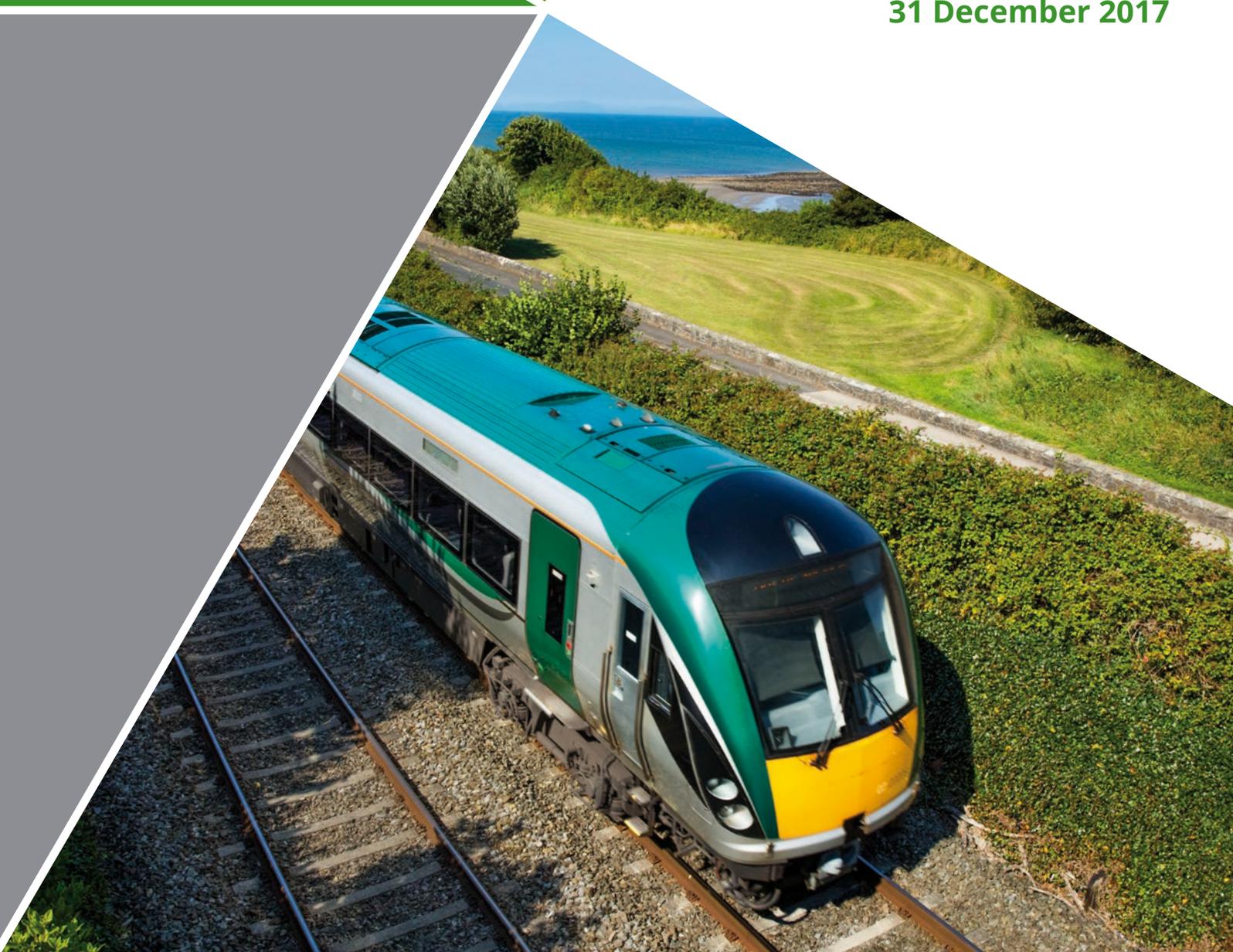




Iarnród Éireann Annual Report
Financial Year Ended
31 December 2017



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Financial and Operating Highlights

Revenue

€264.8m +8.3%

Rosslare Europort Revenue

€11.1m +5.3%

EBITDA

€25.1m -1.3%

MAC

€158.8m +26%

(includes funding for specific projects
– Ballast Cleaning, GSMR & ATP of €28.8m)

PSO

€114.8m +3.8%

(excludes heavy maintenance €32.2m)

Contribution to exchequer

€118.2m +2%

Deficit

(€1.1m) reduced 62.8%

Employees

3,803 -3

Journeys

45.5m +6.3%

Freight Tonne Km

100.4m -1%

EBITDA is defined as Earnings before Interest, Tax, Depreciation Amortisation and Exceptional Items

Chairman's Statement



The Board and Management of Iarnród Éireann are committed to achieving the highest standards of safety and customer service in responding to growing demand

Ireland's return to economic growth has brought with it the challenges of traffic congestion and how to achieve sustainable mobility for a growing population. Iarnród Éireann recognises its responsibility to offer a credible alternative to private transport for large numbers of passengers, particularly in urban areas. We also have responsibility to make it attractive to transport bulk goods by rail rather than on the road network and we need to ensure that Rosslare Europort provides an efficient and competitive service for shipping companies and their clients. The Board and Management of Iarnród Éireann are committed to achieving the highest standards of safety and customer service in responding to growing demand for our services. In 2017, we carried a record 45.5 million passengers and we look forward to continued growth in patronage over coming years.

The Government of Ireland's recently-published National Development Plan (NDP) 2018-2027 highlights the strategic importance of railways in catering for the mobility needs of a growing population in compact urban areas. The NDP will provide funding for increased capacity in terms of rolling stock and fixed infrastructure, including resignalling and improvements to junctions and stations. Iarnród Éireann will give immediate attention to the first phase of DART Expansion, where capacity constraints are now greatest. These infrastructure improvements will in turn provide fast, high-frequency electrified services to Drogheda on the Northern Line, Hazelhatch on the Kildare Line, Maynooth and M3 Parkway on the Maynooth/Sligo Line, while continuing to provide DART

services on the South-Eastern Line as far as Greystones. Funding will also be available for new stations to provide interchange with bus, Luas and the planned Metro. We also remain committed to the remaining element of the DART Expansion Programme, the DART Underground Tunnel, and the NDP ensures this routing will be established and protected to allow for its future delivery.

It is very welcome that the NDP also recognises the need to recover from a period of deferred maintenance during the economic recession. The consequence of continued under-investment in maintenance would be a loss in reliability and consistency of journey times, which in turn would make it difficult to keep people on public transport. This would be bad news for Iarnród Éireann but more importantly it would be very bad news for traffic congestion and for Ireland's ability to meet our sustainability obligations. NDP funding will allow us to catch up with deferred maintenance and invest in improved accessibility for mobility-impaired passengers.

As my tenure as Chairman of Iarnród Éireann begins I would like to acknowledge the tremendous contribution of my predecessor, Phil Gaffney, who retired in 2017, both as Chairman and previously as a member of the Board. Phil led the Board through the worst of our financial crisis and his stewardship ensured that in such an environment, safety and customer service continued to be delivered, while insolvency was averted. I would also



like to thank the former Chief Executive, David Franks who with his management team ensured a focus on safety, financial sustainability and customer service, and I wish him every success as he departs for a new role in Australia.

Over the coming years, I look forward to working with all stakeholders, particularly, the National Transport Authority, the Commission for Rail Regulation and the Department of Transport, Tourism and Sport to ensure that we continue to provide excellent service to our customers and expand our network to serve even more communities. I thank the Minister for Transport Tourism and Sport Shane Ross TD and his department officials, and the Chief Executive of the National Transport Authority Anne Graham and her team, for their ongoing commitment to supporting a strong and sustainable national rail service.

Finally, I want to thank my board colleagues and our team of approximately 3,800 employees who deliver our rail service and maintain our network. I look forward to working with them and our management team in partnership to ensure that Iarnród Éireann continues to expand and enhance our services to the customers and communities we serve.

Frank Allen
Chairman



Chief Executive's Report



The Government's recently announced National Development Plan will allow us to expand over the coming decade - however, we will face pressure on capacity in the shorter term

In 2017, a significant milestone was reached as passenger numbers returned to peak levels. A total of 45.5 million passenger journeys were made across the DART, Commuter and Intercity network, matching the Company's highest ever passenger numbers in 2007.

This represents growth of 6.3%, and can be attributed to improvements in the economy and increasing levels of employment and the growth of new services, such as the Phoenix Park Tunnel Cross City service, which is bringing new customers to the railway. Record numbers at major events such as the Bray Air Show, GAA matches and large outdoor concerts also increased passenger numbers.

This growth is welcome, but it also comes with capacity challenges. While the Government's recently announced National Development Plan will allow us to expand over the coming decade, we will face pressure on capacity in the shorter term.

Our financial situation has improved due to increased fare box revenue, the roll out of the Customer First programme and supplementary funding from the Department of Transport, Tourism and Sport. However, a loss of €1.1 million (2016 €2.9 million) was recorded, and underlines the need for continued prudent management of our finances.

Throughout 2018 we will continue to work as one team, and with our stakeholders, to ensure that we develop a rail service and system which is always safe and put the needs of our customers, communities and the wider economy at the heart of our business.

Our Safety

At Iarnród Éireann, the safety of passengers, members of the public using our network and our employees is of paramount importance. The Company has a strong safety record and this is acknowledged by the European Union Agency for Railways' review of safety performance, and the CRR Safety Performance Report. However, sustainable funding must be addressed to ensure we maintain and improve safety, and the commitments in this regard under the National Development Plan are very welcome.

Safety performance indicators in 2017 saw many improvements, including:

- The number of Signals Passed at Danger (SPADs) reduced from 13 to 9;
- There were 11 level crossings closed on operational lines during 2017, which reduced the risks of incidents on these lines;



- Third party incidents, predominantly slips, trips and falls in stations, showed a 6% percentage reduction on 2016;
- This is supported by the Platform Train Interface project, which will continue its work in 2018 to further reduce these incidents;
- Positive progress has been made with the Commissioner of Rail Regulation (CRR) in gaining approval to commence installing warning lights at a number of user worked level crossings;
- Work will continue into 2018 to finalise design and commence installation;
- The process of applying to the CRR for recertification of the Railway Undertaking and reauthorisation of the Infrastructure Manager in conformity with Directive 2004/49/EC and applicable national legislation, commenced during the year and will conclude in the first quarter of 2018.

Despite the consistent reductions in recent years, reportable Lost Time Accidents amongst employees showed an increase from 43 to 53. A working group was also set up to develop initiatives to reduce employee accidents.

Our focus remains on preventative measures with a series of initiatives launched during the year to measure and enhance safety culture, these include:

- Participation in the PRIME European culture project, with a further culture survey of employees planned for 2018;
- Training in human factors, route information booklets, and possession maps.

Our Finances

The overall result of the year is a deficit of €1.1 million compared to a deficit of €2.9 million in 2016. The result is favourable to budget primarily due to continued strong passenger revenues. Revenue has also increased year on year in Rosslare, Property and Advertising, and in third party income.

The economic recovery has continued to increase service demand resulting in increased passenger journeys and continued growth in passenger revenue. Passenger journeys have returned to peak levels last experienced in 2007.

Passenger revenue of €204.9 million in 2017 surpassed the previously highest recorded passenger revenue of €193.7 million in 2016. Changes to travel zones and fares along with strike days had a negative impact on passenger revenue of circa €2.4m. This has been recovered through continued higher service demand driven from continued marketing activities. Overall revenue from operations at €264.8 million is favourable to prior year by €20.3 million. The Rail Freight business saw a reduction in revenue due primarily to lower volumes and the impact of industrial action.

The Department of Transport, Tourism and Sport provided additional Multi-Annual Contract funding of €32.8 million in 2017, funding ballast cleaning, Automatic Train Protection (ATP) and Global System for Mobile Communications-Railway (GSMR) project. The National Transport Authority allocated €32.2 million of Public Service Obligation funding to be used for the maintenance of rolling stock. Whilst the additional funding is welcome it does not meet the annual funding gap identified in the 2016 Rail Review. This must be addressed to ensure safety and service standards are maintained.

Solvency remains a serious issue for the company and the balance sheet cannot sustain any unexpected financial shocks.

Payroll

A new pay deal was recommended by the Labour Court in November 2017. The company and unions accepted the recommendation which came into effect on 1st December 2017. The additional payroll costs for 2017 were €2.1 million. This includes the cost of goodwill vouchers provided to staff as part of the Labour Court recommendation.

Consultancy Costs

In line with the 2016 Code of Practice for Governance of State Bodies, consultancy costs incurred in 2017 by the company included in Operating and other costs (see Note 6) are set out in the table below.

	2017 €'000
Strategy and Organisation Design	386
Maintenance and Renewals	288
Passenger Systems	222
Operational and Other	131
Gross Consultancy costs	1,027
Capitalised costs	(438)
Net Consultancy costs	589

Chief Executive's Report (continued)

Our Customer

In 2017, once again we achieved and exceeded our public service obligation targets on all routes, with most routes exceeding 95% punctuality.

The company's commercial activity continued to generate growth in key market segments;

- Marketing campaign activity and new revenue management capabilities resulted in a 16% increase in online revenue to €38.8 million;
- TaxSaver revenue increased by 10% to €36.1 million with another record number of companies registered with our business sales team, which also grew usage within existing participating companies;
- Student promotional activity yielded a sixth consecutive year of growth at 9% delivering €15.9 million.

Iarnród Éireann's independent Customer Satisfaction monitor maintained the 2016 overall satisfaction level at 95%, a record high.

Phase 1 of the Customer First programme successfully deployed in April 2017 which through technology initiatives is transforming the way Iarnród Éireann interacts with and transacts with its customers. The new capabilities deployed include Online sales, Customer Relationship Management (CRM) and Revenue Management, which will continue to yield benefit to customers throughout 2018. The Customer First programme will conclude in mid-2018 with the roll out of new booking office machines and on-board customer service ticket machines.

Phoenix Park Tunnel Services

The Phoenix Park Tunnel reopened for cross city services in November, 2016. Throughout 2017, we saw passenger numbers grow with 700,000 passenger journeys on this route last year. Research undertaken showed that half of those travelling were new to rail as a transport mode and one-third were new to public transport. The introduction of fifteen peak time services into an already congested network was not without its challenges. However, changes to the timetable that were introduced on 10th December has improved punctuality through the city centre. It is our objective to begin providing off-peak services via the Tunnel as soon as possible.

Freight

In 2017 the Company's key rail freight traffics included:

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

Rail freight revenue, including Navigator Freight Forwarding, was €8.0m for 2017, with total tonne kilometres of 100.4 million. The Rail Freight business saw a reduction in revenue due primarily in the bulk market with lower production volumes at Tara Mines and the impact of strike days on services in the year. Unit load Rail Freight and Navigator Freight Forwarding increased in 2017 with extra freight rail services from Ballina to Dublin Port, and increases in the volume of car parts delivered by road within the automotive market in Ireland.

Iarnród Éireann Freight successfully completed the trial of the longest ever freight train during 2016 from a current 36 TEU to a 54 TEU which ran from Dublin to Ballina. Further work is ongoing in this area with longer freight trains commencing during 2017 which will strengthen the commercial competitiveness of rail freight.

Rosslare Europort

Iarnród Éireann is the port authority at Rosslare Europort, the second busiest seaport in the State in terms of ship movements, tourist traffic and unitised freight. 2017 operating revenue for Rosslare Europort was €10.6 million in line with 2016. Overall the Port's 2017 Tourist and Freight traffic volumes remained static with 2016 despite increasing competition from Dublin and Cork Ports. Income from advertising and a one off court award provided additional €0.5 million in revenue. A new customer – Neptune Lines introduced a weekly service in 2017 between Santander, Le Havre, Southampton and Rosslare Europort.

Our Network

Sources of income for the Infrastructure Manager business for 2017 include; Multi-Annual Contract (MAC) funding and track access charges from all Railway Undertakings that operate on our network, which includes freight and passenger. Total funding for 2017 amounted to €248.9 million and all requirements and outputs were met. The initial benefits of the third year of ballast cleaning were seen with journey time reductions on the Cork and Limerick services being realised in the new timetable which came into effect on the 10th December 2017.

Major Projects which were Progressed During the Year Included:

Ballast Cleaning

The Ballast Cleaning project, which commenced in 2015 is progressing well. In 2017, 24 miles of track formation was renewed, with a total of 70 miles of track have now been completed. This project will continue in 2018 and is contributing to improved journey times between Heuston and Cork, Limerick and Kerry.

Rail Milling

The Rail Milling contract, which is a major step forward in the risk reduction programme for the track asset and delivers significant benefits through the optimisation of the life cycle of rails marked its first full year of operation in 2017 with 210 miles of rail treated for defects.

Limerick Station Upgrade

- Signalling – replacement of an almost 100 year old relay system with state of the art Solid State Interlocking (SSI); which is a modern signalling control system and removal of a signal cabin.
- Platform renewal, lengthening and friction buffer installation.

Opening of Kent Station Second Entrance

The project involved the provision of a new underground entrance to Kent Station in Cork, which features lifts and staircase and the building of a new road access from Horgan's Quay. The development facilitates greater access to Cork City via Horgan's Quay and also provides for greater interchange with other transport modes. Improved car parking facilities have also been provided. This new entrance also provides for future development at Horgan's Quay.

Our People

In Iarnród Éireann, our people play an integral role in realising our vision of 'Building a better future together by improving our services and growing our businesses. Every day, approximately 3,800 colleagues operating as one team, deliver a quality service to delight our Customers and attract new Customers to our network. We continue to invest in our people in a number of important ways. These include extensive training and development opportunities, support and equality programmes, family friendly policies and extensive engagement and recognition programmes.

Leadership Development Programme

Our Leadership Development programme continues to build momentum, and following a very successful 2017, will now be extended to a wider group of participants during 2018. This important programme will ensure that the Iarnród Éireann team enjoy the professional development required to ensure we continue to build on our success of providing transport services that continually meet our customers' requirements and help drive Ireland's economic development.

Succession Planning and Talent Management

This important area has developed considerably throughout 2017 with the establishment of a Talent Management Centre. The Talent Management Centre will provide support for colleagues who are interested in further developing their careers and use the latest techniques and practices in ensuring we have robust Succession Planning practices in place.

We have also extended our High Potential Programme in 2017 and we will introduce further High Potential Programmes throughout 2018. These programmes are critical in relation to our Talent Management and Succession Planning Strategy.

Apprentice Programme and Customer Service

As part of our continued development of our Apprentice Programme, Iarnród Éireann welcomed another 10 apprentices in 2017. We also officially opened our Apprentice Training Centre in 2017 which will provide our apprentices with the latest equipment available to develop their skills.

Once again in line with Customer growth, we increased to 40 the number of temporary summer staff to provide frontline assistance and service delivery to our customers over the busy summer months.

Industrial Relations

In 2017, the industrial relations environment continued to be challenging, characterised by a two day strike in November, in pursuit of a pay claim submitted by the Trade Unions. This was ultimately resolved through the intervention by the Workplace Relations Commission (WRC) and the Labour Court. A recommendation was issued which outlined pay increases for 2017, 2018 and 2019, and also included efficiency measures to be implemented/agreed during the course of 2018. Discussions around these efficiencies are ongoing with the support of the WRC.

Chief Executive's Report (continued)

Our Environment

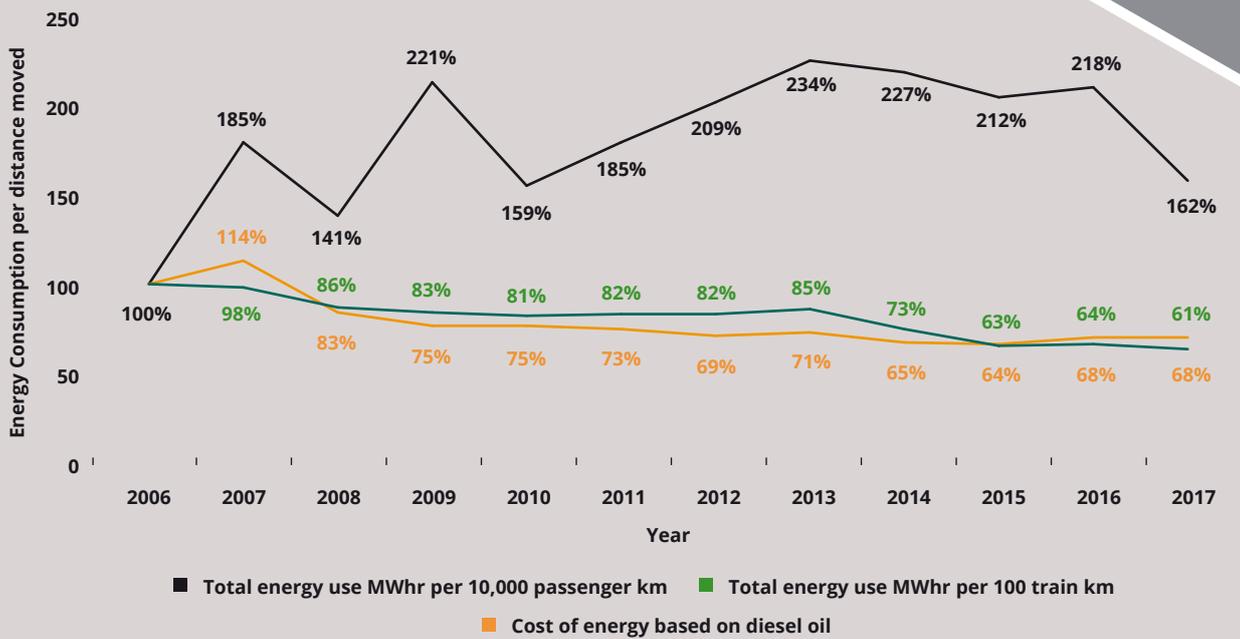
The Energy consumption profile of Iarnród Éireann (MH) is shown below: (all figures rounded to '00)

Year	Y 2006	Y 2010	2015	2016	2017	Notes
Total Energy use MWhr per 10,000 Passenger km	100%	81%	63%	64%	61%	
Total Energy use MWhr per 100 Train km	100%	75%	64%	68%	68%	
Cost of Energy based on Diesel Oil	100%	159%	101%	104%	78%	
Diesel oil for traction	670,300	465,900	409,700	429,000	438,000	Note 1
Electricity for traction	35,400	26,700	20,519	24,458	25,240	Note 2
Road Fuel	13,400	16,600	15,700	15,700	15,527	Note 3
Electricity other	31,000	39,000	36,800	36,889	38,124	Note 4
Gas for heating	18,500	16,300	8,000	8,700	8,600	Note 5
Total Energy use MWhr	768,600	564,500	490,719	514,747	526,092	Note 6
	100%	73.4%	63.8%	67.0%	68.4%	
Passenger M km	1,872	1,678	1,917	1,990	2,121	Note 7
	100%	90%	121%	126%	134%	
Total Energy use MWhr per 10,000 Passenger km	4.03	3.27	2.56	2.59	2.48	Note 7
	100%	81%	63%	64%	64%	
Train M km	18.2	17.7	18.4	18.4	18.7	Note 8
	100%	97%	101%	101%	102%	
Total Energy use MWhr per 100 Train km	4.14	3.10	2.67	2.80	2.81	Note 8
	100%	75%	64%	68%	68%	
Number of Electricity Accounts (MPRN)	390	571	602	614	616	Note 4
	100%	146%	102%	104%	104%	
Cost of Energy based on Diesel Oil	0.34	0.54	0.72	0.74	0.55	Note 9
	48%	76%	101%	104%	78%	

In general terms, we are seeing increases in traction consumption (diesel and DART), as a result of increased services provided.

Increases in train length show up as reducing efficiency measured in "Energy use MWh per 100 Train km" as trains run the same distance but use more fuel. Extra services are neutral and have no effect on this efficiency measurement.

Increases in passenger journeys show up as efficiency improvements measured as "Energy use MWh per 10,000 passenger km"; we can clearly see the negative impact in 2016 of the longer trains being offset by the increase in passenger numbers, giving an overall increase in efficiency per passenger km in 2017.



The decrease in fuel costs showing up in 2017, is a result of completing a period of a “hedged price” regime which pre-dates the fall in diesel prices.

Note 1

Total passenger kilometres across all services rose by 6.6% on the 2016 figure; passenger kilometres for diesel services rose by 6.7%, freight services were unchanged.

Diesel consumption rose by 2.3% while train km also rose by 1.9%.

Two additional MkV trainsets were re-introduced to the fleet on the Dublin-Cork line to free up Intercity Railcars for the Kildare-Grand Canal Dock route; increasing from 3 services daily each way to 12 services daily each way. Also, one additional intercity service was introduced on Fridays to supplement peak loadings.

The Belmond Hibernian luxury train tours completed its first full season which required two locomotives, one for service and one on standby which led to an increase in diesel consumption.

Locomotive power is also provided for infrastructure works and in 2017, major track works on the Dublin-Cork line increased the consumption of diesel.

Note 2

Passenger kilometres on the DART rose by a further 5.7% in 2017 which required full-length trains to be put back into service. Train configuration changes on the DART service were significant with virtually all 4-car services eliminated. The 116 units currently in daily service are now split across 6-car and 8 car services, leading to a 3.2% increase in Traction electricity consumption in 2017.

Note 3

Road fuel usage has shown a slight decrease of 1.1%.

Note 4

The number of supply (metering) points increased slightly from 614 to 616.

There are continuing programmes to reduce consumption of heating and lighting and other services but the savings are overshadowed by increases in consumption due to increasing automation – ticket vending, automatic barriers, automatic level crossings; and increased activity.

Note 5

Gas usage has shown a minor decrease of 1% on 2016. The overall reduction against baseline is 53%.

Note 6

The overall use of energy has increased by 2.3%; this is split 84% traction diesel, 7% traction electricity, 10% other electricity with minor changes to gas and road diesel.

Note 7

There was an increase in passenger kilometres of 6.6% compared to an increase in overall energy use of 2.3%. This led to an improvement in efficiency, with specific consumption reducing from 64% to 62% of the baseline.

Note 8

There was an increase in train kilometres of 1.9% compared to an increase in overall energy use of 2.3%, leading to a minor decrease in efficiency of 0.2%. It should be noted that this makes provision for additional spare capacity within the current fleet configuration.

Note 9

The cost of energy increased for gas and electricity but decreased for diesel. Diesel purchases are hedged forward so the prices reflect the hedged price, not the “Prompt price”.

Chief Executive's Report (continued)

Actions Undertaken in 2017 and Planned for 2018

In 2017 Iarnród Éireann continued its work on several levels:

- Diesel fuel for traction;
 - Completed a full site test (Cork Depot) to verify the efficacy of a product (Environ) to reduce fuel consumption (and keeps DP filters clean) in diesel reciprocating engines. The 2600 fleet (Cork commuter) is fuelled exclusively from Cork depot, and the data analysis is indicating potential savings in the region of 6 – 9%. IÉ is moving forward to complete the contract and set-up;
 - Locomotive engine – Replacement;
 - ◆ A project to replace the 20 year old 2-stroke engines with smaller modern efficient engines, with automatic shutdown provided as standard is underway;
 - ◆ Tender return is due April 2018, with contract award in Q4 2018;
 - ◆ Budget constraints could prevent this project from proceeding;
 - Diesel multiple unit gearbox (Intercity Railcars) – Replacement;
 - ◆ A feasibility study was completed and this project could generate savings of 15% on these fleets. This trial also facilitates conversion to a hybrid vehicle in the near future. Fit-out of a 3 x carriage train for trial is due towards the end of 2018;
 - ◆ Budget constraints could prevent this project from proceeding;
- The 2700 DMU fleet is planned for re-introduction in 2020 to meet growing customer demand;
 - ◆ The replacement of the traction package with a modern fuel efficient system is included within the tender as an option;
 - ◆ The tender process has commenced;
- The 8200 DART fleet is being considered for potential re-introduction to meet growing customer demand. Feasibility study underway;
- Locomotive fuel management;
 - ◆ A remote monitoring and reporting system was fitted to the 201 Locomotive fleet in 2017 which monitors fuel usage, location and distance. The 071 Locomotive fleet will be fitted out in 2018;
- Mileage-based maintenance has been introduced on the Intercity Railcar fleet in December 2017. This will have the impact of reducing maintenance downtime on the fleet by 15% and as a consequence probably increasing operational time and mileage in service strengthening.
- Electricity for traction;
 - This situation is unchanged from 2016;
 - ◆ Further modifications of the Traction Control Software have been deferred until the “10 minute DART” service is implemented and stable. Modifications to Maximum Import Capacity (MIC) have also been deferred; we will probably have to increase the MICs to account for bigger peak loads;
- Building energy consumption;
 - ◆ Ongoing replacement of old lighting with newer energy efficient lighting under a continuous maintenance/renewal programme.

Our Community

Iarnród Éireann and our services are integral to communities, right around the country. As a good corporate citizen we continue to support a wide range of initiatives that benefit our customers and the wider community these include:

- Support of Seechange Ireland's Green Ribbon campaign during the month of May, which aims to reduce the stigma around mental health and promote positive mental health and well-being;
- We have an ongoing partnership with the Samaritans and it is our intention to grow this further in 2018 as sadly the instances of self-harm on the railway are on an upward trend;
- Once again in 2017 over 100 colleagues participated in the Cycle Against Suicide;
- 2017 was the last year of the Journal Journeys, over the last five years, almost 75,000 members of voluntary, sporting and charity groups have benefitted from a free journey with Iarnród Éireann. Given our current capacity challenges, the decision was taken to end this initiative, but more voluntary partnerships are planned for 2018.

Jim Meade
Chief Executive

Directors and Other Information

Directors

Mr F. Allen (*Chairman*)
Ms C. Griffiths
Ms V Little
Mr M. McGreevy
Mr J. Moloney
Dr P. Mulholland
Mr T. Wynne

Chief Executive

Mr J. Meade

Secretary

Ms G. Finucane

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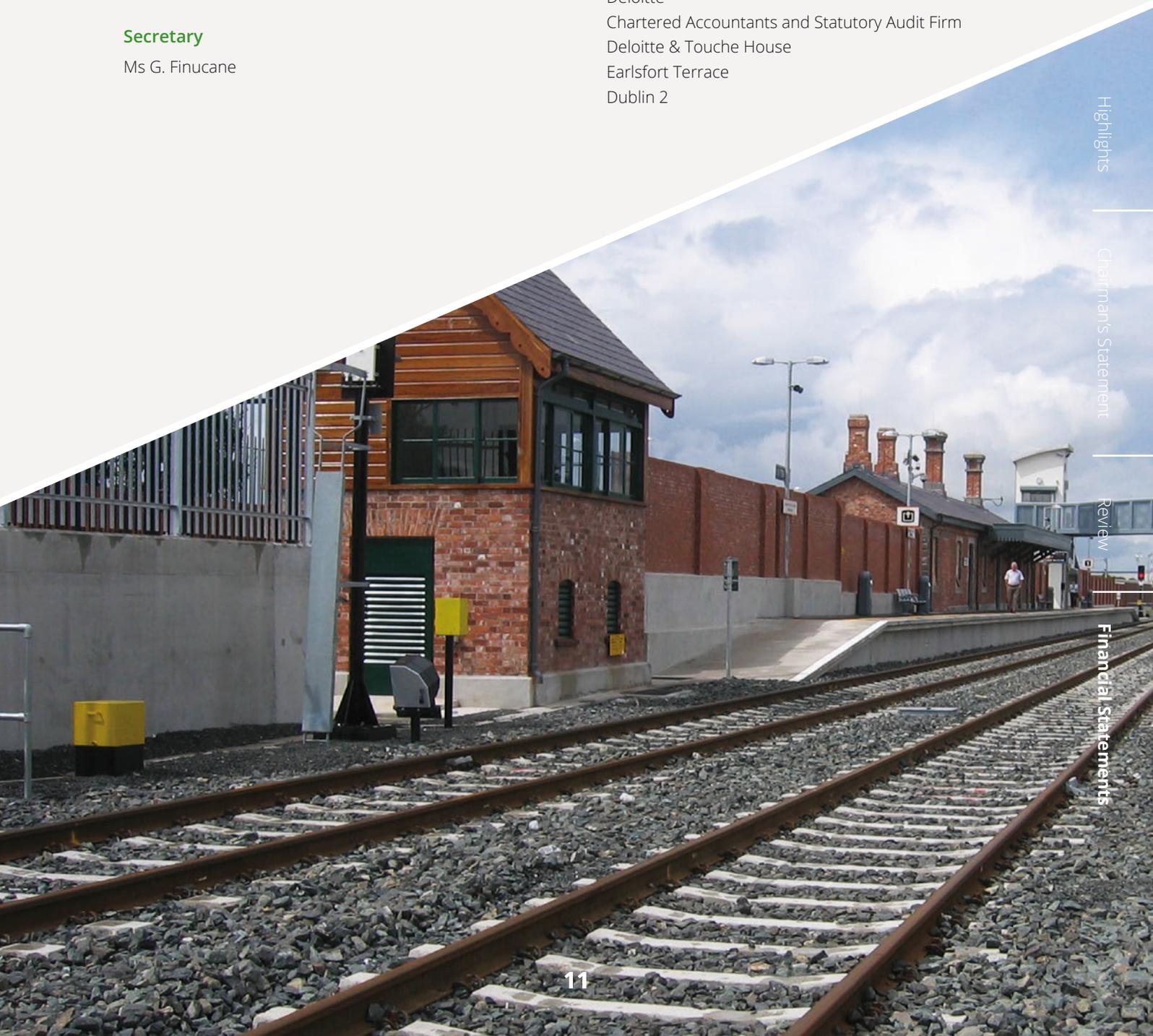
Facsimile: +353 1 836 4760

Website: www.irishrail.ie

Registered Number: 119571

Auditors

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



Board of Directors



Frank Allen

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



Carolyn Griffiths

Carolyn Griffiths is a Fellow of both the Royal Academy of Engineers and the Institution of Mechanical Engineers. She is President of the Institution and a Trustee of the Institution and also Engineering Council. She has extensive experience of the railway industry having worked in various sectors in the UK, Singapore, Germany and Sweden. Her two most recent positions were Senior Vice President of a multinational company and the founding Chief Inspector of the Rail Accident Investigation Branch in the UK. She was awarded an Honorary Doctorate by Cranfield University in 2013 for her achievements in and contributions to the rail industry.



Valerie Little

Valerie Little retired from ESB having held a number of senior management positions including Human Resource Manager for major Business Units, Head of Internal Audit and Head of Group Treasury. Valerie holds MSc in Management Practice and is a qualified accountant. She has served as a trustee of a large pension fund and served on a number of audit committees.



Mal McGreevy

Mal McGreevy, joined the Board in 2015 after retiring from the position of General Manager, Rail Services, Translink, Northern Ireland Transport Holding Company, has extensive experience in the transport sector. A Mechanical Engineer by profession, Mal has held senior positions in both bus and rail companies since joining Ulster Bus in 1988, culminating in his appointment as General Manager – Rail Services in 2004.



John Moloney

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



Dr Peter Mulholland

Peter Mulholland has over thirty years' experience in Human Resources (HR) covering both the private and public sectors. He retired last year from RTE as Group Head of HR after twelve years, having previously held positions in the hotel, insurance and banking sectors and with the Institute of Public Administration. Peter holds a PhD from Trinity College and is a Chartered Fellow of the Chartered Institute of Personnel and Development (CIPD). He was also a former National Chairman and National Treasurer of the CIPD in Ireland and a Fellow of the Irish Institute of Training and Development. He is also a member of the British Psychological Society and is qualified in psychometric profiling. He is a former member of the Dublin Regional Committee of IBEC and the IBEC Foresight HR Committee. He is a qualified Executive and business/personal coach.



Tommy Wynne

Tommy Wynne was appointed to the CIÉ Board in December 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001 and to the Iarnród Éireann board at the same time. Tommy joined Iarnród Éireann as a depot man in 1991 and became a train driver in 1994. He is currently the Chairman of the Transport Sector and Utilities and Construction Division of SIPTU.

Directors' Report

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

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

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

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify the standards in question, and note the effect and the reasons for any material departures from those standards;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

Companies Act 2014 and enable the financial statements to be audited. 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.

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

Going Concern

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

Principal Activities and Financial Review

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

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 saving initiatives which has successfully reduced the cost base and improved the quality and efficiency of its services for all customers. The 2017 results show the revenue generated from operations increased by €20.2m over 2016. The amount of the Public Service Obligation ("PSO") subvention received in 2017 was €147m which is up €13.9m on 2016. The increase includes heavy maintenance funding of €32.2m (2016 €22.4m). Other exchequer funding for safety and maintenance reduced by €16.6m from 2016.

The operating costs, before exceptional operating costs, increased by €8.1m over the 2016 level due to the increase in maintenance activities.

The Company recorded a surplus of €1.3m, before an exceptional charge of €2.4m for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €1.1m compared to €2.9m in 2016.

The directors are pleased to report that the targets agreed annually between the Company and the National Transport Authority (“NTA”) were met in full for the year ended 31st December 2017.

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

Principal Risks and Uncertainties

The Company is committed to managing risk in a systematic and disciplined manner. Through the risk management framework, the principal risks facing the Company are identified and action plans to mitigate the risks are developed. The principal risks together with the risk mitigation are presented to the board on a quarterly basis. An external audit of the risk management system and processes is carried out on an annual basis.

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include liquidity risk, price risk and credit risk. The CIÉ Group, of which the Company is a member, has financial risk management processes and procedures in place to manage these financial exposures of the Company and other CIÉ Group financial risks.

In order to ensure stability of cash outflows and manage financial risk, CIÉ, the parent entity, uses derivative financial instruments in accordance with the specification to the Financial Transactions of Certain Companies Act 1992 which authorises CIÉ's use of financial instruments including commodity swap contracts.

The CIÉ Group's Treasury Policy, which documents the CIÉ Group's policies with regard to financial risk management, is approved by CIÉ Board and implemented by the CIÉ Group Treasury department.

Price Risk

The Company is exposed to commodity price risk as a result of its operations, in particular the price of oil. CIÉ enters in to commodity swap contracts to mitigate the CIÉ Group's exposure to oil price movements. The Company is not a party to these contracts.

Foreign Exchange Risk

The CIÉ Group, and the Company, are exposed to foreign exchange risk in the normal course of business, in particular purchases and sales denominated in sterling and US dollars. The CIÉ Group uses a combination of intra group netting of cash flows, which are denominated in foreign currencies, and forward exchange contracts to mitigate the CIÉ Group and the Company's exposure to exchange rate movements. CIÉ enters in to foreign currency forward contracts to mitigate the risk that exists when material financial transactions are denominated in a currency other than Euros. The Company is not a party to these contracts.

Liquidity Risk

The CIÉ Group, actively maintains a mix of long-term and short-term debt finance that is designed to ensure the Group, including the Company, has sufficient available funds for day-to-day operations.

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 seven times each year, has a schedule of matters reserved for its approval.

Senior Management Team

The Senior Management Team of the company is responsible for the day to day management of the company's activities as delegated by the Board. The Senior Management Team are governed by an organisation structure designed to suit the needs of the organisation in areas including; Railway Undertaking, Infrastructure Manager Finance, Commercial, Risk Management, Human Resources, Information Technology, and Corporate Communications. The senior management team are also responsible for co-ordinating the activities from a reporting and governance perspective in relation to the company.

Directors' Report (continued)

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 Group policies and procedures implemented by the Company following publication of the Code of Practice for the Governance of State Bodies (2016) are set out in the annual report of the Córas Iompair Éireann Group. This can be found on the CIÉ website at www.CIE.ie.

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.

Statement on Internal Control

Scope of Responsibility

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

Purpose of the System of Internal Control

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

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

IÉ has an Audit and Risk Committee (ARC), the Charter and Terms of Reference of the ARC provides for three Board members to be appointed to the committee, one of whom is the Chair. The ARC met 4 times in 2017.

CIÉ has an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC.

The board has an Infrastructure Advisory Group to monitor infrastructure renewal, project manage large infrastructure, signalling, electrical and telecoms projects and performance. The Train Advisory Group assists the board in matters relating to customer experience and perception, commercial strategies, train engineering, regulatory changes and business risks. The Board Safety Committee advises the Board on matters of safety across the business.

Capacity to Handle Risk

IÉ has put in place a Risk Management Framework which provides for all resources, governance and assurance systems necessary to ensure that all risks with the potential to affect the company achieving its objectives are identified, managed, and reported in accordance with the company's risk appetite. This Framework has been approved by the IÉ Executive Management Team and the IÉ Board.

Risk and Control Framework

The approved Framework sets out IÉ's objectives, risk appetite, and criteria for the evaluation of risks, which have been established by the Executive. IÉ's risk appetite is expressed as a graduated management and reporting policy for different types of risks.

Responsibility for the identification of risk lies with the individual members of the Executive relying upon the resources of their respective departments. Each member of the Executive is responsible for ensuring that risk identification is fully incorporated into the day to day activities of those working within their areas of responsibility, to the extent that all risks originating within, or impacting upon, these areas are identified. A single individual is then assigned as Risk Owner for each identified risk. It is this individual who is responsible for the further analysis, evaluation, treatment, and reporting of the risk in question, in accordance with the Framework.

For the purpose of recording the day to day activities undertaken as part of this process IÉ have put in place a Risk Management Information System. This software system has been designed in line with the principles set out in ISO 31000, with the effect that Risk Owners, and other actors, are required to adopt a consistent, robust approach at every stage of the risk management process.

Ongoing Monitoring and Review

The members of the Executive are responsible for using the Risk Management Information System to monitor and review the performance of the entire risk management process on a day to day basis.

To coordinate the risk management process, to manage areas of overlapping responsibility, and to ensure that the Principal Risks facing the company have been identified, the IÉ Chief Executive includes a review of risk management at each monthly meeting of the Executive. A list of the Principal Risks facing IÉ, which includes all risks that could threaten the company's business model, future performance, solvency or liquidity, is agreed and peer reviewed at each monthly meeting.

On a quarterly basis the IÉ Chief Risk Officer furnishes the IÉ Audit and Risk Committee and IÉ Board with a report setting out all information necessary to establish clearly the nature and extent of these Principal Risks, the likelihood of their materialising, and the extent to which they are to be managed or mitigated. Principal Risks are also reported to the relevant IÉ Board Advisory Group in the form of individual Risk Details Reports, which set out all information recorded on the Risk Management Information System relevant to the risk in question.

To provide further assurance that all foreseeable risks with the potential to affect IÉ achieving its objectives are identified and managed, and that the IÉ Board are adequately appraised of the Principal Risks facing the company, on an annual basis IÉ engage the services of a Risk Assurance Body to undertake a review of the company's risk management processes. This body is required to undertake an assessment of the adequacy and effectiveness of the processes by which risks are identified, prioritised, managed and reported. The findings of this assessment are documented in a report which is submitted to the IÉ Audit and Risk Committee and IÉ Board.

Procurement

It is company policy to adhere to public procurement legislation. The company had no reportable non-compliance with the exception of one item in relation to the procurement of an interim chief engineer with specific signalling, electrical and telecommunication expertise to the value of €132,000.

Review of Effectiveness

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

IÉ was found to be compliant with the Code.

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

IÉ confirms that the Board conducted an annual review of the effectiveness of the internal controls for 2017.

Internal Control Issues

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

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.

Directors' Report (continued)

Accounting Records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and the employment of suitably qualified personnel. The accounting records are kept at the Company's head office at Connolly Station, Amiens Street, Dublin 1.

Events since the end of the Financial Year

The directors have evaluated events since the end of the financial year and concluded that no events occurred that would require recognition or disclosure in the Company financial statements.

Health and Safety

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

Railway Safety Act 2005

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

Late Payment in Commercial Transactions Regulations 2013

The directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Amendment Regulations 2013. Procedures have been implemented to identify the dates upon which all invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the regulations. During 2017 a total of €36,000 (2016:€42,000) was paid to third party suppliers under the regulations.

Directors

The directors of the Company are appointed by the Minister for Transport, Tourism and Sport. The names of persons who were directors during the year ended 31 December 2017 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Phil Gaffney	<i>(Retired as Chairman on 8th July 2017)</i>
Frank Allen	<i>(Appointed Chairman on 6th December 2017)</i>
Carolyn Griffiths	
Valerie Little	<i>(Appointed on 22nd September 2017)</i>
Mal McGreevy	
John Moloney	<i>(Re-appointed 1st December 2017)</i>
Dr Peter Mulholland	<i>(Appointed 12th June 2017)</i>
Thomas Wynne	<i>(Re-appointed 1st December 2017)</i>

Listed Below is the board director's attendance at board meetings during 2017:

	Attendance
Phil Gaffney	6/6
Frank Allen	10/11
Carolyn Griffiths	8/11
Valerie Little	3/4
Mal McGreevy	11/11
John Moloney	7/11
Peter Mulholland	5/6
Tommy Wynne	11/11

None of the directors or secretary held any interest or any shares or debentures of the Company, its Holding Company or its fellow subsidiaries at any time during the year. There were no material contracts or arrangements entered into during the year in which a director was interested in relation to the Company's business.

Iarnród Éireann Advisory Groups

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

Board Safety Committee ('BSC')

The Iarnród Éireann board BSC was established to advise the Iarnród Éireann board and executive on issues relating to safety of passengers, worker, contractors, neighbours and the public more generally. The Group comprise of:

		Attendance
Mr Cliff Perry	<i>Independent Advisor</i>	2/2
Ms Carolyn Griffiths	<i>Iarnród Éireann Director</i>	5/5
Mr Mal McGreevy	<i>Iarnród Éireann Director</i>	5/5
Mr Tommy Wynne	<i>Worker Director</i>	3/5

Audit and Risk Committee ('ARC')

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

		Attendance
Mr Frank Allen	<i>Iarnród Éireann Chairman</i>	4/4
Ms Carolyn Griffiths	<i>Iarnród Éireann Director</i>	4/4
Mr Mal McGreevy	<i>Iarnród Éireann Director</i>	4/4
Ms Valerie Little	<i>Iarnród Éireann Director</i>	2/2

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. The Group comprise of:

		Attendance
Mr Bob Clarke	<i>Independent Advisor (Chair)</i>	1/1
Mr David Wilkinson	<i>Independent Advisor</i>	5/5
Mr Mike Sowden	<i>Independent Advisor</i>	4/4

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. The Group comprise of:

		Attendance
Mr Cliff Perry	<i>Independent Advisor</i>	1/2
Mr Mal McGreevy	<i>Iarnród Éireann Director</i>	3/3

Organisation Development Steering Group ('ODSG')

The ODSG was established in 2016 to guide and report the board on progress with the Organisation Development project which seeks to better map staff profiles and numbers with the changing business requirement. The Group comprise of:

		Attendance
Mr Mal McGreevy	<i>Iarnród Éireann Director</i>	5/5
Mr Stephen Watson	<i>Independent Advisor</i>	3/5
Mr Tommy Wynne	<i>Worker Director</i>	3/5
Mr Peter Mulholland	<i>Iarnród Éireann Director</i>	1/1

Directors' Report (continued)

Directors Compliance Statement

As required by Section 225 of the Companies Act 2014, the directors acknowledge that the directors are responsible for securing the company's compliance with its relevant obligations; and

The directors confirm that the directors completed the following three procedures in order to comply with the directors' obligations during the financial year:

- (a) the drawing up of a "compliance policy statement" setting out the company's policies that, in the directors' opinion, are appropriate to the company, and respecting compliance by the company with its relevant obligations;
- (b) the putting in place of appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the company's relevant obligations; and
- (c) the conducting of a review, during the financial year of any arrangements or structures that have been put in place.

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 Constitution provides that the appointment and removal of the Company Secretary is a matter for the directors.

Disclosure of Information to Auditors

In the case of each of the persons who are directors at the time the directors' report and financial statements are approved: So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all steps that ought to have been taken by the director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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

On behalf of the board

Mr Frank Allen

Chairman

Ms Valerie Little

Director

Date: 4th April 2018

Independent Auditor's Report

to the Members of Iarnród Éireann

Report on the Audit of the Financial Statements

Opinion on the Financial Statements of Iarnród Éireann (the 'Company')

In our opinion the financial statements:

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

The financial statements we have audited comprise:

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

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

Basis for Opinion

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

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

Conclusions Relating to Going Concern

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

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

Other Information

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

Independent Auditor's Report (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on Other Matters Prescribed by the Companies Act 2014

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

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

Matters on which we are Required to Report by Exception

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

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

Ciarán O'Brien

For and on behalf of Deloitte

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

Date: 4th April 2018

Profit and Loss Account

For the Financial Year Ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Revenue from operations		264,763	244,522
Receipts from Public Service Obligation contracts		114,779	110,640
Other exchequer funding		95,988	112,586
Total revenue	3	475,530	467,748
Costs			
Payroll and related costs	5	(246,309)	(241,441)
Materials and services costs	6	(204,121)	(200,872)
Total operating costs		(450,430)	(442,313)
EBITDA before exceptional operating costs		25,100	25,435
Exceptional costs	7	(2,412)	(1,130)
Depreciation and amortisation, net of capital grants amortised	8	(22,230)	(24,958)
Profit on disposal of tangible assets		64	7
Surplus/(Deficit) before interest and taxation		522	(646)
Interest payable and similar charges	9	(1,587)	(2,213)
Deficit for the year on ordinary activities before taxation		(1,065)	(2,859)
Taxation on ordinary activities	10	-	-
Deficit for the financial year		(1,065)	(2,859)

Statement of Comprehensive Income

For the Financial Year ended 31 December 2017

	2017	2016
	€'000	€'000
Deficit for the financial year	(1,065)	(2,859)
Other comprehensive income	-	-
Total comprehensive income for the financial year	(1,065)	(2,859)

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Balance Sheet

As at 31 December 2017

	Notes	2017 €'000	2016 €'000
Fixed assets			
Intangible assets	12	4,838	1,609
Tangible assets	13	1,823,425	1,913,329
		1,828,263	1,914,938
Current assets			
Stocks	14	49,561	51,336
Debtors	15	47,463	25,863
Cash at bank and in hand		954	2,022
		97,978	79,221
Creditors (amounts falling due within one year)	16	(269,582)	(268,006)
Net current liabilities		(171,604)	(188,785)
Total assets less current liabilities		1,656,659	1,726,153
Deferred income	18	(1,547,833)	(1,613,758)
Provisions for liabilities	19	(68,770)	(71,274)
		40,056	41,121
Capital and reserves			
Called up share capital	20	194,270	194,270
Profit and loss account – deficit		(154,214)	(153,149)
Total Equity		40,056	41,121

On behalf of the board

Mr F. Allen

Chairman

Ms V. Little

Director

Date: 4th April 2018

Statement of Changes in Equity

Financial year ended 31 December 2017

	Called up Share Capital €'000	Profit and Loss €'000	Total Equity €'000
Balance at 1 January 2016	194,270	(150,290)	43,980
Deficit for the financial year	-	(2,859)	(2,859)
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	(2,859)	(2,859)
Balance at 31 December 2016	194,270	(153,149)	41,121
Deficit for the financial year	-	(1,065)	(1,065)
Other comprehensive income for the financial year	-	-	-
Total comprehensive income for the financial year	-	(1,065)	(1,065)
Balance at 31 December 2017	194,270	(154,214)	40,056

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Statement of Cash Flow

Financial year ended 31 December 2017

	Notes	2017 €'000	2016 €'000
Net cash generated from operating activities	21	23,687	21,327
Cash flow from investing activities			
Purchase of tangible fixed assets		(108,888)	(84,076)
Disposal of financial assets		-	-
Purchase of intangible fixed assets		(3,652)	(206)
Proceeds from disposal of tangible fixed assets		64	7
Proceeds from state and EU grants		105,109	69,782
Net cash used in investing capital activities		(7,431)	(14,493)
Cash flow from financing activities			
Interest paid		(1,587)	(2,213)
Finance lease payments		-	-
Inter-company financing		(15,801)	(2,769)
Total cash used in financing activities		(17,388)	(4,982)
Net (decrease)/increase in cash and cash equivalents		(1,068)	1,852
Cash and cash equivalents at 1 January		2,022	170
Cash and cash equivalents at 31 December		954	2,022
Cash and cash equivalents consist of:			
Cash at bank and in hand		358	357
Bank		596	1,665
		954	2,022

Notes to the Financial Statements

1 Statement of Compliance, Activities and Ownership

(a) Statement of Compliance

The financial statements of Iarnród Éireann have been prepared on a going concern basis in accordance with FRS (Accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014), including compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2014.

(b) Activities and Ownership

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

Iarnród Éireann is Ireland's leading provider of rail transport.

The Company was re-registered as a Designated Activity Company effective from 1 February 2016, under the Companies Act 2014.

The financial statements of the Company relate solely to the activities of Iarnród Éireann.

Summary of Significant Accounting Policies

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

As permitted by the Companies Act 2014, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the Company's business.

Córas Iompair Éireann owns 100% of the equity share capital of Iarnród Éireann, ('IÉ').

Córas Iompair Éireann prepare group financial statements, of which Iarnród Éireann is a member. Copies of the Córas Iompair Éireann group financial statements are available from the Company Secretary at Córas Iompair Éireann, Heuston Station, Dublin 8 and on the company's website at IrishRail.ie.

(a) Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, refer to Note 2 in the Financial Statements for further details.

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

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of exemption for disclosing related party transactions with other subsidiaries within the CIÉ Group...

(b) Revenue

Revenue comprises the gross value of services provided. Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered.

Iarnród Éireann recognises revenue in the period in which the service is provided.

Notes to the Financial Statements (continued)

Rail Operations revenue is recognised in the period the service is provided on completion of the customer's journey. Proceeds received for the sale of annual tickets and other future dated products is carried within liabilities and recognised in the profit and loss account over the period of the relevant service.

Freight revenue is recognised in the period in which the service is provided.

Rosslare Europort revenue is recognised in the period in which the service is provided.

Revenue from advertising and other sundry activities is recognised over the period of the relevant contract. Revenue from advertising is earned from bi-monthly and quarterly contracts with the associated revenue receipt received in arrears.

Income from commissions is recognised when the service is provided to the customer.

Other third party revenues are recognised as they are earned, or at the point of service, to the extent that relevant expenses have been recognised that are recoverable against this revenue in the period.

(c) Material and Services Costs

Materials and Services costs, constitute all costs associated with the day to day running of the operations of Iarnród Éireann, excluding depreciation and amortisation and payroll costs which are disclosed separately in the profit and loss account, and are disclosed separately in the notes to the financial statements.

(d) Exceptional Costs

Iarnród Éireann's profit and loss account separately identifies operational results before specific items. Specific items are those that in the directors' judgement need to be disclosed separately by virtue of their size, nature or incidence. The Company believes that this presentation provides additional analysis as it highlights exceptional costs. Such costs include significant business restructuring costs.

In this regard the determination of 'significant', uses qualitative and quantitative judgement by the directors' in assessing the particular costs, which by virtue of their scale and nature, are disclosed in the profit and loss account and related notes as exceptional costs.

(e) Foreign Currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

Notes to the Financial Statements (continued)

(f) European Union and State Grants

Iarnród Éireann recognises government grants in line with the accruals model under FRS 102.

(i) Grants for capital expenditure

Grants for capital expenditure are credited to deferred income as they become receivable. They are amortised to the profit and loss account and recognised in income over the useful economic life of the related assets.

(ii) Revenue grants

Revenue grants are recognised as income in the profit and loss account in the period in which the related costs for which the grant is intended to compensate are incurred.

(iii) Infrastructure Manager Multi-Annual Contract grant

Infrastructure Manager Multi-Annual Contract (MAC) grants are recognised as deferred income or immediately as income in the profit and loss account, by reference to the underlining activity for which the grant is intended to compensate. MAC capital grants credited to deferred income in the balance sheet are amortised over the useful economic life of the related assets.

(g) Employee Benefits

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

Post-employment benefits

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

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

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

All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit cost for the schemes as a whole are recognised in the separate financial statements of CIÉ, as in the absence of a formal contractual arrangement the directors believe that this is the entity that is legally responsible for the schemes. The other participating entities, including Iarnród Éireann recognise a cost equal to their contribution for the period. Further details of these schemes are set out in note 23.

(h) Interest

(i) Interest receivable

Interest earned is credited to the profit and loss account in the period in which it was earned.

(ii) Interest payable

Borrowing costs are charged to the profit and loss account in the period in which they are incurred.

Notes to the Financial Statements (continued)

(i) Related Parties

Iarnród Éireann is a subsidiary of CIÉ Group. Iarnród Éireann does not disclose transactions with related parties which are not wholly owned within the group (see Note 25). The Company is exempt from disclosing transactions with members of the same group that are wholly owned.

(j) Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

(ii) Deferred tax

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

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

(k) EBITDA

EBITDA is company earnings before adjustment for interest and taxation charged, depreciation of fixed assets and amortisation of capital grants received.

(l) Intangible Fixed Assets

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

(m) Tangible Fixed Assets and Depreciation

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

(i) Railway lines and works

Railway lines and works comprise a network of systems.

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

Tangible fixed assets include capitalised employee and other costs that are directly attributable to the asset.

Notes to the Financial Statements (continued)

Expenditure on the existing network, which maintains the operating capability in accordance with defined standards of service is treated as maintenance and expensed to the profit and loss account. Any related grant is treated similarly and presented in the profit and loss account.

(ii) Railway rolling stock

Locomotives other than those fully depreciated or acquired at no cost railcars, coaching stock and wagons are depreciated on the basis of their historical cost spread over their estimated economic useful lives using the straight line method.

(iii) Road freight vehicles

These assets are depreciated on the basis of historical cost spread over their estimated economic useful lives using the straight line method.

(iv) Docks, harbours and wharves; plant and machinery

These assets are depreciated based on the historical cost spread over their estimated economic useful lives using the straight line method.

(v) Land and buildings

Land is not depreciated. Buildings are depreciated, on the based on the historical cost spread over their estimated economic useful lives using the straight line method.

(vi) Depreciation and residual values

Depreciation on assets except land is calculated, using the depreciation methods and estimated useful lives, as follows:

Railway lines and works	straight-line method	10 – 40 years
Bridges	straight-line method	120 years
Railway rolling stock	straight-line method	4 – 20 years
Road freight vehicles	straight-line method	1 – 10 years
Freehold buildings	straight-line method	50 years
Plant and machinery	straight-line method	3 – 30 years
Signalling	straight-line method	10 years
Docks, harbours and wharves	straight-line method	50 years
Catering equipment	straight-line method	5 – 10 years

The range of years is designed to indicate the different economic lives of components within a class of assets. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(vii) Subsequent additions and major components

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

The carrying amount of any replaced component is recognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs and maintenance are expensed as incurred to the profit and loss account.

Notes to the Financial Statements (continued)

(viii) Derecognition

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

(n) Heritage Assets

Iarnród Éireann has a number of heritage assets, mainly former fleet vehicles, plates, crests and various artefacts. The assets are maintained “purely for their contribution to knowledge and culture” and the assets comprise mainly former operational assets.

Given the nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of Iarnród Éireann heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements.

(o) Stocks

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

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

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

Mechanical Engineering (CME) stock is categorised as strategic, program and consumable stocks. A provision is applied to each category depending on the age of the stock.

Stand by equipment or specialised major spare parts which are held for replacement purposes and are expected to be used during more than one period are held as tangible fixed assets in accordance with FRS 102.

(p) Cash and Cash Equivalents

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

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

(q) Financial Instruments

(i) Financial assets

The Company has chosen to adopt the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

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

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

Notes to the Financial Statements (continued)

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

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

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

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

(ii) Financial liabilities

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

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

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

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

(r) Provisions and Contingencies

(i) Provisions

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

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

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

Notes to the Financial Statements (continued)

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

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

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

Provision is not made for future operating losses.

(ii) Contingencies

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

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

(s) Leased Assets

(i) Finance leases

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessor. At the commencement of the finance lease term, the Company recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. 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

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease. Rental payments under operating leases are charged to the profit and loss account as they accrue.

(t) Equity

The Company's equity shares are wholly owned by CIÉ. Ordinary called up share capital and revenue reserves are classified as equity and set out in the notes to the financial statements.

(u) Critical Accounting Estimates and Assumptions

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

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

Notes to the Financial Statements (continued)

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

The annual amortisation charge for intangible fixed assets and the depreciation charge for tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The useful economic lives for each class of intangible fixed and tangible fixed assets are set out above. The carrying amount of tangible and intangible fixed assets for each class of assets is set out in notes 12 and 13.

(ii) Defined benefit pension scheme

The CIÉ group, of which the Company is a member, has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including assumptions in respect of; life expectancy, salary increases, and the discount rate on corporate bonds. Further details are set out in note 24.

(iii) Third party and employer liability claims provisions

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

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

Further details are set out in note 19 to the financial statements.

2 Going concern

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

Background

Company

At 31 December 2017 the Iarnród Éireann had net assets of €40m (2016: €41m) and net current liabilities of €172m (2016: €189m).

Net current liabilities include non-cash items of €191 million (2016: €195 million) relating to deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items the Company has net current assets of €19 million (2016: net current assets €6 million).

The net assets of the Company include non-cash liabilities of €1,738 million (2016: €1,809 million) relating deferred income in respect of capital grants and revenue. Therefore, excluding these items the Company has net assets of €1,778 million (2016: €1,850 million).

Group

At 31 December 2017 the Group had net liabilities of €638 million (2016: €585 million) and net current liabilities of €196 million (2016: €233 million). Net current liabilities include non-cash items of €289million (2016: €289 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these non-cash items the Group has net current assets of €93 million (2016: net current liabilities €56 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €786 million (2016: €730 million) and deferred income in respect of capital grants received of €2,494 million (2016: €2,555 million).

Notes to the Financial Statements (continued)

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

Nature of Uncertainties Facing Group

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

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

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

1 Revenue

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

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

2 Operating Costs

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

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

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

3 Investment Costs

Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of safe, effective and reliable public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group. The Group's plans for 2017 are subject to additional capital expenditure funding support from the Department of Transport, Tourism and Sport ("DTTaS") and the NTA, and also envisage funding investment from operating cash flows.

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

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

Notes to the Financial Statements (continued)

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

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

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

4 Liquidity

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

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

5 Pensions

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

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

Management's Actions

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

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

Notes to the Financial Statements (continued)

Letter of Support

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

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

Conclusion

Having made due enquiries, and considering the uncertainties and mitigations described above for the Company and the Group, the Board of Directors have a reasonable expectation that the cash flow generating from the Company and Group’s trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Company and the Group, and to meet the Group’s financial covenants under the Group’s banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements.

They also have a reasonable expectation that the Government will support measures to ensure financial stability.

Taking account of all of the above, the Board of Directors have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Company’s ability to continue as a going concern.

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

Notes to the Financial Statements (continued)

3 Divisional Analysis of Profit and Loss Account

(a) Railway Undertaking

	2017 €'000	2016 €'000
Sources of revenue		
Revenue	220,153	206,439
Public Service Obligation	114,779	110,640
Other exchequer funding	–	–
Total revenue	334,932	317,079
Operating costs		
Payroll and related costs	(128,106)	(124,349)
Materials and services	(84,690)	(74,742)
Fuel	(28,372)	(34,429)
Total operating costs	(241,168)	(233,520)
Operating surplus before track access charges		
Track access charge	(77,306)	(66,480)
EBITDA before exceptional operating costs	16,458	17,079
Exceptional costs	(1,465)	(632)
Depreciation and amortisation, net of capital grants amortised	(15,722)	(18,430)
Profit on sale of tangible fixed assets	–	(1)
(Deficit)/Surplus before interest and taxation	(729)	(1,984)
Interest payable and similar charges	(909)	(1,250)
Deficit for the year on ordinary activities before taxation	(1,638)	(3,234)
Taxation on deficit on ordinary activities	–	–
Deficit for the year on ordinary activities after taxation	(1,638)	(3,234)

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Notes to the Financial Statements (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:

	2017	2016
	€'000	€'000
Sources of revenue		
Multi-Annual Contract	95,988	104,586
Track access charges	79,534	68,020
Other exchequer grants	–	7,048
Third party revenue	25,476	19,275
Total revenue	200,998	198,929
Operating costs revenue		
Payroll and related costs	(105,003)	(104,044)
Materials and services	(92,464)	(90,803)
Fuel	(45)	(80)
Total operating costs	(197,512)	(194,927)
EBITDA before exceptional operating costs	3,486	4,002
Exceptional costs	(926)	(311)
Depreciation and amortisation, net of capital grants amortised	(5,300)	(5,213)
Profit/(loss) on sale of tangible fixed assets	–	3
Deficit before interest and taxation	(2,740)	(1,519)
Interest payable and similar charges	(601)	(865)
Deficit for the year on ordinary activities before taxation	(3,341)	(2,384)
Taxation on deficit on ordinary activities	–	–
Deficit for the year on ordinary activities after taxation	(3,341)	(2,384)

Notes to the Financial Statements (continued)

(c) Rail Freight Division

	2017	2016
	€'000	€'000
Revenue	4,868	5,199
Total revenue	4,868	5,199
Operating costs		
Payroll and related costs	(958)	(1,065)
Materials and services	(1,854)	(2,093)
Fuel	(530)	(738)
Total operating costs	(3,342)	(3,896)
Operating surplus for the financial year before track access charges	1,526	1,303
Track access charges	(2,228)	(1,540)
EBITDA before exceptional operating costs	(702)	(237)
Exceptional costs	-	-
Depreciation	-	-
Profit on sale of tangible fixed assets	-	4
Deficit before interest and taxation	(702)	(233)
Interest payable and similar charges	(20)	(32)
Deficit for the year on ordinary activities before taxation	(722)	(265)
Taxation on deficit on ordinary activities	-	-
Deficit for the year on ordinary activities after taxation	(722)	(265)

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Notes to the Financial Statements (continued)

(d) Rosslare Europort Division

	2017	2016
	€'000	€'000
Revenue	11,100	10,543
Other Exchequer grants	-	952
Total revenue	11,100	11,495
Operating costs		
Payroll and related costs	(4,571)	(4,381)
Materials and services	(1,924)	(3,296)
Total operating costs	(6,495)	(7,677)
EBITDA before exceptional operating costs	4,605	3,818
Exceptional costs	-	(9)
Depreciation net of capital grants amortised	(1,131)	(1,265)
Profit/(Loss) on sale of tangible fixed assets	64	-
Surplus before interest and taxation	3,538	2,544
Interest payable and similar charges	(57)	(66)
Surplus for the year on ordinary activities before taxation	3,481	2,478
Taxation on surplus on ordinary activities	-	-
Surplus for the year on ordinary activities after taxation	3,481	2,478

Notes to the Financial Statements (continued)

(e) Central and Other Activities

	2017 €'000	2016 €'000
Sources of revenue		
Third party revenue	3,166	3,066
Other exchequer funding	–	–
Total revenue	3,166	3,066
Operating costs		
Payroll and related costs	(7,671)	(7,601)
Materials and services	5,758	5,308
Total operating costs	(1,913)	(2,293)
EBITDA before exceptional operating costs	1,253	773
Exceptional costs	(21)	(178)
Depreciation	(77)	(49)
Surplus before interest and taxation	1,155	546
Taxation on surplus on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	1,155	546

Notes to the Financial Statements (continued)

(f) State and EU Funding

Public Service Obligation (PSO)

Each year funding is provided for socially necessary but financially unviable public transport services in Ireland, known as Public Service Obligation (PSO) services, under contract to the National Transport Authority (“NTA”, “the Authority”).

The funding of PSO services is governed by Public Transport Contracts between the Authority and the Company. The current contracts with Iarnród Éireann were signed in December 2009 and are for a period of 10 years, to 2019.

The contents of the contracts and the basis for maintaining them may be reviewed at any time by the NTA in consultation with the relevant Company, however, a full review of the contract must occur at the end of each 5 or 10 year period (as appropriate).

The contracts meet the current criteria set down in EU law, setting strict standards of operational performance and customer service and contain penalties for non-performance. The NTA monitors the contracted performance of each PSO operator on a quarterly basis.

Multi-Annual Contract (MAC)

Iarnród Éireann’s management of infrastructure is funded under EU regulation by a 5 year, Multi-Annual Contract from the Department of Transport, Tourism and Sport and track and station access charges from passenger and freight rail services.

The current contract commenced on 1 January 2014 and expires on 31 December 2018.

This contract between Iarnród Éireann and the Minister is pursuant to Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012, Directive 2001/14/EC of the European Parliament and of the Council of 26 February 2001, Section 45 of the Public Transport Regulation Act 2009, and the European Communities (Railway Infrastructure) Regulations (SI No. 55 of 2010).

Charges in connection with the provision of the railway infrastructure by the Infrastructure Manager are payable by the Minister to the Infrastructure Manager in advance on a monthly basis.

Notes to the Financial Statements (continued)

Details of funding received in the year is set out below.

	PSO 2017	Infrastruc- ture MAC 2017	Other 2017	Total 2017
<i>Allocated in the profit and loss account to:</i>				
Rail Operations	114,779	–	–	114,779
Infrastructure	–	95,988	–	95,988
Other activities	–	–	–	–
	114,779	95,988	–	210,767
<i>Sources</i>				
State grants – PSO	114,779	–	–	114,779
State grants – Multi-Annual contract	–	95,988	–	95,988
State grants – Technical assistance	–	–	–	–
State grants – other	–	–	–	–
	114,779	95,988	–	210,767
	PSO 2016	Infrastruc- ture MAC 2016	Other 2016	Total 2016
<i>Allocated in the profit and loss account to:</i>				
Rail Operations	110,640	–	–	110,640
Infrastructure	–	104,586	7,048	111,634
Other activities	–	–	952	952
	110,640	104,586	8,000	223,226
<i>Sources</i>				
State grants – PSO	110,640	–	–	110,640
State grants – Multi-Annual contract	–	104,586	–	104,586
State grants – Technical assistance	–	–	–	–
State grants – other	–	–	8,000	8,000
	110,640	104,586	8,000	223,226

Notes to the Financial Statements (continued)

(g) Net Surplus/(Deficit) by Activity

	Railway Under- taking €'000	Infra- structure Manager €'000	Rail Freight €'000	Other Commer- cial Activities €'000	Intra	Total €'000
2017						
Revenue*	220,153	105,010	4,868	14,266	(79,534)	264,763
Receipts from PSO	114,779	-	-	-	-	114,779
Other exchequer	-	95,988	-	-	-	95,988
Costs*	(336,570)	(204,339)	(5,590)	(9,630)	79,534	(476,595)
(Deficit)/surplus for the year	(1,638)	(3,341)	(722)	4,636	-	(1,065)
2016						
Revenue*	206,439	87,295	5,199	13,609	(68,020)	244,522
Receipts from PSO	110,640	-	-	-	-	110,640
Other exchequer	-	111,634	-	952	-	112,586
Costs*	(320,313)	(201,313)	(5,464)	(11,537)	68,020	(470,607)
(Deficit)/surplus for the year	(3,234)	(2,384)	(265)	3,024	-	(2,859)

* Revenue and costs include internal track access charges of €79.534m (2016: €68.020m).

Notes to the Financial Statements (continued)

4 Balance Sheet by Business

(a) Railway Undertaking

	2017 €'000	2016 €'000
Fixed Assets		
Intangible assets	3,601	554
Tangible assets	531,295	585,721
	534,896	586,275
Current Assets		
Stocks	31,115	32,973
Debtors	13,085	8,879
Cash at bank and in hand	1,159	1,119
	45,359	42,971
Creditors (amounts falling due within one year)		
Intra IÉ business	(18,728)	(31,854)
Deferred income	(72,119)	(75,805)
Other creditors	(48,410)	(42,658)
	(139,257)	(150,318)
Net Current Liabilities	(93,898)	(107,346)
Total Assets less Current Liabilities	440,998	478,929
Deferred income	(424,669)	(463,751)
Provisions for liabilities and charges	(33,807)	(31,017)
Net Liabilities	(17,478)	(15,839)

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Notes to the Financial Statements (continued)

(b) Railway Infrastructure Manager

	2017 €'000	2016 €'000
Fixed Assets		
Intangible assets	761	856
Tangible assets	1,259,819	1,294,573
	1,260,580	1,295,429
Current Assets		
Stocks	18,446	18,363
Debtors	4,186	2,699
	22,632	21,062
Creditors (amounts falling due within one year)		
Intra IE business	(35,637)	(32,278)
Deferred income	(95,458)	(98,339)
Other creditors	(36,088)	(36,964)
	(167,183)	(167,581)
Net Current Liabilities	(144,551)	(146,519)
Total Assets less Current Liabilities	1,116,029	1,148,910
Deferred income	(1,115,105)	(1,141,637)
Provisions for liabilities and charges	(25,320)	(28,328)
Net Liabilities	(24,396)	(21,055)

Notes to the Financial Statements (continued)

(c) Rail Freight Division

	2017 €'000	2016 €'000
Fixed Assets		
Tangible assets	-	-
	-	-
Current Assets		
Debtors	898	726
	898	726
Creditors (amounts falling due within one year)		
Intra IÉ business	(5,684)	(4,795)
Other creditors	(232)	(245)
	(5,916)	(5,039)
Net Current Liabilities	(5,018)	(4,313)
Total Assets less Current Liabilities	(5,018)	(4,313)
Provisions for liabilities and charges	(165)	(148)
Net Liabilities	(5,183)	(4,461)

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Notes to the Financial Statements (continued)

(d) Europort Division

	2017 €'000	2016 €'000
Fixed Assets		
Tangible assets	31,727	32,828
	31,727	32,828
Current Assets		
Debtors	1,843	1,532
	1,843	1,532
Creditors (amounts falling due within one year)		
Intra IÉ business	(12,541)	(16,473)
Deferred income	(310)	(310)
Other creditors	(855)	(624)
	(13,706)	(17,407)
Net Current Liabilities	(11,863)	(15,875)
Total Assets less Current Liabilities	19,864	16,952
Deferred income	(8,044)	(8,354)
Provisions for liabilities and charges	(420)	(679)
Net Assets	11,400	7,920

Notes to the Financial Statements (continued)

(e) Central and Other Activities

	2017 €'000	2016 €'000
Fixed Assets		
Intangible assets	476	199
Tangible assets	584	206
	1,060	405
Current Assets		
Stocks	–	–
Debtors	27,451	12,027
Cash at bank and in hand	(205)	903
	27,246	12,930
Creditors (amounts falling due within one year)		
Overdraft	–	–
Intra IÉ business	72,590	85,400
Other creditors	(16,110)	(13,060)
	56,480	72,340
Net Current Assets	84,786	85,270
Total Assets less Current Liabilities	84,786	85,675
Creditors (amounts falling due after more than one year)		
Provisions for liabilities and charges	(9,058)	(11,103)
Deferred income	(16)	(16)
Net Assets	75,712	74,556

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Notes to the Financial Statements (continued)

5 Payroll and Related Costs

(i) Employees

	2017	2016
	€'000	€'000
Staff costs (excluding restructuring costs)		
Wages and salaries	195,420	190,598
Allowances	11,676	11,643
Overtime	7,089	6,620
Social insurance costs	19,707	19,327
Other retirement benefit costs	25,809	26,058
Gross Staff costs	259,701	254,246
Less: own work capitalised	(13,525)	(12,954)
Net Staff costs	246,176	241,292

(ii) Directors' Emoluments

	2017	2016
	€'000	€'000
– for services as director	60	74
– for executive services	73	75
	133	149
Total payroll and related costs	246,309	241,441

Of the total staff costs €13.5m (2016: €13.0M) has been capitalised into tangible fixed assets and €246.2m (2016: €241.3m) has been treated as an expense in the profit and loss account.

There are retirement benefits accruing to one director in 2017 and 2016 under a defined benefit scheme and the charge for the year in respect of the Company's contributions was €3,019 (2016: €3,019).

The payroll and related costs of the Chief Executive Officer which are included in the above, include gross salary of €225,000, (2016: €217,086), employer pension contribution of 25% and a car allowance of €15,005, (2016: €15,005).

Notes to the Financial Statements (continued)

The directors' fees paid and payable for services as directors were as follows:

	2017	2016
	€	€
Director		
Mr F. Allen	13,088	6,514
Mr P. Gaffney	11,214	20,970
Ms P. Golden	-	998
Ms C. Griffiths	12,600	14,520
Mr M. McGreevy	12,600	14,822
Ms V. Little	3,440	-
Dr P. Mulholland	7,025	-
Mr F. O'Mahony	-	8,322
Ms T. McGee	-	8,902
Total	59,967	75,048

The directors were paid the following expenses:

	2017	2016
	€	€
Subsistence and Accommodation	861	889
Other	8,085	10,212
Total	8,946	11,101

Fees paid to Mr P. Gaffney for consulting services from his retirement date in 2017 amounted to €2,261.

(iii) Key Management Compensation

Key management includes the directors and members of senior management. The compensation paid and payable to key management for employee services is shown below:

	2017	2016
	€'000	€'000
Salaries and other short term benefits	1,730	1,740
Post-employment benefits	287	269
Total key management compensation	2,017	2,009

Notes to the Financial Statements (continued)

(iv) Staff Members

The average number of persons employed during the year and at the year-end by activity, were as follows:

	Staff Numbers		Staff Numbers	
	2017 Average	2016 Average	as at 31 Dec 2017	as at 31 Dec 2016
Railway Operations	2,015	2,027	1,980	2,002
Infrastructure	1,621	1,615	1,612	1,606
Central Services	89	88	91	87
Rail Freight	6	5	6	5
Rosslare Europort	72	71	72	72
Total	3,803	3,806	3,761	3,772

(v) Termination and Severance Payments

	2017 €'000	2016 €'000
Amounts paid and payable to employees	2,232	1,265

(vi) Employee Payroll

The amounts paid to persons employed during the year is analysed into payroll bands of €25,000 and the number of employees in each band, were as follows:

	2017	2016
<€50,000	1,442	1,500
€50,000 to €75,000	2,099	2,021
€75,001 to €100,000	302	292
€100,001 to €125,000	45	26
€125,001 to €150,000	9	11
>€150,001	10	8
Total	3,907	3,858

Notes to the Financial Statements (continued)

6 Materials and Services

	2017	2016
	€'000	€'000
Operating and other costs	166,848	155,246
Fuel and electricity	28,947	35,247
Third party and employer's liability claims	3,003	5,376
Rates	2,200	2,031
Operating lease rentals	3,123	2,972
Total materials and services	204,121	200,872

Operating and other costs includes expenditure on Travel, subsistence and hospitality, analysed below;

	2017	2016
	€'000	€'000
National Travel and Subsistence	809	771
International Travel and Subsistence	95	105
Hospitality	7	12
Total	911	888

7 Exceptional Operating Costs

	2017	2016
	€'000	€'000
<i>Restructuring</i>		
Amounts paid and payable to employees	2,412	1,130

The exceptional costs comprise of amounts paid and payable to employees arising from restructuring initiatives during the current and previous financial year.

*Notes to the Financial Statements (continued)***8 Depreciation and Amortisation (Net)**

	2017	2016
	€'000	€'000
Amortisation of intangible fixed assets (note 12)	403	421
Depreciation of tangible fixed assets (note 13)	198,478	215,781
Amortisation of capital grants (note 18)	(176,651)	(191,244)
Total depreciation and amortisation (net)	22,230	24,958

9 Interest Payable and Similar Charges

	2017	2016
	€'000	€'000
Interest payable on loan from holding Company	1,450	2,059
Other interest payable	137	154
	1,587	2,213
Interest apportioned:		
Railway undertaking	909	1,250
Railway infrastructure costs	601	865
Rail freight	20	32
Commercial operations	57	66
	1,587	2,213

Notes to the Financial Statements (continued)

10 Taxation

(a) Tax Expense Included in Profit or Loss

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

(d) Reconciliation of Tax Expense

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

	2017 €'000	2016 €'000
Deficit on ordinary activities before taxation	(1,065)	(2,859)
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2016: 12.5%)	(133)	(357)
Effects of:		
- Income not subject to tax	(48,435)	(51,757)
- Income subject to higher rate of tax	1,818	1,413
- Expenses not deductible for tax purposes	240	1,058
- Depreciation in excess of capital allowances	21,677	23,998
- Unrelieved tax losses brought forward not recognised	19,685	25,645
- Losses surrendered to group undertakings	5,148	-
Tax on deficit on ordinary activities	-	-

Deferred Taxation

A potential deferred tax asset of €591m (2016: €579m) has not been recognised as the future recovery against taxable profits is uncertain.

Notes to the Financial Statements (continued)

11 Government Grants

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

The National Transport Authority provided €147.0m subvention to the Railway Undertaking in 2017, €32.2m was recognised as deferred income in the balance sheet and will be amortised over the useful economic life of the related assets.

Particulars of the Government grants of €317.7 million (including the €147.0m above) received in 2017 are given in the following table, including the relevant provision of EU regulations. Grants received in respect of buildings of €2.7million was transferred to the CIÉ Holding Company in 2017.

Amounts disclosed under Regulation Number 1370/2007 analyse the Public Service Obligation recognised in the year in the profit and loss account. Public passenger transport service by rail and road regulation defines the conditions in which the competent authorities can intervene in the area of public passenger transport to guarantee the provision of service of general economic interest and guarantee safe, efficient, attractive and high quality passenger transport.

The reporting requirements under Circular 13/14 issued by the Department of Public Expenditure and Reform are included in this note.

	€'000	€'000	2017 Total €'000
Total Public Service Obligation			114,779
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			202,943
Total State grants received			317,722
The total funding received was applied as follows :			
Profit and loss account			114,779
- Public Service Obligation			
- Infrastructure Manager Multi-Annual Contract (Revenue)	95,988		
- Other Exchequer funding	-		
- Technical Assistance	-	95,988	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	62,783		
Deferred Capital Grants	9,287		
Public Service Obligation – Heavy maintenance funding	32,202		
Transferred to CIÉ	2,683	106,955	
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			202,943
Total State grants received			317,722

There are no unfulfilled conditions and other contingencies attached to grants recognised as income.

Notes to the Financial Statements (continued)

Name of Grantor

National Transport Authority, sponsored by the Department of Transport, Tourism and Sport.

Name of Grant

The following grants were received in 2017

- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Capital Investment
- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Accessibility
- Sub-Head B8 of Vote 31 of Dáil Éireann – Infrastructure Manager Multi-Annual Contract
- Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation

Purpose of Grant

The purpose for which the funds are applied are set out in the table below:

	Pay and Admin. €'000	Service Provision €'000	Construc- tion €'000	Total €'000
Accessibility Project 2017	342	–	995	997
Capital Enhancement	2,995	–	7,476	10,471
Multi-Annual Contract	–	158,770	–	158,770
Public Service Obligation	–	146,981	–	146,981
Total	3,337	305,751	8,471	317,559

Accounting for Grants

The amount of the grants awarded are listed below. The term for the grant spend is calendar year 2017

- Sub-Head B8 of Vote 31– Heavy Rail Capital Investment: €10.471 million
- Sub-Head B8 of Vote 31– Heavy Rail Accessibility: €1.337 million
- Sub-Head B8 of Vote 31– IMMAC: €158.770 million
- Sub-Head B7 of Vote 31– Public Service Obligation: €146.981 million

The amount of the grant taken to income and capitalised in the current financial statements is set out in the table below.

	Cash Received €'000	Profit and Loss €'000	Capital €'000	2018 c/f €'000
Accessibility Project 2017	1,337	–	1,337	–
Capital Enhancement	10,471	–	10,471	–
Multi-Annual Contract	158,770	95,988	62,782	–
Public Service Obligation	146,981	114,779	32,202	–
Total	317,559	210,767	106,792	–

All Grants received are used for the purposes for which approval has been sought and obtained from the Funding source. Iarnród Éireann undertakes to protect the State's investment and will not use said investment as security for any other activity without prior consultation with the Department of Transport, Tourism and Sport, and sanction of Department of Public Expenditure and Reform.

Notes to the Financial Statements (continued)

Restrictions

Grants received relate to the Multi-Annual Contract, Capital Enhancement, Accessibility and Public Service Obligations. Within the MAC, three projects have been specifically identified for expenditure.

- Track Maintenance €10.0 million
- ATP CAWS € 9.6 million
- GSMR € 9.0 million

Within the Public Service Obligation, €32.2M has been allocated to the Rolling Stock Heavy Maintenance Programme.

Tax Clearance

Iarnród Éireann is compliant with the relevant circulars including Circular 44/2006. IÉ has a Tax Clearance Cert which is able to be verified online.

	€'000	€'000	2016 Total €'000
Total Public Service Obligation			110,640
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			185,734
Total State grants received			296,374

The total funding received was applied as follows :

Profit and loss account

- Public Service Obligation			110,640
- Infrastructure Manager Multi-Annual Contract (Revenue)	104,586		
- Other Exchequer funding	8,000		
- Technical Assistance	-	112,586	

Balance Sheet

Infrastructure Manager Multi-Annual Contract (Capital)	21,414		
Deferred Capital Grants	25,948		
Public Service Obligation – Heavy maintenance funding	22,420		
Transferred to CIÉ	3,366	73,148	
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			185,734
Total State grants received			296,374

There are no unfulfilled conditions and other contingencies attached to grants recognised as income.

Notes to the Financial Statements (continued)

Name of Grantor

National Transport Authority, sponsored by the Department of Transport, Tourism and Sport.

Name of Grant

The following grants were received in 2016

- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Capital Investment
- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Accessibility
- Sub-Head B8 of Vote 31 of Dáil Éireann – Infrastructure Manager Multi-Annual Contract
- Sub-Head B8 of Vote 31 of Dáil Éireann – Severe Weather Funding
- Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation

Purpose of Grant

The purpose for which the funds are applied are set out in the table below:

	Pay and Admin. €'000	Service Provision €'000	Construc- tion €'000	Total €'000
Accessibility Project 2016	43	4	625	672
Capital Enhancement	6,282	564	21,541	28,387
Severe Weather Funding	1,002	585	6,413	8,000
Multi-Annual Contract	–	126,000	–	126,000
Public Service Obligation	–	133,060	–	133,060
Total	7,327	260,213	28,579	296,119

Accounting for Grants

The amount of the grants awarded are listed below. The term for the grant spend is calendar year 2016.

- Sub-Head B8 of Vote 31 – Heavy Rail Capital Investment: €28.387 million
- Sub-Head B8 of Vote 31 – Heavy Rail Accessibility: €0.672 million
- Sub-Head B8 of Vote 31 – Severe Weather Funding: €8.0 million
- Sub-Head B8 of Vote 31 – IMMAC: €126.0 million
- Sub-Head B7 of Vote 31 – Public Service Obligation: €133.060 million

The amount of the grant taken to income and capitalised in the current financial statements is set out in the table below.

	Cash Received €'000	Profit and Loss €'000	Capital €'000	2017 c/f €'000
Accessibility Project 2016	672	–	672	–
Capital Enhancement	28,387	–	28,387	–
Severe Weather Funding	8,000	8,000	–	–
Multi-Annual Contract	126,000	104,586	21,414	–
Public Service Obligation	133,060	110,640	22,420	–
Total	296,119	223,226	72,793	–

All Grants received are used for the purposes for which approval has been sought and obtained from the Funding source. Iarnród Éireann undertakes to protect the State's investment and will not use said investment as security for any other activity without prior consultation with the Department of Transport, Tourism and Sport, and sanction of Department of Public Expenditure and Reform.

Notes to the Financial Statements (continued)

Restrictions

Grants received relate to the Multi-Annual Contract, Capital Enhancement, Accessibility and Public Service Obligations. Within the Public Service Obligation, €22.42m has been allocated to the Rolling Stock Heavy Maintenance Programme. Funding for Severe Weather effects on the rail network was made available for repairs and remedial work identified by the company.

Tax Clearance

Iarnród Éireann is compliant with the relevant circulars including Circular 44/2006. IÉ has a Tax Clearance Cert which is able to be verified online.

12 Intangible Fixed Assets

	1 Jan 2017 €'000	Scraping Disposal €'000	Additions €'000	31 Dec 2017 €'000
Cost				
Computer software	24,991	(22,582)	3,652	6,061
Amortisation				
Computer software	23,382	(22,562)	403	1,223
Net Book Value at 31 December 2017				4,838
Net Book Value at 31 December 2016				1,609

Notes to the Financial Statements (continued)

13 Tangible Fixed Assets

	1 Jan 2017 €'000	Transfer and Reclass €'000	Additions €'000	Scrappings Disposals €'000	31 Dec 2017 €'000
Cost					
Railway lines and works	2,199,960	5,456	40,174	(968,720)	1,276,870
Assets under construction	21	(21)	-	-	-
Railway rolling stock	1,403,292	157	35,393	(320,669)	1,118,173
Road freight vehicles	2,893	-	-	(2,893)	-
Plant and machinery	520,778	(94)	28,270	(299,285)	249,669
Signalling	626,869	-	5,310	(88,366)	543,813
Docks, harbours and wharves	57,135	-	204	(1,393)	55,946
Catering equipment	926	-	-	(926)	-
Land and Buildings	8,854	(5,435)	153	(1,203)	2,369
Total	4,820,728	63	109,504	(1,683,455)	3,246,840
Depreciation					
Railway lines and works	1,339,001	-	70,083	(968,185)	440,899
Assets under construction	-	-	-	-	-
Railway rolling stock	865,742	300	85,409	(320,509)	630,942
Road freight vehicles	2,893	-	-	(2,893)	-
Plant and machinery	392,529	(216)	20,626	(299,051)	113,888
Signalling	279,183	(21)	21,030	(88,366)	211,826
Docks, harbours and wharves	25,559	-	1,256	(1,393)	25,422
Catering equipment	926	-	-	(926)	-
Land and Buildings	1,566	-	74	(1,202)	438
Total	2,907,399	63	198,478	(1,682,526)	1,423,415

Notes to the Financial Statements (continued)

	31 Dec 2017 €'000	31 Dec 2016 €'000
Net Book Amounts		
Railway lines and works	835,971	860,959
Assets under construction	–	21
Railway rolling stock	487,231	537,550
Road freight vehicles	–	–
Plant and machinery	135,781	128,249
Signalling	331,987	347,686
Docks, harbours and wharves	30,524	31,576
Land and Buildings	1,931	7,288
Total	1,823,425	1,913,329

Of the total staff costs €13.5m (2016: €13.0m) has been capitalised into tangible fixed assets.

14 Stocks

	2017 €'000	2016 €'000
Rolling stock, spare parts and maintenance materials	23,163	24,108
Infrastructure stocks	18,399	18,319
Fuel, lubricants and other sundry stocks	7,999	8,909
Total	49,561	51,336
Stocks utilised in the reporting period		
Materials	51,204	47,489
Fuel	25,169	31,793
Total	76,373	79,282

Amounts included in stocks include parts and components necessarily held to meet long-term operational requirements.

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

An impairment loss of €70,000 (2016: credit €73,000) has been recognised in profit and loss in relation to obsolete and damaged stocks.

Notes to the Financial Statements (continued)

15 Debtors

	2017	2016
	€'000	€'000
Trade debtors	14,985	10,012
Amounts owed by parent undertaking	26,158	10,357
Prepayments and accrued income	6,320	5,494
Total	47,463	25,863

Trade debtors are after provision for impairment of €0.7m (2016: €0.3m).

The amounts owed by the parent undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand

16 Creditors Amounts Falling due within One Year

	2017	2016
	€'000	€'000
Creditors (Amounts falling due within one year)		
Bank overdraft	–	–
Trade creditors	39,951	39,869
Income tax deducted under PAYE	3,012	3,469
Pay related social insurance	2,151	2,565
Universal social charge	645	848
Value added tax	5,257	3,135
Withholding tax	316	493
Deferred revenue	23,211	21,226
Other creditors	6,801	9,723
Accruals	20,350	12,223
Deferred income (note 18)	167,888	174,455
	269,582	268,006
Creditors for taxation and social welfare included above	11,381	10,510

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

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

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

Notes to the Financial Statements (continued)

CIÉ Group operates as a single entity for VAT purposes and makes a single VAT return in respect of all Group activities. During 2016, the Revenue Commissioners agreed a revised basis for calculating the VAT liability of the CIÉ Group. This agreement gave rise to a settlement which reflects the implications of the activities of the Group on the basis of calculating its VAT liability from November 2002 onwards, of €53.9m.

The VAT settlement has been accounted for through the financial statements of CIÉ rather than the accounts of the individual subsidiary companies. All Group Companies agree that there is currently no basis, given the passage of time and the nature of the settlement, for determining the retrospective allocation of the VAT refund between CIÉ Group Companies. A detailed and resource intensive review would be required to establish a reasonable allocation basis. A cost/benefit analysis of the process required was also considered and the cost was deemed to outweigh the benefit. It was therefore decided to reflect the refund in the CIÉ Group Accounts rather than the accounts of the individual subsidiary companies.

Further details in relation to this VAT repayment are included in the CIÉ Group Accounts for 2016. This can be found on the CIÉ website at www.CIE.ie.

17 Lease Obligations

	2017 €'000	2016 €'000
<i>Operating leases</i>		
Road vehicles		
Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:		
Within one year	1,889	1,554
Between one and five years	2,779	3,539
Total	4,668	5,093

The company has no Finance lease for the year to 2017

Notes to the Financial Statements (continued)

18 Deferred Income

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

	1 Jan 2017 €'000	Transfers and disposals €'000	Received and receivable €'000	Profit and loss account €'000	31 Dec 2017 €'000
Capital Grants					
Land and buildings	1,317	-	-	(47)	1,270
Assets under construction	-	-	-	-	-
Railway lines and works	854,301	(536)	40,442	(69,448)	824,759
Railway rolling stock	495,205	(220)	32,212	(71,256)	455,941
Plant and machinery	113,375	(183)	27,115	(16,969)	123,338
Signalling	315,349	(10)	5,339	(18,621)	302,057
Docks, harbours and wharves	8,666	-	-	(310)	8,356
Total	1,788,213	(949)	105,109	(176,651)	1,715,721

	1 Jan 2016 €'000	Transfers and disposals €'000	Received and receivable €'000	Profit and loss account €'000	31 Dec 2016 €'000
Capital Grants					
Land and buildings	1,358	13	1	(55)	1,317
Assets under construction	5,026	(5,095)	69	-	-
Railway lines and works	905,163	-	23,850	(74,712)	854,301
Railway rolling stock	544,519	-	22,420	(71,734)	495,205
Plant and machinery	125,597	-	13,698	(25,920)	113,375
Signalling	324,130	-	9,732	(18,513)	315,349
Docks, harbours and wharves	8,976	-	-	(310)	8,666
Total	1,914,769	(5,082)	69,770	(191,244)	1,788,213

	2017 €'000	2016 €'000
Deferred Income		
- amounts falling due within one year	167,888	174,455
- amounts falling due after more than one year	1,547,833	1,613,758
	1,715,721	1,788,213

Notes to the Financial Statements (continued)

19 Provisions for Liabilities

	Restructuring Provision	Third party and Employer's claims	Legal related	Other Provisions	Total
	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2017	2,751	47,816	4,023	16,684	71,275
Utilised during the financial year	(2,804)	(2,632)	(7)	(103)	(5,546)
Reclassified as creditors	-	-	(3,000)	-	(3,000)
Profit and loss account	2,324	3,004	409	305	6,042
Balance at 31 December 2017	2,271	48,188	1,425	16,886	68,770
Balance at 1 January 2016	3,244	45,100	2,816	19,178	70,339
Utilised during the financial year	(1,684)	(2,660)	(150)	3,434	(1,060)
Profit and loss account	1,191	5,376	1,357	(5,928)	1,996
Balance at 31 December 2016	2,751	47,816	4,023	16,684	71,275

Restructuring Provision

The restructuring provision relates to the implementation of continuing cost saving initiatives.

Other Provision

At 31 December 2017 there was €16.9m (2016: €16.7m) of other provisions, €3.0m (2016:€3.1m) related to unresolved third party disputes, €13.2m (2016:€12.6m) related to post-retirement benefit costs and €0.7m (2016: €1.0m) relate to other pay related disputes.

Third Party and Employer's Liability Claims and Related Recoveries

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

The provisions that have been recorded represent the directors' best estimate of the expenditure required to settle the obligations, with the benefit of legal advice.

The nature of these claims means that there is some uncertainty with regard to the value that they will be settled at. If the outcomes of the claims are different to the assumptions underpinning the directors' best estimates then a further liability may arise.

CIÉ as a self-regulated body operates a self-insurance model whereby the Operating Company's bear the financial risk associated with the costs of claims, subject to any-one incident and annual insurance caps in the case of Third Party claims.

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

Notes to the Financial Statements (continued)

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

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

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

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

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

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

20 Share Capital and Reserves

	2017 €'000	2016 €'000
Authorised:		
153,000,000 Ordinary shares of €1.27* each	194,270	194,270
Allotted, called up and fully paid – presented as equity		
At 1 January and 31 December, 153,000,000 Ordinary shares of €1.27* each	194,270	194,270

*(£1 IEP = €1.269738 EUR)

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

Notes to the Financial Statements (continued)

21 Notes to the Statement of Cash Flow

	2017	2016
	€'000	€'000
Surplus/(Deficit) before interest and taxation	522	(645)
Profit on disposal of tangible fixed assets	(64)	(7)
Depreciation on tangible fixed assets	198,478	215,781
Amortisation for intangible fixed assets	403	421
Amortisation of capital grants	(176,651)	(191,244)
Increase in stocks	1,775	(1,815)
Increase in debtors	(5,799)	(2,280)
Increase in creditors and provisions	5,023	1,116
Net cash generated from operating activities	23,687	21,327

22 Capital Commitments

	2017	2016
	€'000	€'000
At 31 December, the Company has the following capital commitments:		
Contractual commitments for the acquisition of tangible fixed assets	16,629	14,010
Capital expenditure on tangible fixed assets authorised by the directors but not contracted for	125,654	153,430

A significant element of the capital commitments listed above are subject to state funding being made available

23 Post-Employment Benefits

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

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

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

The Company's pension cost for the year under the defined benefit schemes was €25.8 million (2016: €26.1 million) and these costs are included in note 5. The Company cost comprises of contribution payable for the year.

Notes to the Financial Statements (continued)

24 Guarantees and Contingent Liabilities

Pending Litigation

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

Bank Borrowings

The CIÉ Group has borrowings of €28.0 million (2016: €40.0 million) at the balance sheet date. These borrowings are cross guaranteed by Iarnród Éireann and the other subsidiaries in the CIÉ Group.

25 Related Party Transactions

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

The Company has transactions in relation to goods and services with other companies within the CIÉ Group.

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

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.

Some group wide functions such as Treasury, Legal, Property and Pensions are carried out by the Holding Company on a shared services basis. Copies of the CIÉ consolidated financial statements can be obtained from the Company Secretary at Heuston Station, Dublin 8, Ireland.

27 Approval of Financial Statements

The directors approved the financial statements on 4th April 2018.



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