Iarnród Éireann
Irish Rail

Iarnród Éireann Annual Report
Financial Year Ended 31 December 2019

Driving Change for a Sustainable Future

Financial and Operating Highlights

Revenue
€297.4m
+5.9%

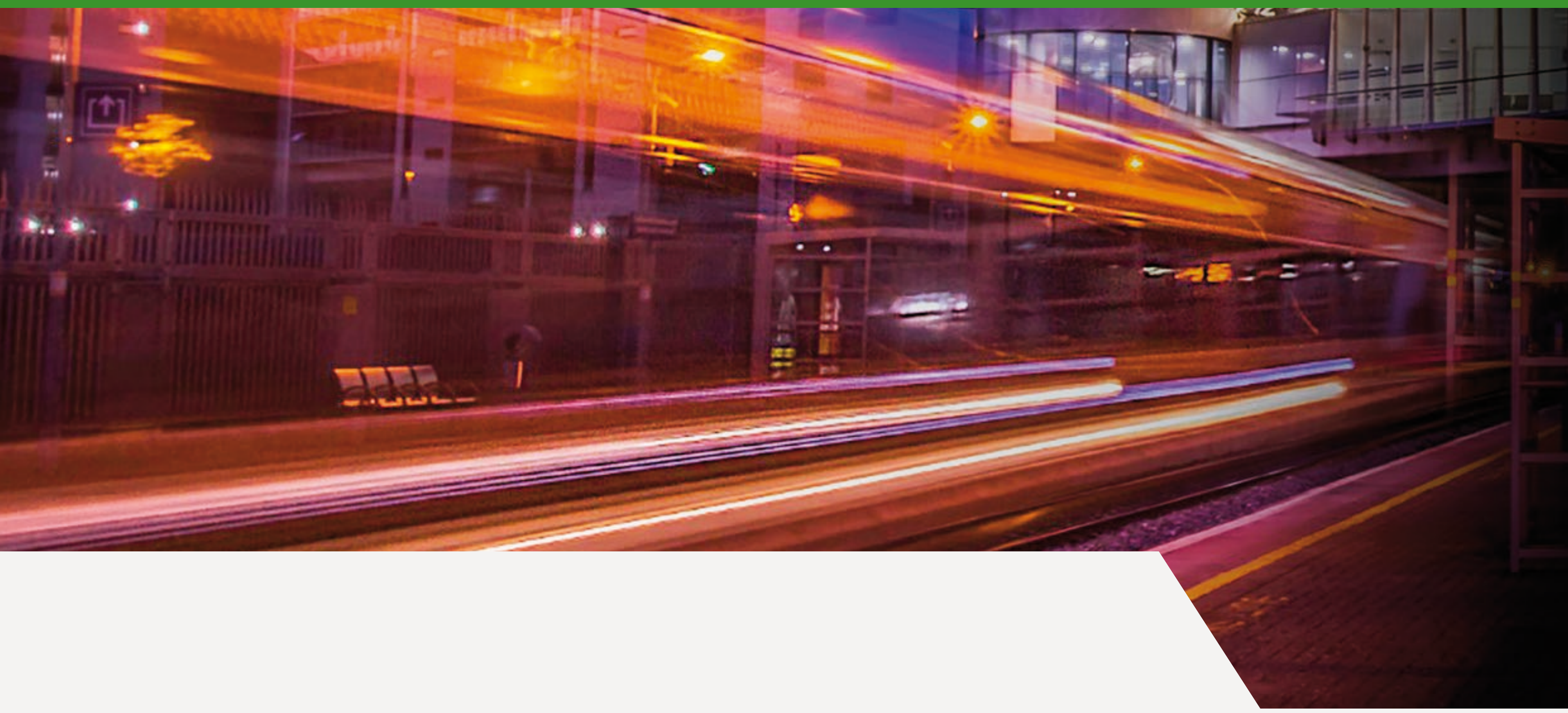
EBITDA
€21.0m
+8.8%

PSO
€88.7m
-0.7%
(excludes heavy maintenance €35m)

Surplus
€4.2m
(2018 Deficit €1.1m)

Journeys
50.1m
+4.6%

MAC
€197m
+23.1%



Rosslare Europort Revenue
€9.3m
-12.3%

Contribution to exchequer
€124.9m
+7.9%

Employees
3,897
+115

Freight Tonne Km
71.6m
-19.2%

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

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Chairman’s Report

If we are truly to transform to a more sustainable future, we must protect infrastructure investment from the vagaries of short-term economic shocks.

Iarnród Éireann services, across Intercity, DART and Commuter, achieved record passenger numbers in 2019, confirming that Irish people recognise the benefits of reliable public transport in terms of value for money and quality of life. Rail has a critical role in offering high capacity public transport to large numbers of people, with major benefits for a sustainable environment and economy. The challenge for Iarnród Éireann is to offer rail services as a credible alternative to private cars to more communities.

The Government of Ireland’s key policies that set out a vision for a sustainable future, the National Planning Framework, Project Ireland 2040 and the Climate Action Plan, all recognise the importance of compact urban form served by high capacity public transport. Rail remains the mode that can move people in greater numbers than any other, and can influence the sustainability of future development.

The rail capacity increases that will be delivered under Project Ireland 2040, including investment in DART+ and increased frequency on intercity routes is crucial to this. We have mobilised to deliver this, have recruited project and specialist expertise, and are working with our colleagues in the National Transport Authority and Department of Transport, Tourism and Sport. As well as commencing design and planning for infrastructure works, in 2019, we ordered 41 new intercity railcar carriages, and began the tender process for up to 600 electric/battery-electric carriages over ten years.

However, the constraints on peak capacity which that record demand is causing on our services starkly illustrates the impact of underinvestment since the economic crisis.

If we are truly to transform to a more sustainable future, we must protect public transport infrastructure investment from the vagaries of short-term economic shocks. We have seen how Brexit had – and still has – the potential to impact on the economy, and at the time of writing we can see how an unexpected event like COVID-19 can have a truly global impact. But we have seen that recovery comes quickly, and our infrastructure must be funded to support it and our citizens when it does.

Our role will be to ensure there is rigorous oversight of the ambitious investment programme, and ensure that our customers and the taxpayers’ interests are to the fore in ensuring we deliver these programmes effectively and efficiently.

COVID-19 has of course had a seismic impact on all sectors of business, society and the economy since the calendar year covered by this annual report concluded. The Board and I wish to record our profound thanks to the Iarnród Éireann team, from platform to boardroom, who have ensured our services have continued to operate throughout the pandemic, and our network has continued to be maintained, in a manner which has ensured the safety and protected the health of our customers and colleagues alike.

The continued commitment of the Government and National Transport Authority to the provision of our essential services to those who must travel, and to our ambitious investment plans, during this crisis, have been hugely welcome. I sincerely believe history will judge that support to have been critical in the recovery of our economy and society post-COVID.

The sustainability of our services extends beyond investment in fleet and railway infrastructure. We are also investing in improving the resilience of public transport in light of climate change and major weather events. We are working in partnership with Clare County Council and the Office of Public Works to find solutions to flooding of the Limerick to Ennis line at Ballycar.

Of a greater scale, and requiring extensive strategic planning with multiple agencies, will be the need to develop a coastal adaptation strategy for our eastern seaboard. Just under half of the Dublin to Rosslare Europort line lies adjacent to the coastal/estuarine environment, and while this has always provided challenges, we have seen more instances impacting on this route in the past 20 years than in the previous 100. Increasing congestion on access routes to Dublin from Wicklow and Wexford calls for increased capacity and greater resilience on the alternative rail route, which is exposed to coastal erosion. Iarnród Éireann is working closely with national and local government agencies to find long-term solutions to this problem and we hope to make progress with this issue in 2020.

Returning to the topic of Brexit, I am grateful to the management teams in Iarnród Éireann for preparing both the Dublin/Belfast Enterprise service and Rosslare Europort – where we are Port Authority – to be ready for Brexit, and all eventualities after the UK's Transition period. In this, we were supported by our colleagues in Translink in Northern Ireland, and a range of state agencies including the critical roles played by the Commission for Railway Regulation for Enterprise, and the Office of Public Works for Rosslare.

The benefits of our Strategic Plan and committed investment in Rosslare Europort are bearing fruit with new business from Brittany Ferries to Spain and France secured in early 2020, and we will continue to develop the port and its ability to attract new business. A renewed strategic focus will also seek to establish the role our rail freight services can play into the future, in the context of the Climate Action Plan.

I thank the previous Minister for Transport, Tourism and Sport Shane Ross, the Minister for Transport, Eamon Ryan TD , and their department officials, and the Chief Executive of the National Transport Authority, Anne Graham, and her team who are committed to enhancing public transport generally and rail transport specifically under the National Development Plan (NDP) and our Public Service Obligation contracts. I would also like to thank the Commission for Rail Regulation for its support in working with us to maintain the highest safety standards on the railway.

Finally, I am grateful for the support of my colleagues on the Board, and the Chief Executive, Jim Meade, and his team of over 4,000 colleagues who deliver our service and maintain our network.

It is through their efforts and commitment in delivering on the opportunities and addressing the challenges ahead that we will deliver for the country, and for the communities we serve.

Frank Allen
Chairman

Chief Executive's Report

Iarnród Éireann recorded its highest ever number of passenger journeys in 2019, with over 50.1 million passenger journeys made.

Iarnród Éireann recorded its highest ever number of passenger journeys in 2019, with over 50.1 million passenger journeys made across DART, Commuter and Intercity services. This represents a 4.6% growth on the previous year.

Additional weekend services to Maynooth and Drogheda and off-peak Phoenix Park Tunnel cross city services contributed to the increase in passenger numbers as well as continued economic growth.

From an infrastructure perspective, work is progressing well on DART+ and the National Train Control Centre. Both projects will revolutionise train transport in Ireland, allowing us to grow capacity and frequency, and operate in a more efficient and sustainable manner.

COVID-19

Before addressing 2019, as an essential service provider, we have of course been profoundly impacted by COVID-19. The record year for passenger demand is set to be followed by a record fall due to the pandemic, and the lives of our customers and colleagues and all our stakeholders have been directly affected by COVID-19.

I am immensely proud of the Iarnród Éireann team for ensuring that our essential service was – and will remain - continuously available to essential workers, carers and others who were dependent on us during the most severe phases of this crisis.

I wish to also thank our representative trade unions with whom we have worked to protect employee and customer health; to the National Transport Authority, and other public transport operators – both our sister companies in the CIÉ Group, Dublin Bus and Bus Éireann, and Luas operator Transdev and GoAhead – for the collaborative effort which has ensured knowledge, expertise and information available to one was available to all.

It must be stressed that the financial sustainability of the business has only been, and will only continue to be possible, with continued additional financial support from the NTA and the Department of Transport. We wish to acknowledge their ongoing support in that regard through this crisis.

Our dedicated COVID Business Continuity team, established weeks prior to the first case on this island, have coordinated the response to ensure:

- Service continuity in all aspects, including identification and protection of critical supply chain requirements; return to work and other workplace policies to minimise the risk of infection
- Employee and customer health and safety, including the supply of hygiene and sanitisation materials and Personal Protective Equipment (PPE) across public transport operators
- Communication and engagement with our employees, customers and stakeholders. Central to this was the establishment of new internal communications channels, from employee apps to dedicated newsletters
- Supporting remote working for 737 colleagues across the organisation in administrative and support functions which could be delivered remotely

- Capacity management and timetable planning to meet restrictions in travel – ranging from two-metre distancing, to 50% and 25% capacity limits under the five-level plan adopted by Government as part of the Living with COVID-19 national strategy
- Supporting colleagues and liaising with security contractors and Gardaí to ensure compliance through cooperation with the mandatory requirement to wear face coverings amongst customers

Our Finances

The overall result for the year is a net surplus before taxation of €4.2m (2018: deficit €1.1m) with Net Assets of €43.1m (2018: €38.9m).

Total revenue of €297.4m from operations in the year reflects an increase on 2018 of €16.5m with passenger revenue accounting for €12.9m of the increase. Freight revenue decreased in 2019 due to reduced volumes transported from Tara mines, €0.5m and Rosslare revenues were lower by €1.3m due to the withdrawal of services by Irish Ferries in the year. These adverse movements were offset by a one off credit in 2019 €5.4m.

The 2019 passenger revenue performance of €233.8m marks a record high for Iarnród Éireann and a 5.8% increase on prior year. Revenue increased on all services with particular growth on the intercity services.

Year on year payroll expenditure increased by €12.3m. This increase was due to the implementation of the final year of a three year pay agreement recommended by the Labour Court in 2017 €6.4m and an increase in average headcount to meet business requirements €5.8m. Other operating costs increased by €18.3m reflecting the additional exchequer funding provided for maintenance and renewal of the infrastructure asset and service provision.

Infrastructure Multi Annual Contract funding received from the Department of Transport Tourism and Sport was €197m in 2019 (2018: €160m). The National Transport Authority provided Public Service Obligation funding of €87.1m (2018: €89.3m) for the operation of passenger services and capital funding of €41.3m (2018: €36.8m) for rolling stock heavy maintenance and other passenger related capital projects.

Cash generated (excluding intercompany financing) for the year was €14.5m (2018: €40.6m). The favourable cash variance arises from a net surplus, higher depreciation costs, lower capital expenditure offset by increased working capital requirements. The balance sheet remains vulnerable to an economic downturn or a reduction in exchequer funding.

The 2009 to 2019 Public Service Obligation contract between the National Transport Authority and Iarnrod Éireann ended on 1st December 2019. At the conclusion of the contract, Iarnrod Éireann has been underfunded by €125.1m.

The new direct award to IÉ was awarded for 10 years to Dec 2029. Under the terms of the contract, the NTA and IÉ will review and agree performance standards on an annual basis. An audit of IÉ shall be carried out on behalf of the NTA each year, following the submission of IÉ's audited accounts.

IÉ is liable to corporation tax under two tax categories i.e. Schedule D trading income with any taxable profit liable at 12.5% and Schedule E rental income with rental profits liable at 25%. A trading loss incurred in a previous year can be offset against current year trading profits. However only trading losses in the current year can be offset against rental profit in the current year.

From the 1st of January 2019, exchequer funding has become liable to corporation tax. Prior to this the exemption on exchequer funding being taxed resulted in IÉ having significant trading losses each year which could be offset against any rental profits earned.

In 2019, IÉ made a tax adjusted trading profit of €0.03m. IÉ utilised previous year's trading losses to shelter this profit.

Rental profit in the year was €6.2m. There were no trading losses in the current year to offset against the profit, therefore, a charge to the profit and loss account was incurred. The charge for the year is €1.6m.

Consultancy Costs

In line with the 2016 Code of Practice for Governance of State Bodies, consultancy costs incurred in 2019 by the company included in Operating and other costs (see Note 6) are set out in the table below.

	2019 €'000	2018 €'000
Maintenance & Renewals	761	463
Operational & Other	297	298
Passenger Systems	28	250
Strategy and Organisation Design	80	52
Gross Consultancy Costs	**1,166**	**1,063**
Capitalised Costs	(611)	(382)
Net Consultancy Costs	**555**	**681**

Chief Executive's Report (continued)

Our Safety

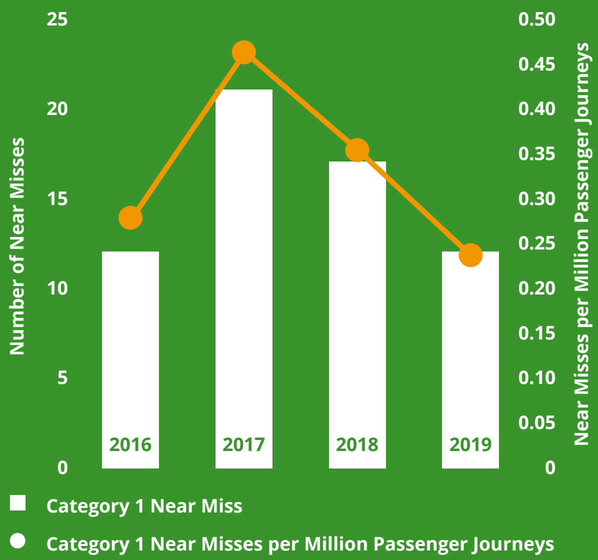
At Iarnród Éireann, we are committed to providing a safe environment for our passengers, employees and members of the public using our network. Our values: "Customers at the heart of our business" and "Always Safe" are there to provide a transport service which is safe and sustainable and where our employees, customers and third parties feel safe.

The governance of safety continues to be overseen by both the senior management team and the board. We continue to monitor trends in KPIs and develop new and improved systems to minimise risk.

Key safety indicators for 2019 include:

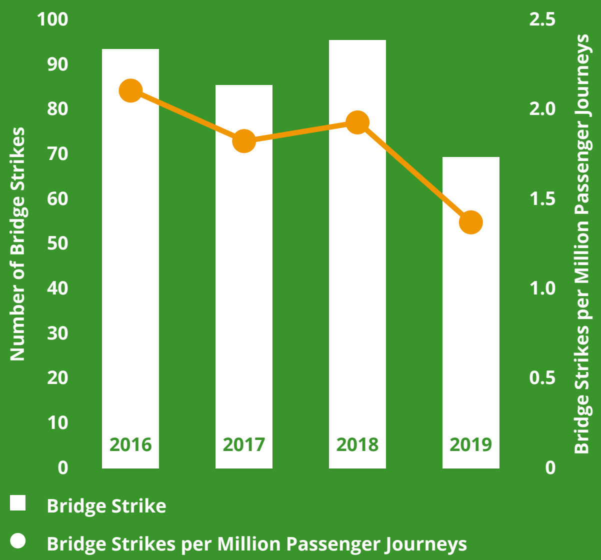
Employee Lost Time Accidents

An increase of 10% on last year. Predominately slips, trips and falls at the lower end of the scale in terms of seriousness, but it is an issue that is being actively monitored and mitigation measures are constantly being reviewed.



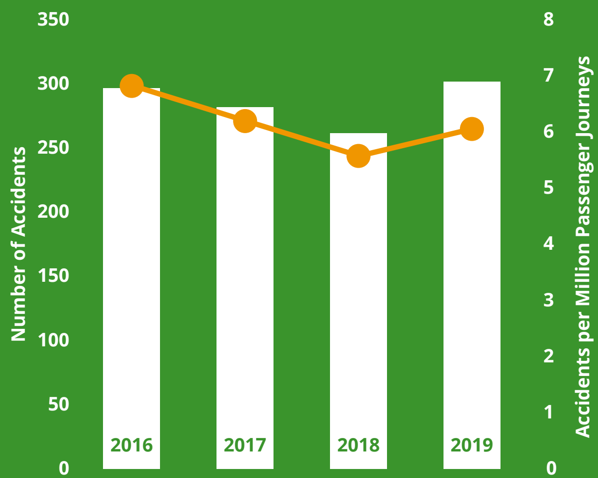
Category 1 Level Crossing Near Miss

This is a 29% reduction on 2018, which is a continuation of a positive downward trend.



Bridge Strikes

27% reduction in bridge strikes on the 2018 figure. This is an excellent result, considering the increase in construction traffic. Local Authorities must also be commended for improved signage on approaches to restricted height bridges.

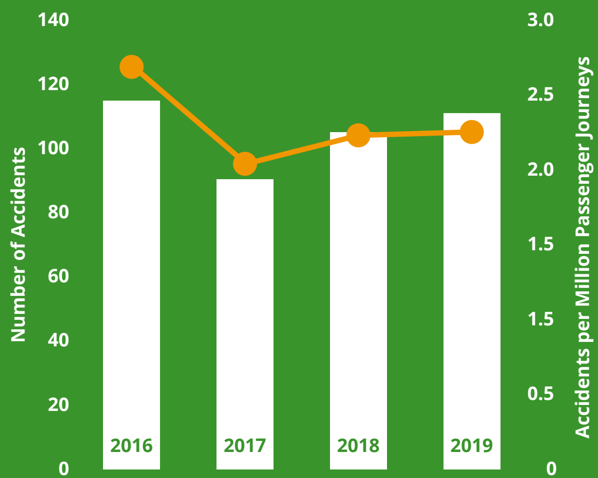


■ Customer & Third-Party Accidents

● Customer & Third-Party Accidents per Million Passenger Journeys

Customer & Third-Party Accidents (Injury Sustained)

A 3% increase in 2019 is modest with journeys increasing by 4.6%, but the trajectory is going in the wrong direction. Customer and third-party accidents will continue to be closely monitored.

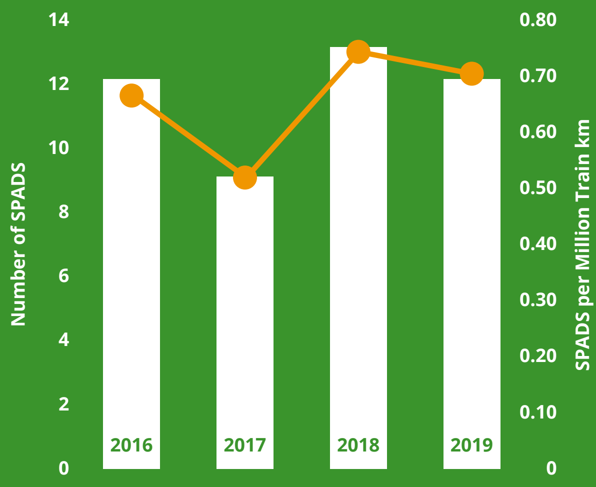


■ Customer & Third-Party PTI Accidents

● Customer & Third-Party PTI Accidents per Million Passenger Journeys

Customer & Third-Party Platform Train Interface Accidents

A 6% increase is more significant and platform train interface is an infrastructural challenge: a special project team is in place to assess possible solutions to improve the safety of the interface.

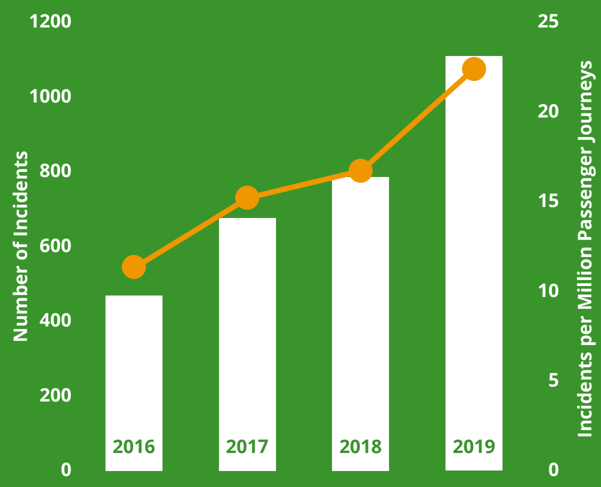


■ SPADS

● SPADS per Million Train km

SPADS

There has been a slight reduction in Signals Passed At Danger (SPADS), although the trend has generally plateaued. We will address this through areas of focus include human factors (in which the company has hired an industry specialist), risk assessments, increased supervisory resources – needed given the increased number of new drivers being trained – support from trainers and examiners on examining emerging operational trends and trainee performance, and other initiatives.



■ Anti Social Behaviour

● Anti Social Behaviour per Million Passenger Journeys

Anti Social Behaviour

41% increase in Anti-social behaviour: while increased awareness has ensured improved reporting, a worrying trend of concern to the company, colleagues and customers alike. In addition, the issue of anti-social behaviour was one of concern to us as a company, to our customers, and to our employees. While the overwhelming majority of journeys occur without incident, the worsening trend is one which we are acting to address. As well as increased security resources, in 2019 Iarnród Éireann recruited a former Garda Superintendent to strategically advise the company on initiatives, and to further enhance engagement and proactive partnership with the Gardaí. The DART Text alert service was launched to allow customers discretely report anti-social behaviour incidents, and this will be expanded further to other routes.


Stena Line
Connecting Europe
NolanTransport.com
NOLAN

€25m

to be invested in Rosslare Europort to grow business and enhance port facilities

Chief Executive's Report (continued)

Our Customers

In 2019, once again we achieved and exceeded our public service obligation punctuality targets on all routes, with Intercity, DART and Commuter at 95% levels.

Revenues and passenger numbers achieved record highs across Intercity, Commuter and DART services, growing by 6% to €234 million and 4.6% to 50.1 million journeys respectively.

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

- Marketing campaign activity and revenue management capabilities resulted in a 23% increase in online revenue to €66 million, its highest ever.
- TaxSaver revenue increased by 4% to a record €35.4 million due to new company registrations and growth in the existing base.
- Student promotional activity yielded another year of strong growth at 9% delivering all time high revenues of €22.4 million.

Iarnród Éireann's independent Customer Satisfaction monitor maintained the high overall satisfaction level at 94%.

Initiatives to improve our service to customers with mobility or sensory impairments included the launch of DART, Maynooth and Northern Commuter Accessibility structures to ensure swifter assistance and reduce advised notice periods for travel.

The deployment of intercity on-board Customer Service Officers continues, which is enhancing our on-board customer experience and also providing greater ease of access for mobility and sensory impaired customers.

The commercial team also launched an innovative marketing campaign this year around the website peaktime.ie, this website informs customers about DART loadings so those that have flexibility in their travel times can make informed choices on which services are busiest.

Freight

In 2019, the Company's key rail freight traffics included:

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

Total freight revenue was €8.1m, with Rail contributing €3.9m and Navigator Forwarding at €4.2m, with total tonne kilometres of 71.6 million.

The promotion and growth of rail freight remains a key focus. Working with all key stakeholders, opportunities to develop and grow rail freight over the coming years have been identified. Iarnród Éireann are committed to the growth of rail freight which will focus on the commercial, environmental and economic value that rail freight can provide in the years ahead, and the company will develop a new freight strategic plan in 2020 in partnership with stakeholders.

The Iarnród Éireann Freight Navigator business, which specialises in the collection and distribution of automotive car parts, had another good performance in 2019. Navigator also performed amongst the best in Europe in this sector with 98.7% of all deliveries arriving on time throughout the island of Ireland.

Rosslare Europort

Rosslare Europort is the fourth largest port in Ireland in terms of overall tonnage handled, and the State's second largest Ro-Ro traffic and passenger port. The port is operated as a division of Iarnród Éireann, who are the Port Authority for Rosslare Europort. Revenue in 2019 for Rosslare Europort was €9.3 million.

Following a strategic review of Rosslare Europort, Iarnród Éireann is committed to invest significantly in the development of the port over the next 10 years. Iarnród Éireann has identified opportunities for the port to make better use of available capacity, improve efficiencies and target specific sectors while promoting the benefits of congestion free access to both European and United Kingdom markets. A €25 million investment plan is proposed over five years to grow business and enhance port facilities. We are working with stakeholders to ensure the port is equipped to address opportunities and challenges arising from Brexit, with the port's capacity and strategic location crucial in a post Brexit environment.

During 2019, Rosslare Europort in conjunction with all the key state agencies implemented full Brexit preparation plans at the port including the completion of the required Border Inspection Post facilities. Recognising the importance of the port as a key strategic asset for the Southeast and the wider Irish economy investment continued with the completion of the Port Masterplan design, recruitment of key personnel in Commercial and Operations with the focus on retaining and attracting new business opportunities and the enhancement of customer information systems and facilities at the port.

Our Network

Sources of income for the Infrastructure Manager business for 2019 were: Multi Annual Contract (IMMAC) funding from the Department of Transport, Tourism and Sport (DTTaS), track/station access charges from all Railway Undertakings that operated on our network which includes all passenger and freight services and limited own funding. The total funding for 2019 was €293m and all forecast outputs were delivered. Some of the benefits of this work were realised by journey time improvements, achievement of passenger service performance targets.

Progress during 2019

IMMAC 2020-2024: A joint review (DTTaS, IÉ and CRR) of IMMAC 2014-2018 was completed and a new five year (2020-2024) IMMAC was approved by the Government including a level of exchequer funding to deliver the steady state required level of infrastructure maintenance and renewal, continuing the commitment from 2019. This is a welcome development as the required level of steady state funding had not been available during the previous IMMAC 2014-2018.

Capital Investment: A new Capital Investment division was established to deliver the National Development Plan's capital investment programme. Significant progress was made in the resourcing of this division to deliver the major development programme including the phased roll out of the DART Expansion Programme. Contracts were awarded for the delivery of 41 additional Intercity Railcars to commence strengthening the existing services in 2021 and for the design of the Maynooth line infrastructure.

Ballast Cleaning: A further 20.6 miles of track formation was renewed in 2019 during the 6th year of this programme bringing the total completed to date to 137.2 miles. This can be expected to contribute to passenger service reliability and future journey time improvements on the Cork line and with benefits for other feeder lines.

Chief Executive's Report (continued)

Construction Works: A new second platform at Limerick Junction was delivered and was brought into service at the end of August. This will deliver journey time improvements on the Cork, Limerick and Tralee services. Work continued throughout the year on the replacement of the Pearse Station roof which dates from the mid 1800s. This crucial safety project is due for completion in Quarter 2, 2020.

Accessibility: During the course of the year the design and planning for improved accessibility at a number of priority stations was progressed taking account of passenger census numbers and operational requirements. Works commenced at Carlow station in Q4. Funding under the IMMAC will ensure works can be accelerated over the coming term of the contract.

National Train Control Centre: The tender process for the delivery of the Traffic Management System and for constructing the building was substantially complete in 2019. Tender awards are scheduled for early 2020.

Resignalling Works: Preparatory works commenced for Cork resignalling in 2019 and the project will take approximately two years.

Level Crossings: Warning systems have been introduced for level crossing users at a number of user worked level crossings seven were installed in 2019 and will be commissioned in early 2020. In addition, 11 level crossing were closed during the year as part of an ongoing multi-annual initiative to eliminate level crossings.

Our People

Each day, over 4,000 colleagues work together to provide excellent customer service and to develop projects which will enable our railway to make a significant contribution to a sustainably connected Ireland. As a company, we strive to continuously develop our colleagues through new and innovative development opportunities in all areas of our business.

People Development and Recruitment

Our People Development programme continued throughout 2019 with new modules delivered in the areas of Safety Culture and Performance Management. Additionally, we introduced a new exciting module which focussed on building practical collaboration with managers and our trade union leadership focussed on the commitment required to deliver the full ambitions of the Strategy 2020-2027 and grow passenger journeys to 75 million by 2025.

We also launched our Women in Leadership programme in 2019 demonstrating our continued commitment to the 30% Club. It was a year we also extended our High Potential and Graduate programmes to more parts of our business as part of our longer term Talent Management Strategy. We delivered another successful Apprentice recruitment process and undertook the largest ever external recruitment campaign for train drivers for Iarnród Éireann, with 27,000 applicants.

Iarnród Éireann and Sustainability

Sustainable transport policy is strongly focussed on achieving modal shift from the private car to public transport to offset rising congestion and the negative environmental impacts of our current over dependency on car-based travel. Central to transport planning policy is a recognition that rail has a unique role to play in attracting motorists to public transport, given its high capacity and segregated running characteristics.

Sustainability however is much wider than just these environmental considerations including in the transport sector. Sustainable transport systems, with the railway playing a pivotal role, raise the quality of life through three inter-related pillars:-

- Helping to create a more efficient economy,
- Enhancing social inclusion, and
- Reducing environmental impacts.

Iarnród Éireann will incorporate sustainability principles into the development and operation of its services and rail network, thus contributing to economic efficiency and social well-being, and protecting, restoring and enhancing the environment for future generations. This policy is supported by and integrated into a number of key regional / national and EU / international planning frameworks, and aligned with the CIÉ Group Sustainability Policy, which is founded in the Sustainable Development Goals (SDGs) agreed by the United Nations in 2015.

The company is a signatory to the Business in the Community Low Carbon Pledge, which targets a 50% reduction in energy consumption by 2030, aligning also with the national Climate Action Plan.

Iarnród Éireann – Sustainability 2019

Iarnród Éireann carried its highest number of passengers ever in 2019 with over 50 million passenger journeys. Alongside growing passenger numbers Iarnród Éireann made progress towards achieving their climate targets through a number of energy efficiency measures. A comprehensive waste management programme to ensure responsible consumption and production was delivered and an innovative biodiversity strategy to develop the natural capital along the rail network and in stations were put in place.

The achievements this year include:

- Total CO2 emissions fell to 148,500 tonnes for 2019. Combined with previous years this equates to an average annual avoidance of 81,500 tonnes on the 2006 baseline (35%).
- Total passenger kilometres increased by 5.1% as capacity was expanded to meet passenger demand.
- Total energy use MWhr per passenger was down by almost 40% since 2006.
- Commenced reporting on scope 3 greenhouse gas emissions (GHG).
- An energy reduction programme for heat and light and other services achieved a decrease in electricity consumption of 2.7%.
- Introduction of the intercity rail car Diesel Multiple Unit ZF Gearbox and commencement of Envirox Fuel Additive to reduce fuel consumption.
- The roll out of the Hybrid Drive for Inter City Railcar fleet commenced, to reduce diesel use and emissions. The project secured €15 millions of government funding from the Climate Action Fund.
- Lighting renewal programme continued with newer energy efficient lighting.
- A total of 18 electric vehicles have been order for infrastructure servicing.
- Planning and design for improved accessibility to services completed in priority stations.
- Start of replacement of Pearse Station roof, dating from the mid 1800s. Protecting the heritage of the company assets.
- Environmental practice work:
- Implementation of Environmental Management Systems for ISO14001.
- Waste minimisation and disposal.
- Improved recycling rate of 73%.
- Noise mitigation measures for construction sites.
- Improved air quality within stations.
- Reduction in pesticide use and protection of habitats and control of invasive species.
- Implementation of pollinator programmes for ten Stations as part of the All Ireland Pollinator Plan

Our Environment

The impact of Iarnród Éireann operations and maintenance on the environment needs to be mitigated to ensure sustainability of the railway network. As stated in the IÉ Environmental Policy, Iarnród Éireann has a responsibility to minimise, as far as is practicable, the impact of activities on the environment and to reduce the consumption of natural resources. On-going environmental initiatives include:

- Waste minimisation and proper disposal.
- Decontamination of historical fuelling sites and improved fuelling practices.
- Noise mitigation measures for construction sites and operations.
- Improved air quality within stations.
- Reduction in pesticide usage.
- Protection of habitats and controlling invasive species.

The company's largest environmental impacts come from the Chief Mechanical Engineering (CME) Department and the Chief Civil Engineering (CCE) Department. In order to manage this impact, both departments have implemented Environmental Management Systems (EMS) that are externally certified by international standard ISO14001.

Iarnród Éireann is a key stakeholder of the National Pollinator plan and work is ongoing on promoting biodiversity and responsible vegetation control at Stations and trackside right across our network, with pollinator plans in place at a range of locations; and wildflower planning and landscaping at sites including Heuston and Inchicore.

Innovative biodiversity programmes planned include native planting and landscaping schemes, and swift tower and barn owl nesting projects.

Chief Executive's Report (continued)

The Energy consumption profile of Iarnród Éireann (MWhr) is shown below:

Year	Y 2006	Y 2010	Y 2016	Y 2018	Y 2019	
Diesel oil for traction	670,300	465,900	429,000	445,500	460,100	3.3%
Electricity for traction	35,400	26,700	24,500	26,200	27,700	5.6%
Road fuel	13,400	16,600	15,700	15,000	14,700	(2.2%)
Electricity other	31,000	39,000	36,900	37,000	35,800	(3.3%)
Gas for heating	18,500	16,300	8,700	9,000	9,300	2.7%
Total Energy use MWhr	**768,600**	**564,500**	**514,700**	**532,800**	**547,600**	2.8%
	100%	**73%**	**67%**	**69.3%**	**71.2%**	
Total CO_2 Emissions ('000 tonne)	230.0	164.6	146.0	144.5	148.5	
Passenger M km	1,872	1,678	1,990	2,281	2,399	5.1%
	100%	90%	106%	122%	128%	
Total Energy use MWhr per 10,000 Passenger km	4.03	3.27	2.59	2.34	2.28	(2.3%)
	100%	**81%**	**64%**	**58%**	**57%**	
Train M km	18.2	17.7	18.4	18.88	19.26	2.0%
	100%	97%	101%	104%	106%	
Total Energy use MWhr per 100 Train km	4.14	3.10	2.80	2.82	2.84	0.7%
	100%	**75%**	**68%**	**68%**	**68%**	
Number of Electricity Accounts (MPRN)	390	571	614	617	635	
	100%	**146%**	**157%**	**158%**	**158%**	
Cost of Energy based on Diesel Oil	0.34	0.54	0.74	0.56	0.54	(2.8%)
	100%	**159%**	**218%**	**163%**	**163%**	

Explanatory notes:

The increases in energy consumption for traction are a result of increased services for DART and DMU commuter services in Dublin, Cork and Limerick areas.

Increases in passenger journeys show up as efficiency improvements measured as "**Energy use MWh per 10,000 passenger km**".

Note 1: Traction Diesel

Diesel consumption rose by 3.3% while passenger kilometres for diesel services rose by 5.4% on the 2018 figure in line with an overall 5.1% passenger increase across all services. This improved the energy efficiency (Energy use MWh per 10,000 passenger km) level from 2018.

There was an increase in train kilometres of 2.0% resulting from an increase in scheduled services to meet ever-increasing demand.

Efficiency as measured by Energy use MWh per 100 train kilometres decreased by 0.7%.

DMU in-service train kilometres increased by 0.9% due to the introduction of the following additional services.

Locomotive use in Freight decreased by 17% because of reductions in demand for freight transport.

Note 2: DART

There was an increase of 11.9% on the 2018 annual figure for DART train kilometres due to the introduction of the 10 min timetable from September 2018, with a corresponding increase in the consumption of energy of 5.6%.

Passenger kilometres on the DART rose by a further 3.0% in 2019.

Note 3: Road

Road fuel usage has shown a decrease of 2.2%. This is primarily due to fleet replacement with more efficient vehicles and the initial introduction of telematics.

Note 4: Electricity

Electricity consumption, for fixed assets (buildings, signalling system, telecoms system) decreased by 2.7% in 2019. The number of supply (metering) points increased from 618 to 635.

There are continuing programmes to reduce consumption of heating and lighting and other services.

In parallel with this, there are increases in consumption due to increasing automation – Train Radio, Automatic Level Crossings and increased activity.

Note 5: Gas

Gas usage has shown an increase of 2.7% on 2018.

Note 6: Overall

The overall use of energy has increased by 2.8% this is split 89% traction diesel, 9% traction electricity, 2% gas.

Note 7: Passenger km

There was an increase in passenger kilometres of 5.1% compared to an increase in overall energy use of 2.8%.

Note 8: Train km

There was an increase in train kilometres of 2.0% leading to a decrease in efficiency of 0.7%.

Note that additional carriages placed on DMUs are not reflected in train kilometres – this value stays constant and is independent of train length.

Note 9

The cost of energy decreased for gas (9.8%), electricity (8%) and fuel oil (2.8%).

Note that electricity prices are directly linked to gas markets which are trading at a 10-year low.

Diesel purchases are hedged forward, so the prices reflect the hedged price, not the "prompt price".

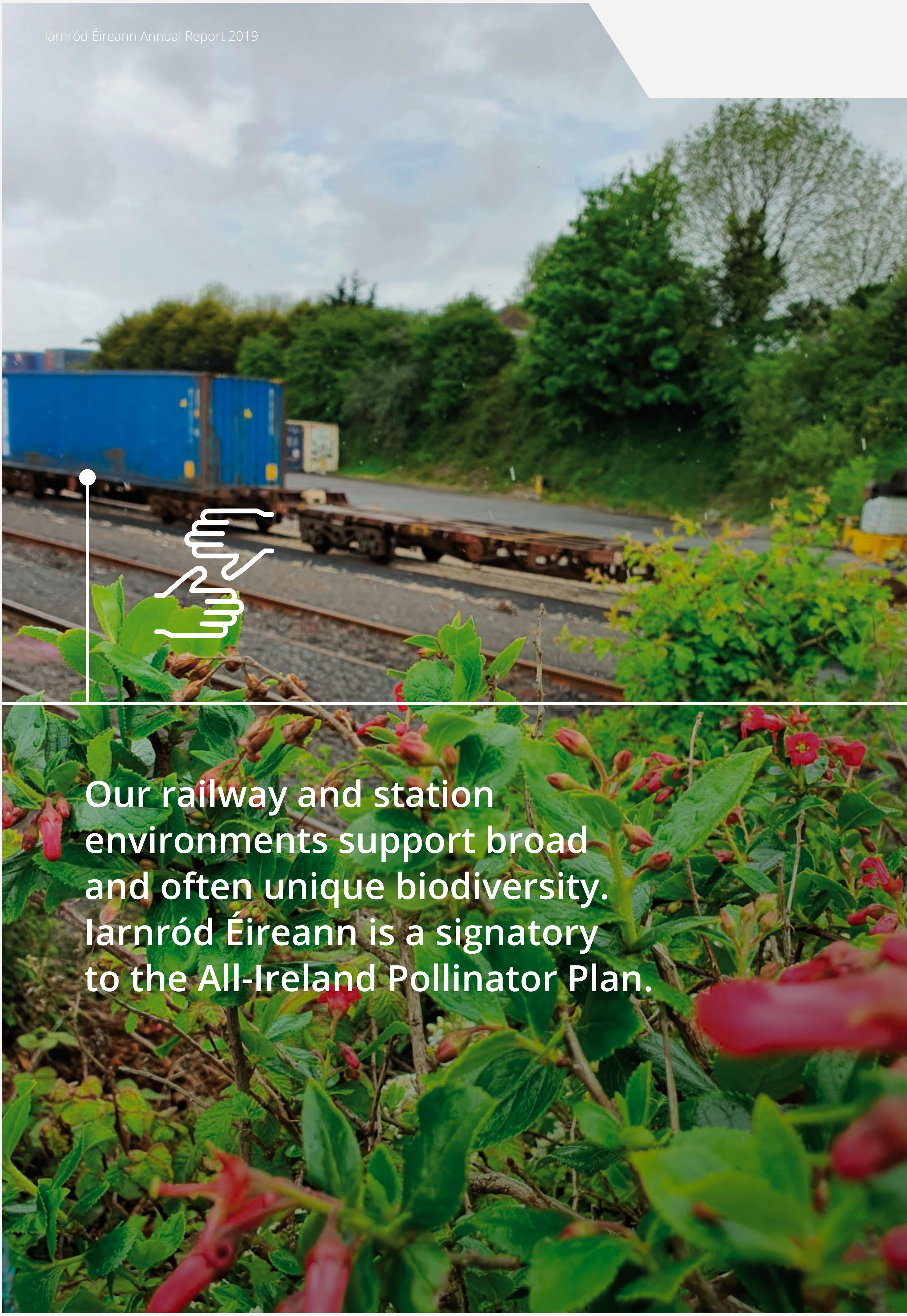
Our Community

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:

Due to suicide and self-harm incidents on our network, mental health and wellness remains to the core of our Corporate Social Responsibility Strategy. We support Cycle against Suicide, now as lead sponsor; continued our support of the Green Ribbon initiative during the month of May and our ongoing partnership with the Samaritans offers support to colleagues and customers.

We continue to support the arts and artistic expression through our partnership with Fishamble Theatre Company; street art installations at Kilbarrack, Bayside and the Aviva Stadium; and our popular public pianos initiative, launched in Cork and Limerick in 2019.

Jim Meade
Chief Executive



Our railway and station environments support broad and often unique biodiversity. Iarnród Éireann is a signatory to the All-Ireland Pollinator Plan.

Directors and Other Information

Directors

Mr. F. Allen *(Chairman)*
Ms. S. Byrne
Ms. C. Griffiths
Ms. D. Guinan
Ms. V Little
Mr. M. McGreevy
Dr. P. Mulholland
Ms. S. Roarty
Mr. T. Wynne

Chief Executive

Mr. J. Meade

Secretary

Ms. G. Finucane

Registered Office

Connolly Station
Amiens Street
Dublin 1

Telephone: +353 1 836 3333
Facsimile: +353 1 836 4760
Website: www.irishrail.ie
Registered Number: 119571

Auditors

Deloitte Ireland LLP
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, mostly 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 chairs the board of Depaul Housing Association.

Suzy Byrne

Suzy Byrne is Regional Manager in the National Advocacy Service for People with Disabilities. Suzy is also a writer and broadcaster and holds a BA in Sociology and Social Policy. She is a board member of the Irish Council of Civil Liberties and an external advisor to Rethinking Ireland's Equality Fund.

Carolyn Griffiths

Carolyn Griffiths is a Fellow of both the Royal Academy of Engineers and the Institution of Mechanical Engineers (IMechE) . She is a former President of the IMechE and was a Board member of the Engineering Council from 2014-2020. She is a Non Executive Director of AESSEAL Engineering Ltd., an External Examiner for the University of Birmingham's MSc in Rail Systems Engineering and Integration and Chair of the Rail Group within the Parliamentary Council for Transport Safety. 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 has been awarded an Honorary Doctorate by Cranfield University for her achievements in and contributions to the rail industry

Denise Guinan

Denise Guinan was appointed to the Board of CIÉ in July 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001, and to the Iarnród Éireann board at the same time. She joined the clerical grade in Bus Átha Cliath in 1989 and works in Ringsend Bus Garage. She is a member of the Transport & Salaried Staff Association.

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 following his retirement from the position of General Manager, Rail Services, Translink, Northern Ireland Railways Ltd. He has extensive experience in the transport sector. A Mechanical Engineer by profession, Mal has held senior engineering and operations positions in both bus and rail companies since joining Ulsterbus Ltd in 1988. Mal was appointed to the position of General Manager, Rail Services in 2004. He has been instrumental in the renewal of the Northern Ireland Railways fleet of trains, the upgrading of customer service levels and the more than doubling of passenger numbers during his tenure as General Manager. In 2012 Mal was awarded an MBE in recognition of his contribution to Public Transport Services in Northern Ireland.

Dr. Peter Mulholland

Peter Mulholland has over thirty years' experience in Human Resources (HR) covering both the private and public sectors. He retired from RTE in 2016 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.

Sarah Roarty

Sarah Roarty joined the Board in April 2019. With a degree in Chemistry, Sarah has extensive experience in science, medtech and pharmaceutical sectors at senior management level gained in world class industries across Europe. Her current role is Enterprise Development Manager with Action Tuam. Sarah served as Vice President of the Board and Chair of Audit and Risk for St Jarlath's Credit Union. She currently serves as a member of the Audit committee for Galway County Council. Sarah is founder and chairperson of registered charity Angelman Syndrome Ireland, which promotes equal opportunity, empowerment and accessibility for those living with Angelman Syndrome and their families.

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 Tommy holds a Higher Diploma in International Railway Operations from Glasgow Caledonia University. He is currently President of the SIPTU TEAC Division and Chairman of the Transport Sector in 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 2019.

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 Irish economy is experiencing a negative economic reaction arising from Covid-19. This has resulted in reduced revenue in both Commercial and PSO businesses. The directors gave detailed consideration to the nature of the uncertainties facing the company when considering whether it remained appropriate to adopt the going concern basis in preparing the financial statements for 2019. The principle uncertainties facing Iarnród Éireann can be summarised as follows:

Commercial Businesses:

Commercial Services were impacted in 2020 due to the Covid-19 pandemic. The businesses are projected to incur a loss in 2020 and 2021. However swift action by the board and management have minimised the losses in Commercial Businesses and the directors, and having considering detailed scenarios and projections, are satisfied that the projected losses do not represent a going concern issue for the company.

PSO Services

Iarnród Éireann has continued to operate PSO services in line with the Direct Award Contract during 2020. The shortfall in revenue in 2020 and 2021 has been quantified and downside scenarios have been considered. Iarnród Éireann was operating under a net cost PSO contract in 2020 under which the company retained fare box revenue and PSO funding was provided to meet the cost of essential but uneconomic services. The NTA and the Department of Transport indicated early in 2020 that additional funding would be made available in order to ensure the full continuation of these vital public services. In 2021 the company will continue to operate under a net cost PSO contract and the responsibility for revenue will remain with the company.

Following detailed engagement with management the directors considered a range of scenarios in order to understand the quantum of funding likely to be required for 2020 and 2021. This included consideration of management engagement with key stakeholders, detailed modelling and scenario planning, Exchequer Budget 2021, as well as all relevant publically available information. The directors are satisfied that it remains the intention of the NTA that the company will be funded in line with the requested PSO services.

Consideration of the assumption that appropriate levels of PSO funding could be provided was an essential element in the director's assessment of the financial position of the company. The directors are satisfied that:

- it remains the intention of the NTA to fund Iarnród Éireann, to allow the company to continue to operate PSO Services in 2021 in line with the level PSO services requested by the NTA.
- detailed scenario planning has allowed reasonable assessments of the level of funding likely to be required for 2020 and 2021.
- the Exchequer Budget included adequate provision for the continuation of PSO Services in 2021.
- the NTA will receive sufficient funding from the Exchequer in order to fund the provision of the services requested.

The company has now received almost the full quantum of funding required for 2020. The directors would like to acknowledge the additional exchequer funding support received from the NTA and the Exchequer during 2020 which has enabled the continued operation of essential public transport services.

The Group operates a pooled treasury system and Iarnród Éireann relies of the Group's banking facilities to enable it to manage its operations in accordance with its approved business plan. The ongoing support of CIE Group for Iarnród Éireann is evidenced in the Letter of Support from CIE to Iarnród Éireann dated 18th November 2020.

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 2019 results show the revenue generated from operations increased by €16.5m over 2018. The amount of the Public Service Obligation ("PSO") subvention received in 2019 was €128.4m down €12.9m on 2018. The PSO payment includes heavy maintenance funding of €35.0m (2018: €35.0m). Other exchequer funding for safety and maintenance increased by €17.0m from 2018.

The operating costs, before exceptional costs, increased by €30.6m over the 2018 level due to the increase in services provided and maintenance activities.

The Company recorded a net surplus before taxation of €4.2m (2018: deficit €1.1m).

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 2019.

There were no dividends paid or declared in 2019 or 2018.

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.

Among other risks, Covid-19 was added to the risk register since year end. This significant risk is addressed in Note 2 to these financial statements.

Directors' Report (continued)

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,`Safety 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.

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 2019 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 2019.

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 mattes 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.

Directors' Report (continued)

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 in the year.

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". BDO were engaged to perform a review of the Company's Risk Management Framework in October 2019.

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 2019.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2019 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.

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

We have considered the impact of the ongoing COVID-19 pandemic on the financial results of the company

and on the company's ability to continue as a goingconcern. We are satisfied that the COVID-19 pandemic is not a post balance sheet event which requiresadjustment to the financial statements. Further details on our assessment of the COVID-19 pandemic on thecompany's ability to continue as a going concern are set out on page 21 of the directors' report. Management's assessment of post balance sheet events is set out in Note 26 to the financial statements. There have been no other significant post balance sheet events which require adjustment to the 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 2019 a total of €25,000 (2018: €32,000) 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 2019 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Frank Allen	
Suzy Byrne	
Carolyn Griffiths	
Denise Guinan	
Valerie Little	
Mal McGreevy	
Dr. Peter Mulholland	
Sarah Roarty	*(appointed in April 2019)*
Thomas Wynne	

Listed Below is the board director's attendance at board meetings during 2019:

	Attendance
Frank Allen	8/8
Suzy Byrne	8/8
Carolyn Griffiths	7/8
Denise Guinan	8/8
Valerie Little	8/8
Mal McGreevy	8/8
Dr. Peter Mulholland	8/8
Sarah Roarty	4/5
Tommy Wynne	7/8

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.

Gender Balance in the Board membership

As at 31 December, the Board had five (56%) female and four (44%) male members, with zero positions vacant.

The Board therefore meets the Government target of a minimum of 40% representation of each gender in the membership of State Boards.

The following measures are planned to maintain and support gender balance on this Board:

- The Minister will be advised upon vacancies of any potential implication for gender balance arising from the vacancy(ies) to be filled
- The Iarnród Éireann Equality at Work Policy will be updated to encompass Gender Balance in Board membership provisions

Directors' Report (continued)

Iarnród Éireann Advisory Groups

The following committees and 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, workers, contractors, neighbours and the public more generally. The Group comprise of:

		Attendance
Carolyn Griffiths *(Chair)*	Iarnród Éireann Director	4/4
Mal McGreevy	Iarnród Éireann Director	3/4
Sarah Roarty	Iarnród Éireann Director	1/1
Tommy Wynne	Worker Director	3/4

Audit & 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
Valerie Little *(Chair)*	*Iarnród Éireann Director*	4/4
Suzy Byrne	*Iarnród Éireann Director*	3/4
Mal McGreevy	*Iarnród Éireann Director*	4/4

Infrastructure Advisory Group ('IAG')

The IAG advises the Iarnród Éireann board on asset stewardship discharged by the Infrastructure Manager team, the strategic asset management plans developed and inputs into the Multi Annual Contract. The Group comprise of:

		Attendance
Mike Sowden *(Chair)*	*Independent Advisor*	4/4
David Wilkinson	*Independent Advisor*	4/4
Carolyn Griffiths	*Iarnród Éireann Director*	4/4
Dr. Peter Mulholland	*Iarnród Éireann Director*	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. There are two directors on the TAG:

		Attendance
Mal McGreevy *(Chair)*	*Iarnród Éireann Director*	4/4
Tommy Wynne	*Worker Director*	2/3

Human Resources Advisory Group ('HRAG')

The Human Resources Advisory Group was established to ensure that there is strategic oversight across all of the Human Resource enterprise in the delivery of positive change in Iarnród Éireann. The Group comprise of:

		Attendance
Dr. Peter Mulholland *(Chair)*	*Iarnród Éireann Director*	4/4
Valerie Little	*Iarnród Éireann Director*	3/4

Board Remuneration Committee ('BRC')

The Iarnród Éireann BRC is mandated on behalf of the Iarnród Éireann board to ensure implementation of Government policy with regard to the remuneration of directors and the Chief Executive. It is also mandated to approve the remuneration package and the appointment of the CEO and all senior managers who report directly to the CEO. The Committee comprises:

		Attendance
Valerie Little (Chair)	*Iarnród Éireann Director*	2/2
Frank Allen	*Iarnród Éireann Chairman*	2/2
Mal McGreevy	*Iarnród Éireann Director*	2/2

IT Advisory Group

The IT Strategy Group was established in by the Iarnród Éireann board in 2018 and first met in January 2019. Its primary activities in 2019 were to oversee the formation of an ICT (Information and Communications Technology) Strategy and to recruit a Chief Information Officer. The Group comprises of:

		Attendance
Tony Graham *(Chair)*	*Independent Advisor*	6/6
Denise Guinan	*Iarnród Éireann Director*	5/6

Strategy Advisory Group ('StAG')

The Strategy Advisory Group was established in 2018 to review strategy for the company as a whole, and bring focus to specific areas of the business in partnership with key stakeholders. The Group comprise of:

		Attendance
Stephen Murphy *(Chair)*	*Independent Advisor*	5/5
Frank Allen	*Iarnród Éireann Chairman*	4/5
Carolyn Griffiths	*Iarnród Éireann Director*	3/5
Mal McGreevy	*Iarnród Éireann Director*	4/5
Sarah Roarty	*Iarnród Éireann Director*	2/2

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

Since the financial year end, in line with public procurement requirements, a formal external audit tender process was undertaken by CIÉ, following which the CIÉ Board selected Mazars as the external auditor for the Group including Iarnród Éireann. A resolution to formally approve the appointment of Mazars as external auditors will be put to shareholders at the AGM. Deloitte Ireland LLP, Chartered Accountants, intend to resign as external auditors with effect from the AGM date and have confirmed, in accordance with Section 400 of the Companies Act 2014, that there are no circumstances in connection with their resignation which should be brought to the attention of the members or creditors of the Company.

On behalf of the board

Mr. Frank Allen
Chairman

Ms. Valerie Little
Director

18 November 2020

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 2019 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 Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; 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.

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 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.

Under the Code of Practice for the Governance of State Bodies (2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal financial control required under the Code of Practice as included in the Corporate Governance Statement in the Directors' Report does not reflect the companies compliance with paragraph 1.9(iv) of the 2016 Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Ciarán O'Brien

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2

18 November 2020

Statement of Comprehensive Income

For the Financial Year Ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Revenue from operations		297,381	280,891
Receipts from Public Service Obligation contracts		88,733	89,327
Other exchequer funding		142,931	126,526
Total revenue	*3*	**529,045**	**496,744**
Costs			
Payroll and related costs	*5*	(266,296)	(254,023)
Materials and services costs	*6*	(241,695)	(223,412)
Total operating costs		**(507,991)**	**(477,435)**
EBITDA and exceptional items		**21,054**	**19,309**
Exceptional items	*7*	(2,876)	368
Depreciation net of capital grants amortised	*8*	(13,042)	(19,881)
Profit on disposal of tangible assets		10	74
Surplus/(deficit) before interest and taxation		**5,146**	**(131)**
Interest payable and similar charges	*9*	(986)	(1,003)
Surplus/(deficit) for the year on ordinary activities before taxation		**4,160**	**(1,134)**
Taxation on ordinary activities	*10*	(1,554)	–
Surplus/(deficit) for the financial year		**2,606**	**(1,134)**

Balance Sheet

As at 31 December 2019

	Notes	2019 €'000	2018 €'000
Fixed assets			
Intangible assets	*12*	15,795	9,220
Tangible assets	*13*	1,692,418	1,715,460
		1,708,213	**1,724,680**
Current assets			
Stocks	*14*	56,374	44,372
Debtors	*15*	101,645	84,496
Cash at bank and in hand		113	1,372
		158,132	**130,240**
Creditors (amounts falling due within one year)	*16*	(302,081)	(284,630)
Net current liabilities		**(143,949)**	**(154,390)**
Total assets less current liabilities		**1,564,264**	**1,570,290**
Deferred income	*18*	(1,459,328)	(1,463,970)
Provisions for liabilities	*19*	(63,408)	(67,398)
		41,528	**38,922**
Capital and reserves			
Called up share capital	*20*	194,270	194,270
Profit and loss account – deficit		(152,742)	(155,348)
Total Equity		**41,528**	**38,922**

On behalf of the board

Mr. F. Allen
Chairman

Ms. V. Little
Director

18 November 2020

Statement of Changes in Equity

Financial year ended 31 December 2019

	Called up Share Capital €'000	Profit and Loss €'000	Total Equity €'000
Balance at 1 January 2018	**194,270**	**(154,214)**	**40,056**
Deficit for the financial year	–	(1,134)	(1,134)
Total comprehensive income for the financial year	–	(1,134)	(1,134)
Balance at 31 December 2018	**194,270**	**(155,348)**	**38,922**
Surplus for the financial year	–	2,606	2,606
Total comprehensive income for the financial year	–	2,606	2,606
Balance at 31 December 2019	**194,270**	**(152,742)**	**41,528**

Statement of Cash Flow

Financial year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Net cash generated from operating activities	*21*	**3,415**	**45,387**
Cash flow from investing activities			
Purchase of tangible fixed assets		(142,915)	(79,861)
Purchase of intangible fixed assets		(7,318)	(5,433)
Proceeds from disposal of tangible fixed assets		10	74
Proceeds from state and EU grants		162,321	81,454
Net cash from investing activities		**12,098**	**(3,766)**
Cash flow from financing activities			
Interest paid		(986)	(1,003)
Intercompany financing		(15,786)	(40,200)
Total cash used in financing activities		**(16,772)**	**(41,203)**
Net (decrease)/increase in cash and cash equivalents		**(1,259)**	**418**
Cash and cash equivalents at 1 January		1,372	954
Cash and cash equivalents at 31 December		**113**	**1,372**
Cash and cash equivalents consist of:			
Cash at bank and in hand		361	360
Bank		–	1,012
Bank overdrafts		(248)	–
		113	**1,372**

Notes to the Financial Statements

1. Statement of Compliance, Activities and Ownership

(a) Statement of Compliance

The financial statements of Iarnród Éireann, registered number 119571, Connolly Station, Amiens Street, Dublin 1, have been prepared on a going concern basis in accordance with Financial Reporting Standard 102 (Accounting standards issued by the Financial Reporting Council of the UK) and the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

(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 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 (v) 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.

(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) Segmental Reporting Note

Operating segments are reported in a manner consistent with the internal management structure of Iarnród Éireann and the internal financial information provided to the company's Chief Operating Decision Makers (the executive directors) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. The operating result reported internally by segment is the key measure utilised in assessing the performance of operating segments within the company.

Iarnród Éireann has determined it has five reportable segments: Railway Undertaking, Railway Infrastructure Manager, Rail Freight, Rosslare Europort and Central and Other Activities. The Railway Undertaking segment operates the passenger business under the Public Service Obligation contract awarded by the National Transport Authority. The Railway Infrastructure Manager segment manages, maintains and renews the infrastructure asset which is funded by the Multi Annual Contract and Access charges. The Rail Freight segment provides transport services for the movement of goods by rail. The Rosslare Europort segment operates the second busiest port in the state for ship movements of tourist traffic and unitised freight. The Central and Other Activities segment provide shared services to the organisation and contains the navigator business which provides road transport facilities for the motor industry primarily.

(h) Employee Benefits

The Company provides a number 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.

Notes to the Financial Statements (continued)

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.

(i) 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.

(j) 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.

(k) 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.

(l) EBITDA

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

(m) 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.

(n) 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.

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.

Notes to the Financial Statements (continued)

(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
Railway rolling stock	straight-line method	4-20 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
Freehold buildings	straight-line method	50 years
Bridges	straight-line method	120 years
Road freight vehicles	straight-line method	1-10 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.

(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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

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.

Notes to the Financial Statements (continued)

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.

(s) 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.

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.

(iii) Third party and employer liability claims provision and related recoveries

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.

(t) 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.

(u) 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.

(v) 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 23.

(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

Financial position

The 2019 Iarnród Éireann financial statements have been prepared on a going concern basis. This assumes that the Company will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements

The directors have given very careful consideration to the going concern basis of preparation at this time and are satisfied that it is appropriate for the 2019 financial statements to be prepared on this basis.

The key factors considered in arriving at this determination include:

Financial Position at 31 December 2019

At 31 December 2019 Iarnród Éireann had net assets of €42million (2018: €39million) and net current liabilities of €144million (2018: €154million).

Net current liabilities include non-cash items of €193 million (2018: €187 million) relating to deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items the Company had net current assets of €49 million (2018: net current assets €33 million).

Covid-19

The Irish economy is experiencing a negative economic reaction arising from Covid-19. The primary impact on Iarnród Éireann relates to a significant reduction in passenger journeys. A detailed assessment of the effects of Covid-19 on each element of the business has been completed. The principle uncertainties facing Iarnród Éireann can be summarised as follows:

- The company is now projected to incur a loss on its commercial business in 2020 and 2021
- A significant reduction in passenger revenue has increased the level of NTA funding and wider Exchequer funding required to meet costs for 2020 and 2021

Direct Award Contracts

During 2019 the National Transport Authority (NTA) awarded a ten year direct award contract to Iarnród Éireann. The company is operating under a net cost contract and it is envisaged that the contract will convert to a gross cost contract on 1 January 2022. Under the gross cost contract revenue responsibility transfers to the NTA.

2020 Financial Year

Iarnród Éireann has continued to operate PSO services in line with the Direct Award Contract during 2020. Based on an assumption that there will be ongoing restrictions during 2020 the company provided an assessment of the negative financial impact arising from a shortfall in revenue at an early stage in the year. A number of downside scenarios have been quantified and considered. Iarnród Éireann was operating under a net cost PSO contract in 2020 under which the company retained fare box revenue and PSO funding was provided to meet the cost of essential but uneconomic services. The NTA and the Department of Transport indicated early in 2020 that additional funding would be made available in order to ensure the continuation of these vital public services. The company has now received almost the full quantum of funding required for 2020. The directors would like to acknowledge the additional exchequer funding support received from the NTA and the Exchequer during 2020 which has enabled the continued operation of essential public transport services.

2021 Financial Year

In 2021 the company will operate under a net cost PSO contract. The NTA has confirmed its intention to continue to provide PSO funding in 2021 in line with it's requested level of service.The directors considered a range of scenarios in order to understand the quantum of funding likely to be required for 2021.

Consideration of the assumption that appropriate levels of PSO funding could be provided in 2021 was an essential element in the director's assessment of the financial position of the company. The directors are satisfied that:

- it remains the intention of the NTA to fund Iarnród Éireann to operate it's requested PSO Services;
- detailed scenario planning has allowed reasonable assessments of the level of funding likely to be required;
- the Exchequer Budget included adequate provision to fund the Iarnród Éireann PSO Contract;
- the NTA will receive sufficient funding from the Exchequer in order to fund the Iarnród Éireann PSO Contract.

The directors considered all relevant information in forming a view as to the reasonableness of their conclusions in relation to the provision of such funding and detailed documentation was provided to the directors to assist them in their deliberations. This included consideration of management engagement with key stakeholders, detailed modelling and scenario planning, Exchequer Budget 2021, as well as all relevant publically available information.

Commercial activities

The business is expected to incur a small loss in 2020 and 2021 and the directors, having considering detailed scenarios and projections, are satisfied that the losses do not represent a going concern issue for the company.

Notes to the Financial Statements (continued)

On-going Management Actions

Iarnród Éireann management are continuing to take a number of actions, including:

- continuous engagement with the NTA on appropriate funding in support of the continued operation of the PSO Direct Award Contract.
- close monitoring of all issues impacting on Commercial Services.
- close monitoring by management of the daily, weekly and monthly cash position across the company
- continued implementation and rigorous monitoring of cost saving initiatives.
- detailed assessments of all Capital Expenditure proposals and their impact on liquidity.
- continuous review of risks and opportunities affecting the company's operations.

CIE Group

The Group operates a pooled treasury system and Iarnród Éireann relies of the Group's banking facilities to enable it to manage its operations in accordance with its approved business plan. The ongoing support of the Group for Iarnród Éireann is evidenced in the Letter of Support from CIE to Iarnród Éireann dated 18th November 2020. The letter states, "It remains CIÉ policy that the Company is at all times in a position to meet its liabilities. CIÉ shall continue to exercise its shareholder rights and statutory obligations with a view to ensuring that the Company manages its operations, in accordance with its approved business plans, and in a manner which will enable it to meet all its obligations in a timely manner. CIÉ will provide the financial support necessary to permit the Company to continue operating and liquidating its liabilities in the normal course of business for at least a period of twelve months after the date of the signing of the financial statements".

Consolidated CIÉ Group Budget

The CIÉ Board approved a consolidated group budget for 2021 on 4th November 2020. Although passenger volumes are forecast to remain significantly below 2019 levels in 2020 and in 2021, based on the continued operation of the direct award contracts on the agreed basis, the consolidated Group budget for 2021 shows that the Group has sufficient resources to absorb the losses which are forecast to occur in the period of at least 12 months from the date of approval of these financial statements.

Conclusion

The directors of Iarnród Éireann, having regard to the factors outlined 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.

3. Divisional Analysis of Profit and Loss Account

Iarnród Éireann has determined it has five reportable segments: Railway Undertaking, Railway Infrastructure Manager, Rail Freight, Rosslare Europort and Central and Other Activities. The Railway Undertaking segment operates the passenger business under the Public Service Obligation contract awarded by the National Transport Authority. The Railway Infrastructure Manager segment manages, maintains and renews the infrastructure asset which is funded by the Multi Annual Contract and Access charges. The Rail Freight segment provides transport services for the movement of goods by rail. The Rosslare Europort segment operates the second busiest port in the state for ship movements of tourist traffic and unitised freight. The Central and Other Activities segment provide shared services to the organisation and contains the navigator business which provides road transport facilities for the motor industry primarily.

(a) Railway Undertaking

	2019 €'000	2018 €'000
Sources of revenue		
Revenue	248,229	235,743
Public Service Obligation	88,733	89,327
Other exchequer funding	70	711
Total revenue	**337,032**	**325,781**
Operating costs		
Payroll and related costs	(136,225)	(129,614)
Materials and services	(90,299)	(84,401)
Fuel	(28,481)	(27,674)
Total operating costs	**(255,005)**	**(241,689)**
Operating surplus before track access charges	**82,028**	**84,092**
Track access charge	(70,051)	(69,012)
EBITDA and exceptional items	**11,977**	**15,080**
Exceptional items	(1,545)	1,454
Depreciation and amortisation, net of capital grants amortised	(6,935)	(12,505)
Surplus before interest and taxation	**3,497**	**4,029**
Interest payable and similar charges	(497)	(529)
Surplus for the year on ordinary activities before taxation	**3,000**	**3,500**
Taxation on deficit on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	**3,000**	**3,500**

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:

	2019 €'000	2018 €'000
Sources of revenue		
Multi Annual Contract	142,842	125,814
Track access charges	73,761	70,902
Third party revenue	32,659	26,994
Other Exchequer Grants	19	–
Total revenue	**249,281**	**223,710**
Operating costs revenue		
Payroll and related costs	(114,911)	(110,699)
Materials and services	(124,624)	(113,276)
Fuel	(74)	(48)
Total operating costs	**(239,609)**	**(224,023)**
EBITDA and exceptional items	**9,672**	**(313)**
Exceptional items	(1,197)	(978)
Depreciation and amortisation, net of capital grants amortised	(4,791)	(5,145)
Profit on sale of tangible fixed assets	10	13
Surplus/(deficit) before interest and taxation	**3,694**	**(6,424)**
Interest payable and similar charges	(411)	(405)
Surplus/(deficit) for the year on ordinary activities before taxation	**3,283**	**(6,828)**
Taxation on surplus/(deficit) on ordinary activities	–	–
Surplus/(deficit) for the year on ordinary activities after taxation	**3,283**	**(6,828)**

(c) Rail Freight Division

	2019 €'000	2018 €'000
Revenue	3,890	4,420
Total revenue	**3,890**	**4,420**
Operating costs		
Payroll and related costs	(827)	(927)
Materials and services	(1,937)	(1,778)
Fuel	(381)	(459)
Total operating costs	**(3,145)**	**(3,164)**
Operating surplus for the financial year before track access charges	**745**	**1,256**
Track access charges	(3,711)	(1,890)
EBITDA	**(2,966)**	**(634)**
Deficit before interest and taxation	**(2,966)**	**(634)**
Interest payable and similar charges	(12)	(12)
Deficit for the year on ordinary activities before taxation	**(2,978)**	**(646)**
Taxation on deficit on ordinary activities	–	–
Deficit for the year on ordinary activities after taxation	**(2,978)**	**(646)**

Notes to the Financial Statements (continued)

(d) Rosslare Europort Division

	2019 €'000	2018 €'000
Revenue	9,280	10,620
Total revenue	**9,280**	**10,620**
Operating costs		
Payroll and related costs	(4,557)	(4,286)
Materials and services	(2,990)	(3,041)
Total operating costs	**(7,547)**	**(7,327)**
EBITDA	**1,733**	**3,293**
Depreciation net of capital grants amortised	(1,226)	(1,092)
Profit on sale of tangible fixed assets	–	61
Surplus before interest and taxation	**507**	**2,262**
Interest payable and similar charges	(66)	(58)
Surplus for the year on ordinary activities before taxation	**441**	**2,204**
Taxation on surplus on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	**441**	**2,204**

(e) Central and Other Activities

	2019 €'000	2018 €'000
Sources of revenue		
Third party revenue	3,323	3,115
Total revenue	**3,323**	**3,115**
Operating costs		
Payroll and related costs	(9,776)	(8,497)
Materials and services	7,091	7,265
Total operating costs	**(2,685)**	**(1,232)**
EBITDA and exceptional items	**638**	**1,883**
Exceptional items	(134)	(107)
Depreciation	(90)	(1,139)
Surplus before interest and taxation	**414**	**637**
Taxation on surplus on ordinary activities	(1,554)	–
(Deficit)/Surplus for the year on ordinary activities after taxation	**(1,140)**	**637**

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 2009 to 2019 Public Service Obligation contract between the National Transport Authority and Iarnród Éireann ended on 1st December 2019. At the conclusion of the contract, Iarnród Éireann has been underfunded by €125.1m.

The new direct award to IÉ was awarded for 10 years to December 2029. Under the terms of the contract, the NTA and IÉ will review and agree performance standards on an annual basis. An audit of IÉ shall be carried out on behalf of the NTA each year, following the submission of IÉ's audited accounts.

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 five 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 contractual requirement is for performance to be self-reported on a periodic basis. 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 five-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 extended contract has expired on 31st December 2019. A new MAC contract commenced on 1 January 2020 and is of five year duration up to 31 December 2024.

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.

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

	PSO 2019	Infrastructure MAC 2019	Other 2019	Total 2019
Allocated in the profit and loss account to:				
Rail Operations	88,733	–	70	88,803
Infrastructure	–	142,842	19	142,861
	88,733	**142,842**	**89**	**231,664**
Sources				
State grants -- PSO	88,733	–	–	88,733
State grants -- multi annual contract	–	142,842	–	142,842
State grants -- other	–	–	89	89
	88,733	**142,842**	**89**	**231,664**

	PSO 2018	Infrastructure MAC 2018	Other 2018	Total 2018
Allocated in the profit and loss account to:				
Rail Operations	89,327	–	711	90,038
Infrastructure	–	125,814	–	125,814
	89,327	**125,814**	**711**	**215,852**
Sources				
State grants -- PSO	89,327	–	–	89,327
State grants -- multi annual contract	–	125,814	–	125,814
State grants -- other	–	–	711	711
	89,327	**125,814**	**711**	**215,852**

Notes to the Financial Statements (continued)

(g) Net Surplus/(Deficit) by Activity Before Tax

	Railway Under-taking €'000	Infra-structure Manager €'000	Rail Freight €'000	Other Commer-cial Activities €'000	Total €'000
2019					
Revenue	248,229	106,420	3,890	12,603	371,142
Receipts from PSO	88,733	–	–	–	88,733
Other exchequer	70	142,842	–	19	142,931
Costs	(334,032)	(245,998)	(6,868)	(11,748)	(598,646)
Surplus/(deficit) for the year	**3,000**	**3,264**	**(2,978)**	**874**	**4,160**
2018					
Revenue	235,743	97,896	4,420	13,734	351,793
Receipts from PSO	89,327	–	–	–	89,327
Other exchequer	711	125,814	–	–	126,525
Costs	(322,281)	(230,538)	(5,066)	(10,894)	(568,779)
(Deficit)/surplus for the year	**3,500**	**(6,828)**	**(646)**	**2,840**	**(1,134)**

4. Balance Sheet by Business

The following sets out the balance sheet of each division as at 31 December 2019. The Intra IÉ business balances represent the amounts payable and receivable between each division. The intercompany balance with the CIÉ holding company is reported in the debtors balance in the Central and other activities balance sheet.

(a) Railway Undertaking

	2019 €'000	2018 €'000
Fixed Assets		
Intangible assets	13,820	7,752
Tangible assets	473,346	478,821
	487,166	**486,573**
Current Assets		
Stocks	32,912	27,361
Debtors	10,952	10,130
Intra IÉ business	21,193	14,757
Cash at bank and in hand	518	547
	65,575	**52,795**
Creditors (amounts falling due within one year)		
Intra IÉ business	–	–
Deferred income	(82,926)	(77,915)
Other creditors	(66,508)	(64,746)
	(149,434)	**(142,661)**
Net Current Liabilities	**(83,859)**	**(89,866)**
Total Assets less Current Liabilities	**403,307**	**396,707**
Deferred income	(383,727)	(379,744)
Provisions for liabilities and charges	(30,559)	(30,942)
Net Liabilities	**(10,979)**	**(13,979)**
Reserves		
Profit and loss account-	(10,979)	(13,979)
Total reserves	**(10,979)**	**(13,979)**

Notes to the Financial Statements (continued)

(b) Railway Infrastructure Manager

	2019 €'000	2018 €'000
Fixed Assets		
Intangible assets	1,041	1,141
Tangible assets	1,187,109	1,204,392
	1,188,150	**1,205,533**
Current Assets		
Stocks	23,462	17,011
Debtors	4,862	4,512
	28,324	**21,523**
Creditors (amounts falling due within one year)		
Intra IÉ business	(21,822)	(28,936)
Deferred income	(80,674)	(84,168)
Other creditors	(51,844)	(41,445)
	(154,340)	**(154,549)**
Net Current Liabilities	**(126,016)**	**(133,026)**
Total Assets less Current Liabilities	**1,062,134**	**1,072,509**
Deferred Income	(1,066,817)	(1,076,260)
Provisions for liabilities and charges	(23,258)	(27,472)
Net Liabilities	**(27,941)**	**(31,224)**
Reserves		
Profit and loss account	(27,941)	(31,224)
Total reserves	**(27,941)**	**(31,224)**

(c) Rail Freight Division

	2019 €'000	2018 €'000
Current Assets		
Debtors	1,346	668
	1,346	**668**
Creditors (amounts falling due within one year)		
Intra IÉ business	(9,849)	(6,180)
Other creditors	(149)	(162)
	(9,998)	**(6,342)**
Total Assets less Current Liabilities	**(8,652)**	**(5,674)**
Provisions for liabilities and charges	(155)	(155)
Net Liabilities	**(8,807)**	**(5,829)**
Reserves		
Profit and loss account	(8,807)	(5,829)
Total reserves	**(8,807)**	**(5,829)**

Notes to the Financial Statements (continued)

(d) Europort Division

	2019 €'000	2018 €'000
Fixed Assets		
Intangible assets	100	–
Tangible assets	31,518	31,733
	31,618	**31,733**
Current Assets		
Debtors	1,491	1,682
Intra IÉ business	63,802	62,460
	65,293	**64,142**
Creditors (amounts falling due within one year)		
Deferred income	–	(310)
Other creditors	(1,950)	(1,165)
	(1,950)	**(1,475)**
Net Current Assets	**63,343**	**62,667**
Total Assets less Current Liabilities	**94,961**	**94,400**
Deferred income	(7,423)	(7,732)
Provisions for liabilities and charges	(1,035)	(606)
Net Assets	**86,503**	**86,062**
Reserves		
Profit and loss account	86,503	86,062
Total reserves	**86,503**	**86,062**

(e) Central and Other Activities

	2019 €'000	2018 €'000
Fixed Assets		
Intangible assets	834	326
Tangible assets	445	514
	1,279	**840**
Current Assets		
Debtors	82,994	67,504
Cash at bank and in hand	(405)	824
Intra IÉ business	–	–
	82,589	**68,328**
Creditors (amounts falling due within one year)		
Intra IÉ business	(53,327)	(42,101)
Deferred income	(143)	(109)
Other creditors	(17,884)	(14,609)
	(71,354)	**(56,819)**
Net Current Assets	**11,235**	**11,501**
Total Assets less Current Liabilities	**12,514**	**12,341**
Creditors: (amounts falling due after more than one year)		
Provisions for liabilities and charges	(8,401)	(8,224)
Deferred income	(1,361)	(234)
Net Assets	**2,752**	**3,893**
Capital and Reserves		
Called up share capital	194,270	194,270
Profit and loss account	(191,518)	(190,377)
Total equity	**2,752**	**3,893**

Notes to the Financial Statements (continued)

5. Payroll and Related Costs

(i) Employees

	2019 €'000	2018 €'000
Staff costs (excluding restructuring costs)		
Wages and salaries	212,790	199,932
Allowances	12,662	11,790
Overtime	7,906	7,386
Social insurance costs	21,985	20,583
Other retirement benefit costs	25,405	25,340
Gross Staff costs	**280,748**	**265,031**
Less: own work capitalised	(14,617)	(11,154)
Net Staff costs	**266,131**	**253,877**

(ii) Directors' Emoluments

	2019 €'000	2018 €'000
– for services as director	94	77
– for executive services	71	69
	165	**146**
Total payroll and related costs	**266,296**	**254,023**

Of the total staff costs €14.6m (2018: €11.2m) has been capitalised into tangible fixed assets and €266.1m (2018: €253.9m) has been treated as an expense in the profit and loss account.

There are retirement benefits accruing to one director under a defined benefit scheme and the charge for the year in respect of the Company's contributions was €3,273 (2018: €3,140).

The payroll and related costs for the role of the Chief Executive Officer, includes gross salary of €225,000 (2018: €225,000), employer pension contribution of 25% (2018: 25%) and a company car (2018: Company Car).

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

Director	2019 €	2018 €
Mr. F. Allen	21,600	21,600
Ms. S. Byrne	12,600	5,215
Ms. C. Griffiths	12,600	12,600
Mr. M. McGreevy	12,600	12,600
Ms. V. Little	12,600	12,600
Dr. P. Mulholland	12,600	12,600
Ms. S Roarty	9,270	–
Total	**93,870**	**77,215**

The directors were paid the following expenses:

	2019 €	2018 €
Subsistence and Accommodation	3,552	1,331
Other	2,523	2,225
Total	**6,075**	**3,556**

(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:

	2019 €'000	2018 €'000
Salaries and other short term benefits	1,754	1,652
Post-employment benefits	216	262
Total key management compensation	**1,970**	**1,914**

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	
	2019 Average	2018 Average	as at 31 Dec 2019	as at 31 Dec 2018
Railway Operations	2,046	1,996	2,066	2,006
Infrastructure	1,665	1,618	1,741	1,651
Central Services	111	91	127	97
Rail Freight	4	4	4	4
Rosslare Europort	71	73	71	73
Total	**3,897**	**3,782**	**4,009**	**3,831**

(v) Termination and Severance Payments

	2019 €'000	2018 €'000
Amounts paid and payable to employees	2,878	(414)

(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:

	2019	2018
< €50,000	1,379	1,399
€50,001 to €75,000	2,204	2,117
€75,001 to €100,000	479	368
€100,001 to €125,000	56	54
€125,001 to €150,000	17	13
> €150,001	14	11
Total	**4,149**	**3,962**

6. Materials and Services

	2019 €'000	2018 €'000
Operating and other costs	203,048	185,341
Fuel and electricity	28,937	28,181
Third party and employer's liability claims	4,236	4,100
Rates	2,231	2,792
Operating lease rentals	3,243	2,999
Total materials and services	**241,695**	**223,413**

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

	2019 €'000	2018 €'000
National Travel and Subsistence	449	432
International Travel and Subsistence	191	188
Hospitality	6	–
Total	**646**	**620**

7. Exceptional Items – Restructuring

	2019 €'000	2018 €'000
Amounts relating to employees	2,876	(369)

The exceptional costs comprise of amounts paid and payable to employees arising from restructuring initiatives during the current and previous financial year. In 2018 there was a credit to income statement.

8. Depreciation and Amortisation (Net)

	2019 €'000	2018 €'000
Amortisation of intangible fixed assets (note 12)	743	1,051
Depreciation of tangible fixed assets (note 13)	172,710	187,901
Amortisation of capital grants (note 18)	(160,411)	(169,071)
Total depreciation and amortisation (net)	**13,042**	**19,881**

Notes to the Financial Statements (continued)

9. Interest Payable and Similar Charges

	2019 €'000	2018 €'000
Interest payable on loan from holding Company	821	829
Other interest payable	165	174
	986	**1,003**
Interest apportioned:		
Railway undertaking	497	528
Railway infrastructure costs	411	405
Rail freight	12	12
Commercial operations	66	58
	986	**1,003**

10. Taxation

(a) Tax Expense Included in Profit or Loss

	2019 €'000	2018 €'000
Current tax:		
Irish corporation tax on profit for the financial year	1,554	–
Adjustments in respect of prior financial years	–	–
Current tax expense for the financial year	1,554	–
Deferred tax:		
Origination and reversal of timing differences	–	–
Deferred tax expense for the financial year	–	–
Tax on deficit on ordinary activities	**–**	**–**

(b) 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 2019 of 12.5% (2018: 12.5%) to the deficit for the year. The differences are explained below:

	2019 €'000	2018 €'000
(Deficit) on ordinary activities before taxation	4,160	(1,134)
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2018: 12.5%)	520	(142)
Effects of:		
– Income not subject to tax	(20,051)	(48,115)
– Income subject to higher rate of tax	777	1,452
– Expenses not deductible for tax purposes	(255)	923
– Depreciation in excess of capital allowances	20,566	21,812
– Tax losses utilised	(3)	–
– Unrelieved tax losses brought forward not recognised	–	21,129
– Losses surrendered to group undertakings	–	2,941
Tax on deficit on ordinary activities	**1,554**	**–**

Deferred Taxation

A potential deferred tax asset of €615.6m (2018: €616m) has not been recognised as the future recovery against taxable profits is uncertain.

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 €128.4m subvention to the Railway Undertaking in 2019, €41.3m was recognised as a capital grant in the balance sheet and will be amortised over the useful economic life of the related assets.

Particulars of the Government grants of €399.9m (including the €128.4m above) received in 2019 are given in the following table, including the relevant provision of EU regulations. Grants received in respect of buildings of €15.6m were transferred to the CIÉ Holding Company in 2019.

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.

Notes to the Financial Statements (continued)

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

			2019 Total
	€'000	**€'000**	**€'000**
Total Public Service Obligation			87,106
State Grant for Infrastructure and Capital Investment			312,779
Total State grants received			**399,885**
The total funding received was applied as follows :			
Profit and loss account			**87,106**
- Public Service Obligation			
- Infrastructure Manager Multi-Annual Contract (Revenue)	142,842		
- Other Exchequer funding	70		
		142,912	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	53,638		
Deferred Capital Grants	58,677		
Public Service Obligation – Heavy Maintenance	35,000		
Public Service Obligation – HM Depreciation	5,000		
Public Service Obligation – IT Projects	1,264		
Other Exchequer Funding – TII Works	656		
Transferred to CIÉ	15,632	169,867	
Building on Recovery: Infrastructure and Capital Investment 2016-2021 Exchequer Framework			**312,779**
Total State grants received			**399,885**

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

Name of Grantor

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

Name of Grant

The following grants were received in 2019

- 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
- Sub-Head D.9.2 of Vote 25 of Dáil Éireann – Urban Regeneration & Development Fund (URDF)

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 2018	633	–	1,176	1,809
Capital Enhancement	7,576	–	65,426	73,002
Infrastructure Manager MAC	–	197,000	–	197,000
Public Service Obligation	–	128,370	–	128,370
Urban Regeneration & Development Fund (URDF)	–	–	70	70
Total	**8,209**	**325,370**	**66,672**	**400,251**

Notes to the Financial Statements (continued)

Accounting for Grants

The amount of the grants awarded are listed below. The term for the grant spend is calendar year 2019.

- Sub-Head B8 of Vote 31 – Heavy Rail Capital Investment: €73.002 million
- Sub-Head B8 of Vote 31 – Heavy Rail Accessibility: €1.809 million
- Sub-Head B8 of Vote 31 – IMMAC: €197.000 million
- Sub-Head B7 of Vote 31 – Public Service Obligation: €128.370 million
- Sub-Head D.9.2 of Vote 25 – URDF: €0.07 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	Income Statement €'000	Capital €'000	2019 c/f €'000
Accessibility Project 2018	1,809	–	1,809	–
Capital Enhancement	73,002	–	73,002	–
Multi Annual Contract	197,000	142,931	54,069	–
Public Service Obligation	128,370	87,106	41,264	–
Urban Regeneration & Development Fund	70	–	70	–
Total	**400,251**	**230,037**	**170,214**	**–**

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.

Restrictions

Grants received relate to the Multi Annual Contract, Capital Enhancement, Accessibility and Public Service Obligations.

Within the Public Service Obligation, €40 million 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.

			2018 Total
	€'000	€'000	€'000
Total Public Service Obligation			89,327
State Grant for Infrastructure and Capital Investment			227,137
Total State grants received			**316,464**
The total funding received was applied as follows :			
Profit and loss account			**89,327**
- Public Service Obligation			
- Infrastructure Manager Multi-Annual Contract (Revenue)	125,814		
- Other Exchequer funding	711		
- Technical Assistance	–	126,525	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	34,186		
Deferred Capital Grants	10,488		
Public Service Obligation – Heavy maintenance funding	35,000		
Public Service Obligation – Deferred funding NTA Creditor	15,171		
Public Service Obligation – IT Projects	1,754		
Transferred to CIÉ	4,013	100,612	
Building on Recovery: Infrastructure and Capital Investment 2016-2021 Exchequer Framework			**227,137**
Total State grants received			**316,464**

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 2018

- 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
- Sub-Head B7 of Vote 31 of Dáil Éireann – Papal Visit Costs

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 2018	181	–	908	1,089
Capital Enhancement	5,493	–	7,452	12,945
Papal Visit Costs	–	517	–	517
Multi Annual Contract	–	160,000	–	160,000
Public Service Obligation	–	141,252	–	141,252
Total	**5,674**	**301,769**	**8,360**	**315,803**

Accounting for Grants

The amount of the grants awarded are listed below. The term for the grant spend is calendar year 2018

- Sub-Head B8 of Vote 31 – Heavy Rail Capital Investment: €12.945 million
- Sub-Head B8 of Vote 31 – Heavy Rail Accessibility: €1.089 million
- Sub-Head B8 of Vote 31 – IMMAC: €160.000 million
- Sub-Head B7 of Vote 31 – Papal Visit Costs: €0.517 million
- Sub-Head B7 of Vote 31 – Public Service Obligation: €141.252 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	Income Statement €'000	Capital €'000	2019 c/f €'000
Accessibility Project 2018	1,089	194	895	–
Capital Enhancement	12,945	–	12,945	–
Papal Visit Costs	517	517	–	–
Multi Annual Contract	160,000	125,814	34,186	–
Public Service Obligation	141,252	89,327	36,754	15,171
Total	**315,803**	**215,852**	**84,780**	**15,171**

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.

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, €32.2 million 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 2019 €'000	Write down €'000	Additions €'000	31 Dec 2019 €'000
Cost				
Computer software	10,729	(7)	7,318	18,040
Amortisation				
Computer software	1,509	(7)	743	2,245
Net Book Value at 31 December 2019				**15,795**
Net Book Value at 31 December 2018				**9,220**

Notes to the Financial Statements (continued)

13. Tangible Fixed Assets

	1 Jan 2019 €'000	Additions €'000	Write down €'000	31 Dec 2019 €'000
Cost				
Railway lines and works	1,220,800	29,680	–	1,250,480
Railway rolling stock	1,069,070	74,337	(48,026)	1,095,381
Plant and machinery	248,118	35,085	(10,175)	273,028
Signalling	550,165	9,126	–	559,291
Docks, harbours and wharves	56,229	139	–	56,368
Catering equipment	507	240	–	747
Land and Buildings	1,138	1,061	–	2,199
Total	**3,146,027**	**149,668**	**(58,201)**	**3,237,494**

	1 Jan 2019 €'000	Profit and loss A/C €'000	Write down €'000	31 Dec 2019 €'000
Depreciation				
Railway lines and works	431,319	59,403	–	490,722
Railway rolling stock	629,284	75,914	(48,026)	657,172
Plant and machinery	110,877	14,913	(10,175)	115,615
Signalling	232,736	20,911	–	253,647
Docks, harbours and wharves	26,120	1,320	–	27,440
Catering equipment	–	–	–	–
Land and Buildings	231	249	–	480
Total	**1,430,567**	**172,710**	**(58,201)**	**1,545,076**

	31 Dec 2019 €'000	31 Dec 2018 €'000
Net Book Amounts		
Railway lines and works	759,758	789,483
Railway rolling stock	438,209	439,786
Plant and machinery	157,413	137,242
Signalling	305,644	317,428
Docks, harbours and wharves	28,928	30,109
Catering equipment	747	507
Land and Buildings	1,719	905
Total	**1,692,418**	**1,715,460**

Of the total staff costs €14.6m (2018: €11.2m) has been capitalised into tangible fixed assets

Write-down relates to fully depreciated assets and are updated in the asset register during the year.

14. Stocks

	2019 €'000	2018 €'000
Rolling stock, spare parts and maintenance materials	20,985	19,545
Infrastructure stocks	23,418	16,969
Fuel, lubricants and other sundry stocks	11,971	7,858
Total	**56,374**	**44,372**
Stocks utilised in the reporting period		
Materials	98,540	46,722
Fuel	25,251	23,888
Total	**123,791**	**70,610**

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 €25,000 (2018: €139,000) has been recognised in profit and loss in relation to obsolete and damaged stocks.

15. Debtors

	2019 €'000	2018 €'000
Trade debtors	8,546	10,960
Amounts owed by parent undertaking	82,146	66,360
Government Grants Receivable	5,000	–
Prepayments and accrued income	5,953	7,176
Total	**101,645**	**84,496**

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

Notes to the Financial Statements (continued)

16. Creditors Amounts Falling due within One Year

	2019 €'000	2018 €'000
Creditors (Amounts falling due within one year)		
Trade creditors	68,340	64,212
Income tax deducted under PAYE	5,412	3,753
Pay-related social insurance	3,452	2,732
Universal social charge	1,189	763
Value added tax	6,109	2,952
Withholding tax	553	329
Deferred revenue	24,139	24,302
Other creditors	10,411	10,588
Corporation Tax	1,554	–
Accruals	11,868	12,496
Deferred income (note 18)	169,054	162,503
	302,081	**284,631**

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.

17. Lease Obligations

	2019 €'000	2018 €'000
Operating leases		
Road vehicles		
Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:		
Within one year	1,886	2,099
Between one and five years	1,578	2,217
Total	**3,464**	**4,316**

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 2019 €'000	Received and receivable €'000	Profit and loss A/C €'000	31 Dec 2019 €'000
Capital Grants				
Land and buildings	195	–	(15)	180
Railway lines and works	778,734	29,702	(58,781)	749,655
Railway rolling stock	420,205	79,222	(70,367)	429,060
Plant and machinery	129,811	43,963	(12,400)	161,373
Signalling	289,484	9,434	(18,538)	280,380
Docks, harbours and wharves	8,044	–	(310)	7,734
Total	**1,626,472**	**162,321**	**(160,411)**	**1,628,382**

	1 Jan 2018 €'000	Transfers and disposals €'000	Received and receivable €'000	Profit and loss A/C €'000	31 Dec 2018 €'000
Capital Grants					
Land and buildings	1,270	(1,055)	–	(21)	195
Railway lines and works	824,760	(579)	19,068	(64,514)	778,734
Railway rolling stock	455,940	–	35,000	(70,735)	420,205
Plant and machinery	123,340	–	21,423	(14,953)	129,811
Signalling	302,057	–	5,964	(18,538)	289,484
Docks, harbours and wharves	8,354	–	–	(310)	8,044
Total	**1,715,721**	**(1,634)**	**81,455**	**(169,071)**	**1,626,472**

	2019 €'000	2018 €'000
Deferred Income		
– amounts falling due within one year	169,054	162,502
– amounts falling due after more than one year	1,459,328	1,463,970
	1,628,382	**1,626,472**

Notes to the Financial Statements (continued)

19. Provisions for Liabilities

	Restructuring Provision €'000	Third party and Employer's claims €'000	Legal related €'000	Other Provisions €'000	Total €'000
Balance at 1 January 2019	702	49,265	683	16,748	67,398
Utilised during the financial year	(490)	(2,791)	(55)	(244)	(3,580)
Profit and loss account	118	4,183	18	(4,729)	(410)
Balance at 31 December 2019	**330**	**50,657**	**646**	**11,775**	**63,408**
Balance at 1 January 2018	2,271	48,188	1,425	16,886	68,770
Utilised during the financial year	(1,200)	(3,024)	(559)	(1,055)	(5,838)
Profit and loss account	(369)	4,101	(183)	917	4,466
Balance at 31 December 2018	**702**	**49,265**	**683**	**16,748**	**67,398**

Restructuring Provision

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

Other Provision

At 31 December 2019 there was €11.8m (2018: €16.7m) of other provisions, €2.7m (2018:€5.9m) related to unresolved third party disputes, €8.8m (2018:€10.5m) related to post-retirement benefit costs and €0.3m (2018: €0.3m) 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.

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

	2019 €'000	2018 €'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 IÉP = €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

	2019 €'000	2018 €'000
Surplus/(deficit) before interest and taxation	5,146	(131)
Profit on disposal of tangible fixed assets	(10)	(74)
Depreciation on tangible fixed assets	172,710	187,901
Amortisation for intangible fixed assets	743	1,052
Amortisation of capital grants	(160,411)	(169,071)
Increase/(decrease) in stocks	(12,002)	5,189
Increase/(decrease) in debtors	(1,363)	3,169
Increase in creditors and provisions	156	17,354
Taxation Charge	(1,554)	–
Net cash generated from operating activities	**3,415**	**45,388**

22. Capital Commitments

	2019 €'000	2018 €'000
At 31 December, the Company has the following capital commitments:		
Contractual commitments for the acquisition of tangible fixed assets	65,011	39,308
Capital expenditure on tangible fixed assets authorised by the directors but not contracted for	125,464	108,485

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 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.

The valuations of the schemes under FRS 102 as at 31 December 2019 showed a deficit of 777 million, (2018: €547 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 2019 which are publicly available from CIÉ, Heuston Station, Dublin 8.

The Company's pension cost for the year under the defined benefit schemes was €25.4 million (2018: €25.3 million) and these costs are included in note 5. The Company cost comprises of contribution payable for the year.

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.

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. See Note 11 for analysis of grant funding received from the NTA and the Department of Transport Tourism and Sport.

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. Post Balance Sheet Event

Since 31 December 2019, the COVID-19 Pandemic has resulted in significant restrictions on the provision of public transport services and travel both domestically and internationally. This has had a direct impact on the operations of the company and the wider CIÉ Group. Measures taken by the Irish Government to contain the spread of the virus, including restricting capacity on public transport, restricting the use of public transport for essential journeys at certain periods, the introduction of travel bans as well as local and national lockdowns. All Iarnród Éireann services operated in line with the Irish Government guidelines on social distancing and reduced capacity since the outbreak commenced. These measures have resulted in significantly reduced passenger journeys and revenue on public transport services.

As a result of the COVID-19 outbreak, and the measures taken to contain the spread of the virus, the company experienced a reduction in passenger journeys in excess of 90% during certain periods of the year. Overall, passenger journeys for 2020 are expected to reduce by 65% compared to 2019.

In 2020, due to the restrictions on passenger travel as a result of COVID-19, the National Transport Authority granted an option for Taxsaver customers to avail of a six month free extension to valid Taxsaver ticket holders or a refund. TaxSaver customers have until 31 December 2020 to decide which option they wish to avail of.

The company has determined that these events are non-adjusting post balance sheet events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of the Irish Government's response, remains unclear at this time. While the company has advanced scenario planning in place, it is not possible to predict the duration and severity of these consequences, as well as their precise impact on the financial position and results of the company for future periods.

During 2020 the continued delivery of an effective network of PSO services remained an essential part of Government plans. The NTA provided additional PSO funding to Iarnród Éireann to compensate the company for COVID-19 related revenue decline on PSO services. This funding is being made available under the provisions of the 2019 PSO Direct Award Contract.

Management will continue to actively monitor and assess the impact of the Covid 19 Pandemic on Iarnród Éireann.

27. 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.

28. Approval of financial statements

The directors approved the financial statements on 18 November 2020.

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