Iarnród Éireann
Irish Rail

2014
Annual Report

Making Better Connections

Financial and Operating Highlights 2014

Revenue
€218.0m
+ 11.7%

PSO payments
€117.4m
- 7.6%

MAC
€129.8m

EBITDA
€34.8m
+ 37.1%

Deficit
€2.2m

Contribution to Exchequer in Taxes
€73.5m

Journeys
37.8m
+ 3.0%

Passenger train km operated
16.9m
Unchanged

Punctuality

DART	97.6%	+ 1.2%
Intercity	97.1%	+ 1.2%
Commuter	97.7%	+ 0.4%

Freight tonne kms
99.8m
+ 1.0%

Rosslare revenue
€10.1m
+ 4.3%

Employees (average)
3,770
-22

Contents

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

making better connections

More than 1 million extra rail journeys were made during 2014

Chairman's Statement

During 2014, despite our extreme financial pressures, Iarnród Éireann delivered clear improvements in safety, customer service and financial performance, and service levels were maintained, delivered by a workforce which has reduced significantly in number in recent years.

While much remains to be done to secure our long-term financial sustainability, there is very positive engagement from our shareholder the Minister for Transport, his Department and the National Transport Authority as we collectively work to that goal.

Highlights of 2014 include:

- More than 1 million extra rail journeys, the first annual growth since the onset of the economic crisis. The increase in passenger numbers has been seen across national and urban rail services.
- Growth in our rail freight and Rosslare Europort business, of 1.3% and 4.3% respectively.
- Passenger revenue growth of 4.6%.
- Continuing cost reduction, of €2.6 million on a like-for-like basis, resulting in €75.7 million in savings in annual costs since 2007.
- Improvements in major safety key performance indicators.
- Improved punctuality, with all routes again exceeding requirements under the Public Service Obligation contracts.
- The start of investment in our Customer First programme, which will transform the manner in which we engage with our customers, ensuring the customer is at the heart of the business.

I thank all my colleagues in Iarnród Éireann for their ongoing commitment to deliver the necessary change required to ensure our network and our services maximise their contribution to the economic life of Ireland. In 2014, this included agreement to implement a temporary pay reduction to all employees. While it is regretted that an industrial dispute disrupted our services for two days in late August, the implementation of these measures represents a clear commitment across the organisation to working together to take the necessary measures to secure our future.

This extends beyond the pay measures taken, and into a partnership approach through our Cost Management Committee. Employee and management representatives identify savings to be made and oversee the measures implemented in a collective effort to achieve further efficiencies in how we do our business.

While revenue is growing, and cost control continues to be a central focus, the third critical element to our future is our funding. In 2014, the Department of Transport, Tourism and Sport acknowledged in its Strategic Framework for Investment in Land Transport that our rail network is significantly underfunded for its scale and for the services we are contracted to provide, and in comparison to typical European levels of funding.

We thank the Minister and his Department for their continued support, including the approval of supplementary funding which is enabling us to undertake important network and fleet maintenance works, to the benefit of our customers. We also welcome the Minister's commitment to a review of rail policy in light of the acknowledged underfunding. Through this review, we must identify a clear path to a sustainable future for Iarnród Éireann, providing services and development of infrastructure which will generate a positive return for the economy, and maximise the benefit for the communities we serve now and in the future.

There are of course external pressures looming, as the economic crisis recedes. Nonetheless, we must focus on the prize of ensuring the long-term stability of Iarnród Éireann. Ultimately, this will strengthen our ability to deliver sustainable transport solutions that satisfy our customers' needs, and serve the interests of Ireland's society, economy and environment in the years and decades ahead.

Phil Gaffney

Chairman, Iarnród Éireann Irish Rail


8107
DART 25

Chief Executive's Report

Safety

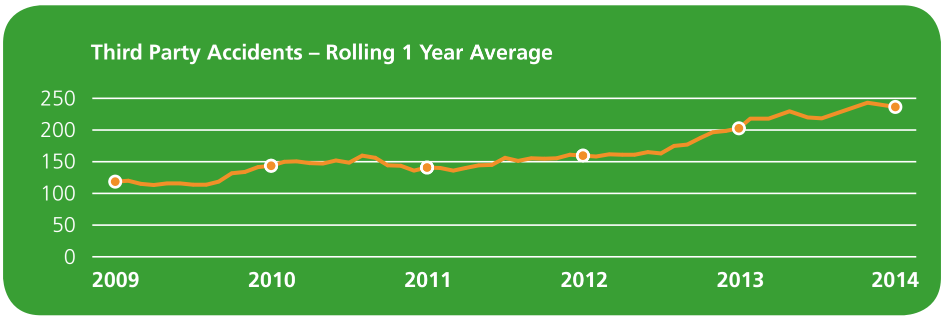
Safety is at the heart of everything we do, and continuous improvement in safety remains our first priority. Safety in Iarnród Éireann is underpinned by our Safety Management System, which has been validated by the Railway Safety Commission.

In July, an act of vandalism saw an obstruction on the line between Bray and Greystones cause the first derailment of an in-service DART train in its 30 years of operation during 2014. Thankfully there were no injuries, and excluding this there were no passenger train derailments or train on train collisions in 2014. However, we continue to focus on a range of safety indicators to address risk and take appropriate action to reduce it.

There was a welcome reduction in Signals Passed at Danger from eighteen in 2013 to ten in 2014, returning to a downward trend following an increase in 2013. As well as a continued emphasis on human factors, strengthening technology is also crucial. In 2014, work continued on developing a train protection system to ensure a train automatically brakes at a red signal if the driver has not done so, as is currently in place on the DART. Prototypes were installed on train units, and dynamic testing is underway.

In the interim, a Driver Reminder Appliance is being installed to all diesel fleets, which drivers operate when stopped at red signals – this will reduce the potential for SPADs and particularly instances where a train departs from a station against a red signal.

We continue to focus on a range of safety indicators to reduce risk



Third party incidents were dominated by slips, trips and falls in stations and incidents at the train/platform interface. This is a 15% rise on the number in 2013, and mitigation measures are focusing on internal factors and influencing passenger behaviour. There was a 12% decrease in lost time accidents for the year compared to 2013. The accident figures for 2014 include 21 instances of staff suffering psychological trauma following incidents on the Network.

There was ongoing liaison with the Road Safety Authority, as well as the Railway Safety Commission and An Garda Síochána, to address misuse of level crossings. There were two incidents in which trains were in collision with road vehicles at level crossings, and 30 near misses reported. With reduced funding available for closures, Iarnród Éireann is developing technical solutions to improve safety at level crossings, with some pilot systems planned for installation during 2015.

Finance Overview

The overall result of the year is a deficit of €2.2 million compared to a deficit of €16.4 million in 2013. However, this and a number of other year end outcomes differed significantly from forecast following the receipt of supplementary funding in December 2014 from the Department of Transport, Tourism and Sport. While these funds were welcome, and enables Iarnród Éireann to undertake essential fleet and infrastructure maintenance works, the underlying financial picture remains extremely challenging for the company.

In particular, as confirmed by the Department of Transport, Tourism and Sport during 2014, our infrastructure asset is underfunded annually by circa €70 million. Continued underfunding of infrastructure, as well as impacting on our financial wellbeing, will have other business implications as has been seen in previous eras – including reduced line speeds and increased challenges in maintaining safety performance. This will also impact on our targeted growth in business. The scale of underfunding significantly exceeds the supplementary funding provided by the Department of Transport, Tourism and Sport in 2014, illustrating the central importance of ensuring sustainable funding levels for our services and network are secured.

In 2014, revenue increased in all business activities – passenger, freight, Rosslare, income from property and advertising, and third-party income. Targeted marketing initiatives, the impact of transport integration measures and the continued improvement in the macro economic climate contributed to this result. Total revenue of €218.0 million approaches levels not seen since 2008. This was achieved despite two days of industrial action at the end of August, and benefited from growth in all businesses, including third-party works.

Funding for Infrastructure activities under the Infrastructure Manager Multi Annual Contract (MAC) and additional funding for rectification works following the storms experienced in the early part of 2014 was finalised in Quarter 4. An additional €15.1 million was provided within the Multi Annual Contract, with €7.0m of this for storm damage works. While the underlying asset maintenance cost base has not changed, the new Multi Annual Contract arrangements facilitated a change to the nature of work undertaken on the Infrastructure asset with increased emphasis on essential maintenance and away from asset renewal. This results in increased expenditure in the profit and loss account, as opposed to balance sheet impact.

Payroll

Pay and productivity proposals to yield €8.5 million savings were ultimately agreed in September by all trade unions for a 25 month period. Full year benefit of these savings will be achieved in 2015.

Train Operations

Market overview

There was strong passenger journeys and passenger revenue growth of 3.0% and 4.6% respectively in 2014. In total, passenger journeys increased by 1.1 million to 37.8 million, the first year of growth since 2007. This growth was recorded across all businesses – Intercity, DART and Commuter at 3.4%, 2.1% and 3.5% respectively.

Operational performance

Train punctuality improved across a range of measures with the vast majority of routes showing improved punctuality, with over 95% punctuality in most cases – well in excess of the minimum PSO requirement of 90%.

This included a particular focus on reducing delays during the Autumn leaf-fall season, during which the number and impact of delay incidents from low rail adhesion reduced.

Commercial activity

The company's commercial activity continued to generate growth in key markets. In 2014, student promotional activity yielded a third consecutive year of double digit growth of 18%. A series of online seat sales in 2014 resulted in a 33% increase in passenger journeys booked online. TaxSaver revenue increased by 12% with a record number of companies registered with our business sales force, which also grew usage within existing participating companies.

Funding was secured for the Customer First programme, which through technology initiatives will transform the way Iarnród Éireann interacts with and transacts with its customers. Vendor contracts have been executed, and the programme will yield benefit to customers on a phased basis from 2015 to 2017.

A partnership agreement was signed with Belmond to operate a luxury train across Ireland from 2016.

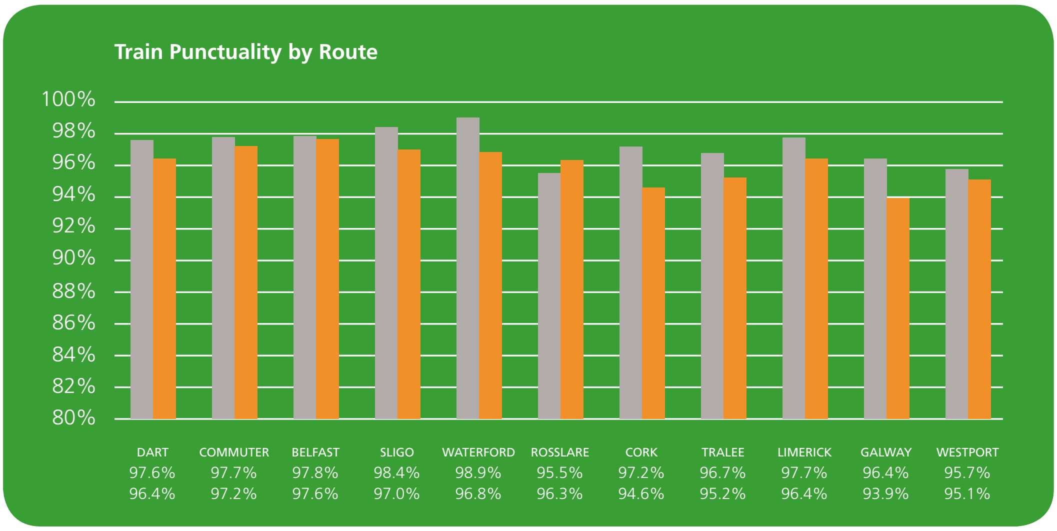
On-board business activity continued throughout the year with 'Networking on the Move' events completed with Dublin, Limerick, and Galway Chambers of Commerce.

Iarnród Éireann's independent Customer Satisfaction monitor registered an overall satisfaction level of 90%.

Train maintenance

The Train Operations business including train maintenance, and fleet management has continued to focus on using our resources as efficiently as possible in response to customer demand levels. In addition, a major programme of refurbishment, funded by the European Union Interreg fund, is underway to upgrade the Dublin/Belfast Enterprise fleet.

Once complete, the project will result in a fully re-furbished and enhanced Enterprise train set. The project will include system and component overhauls, interior redesign and exterior livery changes. There will also be a number of enhancements in the areas of passenger information, power points for customers, seat reservation systems, public address system, saloon and forward facing CCTV and a train diagnostic/management system.



Rail must be recognised as a valuable asset and align its development with wider planning and policies

Translink are acting as the lead partner with Iarnród Éireann actively involved in the project.

Revenue protection

A dramatic increase in revenue protection activity saw almost 10,000 penalty fares issued during the year, a growth of 30%. Increased resources with back office support and excellent liaison with the Department of Social Protection and other operators has facilitated the enhanced effectiveness of revenue protection.

Infrastructure Manager

Sources of income for the Infrastructure Manager business include Multi Annual Contract funding and track access charges from train operations, both passenger and freight. From an income of €191.7 million, the Infrastructure Manager recorded a deficit of €2.1 million.

2014 was the first full year of the Multi Annual Contract and all requirements were successfully met in the year. This included achieving all work programmes within expenditure planned and a network rationalisation programme to remove surplus assets.

Improvement projects

Capital expenditure of €122.4 million was invested in the railway during 2014. Projects currently underway include:

- Bridge works to enable the closure of the Reilly's crossing, situated North West of Broombridge station, and were substantially completed with the new road opening in February 2015. This eliminated a very busy road crossing, and will improve safety of train operations.
- Enabling works for the refurbishment of the Drogheda Viaduct, which commenced in May, this work is supported by EU Interreg funding and is a joint operation with Translink.
- Preliminary design works including additional infrastructure requirements, a proposed timetable, a business case and the impact on subvention levels for using the Phoenix Park tunnel line as a facilitator for additional services from Kildare to the north of the city and city centre stations.
- Phase 1 of the City Centre resignalling project, to install new signalling equipment from Malahide to Killester was commissioned in October 2013. Commissioning of Phases 2 and 3 are scheduled for Q4 2016. Signalling Design is ongoing in line with the stage work programme. This project will facilitate increased capacity for rail services.

Strategic planning

Strategic Framework on Investment in Land Transport

Iarnród Éireann welcomed the recommendation in the Department of Transport, Tourism and Sport's Strategic Framework on Investment in Land Transport that a new Rail Policy be developed as a priority. An explicit national policy which recognises rail as a valuable national asset, and identifies the priorities, costs and benefits for the future role and development of rail services in Ireland – aligned with economic, spatial planning, social and sustainability policies – would be a welcome development, helping to maximise rail's economic contribution.

DART Underground

The NTA have requested Iarnród Éireann to update the DART Underground business case which was completed in 2010 in support of the Railway Order Planning process. The updated business case will take account of the changed economic circumstances and will be done in accordance with the latest project appraisal guidelines. AECOM have been retained to assist with the development of the business case.

North Dublin Public Transport Study

In parallel with this, the NTA is carrying out a Public Consultation on the North Dublin Transport Study.

Travel across the Fingal/North Dublin region is predicted to increase in the medium term, as a result of population and employment growth locally. This increased travel cannot be catered for by car; and extra public transport capacity will be required.

The National Transport Authority has been working to identify optimum medium term/long term public transport solutions in the Fingal/North Dublin area. The options under review include assessment of the DART Airport link from Clongriffin to Dublin Airport, possibly as part of a combined scheme with Light Rail from Luas Cross City to Swords.

Journey time improvements

Opportunities for journey time improvements, particularly on the Dublin to Cork route, are being investigated.

Freight

In 2014, the Company's key rail freight traffics included:

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

Rail freight revenue increased by 3.3% to €5.1 million in 2014, with total tonne kilometres increasing by almost one million to 99.8 million.

A number of new business opportunities are being targeted, as is the operation of longer trains to reduce the unit cost of rail freight for customers.

The Iarnród Éireann Freight Navigator business, which specialises in the collection and distribution of automotive car parts, had a very strong performance in 2014 with revenue 7% ahead of forecast. Navigator also performed amongst the best in Europe in this sector with 99% of all deliveries arriving on time throughout the island of Ireland.

Rosslare Europort

Iarnród Éireann is Port Authority at Rosslare Europort, the second busiest Port in the State in terms of ship visits, passenger throughput and unitised freight.

Despite the severe impact of prolonged storms leading to a large number of cancellations in January and February, revenue was up 4% overall year on year at €10.1 million. This was supported by a new weekly LD Lines summer only service to St. Nazaire and Gijon and Stena Line's operation of the former Celtic Link service to Cherbourg. Freight units increased by 2% with passenger vehicles up 1%.

The storms also moved a huge amount of sand into the harbour mouth closing one berth and limiting access to others. Work to remove the build-up of sand was completed over the Christmas period following the receipt of the necessary licences.

Community

In 2014, Iarnród Éireann published its first Corporate Social Responsibility statement, detailing its commitments to the communities with which we interact.

Our commitments include reducing our environmental impact; on safe provision of services; to our neighbours and our communities; to how we conduct our business; to how we value and support our staff; to how we engage with our stakeholders.

Arising from the traumatic effect on many employees of incidents of suicide on our network, we have made a corporate commitment to raising awareness of mental health issues. We again partnered with Seechange Ireland's Mental Health Awareness Month in 2014 to distribute Green Ribbons free of charge to customers and employees alike.

We have also funded Samaritans signage at platforms across our network, following research in the UK that such signage reduces the number of acts of suicide on the railway network.

The past year was the third year of The Journey's on Us- our community support initiative offering 100 groups from the community, voluntary, charity and sporting sectors a free group trip by train.

Our work with the community in Broombridge has seen anti-social behaviour at the station reduce dramatically through a range of initiatives. This programme was awarded with an Innovation Award for rail operators across Ireland and Britain at the Institute of Railway Operators Awards.

Partnerships with Seechange and the Samaritans seek to raise awareness of mental health issues

Environment

Overview of Energy Usage in 2014

The Energy consumption profile of Iarnród Éireann (MWh) is shown below: *(all figures rounded to '000)*

Year	2006	2011	2012	2013	2014
Diesel oil for traction	670,300	468,300	455,400	451,000	414,900
Electricity for traction	35,400	25,000	23,900	21,200	19,200
Road Fuel	13,400	16,700	16,200	15,700	15,300
Electricity other	31,000	40,000	37,400	37,800	37,400
Gas for heating	18,500	10,800	10,100	10,700	8,400
Total Energy use MWhr	**768,600**	**560,800**	**543,000**	**536,400**	**495,200**
	100%	**73%**	**71%**	**70%**	**64%**
Passenger M km	1,872	1,639	1,583	1,568	1,803
Total Energy use MWhr per 10,000 Passenger km	4.03	3.32	3.33	3.42	2.75
	100%	**82%**	**82%**	**85%**	**69%**
Train M km	18.2	18.1	18.4	18.3	18.4
Total Energy use MWhr per 100 Train km	4.14	3.01	2.86	2.94	2.69
	100%	**73%**	**69%**	**71%**	**65%**
Number of Electricity Accounts (MPRN)	390	574	593	628	597
	100%	**147%**	**152%**	**161%**	**153%**
Cost of Energy based on Diesel Oil	0.34	0.63	0.71	0.80	0.77
	100%	**185%**	**209%**	**234%**	**227%**

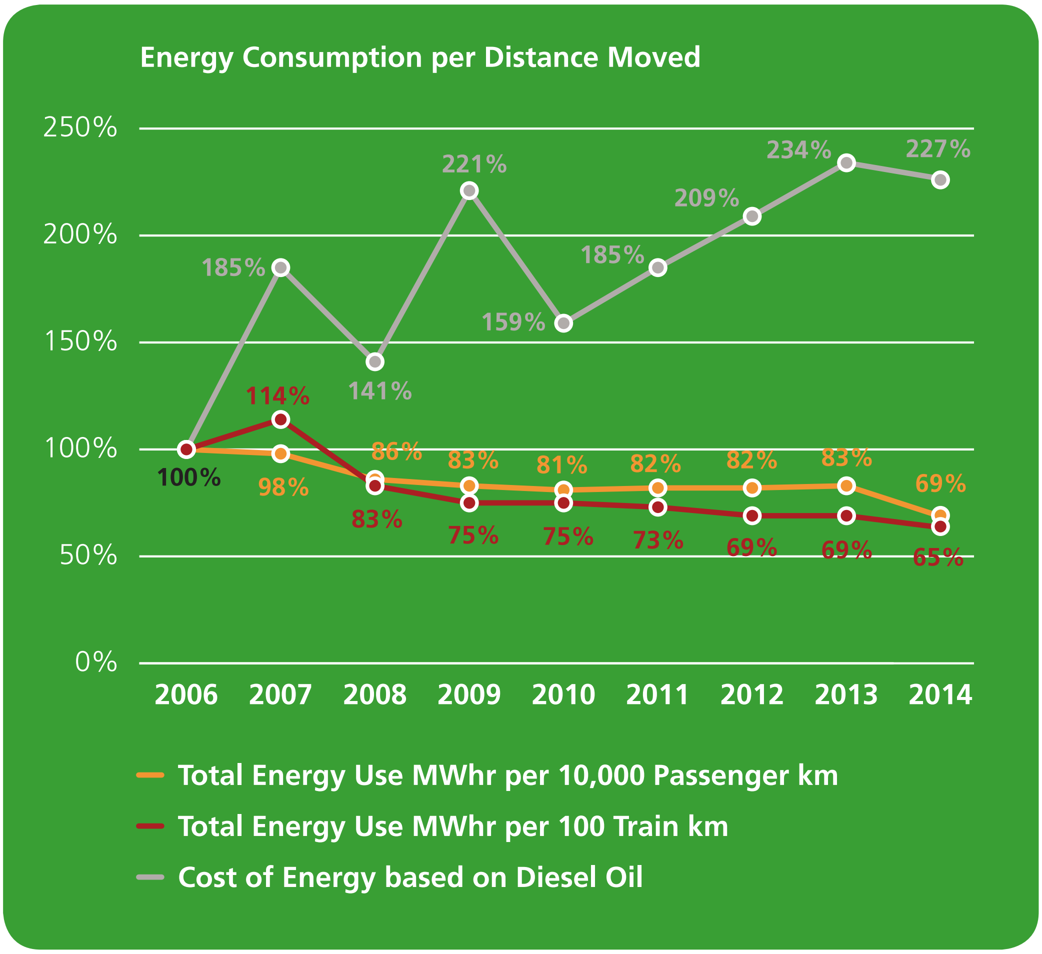
Iarnród Éireann's achievements in reducing fuel and energy consumption in both the diesel and electrical powered fleets was recognised by Sustainable Energy Authority of Ireland, earning the company an Award for Energy Efficiency in the Public Sector.

A major change to the configuration of diesel powered trains to match capacity to demand while maintaining the same level of service was implemented in late 2013; full impact now seen in 2014 with a year on year improvement of 8% in traction diesel fuel consumption. Similar configuration changes were implemented on the DART fleet in mid 2013, and along with a modification to the Traction Control Software on half the DART fleet, gave a year on year improvement of 9% in traction electricity consumption.

Energy consumption in our buildings has also been tackled with gas usage reduced substantially by 21%, mainly due to improved house-keeping, and the overall use of energy continues to reduce and is now 64% of the baseline figure set in 2006.

The following graph shows the energy consumption profile since 2006, set against the cost of energy based on diesel oil.

The cost of energy fell for Gas, Electricity and Diesel. Diesel purchases are hedged forward so the prices reflect the hedged price, not the "Prompt price".



Actions Undertaken in 2014 and planned for 2015

In 2014 Iarnród Éireann continued its work on several levels:

Diesel Fuel for traction

- Initiated a test programme on a product to verify a process 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 being assessed with a view to substantiating a Business Case.

Potential saving of 12,000 MWh per annum (reduced based on shrinking potential and first results from testing).

This study is being aided by an ESCO (Energy Service Company).

- Locomotive engine – Replacement.

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 on a measurement system has been completed (aided through the Energy Credits Scheme).

Fuel Consumption Measurement equipment will be fitted in 2015 and baseline measurements will commence.

Electricity for traction

- A second phase, major overhaul of the train sizes (matching the size to the reduced demand) generated additional savings.
- The Traction Control Software was modified on the balance of the DART fleet in 2014, generating further savings.
- Total savings generated in 2014 amounted to a further 2 GWhr.

Building Energy Consumption

There are several programmes underway in this area:

- Car park lighting control – due for completion mid 2015.
- Plug-in heater removal and substitution – due for completion in 2016.
- Water heater removal and substitution – due for completion in 2016.

These initiatives should generate in excess of 1 GWhr savings.

Our People

Iarnród Éireann's team of 3,770 (2014 average number of employees) has continued to deliver safe, quality transport services to our customers through an extremely difficult economic period. The number of employees has reduced by 23% since 2007 while our network size has expanded and our train kilometres have been maintained.

In 2014, agreement was reached with all trade unions on a temporary foregoing of basic pay for all employees. This is for a period of 25 months, and ranges from 1.7% for those earning €56,000 or less (74% of employees) up to 6.1% for those earning over €100,000. Regrettably, two days of industrial action by NBRU and SIPTU in August marked the first days lost through official industrial action since 2000. However, ultimately the pay and productivity measures essential to our financial viability were accepted by the vast majority of employees at ballot.

Notwithstanding this, a feature of the financial crisis has been the support employees have given to identifying and implementing cost saving measures, and this is continuing through our Cost Management Committee with management and employee participation.

Improved communication with employees is a major priority for the company, and throughout 2014 this was enhanced further with opportunities across the network for employees to meet and engage directly with senior management; regular communication on senior executive meetings and safety, financial, industrial relations and customer service issues.

Once again in 2014, Iarnród Éireann employees were awarded against peers nationally and internationally for excellence in major areas, including:

- Winning both Innovation Awards for railways across Ireland and the UK at the Institute of Railway Operators Awards
- Winner for the third year running of Best Business Twitter Account (Support/CRM) at the Social Media Awards
- Runner-up at the Sustainable Energy Ireland Awards for Energy Efficiency in the Public Sector
- Navigator Freight recognised by Ford Europe as best logistics provider in Europe

Our team of 3,770 employees deliver safe, quality transport services to our customers

Directors and Other Information

Directors at 1st April, 2015

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 and Registered Office

Ms. G. Finucane
Connolly Station
Dublin 1
Telephone: 00 353 1 836 3333
Facsimile: 00 353 1 836 4760
Website: www.irishrail.ie
Registered Number: 119571
Company Limited by Shares

Auditors

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

Biographies of Directors

Phil Gaffney

Phil Gaffney was re-appointed as Chairman of Iarnród Éireann and CIÉ Board Member in July 2014, having previously served as Iarnród Éireann Chairman and CIÉ Board Member since June 2011 and 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 & 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.

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 in the UK, US and Ireland. 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.

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 head of the Irish delegation to the Council of European Bars and Law Societies. 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 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. He is director of Green Budget Europe, an expert platform and NGO based in Brussels which works to shift the burden of tax from labour and on to pollution, resource use and consumption, as well as reducing environmentally harmful subsidies. He is also a board member of Transport & Environment, a federation of more than 140 organisations across the EU that works for transport policies that reduce energy use and emissions. Formerly director of An Taisce - the National Trust for Ireland, James is a barrister and holds master's degrees in transport and in real estate development.

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 joined Iarnród Éireann as a depot man in 1991 and became a train driver in 1994. He is currently the Chairman of the Transport Sector and Utilities and Construction Division of SIPTU.

Iarnród Éireann Advisory Groups

The following 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. Details of the advisory groups to the Iarnród Éireann board and their non-executive members are;

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

Mr Tommy Wynne (worker director)

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)

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)

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

Report of the Directors

The Directors present their annual report in accordance with their obligations under the Companies Acts 1963 to 2013 and the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. The financial statements of the Company and the related notes which form part of the financial statements, 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 2014 results show the revenue generated from Operations increased by €22.9m over 2013. The amount of subvention received in 2014 was €117.4m which is down €9.6m on 2013. Other Exchequer funding for safety and maintenance increased by €61.9m over 2013.

The Operating costs, before exceptional operating costs, increased by €65.6m over the 2013 level due to the increase in overall funding, the switch in funding between renewals and maintenance and a once-off charge in pension costs.

The Company recorded a deficit of €0.5m before a charge for an exceptional item of €1.6m for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €2.2m compared to €16.4m in 2013.

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, 2014 are set out in detail on pages 28 to 58.

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, loss of operational communications and persistent failure to meet customers and other stakeholders expectations. The Company is in the process of identifying and implementing a new risk management system.

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 financial statements, 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, signaling, 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 financial statements. Note 1 "Going Concern" addresses those uncertainties and summarises the Directors' conclusions in relation to going concern.

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 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.

FRS 102 is effective for the year ended 31 December 2015. The comparative amounts in the 2015 financial statements, prepared in accordance with FRS102 will require restatement. Management are working with CIÉ group and with PwC to assess the impact of adopting FRS 102 and an appropriate action plan is being put in place.

Health and Safety

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

Railway Safety Act 2005

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

Late Payment in Commercial Transactions Regulations 2013

The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Amendment Regulations 2013. 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 2014 a total of €31k 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 2014 or who have since been appointed are set out below. Except where indicated they served as Directors for the entire year.

Phil Gaffney (Chairman)	retired 28/6/14, re-appointed 9/7/14
Frank Allen	
Patricia Golden	
Paul McGarry	retired 07/03/14
Tracey McGee	
John Moloney	
James Nix	
Flor O'Mahony	
Thomas Wynne	

Listed Below is the Board Director's attendance at Board meetings during 2014.

Director	Iarnród Éireann Board Attendance Log
Phil Gaffney	11/11
Frank Allen	9/11
Patricia Golden	8/11
Paul McGarry	2/2
Tracey McGee	9/11
John Moloney	7/11
James Nix	9/11
Flor O'Mahony	10/11
Tommy Wynne	11/11

The June 2014 board meeting was held in Cork in conjunction with a meeting with local stakeholders.

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 Holding 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 - 2013.

On behalf of the board

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

1st April, 2015

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with Irish law and regulations.

Irish company law requires the directors to prepare financial statements giving a true and fair view of the state of affairs of the Company for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

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 31 December 2014 which comprises of the Principal Accounting Policies, the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, 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 21, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 December 2014 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. This meeting was held on 23 April 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us 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

1st April, 2015

A. The maintenance and integrity of the Iarnród 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 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. As permitted by the Companies (Amendment) Act, 1986, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the company's business.

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.

(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 are received.

(iv) Infrastructure Manager Multi Annual Contract grant

Infrastructure Manager Multi Annual Contract (MAC) grants is allocated to renewals, deferred income and the profit and loss account by reference to the underlining activity. The renewals element is amortised to the profit and loss account to offset the related renewals expenditure in the year the expenditure is incurred. The capital element is included in deferred income and amortised to the profit and loss account over the useful life of the related asset. The profit and loss element is amortised to the profit and account in the year of receipt.

(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

Iarnród Éireann participates in a defined benefit scheme as part of CIÉ Group. This scheme has been accounted for in accordance with FRS 17 in the CIÉ Group financial statements. Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method.

The excess of scheme liabilities over scheme assets is presented on the balance sheet of CIÉ Group as a liability. The defined benefit pension charge to operating profit in CIÉ Group comprises the current service cost and past service costs. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the profit and loss account of CIÉ Group as other finance income. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses of CIÉ Group for the year in which they occur.

Iarnród Éireann is unable to identify its share of the underlying assets and liabilities in the CIÉ Group scheme on a consistent and reasonable basis. In accordance with FRS 17 Iarnród Éireann accounts for the contributions to the CIÉ Group scheme as if it were a defined contribution scheme. The defined contribution pension charge to operating profit comprises the contribution payable to the scheme for the year.

(I) Taxation

Corporation tax is calculated on the taxable profits or losses for the year as adjusted for group relief. Tax losses utilised for group relief are transferred between group members. Charges for group relief are determined on a case by case basis.

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are temporary differences between profits or losses as computed for tax purposes and as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is not discounted.

Deferred tax assets are only recognised where it is more likely than not that sufficient taxable profit will arise in the future to utilise tax losses carried forward.

There was no Corporation tax payable in respect of the year ended 31 December 2014 as the company has unutilised tax losses carried forward.

(J) 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.

(K) Intercompany Balance Accounting Policy

Intercompany Balances

Transactions between Group companies are valued at historical cost and classified based on the relevant arrangements between the respective parties and 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, 2014	Notes	2014 €000	2013 €000
Income			
Revenue from Operations	*2*	**218,014**	195,146
Receipts from Public Service Obligation Contracts – regular	*10*	**117,386**	127,029
Other Exchequer funding	*10*	**77,429**	15,563
Total income		**412,829**	337,738
Costs			
Payroll and related costs	*3*	**(234,329)**	(216,574)
Materials and services	*4*	**(143,726)**	(95,808)
Total operating costs		**(378,055)**	(312,382)
EBITDA before exceptional operating costs		**34,774**	25,356
Depreciation and amortisation	*7*	**(34,942)**	(36,994)
Exceptional Operating Items	*5*	**(1,585)**	(4,946)
Operating deficit		**(1,708)**	(15,871)
Profit on disposal of tangible assets	*8*	**45**	713
Interest Payable	*9*	**(462)**	(544)
Deficit for the year	*22*	**(2,170)**	(16,415)
Accumulated deficit at start of year	*22*	**(132,904)**	116,489
Accumulated deficit at end of year	*22*	**(135,074)**	(132,904)

As permitted by the Companies (Amendment) Act, 1986, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the company's business.

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 2014	Notes	2014 €000	2013 €000
Fixed assets			
Tangible fixed assets	*11*	**1,582,634**	1,671,462
Financial assets	*12,17*	**315,651**	314,653
		1,898,285	1,986,115
Current assets			
Stocks	*13*	**47,532**	54,529
Debtors	*14*	**12,277**	14,897
Cash floats		**315**	312
		60,124	69,738
Creditors (amounts falling due within one year)	*15*	**(257,017)**	(320,959)
Net current liabilities		**(196,893)**	(251,221)
Total assets less current liabilities		**1,701,392**	1,734,894
Creditors (amounts falling due after more than one year)	*16*	**(5,455)**	(2,349)
Provisions for liabilities and charges	*19*	**(41,491)**	(40,276)
Amount due to holding company	*17*	**(301,749)**	(296,251)
Deferred income	*20*	**(1,293,501)**	(1,334,652)
		59,196	61,366
Capital and reserves			
Called up share capital	*21*	**194,270**	194,270
Profit and loss account	*22*	**(135,074)**	(132,904)
Shareholders funds	*22*	**59,196**	61,366

On behalf of the board

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

Cash Flow Statement

Year ended 31st December 2014	Notes	2014 €000	2013 €000
Net cash (outflow)/inflow from operating activities	*23*	**(4,840)**	25,758
Servicing of finance			
Interest paid	*9*	**(166)**	(133)
Interest element of finance lease rentals	*9*	**(296)**	(411)
Net cash outflow from servicing of finance		**(462)**	(544)
Capital expenditure and financial investment			
Purchase of tangible assets	*11*	**(122,439)**	(159,880)
Sale of tangible assets		**1,137**	731
Net cash flow from capital expenditure and financial investment		**(121,302)**	(159,149)
Cash Flow from Financing Activities			
Capital grants received		**133,162**	126,099
Movement in financial assets	*17*	**(998)**	24,743
Net cash outflow before use of liquid resources and financing		**132,164**	150,842
Management of Liquid resources		**5,560**	16,907
Financing			
Capital element of finance lease rentals		**(5,005)**	(4,545)
Net Cash outflow from financing		**(5,005)**	(4,545)
Increase in cash in the year	*23*	**555**	12,362

Reconciliation of net cash flow to movement in net debt

	2014 €000	2013 €000
Movement in net debt in the year	**555**	12,362
Net debt at 1st January	**(368)**	(12,730)
Net debt at 31st December	**187**	(368)

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 as follows:

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 €160million have been secured up to July 2018.

These facilities contain a number of financial covenants, all of which have been met by the CIÉ Group in 2014. The budget for 2015 indicates that management expect that the CIÉ Group will continue to meet the covenant targets set out in the facility agreement for the period of at least 12 months from the date of signing these financial statements.

While trading performance improved during 2014 the CIÉ Group continues to face a challenging business environment which gives rise to uncertainties facing the Group. The Group has had regard to these uncertainties in assessing the Group's capacity to continue as a going concern.

Nature of Uncertainties Facing Group

While management are confident that overall financial covenant targets will continue to be met in the forthcoming year, the Group's future performance is based on a number of challenging targets and assumptions which will require constant monitoring and oversight by management. The Group's draft 5 year business plan assumes that the Group will incur a deficit in 2015 and that the resolution of the uncertainties currently facing the Group will dictate when the group will return to profitability.

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

1. **Revenue** – The achievement of the revenue growth targets set out in the Group's draft 5-year business plans are based on a combination of assumptions related to increases in nominal fares and increases in passenger journeys. The capacity of the Group to secure the fare increases assumed in the plans is principally dependent on fare determinations by the National Transport Authority (NTA) and increases in passenger journeys is dependent on sustained economic recovery.

2. **Operating Costs** – Maintaining operating costs at appropriate levels as set out in the Group's business plans 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. **Investment Costs** – Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of effective, reliable and safe public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group.

   The Group's plans for 2015 are subject to capital expenditure funding support from the Exchequer and the National Transport Authority and also envisage funding investment from operating cash flows. The Group's sustainability in the longer term is dependent on an appropriate level of government funding being in place to fund the public transport services that are required under the Groups' Public Service Obligation contracts.

Iarnród Éireann's (a fellow subsidiary in the CIÉ Group) financial sustainability is particularly sensitive to uncertainty associated with funding future investment. During 2014 Iarnród Éireann and the National Transport Authority undertook a process to review and evaluate possible solutions to the rail company's financial requirements. The supplementary estimate which was approved in December 2014 enhances the capacity to fund from cash flow the investment requirements of Iarnród Éireann in 2015.

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

4. **Pensions** – The Group's pension schemes are also in deficit. These schemes are included in the consolidated financial statements of CIÉ and not at the individual operating company level as explained in Note 24 to the financial statements. The net liability position of the pension schemes has increased significantly in the year. The increases arise mainly as a result of the low interest rate environment prevailing in Ireland and Internationally. CIÉ has commenced a review of the pension schemes to consider actions that may be required in light of the level of the deficit. The triennial valuations of the schemes are due to be performed in 2015.

Managements Actions

Group and Company 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 Iarnród Éireann, Bus Éireann and Bus Átha Cliath.
- Continued implementation and rigorous monitoring of cost saving initiatives.
- Continuous review of risks and opportunities affecting the Group's business plan.
- Implementation of revenue protection initiatives and seeking new revenue generating activities
- Review of pension schemes to identify measures to address the financial position of Group's pension funds

Letter of Support

The on-going support of the Department of Transport, Tourism and Sport has been evidenced in the letter of support dated 31st March 2015.

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

2 Divisional Analysis of Profit and Loss Account

In prior years IÉ received Exchequer grants under the Railway safety Program (RSP) for Renewals, Maintenance and Safety works. In 2014 in conjunction with the separation of activities within IÉ under EU Council Directive 91/440 a new funding program was introduced entitled Infrastructure Manager Multi Annual Contract (IMMAC) for Infrastructure funding. The IMMAC covers the activities carried out under the RSP with the maintenance of the infrastructure network and the funding of the safety activities being subsumed into the IMMAC. The funding level under the IMMAC has been agreed for the years 2014 to 2018. The 2014 financial statements reflect the funding received under the IMMAC with the revised classifications and the 2013 figures are shown under the 2013 classifications.

The overall level of Exchequer funding in 2014 is €313.7m compared to €267.8m in 2013.

(A) Railway Undertaking

	2014 €000	2013 €000
Revenue	**188,395**	176,954
Expenditure		
Maintenance of rolling stock	**(45,805)**	(41,487)
Fuel	**(34,277)**	(38,997)
Operating and other expenses	**(146,135)**	(139,157)
Operating depreciation	**(112,981)**	(120,011)
Amortisation of capital grants	**84,539**	90,454
Total Operational Expenditure	**(254,659)**	(249,198)
Operating deficit before State grants and track access charges	**(66,264)**	(72,244)
Track access charge	**(49,949)**	(40,146)
Deficit for the year before State grants and interest	**(116,213)**	(112,390)
Public Service Obligation	**117,386**	108,559
Safety grants	**–**	7,709
Other Exchequer Grants	**454**	–
Profit on sale of tangible assets	**43**	723
Interest	**(241)**	(309)
Surplus for the year before exceptional items	**1,429**	4,292
Exceptional items	**(1,559)**	(2)
(Deficit)/ Surplus for the year	**(130)**	4,290

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

(B) Railway Infrastructure Manager

	2014 €000	2013 €000
Source of Income		
Multi annual contract	**75,093**	–
Public Service Obligation	**–**	18,470
Track access charge	**53,052**	42,630
Exchequer safety funding	**–**	7,854
Other Exchequer Grants	**1,523**	–
Renewals funding	**51,812**	83,510
Third Party	**10,238**	–
Total	**191,718**	152,464
Expenditure		
Maintenance of railway lines and works	**(107,423)**	(52,761)
Renewal of railway lines and works	**(51,812)**	(83,510)
Operating (signalling) and other expenses	**(29,221)**	(26,276)
Depreciation	**(43,761)**	(46,950)
Amortisation of capital grants	**38,569**	40,752
Total expenditure	**(193,648)**	(168,745)
Deficit for the year before interest and exceptional items	**(1,930)**	(16,281)
Interest	**(159)**	(169)
Profit on sale of tangible assets	**2**	–
Deficit for year before exceptional items	**(2,087)**	(16,450)
Exceptional items	**12**	(46)
Deficit for year	**(2,075)**	(16,496)

(C) Rail freight division

	2014 €000	2013 €000
Revenue	**5,106**	4,942
Operating costs		
Maintenance of vehicles and equipment	**(1,315)**	(1,273)
Fuel	**(706)**	(737)
Operating and other expenses	**(1,759)**	(2,018)
Operating depreciation	**(16)**	(54)
Amortisation of capital grants	**1**	–
Total expenditure	**(3,795)**	(4,082)
Net surplus for the year before track access charge and exceptional items	**1,311**	860
Track access charges	**(3,103)**	(2,483)
Deficit for the year before exceptional items	**(1,792)**	(1,623)
Interest	**(6)**	(5)
Loss on sale of tangible assets	**–**	(10)
Net Deficit for year before exceptional items	**(1,798)**	(1,638)
Exceptional items	**–**	–
Net Deficit for the year	**(1,798)**	(1,638)

(D) Rosslare Europort division

	2014 €000	2013 €000
Revenue		
Harbour services	**10,086**	9,670
Operating costs		
Maintenance, operating and other expenses	**(7,274)**	(6,329)
Operating depreciation	**(1,605)**	(1,430)
Amortisation of capital grants	**312**	245
Total expenditure	**(8,567)**	(7,514)
Interest	**(56)**	(61)
Profit on sale of tangible assets	**–**	–
Surplus for year before exceptional items	**1,463**	2,095
Exceptional items	**(38)**	–
Net Surplus for the year	**1,425**	2,095

(E) Other activities

	2014 €000	2013 €000
Revenue		
Third Party Revenue	**4,189**	3,580
Other Exchequer Funding	**359**	–
Total Income	**4,548**	3,580
Operating costs		
Operating expenses	**(4,140)**	(3,348)
Total expenditure	**(4,140)**	(3,348)
Surplus for year before exceptional items	**408**	232
Exceptional item	**–**	(4,898)
Net Surplus/ (Deficit) for the year	**408**	(4,666)

(F) State and EU Funding

	2014 €000 PSO	2014 €000 Infrastructure Safety	2014 €000 Other	2014 €000 Total
Allocated to				
Rail Operations	**117,386**	**–**	**454**	**117,840**
Infrastructure Manager – renewals	**–**	**51,812**	**–**	**51,812**
Infrastructure	**–**	**75,093**	**1,523**	**76,616**
Other activities	**–**	**–**	**359**	**359**
	117,386	**126,905**	**2,336**	**246,627**
Sources				
State grants – PSO	**117,386**	**–**	**–**	**117,386**
State grants – Multi annual contract	**–**	**120,240**	**–**	**120,240**
State grants – Capital investment program	**–**	**1,368**	**–**	**1,368**
State grants – Severe weather damage	**–**	**5,297**	**–**	**5,297**
State grants – Technical assistance	**–**	**–**	**200**	**200**
State grants – Other	**–**	**–**	**2,136**	**2,136**
	117,386	**126,905**	**2,336**	**246,627**

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

(G) Net Surplus/(Deficit) by activity

2014	Railway Undertaking €000	Infrastructure Manager €000	Rail Freight €000	Other Commercial Activities €000	Total €000
Revenue	**188,395**	**63,290**	**5,106**	**14,275**	**271,066**
Costs	**(306,365)**	**(193,793)**	**(6,904)**	**(12,801)**	**(519,863)**
State grants	**117,840**	**128,428**	**–**	**359**	**246,627**
(Deficit)/Surplus for the year	**(130)**	**(2,075)**	**(1,798)**	**1,833**	**(2,170)**
2013 NET RESULT	4,290	(16,496)	(1,638)	(2,571)	(16,415)

3 Payroll and Related Costs

	2014 €000	2013 €000
Staff costs		
Wages and salaries	**205,979**	207,159
Social welfare costs	**18,964**	19,000
Other pension costs	**29,278**	23,325
	254,221	249,484
Own work capitalised, renewals and engineering work for Iarnród Éireann divisions and Group companies	**(20,041)**	(33,043)
Net staff costs	**234,180**	216,441
Directors' remuneration emoluments		
– Services as directors	**85**	79
– Other emoluments	**64**	54
Total directors' remuneration and emoluments	**149**	133
Total payroll and related costs	**234,329**	216,574

The services as directors includes the following fees, Mr P. Gaffney €21,060, Ms. P. Golden €12,285, Mr. P. McGarry €2,341, Mr. J. Nix €12,285, Mr. F. Allen €12,285, Mr. F. O'Mahony €12,285, and Ms. T. McGee €12,285. Also included in the above Payroll and Related Costs is the C.E.O.'s Gross Salary for 2014 of €218,137, plus pension 25% and car allowance of €15,005.

Included in the other emoluments are the following expenses:

	2014	2013
Subsistence and Accommodation	**€1,034**	€296
Other	**–**	€1,434

	Staff Numbers		Staff Numbers	
	2014 Average	2013 Average	2014 as at 31st Dec 14	2013 as at 31st Dec 13
The number of employees by activity, was				
– Railway Undertaking	**2,043**	2,280	**2,042**	2,251
– Infrastructure Manager	**1,561**	1,282	**1,579**	1,311
– Central services	**82**	146	**82**	122
– Rail Freight	**10**	11	**9**	11
– Rosslare Europort	**74**	73	**73**	73
Total	**3,770**	3,792	**3,785**	3,768

4 Materials and Services

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

	2014 €000	2013 €000
Operating and other costs	**99,547**	54,320
Fuel and electric traction	**35,024**	39,734
Third party and employer's liability claims	**4,000**	(2,634)
Rates	**1,740**	1,429
Operating lease rentals	**3,415**	2,959
	143,726	95,808

5 Exceptional Operating Costs

	2014 €000	2013 €000
Business Restructuring	**1,585**	4,946

6 Divisional Analysis of Balance Sheet

(A) Railway Undertaking

	2014 €000	2013 €000
Fixed Assets		
Tangible Assets		
Assets at Cost	**1,762,726**	1,729,933
Accumulated Depreciation	**(1,040,577)**	(937,320)
	722,149	792,613
Current Assets		
Stocks	**31,105**	36,703
Debtors	**7,171**	9,265
Cash at bank and in hand	**536**	–
	38,812	45,968
Creditors: (amounts falling due within one year)		
Overdraft	**–**	1,277
Finance Lease	**(2,344)**	(5,000)
Inter IÉ Business	**(49,456)**	(88,901)
Deferred Income	**(83,101)**	(79,976)
Other Creditors	**(44,840)**	(47,912)
	(179,741)	(220,512)
Net Current Liabilities	**(140,929)**	(174,544)
Total Assets less Current Liabilities	**581,220**	618,069
Creditors: (amounts falling due after more than one year)	**–**	(2,349)
Provisions for Liabilities and Charges	**(11,353)**	(11,772)
Deferred Income	**(565,707)**	(599,658)
	4,160	4,290
Retained Reserves		
Profit and Loss account	**4,160**	4,290
	4,160	4,290

(B) Railway Infrastructure Manager

	2014 €000	2013 €000
Fixed Assets		
Tangible Assets		
Assets at Cost	**1,434,672**	1,407,572
Accumulated Depreciation	**(610,999)**	(567,429)
	823,673	840,143
Current Assets		
Stocks	**16,387**	17,781
Debtors	**1,014**	1,966
	17,401	19,747
Creditors: (amounts falling due within one year)		
Overdraft	**–**	5
Inter IÉ Business	**(25,279)**	(40,117)
Deferred Income	**(36,916)**	(40,852)
Other Creditors	**(47,413)**	(41,230)
	(109,608)	(122,194)
Net Current Liabilities	**(92,207)**	(102,447)
Total Assets less Current Liabilities	**731,466**	737,696
Provisions for Liabilities and Charges	**(31,236)**	(28,504)
Deferred Income	**(718,801)**	(725,688)
	(18,571)	(16,496)
Retained Reserves		
Profit and Loss account	**(18,571)**	(16,496)
	(18,571)	(16,496)

(C) Rail Freight

	2014 €000	2013 €000
Fixed Assets		
Tangible Assets		
Assets at Cost	**22,119**	22,111
Accumulated Depreciation	**(22,119)**	(22,109)
	–	2
Current Assets		
Debtors	**686**	758
	686	758
Creditors: (amounts falling due within one year)		
Inter IÉ Business	**(3,860)**	(2,349)
Other Creditors	**(262)**	(49)
	(4,122)	(2,398)
Net Current Liabilities	**(3,436)**	(1,640)
Total Assets less Current Liabilities	**(3,436)**	(1,638)
Retained Reserves		
Profit and Loss account	**(3,436)**	(1,638)
Shareholders' funds	**(3,436)**	(1,638)

7 Depreciation

	2014 €000	2013 €000
Depreciation	**158,363**	168,445
Amortisation of capital grants	**(123,421)**	(131,451)
Total depreciation and amortisation	**34,942**	36,994

8 Profit on the Disposal of Tangible Assets

	2014 €000	2013 €000
Total profit on disposal of tangible assets	**45**	713

9 Interest Payable

	2014 €000	2013 €000
On loan from holding company	**110**	72
On finance leases	**296**	411
On Commercial Operations	**56**	61
	462	544
Interest apportioned:		
Railway Undertaking	**241**	309
Infrastructure Manager	**159**	169
Rail Freight	**6**	5
Commercial Operations	**56**	61
	462	544

10 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 €313.7 million received in 2014 are given in the following table, showing the relevant provision of EU regulations. A sum of €1.7 million in relation to grants received on buildings was passed back to the holding company.

		EU Regulation Number	
	1370/2007	1192/69	Total
	€000	€000	€000
Revenue related	**88,824**	**–**	**88,824**
Expenditure related			
Mainline rail			
Normalisation of accounts			
– Class III (pensions)	–	**21,828**	**21,828**
– Class IV (level crossings)	–	**2,789**	**2,789**
Subtotal Mainline rail	–	**24,617**	**24,617**
Suburban rail			
Normalisation of accounts			
– Class III (pensions)	–	**3,702**	**3,702**
– Class IV (level crossings)	–	**243**	**243**
Subtotal Suburban services	–	**3,945**	**3,945**
Subtotal Expenditure related	–	**28,562**	**28,562**
Total	**88,824**	**28,562**	**117,386**
Public Service Obligation			**117,386**
State grant for infrastructure and capital investment 2012-2016 Medium-term exchequer framework			**196,347**
Total State grants received			**313,733**

The total funding received was applied as follows:

	€000	Total €000
Profit & loss account		
Public Service Obligation	–	**117,386**
Infrastructure Manager Multi-Annual Contract	**75,093**	–
Other Exchequer funding	**2,136**	–
Technical Assistance	**200**	**77,429**
Credit against the renewals of railway lines and works	**51,812**	–
Deferred Income	**65,453**	–
Transferred to CIÉ	**1,653**	**118,918**
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework		**196,347**
Total		**313,733**

Source of Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework funds received during the calendar year 2014 which are restricted to particular projects.

	Grant Making Agency		
	Department of Transport, Tourism & Sport €	DTTAS – National Transport Authority €	Total €
Capital Investment Programme	**€6,120,000**	**€52,351,676**	**€58,471,676**
Technical Assistance	**€200,000**	–	**€200,000**
Infrastructure Manager Multi-Annual Contract	**€129,827,534**	–	**€129,827,534**
Public Service Obligation	–	**€117,386,114**	**€117,386,114**
Severe Weather Damage	**€7,020,000**	–	**€7,020,000**
Accessibility Programme	**€827,538**	–	**€827,538**
Total grants received	**€143,995,072**	**€169,737,790**	**€313,732,862**

11 Tangible Fixed Assets

(A) Schedule of assets

	1st Jan 2014 €000	Additions €000	Scrapings & Disposals €000	31st Dec 2014 €000
Cost				
Railway lines and works	**2,041,817**	**59,398**	**–**	**2,101,215**
Railway rolling stock	**1,458,779**	**34,738**	**(10,420)**	**1,483,097**
Road freight vehicles	**2,894**	**–**	**–**	**2,894**
Plant and machinery	**1,093,365**	**26,346**	**–**	**1,119,711**
Catering equipment	**925**	**–**	**–**	**925**
Docks, harbours and wharves	**56,453**	**34**	**–**	**56,487**
Land and buildings	**4,093**	**1,923**	**–**	**6,016**
Sub total	**4,658,326**	**122,439**	**(10,420)**	**4,770,345**
Funding Received for Railway lines and works	**(1,422,851)**	**(51,812)**	**–**	**(1,474,663)**
Total	**3,235,475**	**70,627**	**(10,420)**	**3,295,682**

	1st Jan 2014 €000	Charge for year €000	Scrapings & Disposals €000	31st Dec 2014 €000
Depreciation				
Railway lines and works	**1,668,833**	**63,001**	**–**	**1,731,834**
Railway rolling stock	**752,890**	**91,814**	**(9,328)**	**835,376**
Road freight vehicles	**2,894**	**–**	**–**	**2,894**
Plant and machinery	**538,744**	**53,862**	**–**	**592,606**
Catering equipment	**925**	**–**	**–**	**925**
Docks, harbours and wharves	**21,446**	**1,384**	**–**	**22,830**
Land and buildings	**1,132**	**114**	**–**	**1,246**
Sub total	**2,986,864**	**210,175**	**(9,328)**	**3,187,712**
Funding received for railway lines and works	**(1,422,851)**	**(51,812)**	**–**	**(1,474,663)**
Total	**1,564,013**	**158,363**	**(9,328)**	**1,713,049**

	2014 €000	2013 €000
Net book amounts		
Railway lines and works	**369,381**	372,984
Railway rolling stock	**647,721**	705,889
Road freight vehicles	**–**	–
Plant and machinery	**527,105**	554,621
Catering Equipment	**–**	–
Docks, harbours and wharves	**33,657**	35,007
Land and buildings	**4,770**	2,961
Total	**1,582,634**	1,671,462

Renewal expenditure and related grants were as follows:

	2014 €000	2013 €000
Renewal expenditure	**51,841**	83,510
Funding received		
State Grants	**51,812**	83,504
Third Party Grants	**–**	6
	51,812	83,510
Funding applied		
Current year expenditure	**51,812**	83,510

(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

(C) Railway Infrastructure

Tangible assets includes railway infrastructure assets as follows:

	2014 €000	2013 €000
Cost	**1,434,672**	1,407,572
Accumulated depreciation	**(610,999)**	(567,429)
Net book value	**823,673**	840,143

(D) Payments on Account

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

	2014 €000	2013 €000
Railway rolling stock	**115**	526

(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:

	2014 €000	2013 €000
Cost	**92,734**	89,414
Accumulated depreciation	**(84,860)**	(82,104)
Net book value	**7,874**	7,310
Depreciation for year	**(2,756)**	(2,394)

12 Financial Assets

	2014 €000	2013 €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

	2014 €000	2013 €000
Rolling stock, spare parts and maintenance materials	**22,481**	26,381
Infrastructure stocks	**16,319**	17,693
Fuel, lubricants and other sundry stocks	**8,732**	10,455
	47,532	54,529

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

14 Debtors

	2014 €000	2013 €000
Trade debtors	**9,310**	11,698
Other debtors and accrued income	**2,967**	3,199
	12,277	14,897

15 Creditors (amounts falling due within one year)

	2014 €000	2013 €000
Bank overdraft	**128**	680
Trade creditors	**79,759**	78,293
Finance lease obligations *(note 18)*	**2,344**	5,000
Income tax deducted under PAYE	**3,366**	2,887
Pay related social insurance	**2,492**	2,045
Universal social charge	**1,103**	935
Value added tax and other taxes	**2,487**	5,017
Amounts owed to holding and fellow subsidiary companies	**18,603**	80,425
Other creditors	**15,236**	11,460
Accruals	**2,273**	2,469
Restructuring provision *(note 19)*	**5,697**	6,200
Third party and employer's liability claims *(note 19)*	**3,201**	4,300
Deferred income *(note 20)*	**120,328**	121,248
	257,017	320,959
Creditors for taxation and social welfare included above	**9,448**	10,884

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

	2014 €000	2013 €000
Finance lease obligations *(note 18)*	–	2,349
Pension	**5,455**	–
	5,455	2,349

17 Intercompany Short Term and Long Term

	2014 €000	2013 €000
Long term financial asset		
Amounts due from Holding Company		
Opening balance at 1st January	**314,633**	339,376
Decrease in financial year	**998**	(24,743)
Closing balance at 31 December	**315,631**	314,633
Short term trading account		
Amounts owed to Holding Company *(note 15)*	**(18,603)**	(80,425)
Long term financial liability		
Amounts owed to Holding Company	**(301,749)**	(296,251)
Net intercompany balance payable	**(4,721)**	(62,043)

18 Lease Obligations

(A) Finance leases

Locomotive Leases	2014 €000	2013 €000
Net obligations under finance leases fall due as follows:		
Within one year *(note 15)*	**2,344**	5,000
Between one and five years *(note 16)*	**–**	2,349
After five years	**–**	–
	–	2,349
	2,344	7,349

(B) Operating leases

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

Road Vehicles	2014 €000	2013 €000
Within one year	**1,382**	1,896
Between one and five years	**910**	1,246
	2,292	3,142

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, 2014	**6,200**	**44,576**	**50,776**
Utilised during the year	**(2,069)**	**(3,884)**	**(5,953)**
Transfer from profit and loss account	**1,566**	**4,000**	**5,566**
Balance carried forward	**5,697**	**44,692**	**50,389**
Less amount classified as current liability *(note 15)*	**(5,697)**	**(3,201)**	**(8,898)**
Balance at 31st December, 2014	**–**	**41,491**	**41,491**

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 & 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) 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.

(iii) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2014 to March 2015, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail €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.

(iv) Group Combined Liability Insurance, which does not exclude Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2014 to March 2015, for all rail and road transport Third Party and Other Risks liabilities.

(v) 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.

(vi) 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).

(vii) Rosslare
Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:

(a) Marine Third Party Liability cover of €12,500,000 any one incident but unlimited during the currency of the policy, subject to an excess of €150,000 per incident.
(b) Removal of Wreck cover of €5,000,000 any one incident, subject to an excess of €12,500 any one incident and 3 days excess in respect of Loss of Revenue claims any one incident.
(c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.
(d) Marine Impact cover for itemised structures totalling €28,400,000, subject to an excess of €25,000 for each and every loss.

(e) Excess Marine Third Party Liability cover of €25,600,000 any one incident in excess of €12,500,000 any one incident.

(f) Unaccompanied Trailers cover of €5,000,000 any one location, subject to an excess of €25,000 each and every loss.

(g) Unaccompanied motor vehicles of €635,000 any one vessel or conveyance, €4,450,000 any one incident, and €127,500 any one vehicle, subject to an excess of €625 each and every loss.

(h) Unaccompanied mechanically propelled vehicles not owned by CIÉ/Iarnród Éireann being driven by Iarnród Éireann personnel within the Europort area, subject to third party property damage limits of €2,600,000 in respect of commercial vehicles and €30,000,000 in respect of private cars.

(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 2014 €000	Received & Receivable €000	Amortised to Profit & Loss Account €000	31st Dec 2014 €000
Capital grants				
Land & buildings	**1,776**	**2,008**	**(54)**	**3,730**
Railway lines & works	**353,509**	**8,888**	**(11,605)**	**350,792**
Railway rolling stock	**604,534**	**45,028**	**(66,401)**	**583,161**
Plant & machinery	**486,485**	**25,426**	**(45,051)**	**466,860**
Docks harbours and wharves	**9,596**	**–**	**(310)**	**9,286**
Total	**1,455,900**	**81,350**	**(123,421)**	**1,413,829**

	2014 €000	2013 €000
Shown as:		
Deferred income - amounts falling due within one year	**120,328**	121,248
Deferred income - amounts falling due after more than one year	**1,293,501**	1,334,652
	1,413,829	1,455,900

The grants received under the Capital Investment Programmes and the Multi Annual Contract will be released to the profit and loss in accordance with the accounting policies.

21 Share Capital

	2014 €000	2013 €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
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**	**(132,904)**	**61,366**
Deficit for Year	**–**	**(2,170)**	**(2,170)**
Closing equity shareholders' funds	**194,270**	**(135,074)**	**59,196**

23 Cash Flow Statement

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

	2014 €000	2013 €000
Deficit before State grants and servicing of finance and after and release of provisions etc.	**(196,523)**	(158,463)
State grants other than that applied to renewals	**194,815**	142,592
Deficit for the year before servicing of finance	**(1,708)**	(15,871)
Profit on disposal of tangible assets	**(45)**	(713)
Depreciation	**158,363**	168,445
Amortisation of capital grants	**(123,421)**	(131,451)
Decrease/ (increase) in stocks	**6,997**	(4,195)
Decrease in debtors	**2,620**	6,412
Increase/ (decrease) in creditors and provisions	**8,678**	(21,400)
(Decrease)/ increase in Intercompany	**(61,822)**	19,471
Movement in long term capital account	**5,498**	5,060
Net cash (outflow)/inflow from operating activities	**(4,840)**	25,758

(B) Analysis of net debt

	At 1st Jan 2014 €000	Cash Flow €000	At 31st Dec 2014 €000
Cash in hand	**312**	**3**	**315**
Bank overdraft	**(680)**	**552**	**(128)**
	(368)	**555**	**187**

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. Consequently, 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, 2014 there was a deficit of €701.780 million on the schemes. (2013, €417.745 million)

The pension cost for the year on the defined benefit schemes was €29.3 million. These costs are also included in note 3.

25 Capital Commitments

	2014 €000 Contracted for	2014 €000 Authorised by the directors but not contracted for
Within one year	**61,521**	**159,082**
After 1 year	**2,740**	**48,021**
	64,261	**207,103**
Of which funding amounts to:	**64,098**	**177,113**
	2013 €000	2013 €000
Total 2013	15,003	205,058

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.

(C) Bank borrowings

The CIÉ Group has borrowings of €66,515,000 at the balance sheet date. These borrowings are cross guaranteed by Iarnród Éireann and the other subsidiaries in the CIÉ Group.

Iarnród Éireann has a bank guarantee of €1m in place in favour of the Revenue Commissioners in relation to the deferred duty and value added tax payments due on imports.

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 Holding Company, Córas Iompair Éireann.

In the ordinary course of business the Company purchases goods and services from entities controlled by the Irish Government, the principal of these being the ESB, An Post, and 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. Copies of the CIÉ consolidated financial statements can be obtained from the Company Secretary at Heuston Station, Dublin 8, Ireland.

29 Approval of Financial Statements

The directors approved the financial statements on 1st April 2015.

Iarnród Éireann
Irish Rail