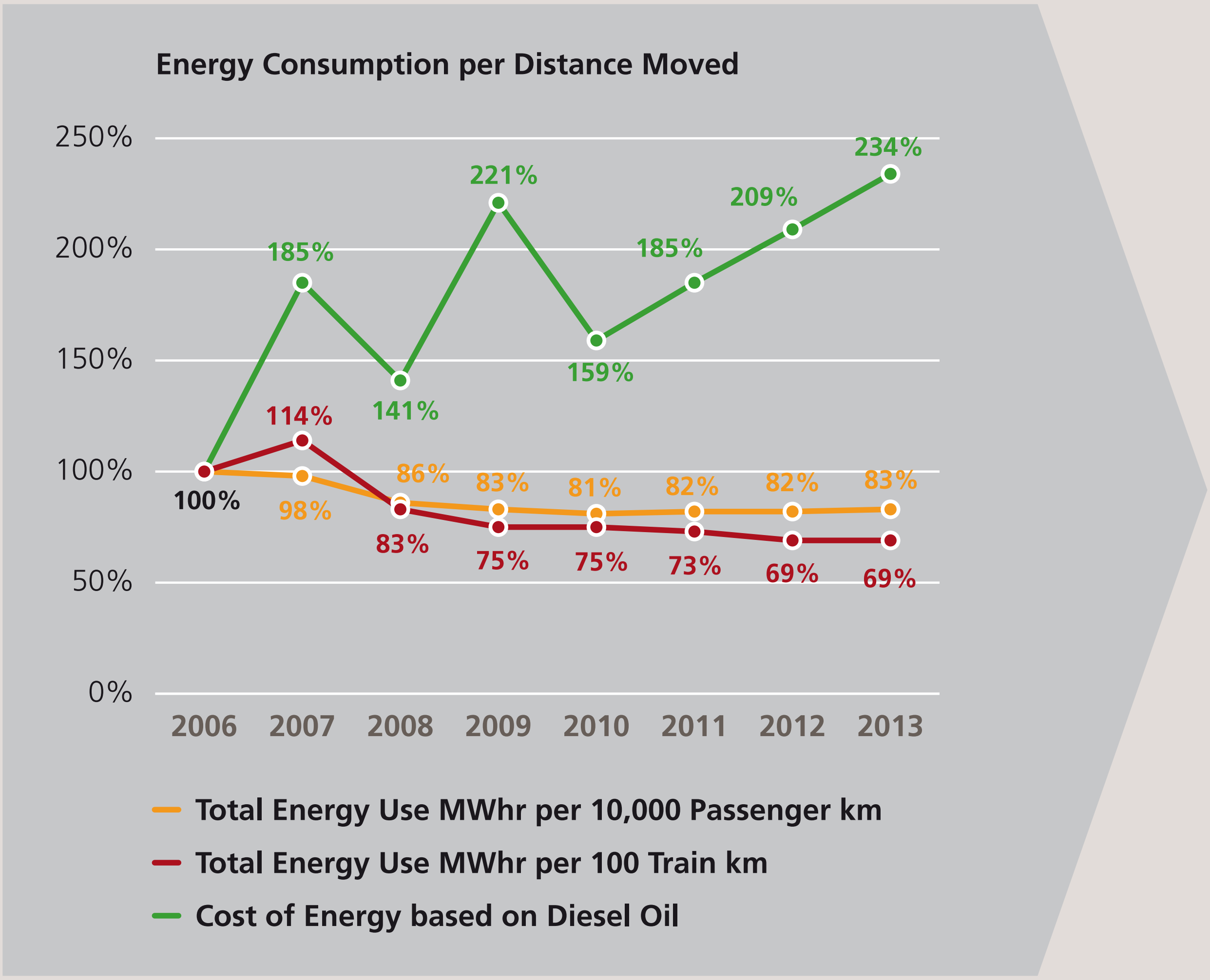
The use of energy per train km fell very slightly.

The service provided in terms of the distance covered by trains is relatively stable. The energy consumption is dictated primarily by the train schedule, not the number of passengers carried. That is; the fuel consumption increases marginally with the number of passengers on board; the primary drivers are the distance covered, the number of stops and the line speed.

The energy consumption profile of Iarnród Éireann (MWh) is shown below:

(all figures rounded to '00)

	2006	2007	2008	2009	2010	2011	2012	2013
Total Energy use MWhr per 10,000 Passenger km	100%	98%	86%	83%	81%	82%	82%	83%
Total Energy use MWhr per 100 Train km	100%	114%	83%	75%	75%	73%	69%	69%
Cost of Energy based on Diesel Oil	100%	185%	141%	221%	159%	185%	209%	234%
Diesel oil for traction	670,300	708,500	598,600	480,100	465,900	468,300	455,400	451,000
Electricity for traction	35,400	35,400	35,400	26,800	26,700	25,000	23,900	21,200
Road Fuel	1,300	1,400	1,600	1,700	1,700	1,700	1,600	1,500
Electricity other	31,000	31,000	31,000	40,000	39,000	40,000	37,400	37,800
Gas for heating	18,500	18,500	18,800	18,500	16,300	10,800	10,100	10,700
Total Energy use MWhr	**756,500**	**794,800**	**685,400**	**567,100**	**549,600**	**545,800**	**528,400**	**522,200**
	100%	**105%**	**91%**	**75%**	**73%**	**72%**	**70%**	**69%**
								98.8%
Passenger M km	1,872	2,007	1,976	1,681	1,678	1,639	1,583	1,568
	100%	107%	106%	90%	90%	88%	85%	84%
Total Energy use MWhr per 10,000 Passenger-km	4.03	3.95	3.46	3.36	3.27	3.32	3.33	3.33
	100%	**98%**	**86%**	**83%**	**81%**	**82%**	**82%**	**83%**
Train M km	18.2	16.8	19.9	18.2	17.7	18.1	18.4	18.3
	100%	92%	109%	100%	97%	99%	101%	100%
Total Energy use MWhr per 100 Train km	4.14	4.71	3.43	3.11	3.10	3.01	2.86	2.86
	100%	**114%**	**83%**	**75%**	**75%**	**73%**	**69%**	**69%**
Number of Electricity Accounts (MPRN)	390	430	481	511	571	574	593	628
	100%	**110%**	**123%**	**131%**	**146%**	**147%**	**152%**	**161%**
Cost of Energy based on Diesel Oil	0.34	0.63	0.48	0.75	0.54	0.63	0.71	0.80
	100%	**185%**	**141%**	**221%**	**159%**	**185%**	**209%**	**234%**



Other Energy Uses

The overall use of energy continues to reduce. The number of electricity supply (metering) points increased again from 593 in January 2013 to 628 in January 2014. The increase in the last 6 years amounts to 60% due mainly to new stations, new Signalling/Telecoms equipment rooms, new automatic Level Crossings.

There was an increase in gas usage due to the long 2012/2013 winter. Several initiatives are underway to reduce consumption of gas in the workshops. There will be an offset effect from buildings converting to gas in late 2013, as part of an efficiency drive to move away from old inefficient systems.

Cost of Energy – Diesel Based

The cost of energy continues to rise, a 12.7% unit cost increase in 2013 alone. Since 2006, the unit cost of energy has increased by 134%.

Actions Undertaken in 2013 and Planned for 2014

In 2013 Iarnród Éireann continued its work on several levels:

Diesel Fuel for Traction

Iarnród Éireann initiated a test programme on a catalytic product that claims to reduce fuel consumption in diesel reciprocating engines. This process and equipment proved very troublesome and the full testing commenced in January 2014. Results are expected in Qtr 3 and they

zero

zero days lost during 2013 through industrial action

will be assessed to inform decision on future action Potential saving of 25,000 MWh per annum. This study is being aided by an ESCO (Energy Service Company).

Regarding the Automatic Shut-down/Re-start of Locomotive engines, a viable way of moving forward with this could not be found and this has now been overtaken by other developments. The possibility of replacing the 20 to 40-year-old 2-stroke engines with smaller modern efficient engines, with automatic shutdown provided as standard, is now being considered. A feasibility study is planned for early 2014. This study will be aided by an ESCO.

Electricity for Traction

A second phase major overhaul of the train sizes (matching the size to the reduced demand) has generated additional savings. Changing the traction control software on 50% of the fleet has generated additional savings. These two items combined have generated savings of 3,800 MWh per annum, in the last two years. The traction control software will be modified on the balance of the DART fleet in 2014, generating further savings.

Building Energy Consumption

A lot of preparatory work was carried out in 2013, which resulted in the optimum allocation of meter points to the business unit best able to control it. Targets are now being set for the different business units. Three mainline stations have had the heating systems entirely re-vamped to improve the efficiency, and also to provide adequate comfort levels.

Valuing Our People

Working together, the Iarnród Éireann team of 3,792 (2013 average number) people have delivered change and efficiency year on year during the economic crisis to ensure we continue to offer quality public transport services safely to our customers.

Total headcount numbers have decreased from over 6,000 in 2002 to 5,114 in 2006 to the current end of year headcount of 3,768, while train kilometres operated have been largely maintained.

Beyond collective agreements, colleagues throughout the Company have been proactive in identifying and implementing efficient work practices and cost saving initiatives.

The Company undertook a comprehensive employee survey in 2013. Arising from this, a series of initiatives to improve communication and engagement with employees, and to provide greater opportunity for employees to contribute their ideas and views to the development of the organisation were undertaken. In addition, the joint top participation group between senior management and trade unions was relaunched to promote a partnership approach to addressing the challenges faced by the organisation.

Directors and Other Information

Directors at 2nd April, 2014

Chairman

Mr. P. Gaffney

Directors

Mr. F. Allen, Ms. P. Golden, Ms. T. McGee, Mr. J. Moloney, Mr. Flor O'Mahony, Mr. J. Nix, Mr. T. Wynne

Chief Executive

Mr. D. Franks

Secretary

Ms. G. Finucane

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Registered Number

119571

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1

Board of Directors

Phil Gaffney

Phil Gaffney was appointed as Chairman of Iarnród Éireann and CIÉ Board Member in June, 2011, having previously served as a Director of Iarnród Éireann since 2006. Mr Gaffney is a railway signalling engineer by profession. Before retiring in December 2005, Phil had spent 28 years with Hong Kong MTR. During that time his positions included Chief Engineer, Operations Director and Managing Director. He is Chairman of the CIÉ Board Safety Committee. He is also a non-executive Director of London's Crossrail Board and a member of the Crossrail Health and Safety Committee.

Frank Allen

Frank Allen is an independent financial consultant, advising on infrastructure investment and operations in developing and transition economies. He was Chief Executive of the Railway Procurement Agency from 2002 to 2012 and prior to that he was Head of Infrastructure Finance at KBC Bank and worked for the World Bank in Washington DC. He is a graduate of University College Cork and the Massachusetts Institute of Technology. He is a member of the Institute of Directors.

Laetitia Baker

Laetitia Baker is the Principle in the firm of Mac Carthy Baker and Company Solicitors and a Council Member of the Law Society. She is involved in community life in west Cork and has held senior positions in Skibbereen UDC, Bantry Town Council and is a former Chairman of Bantry Harbour Board. She has also been a Director of Cork Kerry Tourism, a member of the RTE Authority, a Director of Bantry Credit Union and is a former National President of Junior Chamber Ireland. Ms Baker retired from the Board in February, 2013.

Patricia Golden

Patricia Golden was appointed to the Iarnród Éireann Board in July, 2012. She is a Chartered Accountant with over 25 years senior management experience across a broad range of companies. She has a Diploma in Corporate Governance and currently is a consultant providing strategic expertise in the areas of change management, project management and systems development. She has previously served as Head of Finance and Corporate Services with Sustainable Energy Authority of Ireland and Science Foundation Ireland. Patricia is a graduate of TCD and UCD Smurfit Graduate Business School.

Vincent Green

Vincent Green was appointed to the CIÉ Board in January, 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001 and to the Iarnród Éireann Board at the same time. Vincent joined Iarnród Éireann in 1999 and is a travelling ticket checker, based in Heuston Station. He is a member of SIPTU and represents rail workers. Vincent retired from the Board at the end of November, 2013.

Paul McGarry

Paul Mc Garry is a senior counsel specialising in commercial, public and EU law. He spent 10 years as an elected member of the General Council of the Bar of Ireland and chaired a number of its committees. He was formerly employed as an official with the European Commission, and is currently a member of the Superior Courts Rules Committee and a permanent delegate for Ireland to the Council of European Bars. Mr McGarry retired from the Board on 7th March, 2014.

Tracey McGee

Tracey qualified as a Solicitor in 1990 and had a legal career in the UK, USA and Ireland before training as a Mediator. Tracey is now a Certified Mediator and works for the Family Mediation Service and the Private Residential Tenancies Board on a contract basis. During Tracey's legal career she worked in private practice, commerce and the public sector providing a varied experience in different aspects of law. Tracey enjoys a challenge and views her appointment to the Board as an opportunity to use her experience and make a valid contribution. Tracey was appointed to the Board in September, 2013.

John Moloney

John Moloney was appointed to the CIÉ Board in December 2005 under the Worker Participation (State Enterprises) Acts, 1977 to 2001, and subsequently appointed to the Board of Iarnród Éireann in December, 2009. John joined Bus Éireann in 1978 and works in Capwell Garage in Cork as a bus driver. He is a member of the NBRU.

James Nix

James Nix was appointed to the Board of Iarnród Éireann in July, 2012.

Mr Nix is a barrister who works in Ireland for Transport and Environment, a leading voice at EU level for transport policies that reduce energy use and emissions. Again at EU level, Mr Nix works under programmes funded by the European Environmental Bureau, a federation of more than 140 organisations across all member states. He is also employed as Operations Director with An Taisce – the National Trust for Ireland. Founded in 1948, An Taisce is a not-for-profit, membership-based environment NGO, and is linked to sister national trusts through the International National Trusts Organisation (INTO).

Flor O'Mahony

Flor O'Mahony is a public affairs consultant and adviser to Fipra International. He is a former member of the European Parliament and of Seanad Éireann. He was an adviser to An Tánaiste and Minister for Health and Social Welfare, Brendan Corish and Labour Party Leader, Frank Cluskey. He was an associate lecturer on EU policies and processes in the Institute of Public Administration until 2006 and is a member of the Institute of International and European Affairs. Flor was appointed to the Board in September, 2013.

Tommy Wynne

Tommy Wynne was appointed to the CIÉ Board in December, 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001 and to the Iarnród Éireann Board at the same time. Tommy is a train driver, based in Heuston Station. He is a member of SIPTU and represents rail workers.

Iarnród Éireann Advisory Groups

Iarnród Éireann Advisory Groups

Five advisory groups have been set up within Iarnród Éireann to advise the Board on strategic and technical matters and to provide a peer review of management proposals. The following are the advisory groups to the Iarnród Éireann Board and their non-executive members:

Safety Advisory Group (SAG)

The Iarnród Éireann Board SAG has been established to let the Board satisfy itself that safety (passenger, worker, contractor, neighbour) is being properly managed in Iarnród Éireann.

Membership

Mr Cliff Perry (independent advisor) Chair

Audit Review Group (ARG)

The Iarnród Éireann ARG provides an avenue of communication between Internal Audit, the external auditors and the Iarnród Éireann Board and to review, report on and make recommendations to the Iarnród Éireann Board on annual financial statements, internal controls, risk management and governance processes within Iarnród Éireann. It also considers major findings of internal investigations, reports of the internal auditors and management's response.

Membership

Ms Patricia Golden (Iarnród Éireann Director) Chair

Mr Frank Allen (Iarnród Éireann Director) –
from 25th March, 2013

Infrastructure Advisory Group (IAG)

The IAG advises the Iarnród Éireann Board and engineering management on performance, asset management strategy, operational strategies for engineering, consideration of regulatory changes, and the evaluation and review of capital projects.

Membership

Mr Bob Clarke (independent advisor) Chair

Mr David Wilkinson (independent advisor) –
from 17th June, 2013

Trains Advisory Group (TAG)

The TAG was established to advise the Iarnród Éireann Board and executive on issues relating to the Railway Undertaking, including the customer experience, commercial strategies, service offering and timetable, and train fleet engineering issues.

Membership

Mr Cliff Perry (independent advisor) Chair

Rosslare Europort Advisory Group

To support, monitor and review the operation of Rosslare Europort towards the achievement of optimum financial, operational and safety performance.

Membership

Mrs Tras Honan (Chair)

Mr Arnold O'Byrne

Mr David Fassbender

Mr Peter Scallan

Report of the Directors

The Directors present their annual report in accordance with their obligations under the Companies Acts and the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. The accounts of the Company and the related notes which form part of the accounts, and are included in this report, have been prepared in accordance with accounting standards generally accepted in Ireland.

Principal Activities and Financial Review

The principal activities of the Company are the provision of Intercity and Commuter Rail passenger services, freight services and the management of Rosslare Europort.

Córas Iompair Éireann, a statutory body wholly owned by the Government of Ireland and reporting to the Minister for Transport, holds 100% of the issued share capital of the Company.

The Company continues to regularly monitor its performance through a range of key operating and financial performance indicators. These reviews by management and the Directors include the strong focus on cost savings introduced a number of years ago which has successfully reduced the cost base, improved the quality and efficiency of its services for all customers.

The 2013 results shows the revenue generated from Operations increased by €8.3 million over 2012 and the Operating costs reduced by €7.9 million.

The total amount of subvention received in 2013 was €127 million which is down €8.8 million on 2012.

The Company recorded a deficit of €11.5 million before a charge for an exceptional item of €4.9 million for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €16.4 million.

The Directors are pleased to report that the targets agreed annually between the Company and the NTA were met in full.

A detailed review of the Company's activity for the year is contained in the Operations Review.

Results and Reserves

The financial statements for the year ended 31st December, 2013 are set out in detail on pages 31 to 61.

Risk Management

The Company is committed to managing risk in a systematic and disciplined manner. Through an enterprise wide risk management process, the key risks facing the Company are identified and action plans to mitigate the risks are developed. The safety of the railway remains a top priority for the Company and this is reflected in the risk register. The most serious risks include; major operational incidents, acts of terrorism, loss of operational communications and persistent failure to meet customers and other stakeholders expectations.

The Board

The Company is controlled through its Board of Directors. The Board's main roles are to approve the Company's strategic objectives and to review the operation of the Company against a series of key performance indicators. The Board, which meets at least nine times per year, has a schedule of matters reserved for its approval.

Code of Practice for the Governance of State Bodies

Maintaining high standards of corporate governance continues to be a priority of the Directors of Iarnród Éireann. The Board has developed its corporate governance policy so as to give effect to the Code of Practice for the Governance of State Bodies issued by the Department of Finance.

Details of the policies and procedures implemented by the Company following publication of the Code of Practice for the Governance of State Bodies are set out in the annual report of the Córas Iompair Éireann Group.

Internal Control

The Board of Iarnród Éireann has appointed an Audit Review Group to review; the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. The Board has also appointed an Engineering Advisory Group to monitor infrastructure renewal, project manage large infrastructure, signalling, electrical and telecoms projects and performance. The Train Advisory Group assists the Board in matters relating to customer experience and perception, commercial strategies, train engineering, regulatory changes and business risks. The Safety Advisory Group assists the Board in monitoring these key business areas. More detail on the Company's internal control system is set out in the annual report of the Córas Iompair Éireann Group.

Information

Regular reports and papers are circulated to the Directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

The non-executive Directors receive periodic management accounts and regular management reports and information which enable them to scrutinise the Company's and management's performance against agreed objectives.

Going Concern

The Board of Directors is satisfied that while a number of uncertainties exist, 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 accounts. Note 1 "Going Concern" addresses those uncertainties and summarises the Directors' conclusions in relation to going concern.

Books of Account

The Directors advise that they have discharged their responsibility to keep proper books of account through the use of appropriate systems and procedures and the employment of suitably qualified personnel. The books of account are kept at the Company's head office at Connolly Station, Amiens Street, Dublin 1.

Railway Safety Act 2005

Iarnród Éireann continues to operate in compliance with the Railway Safety Act 2005.

Late Payment in Commercial Transactions Regulations 2002

The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the Late Payment in Commercial Transactions Regulations 2002. Procedures have been implemented to identify the dates upon which all invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the regulations.

During 2013 a total of €58k was paid to third party suppliers under the regulations

Directors

The Directors of the Company are appointed by the Minister for Transport. The names of persons who were Directors during the year ended 31st December, 2013 or who have since been appointed are set out below. Except where indicated they served as Directors for the entire year.

Phil Gaffney *(Chairman)*

Frank Allen *(Appointed 20/02/13)*

Laetitia Baker *(Retired 14/02/13)*

Patricia Golden

Vincent Green *(Retired 30/11/13)*

Paul McGarry *(Retired 07/03/14)*

Tracey McGee *(Appointed 27/09/13)*

John Moloney (*Reappointed 01/12/13)*

James Nix

Flor O'Mahony *(Appointed 09/09/13)*

Thomas Wynne *(Appointed 01/12/13)*

Listed below is the Board Director's attendance at Board meetings during 2013.

Director	Iarnród Éireann Board Attendance Log
Phil Gaffney	11/11
Frank Allen	8/9
Laetitia Baker	1/1
Patricia Golden	11/11
Vincent Green	10/10
Paul McGarry	6/11
Tracey McGee	2/2
John Moloney	8/11
James Nix	8/11
Flor O'Mahony	3/3
Tommy Wynne	1/1

In addition to the eleven Board meetings held throughout 2013, one of which was held in Athlone in conjunction with a meeting with local stakeholders, the Directors also met to discuss corporate strategy and to review the results of the Board effectiveness survey.

None of the Directors held any interest or any shares or debentures of the Company, its Holding Company or its fellow subsidiaries at any time during the year. There were no material contracts or arrangements entered into during the year in which a Director was interested in relation to the Group's business. The Company Secretary holds one ordinary share as nominee of the Board of Córas Iompair Éireann.

Company Secretary

The Company Secretary is a full time employee of the Company's parent Company, Córas Iompair Éireann. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the Directors.

Auditors

The auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office in accordance with section 160(2) of the Companies Act, 1963.

On behalf of the Board

Mr. Phil Gaffney *Chairman*
Ms. Patricia Golden *Director*

2nd April, 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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

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

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Iarnród Éireann – Irish Rail

We have audited the financial statements of Iarnród Éireann for the year ended 31st December, 2013 which comprises of the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors Responsibilities' set out on page 25, the Directors are responsible for the preparation of the annual report and the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the Company's affairs as at 31st December, 2013 and of its deficit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013.

Matters on which we are Required to Report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the Company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the Company, as stated in the Balance Sheet, are not more than half of the amount of its called-up share capital and, in our opinion, on that basis there did exist at 31 December 2013 a financial situation which under Section 40 (1) of the Companies.
- (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company. The EGM was held on 23rd April, 2012.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2013 we are required to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Teresa Harrington
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

2nd April, 2014

Principal Accounting Policies

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

(A) Basis of Preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2013. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historical cost convention.

The prior year comparatives have been revised to conform to the current year presentation.

(B) Revenue

Revenue comprises the gross value of services provided.

Rail Operations revenue is recognised by reference to the stage of completion of the customer's journey. Proceeds received for the sale of annual tickets and other future dated products is deferred within liabilities and recognised in the income statement over the period of the relevant ticket.

Income from advertising and other activities is recognised as income is earned.

(C) Tangible Assets and Depreciation

The bases of calculation of depreciation are as follows:

(i) Railway Lines and Works

Railway lines and works comprise a network of systems. Expenditure on the existing network, which maintains the operating capability in accordance with defined standards of service is treated as an addition to tangible fixed assets and included at cost after deducting grants. Tangible assets include capitalised employee and other costs that are directly attributable to the asset.

The depreciation charge for existing railway lines and works is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the Company's asset management plan.

Expenditure on the network, which increases its capacity or enhances its operating capability is treated as an addition to tangible fixed assets at cost and depreciated over its useful life.

(ii) Railway Rolling Stock

Locomotives (other than those fully depreciated or acquired at no cost) are depreciated, by equal annual instalments, on the basis of their historical cost spread over their expected useful lives.

Railcars, coaching stock and wagons are also depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives.

(iii) Road Freight Vehicles

These assets are depreciated on the basis of historical cost spread over their expected useful lives using the sum of the digits method.

(iv) Docks, Harbours and Wharves; Plant and Machinery; Catering Services Equipment

The above class of assets are depreciated by equal annual instalments, based on the historical cost spread over their expected useful lives.

(v) Land and Buildings

Buildings are depreciated, by equal annual instalments, on the basis of historical cost spread over a fifty-year life. The book value of land and buildings that are available for sale and likely to be disposed of in the next twelve months is included in current assets as appropriate.

(D) Leased Assets

(i) Finance Leases

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

(ii) Operating Leases

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

(E) Stocks

Stocks of materials and spare parts are valued at the lower of average cost and net realisable value. Stocks which are known to be obsolete at the balance sheet date are written off and provision is made in respect of stocks which may become obsolete in the future.

Provision is made for inventory which is either obsolete or is not expected to be used based on current usage patterns.

Civil Engineering (CCE) and Signalling (SET) stock is categorised into moving and unmoving stock. A provision is applied to unmoving stock, based on the length of time since the stock last moved. An excess provision is applied to the excess portion of "moving stock" depending on the level of stock with excess of 2 years usage on hand.

Mechanical Engineering (CME) stock is categorised as strategic, program and consumable stocks. A provision is applied to each category depending on the age of the stock, with fixed percentages used for each category and each age bracket within the category.

Change in Estimation Technique 2013

During the year, there were changes in the calculation of the stock provisions which resulted in a net write-back to the Profit and Loss account of €4.1 million during 2013

The changes are as follows.

- CCE/SET stock, a change in the estimation technique used to compute certain aspects of the inventory provision was applied. The provision is now calculated using the excess element of the stock only rather than to the entire inventory balance.
- CME stock, a number of items of stock which had previously been considered to be "strategic" stock have now been re-designated as "Programme" stock. Different provision formula are used in calculating the provisions for strategic and programme stocks.

(F) European Union and State Grants

(i) Grants for Existing Railway Lines and Works

Grants received for existing railway lines and works are deducted from the cost of related assets.

This policy is not in accordance with the Companies (Amendment) Act 1986, which requires tangible fixed assets to be shown at cost and hence grants and contributions as deferred income. This departure from the requirements of the Companies (Amendment) Act 1986 is, in the opinion of the Directors, necessary for the financial statements to show a true and fair view as these railway lines and works do not have determinable lives and therefore no basis exists on which to recognise grants and contributions as deferred income.

(ii) Grants for Other Capital Expenditure

Grants for other 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.

(iii) Revenue Grants

Revenue grants are taken to the profit and loss account in the year in which they become receivable.

(iv) Safety Investment Grants

Safety investment grants are amortised to the profit and loss account by reference to the Safety Investment Programme.

(G) Foreign Currency

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

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

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

(H) Pensions

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

The capital cost of supplementary pension benefits is provided for and charged to the profit and loss account in the year that the enhanced benefits are granted.

(I) Railway Infrastructure Costs

In accordance with EU Council Directive 91/440 Iarnród Éireann-Irish Rail is required to ensure that the accounts of the business of transport services and those for the business of management of railway infrastructure are kept separate. The infrastructure costs are determined in accordance with Annex 1.A. to EU Regulation No. 2598/70.

(J) Intercompany Balance Accounting Policy

Intercompany Balances

Transactions between Group Companies are valued at historical cost and classified based on the substance of the transaction, as follows:

(i) Long-Term Financial Asset

Represents the aggregate of:

a. Cash flow generated from operations up to two years prior to the balance sheet date.
b. Net investment in fixed assets from the date of incorporation to the balance sheet date.

(ii) Short-Term Trading Account

Represents the aggregate of:

a. Net surplus generated/deficit incurred in the two years to the balance sheet date.
b. Increase/reduction in working capital in the two years to the balance sheet date.

(iii) Long-Term Financial Liability

Represents the aggregate of the cash inflows and outflows from:

a. Intergroup financing activities.
b. The servicing of finance.

Profit and Loss Account

Year Ended 31st December, 2013	Notes	2013 €000	2012 €000
Income			
Revenue from operations	*2*	**195,146**	186,816
Receipts from Public Service Obligation Contracts – regular	*10*	**127,029**	135,751
Receipts from Public Service Obligation Contracts – additional		**0**	30,667
Other Exchequer funding	*10*	**15,563**	14,710
Total income		**337,738**	367,944
Costs			
Payroll and related costs	*3*	**(216,574)**	(218,712)
Materials and services	*4*	**(95,808)**	(101,620)
Total operating costs		**(312,382)**	(320,332)
EBITDA		**25,356**	47,612
Depreciation and amortisation	*7*	**(36,994)**	(35,354)
Profit on disposal of tangible assets	*8*	**713**	471
Exceptional operating items	*5*	**(4,946)**	(32,307)
Deficit before interest		**(15,871)**	(19,578)
Interest payable	*9*	**(544)**	(2,894)
Deficit for the year	*22*	**(16,415)**	(22,472)

All figures relate to the continuing activities of the Company.

There were no recognised gains or losses other than those included in the profit and loss account.

On behalf of the Board

Mr. Phil Gaffney *Chairman*

Ms. Patricia Golden *Director*

Balance Sheet

As at 31st December, 2013	Notes	2013 €000	2012 €000
Fixed assets			
Tangible fixed assets	*11*	**1,671,462**	1,763,555
Financial assets	*12,13*	**314,653**	339,396
		1,986,115	2,102,951
Current assets			
Stocks	*13*	**54,529**	50,334
Debtors	*14*	**14,897**	21,309
Cash floats		**312**	313
		69,738	71,956
Creditors (amounts falling due within one year)	*15*	**(320,959)**	(334,134)
Net current liabilities		**(251,221)**	(262,178)
Total assets less current liabilities		**1,734,894**	1,840,773
Creditors (amounts falling due after more than one year)	*16*	**(2,349)**	(7,250)
Provisions for liabilities and charges	*19*	**(40,276)**	(48,325)
Amount due to parent Company	*17*	**(296,251)**	(291,191)
Deferred income	*20*	**(1,334,652)**	(1,416,226)
		61,366	77,781
Capital and reserves			
Called up share capital	*21*	**194,270**	194,270
Profit and loss account	*22*	**(132,904)**	(116,489)
Shareholders funds	*22*	**61,366**	77,781

On behalf of the Board

Mr. Phil Gaffney *Chairman*

Ms. Patricia Golden *Director*

Cash Flow Statement

Year ended 31st December, 2013	Notes	2013 €000	2012 €000
Net cash inflow from operating activities	*23*	**25,758**	11,649
Servicing of finance			
Interest paid	*9*	**(133)**	(2,109)
Interest element of finance lease rentals	*9*	**(411)**	(785)
Net cash outflow from servicing of finance		**(544)**	(2,894)
Capital expenditure and financial investment			
Purchase of tangible assets	*11*	**(159,880)**	(149,575)
Sale of tangible assets	*8*	**731**	472
Net cash flow from capital expenditure and financial investment		**(159,149)**	(149,103)
Cash flow from financing activities			
Capital grants received		**126,099**	119,102
Movement in financial assets	*17*	**24,743**	13,018
Net cash outflow before use of liquid resources and financing		**150,842**	132,120
Management of liquid resources	*23*	**16,907**	(8,228)
Financing			
Capital element of finance lease rentals		**(4,545)**	(4,405)
Net cash outflow from financing		**(4,545)**	(4,405)
Increase/(decrease) in cash in the year	*23*	**12,362**	(12,633)

Reconciliation of Net Cash Flow to Movement in Net Debt

	2013 €000	2012 €000
Movement in net debt in the year	**12,362**	(12,633)
Net debt at 1st January	**(12,730)**	(97)
Net debt at 31st December	**(368)**	(12,730)

Notes to the Financial Statements

1 Going Concern

A copy of the Going Concern disclosure included in Note 1 of the CIÉ financial statements is included below:

Background

In July 2013 the CIÉ Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group. Committed facilities of €160 million have been secured up to July 2018.

The new facilities contain a number of financial covenants, all of which have been met by the CIÉ Group in 2013. The budget for 2014 and business plan for 2015 indicate that management expect that CIÉ Group will continue to meet the covenant targets set out in the facility agreements.

While 2013 was a challenging year for the CIÉ Group, the CIÉ Holding Company and each of the Operating Companies all met the budget targets which had been set out in their budget for 2013 and included in the Group 5-year business plan which was provided to the banks in the course of the negotiation process in relation to the new banking facilities.

Nature of Uncertainties Facing Group

While management are confident that overall covenant targets will continue to be met in 2014 and 2015, the 2014 budget and 5-year plan contain a number of challenging targets and assumptions which will require constant monitoring and oversight by management. The plan assumes that the Group will incur further deficits in 2014 and 2015, with a return to profitability in 2016 and beyond. There are a number of uncertainties included in both the 2014 budget and 5-year plan, including in particular:

1. **Revenue** – The achievement of the revenue growth targets set out in the Group's 5-year business plan are based on a combination of assumptions related to increases in nominal fares and improvement in passenger journeys. The capacity of the Group to secure the fare increases required in the plan is principally dependent on fare determinations by the National Transport Authority (NTA) and increases in passenger journeys is dependent on sustained economic recovery.
2. **Costs** – The achievement of cost containment measures, particularly payroll savings, set out in the Group's business plan remains critical. Assumptions used in preparing the business plan 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.
3. **Capital Investment** – The Group's business plan incorporates assumptions related to levels of capital investment that are necessary to deliver on obligations arising under its Multi-annual Contract (MAC) and Public Service Obligation Contracts. The Group capacity to fund the required capital investment is dependent on capital expenditure funding support from the Exchequer and the National Transport Authority. The Group's long-term sustainability is dependent on an appropriate level of government funding being put in place. Failure to provide an appropriate level of capital investment impacts on the operational performance of the Group, has safety implications, impacts the Group's ability to meet its banking covenants and affects the long-term growth potential of the Group.

1 Going Concern continued

The Iarnród Éireann 2014 budget and 5-year plan is particularly sensitive to the above uncertainties. If alternative measures cannot be implemented to counteract the impact of the identified sensitivities in Iarnród Éireann, there is a risk that Iarnród Éireann may not return to profitability during the life of the current 5-year business plan. Working capital will be very tight and will require constant monitoring and mitigating actions will require to be taken to ensure that the overall EBITDA covenant targets are not breached and cash flow is available to meet obligations as they fall due.

Managements Actions

Management have taken and are continuing to take a number of actions, including:

- Close monitoring by management of the daily, weekly and monthly cash position across the Group
- Discussions with the NTA and Department of Transport Tourism and Sport on the appropriate funding structure/Net financial effect for each Group subsidiary
- Implementation and rigorous monitoring of cost saving initiatives
- Implementation of revenue protection initiatives and seeking new revenue generating activities

Letter of Support

The on-going support of the Department of Transport, Tourism and Sport has been evidenced in the letter of support committed.

The letter states that: "the Department continues to monitor the financial position of CIÉ and is engaging with the Company in relation to measures necessary to safeguard CIÉ's financial sustainability." Whilst the letter stated that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states that: "It remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities. The State is CIÉ's sole shareholder and CIÉ can confirm 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 Commission notification and approval".

Conclusion

Having made due enquiries, and considering the uncertainties described above, the Board members have a reasonable expectation that the CIÉ Group will deliver on its budget and 5-year plan and related covenant targets, and that its existing banking facilities will be sufficient to fund the ongoing cash-flow needs of the Group. They also have a reasonable expectation that the Government will support measures to ensure financial stability. For these reasons, the Board members have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern, and on that basis they will continue to adopt the going concern basis in preparing the financial statements.

2 Divisional Analysis of Profit and Loss Account

(A) Railway Undertaking

	2013 €000	2012 €000
Revenue	**176,954**	168,269
Expenditure		
Maintenance of rolling stock	**(41,487)**	(48,069)
Fuel	**(38,997)**	(35,753)
Operating and other expenses	**(139,157)**	(134,750)
Operating depreciation	**(120,011)**	(124,734)
Amortisation of capital grants	**90,454**	99,361
Total operational expenditure	**(249,198)**	(243,945)
Operating deficit before State grants and track access charges	**(72,244)**	(75,676)
Track access charge	**(40,146)**	(32,089)
Deficit for the year before State grants and interest	**(112,390)**	(107,765)
Public Service Obligation	**108,559**	110,970
Safety grants	**7,709**	7,286
Profit on sale of tangible assets	**723**	24
Interest	**(309)**	(1,810)
Surplus for the year before exceptional items	**4,292**	8,705
Exceptional items	**(2)**	(21,347)
Net surplus for the year	**4,290**	(12,642)

2 Divisional Analysis of Profit and Loss Account continued

In compliance with EU Council Directive 91/440 the costs of the Railway Infrastructure Division have been computed as follows:

(B) Railway Infrastructure Manager

	2013 €000	2012 €000
Source of income		
Public Service Obligation	**18,470**	55,448
Track access charge	**42,630**	34,208
Exchequer safety funding	**7,854**	7,423
Renewals funding	**83,510**	77,276
Total	**152,464**	174,355
Expenditure		
Maintenance of railway lines and works	**(52,761)**	(58,882)
Renewal of railway lines and works	**(83,510)**	(77,276)
Operating (signalling) and other expenses	**(26,276)**	(29,421)
Depreciation	**(46,950)**	(41,413)
Amortisation of capital grants	**40,752**	34,765
Total expenditure	**(168,745)**	(172,227)
(Deficit)/surplus for the year before interest and exceptional items	**(16,281)**	2,128
Interest	**(169)**	(990)
Profit on sale of tangible assets	**0**	127
Deficit for year before exceptional items	**(16,450)**	1,265
Exceptional items	**(46)**	(9,777)
Net deficit for year	**(16,496)**	(8,512)

2 Divisional Analysis of Profit and Loss Account continued

(C) Rail Freight Division

	2013 €000	2012 €000
Revenue	**4,942**	4,811
Operating costs		
Maintenance of vehicles and equipment	**(1,273)**	(1,392)
Fuel	**(737)**	(596)
Operating and other expenses	**(2,018)**	(2,036)
Operating depreciation	**(54)**	(165)
Amortisation of capital grants	**0**	0
Total expenditure	**(4,082)**	(4,189)
Net surplus for the year before track access charge and exceptional items	**860**	622
Track access charges	**(2,483)**	(2,119)
Deficit for the year before exceptional items	**(1,623)**	(1,497)
Interest	**(5)**	(28)
(Loss)/Profit on sale of tangible assets	**(10)**	310
Net deficit for year before exceptional items	**(1,638)**	(1,215)
Exceptional items	**0**	(561)
Net deficit for the year	**(1,638)**	(1,776)

2 Divisional Analysis of Profit and Loss Account continued

In compliance with EU Council Directive 91/440 the costs of the Railway Infrastructure Division have been computed as follows:

(D) Rosslare Europort

	2013 €000	2012 €000
Revenue		
Harbour services	**9,670**	9,722
Operating costs		
Maintenance, operating and other expenses	**(6,329)**	(6,480)
Operating depreciation	**(1,430)**	(1,465)
Amortisation of capital grants	**245**	310
Total expenditure	**(7,514)**	(7,635)
Interest	**(61)**	(65)
Profit on sale of tangible assets	**0**	10
Surplus for year before exceptional items	**2,095**	2,032
Exceptional items	**0**	(622)
Net surplus for the year	**2,095**	1,410

(E) Other Activities

	2013 €000	2012 €000
Revenue	**3,580**	4,014
Operating costs		
Operating expenses	**(3,348)**	(4,966)
Total expenditure	**(3,348)**	(4,966)
Surplus/(deficit) for year before exceptional items	**232**	(952)
Exceptional item	**(4,898)**	0
Net deficit for the year	**(4,666)**	(952)

2 Divisional Analysis of Profit and Loss Account continued

(F) State and EU Funding

	2013 €000	2013 €000	2013 €000
	PSO	Infrastructure Safety	Total
Allocated to			
Railway Undertaking	**108,559**	**7,709**	**116,268**
Infrastructure Manager – renewals	**0**	**83,510**	**83,510**
Infrastructure Manager	**18,470**	**7,854**	**26,324**
	127,029	**99,073**	**226,102**
Sources			
State grants – PSO	**127,029**	**0**	**127,029**
State grants – renewals	**0**	**83,510**	**83,510**
State grants – railway safety	**0**	**15,563**	**15,563**
	127,029	**99,073**	**226,102**

	2012 €000	2012 €000	2012 €000
	PSO	Infrastructure Safety	Total
Allocated to			
Railway Undertaking	110,970	7,286	118,256
Infrastructure Manager – renewals	0	77,276	77,276
Infrastructure Manager	55,448	7,423	62,871
	166,418	91,985	258,403
Sources			
State grants – PSO	166,418	0	166,418
State grants – renewals	0	77,276	77,276
State grants – railway safety	0	14,709	14,709
	166,418	91,985	258,403

2 Divisional Analysis of Profit and Loss Account continued

2013	Railway Undertaking €000	Infrastructure Manager €000	Rail Freight €000	Other Commercial Activities €000	Total €000
Revenue	**176,954**	**42,630**	**4,942**	**13,250**	**237,776**
Costs	**(288,932)**	**(168,960)**	**(6,580)**	**(15,821)**	**(480,293)**
State grants	**116,268**	**109,834**	**0**	**0**	**226,102**
Surplus/(deficit) for the year	**4,290**	**(16,496)**	**(1,638)**	**(2,571)**	**(16,415)**
2012 net result	(12,642)	(8,512)	(1,776)	458	(22,472)

3 Payroll and Related Costs

	2013 €000	2012 €000
Staff costs		
Wages and salaries	**207,159**	214,035
Social welfare costs	**19,000**	19,881
Other pension costs	**23,325**	22,334
	249,484	256,250
Own work capitalised, renewals and engineering work for Iarnród Éireann divisions and Group Companies	**(33,043)**	(37,663)
Net staff costs	**216,441**	218,587
Directors' remuneration emoluments		
– Services as Directors	**79**	72
– Other emoluments	**54**	53
Total Directors' remuneration and emoluments	**133**	125
Total payroll and related costs	**216,574**	218,712

The services as Directors includes the following fees, Mr P. Gaffney €21,600, Ms. P. Golden €12,600, Mr. P. McGarry €12,600, Mr. J. Nix €12,600, Mr. F. Allen €10,500, Mr. F. O'Mahony €3,922, Ms. L. Baker €1,533 and Ms. T. McGee €3,247.

The CEO's annual remuneration package has been sanctioned by the Department of Transport, Tourism and Sport. In 2013 the CEO received a once-off payment of €15,625 related to compensation for loss of benefits from his previous role in the UK. The CEO's annual remuneration consists of salary €225,000, pension 25% of salary and car allowance of €15,005.

3 Payroll and Related Costs continued

Included in the other emoluments are the following expenses:

	2013	2012
Subsistence and Accommodation	**€296**	€3,784
Other	**€1,434**	€4,906

	Staff Numbers		Staff Numbers	
	2013 Average	2012 Average	2013 as at 31st Dec 13	2012 as at 31st Dec 12
The number of employees by activity, was				
– Railway Undertaking	**2,280**	2,488	**2,251**	2,364
– Infrastructure Manager	**1,282**	1,292	**1,311**	1,194
– Central services	**146**	180	**122**	172
– Rail Freight	**11**	13	**11**	11
– Rosslare Europort	**73**	80	**73**	73
Total	**3,792**	4,053	**3,768**	3,814

4 Materials and Services

The deficit for the year before interest and State grants is arrived after charging the following under the materials and services heading.

	2013 €000	2012 €000
Operating and other costs	**54,320**	66,448
Fuel and electric traction	**39,734**	36,349
Third party and employer's liability claims	**(2,634)**	(5,731)
Rates	**1,429**	1,297
Operating lease rentals	**2,959**	3,257
	95,808	101,620

5 Exceptional Operating Costs

	2013 €000	2012 €000
Business restructuring	**4,946**	32,307

6 Divisional Analysis of Balance Sheet

The divisional analysis has been prepared for the first time in 2013 to comply with EU Regulation, 2001/12/EC, and as a result reserve balances shown in 2013 reflect only the actual surplus or deficit relevant to the current year. There are no opening reserves shown, as the overall Iarnród Éireann Balance Sheet was only split into its divisional components during 2013.

(A) Railway Undertaking

	2013 €000	2012 €000
Fixed assets		
Tangible assets		
Assets at cost	**1,729,933**	1,778,047
Accumulated depreciation	**(937,320)**	(875,810)
	792,613	902,237
Current assets		
Stocks	**36,703**	33,225
Debtors	**9,265**	16,989
Cash at bank and in hand	**0**	313
	45,968	50,527
Creditors: (amounts falling due within one year)		
Overdraft	**(1,277)**	1,183
Finance lease	**5,000**	4,644
Inter Iarnród Éireann business	**88,901**	–
Deferred income	**79,976**	92,877
Other creditors	**47,912**	74,278
	220,512	172,982
Net current liabilities	**(174,544)**	(122,456)
Total assets less current liabilities	**618,069**	779,781
Creditors: (amounts falling due after more than one year)	**2,349**	7,250
Provisions for liabilities and charges	**11,772**	15,706
Deferred income	**599,658**	698,033
	4,290	58,793
Capital and reserves		
Profit and loss account	**4,290**	
Shareholders' funds	**4,290**	

6 Divisional Analysis of Balance Sheet continued

(B) Railway Infrastructure Manager

	2013 €000	2012 €000
Fixed assets		
Tangible assets		
Assets at cost	**1,407,572**	1,342,437
Accumulated depreciation	**(567,429)**	(519,311)
	840,143	823,125
Current assets		
Stocks	**17,781**	17,038
Debtors	**1,966**	1,992
	19,747	19,030
Creditors: (amounts falling due within one year)		
Overdraft	**(5)**	554
Inter Iarnród Éireann business	**40,117**	–
Deferred income	**40,852**	35,348
Other creditors	**41,230**	43,299
	122,194	79,201
Net current liabilities	**(102,447)**	(60,171)
Total assets less current liabilities	**737,696**	762,954
Provisions for liabilities and charges	**28,504**	32,619
Deferred income	**725,688**	708,579
	(16,496)	21,756
Capital and reserves		
Profit and loss account	**(16,496)**	
Shareholders' funds	**(16,496)**	

6 Divisional Analysis of Balance Sheet continued

(C) Rail Freight

	2013 €000	2012 €000
Fixed assets		
Tangible assets		
Assets at cost	**22,111**	20,381
Accumulated depreciation	**(22,109)**	(19,853)
	2	528
Current assets		
Debtors	**758**	690
	758	690
Creditors: (amounts falling due within one year)		
Inter Iarnród Éireann business	**2,349**	–
Other creditors	**49**	572
	2,398	572
Net current liabilities	**(1,640)**	118
Total assets less current liabilities	**(1,638)**	646
Capital and reserves		
Profit and loss account	**(1,638)**	
Shareholders' funds	**(1,638)**	

7 Depreciation

	2013 €000	2012 €000
Depreciation	**168,445**	171,169
Amortisation of capital grants	**(131,451)**	(135,815)
Total depreciation and amortisation	**36,994**	35,354

8 Profit on the Disposal of Tangible Assets

	2013 €000	2012 €000
Total profit on disposal of tangible assets	**713**	471

9 Interest Payable

	2013 €000	2012 €000
On loan from Holding Company	**72**	2,044
On finance leases	**411**	785
On Commercial Operations	**61**	65
	544	2,894
Interest apportioned:		
Railway Undertaking	**309**	1,810
Infrastructure Manager	**169**	990
Rail Freight	**5**	28
Commercial Operations	**61**	66
	544	2,894

10 State Grants and Grants in Aid

The grants payable to the Company through the Holding Company, Córas Iompair Éireann, are in accordance with the relevant EU regulations governing State aid to transport undertakings. These Regulations are as follows:

Particulars of the State grants of €267.8 million received in 2013 are given in the following table, showing the relevant provision of EU regulations. A sum of €5.9 million in relation to grants received on buildings was passed back to the Holding Company.

The Public Service Obligation (PSO) grant in aid is restricted to the provision of rail passenger services.

The accounting policies in relation to all grants are listed on pages 29-30.

	EU Regulation Number		
	1370/2007	1192/69	Total
	€000	€000	€000
Revenue related	**104,077**		**104,077**
Expenditure related			
Mainline rail			
Normalisation of accounts			
– Class III (pensions)	**17,004**	**0**	**17,004**
– Class IV (level crossings)	**2,788**	**0**	**2,788**
Subtotal mainline rail	**19,792**	**0**	**19,792**
Suburban rail			
Normalisation of accounts			
– Class III (pensions)	**2,918**	**0**	**2,918**
– Class IV (level crossings)	**242**	**0**	**242**
Subtotal suburban services	**3,160**	**0**	**3,160**
Subtotal expenditure related	**22,952**	**0**	**22,952**
Total	**127,029**	**0**	**127,029**
Total Public Service Obligation			**127,029**
State grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			**140,796**
Total State grants received			**267,825**

10 State Grants and Grants in Aid continued

The total funding received was applied as follows:

	EU Regulation Number		Total
	1370/2007	1192/69	
	€000	€000	€000
Profit and loss account			
Public Service Obligation			**127,029**
Railway Safety Revenue Grant		**15,563**	
Credit against the renewals of railway lines and works		**83,504**	
Deferred income		**35,869**	
Transferred to CIÉ		**5,860**	
State grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			**140,796**
Total state grants received			**267,825**

Source of Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework funds received during the calendar year 2013 which are restricted to particular projects.

	Grant Making Agency		Total
	Department of Transport, Tourism and Sport	DTTAS – National Transport Authority	
	€	€	€
Capital Investment Programme	**15,400,000**	**34,624,167**	**50,024,167**
Railway Safety Programme	**90,000,000**	**–**	**90,000,000**
PSO		**127,028,615**	**127,028,615**
Accessibility Programme	**772,094**	**–**	**772,094**
Total state grants received	**106,172,094**	**161,652,782**	**267,824,876**

11 Tangible Fixed Assets

(A) Schedule of Assets

	1st Jan 2013 €000	Reclassi-fications €000	Additions €000	Scrapings and Disposals €000	31st Dec 2013 €000
Cost					
Railway lines and works	1,952,567	(235)	89,485		2,041,817
Railway rolling stock	1,465,391		46,623	(53,235)	1,458,779
Road freight vehicles	2,908			(14)	2,894
Plant and machinery	1,071,025	235	22,681	(576)	1,093,365
Catering equipment	925				925
Docks, harbours and wharves	56,198		255		56,453
Land and buildings	3,257		836		4,093
Subtotal	4,552,271	0	159,880	(53,825)	4,658,326
Funding Received for Railway lines and works	(1,339,341)		(83,510)		(1,422,851)
Total	3,212,930	0	76,370	(53,825)	3,235,475

	1st Jan 2013 €000	Reclassi-fications €000	Charge for year €000	Scrapings and Disposals €000	31st Dec 2013 €000
Depreciation					
Railway lines and works	1,574,471	0	94,362		1,668,833
Railway rolling stock	706,149		99,976	(53,235)	752,890
Road freight vehicles	2,908			(14)	2,894
Plant and machinery	483,113	0	56,189	(558)	538,744
Catering equipment	925				925
Docks, harbours and wharves	20,131		1,315		21,446
Land and buildings	1,019		113		1,132
Subtotal	2,788,716	0	251,955	(53,807)	2,986,864
Funding received for railway lines and works	(1,339,341)		(83,510)		(1,422,851)
Total	1,449,375	0	168,445	(53,807)	1,564,013

11 Tangible Fixed Assets continued

	2013 €000	2012 €000
Net book amounts		
Railway lines and works	**372,894**	378,096
Railway rolling stock	**705,889**	759,242
Road freight vehicles	**0**	0
Plant and machinery	**554,621**	587,912
Catering equipment	**0**	0
Docks, harbours and wharves	**35,007**	36,067
Land and buildings	**2,961**	2,238
Total	**1,671,462**	1,763,555

Renewal expenditure and related grants were as follows:

	2013 €000	2012 €000
Renewal expenditure	**83,510**	77,276
Funding received		
State grants	**83,504**	77,276
Third party grants	**6**	0
	83,510	77,276
Funding applied		
Current year expenditure	**83,510**	77,276

(B) Useful Lives

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

	Lives (Years)
Railway lines and works	10-40
Railway rolling stock	4-20
Road freight vehicles	1-10
Plant and machinery	3-30
Docks, harbours and wharves	50
Catering equipment	5-10
Buildings	50

11 Tangible Fixed Assets continued

(C) Railway Infrastructure

Tangible assets includes railway infrastructure assets as follows:

	2013 €000	2012 €000
Cost	**1,407,572**	1,342,437
Accumulated depreciation	**(567,429)**	(519,312)
Net book value	**840,143**	823,125

(D) Payments on Account

Included in additions above are payments on account and for assets in the course of construction for the following:

	2013 €000	2012 €000
Railway rolling stock	**526**	13,853

(E) Assets Held under Finance Leases

Included in tangible assets are amounts as stated below in respect of railway rolling stock and plant and machinery which are held under finance leases, whereby the Company has beneficial ownership i.e. substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

	2013 €000	2012 €000
Cost	**89,414**	89,038
Accumulated depreciation	**(82,104)**	(79,710)
Net book value	**7,310**	9,328
Depreciation for year	**(2,394)**	(2,387)

12 Financial Assets

	2013 €000	2012 €000
Trade investments listed shares		
Cost or valuation at 1st January	**63**	63
Provision for impairment in value at 31st December	**(43)**	(43)
Net book amounts at 31st December	**20**	20
Market value at 31st December	**49**	49

13 Stocks

	2013 €000	2012 €000
Rolling stock, spare parts and maintenance materials	**26,381**	23,017
Infrastructure stocks	**17,693**	17,120
Fuel, lubricants and other sundry stocks	**10,455**	10,197
	54,529	50,334

These amounts include parts and components necessarily held to meet long-term operational requirements.

14 Debtors

	2013 €000	2012 €000
Trade debtors	**11,698**	10,829
Other debtors and accrued income	**3,199**	10,480
	14,897	21,309

15 Creditors (amounts falling due within one year)

	2013 €000	2012 €000
Bank overdraft	**680**	13,043
Trade creditors	**78,293**	91,099
Finance lease obligations *(note 18)*	**5,000**	4,644
Income tax deducted under PAYE	**2,887**	5,696
Pay related social insurance	**2,045**	1,997
Universal social charge	**935**	1,449
Value added tax and other taxes	**5,017**	2,638
Amounts owed to holding and fellow subsidiary Companies	**80,425**	60,954
Other creditors	**11,460**	13,104
Accruals	**2,469**	2,126
Restructuring provision *(note 19)*	**6,200**	5,943
Third party and employer's liability claims *(note 19)*	**4,300**	2,905
Deferred income *(note 20)*	**121,248**	128,536
	320,959	334,134
Creditors for taxation and social welfare included above	**10,884**	11,780

16 Creditors (amounts falling due after more than one year)

	2013 €000	2012 €000
Finance lease obligations *(note 18)*	**2,349**	7,250
	2,349	7,250

17 Intercompany Short-Term and Long-Term

During the year, management reviewed the components of the intercompany balance due to/from the CIÉ Group, and have made a number of re-classifications to more fairly present the repayment profile/perpetual funding nature of the relevant intercompany assets and liabilities. Comparative balances have also been re-stated. A new accounting policy on intercompany balances has been included on page 30 of the financial statements.

	2013 €000	Restated 2012 €000
Long-term financial asset		
Amounts due from Holding Company		
Opening balance at 1st January	**339,376**	352,394
Decrease in financial year	**(24,743)**	(13,018)
Closing balance at 31st December	**314,633**	339,376
Short-term trading account		
Amounts owed to Holding Company (note 15)	**(80,425)**	(60,954)
Long-term financial liability		
Amounts owed to Holding Company	**(296,251)**	(291,191)
Net intercompany balance payable	**(62,043)**	(12,769)

18 Lease Obligations

(A) Finance Leases

Locomotive Leases	2013 €000	2012 €000
Net obligations under finance leases fall due as follows:		
Within one year *(note 15)*	**5,000**	4,644
Between one and five years *(note 16)*	**2,349**	7,250
After five years	**0**	0
	2,349	7,250
	7,349	11,894

(B) Operating Leases

Commitments under non-cancellable operating leases payable expire as follows:

Road Vehicles	2013 €000	2012 €000
Within one year	**1,896**	2,205
Between one and five years	**1,246**	3,058
	3,142	5,263

19 Provisions for Liabilities and Charges

(A) Summary

	Restructuring Provision €000	Third Party and Employer's Liability Claims €000	Total €000
Balance at 1st January, 2013	**5,943**	**51,230**	**57,173**
Utilised during the year	**(4,706)**	**(3,654)**	**(8,360)**
Transfer from profit and loss account	**4,963**	**(3,000)**	**1,963**
Balance carried forward	**6,200**	**44,576**	**50,776**
Less amount classified as current liability *(note 13)*	**(6,200)**	**(4,300)**	**(10,500)**
Balance at 31st December, 2013	**0**	**40,276**	**40,276**

19 Provisions for Liabilities and Charges continued

Any losses not covered by external insurance are charged to the profit and loss account and unsettled amounts are included in the provision for liabilities and charges. Provisions coming forward from previous years have been transferred to the Profit and Loss Account to the extent they have been deemed overprovided based on recent claims history.

(B) External Insurance Cover

The Board has the following external insurance cover:

(i) Iarnród Éireann – Irish Rail
Third Party Liability in excess of

(a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and
(b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US$3,300,000.

(ii) Bus Átha Cliath – Dublin Bus
Third Party Liability in excess of €2,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US$3,300,000.

(iii) Bus Éireann – Irish Bus
Third Party Liability in excess of

(a) €2,000,000 for school buses and
(b) €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US$3,300,000.

(iv) Group
Third Party Liability in excess of €250,000 on any one occurrence or series of occurrences arising out of Other Risks events, except

(a) Flood damage where the excess is €2,000,000 and
(b) Ossary Road where each and every occurrence excess is €1,000,000 and
(c) Any claims subject to United States of America jurisdiction where the excess is US$150,000.

(v) In addition, each of the subsidiary Companies within the Group has aggregate cover in the twelve month period, April 2013 to March 2014, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail	€11,000,000
Bus Átha Cliath – Dublin Bus	€15,000,000
Bus Éireann – Irish Bus	€11,000,000

subject to an overall Group self insured retention of €27,000,000 in the annual aggregate after which any individual self insured retention in that annual period will be €50,000.

(vi) Group Combined Liability Insurance, which does not exclude Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2013 to March 2014, for all rail and road transport Third Party and Other Risks liabilities.

19 Provisions for Liabilities and Charges continued

(vi) All Risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which any individual self insured excess in that annual period will be €100,000.

(vii) Terrorism damage indemnity cover for the Group is €200,000,000 with an excess of €10,000,000 each and every loss except for railway and road rolling stock whilst in transit where the excess is €500,000 each and every loss in Ireland/Northern Ireland and €250,000 each and every loss in the United Kingdom (excluding Northern Ireland).

(C) Third Party and Employer Liability Claims Provisions and Related Recoveries

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

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

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

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

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

20 Deferred Income

This account, comprising non-repayable State and EU grants, and other deferred income which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated (accounting policy F), is as follows:

	1st Jan 2013 €000	Transfers Disposals €000	Received and Receivable €000	Amortised to Profit and Loss Account €000	31st Dec 2013 €000
Capital grants					
Land and buildings	**1,204**	**0**	**616**	**(44)**	**1,776**
Railway lines and works	**359,997**	**(189)**	**3,932**	**(10,231)**	**353,509**
Railway rolling stock	**664,133**	**0**	**15,239**	**(74,838)**	**604,534**
Plant and machinery	**509,521**	**168**	**22,823**	**(46,027)**	**486,485**
Docks harbours and wharves	**9,907**	**0**	**0**	**(311)**	**9,596**
Total	**1,544,762**	**(21)**	**42,610**	**(131,451)**	**1,455,900**

	2013 €000	2012 €000
Shown as:		
Deferred income – amounts falling due within one year	**121,248**	128,536
Deferred income – amounts falling due after more than one year	**1,334,652**	1,416,226
	1,455,900	1,544,762

The grants received under the Railway Safety Investment Programmes, NDP, Transport 21 and Infrastructure Rail Capital Investment 2012-2016 will be released to the profit and loss in accordance with the Railway Safety Investment Programmes.

During 2013 the asset classifications for the deferred income were reviewed which resulted in the reclassification of the opening 2013 balances.

21 Share Capital

	2013 €000	2012 €000
Authorised:		
Ordinary shares of €1.27 each	**194,270**	194,270
Allotted, called up and fully paid		
At start of year	**194,270**	194,270
Shares issued	**0**	0
Ordinary shares of €1.27 each at end of year	**194,270**	194,270

22 Reconciliation of Movement in Equity Shareholders' Funds

	Called Up Share Capital €000	Profit and Loss Account €000	Total Equity Shareholders' Funds €000
Opening balance	**194,270**	**(116,489)**	**77,781**
Deficit for year		**(16,415)**	**(16,415)**
Closing equity shareholders' funds	**194,270**	**(132,904)**	**61,366**

23 Cash Flow Statement

(A) Reconciliation of Deficit to Net Cash Inflow from Operating Activities

	2013 €000	2012 €000
Deficit before State grants and servicing of finance and after and release of provisions etc.	**(158,463)**	(200,706)
State grants other than that applied to renewals	**142,592**	181,128
Deficit for the year before servicing of finance	**(15,871)**	(19,578)
Profit on disposal of tangible assets	**(713)**	(471)
Depreciation	**168,445**	171,169
Amortisation of capital grants	**(131,451)**	(135,815)
Increase in stocks	**(4,195)**	(393)
Decrease/(increase) in debtors	**6,412**	(644)
Decrease in creditors and provisions	**(21,400)**	(25,144)
Increase in intercompany	**19,471**	15,226
Movement in long-term capital account	**5,060**	7,299
Net cash inflow from operating activities	**25,758**	11,649

(B) Analysis of Net Debt

	At 1st Jan 2013 €000	Cash Flow €000	At 31st Dec 2013 €000
Cash in hand	**313**	**(1)**	**312**
Bank overdraft	**(13,043)**	**12,363**	**(680)**
	(12,730)	**12,362**	**(368)**

24 Pensions

The employees of Iarnród Éireann are members of the Córas Iompair Éireann Group pension schemes. The Córas Iompair Éireann Group operates two defined benefit pension schemes covering the majority of employees, each of which is funded by contributions from the Group and the members.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. It is not possible to identify the individual members' shares of the Córas Iompair Éireann Group pension scheme assets and liabilities, on a consistent and reasonable basis as even if it were possible to allocate non-active members across subsidiaries based on last day of employment, members may have worked for more than one subsidiary. Therefore, it is not possible to identify to whom the liability (and corresponding asset) for successive periods of employment belongs. The contributions to these schemes have been accounted for, as if it were a defined contribution scheme as permitted by FRS 17 – 'Retirement Benefits' by the Córas Iompair Éireann Group Companies.

The most recent actuarial valuations of the schemes for the provisions of FRS17 showed that at 31 December, 2013 there was a deficit of €417.745 million on the schemes.

The pension cost for the year on the defined benefit schemes was €23.3 million these costs are also included in note 3.

25 Capital Commitments

	2013 €000 Contracted for	2013 €000 Authorised by the Directors but not contracted for
Within one year	**13,335**	**61,212**
After 1 year	**1,668**	**143,846**
	15,003	**205,058**
Of which funding amounts to:	**16,348**	**33,700**

	2012 €000	2012 €000
Total 2012	26,007	193,204

26 Contingent Liabilities

(A) Pending Litigation

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

(B) Finance Leases

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

27 Related Party Transactions

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

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

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

28 Membership of Córas Iompair Éireann Group

Iarnród Éireann – Irish Rail is a member of the Córas Iompair Éireann Group of Companies (the Group) and the financial statements reflect the effects of Group membership.

29 Approval of Financial Statements

The Directors approved the financial statements on 2nd April, 2014

Iarnród Éireann
Irish Rail