Iarnród Éireann

ANNUAL REPORT AND FINANCIAL STATEMENTS

2003

PRN. No. 1688

Contents

NDP
NATIONAL DEVELOPMENT PLAN

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

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

Directors and Other Information

Directors at 30th March 2004

Chairman	Dr. J. J. Lynch
Directors	Mr. P. Cullen, Mr. G. Duggan, Mr. P. Ellis, Ms. A. M. Mannix,
	Mr. W. McCamley, Dr. P. Prescott
Chief Executive	Mr. J. Meagher
Secretary	Mr. R. O'Farrell
Registered Office	Connolly Station, Dublin 1.
Telephone	+353 1 836 3333
Facsimile	+353 1 836 4760
Website	www.irishrail.ie
Registered Number	119571
Auditors	PricewaterhouseCoopers
	Chartered Accountants and Registered Auditors
	Wilton Place, Dublin 2

Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 31st December, 2003.

Principal Activities

The principal activities of the company are the provision of national rail intercity and commuter passenger services, freight services, catering services and the management of Rosslare Europort.

Results for the Year and State of Affairs as at 31st December, 2003

Iarnród Éireann–Irish Rail is a member of the Córas Iompair Éireann group of companies. The Chairman's statement and operations review in the financial statements of Córas Iompair Éireann contain a more detailed review of Iarnród Éireann's business during 2003 and plans for the future.

2003 was a record year for passenger carryings in Iarnród Éireann with 35.5 million passenger journeys being made during the year. This represents the eighth time in nine years that the record for the number of journeys has been broken. This level was achieved despite the loss of an estimated 0.6 million passenger journeys due to the suspension of Southside suburban services at weekends and over the Christmas period associated with the DART Upgrade Project.

Significant progress has been made during 2003 in the implementation of measures designed to improve the financial position of the company. The result in 2003 was an operating surplus of €0.672 million compared to an operating loss of €22.454 million in 2002. Exceptional costs of €20.099 million associated with the cost reduction programme were incurred during the year resulting in an overall deficit of €19.427 million. The key elements of the financial recovery include reductions in staff numbers, rationalisation of rail freight depots and tight control of non-labour costs. It is anticipated that further progress in improving the financial performance of the company will be achieved during 2004.

The financial statements for the year ended 31st December, 2003 are set out in detail on pages 7 to 28. The movement on the profit and loss account for the year is as follows;

	€000	€000
Balance 31st December, 2002		(66,412)
Surplus for the year before exceptional costs	672	
Exceptional costs relating to business restructuring	(20,099)	
Deficit for the year after exceptional costs		(19,427)
Balance 31st December, 2003		(85,839)

During 2003, the net debt decreased from €214.8 million to €135 million mainly due to the receipt of EU grants which became payable for capital expenditure incurred over a number of years.

Investment

With the support of the Irish Government through the National Development Plan and the European Union, Iarnród Éireann's investment programme is continuing to yield benefits in the form of safety enhancements, and in upgrading and expanding the DART, Commuter and InterCity services.

(i) Safety and Renewal

During 2003, the final year of the 1999-2003 rail safety investment programme, 66 miles of track renewal was completed resulting in a total of over 400 miles of track renewal during the period of the programme. Ninety-eight per cent (98%) of the radial network is now operating on continuous welded rail with all routes except Dublin to Rosslare now complete.

(ii) DART and Commuter

Major increases in capacity on commuter routes were achieved in the 2003 timetable. This increase in capacity was achieved with the procurement of 80 new commuter railcars at a cost of €115 million.

This resulted in peak period capacity increases ranging from 25% to 250% across the network of commuter services in the Greater Dublin Area, and in Cork and Limerick as follows:

- Northern: 43%
- Maynooth: 25%
- Kildare: 123%
- Gorey: 30%
- Cork Commuter: 150%
- Limerick/Ennis: 250%

In addition, more off-peak services are operating on a number of routes, including the Northern line, Longford and Arklow.

The railcar fleet is now being maintained at the new Drogheda railcar servicing centre, which was completed on time and under budget in summer 2003 at a total cost of €41.2 million.

A further 36 railcars were ordered in the last quarter of 2003, and these will be delivered in 2005.

DART Upgrade works, designed to increase the passenger carrying capacity of the DART by 33%, commenced in October 2003. This project will also see all DART stations fully upgraded to be accessible to mobility-impaired customers.

To complement this investment, the DART fleet will see a further 40 DART carriages delivered in 2004. When these carriages arrive, the DART fleet will have doubled in size in just over four years and will facilitate the operation of eight-car services.

Report of the Directors

(iii) InterCity

Iarnród Éireann has placed an order for 67 new InterCity carriages at a cost of €117 million. This is the first order of new InterCity carriages in over 20 years, excluding the Dublin/Belfast Enterprise. They will enter service in 2005/6, and will operate primarily on the Dublin/Cork route, delivering an hourly service in each direction.

The Heuston redevelopment project, costed at €117 million, neared completion in 2003 and is set to come in ahead of budget. This investment has improved terminal facilities, increased the number of platforms at the station from 5 to 9, computerised signalling at Heuston, and provided remodelled track work.

The introduction of new commuter railcars also allowed for additional InterCity services on the Galway, Waterford and Limerick routes.

Cahir Viaduct Derailment

A major incident occurred on 7th October, 2003 when a laden cement train became derailed on the Cahir Viaduct causing extensive damage to the bridge deck. Fortunately no injuries occurred. Services on the line were suspended and alternative arrangements made for both freight and passenger traffic. A project to replace the bridge deck has commenced and is expected to be completed by summer 2004.

Freight

During 2003, progress has been made in securing the long-term viability of the freight business. The company has refocused its container operations from unit load to single customer point to point business with minimal handling costs. New container business was secured from Waterford to Cork, and a further agreement was reached to commence a Ballina to Waterford container business from early 2004.

Rosslare Europort

Rosslare Europort returned a profit of €2.6 million in 2003. Revenue was enhanced during 2003 through the rental of facilities to the Arklow Bank Windfarm project. Progress on the €6.2 million investment at Rosslare Europort continued with completion scheduled for end 2005.

Catering

In conjunction with the new timetable introduced in December 2003, catering services were reorganised to better meet the needs and demands of customers on our services and deliver greater reliability of service.

Accessibility

Iarnród Éireann's continuing programme of providing better facilities for mobility-impaired customers resulted in better access at a number of stations throughout the network. This work is continuing during 2004 with upgrades to facilities at DART stations and to stations on the Sligo line.

Human Resources

A restructured operations management has been devised to better align the company's functions in order to improve the quality of service we offer to our customers. Implementation is being completed in the first half of 2004.

Future Developments

The focus of future developments is (i) safeguarding the railway through the 2004-2008 Safety Development Programme; (ii) improving customer services with attention to increasing line speeds on the Dublin/Cork mainline; (iii) increasing capacity through additional rolling stock, greater frequency of services and improved signalling; (iv) better access for all with enhanced facilities at stations and on rolling stock, and (v) more efficient maintenance of rolling stock.

A major investment programme to integrate the rail network in the Greater Dublin Area has been developed for consideration by all shareholders.

Employee Participation

In consort with the National Centre for Partnership, Iarnród Éireann is seeking to develop stronger employee/management/trade union relationships built on an active partnership model. Initially co-operation is being expressed in a joint training initiative involving local representatives of staff and management.

Equal Opportunities

Iarnród Éireann has currently more than thirty nationalities represented within it's workforce. During 2003, a formal Policy on Diversity and Equality was developed for publication and implementation in early 2004.

In addition, a Code of Practice on the Employment of People with Disabilities was drafted and issued.

Iarnród Éireann formed a Work Life Balance Network as part of a Cross Organisational Working Group supported by EU funding. First day at school parents leave was introduced. Tele-working and Term Time Leave policies were developed to extend the existing range of leave and working arrangements which facilitate work/home life balance.

Report of the Directors

Health and Safety

The Iarnród Éireann safety management system was strengthened and staff training days were again increased to ensure that employees are appropriately equipped in all aspects of safety, technical and professional skills.

Books of Account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at the company's head office Connolly Station, Amiens Street, Dublin 1.

Code of Practice for the Governance of State Bodies

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

Directors

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

Dr. J.J. Lynch	Chairman
Mr. J. Meagher	Managing Director (Retired 29th February, 2004)
Mr. P. Cullen	
Mr. G. Duggan	(Retired 8th December,2003, re-appointed 9th February, 2004)
Mr. P. Ellis	
Mrs. T. Honan	(Retired 30th November, 2003)
Ms. A.M. Mannix	
Mr. W. McCamley	
Dr. P. Prescott	

None of the directors or the secretary 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 contracts or arrangements entered into during the year in which a director was materially interested in relation to the Group's business.

Auditors

The auditors, PricewaterhouseCoopers, 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

Dr. J. J. Lynch Chairman
Mr. G. Duggan Director

30th March, 2004.

Statement of Directors' Responsibilities

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

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

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

Independent auditors report to the members of Iarnród Éireann-Irish Rail

We have audited the financial statements on pages 7 to 28 and the accounting policies set out in the statement of accounting policies on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

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

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

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st December, 2003 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001.

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

In our opinion, the information given in the directors' report on pages 2 to 4 is consistent with the financial statements.

The net assets of the company as stated in the balance sheet on page 10 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December, 2003 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors,
Dublin.

30th March, 2004.

(a) The maintenance and integrity of the Córas Iompair Éireann website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal Accounting Policies

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

(A) BASIS OF 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 2001. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historical cost convention.

Dubel Limited, a wholly owned subsidiary, is treated as a branch of Iarnród Éireann-Irish Rail for accounting purposes.

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

(B) 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.

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.

(C) LEASED ASSETS

(i) Finance leases

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

(ii) Operating leases

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

(D) STOCKS

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

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

(E) EUROPEAN UNION AND STATE GRANTS

(i) Grants for existing railway lines and works

As a result of the application of network accounting, (see B (i) above) 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.

Principal Accounting Policies

(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.

(F) FOREIGN CURRENCY

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

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

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

(G) PENSIONS

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

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

(H) 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.

Profit and Loss Account

	Note	Total 2003 €000	Exceptional Operating Items 2003 €000 Note 5	Continuing Operations before Exceptional Items 2003 €000	Total 2002 €000
Revenue		213,227	-	213,227	205,295
Costs					
Payroll and related costs	3	(242,962)	(19,258)	(223,704)	(212,842)
Materials and services	4	(139,537)	-	(139,537)	(152,475)
Depreciation less amortisation of capital grants	6	(27,827)	(841)	(26,986)	(26,223)
Total operating costs		(410,326)	(20,099)	(390,227)	(391,540)
Profit on disposal of tangible assets	7	207	-	207	-
Deficit before interest and State grants		(196,892)	(20,099)	(176,793)	(186,245)
Interest payable — operational	8	(5,272)	-	(5,272)	(7,054)
— railway infrastructure	8	(3,016)	-	(3,016)	(4,048)
Total interest		(8,288)	-	(8,288)	(11,102)
Deficit for the year before State grants		(205,180)	(20,099)	(185,081)	(197,347)
State grants - subvention	9	168,257	-	168,257	155,483
State grants - railway safety grant	9	17,496	-	17,496	19,410
Deficit for the year after State grants	2(A)	(19,427)	(20,099)	672	(22,454)
Accumulated deficit at beginning of the year		(66,412)			(43,958)
Accumulated deficit at end of the year		(85,839)			(66,412)

All figures relate to the continuing activities of the company.

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

On behalf of the board

Dr. J. J. Lynch Chairman
Mr. G. Duggan Director

Balance Sheet

Year ended 31st December	Notes	2003	2002
		€000	€000
Fixed assets			
Tangible fixed assets	10	776,686	634,448
Financial assets	11	20	20
		776,706	634,468
Current assets			
Stocks	12	38,273	42,576
Debtors	13	162,626	153,740
Cash at bank and in hand		97	131
		200,996	196,447
Creditors (amounts falling due within one year)	14	(300,280)	(287,184)
Net current (liabilities)		(99,284)	(90,737)
Total assets less current liabilities		677,422	543,731
Creditors (amounts falling due after more than one year)	15	(64,105)	(64,055)
Provisions for liabilities and charges	18	(56,063)	(52,710)
Deferred income	19	(513,203)	(363,488)
		44,051	63,478
Financed by:			
Capital and reserves			
Called up share capital	20	29,204	29,204
Asset replacement reserve	21	100,686	100,686
Profit and loss account		(85,839)	(66,412)
Shareholders funds	22	44,051	63,478

On behalf of the board

Dr. J. J. Lynch Chairman

Mr. G. Duggan Director

Cash Flow Statement

Year ended 31st December	Notes	2003 €000	2002 €000
Net cash inflow from operating activities	23(A)	**60,548**	26,429
Servicing of finance			
Interest paid	8	**(4,968)**	(7,396)
Interest element of finance lease rentals	8	**(3,320)**	(3,706)
State grant - DART Interest	9	**1,581**	3,555
Net cash outflow from servicing of finance		**(6,707)**	(7,547)
Investing activities			
Purchase of tangible assets		**(309,848)**	(283,905)
Sale of tangible assets		**302**	6,684
Capital grants		**335,473**	214,172
Net cash inflow/(outflow) from investing activities		**25,927**	(63,049)
Net cash inflow/(outflow) before management of liquid resources and financing	23(B)	**79,768**	(44,167)
Management of liquid resources	23(B)	**(62,202)**	41,799
Financing			
Capital element of finance lease rentals		**(4,150)**	(2,218)
Net cash outflow from financing	23(B)	**(4,150)**	(2,218)
Increase/(decrease) in cash in the year	23(B)	**13,416**	(4,586)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		**13,416**	(4,586)
Cash inflow/(outflow) from holding company balance and lease financing		**66,352**	(39,581)
Movement in net debt in the year		**79,768**	(44,167)
Net debt at 1st January		**(214,784)**	(170,617)
Net debt at 31st December		**(135,016)**	(214,784)

Notes to the Financial Statements

1. FINANCIAL OUTLOOK

After a number of years of satisfactory financial performance evidenced by a stable level of borrowings and adequate cash flow, the financial situation of the company deteriorated in 2002 and without significant remedial action, it was forecast to further deteriorate during 2003.

In response to these difficulties, the board of Iarnród Eireann approved a management plan to return the company to profitability. The core aspects of this plan include a reduction in staff numbers, rationalisation of rail freight depots and tight control of non-labour costs. The directors consider that the company is on course to achieve these financial targets and will continue to implement the key elements of this plan in 2004.

As at 31 December, 2003, the company had net debt of €135.016 million. (See note 23B). In the course of approving these accounts, the directors have received an undertaking from Córas Iompair Éireann that it will continue to make sufficient financial resources available to fund the borrowing requirements of the company for 2004 and 2005.

Based on this undertaking, the directors consider it appropriate to continue to prepare these accounts on a going concern basis.

2. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

(A) Company result

	2003 €000	2002 €000
Summary		
Operating deficit before operating interest payable, State grants and exceptional items		
Mainline rail	(55,299)	(57,621)
Suburban rail	(23,677)	(28,819)
Total Rail operations	(78,976)	(86,440)
Subvention and grants for Rail operations	79,870	73,409
Operating surplus/(deficit) before operating interest payable and exceptional items		
Rail Operations	894	(13,031)
Infrastructure	4,836	(2,679)
Road freight	1,130	1,534
Rosslare Europort	2,570	2,602
Catering services	(677)	222
Operating surplus/(deficit) for year before operating interest payable and exceptional items	8,753	(11,352)
Interest	(8,288)	(11,102)
Profit on disposal of tangible assets	207	-
Operating surplus/(deficit) before exceptional items	672	(22,454)
Exceptional operating costs *(note 5)*	(20,099)	-
Deficit for the year	(19,427)	(22,454)

No taxation charge arises on the results for the year because certain revenues of the company are not brought into account for tax purposes.

Notes to the Financial Statements

2. **DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT** (continued)

(B) Mainline rail division

	2003 €000	2002 €000
Revenue	121,437	115,662
Expenditure		
Maintenance of rolling stock	(43,647)	(42,383)
Fuel	(13,413)	(14,737)
Operating and other expenses	(112,452)	(110,038)
Operating depreciation	(17,824)	(15,513)
Amortisation of capital grants	10,600	9,388
Total expenditure	(176,736)	(173,283)
Operating deficit before operating interest payable, State grants and exceptional items	(55,299)	(57,621)
Interest payable	(3,537)	(4,888)
Operating deficit before State grants and exceptional items	(58,836)	(62,509)
Exceptional operating costs	(9,906)	-
Deficit for the year before State grants	(68,742)	(62,509)

(C) Suburban rail division

	2003 €000	2002 €000
Revenue	37,294	34,074
Expenditure		
Maintenance of rolling stock	(12,985)	(12,848)
Fuel (including electricity for traction)	(4,044)	(3,934)
Operating and other expenses	(33,789)	(35,310)
Operating depreciation	(16,750)	(16,430)
Amortisation of capital grants	6,597	5,629
Total expenditure	(60,971)	(62,893)
Operating deficit before operating interest payable, State grants and exceptional items	(23,677)	(28,819)
Interest payable	(1,666)	(2,095)
Operating deficit before State grants and exceptional items	(25,343)	(30,914)
Exceptional operating costs	(1,861)	-
Deficit for the year before State grants	(27,204)	(30,914)

Included in the Maintenance of rolling stock figures in Mainline rail note 2(B) and Suburban rail note 2(C) is a

	2003 €000	2002 €000
Depreciation charge of	1,664	1,350
Amortisation of grants	686	616

Notes to the Financial Statements

	2003 €000	2002 €000
2. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)		
(D) Railway infrastructure		
In compliance with EU Council Directive 91/440 the costs of the railway infrastructure division have been computed as follows:		
Maintenance of railway lines and works	**(69,119)**	(72,773)
Renewal of railway lines and works	**(113,622)**	(137,492)
Operating (signalling) and other expenses	**(25,008)**	(24,537)
Depreciation *(note 10 (d))*	**(12,902)**	(10,622)
Amortisation of capital grants	**5,982**	3,769
Total expenditure	**(214,669)**	(241,655)
Operating deficit before operating interest payable, State grants and exceptional items	**(214,669)**	(241,655)
Interest payable	**(3,016)**	(4,048)
Operating deficit before State grants and exceptional items	**(217,685)**	(245,703)
State grants, EU and Exchequer funding	**219,505**	238,976
Operating surplus/(deficit) before exceptional items	**1,820**	(6,727)
Exceptional operating costs	**(5,186)**	-
Deficit for the year	**(3,366)**	(6,727)
Apportionment of Costs;		
Mainline rail division	**193,006**	204,318
Suburban rail division	**29,865**	41,385
Total costs infrastructure	**222,871**	245,703
(E) Road freight division		
Revenue		
Goods services	**32,309**	32,398
Miscellaneous	**62**	62
Total revenue	**32,371**	32,460
Operating costs		
Maintenance of vehicles and equipment	**(1,577)**	(1,658)
Fuel	**(428)**	(498)
Road tax and licences	**(71)**	(85)
Operating and other expenses	**(28,766)**	(28,188)
Operating depreciation	**(399)**	(497)
Total expenditure	**(31,241)**	(30,926)
Operating surplus before exceptional items	**1,130**	1,534
Exceptional operating costs	**(1,712)**	-
Net (deficit)/surplus for the year	**(582)**	1,534

Notes to the Financial Statements

2. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)

	2003 €000	2002 €000
(F) Rosslare Europort division		
Revenue		
Harbour services	10,080	9,783
Operating costs		
Maintenance, operating and other expenses	(6,412)	(6,078)
Operating depreciation	(1,856)	(1,842)
Amortisation of capital grants	758	739
Total expenditure	(7,510)	(7,181)
Operating surplus before interest payable and exceptional items	2,570	2,602
Interest payable	(69)	(71)
Surplus for the year before exceptional items	2,501	2,531
Exceptional operating costs	(106)	-
Net surplus for the year	2,395	2,531

	2003 €000	2002 €000
(G) Catering services division		
Revenue		
Ground and train catering	12,045	13,316
Operating Costs		
Maintenance of buildings, cars and equipment	(106)	(101)
Cost of sales	(4,313)	(5,066)
Other direct expenses	(6,137)	(5,818)
Depreciation	(214)	(110)
Other expenditure	(1,952)	(1,999)
Total expenditure	(12,722)	(13,094)
Operating (deficit)/surplus for the year before exceptional items	(677)	222
Exceptional operating costs	(1,328)	-
Net (deficit)/surplus for the year	(2,005)	222

	2003 €000	2002 €000
(H) State grants, EU and Exchequer Funding		
Allocated to:		
Rail operations	79,870	73,409
Infrastructure	219,505	238,976
	299,375	312,385
Sources:		
Exchequer subvention	168,257	155,483
Exchequer safety and other grants	17,496	19,410
Exchequer funded renewals	91,873	107,571
EU funded renewals	21,749	29,921
	299,375	312,385

Notes to the Financial Statements

2. **DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT** (continued)

(I) Net (deficit)/surplus by activity

	Commercial €000	Social €000	Total €000
2003			
Revenue	54,496	158,731	213,227
Costs	(51,542)	(460,388)	(511,930)
Exceptional operating costs	(3,146)	(16,953)	(20,099)
State grants, EU and Exchequer funding	-	299,375	299,375
Net result	(192)	(19,235)	(19,427)
2002 Net result	4,287	(26,741)	(22,454)

Commercial activities included in the above are road freight division, catering services division and Rosslare Harbour division.

3. **PAYROLL AND RELATED COSTS**

	2003 €000	2002 €000
Staff costs		
Wages and salaries	228,651	216,452
Social welfare costs	19,185	19,684
Other pension costs	13,887	9,844
	261,723	245,980
Own work capitalised, renewals and engineering work for group companies	(38,379)	(33,446)
Net staff costs	223,344	212,534
Directors' remuneration		
- services as directors	20	17
- other emoluments	340	291
Total directors' remuneration and emoluments	360	308
Total payroll and related costs	223,704	212,842

	Staff Numbers 2003 Average	2002 Average
The average number of employees by activity, was		
· Railway operations	3,378	3,393
· Infrastructure * *	1,948	2,022
· Road freight	151	177
· Rosslare Europort	95	95
· Catering	261	289
Total	5,833	5,976

* * Includes New Work's Department which was established as a stand alone division during 2003. As at 31st December, 2003 there were 253 persons employed in this division.

Notes to the Financial Statements

	2003 €000	2002 €000
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.		
Fuel and electric traction	**15,052**	15,252
Third party and employer's liability claims	**8,449**	7,816
Rates	**2,830**	2,546
Operating lease rentals	**4,712**	4,204
Auditors remuneration	**70**	70

5. EXCEPTIONAL OPERATING COSTS

	2003 €000	2002 €000
Business restructuring	**19,258**	-
Accelerated depreciation	**841**	-
	20,099	-

As part of the 2003 Financial Plan the company introduced a voluntary severance and early retirement programme. The estimated cost in 2003, including severance payments and other costs associated with the programme is €20.1 million.

6. DEPRECIATION

	2003 €000	2002 €000
Depreciation **	**52,802**	46,364
Amortisation of capital grants** *(note 19)*	**(24,975)**	(20,141)
Total depreciation	**27,827**	26,223

** Includes €1.193 million of depreciation and €0.352 million of amortisation of capital grants credited as an exceptional item.

7. PROFIT ON THE DISPOSAL OF TANGIBLE ASSETS

	2003 €000	2002 €000
Profit on disposal of Tangible assets	**207**	-

8. INTEREST PAYABLE

	2003 €000	2002 €000
On loan from holding company	**4,968**	7,396
On finance leases	**3,320**	3,706
	8,288	11,102
Interest apportioned:-		
Operational costs	**5,272**	7,054
Railway infrastructure costs *(note 2 (d))*	**3,016**	4,048
	8,288	11,102

Notes to the Financial Statements

9. STATE GRANTS

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.

Particulars of the State grants of €443 million received in 2003 are given in the following table, showing the relevant provision of EU regulations. A sum of €23.4 million in relation to grants received on buildings was passed back to the holding company.

	EU Regulation Number		
	1191/69	1107/70 (Article 4)	Total
	€000	€000	€000
Revenue related			
Mainline rail			
Operation of passenger services	135,823	-	135,823
Residual deficit - State grants	-	685	685
	135,823	685	136,508
Suburban rail			
Operation of passenger services	11,125	-	11,125
Sub total	146,948	685	147,633

	EU Regulation Number		
	1192/69	1107/70 (Article 3.1 [b])	Total
	€000	€000	€000
Expenditure related			
Mainline rail			
Normalisation of accounts			
- Class III (pensions)	9,312	-	9,312
- Class IV (level crossings)	6,602	-	6,602
- Infrastructure grant (freight)	-	1,803	1,803
	15,914	1,803	17,717
Suburban rail			
Normalisation of accounts			
- Class III (pensions)	1,298	-	1,298
- Class IV (level crossings)	28	-	28
	1,326	-	1,326
Sub total	17,240	1,803	19,043
Total			166,676
Add State grant for DART interest - EU Regulation. 1191/69			1,581
Sub total State subvention			168,257
Add State grant for NDP			275,189
Total State grants received			443,446

The total funding received was applied as follows:		
Profit and loss account		
Subvention		168,257
Railway Safety Revenue Grant	17,496	
Credit against the renewals of railway lines and works *(note10(a))*	91,873	
Deferred income *(note 19)*	142,373	
Transferred to CIÉ	23,447	
State grant for NDP		275,189
Total		443,446

Notes to the Financial Statements

10. TANGIBLE FIXED ASSETS

	1st Jan. 2003 €000	Reclass-ifications €000	Additions €000	Scrappings & Disposals €000	31st Dec. 2003 €000
Cost					
Railway lines and works	697,687	-	119,739	-	817,426
Railway rolling stock	526,381	-	126,959	(2,282)	651,058
Road freight vehicles	7,249	-	15	(229)	7,035
Plant and machinery	323,508	461	61,196	-	385,165
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	42,466	-	649	-	43,115
Capital work in progress	461	(461)	199	-	199
Sub total	1,598,882	-	308,757	(2,511)	1,905,128
Funding received for railway lines and works	(475,290)	-	(113,622)	-	(588,912)
Total	1,123,592	-	195,135	(2,511)	1,316,216

	1st Jan. 2003 €000	Reclass-ifications €000	Charge for year €000	Scrappings & Disposals €000	31st Dec. 2003 €000
Depreciation					
Railway lines and works	646,251	-	116,511	-	762,762
Railway rolling stock	184,096	-	30,613	(2,200)	212,509
Road freight vehicles	6,003	-	391	(216)	6,178
Plant and machinery	117,622	-	17,963	-	135,585
Catering equipment	922	-	84	-	1,006
Docks, harbours and wharves	9,540	-	862	-	10,402
Sub total	964,434	-	166,424	(2,416)	1,128,442
Funding received for railway lines and works	(475,290)	-	(113,622)	-	(588,912)
Total	489,144	-	52,802	(2,416)	539,530

	2003 €000	2002 €000
Net book amounts		
Railway lines and works	54,664	51,436
Railway rolling stock	438,549	342,285
Road freight vehicles	857	1,246
Plant and machinery	249,580	205,886
Catering equipment	124	208
Docks, harbours and wharves	32,713	32,926
Capital work in progress	199	461
Total	776,686	634,448

Notes to the Financial Statements

10. TANGIBLE FIXED ASSETS (continued)

(a) In compliance with FRS 15, Tangible Fixed Assets, the basis of accounting for renewals of railway lines and works is to credit the grant against the cost of renewals to the railway network.

	2003	2002
	€000	€000
Renewals expenditure and related grants were as follows		
Renewals expenditure	**116,016**	145,562
State grants	**91,873**	107,571
EU grants	**21,749**	29,921
	113,622	137,492

(b) 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	3-35
Docks, harbours and wharves	50
Catering equipment	5-10

(c) The amounts included in the original cost of various tangible assets include €34,463,231 in capitalised interest charges relating to the Bray-Howth suburban railway electrification scheme which was completed in 1984.

(d) Tangible assets include railway infrastructure assets as follows:

	2003	2002
Cost	**523,980**	471,452
Accumulated depreciation	**(269,047)**	(256,145)
Net book value	**254,933**	215,307
Depreciation for year *(note 2(d))*	**(12,902)**	(10,622)

(e) Included in additions above are payments on account in respect of railway rolling stock which were not yet in service:

	2003	2002
Railway rolling stock	**113,327**	87,548

(f) 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:

	2003	2002
Cost	**87,924**	87,694
Accumulated depreciation	**(32,180)**	(27,236)
Net book value	**55,744**	60,458
Depreciation for year	**(4,944)**	(4,825)

Notes to the Financial Statements

	2003 €000	2002 €000
11. FINANCIAL ASSETS		
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

12. STOCKS

Rolling stock, spare parts and maintenance materials	**16,462**	16,848
Infrastructure stocks	**17,511**	22,683
Fuel, lubricants and other sundry stocks	**4,300**	3,045
	38,273	42,576

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

13. DEBTORS

Trade debtors	**11,419**	12,005
Amounts owed by holding and fellow subsidiary companies	**93,835**	31,633
EU and State grants receivable	**50,269**	103,292
Other debtors and accrued income	**7,103**	6,810
	162,626	153,740

14. CREDITORS (amounts falling due within one year)

Bank overdraft	**10,223**	23,673
Trade creditors	**55,658**	44,603
Loan from holding company *(note 16)*	**150,045**	154,502
Finance lease obligations *(note 17)*	**4,575**	4,318
Income tax deducted under PAYE	**3,603**	3,571
Pay related social insurance	**2,617**	2,549
Value added tax and other taxes	**4,966**	7,092
Other creditors	**3,022**	3,820
Accruals	**4,353**	5,307
Restructuring provision *(note 18)*	**21,164**	7,300
Third party and employer's liability claims *(note 18)*	**5,191**	5,095
Deferred income *(note 19)*	**34,863**	25,354
	300,280	287,184
Creditors for taxation and social welfare included above	**11,186**	13,212

Notes to the Financial Statements

	2003	2002
	€000	€000
15. CREDITORS (amounts falling due after more than one year)		
Loan from holding company *(note 16)*	**15,021**	10,564
Finance lease obligations *(note 17)*	**49,084**	53,491
	64,105	64,055

16. LOAN FROM HOLDING COMPANY

	2003	2002
This loan is repayable as follows:		
Within one year *(note 14)*	**150,045**	154,502
Between one and two years *(note 15)*	**13,040**	1,981
Between two and five years *(note 15)*	**1,981**	8,583
After five years	-	-
	15,021	10,564
	165,066	165,066

This loan represents the net assets less issued share capital assigned to the company on its establishment following the re-organisation of Córas Iompair Éireann in 1987. Each year the amount outstanding is aged by reference to the bank loans held and managed by Córas Iompair Éireann on behalf of the operating companies.

The presentation of the maturity analysis of loans and other debt above complies with the provisions of FRS 4, Capital Instruments. The standard requires that the maturity of debt should be determined by reference to the earliest date on which the lender can require repayment. Included in amounts repayable within one year are amounts of €76,689,577 (2002 - €148,952,534) relating to Irish Commercial Paper which are backed by committed medium term facilities which effectively extend the maturity of these instruments.

17. LEASE OBLIGATIONS

	2003	2002
(A) Finance leases		
Net obligations under finance leases fall due as follows:		
Within one year *(note 14)*	**4,575**	4,318
Between one and five years *(note 15)*	**21,048**	19,861
After five years *(note 15)*	**28,036**	33,630
	49,084	53,491
	53,659	57,809
(B) Operating leases		
Commitments under non-cancellable operating leases payable in the coming year expire as follows:-		
Within one year	**1,878**	2,337
Between one and five years	**2,241**	1,887
	4,119	4,224

Notes to the Financial Statements

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision €000	Third Party & Employer's Liability Claims €000	Total €000
Balance at 1st January, 2003	7,300	57,805	65,105
Utilised during the year	(9,905)	(5,000)	(14,905)
Transfer from profit and loss account			
- Exceptional item	19,258	-	19,258
- Other	4,511	8,449	12,960
	23,769	8,449	32,218
Balance carried forward	21,164	61,254	82,418
Less amount classified as current liability (*note 14*)	(21,164)	(5,191)	(26,355)
Balance at 31st December, 2003	-	56,063	56,063

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

(A) External Insurance Cover

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

(i) Third Party Liability in excess of €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event, except in the case of claims subject to United States jurisdiction where the excess is US$3,300,000.

(ii) Third Party Liability in excess of €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.

(iii) Third Party Liability for the Group in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except
(a) at Ossory Road, Dublin, in the case of flood damage, where the excess is a non-ranking €1,000,000, and
(b) any other flood damage where the excess is €250,000.

(iv) Rail and road transport liabilities in excess of a self insured retention of €10,000,000 in aggregate in the twelve month period, April 2003 to March 2004, subject to an overall Group self insured retention of €27,000,000.

(v) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2003 to March 2004, for rail and road transport Third Party and Other Risks liabilities.

(vi) Fire and Special Perils, including storm damage, to the Group's property in excess of €1,000,000 and an indemnity of €150,000,000 on any one loss or series of losses.

(vii) Terrorism indemnity cover for the Group is €100,000,000 with an excess of €150,000 in respect of property damage, increased to €500,000 in respect of rail and road rolling stock, for each and every loss.

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(B) Third party and employer liability claims provisions and related recoveries

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

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

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

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

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

Notes to the Financial Statements

19. DEFERRED INCOME

This account, comprising non-repayable EU grants, State 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 E), is as follows:

	1st Jan. 2003 €000	Received and Receivable €000	Amortised to Profit & Loss A/c €000	31st Dec. 2003 €000
Capital Grants				
Railway lines and works	14,304	9,559	(1,182)	22,681
Railway rolling stock	191,954	123,433	(7,736)	307,651
Plant and machinery	118,973	51,207	(7,876)	162,304
Docks, harbours and wharves	14,967	-	(110)	14,857
Total capital grants	340,198	184,199	(16,904)	507,493
State grants – Railway Safety Investment Programme	47,175	-	(7,862)	39,313
Other deferred income	1,469	-	(209)	1,260
Total	388,842	184,199	(24,975)	548,066

Shown as:	2003 €000	2002 €000
Deferred income - amounts falling due within one year *(note 14)*	34,863	25,354
Deferred income - amounts falling due after more than one year	513,203	363,488
	548,066	388,842

The grants received under the Railway Safety Investment Programme (1999 – 2003) will be released to the profit and loss in accordance with the Railway Safety Investment Programme. Grants received and receivable in 2003 were Exchequer €142,373,000 and EU €41,826,000.

20. SHARE CAPITAL

Authorised:		
Ordinary shares of €1.27 each	95,230	95,230
Allotted, called up and fully paid		
Ordinary shares of €1.27 each	29,204	29,204

21. ASSET REPLACEMENT RESERVE

Balance at 31st December	100,686	100,686

The directors consider that a transfer to this reserve is no longer appropriate.

Notes to the Financial Statements

	2003 €000	2002 €000
22. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		
Surplus/(deficit) for the year after State grants	672	(22,454)
Exceptional operating costs *(note 5)*	(20,099)	-
Opening equity shareholders' funds	63,478	85,932
Closing equity shareholders' funds	44,051	63,478

23. CASH FLOW STATEMENT

(A) **Reconciliation of deficit to net cash inflow from operating activities**	2003 €000	2002 €000
Deficit before State grants and servicing of finance	(196,892)	(186,245)
State grants other than that applied to DART interest and renewals (note 9)	184,172	171,338
Deficit for the year before servicing of finance	(12,720)	(14,907)
Profit on disposal of tangible assets	(207)	-
Depreciation	52,802	46,364
Write off of capital wip – feasibility studies	-	421
Amortisation of capital grants (note19)	(24,975)	(20,141)
Decrease in stocks	4,303	11,024
Decrease in debtors for EU revenue grants	15,371	1,016
Decrease in debtors	293	5,713
Increase/(decrease) in creditors and provisions	25,681	(3,061)
Net cash inflow from operating activities	60,548	26,429

(B) **Analysis of net debt**	At 1st Jan. 2003 €000	Cash Flow €000	At 31st Dec. 2003 €000
Cash in hand	131	(34)	97
Bank overdraft	(23,673)	13,450	(10,223)
Loans	(165,066)	-	(165,066)
Finance leases	(57,809)	4,150	(53,659)
Holding company balance	31,633	62,202	93,835
	(214,784)	79,768	(135,016)

Liquid resources comprise amounts owed by holding and fellow subsidiary companies, which represents cash generated and not immediately required for operations made available to other group companies, repayable on demand.

Notes to the Financial Statements

24. PENSIONS

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

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

Whilst the schemes are defined benefit schemes, the company is unable to identify its share of the underlying assets and liabilities of the schemes.

Details in relation to the schemes, required by FRS 17, are contained in the accounts of Córas Iompair Éireann.

25. CAPITAL COMMITMENTS

	Contracted for €000	Authorised by the Directors but not Contracted for €000
2003		
Within one year	70,871	96,507
From two to five years	95,381	118,838
	166,252	215,345
Of which funding amounts to:	120,424	151,306
2002		
Total capital commitments	253,559	255,463

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.

Notes to the Financial Statements

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 Bord Gais. 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.

Reference in these financial statements to the Board means the Board of Córas Iompair Éireann.

Dubel Limited, a wholly owned subsidiary of Iarnród Éireann-Irish Rail, is incorporated in Northern Ireland with registered offices at Central Station, East Bridge Street, Belfast.

29. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 30th March, 2004.