



ANNUAL  
REPORT  
**2012**





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







In 2012 each operating company has continued to work within reduced resources to enhance the service offering to customers.



# Chairman's Statement 2012

The year 2012 was extremely difficult for the CIÉ Group, from a financial perspective. The cumulative effect of five years of reducing demand for public transport, reductions in Exchequer-funded Public Service Obligation payments, the increased cost of fuel and other economic factors led to a serious cash shortage in the Group early in the year.

The CIÉ Group, working closely with the Department of Transport, Tourism and Sport and building on existing cost reduction programmes, implemented a range of actions during the year, including:-

- A detailed day-to-day cash forecasting process.
- Advance of Public Service Obligation payments and acceleration of exchequer grants claims process.
- Engagement of external advisors to renegotiate banking facilities.
- Strengthened the Board committee oversight of cash management.
- Deferral of certain payments.
- Centralised disbursements policy.

Furthermore, the CIÉ Group strengthened cash management processes and procedures including:-

- Improving the central governance function over key financial risks.
- Enhancing the central Group Finance function.
- Developing an appropriate intercompany funding structure.
- Enhancement of information technology tools.

These actions have stabilised the cash position. Discussions on securing renewed banking facilities are at an advanced stage.

Nevertheless, the CIÉ Group must continue to implement a range of corrective actions, many of which are unfortunately difficult for our customers, staff and other stakeholders.

The CIÉ Group applied to the National Transport Authority for, and were granted, a fares increase across the services. These are balanced by a range of promotional offers in order to grow yield on services.

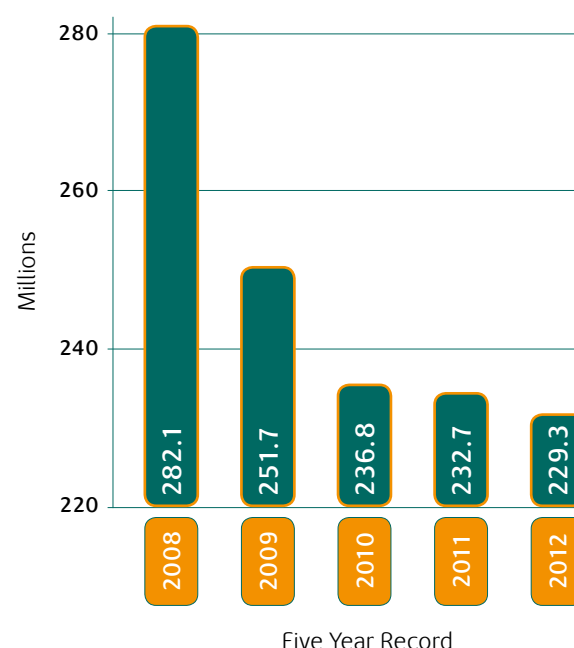
Negotiations on further cost reductions across all three operating companies are ongoing, in addition to those already agreed. Payroll savings and further efficiencies must be delivered.

As with other companies with defined benefit pension schemes, the deficit on CIÉ pension schemes is a matter of deep concern to the Board. At the end of 2012, the schemes show a deficit of €492million, an unsustainable position. The CIÉ Group with the relevant stakeholders is committed to finding a sustainable way forward on pension matters in 2013.

Overall, I am pleased to note that CIÉ is maintaining a comprehensive network of services to the communities it serves. Detailed demand analysis has taken place across the three operating companies so as to ensure that service levels to match current demand for public transport are provided.

There are some grounds for cautious optimism. Revenue and passenger numbers, which have been falling since the onset of the economic crisis stabilised in 2012 and modest growth in revenue was recorded, as well as stability in passenger numbers in the second half of the year. As with all enterprises operating in the Irish economy, a return to growth and stability will have a direct beneficial impact on revenues.

CIÉ Group Passenger Journeys 2008-2012







Each operating company has continued to work within reduced resources to enhance the service offering to customers. In 2012, the CIÉ Group:

- Improved journey times for inter-city rail and coach services.
- Completed the Dublin Bus Network Direct project, delivering more direct and reliable options for commuters
- Achieved the highest ever punctuality levels.
- Managed the hugely successful rollout of Real Time Passenger Information (RTPI) for the Dublin Bus network, and the commencement of RTPI signs in Cork city for Bus Éireann services (soon to expand to other regional cities) working with the National Transport Authority.
- Rolled out free Wi-Fi across the entire bus and rail fleets.
- Achieved 100% accessibility across the Dublin Bus fleet, with all buses now low floor wheelchair accessible.
- Revised Bus Éireann city networks in Galway and Limerick, in conjunction with the National Transport Authority, in order to deliver more frequent services and better access to employment and health facilities.

The CIÉ Group also works to ensure that it plays an active role in supporting communities and in pursuing policies of good corporate citizenship. Relevant initiatives include:

- Continuation of the highly successful Dublin Bus Community Support Programme which benefited eighty groups in 2012.
- Bus Éireann's support for a range of national and local sporting initiatives such as the FAI's National Women's League, the GAA's U-14 Feile tournaments, and events held by a wide variety of local sports clubs across the country.
- Iarnród Éireann's new community support initiative "The Journey's on Us" which supported a hundred groups across the community and the voluntary sector nationwide.
- Environmental initiatives across all three companies, with eco-driving, energy efficiency and other programmes enhancing further the sustainability of public transport in Ireland.

Overseas, CIE Tours International continues to be the largest single generator of inbound tourism from the key market of North America, and saw a 9.3% increase

in visitor numbers for the year. The CIÉ Group as a whole will work to support The Gathering in 2013.

The challenges the CIÉ Group face are still significant. Nobody should underestimate the task ahead in ensuring that the CIÉ Group returns to financial stability. However, I am confident that all stakeholders working together – taking the necessary and at times difficult actions needed will ensure that we can achieve that stability, for the benefit of customers and communities for whom our public transport services are essential to their daily lives.

## Acknowledgements

On behalf of the Board, I would like to express my thanks to the Minister for Transport, Tourism and Sport, Dr. Leo Varadkar T.D. and to the Minister of State for Public and Commuter Transport, Mr. Alan Kelly T.D. for their support to the CIÉ Group during the year, as well as to officials of the Department of Transport, Tourism and Sport and the National Transport Authority for their assistance.

I am also grateful to the Government and particularly the Taoiseach and the Minister for Finance for the major investment programmes which were undertaken under the National Development Plan 2007-2013.

The Board also gratefully acknowledges the support from the EU Structural Fund co-financing.

I would like to extend a thank you to the staff of the CIÉ Group of companies for their sustained efforts throughout the year.

Mr. Dermot Killen retired from the Board on 18th May 2012 and Mr. Mick Cullen retired from the Board on 4th October 2012. I would like to thank them for their valuable service as Board Members.

Ms. Frances Meenan and Prof. P. J. Drudy were appointed to the Board on 24th July 2012. Mr. Vincent Green was appointed on 11th January 2013. The Board looks forward to dealing with the many challenges that lie ahead for the CIÉ Group.

In conclusion, I would also like to thank the Board Members and the directors of all of the subsidiary companies for their constant help and support to me personally and for giving of their time to serve on the Boards and on the many vital committees and advisory groups within the CIÉ Group.

**Vivienne Jupp**  
Chairman

# Operations Review

The operating results for the CIÉ Group for 2012 show a deficit of €43.1 million before:

- the benefit of once off additional subvention amounting to €36 million; and
- an €18.8 million adjustment for FRS17 - Accounting for Retirement Benefits.

After taking account of the additional once off subvention of €36 million, the operating deficit in 2012 was €7.1 million.

Taking into account the FRS 17 adjustment CIÉ shows a surplus of €11.7 million for 2012 compared to a deficit of €6.1 million in 2011. The following table sets out the operating results for 2011 and 2012.

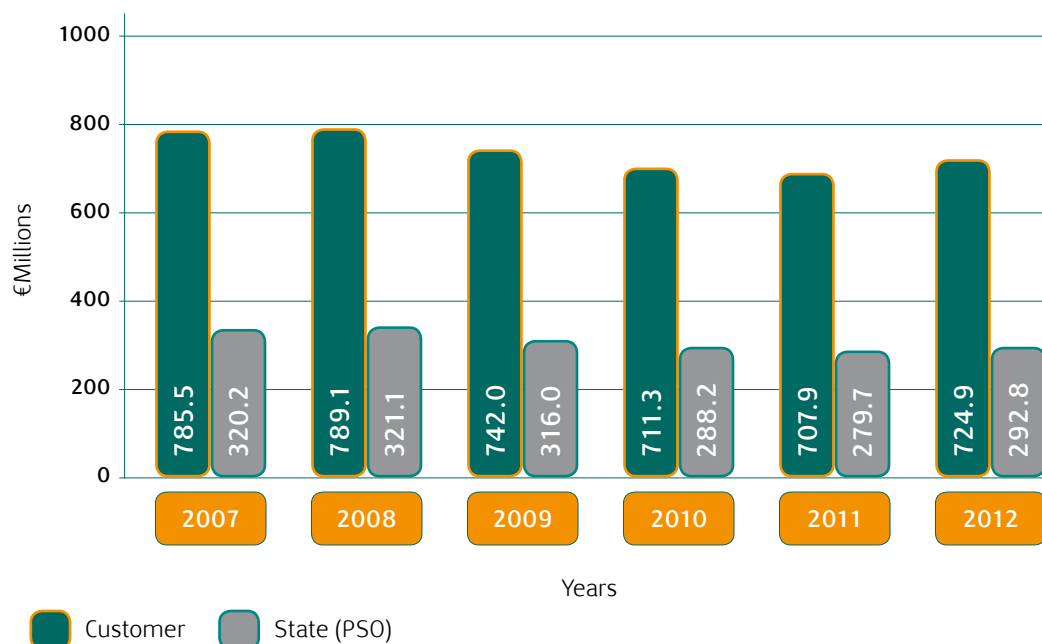
	2012	2011
	€000	€000
<b>Revenue</b>	<b>724.9</b>	707.9
Public Service Obligation grant payments and Rail Safety grant	<b>256.8</b>	279.7
<b>Total Revenue</b>	<b>981.7</b>	987.6
Payroll related costs	<b>(545.4)</b>	(555.5)
Other operating costs	<b>(464.6)</b>	(461.8)
Financial costs	<b>(2.3)</b>	(2.1)
Profit on disposal of tangible assets	<b>21.7</b>	22.3
<b>Total Costs</b>	<b>(990.6)</b>	(997.1)
Operating Deficit before Exceptional Costs , Additional Once Off Subvention and FRS 17 Adjustments	<b>(8.9)</b>	(9.5)
Exceptional Costs	<b>(34.2)</b>	(1.7)
Operating Deficit before Additional Once Off Subvention and FRS 17 Adjustments	<b>(43.1)</b>	(11.2)
Additional Once Off Subvention	<b>36.0</b>	-
Operating Deficit before FRS 17 Pension Cost Adjustments	<b>(7.1)</b>	(11.2)
FRS 17 Pension Cost Adjustments	<b>18.8</b>	5.1
<b>Operating Surplus/(Deficit) including FRS 17 Pension Cost Adjustments</b>	<b>11.7</b>	(6.1)

Passenger revenue in 2012 increased by €17 million and the Group made an exceptional profit on the sale of assets of €21.7 million principally from the sale of Spencer Dock. Exceptional costs of €34.2 million are mainly comprised of the Voluntary Severance Programme that was implemented throughout the Group which resulted

in an average drop in employee numbers of 315 during the year and which generated a saving of €10.1 million in 2012 payroll costs compared to 2011.



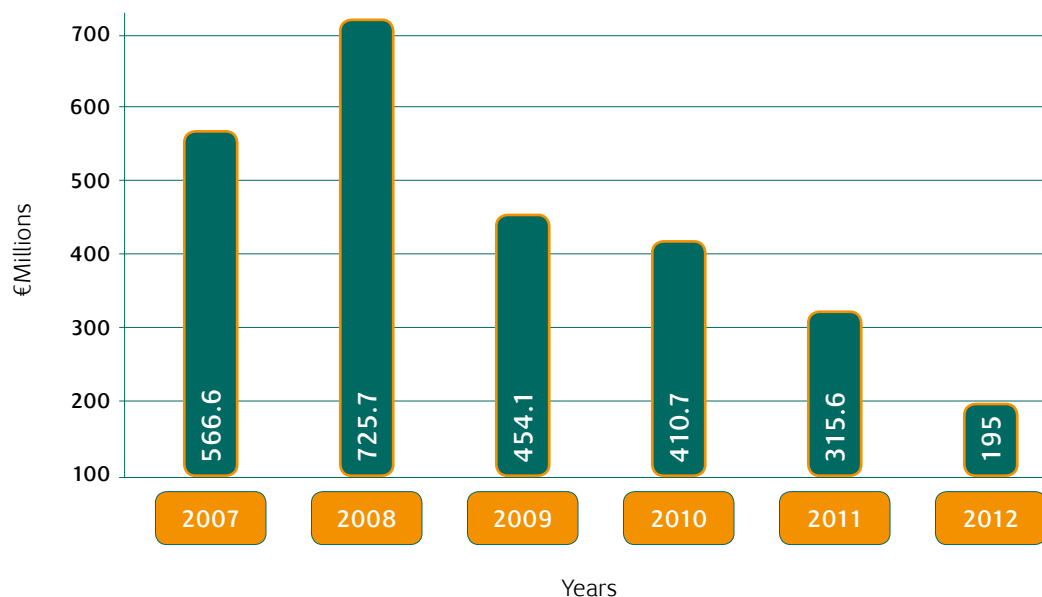
### Group Revenue 2007 - 2012



Separate to the Public Service Obligation (PSO), the Group received Exchequer funding of €153.2 million for capital expenditure under the National Development

Plan (NDP), a reduction of €90.5 million on 2011 levels. Group investment in fixed assets in 2012 amounted to €195.0 million (2011 - €315.6 million)

### Group Investment in Fixed Assets 2007 - 2012







### Group Companies

The detailed operations reviews for Iarnród Éireann, Bus Átha Cliath and Bus Éireann are contained in each company's separate Annual Report.

## Iarnród Éireann

### Overall

Iarnród Éireann incurred a deficit of €22.5 million in 2012 compared to a deficit of €21.9 million in 2011. This result was achieved with the benefit of once off additional subvention amounting to €30.7 million, provided by the Exchequer.

While both revenue and passenger journeys stabilised in 2012 (revenue increased marginally while passenger numbers declined only marginally), the focus on cost reduction continued during the year. Costs were reduced by €8.8 million in 2012, bringing to €66.8 million or 15.8%, the cumulative annualised cost savings achieved since 2008 in Iarnród Éireann.

Revenue for 2012 was €186.6 million (2011 €185.8 million), and passenger journeys were 36.9 million (37.4 million in 2011). A strong second half of 2012 bodes well for passenger growth in 2013, particularly in the context of a more stable domestic economic environment.

Operating costs were €355.7 million (€364.6 million in 2011). The Public Service Obligation payment in 2012 was

€166.4 million – this figure included the supplementary payment of €30.7 million.

The successful voluntary severance programme saw 315 (279 on voluntary severance) people exiting the company during the year. As the vast majority of these exits occurred towards the end of the year, significant cost savings will be yielded in 2013 as a result. Cost savings and reductions in the workforce have been achieved while largely maintaining service frequencies to customers around the network. In total, the Iarnród Éireann workforce has reduced from 5,114 in 2006 to 3,814 at the end of 2012.

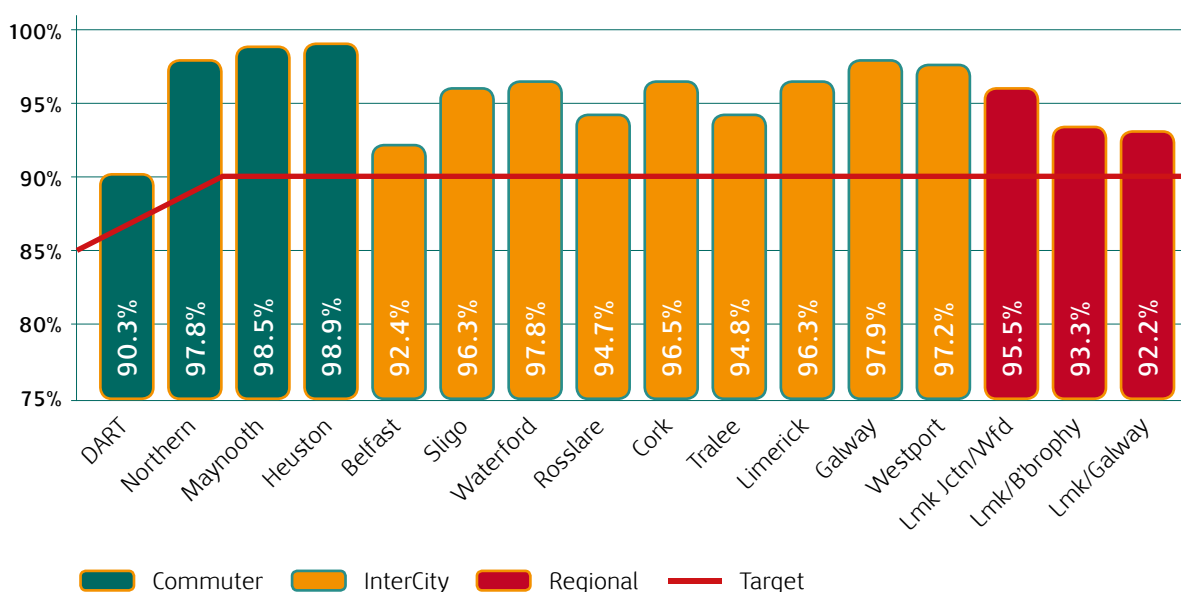
Freight revenues reduced by 7% to €8.8 million in 2012, with weakness in the pulpwood market accounting for most of this decline.

Rosslare Europort returned a surplus of €2.0 million from a turnover of €9.7 million.

### Service Performance

In 2012, Iarnród Éireann achieved the highest punctuality performance to date since current reporting procedures in the Department of Transport, Tourism and Sport/ National Transport Authority began in 2003. On every route and service, punctuality of over 90% was achieved, reaching over 95% on the majority of routes.

### Punctuality Performance



## Safety

Key safety indicators, including collisions, derailments and signals passed at danger, continued their improving trend during 2012. Third-party accidents did however increase, and risk mitigation campaigns are in place.

The Railway Safety investment programme totalled €99 million in 2012, with significant works in track relaying, track bed improvements, drainage, points and crossings, bridge renewals and signalling investment was undertaken during the year.

## Customer Service and Promotional Activity

The benefits of investment have delivered a modern, quality fleet to customers across Intercity, DART and Commuter services.

During 2012, this was enhanced further with the roll-out of free WiFi across all trains, with the assistance of the National Transport Authority. Ireland is the first country in Europe to have WiFi available on all train services.

A low cost project to achieve improved journey times on the south and west Intercity routes has resulted in journey time reductions of up to 20 minutes for customers on the Cork, Kerry, Limerick, Galway and Waterford routes to and from Dublin.

Frequency and capacity improvements in response to growth in demand have also been introduced for West of Ireland services to Galway and Westport. Some under-utilised off peak services have been withdrawn on other routes.

Iarnród Éireann is an active user of social media to enhance service and engage with customers, and the company's twitter account @irishrail and blog (Railway Lines) were both recognised in national awards during 2012.

Commercial promotions focusing on TaxSaver commuters, student Intercity travel and online pricing strategy were undertaken. This saw passenger demand grow in these key markets.

## Investment Projects

### City centre resignalling – Implementation phase 1

The City Centre Resignalling Project (CCRP) will enhance the capacity of the network in service frequency terms. The Howth to Howth Junction section was commissioned in April 2012. The commissioning of the Malahide to Killester section has been deferred pending completion of the Railway Safety Commission approvals process.

## Intercity Railcars

The last of the Intercity Railcar (ICR) units were accepted into passenger service on the 19th December, 2012, completing the introduction of the full fleet of 234 vehicles into service. This completed the process of modernising the Intercity fleet from the oldest in Western Europe to the newest.

## Station Improvements and New Stations

A new turnback facility at Clonsilla was commissioned and brought into operation with the new timetable of January 2013. A contract was awarded for construction of an access road at Hansfield. The station will open in Summer 2013.

Works were completed on the project to upgrade Pearse station concourse including new lifts and resurfacing platforms. The fit out of the new Trinity entrance at the southern end of the station has been completed. The new entrance is scheduled to open in April 2013.

Construction of Oranmore Station began in September and the new station is due to open in Summer 2013.

## Supporting the Community

Iarnród Éireann launched an initiative "The Journey's on Us" in 2012 to support the community, voluntary, sporting and charity sectors. A total of 100 groups were awarded a free group journey for up to 50 people during 2012 to support the goals of the organisation.

## Bus Átha Cliath

### Operating Results and Financial Position

Bus Átha Cliath incurred a deficit of €3.8 million in 2012, compared to a deficit of €18.2 million in 2011. This result was achieved with the benefit of once off additional subvention amounting to €5.3 million, provided by the Exchequer, and includes a €2.4 million charge for voluntary severance.

The key aspects of the financial results include revenue growth of €12.7 million and further cost reductions of €8.3 million. Customer demand was considerably more stable in the latter end of the year and revenue growth was achieved for the first time since 2008. The rationalisation and customer benefits of the Network Direct project combined with continuing rigorous control of costs achieved further reductions in the cost base which has now reduced by over €60 million on an annualised basis since 2008. Unfortunately unavoidable cost increases amounting to €6 million in the areas of





Bus Átha Cliath has made very significant progress in 2012 in improving the service offering to customers



fuel, Integrated Ticketing System (ITS) back-office costs and the costs of maintaining an older fleet had to be absorbed during the year.

The combined impact of the growth in revenue and the further savings from the cost reduction measures offset by additional costs reduced the operating deficit to €10.0 million in 2012 before once-off subvention of €5.3 million, a €3.3 million once-off reduction in claims costs and a voluntary severance cost of €2.4 million. The results for 2012 also included some non-recurring benefits of €1.1 million and therefore the underlying and on-going loss for 2012 was €11.1 million.

Bus Átha Cliath received an additional once-off Public Service Obligation payment (PSO) of €5.3 million and Public Service Obligation payments of €69.4 million in 2012; a reduction of €3.6 million compared to 2011. Despite the lower payment, the shortfall on the PSO was reduced from €18.9 million in 2011 to €11.3 million and with the benefit of the emergency once-off PSO payment of €5.3 million the net underpayment was reduced to €6.0 million.

Profitability is essential to the sustainability of Bus Átha Cliath and while some progress has been achieved further cost reductions are critical for the objective of a stable financial position to be achieved. In conjunction with stakeholders and through a combination of revenue growth and further reductions in the major operating costs, Bus Átha Cliath is striving to eliminate losses being incurred and return the company to profitability.

The company's response to the challenging financial position is to address it through a comprehensive suite of measures. These measures comprise;

- Cost reduction plans - payroll and non-payroll.
- Revenue generation plans.
- Multi-annual fares increases proposal.
- Reduction in accidents and cost of claims.

All of the above measures must be delivered on schedule and on budget in order for the company to achieve its targets of returning to overall profitability by 2014, generating cash for essential investment and stabilising the financial base of the company to provide security around provision of transport services and sustainability of employment.

Bus Átha Cliath has made very significant progress in 2012 in improving the service offering to customers as follows:

- Network Direct completed. This involved a complex matrix of timetable changes, a reduction in employee

numbers, bus fleet reduction, new termini, new and revised routes, and employee working arrangements. The new network has been very positively received by the public and the company will now strongly promote it in the months ahead.

- Real Time Passenger Information for Customers. This is now available at over 400 on-street locations and for any stop via our apps and SMS. To date over 300,000 copies of the Dublin Bus app have been downloaded.
- New Buses. The 80 new GT model buses, delivered during 2012, are equipped with bilingual passenger information signs which display the name of the next stop. These new buses also feature improved seating, middle doors, improved CCTV systems and many other improvements for customers, with WIFI in particular attracting positive reaction.
- Leap Card. December 2012 marked the first full year of operation of the Leap Card the new integrated transport ticketing system for the Greater Dublin Area. The card, which was launched simultaneously on Bus Átha Cliath, Iarnród Éireann and Luas services, offers customers a cashless alternative when paying for individual journeys. At the beginning of the year, an extensive advertising campaign took place to highlight the benefits of the Leap Card. At the end of 2012, a total of 198,000 cards had been issued and approximately 200,000 journeys per week were made on Bus Átha Cliath services using the card.
- 100% Accessible. Dublin Bus was proud to achieve the target of being 100% accessible across the fleet in 2012. This was a major milestone achieved and of major benefit to the many customers who rely on these facilities.

The overall strategy is therefore to reduce costs as described above and to promote the positive developments in the service to attract new customers and generate revenue, building on:

- The significant increase in high frequency cross-city services and the twenty two core super routes that offer customers more direct travel options.
- Bus Átha Cliath's clean, modern fleet.
- Improved Bus prioritisation measures.
- Real Time Passenger Information.
- The convenience and value of Leap Card/prepaid tickets.
- The benefits of the Tax saver scheme.



## Bus Éireann

### Financial Review and Overview

The on-going recession, which has led to reduced customer demand and Exchequer funding, meant that Bus Éireann continued to face significant challenges during 2012.

The company incurred a deficit of €6.2 million in 2012 compared to a profit of €0.45 million, after exceptional items, in 2011. The loss before exceptional items amounted to €1.84 million in 2011. The losses are primarily driven by reduced subvention levels, volatile fuel prices, increased competition and uncertain customer demand.

Despite the significant changes to the network in 2009, a pay freeze in place since July 2008 and significant cost savings in both payroll and non payroll expenditure achieved, the company is faced with a deficit of €6.2 million in 2012 and the net assets of the company have reduced to €17 million. In response to the deteriorating financial position the company has put in place a plan that would see the company return to profitability through revenue generation, revitalisation of Expressway services and cost reduction plans, while protecting as much as possible the company's current service levels.

The company succeeded in increasing core road passenger revenue by €3.5 million in 2012 while total revenue increased by €2.6 million. Public Service Obligation payments, however, for the operation of services under contract to the National Transport Authority, reduced by €6.5 million in 2012. Expenditure savings of €6.5 million were achieved in 2012, however the payroll savings associated with the changes to terms and conditions will only accrue from 2013 due to delays in implementation. Increases in the price of fuel also cost the company €3.6 million in 2012.

All cost savings were achieved while continuing to provide a comprehensive integrated transport network of services. Staff numbers continued to reduce across all grades during 2012 with average staff numbers amounting to 2,551 compared to 2,605 in 2011, a reduction of 54. Bus Éireann has continued to invest in facilities, IT systems and plant and machinery to remain competitive and to maintain quality levels. Capital expenditure amounted to €2 million in 2012.

The company also received capital funding for Public Service Obligation(PSO) services from the National Transport Authority in 2012 of €3.6 million, which enabled the company to invest in improved services for its customers.

Total revenue earned in 2012 amounted to €286.3 million compared to €283.7 million in 2011.

### Market Trends

In 2012, Bus Éireann increased road passenger numbers by 1% with customer journey numbers increasing from 36.5m in 2011 to 36.8m in 2012. Customer numbers grew throughout 2012, particularly in the second half of the year. On city services, customer numbers were up 2% and increased by 4% on Expressway services. Stage carriage services saw a 1.5% decrease in customer usage in 2012.

### National Transport Authority and Public Service Contract

The funding of Public Service Obligation (PSO) services is governed by Public Transport Contracts between the National Transport Authority and Bus Éireann. The current contract is for five years until 2014. The contract outlines standards of operational performance and customer services that Bus Éireann must maintain. In 2012, Bus Éireann met all performance targets set out in the contract. Bus Éireann received a subvention from the State as payment for its PSO of €37m in 2012, a reduction of 25% from 2009.

### Connecting Communities

During 2012, Bus Éireann took a number of steps to ensure that the company continued to improve its service offering to the communities and customers that the company serve.

This included the delivery into service of new fleet through funding from the National Transport Authority and the company's own resources; improvements of many services to provide faster journey times and better connections; the provision of free Wi-Fi on many of the company's vehicles and in some of its stations; and improved customer information displays at shelters, stops and stations.

Bus Éireann also improved its on-line ticket purchasing process, upgraded the company's on-line journey planner, and launched its Mobile Travel App for the iPhone.

Independent surveys show that Bus Éireann continues to have a high level of customer satisfaction with 91% of customers recommending Bus Éireann to a friend.

### Fleet Investment

Bus Éireann continue to invest in improving its services in 2012 with the delivery into service of eighty eight new



Independent surveys show that Bus Éireann continues to have a high level of customer satisfaction with 91% of customers recommending Bus Éireann to a friend



vehicles in a €30 million investment in public transport.

Sixty of the new vehicles were funded by the National Transport Authority at a capital cost of approximately €19 million. These include 10 double-deck buses, 25 single-deck city buses, and 25 single-deck coaches. These vehicles are for use on publicly subvented services only.

A further 28 coaches for use on Bus Éireann's commercial Expressway services were funded through the company's own resources at a cost of €11 million. This included 20 single-deck coaches, which can accommodate up to 63 passengers instead of the current 52.

All of the 88 vehicles have free Wi-Fi and the coaches feature extra comfort seating and power points at selected seats.

### Encouraging Public Transport Usage

In 2012 a wide range of successful marketing campaigns were undertaken to help promote services. These included:

- A campaign on TV, radio, print and on-line to promote the benefits of the new fleet of Expressway vehicles.
- Promotion of Bus Éireann's on-line loyalty scheme, béClub, continued through the year. At the end of 2012, the scheme had over 30,000 members.
- Student campaigns took place during key times of the year on-campus. Also digital campaigns were run at key points of the student calendar to encourage travel on Bus Éireann's services.
- A TaxSaver campaign in conjunction with Dublin Bus and Irish Rail took place targeting businesses and employees to highlight the benefits of the TaxSaver scheme. TaxSaver sales increased considerably in 2012.

### School Transport

Bus Éireann worked closely with the Department of Education & Skills in 2012 to ensure that school transport services provided under the School Transport Scheme for primary children, post primary children, and for children with special educational needs, continued to be delivered in a cost-effective and efficient manner on behalf of the State.

In the region of 114,000 children holding tickets issued under the School Transport Scheme are transported twice daily on dedicated Bus Éireann and contracted school transport fleet, and also on publicly owned and privately licensed scheduled local and national bus and rail services.

Bus Éireann has delivered over €20 million worth of cost saving measures in school transport since 2010, despite well over three hundred new services being added to the School Transport Scheme in that time.

The safety of schoolchildren travelling on board the company's school transport services is Bus Éireann's highest priority and the promotion of school bus safety and communication of key safety messages continued to receive particular attention during 2012.

As an important part of the company's safety protocols, Bus Éireann also employs the services of an independent expert group who are committed to providing professional vehicle and maintenance systems inspection services and provide advice and assistance that helps to ensure that the company's own fleet maintenance procedures, not only in school transport, are consistent with best industry practices. This independent agency is also used to conduct spot checks on contractors' buses that provide school bus services under the Scheme.

### Safety & Risk Management

The safety of Bus Éireann customers and staff is the company's main priority through the strict adherence to health and safety standards.

The management continues to reinforce a safety culture throughout the organisation. As part of this, the company continued to invest in training for staff such as the Driver Certificate of Professional Competence (CPC), safety management and technical training for maintenance staff in 2012. In line with policy, the company regularly reviews and updates its safety management systems. The Bus Éireann Safety Statement is reviewed, updated regularly and communicated to all staff.

### CIE Tours International

CIE Tours International has continued to grow in 2012, following on from strong performances in both 2010 and 2011. Revenues grew by 5.9% to €50.1 million or €2.8 million over 2011 levels, while passenger volume's increased by 3,600 passengers to 42,400 passengers. Strong growth occurred in all areas of the business, in particular, sales of coach tours that include both Ireland and Britain which increased by 22% over 2011 levels.

The main market which CIE Tours International competes in is North America where 90% of revenues are generated. The remainder of the business comes from smaller markets including Spain, the Nordic Region and Australia / New Zealand.



Bookings for the 2013 season are currently running ahead of 2012 levels and are on track to exceed budgeted targets. This strong start to 2013 has been greatly helped by the Tourism Ireland “Gathering 2013” initiative. The economic stability of Europe and USA are still concerns for CIE Tours International, along with the growing cost of air fares from the USA to Ireland.

CIE Tours International returned a profit of €2.823 million for 2012. The company will continue to invest in technology to improve operational activities and to enhance its sales and marketing functions. This investment will result in the company maintaining its position as the leading coach tour operator from the USA into Ireland.

## Group Property

Group Property realised sales of non operational property amounting to €21.5 million and net rental income of €12.2 million in 2012.

The sale of Spencer Dock Blocks C1 to C5 to a Davy investment vehicle was completed in the final quarter of 2012 for a sum of €20.1 million. Owing to current economic conditions there continues to be pressure on rents; however the impact of this was mitigated through new lettings, and net rent income remained on a par with 2011.

The prospect for commercial property development continues to be severely curtailed in the short term. Looking to the future, however, CIE has obtained a 10 year planning permission for lands at Connolly Station, and has completed framework planning strategies for lands at Sheriff Street and at Heuston Station.

Group Property also provides professional services to various infrastructural projects of Iarnród Éireann in particular level crossings, Kildare Route, Cork/Midleton and Pace/Dunboyne/Navan projects.

## Commuter Advertising Network (CAN)

The outdoor advertising market continues to be affected by the depressed economic climate and 2012 saw further declines in advertisers spend. This is reflected in the CAN revenue figures for 2012 which are down further on 2011 revenue. The business recorded a net profit for year ending 2012.

Current outdoor advertising trends indicate that the outdoor advertising market will at best remain flat for 2013 however the opportunity arising from this situation

is that outdoor is now good value and more flexible in terms of its offering to clients.

The current contract expires at the end of 2013 and procurement has commenced to tender the business on a new contract from January 2014.

## Overview of Energy Usage by the Group in 2012

The Group energy consumption includes diesel oil for the running of the Bus Átha Cliath, Bus Éireann bus fleets, the Iarnród Éireann Intercity rail cars and the Diesel Multiple Units. Electricity for the running of the Iarnród Éireann DART service, automatic level crossings, train and bus stations, equipment rooms, workshops and general office requirements. Natural gas and heating oil are used for space heating of offices and workshops. The profile of use for 2011 / 2012 is listed in the table below.

Group energy consumption profile	MWhr 2012	MWhr 2011
Diesel oil for traction	1,031,937	1,060,574
Electricity for traction	23,900	25,000
Electricity for other	48,978	52,928
Gas	23,044	23,015
Heating oil	889	1,365

## Actions Undertaken to Reduce Energy Costs

Savings have been made throughout the Group in energy costs during 2012 which include:

## Iarnród Éireann

### Actions Undertaken in 2012

In 2012 Iarnród Éireann continued its work on several levels:

#### Diesel Fuel for traction

- Initiated a test programme on a product to verify a process that claims to reduce fuel consumption in diesel reciprocating engines.

- Measurement equipment has been purchased and fitted to 4 rail vehicles (Commuter DMU's)
- This equipment is proving troublesome and the full testing has not yet commenced. Expected to start before mid 2013.
- Results will be assessed to inform decision on future action.
- Potential saving of 25,000 MWh per annum.
- Automatic Shut-down / Re-start of Locomotive engines.
- A proprietary system was sourced but a contract agreement could not be reached. Long term discussions with the Original Equipment Manufacturer are now underway but an early resolution is now unlikely.

### Electricity for traction

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

### Actions Planned for 2013

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

### Diesel Fuel for traction

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

### Building consumption

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

## Bus Átha Cliath

### Actions Undertaken in 2012

In 2012 Bus Átha Cliath undertook a range of initiatives to improve its energy performance, including:

- Partnership agreement with Sustainable Energy Authority Ireland (SEAI).
- Trial of LED Lights in Workshop pits.
- Purchase of new vehicles which will be fitted with Euro 5 standard engines.
- Energy Map training for employees.
- Promotion of energy awareness among employees.
- Continuation of the energy monitoring at each premises.
- Continuation of eco driving training for drivers.
- All together, these and other measures are saving 21,423 MWh annually.

### Actions Planned for 2013

In 2013, Bus Átha Cliath intends to further improve its energy performance by undertaking the following initiatives:

- Commence trials of eco-driving for fleet using on board technology.
- Upgrade and replace water pumps with pressure activation demand motors.
- PIR Sensors in depots and workshop pits.
- Fleet fuel monitoring by route.
- Review compressed air systems.
- Purchase of new vehicles which will be fitted with Euro 5 standard engines.
- Energy Awareness Campaign.
- Vigil Vanguard training for drivers including eco driving techniques.
- Identify further energy saving opportunities through the local energy management teams.

## Bus Éireann

### Actions Undertaken in 2012

In 2012 Bus Éireann undertook a range of initiatives to improve its energy performance including:

- The 88 new vehicles that went into service are fitted with Euro 5 engines.
- All the new vehicles have a telematics system fitted to assist drivers in maximizing the economic driving of each vehicle.



- They also have an automatic engine idling cut-off facility fitted.
- Awareness programme among drivers on anti-idling undertaken.
- Ongoing training of staff on eco-driving techniques and commencement of pilots of eco-driving routes.
- Ongoing partnership with Sustainable Energy Authority Ireland (SEAI) to examine and implement ways to reduce energy consumption throughout the organisation.

### Actions Planned for 2013

In 2013, Bus Éireann intends to further improve its energy performance by undertaking the following initiatives:

- Continue established partnership with SEAI.
- Ongoing rollout of eco-driving rollout programme.
- Continued rollout of onboard vehicle telematics systems.
- Spill free fuel dispensing systems trial at Cork.
- Upgrade of ageing fuel storage tanks.
- Installation of bunded fuel and oil storage areas.
- Installation of bus wash water recycling systems.
- Ongoing upgrades to energy efficient lighting at garages.
- Assessments of Compressed Natural Gas alternative fuel technology.

## Employment

The average number of people employed by the CIÉ Group at the end of 2012 was 10,083, a reduction of 315 on 2011.

## Staff Participation

The CIÉ Group's main asset is its staff. It is CIÉ Group policy to maximise this asset resource through a culture of participation and encouraging teamwork. All staff are encouraged to participate in the running of the CIÉ Group through active involvement in project teams, working parties and customer focused initiatives. There are four worker members on the CIÉ Board.

## Equal Opportunities

The Group through its equality officers continue to enhance equality in the workplace for all groups covered by equality legislation. The range of Work Life Balance initiatives available to staff in the Group are kept under ongoing review. The Group participates with a variety of external organisations in developing its practices and procedures e.g. by being a member of the Diversity in the Workplace Working Group in IBEC.

## Accessibility

There is active engagement with organisations for the mobility-impaired to establish priorities in the provision of accessibility to vehicles, offices and stations.

## Payment Practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Regulations 2002. The payment policy throughout the Group in 2012 was to comply with the requirements of the regulation.

## Procurement Policy

The CIÉ Group Procurement Policy is in place to ensure compliance with the EU Public Procurement and Utilities Directives, as well as Board and Government policies. Substantially all procurements over the qualifying thresholds were put to open tender and inserted in the EU Journal where appropriate.

## Principal Risks

The CIÉ Group deals with the principal risks to the businesses in a number of ways including Health and Safety. A risk register is maintained by each of the companies and updated periodically with the various risks and the action plans for addressing these. CIÉ, on behalf of Iarnód Éireann, Bus Átha Cliath and Bus Éireann, enters into commodity swap contracts for fuel. CIÉ undertakes currency forward purchasing where it deems there is value and reduced risk to the Group.



## Group Structure

Córas Iompair Éireann is the national statutory authority providing land public transport within the Republic of Ireland. It is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

The Group holding company is organised into four subsidiary operating companies, two business units and ancillary service providers. Between them they provide services for:

- Rail passenger travel
- Rail freight haulage
- City, inter-city, rural and school bus travel
- Harbour management
- Event/holiday tours
- Ancillary services:
- Project management; Property; Legal; Insurance/Liability management; IT and Telecom services.

Strategic direction, control and overall co-ordination is provided by the holding company whilst each subsidiary and Business unit has a high degree of operating autonomy.



### Córas Iompair Éireann

- CIE Tours International Inc.
- Commuter Advertising Network (CAN)
- CIÉ Group Property
- Insurance/Liability Management
- Information Technology
- Legal Services



### Iarnród Éireann

- InterCity
- Suburban
- Long Distance Commuter
- Rail Freight
- Rosslare Harbour



### Bus Éireann

- Expressway
- Rural Services
- Provincial City Services
- School Bus Services
- Private Hire



### Bus Átha Cliath

- City Services
- Xpresso
- Nitelink
- Airlink
- City Tours
- Private Hire



# Members of the Board and Group Management

## Members of the Board

The names of the persons who were Board members at any time during the year ended 31st December 2012, are set out here. Except where indicated they served as Board members for the whole year.

Vivienne Jupp	Non Executive Chairman
Kevin Bonner	
Mick Cullen •	(Retired 4th October 2012)
P.J. Drudy	(Appointed 24th July 2012)
Phil Gaffney	
Vincent Green •	(Appointed 11th January 2013)
Helen Keelan	
Dermot Killen	(Retired 18th May 2012)
Paul Mallee	
Bill McCamley •	
Willie McDermott •	
Aebhric McGibney	
Frances Meenan	(Appointed 24th July 2012)
John Moloney •	

- Worker member

## Secretary of the Board

Geraldine Finucane,  
Heuston Station,  
Dublin 8.  
Telephone: + 353 1 703 2008  
Facsimile: + 353 1 703 2276

## Board Committees

### Audit Committee

Helen Keelan	Chairman
P.J. Drudy	(Appointed 4th October 2012)
Phil Gaffney	(Appointed 5th April 2012)
Dermot Killen	(Retired 18th May 2012)
<i>1 vacancy</i>	

### Finance and Risk Committee

Aebhric McGibney	Chairman
	(Appointed 2nd February 2012)
Kevin Bonner	(Appointed 5th April 2012)
Dermot Killen	(Retired 18th May 2012)
Paul Mallee	
Frances Meenan	(Appointed 4th October 2012)

### Remuneration Committee

Phil Gaffney Chairman  
(Appointed 5th April 2012)

Vivienne Jupp  
*1 vacancy*

### Property Committee

This Committee was stood down on 4th October 2012 and its responsibilities transferred to the ClÉ Board Finance and Risk Committee

### Safety Committee

Phil Gaffney Chairman  
Dermot Killen (Retired 18th May 2012)  
Frances Meenan (Appointed 4th October 2012)  
*2 vacancies*

### Strategy Committee

Helen Keelan Chairman  
(Appointed 31st January 2013)  
P.J. Drudy (Appointed 31st January 2013)  
Vivienne Jupp (Appointed 31st January 2013)

## Group Management

Paddy Doherty Chief Executive, Bus Átha Cliath  
Mike Flannery Group Chief Financial Officer  
David Franks Chief Executive, Iarnród Éireann  
Martin Nolan Chief Executive, Bus Éireann  
Brian Stack Managing Director, CIE Tours International

## Auditors

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

## Principal Banker

Bank of Ireland,  
College Green, Dublin 2.

## Solicitor

Colm Costello,  
Bridgewater House,  
Islandbridge, Dublin 8.



# About the Board of C oras Iompair  ireann



## **Vivienne Jupp**, Non Executive Chairman

Vivienne Jupp was appointed as Non Executive Chairman of CI  in June 2011. She is a management consultant and formerly a Global Managing Director in Accenture. She has had a number of Government appointments including Chairman of the Information Society Commission and Member of the Broadcasting Commission of Ireland. She was also a member of the Review Body on Higher Remuneration in the Public Sector and a Board Member of the Irish Hospice Foundation. She graduated from University College Dublin (UCD) with BComm and MBS degrees. In 2000 she received the Outstanding Alumnus Award from the Michael Smurfit Graduate School of Business, UCD.



## **Kevin Bonner**

Kevin Bonner was appointed to the Board of CI  and as Chairman of Bus  tha Cliath in June 2011. He is a former Secretary General of the Department of Enterprise and Employment and has been chairman or director of a number of public and private sector bodies/companies e.g. Marine Institute, Ordnance Survey Ireland and Waterford Stanley. He is a graduate of University College Dublin (BA) and Trinity College Dublin (MScEcon).



## **Mick Cullen**

Mick Cullen was appointed to the CI  Board in December 2009 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Mick joined Iarnr d  ireann in 1972 and works in Wexford as a signalman. He is a member of SIPTU and represents rail workers. Mick retired from the Board in October 2012.



## **Prof. P. J. Drudy**

Emeritus Professor of Economics, Trinity College Dublin. Prof. Drudy is a former Senior Dean and Bursar of the College. He has served on numerous committees and bodies concerned with educational, financial, planning and development matters. These include the Regional Studies Association (Treasurer), Irish Branch of the Regional Studies Association (Chairman), the Management Committee of Regional Studies, Journal of the Regional Studies Association (Chairman), the European Economics Association, Dublin Docklands Development Authority, the Board of Trinity College and numerous other committees and has acted as a consultant and adviser to a variety of public and voluntary bodies. These include the European Commission, the British Department of the Environment, Bord Iascaigh Mhara, Dublin Chamber of Commerce, South Dublin Chamber of Commerce and Dublin Regional Authority. Professor Drudy has published many books and papers on the Irish economy, urban and regional development and housing. Professor Drudy was appointed to the Board of CI  in July 2012.

# About the Board of C6ras Iompair 6ireann (Continued)



## Phil Gaffney

Phil Gaffney was appointed to the Board of CI6 and as Chairman of Iarnr6d 6ireann in June 2011 having previously served as a director in Iarnr6d 6ireann since 2006. He is a railway signalling engineer by profession. Before retiring in December 2005, he had spent twenty eight years with Hong Kong MTR. During that time his positions included Chief Engineer, Operations Director and Managing Director. He is also a member of the board of London's Crossrail and of the Crossrail Health and Safety Committee.



## Vincent Green

Vincent Green was first appointed to the Board in January 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Vincent joined Iarnr6d 6ireann in 2000 and works from Heuston Station as a ticket checker. He is a member of SIPTU and has represented rail workers at local and branch level over many years.



## Helen Keelan

Helen Keelan has 25 years of senior finance and strategic leadership experience gained in KPMG, Ericsson and Intel. She is a non-executive director of Barclays Bank Ireland PLC, New York Life Investments International Limited, Oasis Global Investment Fund (Ireland) PLC and PM Group Limited. Helen provides consultancy in strategy development, leadership and governance. She is an evaluator for the Institute of Directors' Board Performance Evaluation.

Helen holds a Masters Degree in Management from Trinity College Dublin and a Commerce Degree from University College Dublin. She is a Fellow of the Institute of Chartered Accountants in Ireland and is a Chartered Director.



## Dermot Killen

Dermot Killen is a business advisor. He is a partner in McGuinness Killen Partnership Ltd. In addition, he lectures in Human Resource Management at undergraduate and postgraduate levels in NCI and in Human Resource Management and Operations Management at undergraduate level in IT Carlow. Previously, he worked as HR Director in the Smurfit Group in Ireland and in the UK. Dermot has experience in policy and strategy development in business terms across the full range of Human Resources and Industrial Relations issues. He is an engineering graduate of Trinity College, Dublin. In addition, he has a Masters in Organisation Behaviour (TCD), a further Masters in Business Research (Durham, UK) and is a Fellow of the Chartered Institute of Personnel and Development. Dermot joined the CI6 Board in May 2009 and retired in May 2012.

# About the Board of Córas Iompair Éireann (Continued)



## **Paul Mallee**

Paul Mallee was appointed as Chairman of Bus Éireann and as a board member of Córas Iompair Éireann on 29th June 2011. He is a management consultant specialising in the transport sector, working internationally. He has held senior management positions at Etihad Airways and with the global strategy consultancy Booz & Company. Paul is a fellow and a past president of the Chartered Institute of Logistics and Transport (CILT) Ireland. He is a graduate of University College Dublin and UCD Michael Smurfit Graduate Business School. Paul holds a Masters Degree in Strategic Management and Planning, a Bachelor of Commerce Degree and a Certificate of Professional Competence in Road Transport Operations Management.



## **Bill McCamley**

Bill McCamley was first appointed to the CIÉ Board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977. Bill joined Bus Átha Cliath in 1974 and works in Phibsboro Garage as a bus driver. He has held a variety of positions in his trade union, SIPTU, including membership of the Regional, Divisional and Branch committees. Bill is presently a member of the Transport Sector and Dublin District committees. He has represented his trade union at a number of European transportation conferences and was a member of the Department of Justice Working Party on Bus Violence (1996). Bill has written extensively on transportation and trade union issues, including a book on the history of Dublin's tramworkers.



## **Willie Mc Dermott**

Willie McDermott was appointed to the CIÉ Board in December 2009 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Willie joined Bus Átha Cliath in 1978 and works in Phibsboro Garage as a bus driver. He is a member of the NBRU and represents bus workers.



## **Aebhric McGibney**

Aebhric McGibney was appointed to the Board of CIÉ in October 2011. He is the Policy and Communications Director with the Dublin Chamber of Commerce with responsibility for Government and international affairs, public relations and member communications. Previously he worked as a lecturer, economic consultant and as Senior Economist with IBEC. He holds an M.Litt. (Economics) from Trinity College Dublin and was awarded the Dean's List Award from University College Dublin for his MBA in 2001.



# About the Board of C oras Iompair  ireann (Continued)



## **Frances Meenan**

Frances Meenan is a practicing barrister whose main area of practice includes all matters in relation to employment and industrial relations law at all levels, that is, before all the employment fora and the courts. She has experience of attending at conciliation conferences at the Labour Relations Commission in relation to the resolution of trade disputes. She is a CEDR accredited mediator and, more recently, has been involved in a number of commercial mediations. In addition, she is a member of the Institute of Arbitrators and has also provided advice to the European Commission in relation to matters of discrimination law. Frances was appointed to the Board of CI  in July 2012.



## **John Moloney**

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



The CIÉ Group works to ensure that it plays an active role in supporting communities and in pursuing policies of good corporate citizenship



## Corporate Governance Statement

The Code of Practice for the Governance of State Bodies sets out principles of corporate governance which State Bodies are required to adopt. Córas Iompair Éireann supports the principles and provisions of the Code of Practice.

### The Board

The Board is comprised of twelve members appointed by the Government. Included in the twelve are four worker members who are appointed by the Government for a four year term following elections by the staff of the Group.

The Board meets monthly and on other occasions as necessary. It has a formal schedule of matters specifically reserved for its review including the approval of the annual financial statements, budgets, the corporate plan, significant acquisitions and disposals, investments, significant capital expenditure, senior management appointments and major Group policies. The Group has a comprehensive process for reporting management information to the Board, on a monthly basis.

All Board members have access to the advice and services of the Group Secretary.

### Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise of an Audit Committee (see below), a Finance and Risk Committee (see below), a Safety Committee, a Remuneration Committee and a Strategy Committee. Their members are listed on pages 18 and 19.

### Audit Committee

The Audit Committee has written terms of reference and is composed of up to four non-executive Board members. The Committee met 10 times in 2012.

Among the main duties of the Audit Committee is to oversee the Group's relationship with the external auditor, including consideration of the appointment and performance of the external auditor, audit fees, and any question of independence, resignation or dismissal. The

Audit Committee discusses with the external auditor the nature and scope of the audit and the findings and results. The Committee also monitors the integrity of the financial statements prepared by the Group.

In addition the Audit Committee keeps under review the effectiveness of the Group's internal controls and risk management systems by meeting periodically with the Group's senior management and the Head of Internal Audit. The Audit Committee also approves the Internal Audit work programmes for the Group and considers the results of the various internal audits undertaken and their implications.

The external auditors, PricewaterhouseCoopers, were appointed during the year ended 31st December 2010 for a three year period. Therefore the Audit Committee recommended to the Board that they be formally reappointed for the year ended 31st December 2012. There were no contractual commitments that acted to restrict the Audit Committee in making this recommendation. In addition to the audit services provided by PricewaterhouseCoopers the firm also provided non-audit professional services to the Group in 2012 valued at €317k. Having considered all relationships between the Group and the external audit firm, the Audit Committee does not consider that the nature or extent of additional work undertaken in any way impairs the auditors judgement or independence.

The external auditors and the Head of Internal Audit have full and unrestricted access to the Audit Committee. The external auditors attend meetings of the Audit Committee and annually meet the Committee without management present to ensure that there are no outstanding issues of concern.

### Finance and Risk Committee

The Finance and Risk Committee is composed of four Board members and has written terms of reference. The process by which the committee operates includes meeting with the Group Chief Financial Officer and senior management from the subsidiary companies every month to review the funding of the Group's capital programme, the prioritisation of the subsidiary companies' capital expenditure proposals, annual operating and capital budgets and the Group's treasury, procurement and disposal policies. The committee also reviews the Group's insurance and finance strategies. It is also charged with ensuring that the Group's management information systems enable the effective implementation of the Board's finance strategies.





## Internal Financial Controls

The Board has overall responsibility for the Group's systems of internal financial control. These systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's overall control systems include:

- A clearly defined organisational structure with written authority limits, appropriate segregation of duties and reporting mechanisms to higher levels of management, the boards of the subsidiary companies, Board Committees and to the Board. Detailed policies on key areas of financial risk including treasury risk are maintained.
- A comprehensive budgeting and planning system whereby actual performance is compared to the pre-approved budget at the end of each financial period and any significant trends or variances are investigated. These reports are circulated to the Board on a monthly basis for review.
- The establishment of clear guidelines for the approval and control of capital expenditure. These include the preparation of annual capital budgets that are approved by the Board in consultation with the Department of Transport, Tourism and Sport, and detailed feasibility studies and appraisals of individually significant capital projects prior to approval by the appropriate level of authority (including the National Transport Authority and the Department of Transport, Tourism and Sport for larger projects). For major capital projects, regular progress reports to management and the relevant subsidiary board are prepared and all significant capital projects require the completion of a formal close-out paper.
- Within Iarnród Éireann, the Infrastructure Advisory Group, which is composed of both Iarnród Éireann directors and senior management, reviews on a monthly basis project proposals, tendering and evaluation processes adopted and progress of major capital projects against project timetables and budgets.

Internal controls are reviewed systematically by Group Internal Audit, which has a group wide role. In these reviews, internal audit place emphasis on areas of greater risk as identified by their risk analysis framework. The role and responsibilities of the internal audit department are defined by a Board approved charter. The Group internal auditor formally reports to the Audit Committee.

The Board through the Audit Committee has reviewed the effectiveness of the systems of internal financial control by:

- A review of the programme of internal audit (prepared following their audit risk assessment process) and consideration of their major findings.
- A consideration of the major findings of any internal investigations.
- A review of the report of the external auditor, which contains details of any material control issues identified as a result of their audit of the financial statements.

An Enterprise Wide Risk Management (EWRM) process is in place to address the implications of major business risks including financial, operational, strategic, hazard and compliance risks. This process would provide the assurance that material risks will be identified and appropriate actions undertaken. Documented risk registers are in place.

## Board Members' Remuneration

The remuneration of Board members in relation to their duties as Board members is determined by the Minister for Transport, Tourism and Sport. They do not receive pensions for their duties as Board members.

Board members appointed under the Worker Participation (State Enterprises) Act, 1977 are also remunerated in accordance with their contracts of employment.



## Attendance at Board/Committee Meetings

Listed below is Board members' attendance at Board/Committee meetings held during 2012.

Board Member	CIÉ Board	Finance Committee	Audit Committee	Remuneration Committee	Safety Committee
Vivienne Jupp	11/12			2/2	
Kevin Bonner	10/12	6/7			
Mick Cullen	8/8				
P.J. Drudy	5/6		4/4		
Phil Gaffney	9/12		8/8	2/2	2/2
Helen Keelan	11/12		10/10		
Dermot Killen	3/4	4/4	2/2		1/1
Paul Mallee	7/12	9/10			
Frances Meenan	5/6	2/2			1/1
Bill McCamley	12/12				
Willie McDermott	12/12				
Aebhric McGibney	10/12	9/9			
John Moloney	10/12				

In addition to the above Mr. Gaffney joined one CIÉ Board meeting by telephone, Ms. Keelan joined one CIÉ Board meeting by telephone and Mr. Mallee joined four CIÉ Board meetings by telephone. They were not included in the quorum for the purposes of those meetings.

## Going Concern

The Board members are satisfied that the Group will have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for the preparation of the accounts.

On behalf of the Board

**Vivienne Jupp** Chairman  
**Helen Keelan** Board Member

26th April 2013

### Statement of the Board's Responsibilities

The Transport Act, 1950 and subsequent amendments determine the responsibilities of the members of the Board of Córas Iompair Éireann. This legislation requires the members of the Board to ensure that financial statements are prepared for each financial year that, in accordance with applicable Irish law and accounting standards, give a true and fair view of the state of affairs of the Group and of the surplus or deficit of the Group for that period.

In preparing those financial statements, the members of the Board are required to ensure that:

- suitable accounting policies are selected and consistently applied.
- any judgements or estimates made are reasonable and prudent.
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The members of the Board are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Transport Act, 1950 and all regulations to be construed as one with the Act.

They are also responsible for taking steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The measures taken by the Board to secure compliance with its obligations to keep proper books of account are, the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept in Heuston Station, Dublin 8.

The responsibilities of the directors of the subsidiaries of the Group are determined by the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986 and applicable company law.



# Independent Auditors' Report to the Minister for Transport Tourism and Sport

As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950, with your consent, we have audited the financial statements of Córas Iompair Éireann for the year ended 31st December 2012 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Company Reconciliation of Movements in Reserves, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

## Respective responsibilities of the members of the Board and the auditors

As explained more fully in the 'Statement of the Board's Responsibilities' set out on page 28, the members of the Board are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Minister for Transport Tourism and Sport in accordance with Section 34 (2) (a) of the Transport Act, 1950 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members of the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the Group's and the Company's affairs as at 31st December 2012 and of the Group's profit and cash flows for the year then ended.

## Opinion on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the Company.
- The Company's balance sheet is in agreement with the books of account.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Corporate Governance Statement on pages 25 to 27 does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

### **PricewaterhouseCoopers**

#### **Chartered Accountants and Registered Auditors**

**Dublin**

**26th April 2013**

- The maintenance and integrity of the Córas Iompair Éireann website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Principal Accounting Policies

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

## (A) Basis of Preparation

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Transport Act, 1950. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

The financial statements have been prepared under the historical cost convention.

## (B) Basis of Consolidation

The Group financial statements are a consolidation of the financial statements of Córas Iompair Éireann and its subsidiaries:

**Iarnród Éireann - Irish Rail**

**Bus Éireann - Irish Bus**

**Bus Átha Cliath - Dublin Bus**

CIE Tours International Incorporated is treated as a branch of Córas Iompair Éireann for accounting purposes.

## (C) Revenue

Revenue comprises the gross value of services provided.

## (D) Tangible Assets and Depreciation

The bases of calculation of depreciation are as follows:

### (i) Railway lines and works

Railway lines and works comprise a network of systems. Expenditure on the existing network, which maintains the operating capability in accordance with

defined standards of service, is treated as an addition to tangible fixed assets and included at cost after deducting grants.

The depreciation charge for existing railway lines and works is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the Iarnród Éireann – Irish Rail asset management plan.

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

### (ii) Railway rolling stock

Locomotives (other than those fully depreciated or acquired at no cost) are depreciated, by equal annual instalments, on the basis of their historical costs spread over their expected useful lives.

Railcars, coaching stock and wagons are also depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives.

### (iii) Road passenger vehicles

The historical costs of road passenger vehicles other than school buses are depreciated over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical costs of school buses are depreciated in equal annual instalments over their expected useful lives.

### (iv) Road freight vehicles

These assets are depreciated on the basis of historical costs spread over their expected useful lives using the sum of the digits method.





**(v) Docks, harbours and wharves; plant and machinery; catering services equipment**

The above classes of assets are depreciated, by equal annual instalments, on the basis of historical costs spread over their expected useful lives.

**(vi) Land and buildings**

Buildings are depreciated, by equal annual instalments, on the basis of historical costs spread over a fifty-year life. The book value of land and buildings that are available for sale and likely to be disposed of in the next twelve months is included in current assets as appropriate.

## **(E) Leased Assets**

**(i) Finance leases**

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

**(ii) Operating leases**

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

## **(F) Stocks**

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

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

## **(G) European Union and Public Service Obligations and other Exchequer Grants**

**(i) Grants for existing railway lines and works**

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

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

**(ii) Grants for other capital expenditure**

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

**(iii) Revenue grants**

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

**(iv) Safety investment grants**

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

## (H) Foreign Currency

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

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

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

Long-term foreign currency borrowings, including that portion payable within one year of the balance sheet date, are translated at the rates of exchange ruling at the balance sheet date (closing rates) with the resulting gains or losses included in the consolidated profit and loss account.

## (I) Pensions

Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability. The pension charge to operating profit comprises the current service cost and past service costs. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the profit and loss account as other finance income. Actuarial gains and losses arising from the changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

## (J) Railway Infrastructure Costs

In accordance with EU Council Directive 91/440 Iarnród Éireann - Irish Rail is required to ensure that the accounts for the business of transport services and those for the business of management of the railway infrastructure are kept separate. The infrastructure costs are determined in accordance with Annex 1.A. to EU Regulation No. 2598/70.

Year ended 31st December	Notes	2012	2011
		€000	€000
<b>Revenue</b>	2	<b>724,946</b>	707,860
<b>Costs</b>			
Payroll and related costs	4	(521,508)	(542,397)
Materials and services	5	(405,913)	(405,267)
Depreciation	6	(58,713)	(56,523)
Exceptional operating costs	7	(34,230)	(1,728)
<b>Total operating costs</b>		<b>(1,020,364)</b>	(1,005,915)
<b>Deficit before profit on disposal of tangible assets, interest and Public Service Obligations/grants</b>		<b>(295,418)</b>	(298,055)
Profit on disposal of tangible assets	8	21,689	22,301
<b>Deficit before interest and Public Service Obligations/grants</b>		<b>(273,729)</b>	(275,754)
Interest receivable		590	1,054
Interest payable	9	(73)	(56)
Operational			
Railway Undertaking	9	(1,839)	(1,964)
Railway infrastructure	9	(990)	(1,139)
Other finance cost	23	(5,070)	(8,000)
<b>Deficit for the year before Public Service Obligations/grants</b>		<b>(281,111)</b>	(285,859)
Public Service Obligations and other Exchequer grants	10	292,779	279,716
<b>Surplus/Deficit for the year</b>		<b>11,668</b>	(6,143)

Movements in reserves are shown in Note 21 to the financial statements.

All figures relate to the continuing activities of the Group.

On behalf of the board

**Vivienne Jupp**, Chairman

**Helen Keelan**, Board Member

## Statement of Total Recognised Gains and Losses



Year ended 31st December	Notes	2012	2011
		€000	€000
Surplus/(deficit)for the year		11,668	(6,143)
Actuarial (loss)/gain in respect of pension schemes	23	(351,437)	184,400
Total recognised (loss)/gain relating to the year		<b>(339,769)</b>	178,257



As at 31st December	<i>Notes</i>	2012	2011
		€000	€000
<b>Fixed assets</b>			
Tangible assets	12	2,793,367	2,908,443
Financial assets	13	20	20
		<b>2,793,387</b>	<b>2,908,463</b>
<b>Current assets</b>			
Stocks	14	57,812	58,671
Debtors	15	59,463	51,868
Cash at bank and in hand		11,019	3,577
		<b>128,294</b>	<b>114,116</b>
<b>Creditors</b> (amounts falling due within one year)	16	<b>(515,565)</b>	<b>(508,210)</b>
<b>Net current liabilities</b>		<b>(387,271)</b>	<b>(394,094)</b>
<b>Total assets less current liabilities</b>		<b>2,406,116</b>	<b>2,514,369</b>
<b>Creditors</b> (amounts falling due after more than one year)	17	<b>(7,250)</b>	<b>(11,917)</b>
<b>Provisions for liabilities and charges</b>	19	<b>(165,710)</b>	<b>(177,776)</b>
<b>Retirement benefits obligation</b>	23	<b>(491,854)</b>	<b>(159,200)</b>
<b>Deferred income</b>	20	<b>(2,103,148)</b>	<b>(2,187,553)</b>
		<b>(361,846)</b>	<b>(22,077)</b>
<b>Financed by:</b>			
<b>Reserves</b>			
Capital reserve		28,556	28,556
Profit and loss account	21	<b>(402,913)</b>	<b>(63,144)</b>
Non-repayable State advances		12,511	12,511
	21	<b>(361,846)</b>	<b>(22,077)</b>

On behalf of the Board

**Vivienne Jupp**, Chairman  
**Helen Keelan**, Board Member



As at 31st December	Notes	2012	2011
		€000	€000
<b>Fixed assets</b>			
Tangible assets	12	797,918	800,986
Financial assets	13	305,203	309,608
		<b>1,103,121</b>	<b>1,110,594</b>
<b>Current assets</b>			
Debtors	15	7,468	8,518
Cash at bank and in hand		8,463	2,112
		<b>15,931</b>	<b>10,630</b>
<b>Creditors</b> (amounts falling due within one year)	16	<b>(235,037)</b>	<b>(256,895)</b>
<b>Net current liabilities</b>		<b>(219,106)</b>	<b>(246,265)</b>
<b>Total assets less current liabilities</b>		<b>884,015</b>	<b>864,329</b>
<b>Creditors</b> (amounts falling due after more than one year)	17	<b>(7,250)</b>	<b>(11,917)</b>
<b>Deferred income</b>	20	<b>(565,680)</b>	<b>(566,734)</b>
		<b>311,085</b>	<b>285,678</b>
<b>Financed by:</b>			
<b>Reserves</b>			
Capital reserve		28,556	28,556
Profit and loss account	21	270,018	244,611
Non-repayable State advances		12,511	12,511
	21	<b>311,085</b>	<b>285,678</b>

On behalf of the Board

**Vivienne Jupp**, Chairman  
**Helen Keelan**, Board Member

As at 31st December	Notes	2012	2011
		€000	€000
Net cash inflow/(outflow) from operating activities	22(A)	12,200	(23,614)
Return on investments, servicing of finance and other finance income	22(B)	(2,312)	(2,105)
Capital expenditure and financial investment	22(B)	(23,564)	(31,404)
<b>Cash outflow before use of liquid resources and financing</b>		<b>(13,676)</b>	<b>(57,123)</b>
Financing - Increase in debt	22(B)	8,299	51,516
<b>Decrease in cash in the year</b>		<b>(5,377)</b>	<b>(5,607)</b>
<b>Reconciliation of net cash flow to movement in net debt (note 22c)</b>			
Decrease in cash in the year		(5,377)	(5,607)
Cash movement from increase in debt and lease financing		(8,299)	(51,516)
<b>Change in net debt resulting from cash flows</b>		<b>(13,676)</b>	<b>(57,123)</b>
<b>Movement in net debt in the year</b>		<b>(13,676)</b>	<b>(57,123)</b>
Net debt at 1st January		(74,225)	(17,102)
<b>Net debt at 31st December</b>		<b>(87,901)</b>	<b>(74,225)</b>

## 1. Going Concern

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

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

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

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

- The DTTaS made available the €36 million in additional subvention in late 2012;
- The Group sold its interest in the ground lease in Spencer Dock generating cash of €20 million in December 2012;
- Iarnród Éireann's significant 2012 Voluntary Severance programme was completed in December 2012 (an important contributor to the overall cost savings plan);
- After a prolonged period of decline due to the underlying economy, revenue and passenger numbers have begun to stabilise over the past number of months;
- The Group applied for and was granted a fare increase by the NTA across its services;
- The Group's five year plan and cash forecasts were revised to take account of management initiatives to reduce costs and manage cash flows. This included revisions to take account of changes in the pattern of cash flows following negotiations with the NTA and the Department of Transport, Tourism and Sport in relation to capital grant funding. In addition a number of mitigating actions have also been identified that will be implemented if the cash flows envisaged by the 5 year plan are not achieved;
- The negotiations with the Group's banks in relation to re-financing and increasing the facilities available to the Group have progressed significantly and a successful outcome is anticipated shortly;
- Existing facilities of €57 million have been renewed to 6th October 2013 and €20 million has been renewed to 31st May 2013 to enable the Group to fund activities pending finalisation of the re-financing.

Nonetheless uncertainties remain, and these are detailed below:

1. The existing Group bank borrowing facilities (of €107 million) were due to expire on various dates between January and October 2013. The Board has recently approved a Facility Letter from one of its banks for the extension of the existing committed facilities to 6th October 2013, pending the finalisation of the overall re-financing of the Group borrowings. The second facility is also being extended on a month by month basis pending finalisation of the overall borrowing facilities. As part of CIE's five year plan the Group have identified a need to increase its overall facilities by €53 million to bring the current borrowing facilities from €107 million to €160 million. Group management are currently in discussions with its funders in respect of this re-financing. A draft term sheet has been provided by the Lead Arranger, setting out acceptable indicative terms for the overall €160 million facility. This term sheet is indicative only and does not constitute an offer to arrange or finance the facility. The provision of the facility will be subject to credit committee approval and satisfactory documentation. Management are confident that the negotiations with the banks can be finalised by June 2013. The timing of finalisation of the re-financing of new and existing borrowing facilities is critical to managements overall assessment of going concern.
2. The achievement of the savings, particularly payroll savings, set out in the Group's 5 year business plan is critical. Assumptions used in preparing the business plan are by their nature subjective and it is imperative that performance against plan is monitored closely,



so that mitigating actions, which have already been identified by management can be put in place if necessary. Management have stress tested these cash flow forecasts and continue to monitor cash on a daily and weekly basis.

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

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

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

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

The letter states that the Department "continues to monitor the financial position of CIÉ and is engaging with the company in relation to measures necessary to safeguard CIÉ's financial sustainability." Whilst the letter stated that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states that "It remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities. The State is CIÉ's sole shareholder and I can confirm that the State will continue to exercise its shareholder rights with a view to ensuring that CIÉ

manages its operations in a manner that will enable it to meet all its obligations in a timely manner. Any action to be considered by the State however would have to be in compliance with EU law, including State Aid rules which may require Commission notification and approval".

Having made due enquiries and considering the uncertainties described above, the Board Members have a reasonable expectation that renewed and extended facilities will be made available to the Group and that Government will support measures to ensure financial stability. For these reasons, the Board Members have concluded that the risks described above do not represent a material uncertainty that casts significant doubt about the Group's ability to continue as a going concern, and on that basis they will continue to adopt the going concern basis in preparing the financial statements.

## 2. Profit and Loss for Year ended 31st December

	Consol- idation FRS 17	CIÉ	Iarnród Éireann -Irish Rail	Bus Éireann -Irish Bus	Bus Átha Cliath -Dublin Bus	Total 2012	Total 2011
	€000	€000	€000	€000	€000	€000	€000
<b>Revenue:</b>							
<b>Railway:</b>							
Railway undertaking			157,907			157,907	156,627
			157,907			157,907	156,627
<b>Freight division</b>			4,811			4,811	5,487
<b>Rosslare Harbour</b>			9,722			9,722	9,862
<b>Other Rail services</b>			14,376			14,376	13,826
<b>Road passenger services:</b>							
- Dublin city					191,054	191,054	178,311
Received from CIÉ					(1,000)	(1,000)	
- Provincial cities				23,922		23,922	22,350
- Other services				262,406		262,406	261,335
<b>Tours</b>		50,125				50,125	47,311
<b>Central business activities</b>		11,623				11,623	12,751
<b>Total revenue</b>		61,748	186,816	286,328	190,054	724,946	707,860
<b>Expenditure Railway:</b>							
<b>Railway undertaking:</b>							
Operational costs			276,034			276,034	290,348
Infrastructure costs			172,227			172,227	195,521
Track Access allocation			(34,208)			(34,208)	(37,673)
			414,053			414,053	448,196
<b>Freight division</b>			6,308			6,308	6,760
<b>Rosslare Harbour</b>			7,635			7,635	8,111
<b>Other Rail services</b>			4,966			4,966	4,542
<b>Road passenger services:</b>							
- Dublin city					266,551	266,551	270,017
- Provincial cities				35,690		35,690	36,894
- Other services				296,385		296,385	292,522
Tours		47,441				47,441	46,278
Central Business Activities	(23,853)	8,234				(15,619)	(6,094)
<b>Total expenditure</b>	<b>(23,853)</b>	<b>55,675</b>	<b>432,962</b>	<b>332,075</b>	<b>266,551</b>	<b>1,063,410</b>	<b>1,107,226</b>

## 2. Profit and Loss for Year ended 31st December (Continued)

	Consolidation FRS 17	CIÉ	Iarnród Éireann -Irish Rail	Bus Éireann -Irish Bus	Bus Átha Cliath -Dublin Bus	Total 2012	Total 2011
	€000	€000	€000	€000	€000	€000	€000
<b>Surplus/(deficit) by activity</b>							
<b>Railway:</b>							
Railway undertaking			(256,146)			(256,146)	(291,569)
			(256,146)			(256,146)	(291,569)
<b>Freight division</b>			(1,497)			(1,497)	(1,273)
<b>Rosslare Harbour</b>			2,087			2,087	1,751
<b>Other Rail services</b>			9,410			9,410	9,284
<b>Road passenger services:</b>							
- Dublin city					(76,497)	(76,497)	(91,706)
- Provincial cities				(11,768)		(11,768)	(14,544)
- Other services				(33,979)		(33,979)	(31,187)
<b>Tours</b>		2,684				2,684	1,033
<b>Central business activities</b>	23,853	3,389				27,242	18,845
<b>Operating surplus/(deficit) before interest, profit on disposals, State grants and exceptional items</b>	23,853	6,073	(246,146)	(45,747)	(76,497)	(338,464)	(399,366)
Interest receivable/(payable)		136	(2,894)	294	152	(2,312)	(2,105)
Other finance cost (note 23)	(5,070)					(5,070)	(8,000)
Profit/(loss) on disposal of tangible assets (note 8)		21,093	471	(57)	182	21,689	22,301
<b>Surplus/deficit before State grants, and exceptional items</b>	18,783	27,302	(248,569)	(45,510)	(76,163)	(324,157)	(387,170)
<b>State grants:</b>							
- operational (note 10)		-	118,257	36,883	74,768	229,908	188,113
- infrastructure (note 10)		-	140,147	-	-	140,147	194,642
<b>Surplus/(deficit) for the year before exceptional items</b>	18,783	27,302	9,835	(8,627)	(1,395)	45,898	(4,415)
Exceptional operating (costs)/surplus (note 7)		(1,895)	(32,307)	2,400	(2,428)	(34,230)	(1,728)
<b>Net surplus/(deficit) for the year</b>	18,783	25,407	(22,472)	(6,227)	(3,823)	11,668	(6,143)

### 3. Railway Infrastructure Costs

	2012	2011
	€000	€000
<b>In compliance with EU Council Directive 91/440 these costs have been computed as follows:</b>		
Maintenance of railway lines and works	58,882	63,316
Renewal of railway lines and works	77,276	103,039
Operating (signalling) and other expenses	29,421	20,886
Depreciation	41,413	46,319
Amortisation of capital grants	(34,765)	(38,039)
<b>Total railway infrastructure costs</b>	<b>172,227</b>	<b>195,521</b>
Infrastructure subvention	(55,448)	(49,327)
Track Access Charges	(34,208)	(37,673)
Exchequer safety funding	(7,423)	(4,603)
Renewals funding ( <i>note 12 [a]</i> )	(77,276)	(103,039)
<b>Total railway infrastructure funding</b>	<b>(174,355)</b>	<b>(194,642)</b>
<b>(Surplus)/deficit for the year</b>	<b>(2,128)</b>	<b>879</b>



#### 4. Payroll and Related Costs

	2012	2011
	€000	€000
<b>Staff costs</b>		
Wages and salaries	491,640	519,163
Social welfare costs	45,400	45,886
Other pension costs	21,884	34,704
	<b>558,924</b>	<b>599,753</b>
Own work capitalised	(37,848)	(57,865)
<b>Net staff costs</b>	<b>521,076</b>	<b>541,888</b>
<b>Board members' remuneration and emoluments</b>		
- for services as Board members	208	167
- for executive services	224	342
<b>Total Board members' remuneration and emoluments</b>	<b>432</b>	<b>509</b>
<b>Total payroll and related costs</b>	<b>521,508</b>	<b>542,397</b>

Included in Board members' remuneration in 2011 is €107,780 paid to Dr. J.J. Lynch, Executive Chairman for executive services who retired on 28th June, 2011. The taxable benefit of Dr J.J. Lynch's company car in 2011 was €7,973 and Employer's PRSI paid was €579.

Vivienne Jupp was appointed as non executive Chairman on 29th June, 2011 and Vivienne Jupp received Director's fees of €31,500 during 2012.

#### 4. Payroll and Related Costs (Continued)

	2012	2011
<b>The Board members excluding the Chairman were paid Directors fees during 2012/2011 as follows:</b>		
Kevin Bonner*	21,600	10,966
Michael Cullen	12,054	15,750
Phil Gaffney*	21,600	17,100
Helen Keelan	15,750	3,530
Paul Kiely	-	5,250
Dermot Killen	6,563	15,750
Graham Lightfoot	-	5,250
Paul Mallee*	21,600	10,963
Bill McCamley	15,750	15,750
William McDermott	15,750	15,750
Aebhric McGibney	15,750	3,530
John Moloney	15,750	15,750
Neil Ormond	-	5,250
Yvonne Scannell	-	5,250
Seamus Sheerin	-	5,250
Frances Meenan	7,000	-
P.J. Drudy	7,000	-

	2012	2011
<b>Staff Numbers</b>		
The average number of persons employed by company was as follows:		
CIÉ	243	250
Iarnród Éireann - Irish Rail	4,053	4,198
Bus Éireann - Irish Bus	2,551	2,605
Bus Átha Cliath - Dublin Bus	3,236	3,345
	<b>10,083</b>	<b>10,398</b>

\* Note these CIÉ Board Members are also Chairmen of the subsidiary companies and fees disclosed here in the CIÉ accounts are paid by the relevant subsidiary to cover both roles.

## 5. Materials and Services

	2012	2011
	€000	€000
<b>Included in materials and services are:</b>		
Auditors' remuneration	742	468
Operating lease rentals	4,406	4,683
Expenses reimbursed to Directors	4	22
Revenue grants (note 20)	(1,669)	(1,180)

	2012	2011
	€000	€000
<b>(A) Included in auditors' remuneration is:</b>		
Statutory audit services	242	200
Other assurance services	27	22
Tax advisory services	156	148
Other non audit services	317	98
	742	468

	2012	2011
	€000	€000
<b>(B) Included in expenses reimbursed to Directors are:</b>		
Subsistence / Accommodation	3	5
Foreign Travel	-	2
Consultancy fees	-	15
Other	1	-
	4	22

## 6. Depreciation

	2012	2011
	€000	€000
Depreciation (note 12)	232,685	223,303
Amortisation of capital grants (note 20)	(173,972)	(166,780)
	<b>58,713</b>	<b>56,523</b>

## 7. Exceptional Operating Costs

	2012	2011
	€000	€000
Business restructuring	(34,230)	(1,728)
	<b>(34,230)</b>	<b>(1,728)</b>

As part of the Group Financial Plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The estimated cost in 2012 including severance payments and other costs associated with the programme is €32.3 million. In addition Bus Átha Cliath incurred €2.5 million and Córas Iompair Éireann (the holding company) incurred €1.9 million in business restructuring during the year. Bus Éireann wrote back €2.4 million in provisions during the year.

## 8. Profit on Disposal of Tangible Assets

	2012	2011
	€000	€000
Net gain on sale of land and buildings	21,093	22,209
Profit/(loss) on disposal of rolling stock, vehicles, plant and machinery	596	92
	<b>21,689</b>	<b>22,301</b>



## 9. Interest Payable

	2012	2011
	€000	€000
On loans and leases wholly repayable within five years	2,464	2,789
On loans and leases not wholly repayable within five years	438	370
	<b>2,902</b>	<b>3,159</b>
<b>Interest apportioned:</b>		
Group operational costs	73	56
Railway Undertaking	1,839	1,964
Railway infrastructure costs	990	1,139
	<b>2,902</b>	<b>3,159</b>

## 10. Public Service Obligations and other Exchequer Grants

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

Particulars of the State grants of €278.069 million received in 2012 (€265.118 million: 2011) under Sub-Head C1 of Vote 32 of Dáil Éireann and €14.710 million under the Railway Safety Investment Programme are given in the following

State grants relating to 2012 activities	Total
	€000
<b>Iarnród Éireann - Irish Rail:</b>	
Public Service Obligation	166,418
Railway Safety Investment Programme	14,710
<b>Total Iarnród Éireann - Irish Rail</b>	<b>181,128</b>
<b>Bus Átha Cliath - Dublin Bus</b>	<b>74,768</b>
<b>Bus Éireann - Irish Bus</b>	<b>36,883</b>
	<b>292,779</b>
Add State grant for National Development Plan (NDP)	153,212
Other Exchequer grants	2,041
<b>Total State funding</b>	<b>448,032</b>

## 10. Public Service Obligations and other Exchequer Grants (Continued)

The total State funding was applied as follows:	Total
	€000
Consolidated profit and loss account	292,779
Less: infrastructure	(62,871)
<b>Subvention and railway safety grants – operational</b>	<b>229,908</b>
Infrastructure subvention and railway safety grants	62,871
NDP – credit against renewals of railway lines and works	77,276
<b>Infrastructure subvention (note 2)</b>	<b>140,147</b>
Deferred income – capital grants	76,358
Other Exchequer revenue grants	1,619
<b>Total</b>	<b>448,032</b>

## 11. Holding Company Net Results for the Year

A summary of the financial results of the holding company and its subsidiaries is shown in Note 2.

The holding company's net surplus for the year, after profit on disposal of tangible assets, amounted to €25.407 million.

## 12. Tangible Fixed Assets

Group 2012	1st Jan.	Reclass	Additions	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000	€000
<b>Cost</b>					
Railway lines and works	1,871,783	-	80,784	-	1,952,567
Funding received for railway lines and works	(1,262,065)	-	(77,276)	-	(1,339,341)
Railway rolling stock	1,428,531	(27)	37,891	(1,004)	1,465,391
Road passenger vehicles	560,674	-	31,411	(16,986)	575,099
Road freight vehicles	2,908	-	-	-	2,908
Land and buildings	899,489	-	12,834	-	912,323
Plant and machinery	1,179,525	27	31,787	(664)	1,210,675
Docks, harbours and wharves	55,945	-	253	-	56,198
<b>Total</b>	<b>4,736,790</b>	<b>-</b>	<b>117,684</b>	<b>(18,654)</b>	<b>4,835,820</b>

Group 2012	1st Jan.	Reclass	Charge for Year	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000	€000
<b>Depreciation</b>					
Railway lines and works	1,485,566	-	88,905	-	1,574,471
Funding received for railway lines and works	(1,262,065)	-	(77,276)	-	(1,339,341)
Railway rolling stock	609,307	(3)	97,849	(1,004)	706,149
Road passenger vehicles	368,862	-	36,453	(16,920)	388,395
Road freight vehicles	2,908	-	-	-	2,908
Land and buildings	96,988	-	15,965	-	112,953
Plant and machinery	507,937	3	69,502	(655)	576,787
Docks, harbours and wharves	18,844	-	1,287	-	20,131
<b>Total</b>	<b>1,828,347</b>	<b>-</b>	<b>232,685</b>	<b>(18,579)</b>	<b>2,042,453</b>

## 12. Tangible Fixed Assets (Continued)

Group	2012	2011
	€000	€000
<b>Net book amounts</b>		
Railway lines and works	378,096	386,217
Railway rolling stock	759,242	819,224
Road passenger vehicles	186,704	191,812
Land and buildings	799,370	802,501
Plant and machinery	633,888	671,588
Docks, harbours and wharves	36,067	37,101
<b>Total</b>	<b>2,793,367</b>	<b>2,908,443</b>

Company 2012	1st Jan.	Additions	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000
<b>Cost</b>				
Land and buildings	896,567	12,499	-	909,066
Plant and machinery	32,096	634	-	32,730
<b>Total</b>	<b>928,663</b>	<b>13,133</b>	<b>-</b>	<b>941,796</b>

Company 2012	1st Jan.	Charge for year	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000
<b>Depreciation</b>				
Land and buildings	96,090	15,844	-	111,934
Plant and machinery	31,587	357	-	31,944
<b>Total</b>	<b>127,677</b>	<b>16,201</b>	<b>-</b>	<b>143,878</b>

## 12. Tangible Fixed Assets (Continued)

Company	2012	2011
	€000	€000
<b>Net book amount</b>		
Land and buildings	797,132	800,477
Plant and machinery	786	509
<b>Total</b>	<b>797,918</b>	<b>800,986</b>

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

	2012	2011
	€000	€000
<b>Renewals expenditure and related grants were as follows:</b>		
Renewals expenditure	77,276	103,039
State grants	77,276	103,039
EU grants	-	-
	<b>77,276</b>	<b>103,039</b>

- (b) Road passenger vehicles at a cost of €99,635,403 (2011 - €107,793,000) were fully depreciated but still in use at the balance sheet date.
- (c) The expected normal useful lives of the various types of assets for depreciation purposes are as follows:

	Lives (Years)
Buildings	50
Bus Shelters	3 to 15
Catering equipment	5 to 10
Railway lines and works	10 to 40
Railway rolling stock	4 to 20
Road passenger vehicles	7 to 14
Road freight vehicles	1 to 10
Plant and machinery	3 to 30
Docks, harbours and wharves	50



## 12. Tangible Fixed Assets (Continued)

- (d) Included in tangible fixed assets are amounts, as stated below, in respect of rail locomotives which are held under finance leases, whereby the company has substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

	2012	2011
	€000	€000
<b>Cost</b>	<b>89,038</b>	93,341
Accumulated depreciation	(79,710)	(78,957)
<b>Net book value at 31st December</b>	<b>9,328</b>	14,384
<b>Depreciation for year</b>	<b>(2,387)</b>	(3,175)

- (e) Included in the additions above are payments on account in respect of assets as set out below which were not yet in service:

	2012	2011
	€000	€000
Railway rolling stock	<b>13,853</b>	112,183
Road passenger vehicles	<b>1,044</b>	30,312
	<b>14,897</b>	142,495

- (f) Tangible fixed assets include railway infrastructure assets as follows:

	2012	2011
	€000	€000
<b>Cost</b>	<b>1,326,780</b>	1,215,929
Accumulated depreciation	(511,280)	(465,968)
<b>Net book value at 31st December</b>	<b>815,500</b>	749,961

### 13. Financial Assets

Group	Trade investments					
	Listed shares		Unlisted shares		Total	
	2012	2011	2012	2011	2012	2011
	€000	€000	€000	€000	€000	€000
Cost or valuation	97	97	13	13	110	110
Provision for permanent diminution in value	(77)	(77)	(13)	(13)	(90)	(90)
Net book amounts at 31st December	20	20	-	-	20	20

Company	Subsidiary companies		Trade investments		Total
	Unlisted shares	Finance leases	Listed shares	Unlisted shares	
	€000	€000	€000	€000	
Cost or valuation at 1st January 2012	293,309	16,299	34	13	309,655
Less: Reduction in finance leases	-	(4,405)	-	-	(4,405)
<b>At 31st December 2012</b>	<b>293,309</b>	<b>11,894</b>	<b>34</b>	<b>13</b>	<b>305,250</b>
Provision for permanent diminution in value at 31st December 2012	-	-	(34)	(13)	(47)
<b>Net book amounts at 31st December 2012</b>	<b>293,309</b>	<b>11,894</b>	<b>-</b>	<b>-</b>	<b>305,203</b>

### 14. Stocks

	2012	2011
	€000	€000
<b>Group</b>		
Maintenance materials and spare parts	27,941	28,992
Infrastructure stocks	17,120	15,604
Fuel, lubricants and other sundry stocks	12,751	14,075
	<b>57,812</b>	<b>58,671</b>

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

## 15. Debtors

	2012	2011
	€000	€000
<b>Group</b>		
Trade debtors	23,924	23,532
Department of Education and Science	8,522	9,406
EU grants receivable	9,755	248
Other debtors and accrued income	17,262	18,682
	<b>59,463</b>	<b>51,868</b>
<b>Company</b>		
Trade debtors	2,142	2,767
Other debtors and accrued income	5,326	5,751
	<b>7,468</b>	<b>8,518</b>

## 16. Creditors (amounts falling due within one year)

Group	2012	2011
	€000	€000
Bank overdraft	14,855	2,036
Bank loans (note 18)	74,000	62,000
Finance lease obligations (note 27)	3,930	3,701
Trade creditors	119,492	133,934
Income tax deducted under PAYE	13,174	10,834
Pay related social insurance	5,064	5,543
Value added tax and other taxes	8,973	9,863
Other creditors	21,197	21,039
Restructuring provisions (note 19)	17,135	17,584
Third party and employer's liability claims (note 19)	19,905	24,035
Deferred income (note 20)	167,793	171,743
Accruals	50,047	45,898
	<b>515,565</b>	<b>508,210</b>
Creditors for taxation and social welfare included above	<b>27,211</b>	<b>26,240</b>

## 16. Creditors (amounts falling due within one year) (Company)

Company	2012	2011
	€000	€000
Bank overdraft	1,812	1,470
Bank loans (note 18)	74,000	62,000
Finance lease obligations (note 27)	3,930	3,701
Trade creditors	7,811	8,938
Amounts owed to subsidiary companies	126,571	158,703
Income tax deducted under PAYE	890	798
Pay related social insurance	117	91
Value added tax and other taxes	1,124	1,014
Other creditors	3,553	4,185
Deferred income (note 20)	11,545	11,566
Accruals	3,684	4,429
	<b>235,037</b>	<b>256,895</b>
Creditors for taxation and social welfare included above	<b>2,131</b>	<b>1,903</b>

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

	2012	2011
	€000	€000
<b>Group and Company</b>		
Finance lease obligations (note 27)	6,135	10,065
Irrecoverable value added tax on finance leases	1,115	1,852
	<b>7,250</b>	<b>11,917</b>

## 18. Bank Loans

	2012	2011
	€000	€000
<b>Group and Company</b>		
These loans are repayable as follows:		
Within one year ( <i>note 16</i> )	<b>74,000</b>	62,000

The presentation of the maturity analysis of loans and other debt above complies with the provisions of FRS 25, Capital Instruments. The standard requires that the maturity of debt should be determined by reference to the earliest date on which the lender can require repayment.

## 19. Provisions for Liabilities and Charges

	Restructuring Provisions	Third Party and Employer's Liability Claims	Total
	€000	€000	€000
<b>Group</b>			
Balance at 1st January 2012	17,584	201,811	219,395
Utilised during year	(35,183)	(13,518)	(48,701)
Transfer from profit and loss account	34,734	(2,678)	32,056
Balance carried forward 31st December 2012	<b>17,135</b>	<b>185,615</b>	<b>202,750</b>
<b>Apportioned:</b>			
Current liabilities ( <i>note 16</i> )	17,135	19,905	37,040
Amounts falling due after more than one year	-	165,710	165,710
	<b>17,135</b>	<b>185,615</b>	<b>202,750</b>



## 19. Provisions for Liabilities and Charges

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

Provisions coming forward from previous years have been transferred to the consolidated profit and loss account based on recent claims history.

### (A) External Insurance Cover

The Board has the following external insurance cover:

(i) Iarnród Éireann – Irish Rail

Third Party Liability in excess of

- (a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and
- (b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.

(ii) Bus Átha Cliath – Dublin Bus

Third Party Liability in excess of €2,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.

(iii) Bus Éireann – Irish Bus

Third Party Liability in excess of

- (a) €2,000,000 for school buses and
- (b) €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.

(iv) Group

Third Party Liability in excess of €250,000 on any one occurrence or series of occurrences arising out of Other Risks events, except

- (a) Flood damage where the excess is €2,000,000 and
- (b) Ossary Road where each and every occurrence excess is €1,000,000 and
- (c) Any claims subject to United States of America jurisdiction where the excess is US\$150,000.

(v) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2012 to March 2013, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail	€11,000,000
Bus Átha Cliath – Dublin Bus	€15,000,000
Bus Éireann – Irish Bus	€11,000,000

subject to an overall Group self insured retention of €27,000,000 in the annual aggregate after which any individual self insured retention in that annual period will be €50,000.

- (vi) Group Combined Liability Insurance, which does not exclude Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2012 to March 2013, for all rail and road transport Third Party and Other Risks liabilities.
- (vii) All Risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which any individual self insured excess in that annual period will be €100,000.
- (viii) Terrorism indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.

## 19. Provisions for Liabilities and Charges (Continued)

- (ix) Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:
- (a) Marine Third Party Liability cover of €12,500,000 any one incident but unlimited during the currency of the policy, subject to an excess of €150,000 per incident.
  - (b) Removal of Wreck cover of €5,000,000 any one incident, subject to an excess of €12,500 any one incident and 3 days excess in respect of Loss of Revenue claims any one incident.
  - (c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.
  - (d) Marine Impact cover for itemised structures totalling €38,575,000, subject to an excess of €25,000 for each and every loss.
  - (e) Excess Marine Third Party Liability cover of €25,600,000 any one incident in excess of €12,500,000 any one incident.
  - (f) Unaccompanied Trailers cover of €5,000,000 any one location, subject to an excess of €25,000 each and every loss.
  - (g) Unaccompanied motor vehicles of €635,000 any one vessel or conveyance, €4,450,000 any one incident, and €127,500 any one vehicle, subject to an excess of €625 each and every loss.
  - (h) Unaccompanied mechanically propelled vehicles not owned by CIÉ/Iarnród Éireann being driven by Iarnród Éireann personnel within the Europort area, subject to third party property damage limits of €2,600,000 in respect of commercial vehicles and €30,000,000 in respect of private cars.

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

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

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

In estimating the cost of claims notified but outstanding, the Group 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 Group, 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 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 recoveries having regard to notification from the Group's brokers of any re-insurers in run off.

## 20. Deferred Income

Group	1st Jan.	Received and Receivable	Profit and Loss A/C	31st Dec
2012	€000	€000	€000	€000
<b>Capital grants</b>				
Railway lines and works	364,877	10,132	(10,184)	<b>364,825</b>
Railway rolling stock	736,364	7,882	(74,774)	<b>669,472</b>
Plant and machinery	549,704	26,343	(54,873)	<b>521,174</b>
Docks, harbours and wharves	12,387	-	(275)	<b>12,112</b>
Land and Buildings	579,424	10,292	(11,302)	<b>578,414</b>
Road passenger vehicles	115,544	30,968	(22,528)	<b>123,984</b>
	<b>2,358,300</b>	<b>85,617</b>	<b>(173,936)</b>	<b>2,269,981</b>
<b>Other deferred income</b>	996	-	(36)	<b>960</b>
	<b>2,359,296</b>	<b>85,617</b>	<b>(173,972)</b>	<b>2,270,941</b>
<b>Revenue grants</b>	-	1,669	(1,669)	-
<b>Total</b>	<b>2,359,296</b>	<b>87,286</b>	<b>(175,641)</b>	<b>2,270,941</b>

	2012	2011
	€000	€000
<b>AppORTIONED:</b>		
Deferred income - amounts falling due within one year	<b>167,793</b>	171,743
Deferred income - amounts falling due after one year	<b>2,103,148</b>	2,187,553
	<b>2,270,941</b>	2,359,296

## 20. Deferred Income (Continued)

Company	1st Jan.	Received and Receivable	Profit and Loss A/C	31st Dec
2012	€000	€000	€000	€000
<b>Capital grants</b>				
Land and buildings	578,282	10,188	(11,260)	<b>577,210</b>
NDP Infrastructure (I.T.) grant	2	-	(2)	-
Other Deferred Income	16	-	(1)	<b>15</b>
<b>Total</b>	<b>578,300</b>	<b>10,188</b>	<b>(11,263)</b>	<b>577,225</b>

	2012	2011
	€000	€000
<b>AppORTioned:</b>		
Deferred income – amounts falling due within one year	<b>11,545</b>	11,566
Deferred income – amounts falling due after one year	<b>565,680</b>	566,734
	<b>577,225</b>	578,300

## 21. Reconciliation of Movements in Reserves

Group	Capital Reserve	Profit and Loss A/C	Non-repayable State Advances	2012 Total Reserves	2011 Total Reserves
	€000	€000	€000	€000	€000
Balance at 1st January	28,556	(63,144)	12,511	<b>(22,077)</b>	(200,334)
Surplus/(Deficit) for the year	-	11,668	-	<b>11,668</b>	(6,143)
Actuarial (loss)/gain in respect of pension schemes	-	(351,437)	-	<b>(351,437)</b>	184,400
<b>Balance at 31st December</b>	<b>28,556</b>	<b>(402,913)</b>	<b>12,511</b>	<b>(361,846)</b>	(22,077)

## 21. Reconciliation of Movements in Reserves (Continued)

Company	Capital Reserve	Profit and Loss A/C	Non-repayable State Advances	2012 Total Reserves	2011 Total Reserves
	€000	€000	€000	€000	€000
Balance at 1st January	28,556	244,611	12,511	<b>285,678</b>	257,367
Deficit for the year	-	25,407	-	<b>25,407</b>	28,311
<b>Balance at 31st December</b>	<b>28,556</b>	<b>270,018</b>	<b>12,511</b>	<b>311,085</b>	285,678

## 22. Cash Flow Statement

Year ended 31st December	2012	2011
	€000	€000
<b>(A) Reconciliation of operating deficit to operating cash flows</b>		
Operating deficit before Public Service Obligations and grants	<b>(295,418)</b>	(298,055)
Public Service Obligation and grants other than that applied to renewals	<b>292,779</b>	279,716
	<b>(2,639)</b>	(18,339)
Depreciation	<b>232,685</b>	223,303
Amortisation of capital grants	<b>(173,972)</b>	(166,780)
Reduction/(increase) in stocks	<b>859</b>	(10,605)
Decrease/(increase) in debtors	<b>1,934</b>	(6,794)
Decrease in creditors and provisions	<b>(46,667)</b>	(44,399)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>12,200</b>	(23,614)



## 22. Cash Flow Statement (Continued)

Year ended 31st December	2012	2011
	€000	€000
<b>(B) Analysis of cash flows for headings netted in the cash flow statement</b>		
<b>Returns on investments and servicing of finance</b>		
Interest received	590	1,054
Interest paid	(2,748)	(2,789)
Interest element of finance lease rental payments	(154)	(370)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(2,312)</b>	<b>(2,105)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible assets	(199,034)	(316,588)
Disposal of tangible assets	22,102	22,400
State and EU capital grants	153,368	262,784
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(23,564)</b>	<b>(31,404)</b>
<b>Financing</b>		
Repayment of debt	-	-
Debt due within one year	12,000	55,000
Capital element of finance lease rental payments	(3,701)	(3,484)
<b>Net cash inflow from financing</b>	<b>8,299</b>	<b>51,516</b>

## 22. Cash Flow Statement (Continued)

	1st Jan. 2012	Cash Flow	31st Dec. 2012
	€000	€000	€000
<b>(C) Analysis of net debt</b>			
Cash at bank and in hand	3,577	7,442	<b>11,019</b>
Bank overdrafts	(2,036)	(12,819)	<b>(14,855)</b>
		(5,377)	
Debt due within one year	(62,000)	(12,000)	<b>(74,000)</b>
Finance leases	(13,766)	3,701	<b>(10,065)</b>
		(8,299)	
<b>Total net debt</b>	<b>(74,225)</b>	<b>(13,676)</b>	<b>(87,901)</b>

## 23. Pensions

The majority of the Group's employees participate in the defined benefit pension schemes based on final pensionable pay. Contributions by the Board, its subsidiaries and the employees are invested in trustee administered funds.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

An actuarial review was carried out as at 31st December, 2011, and the market value of the assets of the schemes at that date was €1,332,000,000 which amounted to 77.7% of the benefits which had accrued to members based on service to and pensionable pay at the review date. Actuarial reports are available to scheme members but are not provided for public inspection.

### Composition of the Scheme

The Group operates two defined benefit schemes in Ireland. Actuarial valuations were carried out at 31st December 2012 by a qualified independent actuary.

## 23. Pensions (Continued)

The amounts recognised in the Balance Sheet are as follows:	2012	2011
	€000	€000
Fair value of scheme assets	1,452,968	1,338,100
Present value of scheme liabilities	(1,944,822)	(1,497,300)
<b>Pension deficit</b>	<b>(491,854)</b>	<b>(159,200)</b>

No deferred tax asset has been recognised in respect of the above pension deficit as it is unlikely that the Group will have taxable profits in the foreseeable future.

The amounts recognised in the Profit and Loss account are as follows:	2012	2011
	€000	€000
<b>Charged to operating profit</b>		
Current service cost	19,680	30,700
Past service cost	4,489	8,400
<b>Total operating charge</b>	<b>24,169</b>	<b>39,100</b>
<b>Credited to other finance income</b>		
Expected rate of return on pension scheme assets	70,988	80,400
Interest on pension scheme liabilities	(76,058)	(88,900)
Curtailment gain	-	500
<b>Net return</b>	<b>(5,070)</b>	<b>(8,000)</b>

The amounts recognised in the Statement of Total Recognised Gains and Losses are as follows:	2012	2011
	€000	€000
Actual return less expected return on pension scheme assets	56,352	(77,300)
Experience losses arising on the scheme liabilities	(952)	(14,600)
Changes in assumptions underlying the present value of the scheme liabilities	(406,865)	276,300
<b>Actuarial (loss)/gain recognised in STRGL</b>	<b>(351,465)</b>	<b>184,400</b>

### 23. Pensions (Continued)

The cumulative actuarial loss recognised in the Statement of Total Recognised Gains and Losses up to and including the financial year ended 31st December 2012 is €599.1 million (2011: €247.7 million)

Based on current contribution ratios, the expected members and employer contributions for the year ended 31st December 2013 are €64 million.

Movement in schemes' assets and liabilities	Schemes' Assets	Schemes' Liabilities	Schemes' Deficit
	€000	€000	€000
<b>At 1st January 2011</b>	1,344,359	(1,693,051)	(348,692)
Current service cost	-	(30,732)	(30,732)
Interest costs	-	(88,912)	(88,912)
Expected return on scheme assets	80,379	-	80,379
Actual less expected return on scheme assets	(77,245)	-	(77,245)
Experience losses on liabilities	-	261,636	261,636
Past service costs	-	(8,379)	(8,379)
Curtailment gain	-	541	541
Net benefit paid out	(80,583)	80,583	-
Members contributions	18,927	(18,927)	-
Employer contributions paid	52,233	-	52,233
<b>At 31st December 2011</b>	1,338,070	(1,497,241)	(159,171)
Current service cost	-	(19,680)	(19,680)
Interest costs	-	(76,058)	(76,058)
Expected return on scheme assets	70,987	-	70,987
Actual less expected return on scheme assets	56,352	-	56,352
Experience gains on liabilities	-	(407,817)	(407,817)
Past service costs	-	(4,489)	(4,489)
Curtailment gain	-	-	-
Net benefit paid out	(79,336)	79,336	-
Members contributions	18,873	(18,873)	-
Employer contributions paid	48,022	-	48,022
<b>At 31st December 2012</b>	<b>1,452,968</b>	<b>(1,944,822)</b>	<b>(491,854)</b>

All of the schemes' liabilities above arise from schemes that are wholly funded.

## 23. Pensions (Continued)

### Risks and rewards arising from the assets

At 31st December 2012 the assets were invested in a diversified portfolio that consisted primarily of equity and debt securities and properties. The fair value of the assets at year end was €1,453.0 million. The fair value of the asset categories as a percentage of total schemes' assets were as follows:

	2012	2011
	%	%
Equities	48.4	47.4
Property	6.9	8.5
Bonds	35.1	34.5
Other	9.6	9.6
<b>Total</b>	<b>100</b>	<b>100</b>

The schemes' assets do not include any ordinary shares issued by the Group. In addition, schemes' assets do not include property occupied by, or other assets used by the Group.

### Basis of expected rate of return on scheme assets

The Group employs a building block approach in determining the rate of return on pension scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. For equities the expected return is 6.7% and is expected to exceed that of bonds by on average 3.3%. The expected rate of return for property assets is 5.0% and for other assets is 4.75%. Thus the overall expected rate of return on schemes' assets at 31st December 2012 is 4.65% (2011: 5.33%).

### Financial Assumptions

The principal actuarial assumptions used in the valuations were:

	31st Dec. 2012	31st Dec. 2011
	%	%
Discount rate*	3.75	5.15
Inflation	2.00	2.00
Pension increases**	2.00	2.00
Salary increases**	2.00	2.00

\* The discount rate used declined by 1.4% between 2011 and 2012. The sensitivity of the pension funds' liabilities to movements in this discount rate is evident in the fact that every 0.1% deterioration in this discount rate leads to an increase in the present value of the pension funds' future liabilities of c€30 million.

\*\* Pay Pause i.e. 0% increase for 2013-2017 reverting to long term assumptions thereafter.



## 23. Pensions (Continued)

### Mortality assumptions

Assumptions regarding future mortality experience are set based on information from published statistics and are selected to reflect the characteristics and experience of the membership of the relevant schemes. The mortality rates used are based on standard mortality tables derived from UK experience adjusted with effect from 31st December 2012 to allow for future improvements in mortality consistent with the approach adopted by the CSO in carrying out population projections.

The average life expectancy, in years, of a member retiring at age 65 is as follows:

	31st Dec. 2012	31st Dec. 2012	31st Dec. 2011	31st Dec. 2011
	Male	Female	Male	Female
Currently aged 45 years	25.0	26.0	24.9	25.9
Currently aged 65 years	22.5	23.9	22.3	23.7

### History of asset values, present value of liabilities, deficit in the Schemes and experience gains and losses for year ended 31st December.

	2012	2011	2010	2009	2008
	€000	€000	€000	€000	€000
Fair value of scheme assets	1,452,968	1,338,070	1,344,359	1,247,740	1,160,184
Present value of funded liabilities	(1,944,822)	(1,497,241)	(1,693,051)	(1,794,755)	(1,727,830)
Deficit in scheme	(491,854)	(159,171)	(348,692)	(547,015)	(567,646)
Experience gains/(losses) on scheme assets:	56,352	(77,245)	30,570	24,255	(491,639)
Percentage of the present value of the scheme assets	3.9%	(5.8)%	2.3%	1.9%	(42.4)%
Experience (losses)/gains on scheme liabilities:**	(952)	(14,609)	32,340	25,913	(59,565)
Percentage of the present value of the scheme liabilities	(0.05)%	(1.0)%	1.9%	1.4%	(3.4)%

\*\* This item consists of gains/(losses) in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

## 24. Capital Commitments

	2012	2011
	€000	€000
Contracted for	37,018	39,665
Authorised by Board but not contracted for	220,708	278,039
	<b>257,726</b>	<b>317,704</b>

Capital grants totalling €113.4 million have been approved in respect of the above expenditure (2011 - €161.2 million).

## 25. Foreign Exchange and Oil Commitments

At 31st December 2012 Córas Iompair Éireann was committed to buying STG€6.5 million and buying US\$29 million under forward currency contracts expiring during 2013. The fair value of these contracts at 31st December 2012 was a loss of €1.5 million.

At 31st December 2012 Córas Iompair Éireann was also committed to buying oil under commodity swap contracts to the value of US\$ 102.8 million expiring during 2013, 2014 and 2015. The fair value of these contracts at 31st December 2012 was a profit of €6.5 million.

## 26. Contingent Liabilities

### Pending litigation

The Group, from time to time, is party to various legal proceedings. It is the opinion of the Board that losses, if any, arising in connection with these matters will not be materially in excess of provisions in the financial statements.

### Finance leases

Under the terms of the finance leases there are contingent liabilities whereby material tax changes affecting the lessors' tax liabilities on lease income will be offset by appropriate adjustments to lease rentals.

### Letters of credit

Under lease agreements relating to railway rolling stock the Board has certain obligations to the lessor that could arise in the event of early termination of the agreements. These obligations are covered by letters of credit that are indemnified by the Board of Córas Iompair Éireann. No liability is expected to arise in respect of this indemnity.

### Grants receivable

All grant applications made to the EU are subject to a stringent audit process. The Group is confident it is compliant with EU procedures and conditions but until the final report is available there exists a possibility that some elements of expenditure due to be claimed or claimed to date may be deemed ineligible. Under these circumstances some or all of the funding for certain projects may not be receivable and some grants received to date could become repayable.

## 27. Lease Obligations

	2012	2011
	€000	€000
<b>(A) Finance leases</b>		
Net obligations under finance leases fall due as follows:		
Within one year ( <i>note 16</i> )	3,930	3,701
Between one and five years	6,135	10,065
After five years	-	-
	6,135	10,065
<b>Total</b>	<b>10,065</b>	<b>13,766</b>

The Minister for Finance has fully guaranteed the above finance leases.

	On plant & equipment/ motor vehicles
	€000
<b>(B) Operating leases</b>	
Within one year	2,760
Between one and five years	3,719
	6,479



## 28. Related Party Transactions

### (A) The ownership of the company

CIÉ is a statutory body set up under the Transport Act, 1950.

The members of the Board are appointed by the Minister for Transport, Tourism and Sport.

### (B) Provision of services to entities owned by the Irish Government

The Group provides rail and road transport services in the ordinary course of its business to Government departments and to entities controlled by the Irish Government, the principal of these being the Department of Education and Science, the Department of Social Protection and Family Affairs, Coillte, An Post and the various county councils. The Group also uses the services of Bank of Ireland / Allied Irish Bank for the sale of foreign currency during its ordinary course of business. Revenue from these services amounted to €237.6 million in 2012 and amounts due from these entities to the Group at 31st December 2012 for these services totalled €20.4 million.

### (C) Purchase of services from entities owned by the Irish Government

In the ordinary course of its business the Group purchases services from entities controlled by the Irish Government, the principal of these being ESB, Bord Gáis and the various county councils. The Group also uses the services of Bank of Ireland / Allied Irish Bank for the purchase of foreign currency and day to day banking facilities. Expenditure on these services amounted to €66.9 million in 2012 and amounts due to these entities by the Group at 31st December 2012 for these services totalled €22.2 million.



## 29. Group Membership

**Name:** Principal activity

**Holding company:** Córas Iompair Éireann - Public transport services

### Subsidiary companies (all wholly owned)

Iarnród Éireann - Irish Rail	- Public rail (passenger and freight) services
Bus Éireann - Irish Bus	- Public bus passenger services
Bus Átha Cliath - Dublin Bus	- Public bus passenger services
CIE Tours International Incorporated	- Tours

Iarnród Éireann - Irish Rail, Bus Éireann - Irish Bus and Bus Átha Cliath - Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Acts, 1963 to 2012, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

CIE Tours International is incorporated in New York and operates in North America.

The registered offices of the subsidiary companies are as follows:

Iarnród Éireann - Irish Rail	Connolly Station, Dublin 1.
Bus Éireann - Irish Bus	Broadstone, Dublin 7.
Bus Átha Cliath - Dublin Bus	59 Upper O'Connell Street, Dublin 1.
CIE Tours International Incorporated	10 Park Place, Suite 510, P.O. Box 1965, Morristown NJ 07962-1965

## 30. Approval of Financial Statements

The Board approved the financial statements on 26th April 2013.

