Iarnród Éireann
Irish Rail

ANNUAL REPORT 2012

Iarnród Éireann
Irish Rail

Contents

Iarnród Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2007-2013 as well as co-funding by the European Union.

NDP
National Development Plan
Transforming Ireland

Iarnród Éireann achieved its highest ever punctuality levels in 2012, the result of a continuing focus on improving timekeeping in all divisions of the company

Operations Review

Iarnród Éireann Annual Review, 2012

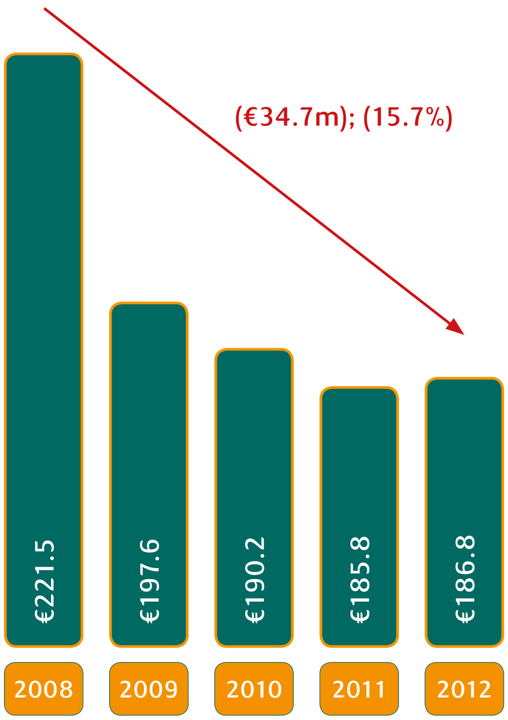
Financial Review

- Total revenue increased by €1 million to €186.8 million
- PSO payments of €166.4 million, including supplementary payment of €30.6 million
- Exceptional operating costs of €32.3 million, encompassing voluntary severance programme
- Operating costs before exceptional items reduced by €8.9 million to €355.7 million, bringing cumulative cost reduction since 2008 to €66.8 million
- Deficit of €22.5 million after exceptional items

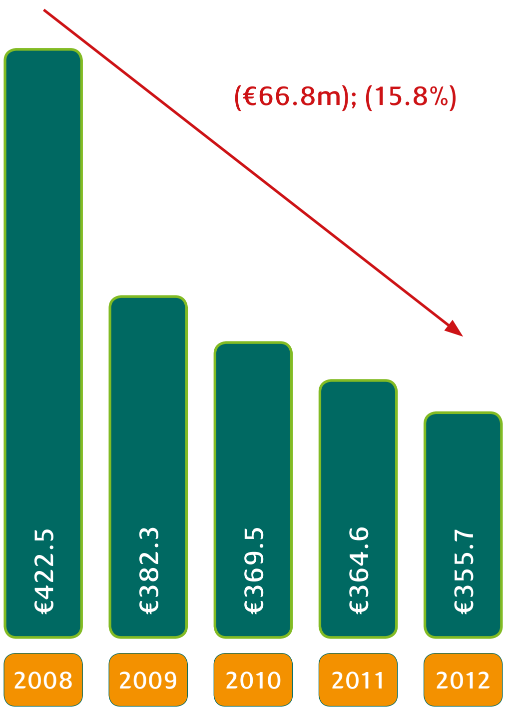
Operational Overview

- Best ever punctuality achieved
- Passenger numbers stabilised in H2, overall 36.9 million journeys in 2012
- Key market segments targeted through commercial activity, growth in commuter, student, family markets
- Train kilometres operated maintained whilst reducing costs
- Major voluntary severance programme sees workforce reduce by 315
- Environmental performance strengthened through range of energy efficient initiatives

Total Revenue (m)



Operational Costs (m)



Iarnród Éireann

Mission

To provide safe, accessible and integrated rail services that contribute to sustainable economic and regional development in an efficient manner.

Vision

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

Beliefs & Values:

- Safety and caring for our people, our customers and our environment.
- Working together for our customers.
- Accountable for our actions.
- Ambitious and cost effective in everything we do.
- Acting with respect, integrity and pride.

Business Reviews

Company finances

During February 2012, the net assets of Iarnród Éireann – Irish Rail fell below half or less of the amount of the company's called-up shared capital and the Directors of Iarnród Éireann convened an Extraordinary General Meeting of the company under Section 40 of the Companies (Amendment) Act, 1983 on 23rd April, 2012. At that meeting Iarnród Éireann's 5 year plan to restore the company to a breakeven position was presented to the shareholders. This plan was financially underpinned by CIÉ.

In the latter half of 2012 the Government injected additional support into the CIÉ Group. This action took the form of additional public service obligation in the amount of €30.6 million in Iarnród Éireann.

Passenger business

Market overview

In 2012, passenger revenue grew by €1.3 million to €157.9 million, which reversed the trend which has been ongoing since the onset of the economic crisis.

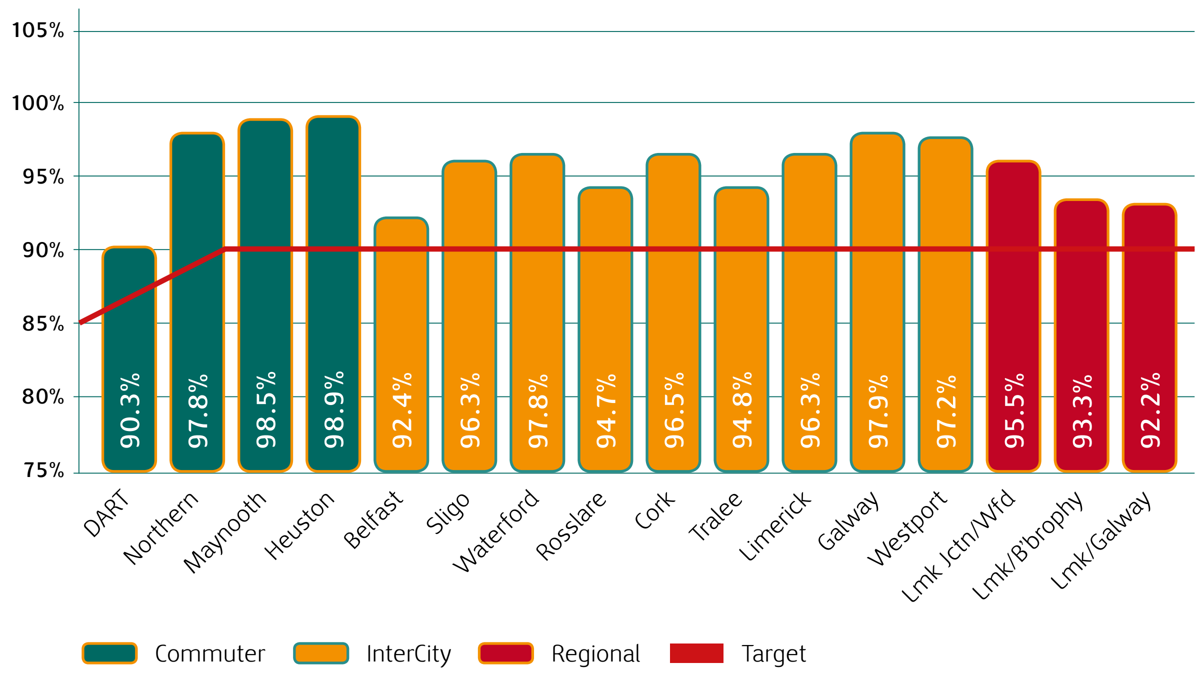
While passenger numbers reduced overall by 0.5 million to 36.9 million, the rate of decline reduced. Indeed, the second half of the year saw year on year growth recorded, with stability in the domestic economy and commercial activity by Iarnród Éireann key factors. This is in the context of increased competition from both private car and bus services on the enhanced motorway network.

Operational performance and service enhancement

Iarnród Éireann achieved its highest ever punctuality levels in 2012, the result of a continuing focus on improving timekeeping in all divisions of the company. All routes exceeded the minimum performance target of 90% of trains being on time or within 10 minutes of time (DART 87% within 5 minutes of time) as set out in PSO contracts with the National Transport Authority, with the majority of routes exceeding 95% punctuality.

Despite the financial difficulties faced by the company, train kilometres in 2012 were maintained at 18 million. Operational savings were achieved through matching train sizes to demand, some service revisions where demand was extremely low, staff deployment and fuel efficiency initiatives.

Punctuality Performance



Commercial Activity

Iarnród Éireann has a clear commercial vision together with new marketing initiatives to maximise revenues in the short term. In addition, there are a number of strategic pillars which are fundamental to the delivery of future revenue growth.

New marketing initiatives to date are targeting key segments such as Students, Commuters (Tax Savers) and on-line as these offer the greatest business growth potential in the short term. Other segments include Families, B2B, Events & Groups and Tourists. The key marketing messages feature value for money in the first instance supported with value plus promotion, such as reliability and comfort, productivity while travelling.

Key strategic pillars which are critical for revenue growth include:

- Framework for multi-annual fare levels, to ensure predictability of revenue streams
- Focus on customer segmentation to underpin marketing and sales activity
- Service improvements, including continued emphasis on journey time improvements
- Yield management optimisation, to maximise yield and manage capacity. This encompasses investment in a pricing engine, seat reservation system, revenue management system, CRM system and yield management system
- Quality customer relationship management

Rail freight

In 2012, the company's key rail freight traffics included:

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

Rail freight revenue in the year was €4.8 million, a decline of 12% on 2011. This arose from the temporary exit of DFDS from the rail freight liner service Waterford Port to Ballina in July (2 services per week). Furthermore, there was a decline in demand for Pulpwood (from 3 services to 2 a week).

Total tonnage transported on the network was 567,021 tonnes and 90.8 million tonne kilometres.

The outlook for 2013 is for a growth to over 100 million tonne kilometres, with the return of DFDS business. Other opportunities for new businesses are also being pursued.

Rosslare Europort

At Rosslare, Iarnród Éireann is an infrastructure provider and operator, providing port facilities and related services, including stevedoring, to shipping lines. Currently three shipping lines operate four round trips a day from Rosslare to South Wales, and 6 to 6½ round trips a week from Rosslare to France.

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

Against a background of continuing economic difficulty and weak demand, a surplus of €2 million was achieved in 2012 from a revenue of €9.7 million.

The Department of Transport Tourism & Sport has commissioned Indecon International Economic Consultants to carry out a strategic review of Rosslare Europort, including consideration of ownership and operational options. The Report is due to be finalised in mid-2013.

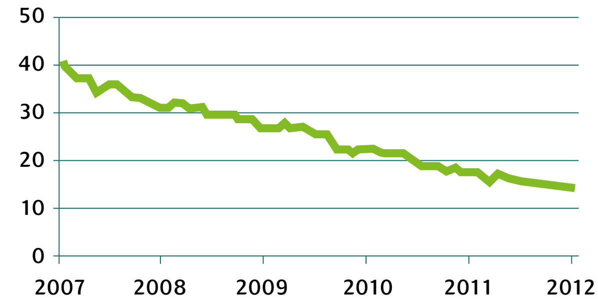
Living our values

Safety

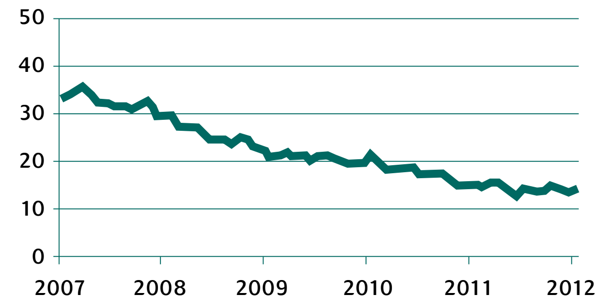
Safety is at the heart of everything we do. For customer service, financial management, human resources management and environmental stewardship, a railway run safely is the bedrock of all these activities. Safety in Iarnród Éireann is underpinned by our Safety Management System, which has been validated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

Safety Performance

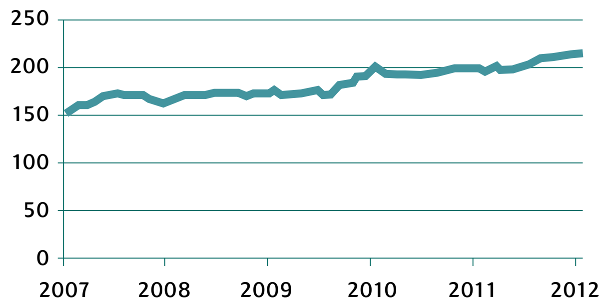
No. of Signals Passed at Danger per year, average over 3 years.



Derailment & Collisions (incl. Level Crossings) per year, average over 3 years.



Third party Accidents per year, average over 3 years



The positive downward trend for signals passed at danger continued during 2012. This has been primarily achieved through improved driver performance resulting from focussed actions on training and competence management.

The number of collisions and derailments has also decreased.

The incidents of third party accidents, however, showed an increase in the year and working with the Road Safety Authority, Gardaí, Railway Safety Commission and other stakeholders, we aim to reverse this trend.

The focus on safety at level crossings continued with further investment in reducing risk through the closure or modernisation of crossings under the Railway Safety Capital Investment Programme 2009-2013. Iarnród Éireann has worked with the Road Safety Authority and Railway Safety Commission to raise awareness of the serious consequences of misuse of railway level crossings by road users.

Safety Culture

Iarnród Éireann completed a staff Safety Culture Survey during the year, and both the high participation in the survey and results show that Iarnród Éireann has made considerable progress in implementing a documented safety management system in recent years. The results also compare very favourably when benchmarked against other rail companies. The results will be communicated widely and action plans will be implemented to address the area identified for improvement.

Railway Safety and Renewals Investment Programme

The proposed expenditure on Railway Safety and Renewals Programme (RSP3) for 2012 amounted to €105m. This is in line with the annual profile set out in 'Railway Safety Programme, 2009 – 2013, Iarnród Éireann, Mid Term Review July 2011'.

Due to Government funding constraints Iarnród Éireann was required to cut back on the proposed programme in order to deliver savings. This led to a reprioritisation of the 2012 programme and the total spend at year end amounted to €99 million.

Works included:

- Relaying work
- Work on track bed conditions, with over 350 miles of reballasting and realignment work completed
- Points & Crossings renewals
- Improvements to cuttings and embankments, fencing and level crossing sightings.
- Bridge upgrade works
- Signalling systems renewals, including the transfer of control of a further four crossings to Mallow Control Centre. In addition, eight crossings were closed totally.

Expenditure on safety management systems focused on training activities.

Valuing our customers

Continuous improvement in the service we offer to customers is the goal of all in Iarnród Éireann.

Even in the economic circumstances we face, we are working to improve customer service and introduce new services and initiatives to meet and exceed our customers' expectations.

As detailed above, punctuality of our services is at record levels, meeting a fundamental requirement of customers

We have enhanced our online facilities, to offer discounted fares and convenient collection of tickets and seat reservation systems to all customers.

Following a trial on the Dublin-Cork route, Iarnród Éireann, with the support of the NTA, installed WiFi on the entire DART, Commuter and Intercity fleet during 2012. Ireland is the first country in Europe to have a fully WiFi enabled fleet, and this service is being provided free of charge to customers. In Autumn 2012, the company passed over 1 million WiFi sessions on the free WiFi service.

Iarnród Éireann's Intercity product has improved significantly in recent years, including a fully modernised fleet, and increases in service frequency. During 2012, the company prioritised the development of faster journey times, through reviewing existing speed restrictions and targeting elimination of restrictions for maximum journey time benefit. The output of this was a new timetable which has seen journey time improvements averaging 10-15 minutes on all Heuston Intercity routes, which was implemented from January 2013.

The company re-launched its website it 2012, to enhance the usability of irishrail.ie, which was developed in consultation with customers and key representative groups.

The company is an active user of social media, across Twitter, Facebook and a website blog Railway Lines.

Positive feedback and national recognition has been received for the use of these channels, and we will continue to develop these channels to meet the needs of customers.

Respecting our environment

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

Year	2006	2007	2008	2009	2010	2011	2012	Notes
Diesel oil for traction	670,300	708,500	598,600	480,100	465,900	468,300	455,400	1
Electricity for traction	35,400	35,400	35,400	26,800	26,700	25,000	23,900	2
Electricity other	31,000	31,000	31,000	40,000	39,000	40,000	37,400	3
Gas for heating	18,500	18,500	18,800	18,500	16,300	10,800	10,100	4
Total Energy use MWhr	755,200	793,400	683,800	565,400	547,900	544,100	526,800	
	100%	**105%**	**91%**	**75%**	**73%**	**72%**	**70%**	
Passenger M km	1,872	2,007	1,976	1,681	1,678	1,639	1,583	5
	100%	**107%**	**106%**	**90%**	**90%**	**88%**	**85%**	
Total Energy use MWhr per 10,000 Passenger km	4.03	3.95	3.46	3.36	3.27	3.32	3.33	7
	100%	**98%**	**86%**	**83%**	**81%**	**82%**	**82%**	
Train M km	18	17	20	18	18	18	18	6
	100%	**92%**	**109%**	**100%**	**97%**	**99%**	**101%**	
Total Energy use MWhr per 100 Train km	4.14	4.71	3.43	3.11	3.10	3.01	2.86	7
	100%	**114%**	**83%**	**75%**	**75%**	**73%**	**69%**	
Number of Electricity Accounts (MPRN)	390	430	481	511	571	574	593	
	100%	**110%**	**123%**	**131%**	**146%**	**147%**	**152%**	
Cost of Energy based on Diesel Oil	0.34	0.63	0.48	0.75	0.54	0.63	0.71	
	100%	**185%**	**141%**	**221%**	**159%**	**185%**	**209%**	

Note 1 This refers to Diesel Oil EN590 ULSD used to haul trains.
Timetable changes, combined trains, smaller train sizes impacted on the consumption.

Note 2 Train sizes were reduced off-peak to match reduced customer demand. Full impact seen this year This decrease will fall away when passenger numbers increase to the level to require longer trains again. Figures for 2008 assumed for 2007 & 2006.

Note 3 The number of metering points increased slightly from 574 in January 2012 to 593 in January 2013. The increase in the last 6 years amounts to 50% due mainly to new stations, new Signalling /Telecoms equipment rooms, new automatic Level Crossings

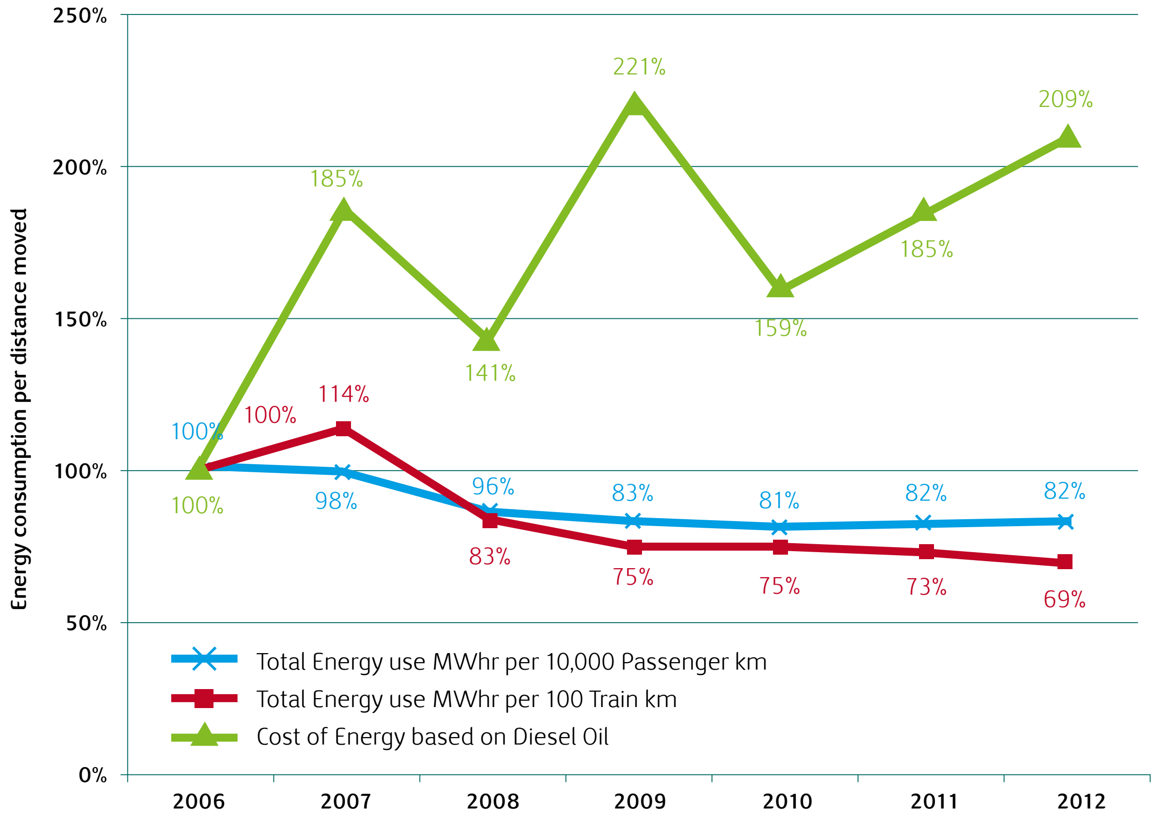
Note 4 Consolidation of the gains made in 2011

Note 5 The overall use of energy continues to reduce

Note 6 The use of energy per unit of activity (passengers) demonstrates the extent of the improvements made in the use of energy, even measured against falling customer numbers . The fall-off in passenger numbers reflects the economic downturn in the economy.

Note 7 The use of energy per unit of activity demonstrates the full extent of the improvements made in the use of energy.

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



Actions Undertaken in 2012

In 2012 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.
  - Measurement equipment has been purchased and fitted to 4 rail vehicles (Commuter DMU's)
  - This equipment is proving troublesome and the full testing has not yet commenced. Expected to start before mid 2013.
  - Results will be assessed to inform decision on future action
  - Potential saving of 25,000 MWh per annum

Electricity for traction

- A major overhaul of the train sizes (matching the size to the reduced demand) has generated significant savings of 1,100 MWhr.

Actions Planned for 2013

In 2013 Iarnród Éireann intends to further improve our energy performance by undertaking the following initiatives:

Diesel Fuel for traction

- Product to improve performance of diesel reciprocating engines
  - Fuel additive test programme will be implemented and concluded
  - Subject to satisfactory test results, the implementation programme will commence.
  - Potential saving of 25,000 MWh per annum

Building consumption

- Drive reduction in this area through target setting and controls.

Valuing our people

Working together, the Iarnród Éireann team of 3,814 people have delivered change and efficiency year on year during the economic crisis to ensure we continue to offer quality public transport services safely to our customers.

In 2012, an agreement was reached with our trade unions to further reduce our payroll costs, encompassing changes in allowances, annual leave and sick leave provisions and a range of other cost areas. The agreement also committed management and employee representatives to continuing to work jointly to achieve further cost savings.

Furthermore, a continued reduction of staff numbers across the year, from 4129 to 3814, was achieved: a reduction of 315 of which 279 were due to the voluntary severance programme. Total headcount numbers have decreased from over 6,000 in 2002 to 5,114 in 2006 to the current end of year headcount of 3814.

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

In the context of the significant reduction in the size of workforce in recent years, the company has invested in knowledge management and transfer, to ensure that the knowledge and experience of retiring colleagues is recorded and retained within the organisation.

Equality

Iarnród Éireann, as an equal opportunities employer, continued to review its policies and procedures during 2012. The policy document 'Policy on the Prevention of Workplace Bullying, Harassment and Sexual Harassment' was reviewed to ensure we continue to capture best practice in this area. The new policy was completed at year end and titled 'Dignity and Respect at Work in Iarnród Éireann, maintaining a positive working environment for all in Iarnród Éireann'.

Under the Disability Act 2005, a survey was conducted in the organisation to measure the number of colleagues with a disability. This totalled 2.5% of the total workforce.

All Work Life Balance (WLB) policies both statutory and non-statutory were reviewed. Additionally this review assisted in ensuring we benchmarked all WLB leave.

We continue to participate with a number of organisations in external forums such as the Equality and Diversity network (EDN) and the Irish Business and Employers Confederation (IBEC) diversity working group, in developing and reflecting best practices and procedures in the equality agenda.

Our communities

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

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

In 2012, Iarnród Éireann launched a new community support initiative "The Journey's on Us", which enabled 100 groups from the community, voluntary, charity and sporting sectors to avail of a free group travel trip by train. A total of 770 groups applied for this programme, and significant discounts were offered to all groups who applied but were unsuccessful.

Iarnród Éireann also worked with Volunteers Ireland to support their work in encouraging voluntarism in the country. Locally, we work closely with a range of bodies including Tidy Towns Committees, schools and many other groups to play a full and active part in the communities we serve.

EU Restructuring

The Minister for Transport, Tourism and Sport formally announced in March 2012 that Ireland will not re-apply for an extension of the existing derogation when it expires in March, 2013. The EU Compliance project was established in January, 2012 to identify and recommend to the Board of Iarnród Éireann, and implement, a programme of structural changes to achieve compliance with the relevant EU Directives known as the three 'Railway Packages'. Compliance with all aspects of the EU Rail legislation will therefore need to be achieved by March, 2013 to avoid EU enforcement proceedings.

A key element of the restructuring is organising Iarnród Éireann into an IM (Infrastructure Manager)/RU (Railway Undertaking) structure.

- The IM is fully accountable and independent in their decision-making and responsibility for establishing, managing and maintaining railway infrastructure, including traffic management, control-command and signalling
- The RU's are fully accountable and independent in their decision-making and responsibility for the principal business to provide services for the transport of goods and/or passengers by rail.

Full accounting separation is also required for IM, RU & Freight. Profit and loss accounts are detailed in Note 2 to the Accounts and the unaudited balance sheet extracts are outlined on the following page.

All of the changes proposed will occur below the level of the existing Chief Executive of Iarnród Éireann and some Central Service functions will be maintained.

In addition to the organisational changes, the following deliverables will need to be created by either the Member State and/or Iarnród Éireann in order to comply with the EU directives:

1. Accounting Separation
2. Development of necessary industry contractual arrangements.
    a. Production of a Multi-Annual Contract
    b. Revised Public Service Obligation Contract
    c. Establishment of Regulator with defined role and responsibilities
    d. Establishment of Independent Charging and Allocation Bodies with defined role and responsibilities

By the end of 2012, significant progress has been made on all aspects of the restructuring.

- The proposed organisation structure has been developed, with a significant proportion of the Safety Management Systems sent to the Railway Safety Commissioner for approval and external validation.
- The PSO with the NTA is likely to be continued for 1 more year
- Network Statement and Track Access Agreement Drafted
- Accounting systems unlikely to have automated separation by March, 2013 but desk top exercise can be done in interim

Iarnród Éireann-Irish Rail
Balance Sheet extract -- unaudited

All figures are expressed in € 000's

As at 31-Dec-12	Total 2012 € 000	Total 2011 € 000	Railway Undertaking 2012 € 000	Railway Undertaking 2011 € 000	Infrastructure Manager 2012 € 000	Infrastructure Manager 2011 € 000	Rail Freight 2012 € 000	Rail Freight 2011 € 000	Other Commercial activities 2012 € 000	Other Commercial activities 2011 € 000
Fixed Assets										
Tangible Assets										
Assets at Cost	**3,212,916**	3,146,326	**1,778,047**	1,729,906	**1,342,437**	1,323,935	**20,381**	21,000	**72,051**	71,485
Accumulated Depreciation	**(1,449,361)**	(1,279,827)	**(875,810)**	(749,001)	**(519,311)**	(477,479)	**(19,853)**	(20,404)	**(34,386)**	(32,943)
	1,763,555	1,866,499	**902,237**	980,905	**823,125**	846,456	**528**	596	**37,665**	38,542
Financial Assets	**20**	20	**-**	-	**-**	-	**-**	-	**20**	20
	1,763,575	1,866,519	**902,237**	980,905	**823,125**	846,456	**528**	596	**37,686**	38,562
Current Assets										
Stocks	**50,334**	49,941	**33,225**	34,546	**17,038**	15,327	**-**	-	**71**	68
Debtors	**21,309**	20,665	**16,989**	14,367	**1,992**	3,385	**690**	693	**1,637**	2,220
Inter-company balance	**-**	22,774	**-**	-	**-**	-	**-**	-	**-**	22,774
Cash at bank and in hand	**313**	313	**313**	313	**-**	-	**-**	-	**-**	-
	71,956	93,693	**50,527**	49,226	**19,030**	18,712	**690**	693	**1,708**	25,062
Creditors: (amounts falling due within one year)										
Overdraft	**13,043**	410	**1,183**	1,337	**554**	570	**-**	-	**11,306**	(1,497)
Finance lease	**4,644**	4,382	**4,644**	4,382	**-**	-	**-**	-	**-**	-
Deferred Income	**128,535**	135,526	**92,877**	100,570	**35,348**	34,646	**-**	-	**310**	310
Other Creditors	**139,727**	148,229	**74,278**	79,667	**43,299**	57,638	**572**	140	**21,578**	10,784
	285,949	288,547	**172,982**	185,956	**79,201**	92,854	**572**	140	**33,194**	9,597
Net Current Liabilities	**(213,994)**	(194,854)	**(122,456)**	(136,730)	**(60,171)**	(74,142)	**118**	553	**(31,486)**	15,465
Total Assets less Current Liabilities	**1,549,582**	1,671,665	**779,781**	844,175	**762,954**	772,314	**646**	1,149	**6,200**	54,027
Creditors: (amounts falling due after more than one	**7,250**	11,917	**7,250**	11,917	**-**	-	**-**	-	**-**	-
Provisions for Liabilities and Charges	**48,325**	56,271	**15,706**	48,064	**32,619**	7,327	**-**	-	**-**	880
Deferred Income	**1,416,226**	1,503,224	**698,033**	773,379	**708,579**	719,920	**-**	-	**9,614**	9,925
	77,781	100,253	**58,793**	10,815	**21,756**	45,067	**646**	1,149	**(3,414)**	43,222
Financed By										
Capital and Reserves										
Called up Share Capital	**194,270**	194,270							**194,270**	194,270
Profit and Loss account	**(116,489)**	(94,017)							**(116,489)**	(94,017)
Shareholders' Funds	**77,781**	100,253							**77,781**	100,253

Board of Directors

Directors at 23rd April 2013

Chairman	Mr. P. Gaffney
Directors	Mr. F. Allen, Ms. P. Golden, Mr. V. Green, Mr. P. McGarry, Mr. J. Moloney, Mr. J. Nix.
Chief Executive	Mr. D. Franks
Secretary	Ms. G. Finucane

Registered Office

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Website	www.irishrail.ie

Registered Number

119571

Auditors

PricewaterhouseCoopers,

Chartered Accountants and Registered Auditors,

One Spencer Dock, North Wall Quay, Dublin 1.

Board of Directors

Phil Gaffney

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

Frank Allen

Frank Allen is an independent financial consultant and former Chief Executive of the Railway Procurement Agency (RPA) from 2002 to 2012. In this period, RPA had responsibility for building the first two, Red and Green, lines of the Luas light rail system, and for extending them to the Docklands, Cherrywood and CityWest. Frank is a graduate of UCC and MIT. He previously worked for the World Bank in Washington DC, arranging finance for infrastructure development in developing countries and in Eastern Europe and was Head of Infrastructure Finance for KBC Bank in Ireland. He is Director of an MSc/Graduate Diploma in Sustainable Investment offered by the Institute of Bankers in Ireland/UCD.

Patricia Golden

Patricia Golden was appointed to the Iarnród Éireann board in July, 2012. She is a Chartered Accountant with over 25 years senior management experience across a broad range of companies. She is currently a Finance & Corporate Governance Consultant providing strategic expertise in the areas of Project Management, Corporate Affairs and System Development working with clients in the Public Sector, Private Sector and Multinational sector. She has previously served as Head of Finance and Corporate Services with Sustainable Energy Authority of Ireland and Science Foundation Ireland.

Vincent Green

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

Board of Directors (Continued)

Paul McGarry

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

John Moloney

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

James Nix

James Nix was appointed to the board of Iarnród Éireann in July, 2012. Mr Nix is a barrister who works for Transport & Environment, a leading voice at EU level for transport policies that reduce energy use and emissions. Again at EU level, Mr. Nix works under programmes funded by the European Environmental Bureau, a federation of more than 140 organisations across all member states. He is also employed as operations director with An Taisce – the National Trust for Ireland. Founded in 1948, An Taisce is a not-for-profit, membership-based environment NGO, and is linked to sister national trusts through the International National Trusts Organisation (INTO).

Iarnród Éireann Advisory Groups

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

Safety Advisory Group (SAG)

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

Membership:
Mr Cliff Perry (independent advisor) Chair

Audit Review Group (ARG)

The Iarnród Éireann ARG provides an avenue of communication between Internal Audit, the external auditors and the IE Board and to review report on and make recommendations to the IE 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:
Mr Pat Faulkner (independent advisor) Chair – retired 21st November, 2012

Ms Patricia Golden (Iarnród Éireann Director) Chair from 1st January, 2013

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

Infrastructure Advisory Group (IAG)

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

Membership:
Mr Bob Clarke (independent advisor) Chair

Trains Advisory Group (TAG)

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

Membership:
Mr Cliff Perry (independent advisor) Chair

Rosslare Europort Advisory Group

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

Membership:
Ms Tras Honan (Chair)
Mr Arnold O'Byrne
Mr David Fassbender
Mr Peter Scallan

Report of the Directors

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

Principal Activities and Financial Review

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

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

The Company recorded a surplus of €9.8m before a charge for an exceptional item of €32.3m for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €22.5m

The total amount of subvention received in 2012 was €166.4m which included a once-off payment of €30.7m resulting in the underlying subvention received in 2012 being €13m lower than in 2011 and €19.4m lower than in 2010.

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

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.

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, 2012 are set out in detail on pages 27 to 57.

Risk Management

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

The Board

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

Code of Practice for the Governance of State Bodies

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

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

Drugs and Alcohol Testing

In line with the Railway Safety legislation, Iarnród Éireann has continued with the agreed policy on drugs and alcohol testing. A total of two hundred and twenty eight (228) random unannounced tests were undertaken during 2012. The total number of individuals tested since the introduction of random unannounced testing now stands at five hundred (500).

Since the introduction of random unannounced drugs and alcohol testing in March 2010, a number of improvement initiatives have been undertaken. These include;

- The introduction of a Mobile Testing Unit, to enable the on-going testing of remote workers (Gate-Keepers, Track Workers)
- The introduction of Point of Care Testing Kits for post-incident testing

- The production of a revised Drugs & Alcohol Policy Booklet

Fitness to work: Mandatory Medicals

A scoping exercise has been completed and an Age & Service Profile by Safety Critical Grade has been generated. This exercise indicates that there is c.3, 673 Safety Critical Role Holders within the organisation. A process was undertaken with the Chief Medical Officer to review, and where necessary to revise a previously prepared draft guidance note for medical fitness requirements. This draft guidance note specified three levels of medical fitness requirements for safety critical role holders within Iarnród Éireann. The Draft Guidance Note was revised and issued to the Chief Safety & Security Officer and Safety Managers in the Engineering and the ICCN businesses. Refurbishment work within the Medical Centre has been completed and a resource plan has been agreed with the CMO.

Performance Management

The successful re- introduction of Iarnród Éireann's Performance Management System in 2011 has delivered two hundred and thirty (230) completed Individual Performance Plans in its first year of operation. The Performance Management System will continue into 2013.

Internal Control

The board of Iarnród Éireann has appointed an Audit Review Group to review; the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. The board has also appointed an Engineering Advisory Group to monitor infrastructure renewal, project manage large infrastructure, Signaling, Electrical and Telecoms projects and performance. The Safety Advisory Group assists the board in monitoring these key business areas. More detail on the Company's internal control system is set out in the annual report of the Córas Iompair Éireann Group.

Information

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

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

Going Concern

The board of directors is satisfied that while a number of uncertainties exist, that the Company will have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for the preparation of the accounts. Note 1 "Going Concern" addresses those uncertainties and summarises the directors' conclusions in relation to going concern.

Books of Account

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

Railway Safety Act 2005

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

Late Payment in Commercial Transactions Regulations 2002

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

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, 2012 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Phil Gaffney (Chairman)

Frank Allen	appointed 20/02/2013
Laetitia Baker	retired 14/02/2013
Mick Cullen	retired 04/10/2012
Michael Giblin	retired 17/05/2012
Patricia Golden	appointed 30/07/2012
Vincent Green	appointed 11/01/2013
Paul McGarry	
John Moloney	reappointed 01/12/2012
James Nix	appointed 30/07/2012
Cliff Perry	retired 17/05/2012
Dearbhalla Smyth	retired 17/05/2012

Board Member	Iarnród Éireann Board Attendance Log
Phil Gaffney	12/12
Laetitia Baker	8/12
Mick Cullen	9/9
Michael Giblin	3/4
Patricia Golden	5/6
Paul McGarry	7/12
John Moloney	11/12
James Nix	5/6
Cliff Perry	4/4
Dearbhalla Smyth	4/4

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

Company Secretary

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

Auditors

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

On behalf of the board

Mr Phil Gaffney, Chairman
Ms Patricia Golden, Director

23rd April 2013

Continuous improvement in the service we offer to customers is the goal of all in Iarnród Éireann

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 2012. 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 Iarnrod Éireann – Irish Rail

We have audited the financial statements of Iarnrod Éireann for the year ended 31 December 2012 which comprises of the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors Responsibilities' set out on page 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. 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 2012 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 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

- 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 2012 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company. The EGM was held on 23 April 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following: Under the Companies Acts 1963 to 2012 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Teresa Harrington
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin, 26th April 2013

A. The maintenance and integrity of the Irish Rail 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 2012. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historical cost convention.

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

(B) Revenue

Revenue comprises the gross value of services provided.

(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.

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.

(F) European Union and State Grants

(i) Grants for existing railway lines and works

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

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

(ii) Grants for other capital expenditure

Grants for other capital expenditure are credited to deferred income as they become receivable. They are amortised to the profit and loss account on the same basis as the related assets are depreciated.

(iii) Revenue grants

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

(iv) Safety investment grants

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

(G) Foreign Currency

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

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

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

(H) Pensions

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

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

(l) 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.

In 2012, passenger revenue grew by €1.3 million to €157.9 million, which reversed the trend which has been ongoing since the onset of the economic crisis

Profit and Loss Account

		2012			2011		
	Note	Total	Exceptional Operating Items	Continuing Operations before Exceptional Items	Total	Exceptional Operating Items	Continuing Operations before Exceptional Items
		€000	€000	€000	€000	€000	€000
Revenue:		186,816	–	186,816	185,802	–	185,802
Costs							
Payroll and related costs	*3*	(251,019)	(32,307)	(218,712)	(226,020)	(2,389)	(223,631)
Materials and services	*4*	(101,620)	0	(101,620)	(108,467)	(694)	(107,773)
Depreciation less amortisation of capital grants	*6*	(35,354)		(35,354)	(33,166)	-	(33,166)
Total operating costs		(387,993)	(32,307)	(355,686)	(367,653)	(3,083)	(364,570)
(Loss)/Profit on disposal of tangible assets	*7*	471		471	(130)		(130)
Deficit before interest and State grants		(200,706)	(32,307)	(168,399)	(181,981)	(3,083)	(178,898)
Interest payable							
Railway Undertaking	*8*	(1,839)		(1,839)	(1,964)		(1,964)
Railway Infrastructure	*8*	(990)		(990)	(1,139)		(1,139)
Commercial operations	*8*	(65)		(65)	(56)		(56)
Total interest		(2,894)	0	(2,894)	(3,159)	0	(3,159)
Deficit for the year before State grants		(203,600)	(32,307)	(171,293)	(185,140)	(3,083)	(182,057)
State grants – PSO regular	*9*	135,751		135,751	148,683		148,683
State grants- PSO additional	*9*	30,667		30,667			
State grants-railway safety grant	*9*	14,710		14,710	14,598		14,598
Deficit for the year	*20*	(22,472)	(32,307)	9,835	(21,859)	(3,083)	(18,776)

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 2012	Notes	2012	2011
		€000	€000
Fixed assets			
Tangible fixed assets	*10*	**1,763,555**	1,866,500
Financial assets	*11*	**20**	20
		1,763,575	1,866,520
Current assets			
Stocks	*12*	**50,334**	49,941
Debtors	*13*	**21,309**	43,439
Cash floats		**313**	313
		71,956	93,693
Creditors (amounts falling due within one year)	*16*	**(285,949)**	(288,548)
Net current liabilities		**(213,993)**	(194,855)
Total assets less current liabilities		**1,549,582**	1,671,665
Creditors (amounts falling due after more than one year)	*15*	**(7,250)**	(11,917)
Provisions for liabilities and charges	*17*	**(48,325)**	(56,271)
Deferred income	*18*	**(1,416,226)**	(1,503,224)
		77,781	100,253
Financed by:			
Capital and reserves			
Called up share capital	*19*	**194,270**	194,270
Profit and loss account	*20*	**(116,489)**	(94,017)
Shareholders funds	*20*	**77,781**	100,253

On behalf of the board

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

Cash Flow Statement

As at 31st December 2012	*Notes*	2012	2011
		€000	€000
Net cash (outflow)/inflow from operating activities	*21(A)*	**(10,876)**	5,321
Servicing of finance			
Interest paid	*8*	**(2,109)**	(2,158)
Interest element of finance lease rentals	*8*	**(785)**	(1,001)
Net cash outflow from servicing of finance		**(2,894)**	(3,159)
Investing activities			
Purchase of tangible assets		**(149,575)**	(352,735)
(Cost of sale)/sale of tangible assets		**472**	(127)
Capital grants		**119,102**	323,375
Net cash outflow from investing activities		**(30,001)**	(29,487)
Net cash outflow before management of liquid resources and financing	*21(B)*	**(43,771)**	(27,325)
Management of liquid resources	*21(B)*	**35,543**	35,118
Financing			
Capital element of finance lease rentals		**(4,405)**	(3,958)
Net cash outflow from Financing	*21(B)*	**(4,405)**	(3,958)
(Decrease)/Increase in cash in the year	*21(B)*	**(12,633)**	3,835
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the year		**(12,633)**	3,835
Cash outflow from holding company balance, lease financing and NDP Investment projects funded by C.I.E.		**(31,138)**	(31,160)
Movement in net debt in the year		**(43,771)**	(27,325)
Net debt at 1st January		**6,378**	33,703
Net funds at 31st December		**(37,393)**	6,378

Notes to the Financial Statements

1. Going concern

The Company incurred a net loss of €22.5 million during the year ended 31 December 2012 and, at that date, the Company had net assets of €77.8 million and net current liabilities of €214m. Management's current projections show that the Company will incur further deficits in the period 2013 to 2017. The resultant cash deficits will result in a requirement for additional funding from the CIE Group. A copy of the Going Concern disclosure included in Note 1 of the CIE financial statements is included below:

"The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to continue in operational existence for the foreseeable future.

At the time of signing the 2011 financial statements in November 2012, there were a number of risks and uncertainties facing the group. The Group had exceeded its available borrowing facilities in the early part of 2012, and the excess was met by advance payments of the Public Service Obligation. Since that date, the Group have remained within their existing borrowing facilities. While the boards overall conclusion was that it was appropriate to prepare the 2011 financial statements on a going concern basis, they were cognisant that a number of uncertainties existed, including in particular uncertainties around the funding status of the group, which led them to conclude that a material uncertainty existed at that time.

At the time of signing the 2011 financial statements, the Department of Transport, Tourism and Sport (DTTaS) had indicated that additional funding in a form to be determined would be made available to the Group to fund ongoing activities of the Group to 31 December 2012. The format and extent of this funding had not been finalised, however the Minister for Transport, Tourism and Sport provided a letter of support to the Group dated 30 August 2012. Subsequently the Department made additional subvention funding of €36m available to the Group in late 2012 as part of that support.

A number of significant developments have occurred which have alleviated some of the uncertainties which surrounded the group previously. These are set out below:-

- The DTTaS made available the €36m in additional subvention in late 2012;
- The Group sold its interest in the ground lease in Spencer Dock generating cash of €20m in December 2012;
- Iarnrod Eireann's 2012 significant Voluntary Severance programme was completed in December 2012 (an important contributor to the overall cost savings plan);
- After a prolonged period of decline due to the underlying economy revenue and passenger numbers have begun to stabilise over the past number of months;
- The Group applied for and was granted a fare increase by the NTA across its services. The Group's five year plan and cash forecasts were revised to take account of management initiatives to reduce costs and manage cash flows. This included revisions to take account of changes in the pattern of cash flows following negotiations with the NTA and the Department of Transport, Tourism and Sport in relation to capital grant funding. In addition a number of mitigating actions have also been identified that will be implemented if the cash flows envisaged by the 5 year plan are not achieved;
- The negotiations with the Group's banks in relation to re-financing and increasing the facilities available to the Group have progressed significantly and a successful outcome is anticipated shortly;
- Existing facilities of €57m have been renewed to 31 October 2013 and €20m has been renewed to 31 May 2013 to enable the group to fund activities pending finalisation of the re-financing.

Nonetheless uncertainties remain, and these are detailed below:

1. The existing Group bank borrowing facilities (of €107 million) were due to expire on various dates between January and October 2013. The board has recently approved a Facility Letter from one of its banks for the extension of the existing committed facilities to 31 October 2013, pending the

finalisation of the overall re-financing of the Group borrowings. The second facility has also been extended on a month by month basis pending finalisation of the overall borrowing facilities. As part of CIE's five year plan the Group have identified a need to increase its overall facilities by €53m to bring the current borrowing facilities from €107m to €160m. Group management are currently in discussions with its funders in respect of this re-financing. A draft term sheet has been provided by the Lead Arranger , setting out acceptable indicative terms for the overall €160m facility. This term sheet is indicative only and does not constitute an offer to arrange or finance the facility. The provision of the facility will be subject to credit committee approval and satisfactory documentation. Management are confident that the negotiations with the banks can be finalised by June 2013. The timing of finalisation of the re-financing of new and existing borrowing facilities is critical to managements overall assessment of going concern.

2. The achievement of the savings, particularly payroll savings, set out in the Group's 5 year business plan is 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. Management have stress tested these cash flow forecasts and continue to monitor cash on a daily and weekly basis.

3. The deterioration of the Irish economy over the past number of years has adversely affected the Group's financial performance and poses challenges for the future. Passenger journeys have decreased and overall reductions in Government Public Expenditure have caused consequent reductions in the level of State funding to CIE.

Management's current projections indicate that while the Group implements it's restructuring plans the Group will incur further cash deficits in the period 2013 and 2014, with a return to profitability expected in 2015 and beyond.

Following a comprehensive review of the Group's business plan and the underlying assumptions for the period 2013 to 2017 and its budget for the year 2013, and having considered the actions which have been taken by management over the past number of months, the Board Members have a reasonable expectation that planned actions, together with the re-financing of the group, the continued support of the Department of Transport, Tourism and Sport, the additional revenue generated by fare increases, and the successful implementation of cost reduction measures will ensure that the company will have sufficient resources to continue its operations for the foreseeable future.

While there can be no certainty that financing discussions with the banks will be successfully concluded, the group's banks remain supportive as evidenced by the extension to the existing facilities and ongoing constructive discussions taking place, including the provision of the draft term sheet and preparation of the information memorandum for the re-financing. The ongoing support of the Department of Transport, Tourism and Sport has also been evidenced in the letter of support dated 10th April 2013.

The letter states that the Department "continues to monitor the financial position of CIE and is engaging with the company in relation to measures necessary to safeguard CIE'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 CIE, it also states that "It remains Government policy that the business of CIE is at all times in a position to meet its liabilities. The State is CIE's sole shareholder and I can confirm that the State will continue to exercise its shareholder rights with a view to ensuring that CIE 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".

Having made due enquiries and considering the uncertainties described above, the Board Members have a reasonable expectation that renewed and extended facilities will be made available to the Group and that 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 about the Group's ability to continue as a going concern, and on that basis they will continue to adopt the going concern basis in preparing the financial statements. "

2. Divisional Analysis of Profit and Loss Account

(A) Railway Undertaking	2012	2011
	€000	€000
Revenue	**157,907**	156,627
Expenditure		
Maintenance of rolling stock	**(46,536)**	(56,776)
Fuel	**(39,390)**	(31,066)
Operating and other expenses	**(132,646)**	(145,027)
Operating depreciation	**(124,734)**	(116,360)
Amortisation of capital grants	**99,361**	94,133
Total operational expenditure	**(243,945)**	(255,096)
Operating deficit before State grants and track access charges	**(86,038)**	(98,469)
Track access charge	**(32,089)**	(35,252)
Deficit for the year before State grants and interest	**(118,127)**	(133,721)
Public Service Obligation	**110,970**	99,356
Safety grants	**7,286**	9,995
Profit/(Loss) on sale of tangible assets	**24**	(5)
Interest	**(1,811)**	(1,931)
Deficit for the year before exceptional items	**(1,658)**	(26,306)
Exceptional items	**(21,347)**	(2,777)
Deficit for the year	**(23,005)**	(29,083)

2. Divisional Analysis of Profit and Loss Account (Continued)

(B) Railway Infrastructure Manager In compliance with EU Council Directive 91/440 the costs of the Railway Infrastructure Division have been computed as follows:	2012	2011
	€000	€000
Source of Income		
Public Service Obligation	**55,448**	49,327
Track access charge	**34,208**	37,673
Exchequer Safety funding	**7,423**	4,603
Renewals funding	**77,276**	103,039
Total	**174,355**	194,642
Expenditure		
Maintenance of railway lines and works	**(58,882)**	(63,316)
Renewal of railway lines and works	**(77,276)**	(103,039)
Operating (signalling) and other expenses	**(29,421)**	(20,886)
Depreciation	**(41,413)**	(46,319)
Amortisation of capital grants	**34,765**	38,039
Total expenditure	**(172,227)**	(195,521)
Surplus/(Deficit) for the year before interest and exceptional items	**2,128**	(879)
Interest	**(990)**	(1,139)
Profit on sale of tangible assets	**127**	0
Surplus/(Deficit) for year before exceptional items	**1,265**	(2,018)
Exceptional items	**(9,777)**	1,103
Surplus/(Deficit) for year	**(8,512)**	(915)

2. Divisional Analysis of Profit and Loss Account (Continued)

(C) Rail freight division	2012	2011
	€000	€000
Revenue	**4,811**	5,487
Operating costs		
Maintenance of vehicles and equipment	**(1,392)**	(1,343)
Fuel	**(596)**	(549)
Operating and other expenses	**(2,036)**	(2,280)
Operating depreciation	**(165)**	(167)
Total expenditure	**(4,189)**	(4,339)
Net surplus for the year before track access charge and exceptional items	**622**	1,148
Track access charge	**(2,119)**	(2,421)
Deficit for the year before exceptional items	**(1,497)**	(1,273)
Interest	**(28)**	(33)
Profit/(Loss) on sale of tangible assets	**310**	(36)
Net Deficit for year before exceptional items	**(1,215)**	(1,342)
Exceptional items	**(561)**	(141)
Net deficit for the year	**(1,776)**	(1,483)

2. Divisional Analysis of Profit and Loss Account (Continued)

(D) Rosslare Europort division	2012	2011
	€000	€000
Revenue		
Harbour services	**9,722**	9,862
Operating Costs		
Maintenance, operating and other expenses	**(6,480)**	(7,075)
Operating depreciation	**(1,465)**	(1,347)
Amortisation of capital grants	**310**	311
Total expenditure	**(7,635)**	(8,111)
Interest	**(65)**	(56)
Profit on sale of tangible assets	**10**	0
Net Surplus for year	**2,032**	1,695

(E) Other activities	2012	2011
	€000	€000
Revenue	**14,376**	13,826
Operating costs		
Operating and other expenses	**(4,965)**	(4,542)
Total expenditure	**(4,965)**	(4,542)
Loss on sale of tangible assets	**0**	(89)
Surplus for year before exceptional items	**9,411**	9,195
Exceptional item	**(622)**	(1,268)
Net surplus for the year	**8,789**	7,927

2. Divisional Analysis of Profit and Loss Account (Continued)

(F) State and EU Funding	2012	2012	2012
	€000	€000	€000
Allocated to	**PSO**	**Infrastructure Safety**	**Total**
Rail operations	110,970	7,286	118,256
Infrastructure - renewals	0	77,276	77,276
Infrastructure	55,448	7,423	62,871
	166,418	91,985	258,403
Sources			
State grants - PSO	166,418	0	166,418
State grants – renewals	0	77,276	77,276
State grants - railway safety	0	14,709	14,709
	166,418	91,985	258,403

	2011	2011	2011
	€000	€000	€000
Allocated to	**PSO**	**Infrastructure Safety**	**Total**
Rail operations	99,356	9,995	109,351
Infrastructure - renewals	0	103,039	103,039
Infrastructure	49,327	4,603	53,930
	148,683	117,637	266,320
Sources			
State grants - PSO	148,683	0	148,683
State grants - renewals	0	103,039	103,039
State grants - railway safety	0	14,598	14,598
	148,683	117,637	266,320

2. Divisional Analysis of Profit and Loss Account (Continued)

(G) Net Deficit by activity	Railway Undertaking	Infrastructure Manager	Rail Freight	Other Commercial Activities	Total
2012	€000	€000	€000	€000	€000
Revenue	157,907	34,208	4,811	24,098	221,024
Costs	(299,168)	(182,867)	(6,587)	(13,277)	(501,899)
State grants	118,256	140,147	0	0	258,403
(Deficit)/surplus for the year	(23,005)	(8,512)	(1,776)	10,821	(22,472)

2011	€000	€000	€000	€000	€000
Net Result	(29,083)	(915)	(1,483)	9,622	(21,859)

3. Payroll and Related Costs

	2012	2011
	€000	€000
Staff costs		
Wages and salaries	**214,035**	236,337
Social welfare costs	**19,881**	20,144
Other pension costs	**22,334**	24,798
	256,250	281,279
Own work capitalised, renewals and engineering work for Group companies	**(37,663)**	(57,811)
Net staff costs	**218,587**	223,468
Directors' remuneration		
- Services as directors	**72**	67
- Other emoluments	**53**	96
Total directors' remuneration and emoluments	**125**	163
Total payroll and related costs	**218,712**	223,631

The services as directors includes the following fees Mr C. Perry €4,828, Mr P. Gaffney €21,600, Mr M. Giblin €4,828, Ms D. Smyth €4,828, Ms L. Baker €12,600, Mr P. McGarry €12,600, Mr. J. Nix €5,347 and Ms. P. Golden €5,347. Also included in the above Payroll and Related Costs is the C.E.O.'s Gross Salary for 2012 of €250,000

Included in the other emoluments are the following expenses:	2012	2011
Foreign Travel	**0**	129
Subsistence and Accommodation	**3,784**	2,649
Other	**4,905**	10,969

3. Payroll and Related Costs (Continued)

	Staff Numbers		Staff Numbers	
	2012 Average	2011 Average	**2012 As at 31st Dec 12**	2011 As at 31st Dec 11
The number of employees by activity, was				
Railway operations	**2,488**	2,568	**2,364**	2,533
Infrastructure	**1,292**	1,355	**1,194**	1,324
Central services	**180**	177	**172**	176
Rail Freight	**13**	16	**11**	15
Rosslare Europort	**80**	82	**73**	81
Total	**4,053**	4,198	**3,814**	4,129

4. Materials and Services

The deficit for the year before interest and State grants is arrived after charging the following under the materials and services heading	2012	2011
	€000	€000
Operating and other costs	**62,811**	71,936
Fuel and electric traction	**39,986**	28,448
Third party and employer's liability claims	**(5,731)**	1,940
Rates	**1,297**	1,902
Operating lease rentals	**3,257**	3,547
	101,620	107,773

5. Exceptional Operating Costs

	2012	2011
	€000	€000
Business Restructuring	**32,307**	3,083

6. Depreciation

	2012	2011
	€000	€000
Depreciation *(note 10)*	**171,169**	168,603
Amortisation of capital grants *(note 18)*	**(135,815)**	(135,437)
	35,354	33,166

7. Profit on the Disposal of Tangible Assets

	2012	2011
	€000	€000
Total profit/(loss) on disposal of tangible assets	**471**	(130)

8. Interest Peyable

	2012	2011
	€000	€000
On loan from holding company	**2,109**	2,158
On finance leases	**785**	1,001
	2,894	3,159
Interest apportioned:-		
Operational costs	**1,839**	1,964
Railway infrastructure costs	**990**	1,139
Commercial operations	**65**	56
	2,894	3,159

9. State Grants

The grants payable to the company through the holding company, Córas Iompair Éireann, are in accordance with the relevant EU regulations governing State aid to transport undertakings. Particulars of the State grants of €309.6 million received in 2012 are given in the following table, showing the relevant provision of EU regulations. A sum of €9.4 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	144,072		144,072
Expenditure related **Mainline rail**			
Normalisation of accounts			
- Class III (pensions)	16,335	0	16,335
- Class IV (level crossings)	2,934	0	2,934
Subtotal Mainline rail	19,269	0	19,269
Suburban services **Normalisation of accounts**			
- Class III (pensions)	2,822	0	2,822
- Class IV (level crossings)	255	0	255
Subtotal Suburban services	3,077	0	3,077
Subtotal Expenditure related	22,346	0	22,346
Total	166,418	0	166,418
Total Public Service Obligation *(note 2F)*			166,418
State grant for NDP			143,181
Total State grants received			309,599
The total funding received was applied as follows:			
Profit & loss account			
Public Service Obligation			166,418
Railway Safety Revenue Grant		14,710	
Credit against the renewals of railway lines and works		77,276	
Deferred income (note 18)		41,826	
Transferred to CIÉ		9,369	
State grant for NDP			143,181
Total			309,599

9. Exceptional Operating Costs (Continued)

	Grant Making Agency		
	Department of Transport, Tourism & Sport	National Transport Authority	Total
Capital Investment Programme	€7,265,160	€32,358,201	€39,623,361
Railway Safety Programme	€101,968,511		€101,968,511
Technical Assistance	€127,143		€127,143
Accessibility Programme	€1,461,761		€1,461,761
Total grants received	€110,822,575	€32,358,201	€143,180,776

10. Tangible Fixed Assets

	1st Jan 2012 €000	Reclassi-fications €000	Additions €000	Scrappings & Disposals €000	31st Dec 2012 €000
Cost					
Railway lines and works	1,871,783		80,784		1,952,567
Railway rolling stock	1,428,531	(27)	37,891	(1,004)	1,465,391
Road freight vehicles	2,908		0		2,908
Plant and machinery	1,045,378	27	26,238	(618)	1,071,025
Catering equipment	925		0		925
Docks, harbours and wharves	55,945		253		56,198
Land and buildings	2,922		335		3,257
Capital work in progress	0				0
Sub total	4,408,392	0	145,501	(1,622)	4,552,271
Funding Received for Railway lines and works	(1,262,065)	0	(77,276)	0	(1,339,341)
Total	3,146,327	0	68,225	(1,622)	3,212,930

10. Tangible Fixed Assets (Continued)

	1st Jan 2012	Reclassi-fications	Additions	Scrappings & Disposals	31st Dec 2012
	€000	€000	€000	€000	€000
Depreciation					
Railway lines and works	1,485,566		88,905		1,574,471
Railway rolling stock	609,307	(3)	97,849	(1,004)	706,149
Road freight vehicles	2,908		0		2,908
Plant and machinery	423,444	3	60,283	(617)	483,113
Catering equipment	925		0		925
Docks, harbours and wharves	18,844		1,287		20,131
Land and buildings	898		121		1,019
Sub total	2,541,892	0	248,445	(1,621)	2,788,716
Funding Received for Railway lines and works	(1,262,065)	0	(77,276)	0	(1,339,341)
Total	1,279,827	0	171,169	(1,621)	1,449,375

10. Tangible Fixed Assets (Continued)

	2012	2011
	€000	€000
Net book amounts		
Railway lines and works	**378,096**	386,217
Railway rolling stock	**759,242**	819,225
Road freight vehicles	**0**	0
Plant and machinery	**587,912**	621,933
Catering equipment	**0**	0
Docks, harbours and wharves	**36,067**	37,101
Land and buildings	**2,238**	2,024
Capital work in progress	**0**	0
Total	**1,763,555**	1,866,500

(a) Renewal expenditure and related grants were as follows	2012	2011
	€000	€000
Renewal expenditure	**77,276**	103,039
Funding received	**77,276**	103,039
State Grants	**77,276**	103,039

10. Tangible Fixed Assets (Continued)

(b) The expected useful lives of the various types of assets for depreciation purposes are as follows:	Lives (Years)
Railway lines and works	10-40
Railway rolling stock	4-20
Road freight vehicles	1-10
Plant and machinery	3-30
Docks, harbours and wharves	50
Catering equipment	5-10
Buildings	50

(c) Tangible assets include railway infrastructure assets as follows:	2012	2011
	€000	€000
Cost	1,326,780	1,215,929
Accumulated depreciation	(511,280)	(465,968)
Net book value	815,500	749,961

(d) Included in additions above are payments on account and for assets in the course of construction for the following:	2012	2011
	€000	€000
Railway rolling stock	13,853	112,183

(e) 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:	2012	2011
	€000	€000
Cost	89,038	93,341
Accumulated depreciation	(79,710)	(78,957)
Net book value	9,328	14,384
Depreciation for year	2,387	(3,175)

11. Financial Assets

	2012	2011
	€000	€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

12. Stocks

	2012	2011
	€000	€000
Rolling stock, spare parts and maintenance materials	**23,017**	22,725
Infrastructure stocks	**17,120**	15,604
Fuel, lubricants and other sundry stocks	**10,197**	11,612
	50,334	49,941

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

13. Debtors

	2012	2011
	€000	€000
Trade debtors	**10,829**	11,656
Amounts owed by holding and fellow subsidiary companies	**0**	22,774
Other debtors and accrued income	**10,480**	9,009
	21,309	43,439

14. Creditors (amounts falling due within one year)

	2012	2011
	€000	€000
Bank overdraft	**13,043**	410
Trade creditors	**91,099**	107,567
Finance lease obligations *(note 16)*	**4,644**	4,382
Income tax deducted under PAYE	**5,696**	3,601
Pay related social insurance	**1,997**	2,473
Universal social charge	**1,449**	1,201
Value added tax and other taxes	**2,638**	8,451
Amounts owed to holding and fellow subsidiary companies	**12,769**	0
Other creditors	**13,104**	12,124
Accruals	**2,126**	2,252
Restructuring provision *(note 17)*	**5,943**	6,525
Third party and employer's liability claims *(note 17)*	**2,905**	4,035
Deferred income *(note 18)*	**128,536**	135,527
	285,949	288,548
Creditors for taxation and social welfare included above	**11,780**	15,726

15. Creditors (amounts falling due after more than one year)

	2012	2011
	€000	€000
Finance lease obligations *(note 16)*	7,250	11,917
	7,250	11,917

16. Lease Obligations

(A) Finance leases	2012	2011
	€000	€000
Net obligations under finance leases fall due as follows:		
Within one year *(note 14)*	**4,644**	4,382
Between one and five years *(note 15)*	**7,250**	11,917
After five years	**0**	0
	7,250	11,917
	11,894	16,299

(B) Operating leases	2012	2011
	€000	€000
Commitments under non-cancellable operating leases payable expire as follows:		
Within one year	**2,205**	2,073
Between one and five years	**3,058**	4,454
	5,263	6,527

17. Provisions for Liabilities and Charges

	Restructuring Provision	Third Party and Employer's Liability Claims	Total
	€000	€000	€000
Balance at 1st January, 2012	6,525	60,305	66,830
Utilised during the year	(32,889)	(2,842)	(35,731)
Transfer from profit and loss account	32,307	(6,233)	26,074
Balance carried forward	5,943	51,230	57,173
Less amount classified as current liability *(note 14)*	(5,943)	(2,905)	(8,848)
Balance at 31st December, 2012	0	48,325	48,325

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.

(A) 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) Water damage where excess is €2,000,000

(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 2012 to March 2013, 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 the any individual self insured retention in that annual period will be €50,000.

(iv) Group Combined Liability Insurance, which does include Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2012 to March 2013, for 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 indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.

(vii) 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 €38,575,000 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.

(B) Third Party and employer Liability claims provisions and related recoveries

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

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

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

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

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

18. Deferred Income

This account, comprising non-repayable 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 2012	Received & Receivable	Amortised to Profit & Loss Account	31st Dec 2012
	€000	€000	€000	€000
Capital grants				
Land & buildings	1,142	104	(42)	1,204
Railway lines & works	364,877	10,132	(10,184)	364,825
Railway rolling stock	736,364	7,882	(74,774)	669,472
Plant & machinery	523,001	23,708	(50,505)	496,204
Docks harbours and wharves	12,387	0	(275)	12,112
Total capital grants	1,637,771	41,826	(135,780)	1,543,817
Other deferred income	980	0	(35)	945
Total	1,638,751	41,826	(135,815)	1,544,762

Shown as:	2012	2011
	€000	€000
Deferred income - amounts falling due within one year	**128,536**	135,527
Deferred income - amounts falling due after more than one year	**1,416,226**	1,503,224
	1,544,762	1,638,751

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

19. Share Capital

Authorised:	2012	2011
	€000	€000
Ordinary shares of €1.27 each	**194,270**	194,270
Allotted, called up and fully paid at start of Year	**194,270**	95,230
Shares Issued	**0**	99,040
Ordinary shares of €1.27 each at end of Year	**194,270**	194,270

20. Reconciliation of Movement in Equity Shareholders' Funds

	Called Up Share Capital	Profit and Loss Account	Total Equity Shareholders' Funds
	€000	€000	€000
Opening Balance	194,270	(94,017)	100,253
Deficit for Year		(22,472)	(22,472)
Closing equity shareholders' funds	194,270	(116,489)	77,781

21. Cash Flow Statement

(A) Reconciliation of deficit to net cash inflow from operating activities	2012	2011
	€000	€000
Deficit before State grants and servicing of finance and after and release of provisions etc.	**(200,706)**	(181,981)
State grants other than that applied to renewals	**181,128**	163,281
Deficit for the year before servicing of finance	**(19,578)**	(18,700)
(Profit)/Loss on disposal of tangible assets	**(471)**	130
Depreciation	**171,169**	168,603
Amortisation of capital grants	**(135,815)**	(135,437)
Increase in stocks	**(393)**	(8,960)
Increase in debtors	**(644)**	(482)
(Decrease)/Increase in creditors and provisions	**(25,144)**	167
Net cash (outflow)/inflow from operating activities	**(10,876)**	5,321

(B) Analysis of net debt	At 1st Jan 2012	Cash Flow	At 31st Dec. 2012
	€000	€000	€000
Cash in hand	313	0	313
Bank overdraft	(410)	(12,633)	(13,043)
Finance leases	(16,299)	4,405	(11,894)
Intergroup balance	22,774	(35,543)	(12,769)
	6,378	(43,771)	(39,393)

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

22. Pensions

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

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

The most recent actuarial valuations of the schemes for the provisions of FRS17 showed that at 31 December, 2012 there was a deficit of €491.9 million on the schemes.

The pension cost for the year on the defined benefit schemes was €22.3 million these costs are also included in note 3.

23. Capital Commitments

	2012	2012
	€000	€000
	Contracted for	Authorised by the directors but not contracted for
2012		
Within one year	23,170	107,633
From two to five years	2,837	85,571
	26,007	193,204
Of which funding amounts to:	23,459	58,574

	2011	2011
	€000	€000
2011		
Total capital commitments	29,393	252,081

24. 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.

25. Related Party Transactions

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

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

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

26. 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.

27. Approval of Financial Statements

The directors approved the financial statements on 23rd April 2013.