2014
Annual Report

CIÉ's Mission, Values and Objectives

MISSION

CIÉ's vision is aligned to our statutory mandate which is to provide socially necessary bus and rail transport in a well functioning, integrated manner which contributes to balanced regional economic development and social cohesion at a reasonable cost.

Currently CIÉ has devolved these functions to three operating subsidiaries through the 1986 Act – Bus Átha Cliath, Bus Éireann and Iarnród Éireann.

VALUES

More than anything else, CIÉ and its operating subsidiaries Bus Átha Cliath, Bus Éireann and Iarnród Éireann, value the safety of their customers, employees and fellow rail and road users.

The Group places customers at the centre of our businesses and through continuous improvement strives to provide a friendly, effective, value for money and safe service for them, and treat everyone with due care and consideration.

As an organisation that has been at the heart of Ireland's infrastructure for more than half a century, we take great pride in providing vital public transport to people in towns, villages and cities and ensuring that every day we bring tens of thousands of people to work, to school, to the shops, and to visit family and friends.

Our employees are critical to us delivering high performing public transport services and we believe strongly in enabling our people to reach their full potential.

OBJECTIVES

To operate in a transparent fashion and collaborate with other stakeholders in public transport.

To always listen to our customers as they make the difference in the service we provide.

To maintain our market-leading position in a changing market and environment through a strong focus on continuous improvement.

To ensure that, where possible, we continue to support and connect local communities.

To utilise our experience and expertise to deliver bus and rail services of which Ireland can be proud.

Contents

Highlights	2
Córas Iompair Éireann – A Quick Glance	3
Chairman's Statement	5
Financial Review 2014	7
PSO Contract Income Review 2008-2014	14
Operations Review 2014	16
Members of the Board and Group Management	32
Board Committees	33
About the Board of Córas Iompair Éireann	34
Corporate Governance Statement	37
Statement of the Board's Responsibilities	40
Independent Auditor's Report to the Minister for Transport, Tourism and Sport	41
Principal Accounting Policies	43
Consolidated Profit and Loss Account	46
Statement of Total Recognised Gains and Losses	47
Consolidated Balance Sheet	48
Company Balance Sheet	49
Consolidated Cash Flow Statement	50
Notes to the Financial Statements	51

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

2014 Highlights

Turnover in 2014 was **€1,106.4 million**.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) adjusted for "one-off" items improved by **€2.2 million in 2014** to **€52.6 million**.

Passenger journeys increased by over **4%** to **237.5 million**.

Córas Iompair Éireann – A Quick Glance

Who We Are: Córas Iompair Éireann is Ireland's national statutory authority providing land public transport within Ireland. It is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport. The Group is organised into three subsidiary operating companies – Bus Átha Cliath, Bus Éireann and Iarnród Éireann – supported by a central services function. In addition to its public transport subsidiaries CIÉ also owns CIÉ Tours International Inc. Strategic direction, control and overall co-ordination is provided by CIÉ Group but each subsidiary and business unit has a high degree of operating autonomy in its day to day business.

Customer Journeys

Iarnród Éireann Irish Rail

2014 **37.8m**
2013 36.7m
Change ↑ 1.1m

- Intercity rail services.
- DART and Commuter rail services.
- Rail freight.
- Rosslare Europort.

Bus Átha Cliath

2014 **118.6m**
2013 114.4m
Change ↑ 4.2m

- City services.
- Nitelink.
- Airlink.
- City tours.
- Private hire.

CIÉ

2014 **237.5m**
2013 227.9m
Change ↑ 9.6m

Bus Éireann

2014 **37.2m**
2013 35.7m
Change ↑ 1.5m

- Over 300 State-funded routes.
- 25 Expressway inter-connected routes.
- School Transport Scheme on behalf of the Department of Education and Skills.

Schools Transport

2014 **43.9m**
2013 41.1m
Change ↑ 2.8m

Tourists on CIÉ Tours

2014 **49,173**
2013 49,400

Growth in PSO passenger journeys for first year since 2008

Chairman’s Statement

In 2013 my Chairman’s Statement referenced tentative signs of improvement in CIÉ following what had been an extremely difficult 5 year period financially from 2008 to 2012. Thankfully improvements continued in 2014, with growth in journey volumes coupled with fare increases awarded by the National Transport Authority (NTA), leading to a €42.3 million (6.1%) increase in the Group’s fare revenue[1].

The positive financial impact of the pay deals in Bus Átha Cliath and Bus Éireann were seen in 2014 with a combined saving of €11 million. Iarnród Éireann also entered into a 25 month pay deal in October 2014 which will see Iarnród Éireann staff also make a further valuable contribution to the financial sustainability of that company.

Several significant milestones were achieved in 2014. Customers carried increased by 9.6 million and services provided to the travelling public were enhanced across the Group. Iarnród Éireann completed a very important joint analysis with the NTA on the funding requirements of the current rail network which allows clear assessment of the issues faced in achieving funding sustainability. Bus Éireann has seen Expressway (its commercial business) return to modest profitability. However securing appropriate reimbursement for the network of PSO services that the company offers remains a challenge. Bus Átha Cliath had a successful year from both a financial and customer perspective. The CIÉ Group strengthened its financial position substantially as evidenced by the net debt of the Group which stood at €18.5 million down €84.3 million on the 2013 position of €102.8 million.

On a regulatory front CIÉ Group further clarified its role in the context of the public transport regulator, the NTA. This is a positive development as clarity on our role and that of our subsidiaries will enable us to work with the Regulator to deliver customer focussed solutions. A clear example of this is the new 5 year PSO contract executed by Bus Átha Cliath and Bus Éireann with the NTA in December 2014. These contracts have detailed customer centric metrics and targets which will enhance the customer experience in the years to come.

CIÉ Tours continues to perform strongly and achieved passenger volume in line with the record level achieved in 2013.

While these are all positives, it is my duty as Chairman of the Board to set out clearly the challenges which remain. These are many but the critical elements include:

- **Continued pressure on Exchequer Funding.** In last year’s report we showed that during the crisis there was a shortfall of €211 million in the funding available from the Exchequer to fund the transport services of the Group. At the end of 2014 this cumulative funding deficit was reduced by €8 million to €203 million. In October 2014, the Minister for Transport, Tourism and Sport earmarked a further investment of €51 million in Iarnród Éireann, which principally funded the Heavy Maintenance of its rolling stock fleet. This costs over €28 million per annum. However, given the investment is €648 million, this maintenance cost is low relative to the fleet value. It is our responsibility to see that it is maintained properly on the taxpayers’ behalf. Furthermore, the rail network is significantly underfunded for its scale and for the services we are contracted to provide, as detailed in 2014 by the Department of Transport, Tourism and Sport’s draft Strategic Framework for Investment in Land Transport. A clear path to a sustainable future for Iarnród Éireann is essential, to ensure it is equipped to provide a network and services which will generate a positive return for the economy.

[1] Excludes CIÉ Tours

The Group generated a 1.2% return on the cost of delivering PSO services in 2014

- **Appropriate Bus Éireann PSO Compensation.** Bus Éireann generated a small positive return on the cost of the PSO services it provided in 2014. The current costs of providing the 2015 service is c€38 million but at this point only €32 million funding is available from the NTA. As a consequence a deficit is anticipated to arise on the provision of PSO services in 2015.
- **Market Opening.** The 10% market opening of the Bus Átha Cliath and Bus Éireann PSO market in 2016 presents a challenge for the management, staff and directors of the bus companies and the CIÉ Group. Both Bus Éireann and Bus Átha Cliath intend to compete for the routes offered.
- **Luas Cross City Disruption.** The Luas Cross City presents a significant logistical hurdle to Bus Átha Cliath operations. Continuing to grow bus patronage while experiencing route changes is a logistical challenge but one which Bus Átha Cliath is managing successfully.
- **Schools Transport Services.** Schools Transport, managed by Bus Éireann on behalf of the Department of Education and Skills, also faces significant logistical challenges in modernising its interface with the families of the 112,500 children driven in our care to schools the length and breadth of the country. Again we are fortunate to have the management and operational experience of having managed the system for more than 40 years.

Acknowledgments

On behalf of the Board, I would like to express my thanks to the Minister for Transport, Tourism and Sport, Mr. Paschal Donohoe and the former Minister, Dr. Leo Varadkar T.D. and to Ms. Ann Phelan Minister of State at the Departments of Agriculture, Food and Marine and Transport, Tourism and Sport with Special Responsibility for Rural Economic Development, and the former Minister of State for Public and Commuter Transport, Mr. Alan Kelly T.D., for their support to the CIÉ Group during the year. I would also like to thank officials of the Department of Transport, Tourism and Sport, and the NTA for their assistance.

I would like to extend a deep thank you to the staff of the CIÉ Group of companies for their sustained efforts throughout the year. In the year a number of changes to the Board composition occurred:

- Mr. Kevin Bonner and Mr. Paul Mallee retired from the Board on 28th June 2014. Ms. Helen Keelan retired from the Board on 10th October 2014. I would like to thank them for their contribution to CIÉ during their tenure as Board Members.
- Mr. Phil Gaffney and I were reappointed to the Board on 9th July 2014.
- Mr Aidan Murphy was appointed to the Board on 9th July 2014.
- Mr. Ultan Courtney was appointed to the Board on 23rd September 2014.
- Mr. Aebhric McGibney was reappointed to the Board on 4th November 2014.

With their assistance the Board looks forward to addressing 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 Board's subsidiary companies for their constant help and support to the subsidiary companies and CIÉ Group 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

Financial Review 2014

EBITDA

The operating results for the CIÉ Group for 2014 show Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of €81.5 million.

Revenue and EBITDA

	2014 €m	2013 €m	Change €m
Fare Revenue and Commercial Income	817.1	764.9	52.2
Public Service Obligation (PSO) and Other State Income			
PSO Contract Income	211.8	225.9	(14.1)
Other Exchequer Grants*	77.5	15.6	61.9
	289.3	241.5	47.8
Total Revenue	**1,106.4**	**1,006.4**	**100.0**
Payroll before Pension Adjustment	(545.8)	(535.4)	(10.4)
Pension Adjustment per FRS 17	10.0	8.2	1.8
Materials and Services	(489.0)	(420.7)	(68.4)
Total Operating Costs	**(1,024.8)**	**(947.9)**	**(77.0)**
EBITDA before exceptionals	**81.6**	**58.6**	**23.0**

* 2013 Railway Safety Investment Programme 2014 Multi-Annual Contract.

The 2014 EBITDA result was €23.0 million higher than the 2013 EBITDA of €58.6 million. However, the 2014 result reflected the impact of material supplementary funding provided by the Exchequer through the National Transport Authority (NTA) of:

- Iarnród Éireann €12 million.
- Bus Éireann €7 million.

EBITDA Excluding "One-Off" Factors

Excluding the impact of the one-off factors above and Pension accounting adjustments, underlying EBITDA is €52.6 million in 2014, an improvement of €2.2 million on the 2013 performance of €50.4 million.

	2014 €m	2013 €m	Change €m
EBITDA	**81.6**	**58.6**	**23.0**
Exclude:			
Iarnród Éireann Supplementary	12.0	–	(12.0)
Bus Éireann Cost Support	7.0	–	(7.0)
FRS 17 adjustment to pension costs	10.0	8.2	(1.8)
EBITDA Excluding "One-Off" Factors	**52.6**	**50.4**	**2.2**

Revenue

Revenue for the CIÉ Group in 2014 was €1,106.4 million and can be broken down by company and business activity as follows:

Fare, Commercial and PSO Income

	2014 €m	2013 €m	Change €m
Bus Átha Cliath	216.0	204.1	11.9
Bus Éireann	297.9	289.9	8.0
Iarnród Éireann	218.0	195.2	22.8
CIÉ (Tours, Property and CAN)	85.2	75.7	9.5
Fare and Commercial Revenue	**817.1**	**764.9**	**52.2**
PSO Contract Income			
Bus Átha Cliath	60.0	64.5	(4.5)
Bus Éireann	34.4	34.4	0.0
Iarnród Éireann	117.4	127.0	(9.6)
PSO Contract Income	**211.8**	**225.9**	(14.1)
Other Exchequer Funding	**77.5**	**15.6**	61.9
Total Revenue	**1,106.4**	**1,006.4**	**100.0**

Fare and Commercial Revenue

Underlying commercial revenues grew in all of the companies giving a combined improvement in 2014 of €52.2 million.

Fare revenue grew by €26.1 million through a combination of an improvement in passenger journeys (€11.4 million), and fare increases approved by the NTA in 2013 (€14.7 million). Other revenue relates primarily to recovery of costs incurred in the delivery of infrastructure projects on behalf of other State Bodies.

While tourist numbers remained broadly similar to 2013, CIÉ Tours revenue increased largely as a result of increasing air fare costs. CIÉ Tours carried 49,173 visitors to Ireland and Great Britain in the year, remaining one of the country's largest inbound tour operators.

PSO Contract Income

Exchequer funding of PSO Contracts was planned to reduce by €16.6 million in 2014. PSO contract income did reduce as planned in Bus Átha Cliath and Iarnród Éireann. Bus Éireann's would also have shown a steep decline were it not for additional "one-off" cost support received by the bus company of €7 million towards the end of 2014 (through a combination of €2.5 million additional PSO contract payment and an additional €4.5 million maintenance grant in respect of older PSO vehicles).

Therefore, the PSO contract income reduction was not as dramatic as the €54.3 million year on year reduction experienced in 2013.

Other Exchequer Funding

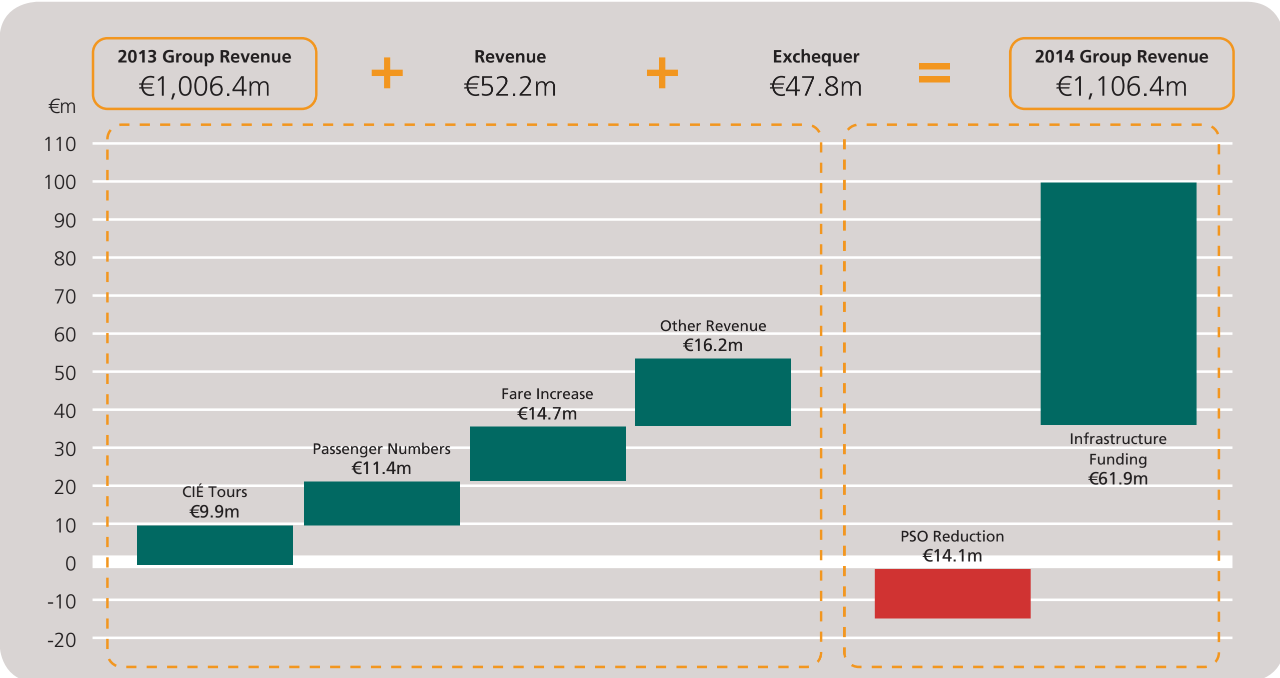
Other Exchequer Funding relates to funding to Iarnród Éireann in respect of railway infrastructure maintenance costs. In 2014, Iarnród Éireann agreed a Multi-Annual Contract (MAC) with the Department of Transport, Tourism and Sport (DTTaS), administered by The Department and monitored by the NTA, which funds expenditure on maintenance and renewal of Railway Infrastructure.

The MAC is the successor to the Railway Safety Investment Programme (RSIP) which, in three five year programmes (from 1998 to 2013), underpinned the necessary renewal of railway infrastructure to meet standards for safe railway operation.

Relative to RSIP, in 2014 a greater proportion of MAC funding was spent on essential maintenance with a lesser proportion spent on renewals. As a consequence, a greater proportion of the funding is accounted for as a Revenue Grant with the associated maintenance costs being included in Operating Costs.

Therefore, while the underlying asset maintenance cost base has not changed, the new MAC arrangements (see Infrastructure Funding below) facilitated a change to the nature of work undertaken on the infrastructure asset with increased emphasis on essential maintenance and away from asset renewal. This results in increased expenditure in the profit and loss account, as opposed to balance sheet impact.

A summary of the movement in revenue from 2013 to 2014 can be illustrated as follows:



Infrastructure Funding

Iarnród Éireann's operating result benefited by €12 million in 2014 as a result of increased government support. This benefit arises as follows:

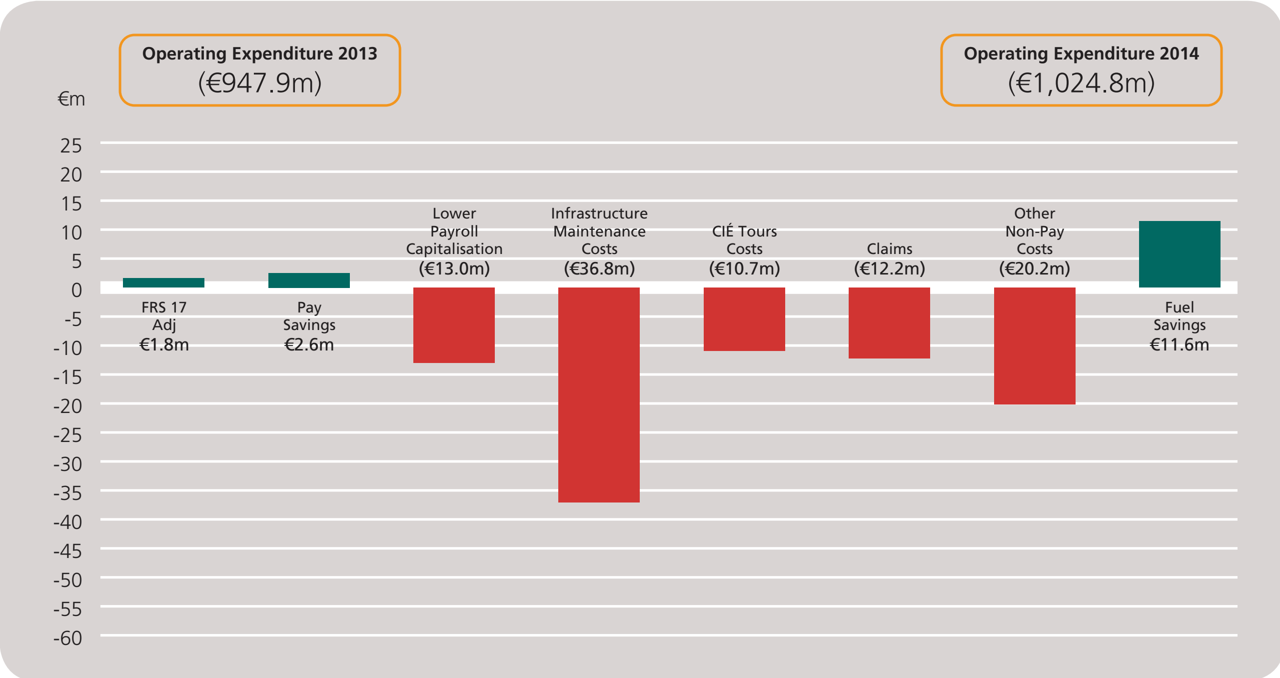
	€m
Additional Exchequer Funding of Infrastructure Maintenance	61.9
Additional Infrastructure Maintenance costs:	
Labour	(13.0)
Materials	(36.9)
EBITDA benefit	12.0

Journeys and fare yield increased in 2014, and additional Exchequer funding was provided

Operating Costs

Operating costs for the Group increased by €77.0 million in 2014 from €947.9 million in 2013 to €1,024.8 million in 2014. This overall increase masked a number of positive and negative underlying trends.

A summary of the movement in operating costs from 2013 to 2014 can be illustrated as follows:



Positive pension accounting adjustments advised by the Group's actuaries increased by €1.8 million in 2014 from €8.2 million in 2013 to €10.0 million in 2014.

Total payroll costs reduced slightly by €2.6 million year-on-year due to the benefit of a full year savings realised in Bus Átha Cliath and in Bus Éireann combined with the benefit of savings in Iarnród Éireann which were agreed in the latter months of 2014.

As a result of the additional funding of Infrastructure Maintenance, the level of own labour resource dedicated to capital works was reduced, consequently the amount of labour treated as capital expenditure reduced by €13 million.

Additional Infrastructure Maintenance funding financed an increase in non-pay costs arising both from additional maintenance and from storm damage repair works.

The number of tourists CIÉ brought into Ireland and Great Britain in 2014 remained at the same level as 2013; the increase in costs reflected higher air fare costs. The additional revenue which offsets this increase in costs is shown in the increased revenue from CIÉ Tours shown in the Revenue commentary above.

Following a number of years in which the Group was in a position to reduce its provision for accident claims, in 2014 (in line with a return to passenger journey growth) the Group has increased its provisions against claims by €12.2 million.

Other non-pay costs increased by €20.3 million – these cost increases include:

(i) Costs incurred in delivery of infrastructure projects on behalf of other State Bodies,

(ii) Increase in payments to Schools Contractors as the number of school journeys increased.

Fuel cost savings of €11.6 million were realised in the year through a combination of a lower price for oil and achieving lower usage through implementation of fleet optimisation strategies and other fuel conservation measures.

Deficit/Surplus for the Year

	2014 €m	2013 €m	Change €m
EBITDA	81.6	58.6	23.0
Non-Operating Income/(Costs)			
Profit on Disposal of Fixed Assets	1.9	2.8	(0.9)
Exceptional Costs	(4.5)	(5.2)	0.7
Depreciation Net of Amortisation	(56.4)	(59.0)	2.6
Net Interest Expense	(4.6)	(3.5)	(1.1)
Other Finance Costs	(8.2)	(5.3)	(2.9)
Total Non-Operating Income and Costs	(71.8)	(70.2)	(1.6)
Net Surplus/ (Deficit)	9.8	(11.6)	21.4

The CIÉ Group reported a net surplus of €9.8 million in 2014. This compared to a net deficit of €11.6 million in 2013, an improvement of €21.4 million.

The improvement of €21.4 million was a combination of a €23.0 million improvement in EBITDA which was partially offset by a deterioration of €1.6 million in the non-operating income and cost lines of the Group.

The single biggest contributor to this €23.0 million improvement was the benefit of additional supplementary funding received in 2014 of €19.0 million. As explained previously the benefit of this funding was felt as a €12.0 million improvement in Iarnród Éireann and a €7.0 million improvement in Bus Éireann.

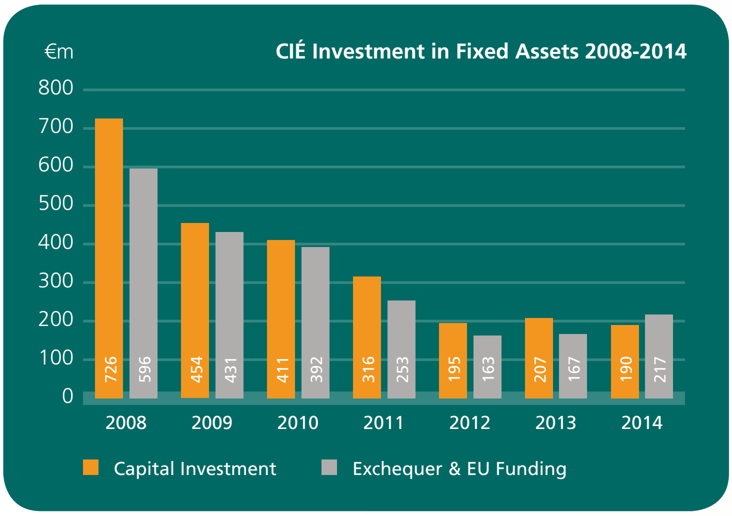
Additional finance costs of €1.1 million arose in 2014 due to the full year effect of the higher level of borrowings carried forward into 2014 from 2013.

Banking Facilities

Since 2008, the Group has financed the €203 million shortfall in PSO contract income, while maintaining services, through a combination of asset sales (€121 million) and increased borrowing facilities. During 2013 CIÉ successfully secured a 5-year €160 million banking facility which consists of an €80 million five-year term loan and an €80 million revolving facility. The term loan is repayable at a rate of €13 million per annum, the first repayment was made in July 2014 with the next annual repayment instalment due in July 2015.

These facilities are based on normal market arrangements which require CIÉ to abide by a number of market standard financial covenants – in particular reducing the ratio of Net Debt to EBITDA over the life of the facility.

Given the requirement to reduce debt by reducing the term loan over the life of the agreement, the Group is focused on developing initiatives to ensure its PSO contracts deliver an adequate return to enable the Group to meet its obligations under the banking facility agreement. These initiatives include revenue raising and cost containment programmes.



Progress on Cost Reduction

During 2014 the Group has made further significant progress in delivering cost containment programmes.

- Both Bus Átha Cliath and Bus Éireann benefitted from a full year of savings negotiated in 2013.
- Iarnród Éireann implemented a pay reduction agreement in the latter half of 2014.
- CIÉ Holding Company is negotiating with its staff with a view to implementing cost saving measures in the Holding Company which will also assist in reducing the costs of public transport services.

Identifying agreed programmes which return public transport services to profitability is a key milestone in restoring the financial resilience of the Group. In addition to the cost reduction initiatives, the Group continues consultations with all its stakeholders to identify appropriate measures to redress the accumulated deficits of over €203 million from the provision of public transport services which have arisen since 2008.

Capital Investment

CIÉ Group and its subsidiaries continue to work closely with the DTTaS and the NTA to identify the best opportunities for capital investment in the public transport network. Capital investment is key to improving the safety of the network and comfort of our customers. It is also a cornerstone of realising further operational cost savings.

Group investment in fixed assets in 2014 amounted to €190 million. Notwithstanding the increase in 2013, there is a notable downward trend in investment in the public transport system assets managed by the CIÉ Group since 2008. This is due to a combination of financial constraints on the Exchequer coupled with the completion of very significant investment programmes. This trend results in public transport investment in Ireland being significantly below EU averages.

Separate to the PSO, the Group received Exchequer and EU funding of €217 million for capital expenditure of which €15.0 million related to prior year expenditure and €28.2 million relates to funding of 2015 investment.

Pension Schemes

The CIÉ Group operates two defined benefit contributory pension schemes which are funded by contributions made by CIÉ, its subsidiary companies and by employees. The retirement benefits which are provided by these schemes are funded by significant assets which are invested in trustee administered funds.

As a result of developments in financial markets during 2014, in particular the reduction in interest rates, the future cost of the benefits to be provided by the schemes have increased at a greater rate than the increase in the value of the assets held by the schemes. As a result, during 2014 the pension schemes deficit has increased significantly from €418 million to €702 million.

The trustees of the CIÉ Pension Schemes implemented a pension funding plan in 2013, with the approval of The Pensions Board, which envisages the elimination of the deficit in the schemes by 2023. While performance was in line with this plan at the end of 2014, should the trends of 2014 continue, a risk that performance will not meet the requirement of the pension funding plan during 2015 may arise.

CIÉ has commenced a review of the pension schemes to consider actions that may be required in light of the level of the deficit in order to protect the long term interests of existing and future beneficiaries of the schemes.

CIÉ earned a surplus of €9.8 million in 2014, a €23.0 million improvement on the 2013 out turn

Joint NTA/Iarnród Éireann review of the funding requirements for the current railway network was completed in 2014

PSO Contract Income Review 2008-2014

Bus Átha Cliath, Bus Éireann and Iarnród Éireann (Operating Companies) operate socially desirable but economically unviable public transport services under Public Service Obligation (PSO) contracts from the National Transport Authority (NTA). During 2014, as in every year since the financial crisis began in 2008, each Operating Company has worked closely with the NTA to absorb further reductions in income from these PSO contracts, while maintaining public transport services in terms of frequency and quality across all three companies.

We are pleased to note in 2014 that, although there was a further reduction in PSO Contract income, both Bus Átha Cliath and Bus Éireann generated an overall positive return on their PSO contracts. Iarnród Éireann incurred a further, albeit much reduced loss, on its PSO services. The improved performance of the PSO contracts was achieved through a combination of:

- Growth in passenger journeys.
- The contribution of staff to cost reduction.
- Fare increases.

The aggregate positive contribution from PSO contracts was €8 million, which is just 1.2% of the cost of providing those services. This contribution has served to reduce the aggregate deficit on PSO contracts since 2008 to €203 million.

The accumulated deficit from provision of public transport services was reduced in 2014 by €8.0 million

Working in partnership with our Shareholder and the Regulator and bearing in mind the importance of public transport to the wider economy, CIÉ continues to work to broadly maintain the volume, quality and frequency of the Group's public transport services.

This cumulative deficit has been funded by CIÉ in that period through a combination of bank debt and the sale of significant elements of CIÉ's real estate portfolio, which generated proceeds of €121 million. As there is limited potential to realise significant income from sale of real estate assets in the short to medium term, maintaining positive operating performance (by increasing passenger journeys, controlling costs and maintaining an appropriate level of PSO contract income) is essential to restoring the capital base of the Group to an appropriate level.

Cumulative Loss on PSO Contracts since 2008

The cumulative loss on PSO contracts since 2008 can be analysed as follows:

	PSO Passenger Journeys m	Revenue from Public Services €m	Costs of Public Services €m	Income from PSO Contracts €m	Loss on PSO Contracts €m
2008	227.7	469	(817)	309	(39)
2009	200.8	441	(771)	303	(27)
2010	186.4	402	(721)	276	(43)
2011	182.9	389	(700)	265	(46)
2012*	180.6	406	(724)	278	(40)
2013	179.7	440	(682)	226	(16)
2014**	186.1	465	(669)	212	8
Cumulative Loss on PSO Contracts					(203)

* *includes unplanned PSO payment of €36 million*
** *includes supplementary funding of €19 million*

In 2014, for the first time since 2008, PSO passenger numbers have increased. This positive trend has combined with the beneficial effect of fare increases to grow fare revenue on PSO contracts by almost 6% in the year. Further progress has also be achieved in reducing the costs of operating the public transport network, these costs have reduced by 2% in the year, bringing the cumulative reduction in costs to 18% since 2008.

PSO contract income levels have continued to decline and now stands at 69% of 2008 levels. Despite this the Group has maintained and improved public services in terms of frequency and quality.

The long term financial sustainability of CIÉ will require that the PSO contracts continue to generate a reasonable return on an annual basis. Separate consideration of mechanisms to address the legacy deficit may also be required.

Mike Flannery
Chief Operating Officer

Operations Review 2014

Customer Journeys

Customer Journeys	2014 m	2013 m	Change m
Bus Átha Cliath	118.6	114.4	4.2
Bus Éireann	37.2	35.7	1.5
Iarnród Éireann	37.8	36.7	1.1
Total Passenger Journeys	**193.6**	**186.8**	**6.8**
Schools Transport	43.9	41.1	2.8
Total Passenger Journeys	**237.5**	**227.9**	**9.6**

Overall passenger numbers for the Group showed a good improvement from 227.9 million journeys in 2013 to 237.5 million journeys in 2014. By operating company the trend can be summarised as follows:

1. Iarnród Éireann journey numbers increased for the first time since 2008.
2. Bus Átha Cliath journey numbers improvement reflects the effect of improving general economic conditions.
3. Bus Éireann experienced steady growth across all of its service offerings; Expressway, Public Service Obligation (PSO) and Schools.

Customer Engagement

Initiatives to improve customer experience delivered in 2014 include:

- Improved service reliability delivered through the Network Direct project in Bus Átha Cliath.
- Detailed planning with Dublin City Council, the Railway Procurement Agency, the National Transport Authority (NTA) and An Garda Síochána to minimise the disruptive effective of essential Luas Cross City on the Dublin commuters.
- 70 new buses introduced in Dublin with the support of the NTA. The Bus Átha Cliath fleet is fully low floor accessible and these new vehicles support the roll-out of next-stop audio announcement system and on-board next-stop signage.
- Expressway timetable review, introduction of new livery and increased promotional activity.
- RTPI introduced to all stops on the Bus Éireann network via the Transport for Ireland real-time app.
- Over 900,000 Leap Cards in circulation. During 2014 Leap Cards were rolled-out to Cork, Galway and Limerick. Leap Cards will be introduced in Waterford in 2015.
- CIÉ, through Bus Éireann, is the proud provider of over 43.9 million school journeys on behalf of the Department of Education and Skills. In 2014, 250 new schools services and a further 500 service improvements were provided.
- In 2014, Bus Éireann introduced a new schools transport scheme IT system which will provide the basis for improving the customer experience of availing of the scheme in future years.
- Improved punctuality, with all rail routes again exceeding requirements under the Iarnród Éireann PSO contract – over 95% punctuality in most cases and over the 90% punctuality requirement of our PSO contract in all cases.
- The start of investment in our Customer First programme in Iarnród Éireann, which will transform the manner in which we engage with our customers, ensuring the customer is at the heart of the business.
- Focused promotional activity on online sales and on the student travel market which helped underpin the growth in passenger rail journeys.

CIÉ Tours maintained its market performance at the record levels achieved in 2013

Operating income from Group Property and Commuter Advertising Network has stabilised in 2014

CIÉ Tours

	2014 €m	2013 €m	Change €m
Tours Revenue	77.8	67.9	9.9
Operating Surplus	2.6	3.6	(1.0)

CIÉ Tours was successful in maintaining the volume of its business at close to the record levels achieved in 2013. Passenger numbers in 2014 were 49,173 as compared to 49,400 in 2013.

Further growth was achieved in the US market with growth in sales of coach tours which combine both Great Britain and Ireland. This growth was sufficient to offset the effect of the planned exit from the European group market.

Strong revenue growth of 14% therefore reflects the effect of a changing sales mix.

Operating costs have increased year on year reflecting three factors:

(i) The higher cost of Ireland and Great Britain combination tours.

(ii) Additional staffing in the US to provide sufficient support for the increased level of business which CIÉ Tours has won and retained over the last two years.

(iii) The rapid appreciation of the US dollar gives rise to an exchange translation loss on the value of customer deposits received in respect of 2015 travel.

The company is well placed to anticipate market developments, increase its market share and to allow it to maintain its position of the largest tourism operator from the USA to Ireland.

Group Property and Commuter Advertising Network

Property

Property gross rental income grew by 16%. During 2014 CIÉ was successful in commercialising surplus fibre optic capacity and has expanded its customer base for this offering. The benefit of this agreement will generate a contribution to Iarnród Éireann which will serve to reduce the net cost of delivering its public service transport obligations.

Property related income comprised net rental income of €7.4 million in 2014 (2013 – €7.8 million) reflecting a decline in revenues from the current existing fibre optic lease agreement.

The commercial property development market is showing signs of recovery and we are reviewing our property portfolio in that context, with particular focus on Connolly and Heuston Stations, Sheriff Street, Abbey Street, Tara Street and Eyre Square, Galway.

Group Property continues to provide professional services to various Iarnród Éireann infrastructural projects.

Commuter Advertising Network (CAN)

CAN's operating performance stabilised in 2014 following a number of years of declining demand. CAN overall revenue grew by 5%. A new contract was awarded to Exterion Media in January 2014 which is operating well. A project to upgrade the advertising estate is underway to ensure that the product remains attractive to advertisers.

Robust performance based on improving passenger journeys and good cost control

Bus Átha Cliath

2014 marked a positive year for Bus Átha Cliath. Passenger numbers continued to increase throughout the year resulting in the company carrying 118.6 million passengers, which is an increase of over 4.2 million on 2013.

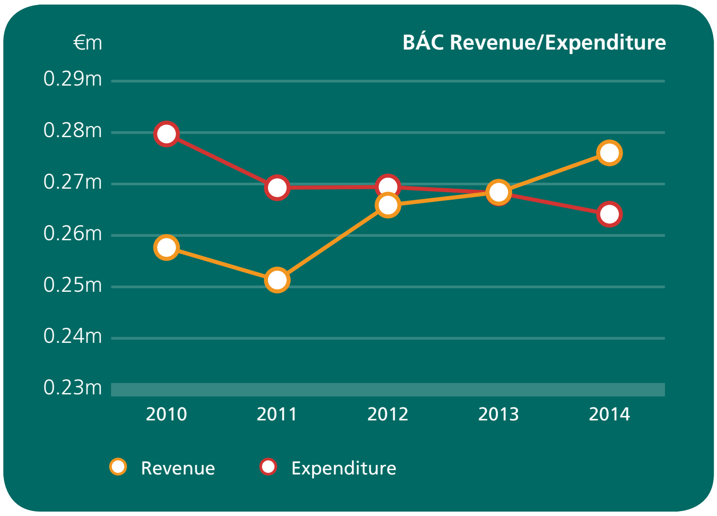
It is also encouraging that Bus Átha Cliath is reporting a financial surplus again this year. In 2014 Bus Átha Cliath earned a net surplus of €11.6 million. This compares with a surplus of €0.5 million in 2013.

The key aspects of the financial results include revenue growth of €11.9 million and further cost reductions of €4.3 million. Through a combination of revenue growth and strenuous payroll and overhead cost reduction measures, the company has increased its surplus in 2014. These measures are critical to achieving sustained financial stability over the coming years.

The combination of cost reduction measures, improved service and revenue growth means the company is moving towards sustained financial stability. This positive trend in volume resulted in Bus Átha Cliath commencing its first recruitment drive in seven years. 160 new drivers were employed last year to cater for demand and to ensure that a good quality service is delivered for customers.

The company continued its commitment to improving services for customers through a number of developments during the year. These included an increase in the number of Real Time Passenger Information signs at bus stops, the completion of the rollout of next stop audio announcements, free Wi-Fi on all buses and additional facilities to give customers value for money through Leap Card. Leap Cards were used over 30 million times on services in 2014. It is also notable that the Dublin Bus app is one of the top ten Irish apps in terms of customer popularity.

Another positive development for the company was the award of the Public Service Contract by the National Transport Authority (NTA) to cover the period from 2014 to 2019. Bus Átha Cliath received Public Service Obligation (PSO) payments of €60 million in 2014; a reduction of €4.5 million compared to 2013. The PSO payment for 2015 has been confirmed by the NTA at €60.1 million, which is a welcome return to stability in PSO payments. The NTA are also proceeding with proposals to open up a segment of the market to competitive tendering – Bus Átha Cliath is committed to fully participating in this process.



Bus Átha Cliath is a vital transport network and is a key component in enabling economic growth and the creation of jobs. As the economy continues to grow again, so also will passenger numbers. Our priority is to meet that customer demand and provide the service capacity the city needs when it needs it.

The work which has been carried out in recent years to create a simplified and better network and improve the customer experience has provided a solid platform to grow our services to meet the needs of our customers and attract new customers.

Since 2012, 160 new buses have been added to the fleet, with the support of the NTA. This has contributed to lowering the average age of the fleet to 7.5 years. Our target is to acquire 90 new buses per annum in order to lower the age further to 6 years. This is also imperative to combat congestion. The upturn in the economy has resulted in traffic congestion becoming more prevalent throughout the city in the last year. Bus Átha Cliath fully support the projects to provide increased reliability such as bus priority at traffic signals and Bus Rapid Transit. This enhanced bus system will provide express services and higher passenger capacity.

Significant challenges still remain and the careful and prudent management of the limited financial resources available to the company remain a top priority for the Senior Management and the Board. Areas of focus include the development of the fleet; maintaining an appropriate level of subvention for the level of service offered; continuing to give customers value for money and a good quality and volume of service.

Positive performance by all Bus Éireann services in 2014

Bus Éireann

Overview

The environment in which Bus Éireann operates remained challenging in 2014 but the company made significant progress towards its stated objective of returning to a more sustainable financial position. Revenue growth and further cost efficiencies generated improved financial results for both PSO and commercial products while further efficiencies in the provision of school transport services provided savings for the Department of Education and Skills. The company reported operating revenue (Schools plus Road Passenger) growth of 2.7% year-on-year, and we anticipate that this level of growth will continue during 2015. This includes growth of over 5% on key road passenger revenue.

Passenger journeys were also up by an average 5.6% in regional cities, which is an achievement we are very proud of, given the prolonged and difficult downturn across Irish society since 2008. This is a result of network improvements, investments in Wi-Fi and other technology, along with an increasing number of people using public transport.

Key achievements in 2014 included:

- Passenger revenue increase of almost €7 million (5.3%) on PSO and Expressway services.
- Full year impact of cost efficiencies from 2013.
- Continued delivery of an integrated network of services.
- Increase of 1.5 million (4%) in road passenger customer journeys.
- Positioning of Expressway to earn a profit in 2014.
- Restoration of net assets to 76% of called up share capital following their decline to below 50% of called up share capital mid 2013.

Financial Highlights

Overall the company is reporting a surplus of €5.1 million for 2014 compared to a surplus of €0.4 million in 2013. The result for 2014 before exceptional items was a surplus of €7.2 million, a result which, while encouraging, illustrates that the company must drive further revenue and expenditure improvements in order to provide funds for commercial investment.

Bus Éireann provides an integrated network of PSO and Commercial services. The company also provides School Transport services on behalf of the Department of Education and Science.

While the integrated network provides great benefit to rural communities the company must and does account financially for each product on an individual basis. Funds generated by PSO remain within the PSO network, any surplus arising on School Transport is ring-fenced for reinvestment in the scheme and Expressway can only access funds it has generated itself.

The surplus before exceptional item for each product for 2014 is set out below:

Surplus before Exceptional Item	**€m**
PSO Services	4.1
Expressway	0.6
Schools Transport	2.3
Commercial other	0.2
Total	**7.2**

The PSO results include the benefit of an additional €7.0 million Exchequer support. Expressway continues to face a very competitive market emphasising the need for continuous progress on cost reduction. Any surplus generated on School Transport is ring fenced for reinvestment in the School Transport Scheme.

Capital Investment

Bus Éireann continued to invest in facilities, IT systems and plant and machinery to remain competitive and to improve our customer offering during the year. The company also received delivery of new fleet for both PSO and Expressway services at the end of 2014. This fleet will be introduced into service in 2015 and provides a significantly improved service offering for our customers. Capital expenditure in total amounted to €26.7 million in 2014 with €25.3 million in capital grant funding for fleet and plant being provided by the National Transport Authority (NTA).

Safety

The company's focus on safety this year, is as ever, paramount for us. During 2014 Bus Éireann continued to operate to the highest safety standards and achieved all internal safety performance targets. We believe that continuing emphasis on advanced driving techniques, and the ongoing Certificate of Professional Competence (CPC) for drivers, will ensure that safety remains our priority in 2015.

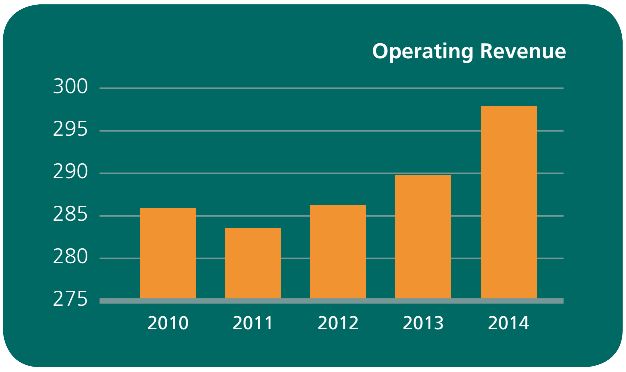
Like the car.
Only better.

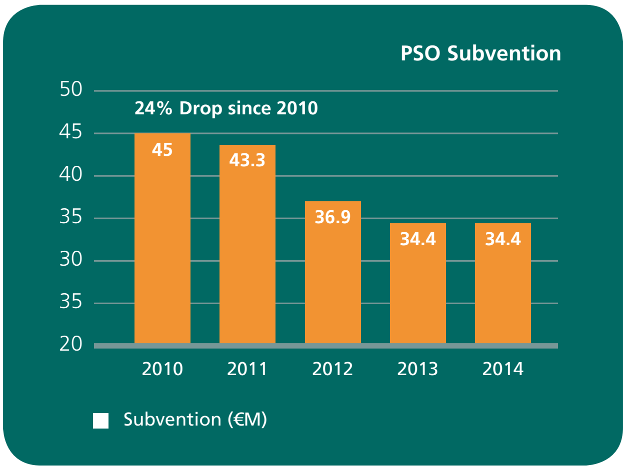
PR and Corporate Social Responsibility

Bus Éireann continued to engage actively with the media on a national, local and regional level throughout 2014. This is aligned to a strong public relations function, in terms of providing our customers and stakeholders with information about services, new products, network reviews, timetable changes and our involvement in community initiatives and events – including the operation of dozens of special services throughout the year.

Bus Éireann is the chief sponsor of Féile na nGael and Féile na nÓg, which are sporting competitions for young boys and girls, held annually across Ireland. In 2014, Bus Éireann became a proud sponsor of Fleadh Cheoil na hÉireann.

The Fleadh is the largest single festival of Irish music in the world which was held in Sligo in 2014. This allows us to live up to our brand identity to be "at the heart of the community". Involvement and sponsorship of such events is part of our community ethos and corporate social responsibility policy. The festival drew over 300,000 visitors to Sligo and its surrounds, and it will be held there again in 2015.





Employee Engagement Survey

The first Company-wide Employee Engagement Survey was carried out in December 2014 and results were available in early 2015. The results will be shared with all staff and the company will engage with staff in relation to the findings from this detailed survey. The exceptional high score in terms of loyalty displayed by staff towards the company is to be welcomed.

School Transport

The company continued to deliver school transport services on behalf of the Department of Education and Skills during 2014. This service is provided by a combination of in house and externally provided services. Bus Éireann seeks to deliver value for money at all times and further efficiencies were provided to the Department of Education and Skills during 2014.

Every school day some 112,500 schoolchildren are transported by Bus Éireann on the school transport network using some 4,000 vehicles on services coordinated to provide 6,000 separate routes, serving some 3,000 schools across the country. The safety of schoolchildren travelling on board our school transport services is our highest priority and the promotion of school bus safety and communication of key safety messages continue to receive particular attention during 2014.

Bus Éireann has recently invested in a new IT system for School Transport and will invest in upgrading our School Transport Fleet during 2015.

Iarnród Éireann

Overall

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

Highlights of 2014 include:

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

Financial

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

In particular, as confirmed by the DTTaS during 2014, our infrastructure asset is underfunded annually by circa €70 million.

Continued underfunding of infrastructure as well as impacting on our financial wellbeing will have other business implications as has been seen in previous eras – including reduced line speeds and increase challenges in maintaining safety performance. This will also impact on targeted growth in business. The scale of underfunding significantly exceeds the supplementary funding provided by the DTTaS in 2014, illustrating the central importance of ensuring sustainable funding levels for our services and network are secured.

Key Financial Highlights

Revenue	€218.0m	+ 11.7%
PSO payments	€117.4m	- 7.6%
MAC	€129.8m	
EBITDA	€34.8m	+ 37.1%
Deficit	€2.2m	
Contribution to Exchequer in taxes	€73.5m	
Journeys	37.8m	+ 3.0%
Passenger train km	16.9m	Unchanged
Punctuality		
DART	97.6%	+ 1.2%
Intercity	97.1%	+ 1.2%
Commuter	97.7%	+ 0.4%
Freight tonne kms	99.8m	+ 1.0%
Rosslare revenue	€10.1m	+ 4.3%
Employees (average)	3,770	– 22

Train Operations

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

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

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

Infrastructure Manager

The Infrastructure Manager business is responsible for the maintenance of the network.

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

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

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

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

[2] Investing in our transport future – A strategic framework for investment in land transport (August 2014)

Iarnrod Éireann continued to deliver a range of railway infrastructure projects on time and within budget

Rail freight

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

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

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

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

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

Rosslare Europort

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

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

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

Valuing our community

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

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

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

In 2014, Iarnród Éireann's community support initiative "The Journey's on Us" again enabled 100 groups from the community, voluntary, charity and sporting sectors to avail of a free group travel trip by train.

Overview of Energy Usage by the Group in 2014

The Group energy consumption includes:

- Diesel oil for the running of the Bus Átha Cliath and 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 for space heating of offices and workshops.

The profile of use for 2013/2014 is listed in the table below.

Group energy consumption profile	**MWhr 2014**	**MWhr 2013**
Diesel oil for traction	981,412	1,016,037
Electricity for traction	19,200	21,200
Electricity for other	48,453	48,708
Gas	21,868	25,469
Heating oil	595	655

Actions Undertaken to Reduce Energy Costs

Savings have been made throughout the Group in energy costs during 2014 which include:

Bus Átha Cliath

Actions Undertaken in 2014

In 2014, Bus Átha Cliath undertook a range of initiatives to improve its energy performance, including:

- Hybrid Bus Trial.
- Passive Infrared Motion Sensors (PIR) in depots.
- Fleet fuel monitoring by route.
- Purchase of 70 new vehicles which are fitted with Euro 6 standard engines. 65 of these vehicles were funded by the NTA.
- Vigil vanguard training for drivers – eco driving techniques.
- Promotion of energy awareness among staff.
- Continuation of energy monitoring at each premises.
- Rain water harvesting.

Actions Planned For 2015

In 2015, Bus Átha Cliath intends to further improve its energy performance by undertaking the following initiatives:

- Purchase of 90 new vehicles which will be fitted with Euro 6 emissions standard engines to replace older, less fuel efficient vehicles.
- Trials of eco-driving for fleet using on-board technology.
- Installation of water pumps with pressure activation demand motors.
- Trail of LED lighting in offices and workshop pits.
- Installation of an automated fuel management system in each depot.
- Continued focus through local energy management teams on identification of further energy saving opportunities.

Bus Éireann

Actions Undertaken in 2014

In 2014, Bus Éireann undertook a range of initiatives to improve its energy performance including:

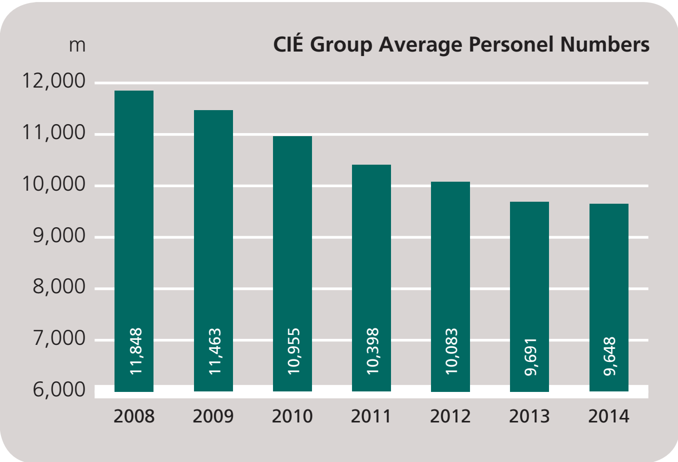
- Energy awareness campaigns with a particular focus on engine idling.
- Conversion of 150 vehicles to anti-spill fuelling.
- Feasibility study on compressed natural gas powered city buses.
- Programmes to minimise garage heat loss.

Actions Planned for 2015

In 2015, Bus Éireann intends to further improve its energy performance by undertaking the following initiatives:

- Introduce 77 new vehicles which are fitted with automatic engine idle cut-off systems and fuel consumption telematics.
- Replacement of 7 litre engine capacity single deck buses with twenty-five 5 litre engine capacity double deck buses.
- Extend the implementation of the vehicle dry break anti-spill fuelling system to other large depots.
- Continued lighting efficiency upgrade programmes through replacement of outdated technology with modern low-energy lighting systems.
- The implementation of further energy awareness programmes in conjunction with developing industry recommendations and best practice.

The group continuously increases its efficient use of energy



Iarnród Éireann

Actions Undertaken in 2014

In 2014, Iarnród Éireann continued its work on several levels:

- Commenced a test programme on a fuel additive product which may reduce fuel consumption in diesel reciprocating engines.
- Consideration of the replacement older 2-stroke locomotive engines with smaller modern efficient engines with automatic shut down.
- Completion of the traction control software modification programme on the DART fleet.
- Completion of major overhaul of train sizes to improve alignment of capacity to demand.

Actions Planned for 2015

In 2015, Iarnród Éireann intends to further improve its energy performance by undertaking the following initiatives:

- Fuel consumption measurement equipment will be fitted.
- Car Park lighting control.
- Commencement of a programme of removal and substitution of plug-in water and space heaters.

Employment

The average number of people employed by the CIÉ Group in 2014 was 9,648 a reduction of 43 from 2013.

Staff numbers have reduced by 18.5% since 2008 through a combination of natural wastage and voluntary severances. The cost of voluntary severances has been funded from the resources of the Group and is the principal contributor to the reduction in operating costs over this period.

Staff Participation

The CIÉ Group's main asset is its staff. It is CIÉ Group's policy to empower our staff through sharing of information, a culture of participation and by 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, continues 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 regular 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.

CIÉ are committed to supporting the objectives and following the recommendations of the EU Commission-sponsored joint social partner project "WISE" on strengthening the position of and participation by women in the urban public transport sector. CIÉ formally participated in the WISE study which publicised its recommendations in 2014. As part of this commitment CIÉ marked International Women's Day through a major event involving women across the Group. At this, Senior Management in all companies committed to a series of initiatives to advance gender equality in the Group.

Accessibility

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

Bus Átha Cliath now operates a fully low floor accessible fleet making it one of only two bus companies in Europe to offer this facility.

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 2014 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. The Board of CIÉ has initiated a review of the current Enterprise Wide Risk Register. An independently chaired group risk steering committee comprised of group and operating company risk/safety managers and Chief Financial Officers was convened to undertake the review, following the ISO guidance document 31000:2009

Arising from the review, a revised risk management process has been adopted on a pilot basis within the Group. This process consists of an integrated approach which;

(i) outlines the Group's strategic objectives,

(ii) aligns corporate objectives with strategic requirements,

(iii) determines risk tolerances in respect of these objectives,

(iv) identifies and documents risk mitigation action plans, and

(v) provides a platform which supports continuous review of the effectiveness of actions taken.

The outcome of the pilot programme is currently being evaluated.

CIÉ, on behalf of Bus Átha Cliath, Bus Éireann and Iarnród 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.

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 2014, are set out here. Except where indicated they served as Board Members for the whole year.

Vivienne Jupp *Non-Executive Chairman* *(Reappointed 9th July 2014)*

Kevin Bonner *(Retired 28th June 2014)*

Ultan Courtney *(Appointed 23rd September 2014)*

P.J. Drudy

Phil Gaffney *(Reappointed 9th July 2014)*

Helen Keelan *(Retired 10th October 2014)*

Paul Mallee *(Retired 28th June 2014)*

Bill McCamley*

Aebhric McGibney *(Reappointed 4th November 2014)*

Frances Meenan

John Moloney*

Aidan Murphy *(Appointed 9th July 2014)*

Tom O'Connor*

Tommy Wynne*

* *Worker Member*
1 Vacancy

Secretary of the Board

Geraldine Finucane
Heuston Station
Dublin 8

Telephone + 353 1 703 2008
Facsimile + 353 1 703 2276

Board Committees

Audit and Risk Committee

Helen Keelan *Chairman* *(Retired 10th October 2014)*

P.J. Drudy

Phil Gaffney

2 vacancies

Finance Committee

Aebhric McGibney *Chairman* *(Reappointed 4th Nov 2014)*

Kevin Bonner *(Retired 28th June 2014)*

Ultan Courtney *(Appointed 2nd October 2014)*

Paul Mallee *(Retired 28th June 2014)*

Frances Meenan

Aidan Murphy *(Appointed 16th July 2014)*

Remuneration Committee

Phil Gaffney *Chairman*

Vivienne Jupp

Frances Meenan

Safety Committee

Phil Gaffney *Chairman*

Frances Meenan

Tom O'Connor *(Appointed 1st May 2014)*

1 vacancy

Strategy Committee

Helen Keelan *Chairman* *(Retired 10th October, 2014)*

P.J. Drudy *(Retired 10th December, 2014)*

Ultan Courtney *(Appointed 10th December 2014)*

Phil Gaffney *(Appointed 10th December 2014)*

Vivienne Jupp

Aidan Walsh *(Appointed 10th December 2014)*

Group Management

Paddy Doherty *Chief Executive, Bus Átha Cliath*

Mike Flannery *Chief Operating Officer and Chief Financial Officer, CIÉ*

David Franks *Chief Executive, Iarnród Éireann*

Martin Nolan *Chief Executive, Bus Éireann*

Brian Stack *Managing Director, CIÉ Tours International*

Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

Solicitor

Colm Costello
Bridgewater House
Islandbridge
Dublin 8

Principal Bankers

Bank of Ireland
College Green
Dublin 2

Barclay Bank
Hatch Street
Dublin 2

Allied Irish Bank
Ballsbridge
Dublin 4

Ulster Bank
Georges Quay
Dublin 2

About the Board of Córas Iompar Éireann

Vivienne Jupp *Non-Executive Chairman*

Vivienne Jupp was appointed as Non-Executive Chairman of CIÉ in June 2011 and reappointed in July 2014. She is a management consultant and formerly a Global Managing Director in Accenture. She is a Non-Executive Director and 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. 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 *(retired 28th June 2014)*

Kevin Bonner was appointed to the Board of CIÉ and as Chairman of Bus Átha 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). Kevin retired from the Board on 28th June 2014.

Ultan Courtney

Ultan Courtney was appointed to the Board of CIÉ and Chairman of Bus Átha Cliath in September 2014. He has wide experience in the Human Resources and Industrial Relations field. He is Managing Director of his own consultancy business and previously held positions in C&C Group Plc, Superquinn, Waterford Foods and IBEC. Ultan holds a Masters Degree in Economics from Trinity College Dublin and numerous qualifications in the areas of employment law, mediation, arbitration and legal governance.

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 CIÉ in July 2012.

Phil Gaffney

Phil Gaffney was appointed to the Board of CIÉ and as Chairman of Iarnród Éireann in June 2011 and was reappointed during 2014. Phil has served as a Director in Iarnród Éireann since 2006. He is a railway signalling engineer by profession. Before retiring in December 2005, he had spent 28 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 *(Retired 30th November 2014)*

Vincent Green was first appointed to the Board in January 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Vincent joined Iarnród Éireann 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. Vincent retired from the Board on 30th November, 2014.

Helen Keelan *(retired 10th October 2014)*

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 Master's 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. Helen retired from the Board on 10th October 2014.

Paul Mallee *(retired 28th June 2014)*

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 global strategy consultancy Booz & Company. Paul is a Fellow and 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 Master's degree in Strategic Management and Planning, a Bachelor of Commerce Degree and a Certificate of Professional Competence in Road Transport Operations Management.

Paul retired from the Board on 28th June 2014.

Frances Meenan

Frances Meenan is a barrister who practises in the area of employment, commercial and regulatory law. She is a CEDR accredited mediator and has acted in commercial and employment mediation. She is a member of the Institute of Arbitrators and acts as an arbitrator in employment disputes. She has advised the European Commission on discrimination law and has published many books and papers on employment law. She was appointed to the CIÉ Board in July 2012 and was educated at University College, Dublin (B.Comm., M.B.S. and Dip. Arb.), the Law Society of Ireland (having previously practised as a solicitor) and the Kings' Inns.

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 tram workers.

Aebhric McGibney

Aebhric McGibney was appointed to the Board of CIÉ in October 2011 and reappointed in October 2014. 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.

John Moloney

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

Aidan Murphy

Aidan was appointed to the CIÉ Board in July 2014. He has extensive experience as a Supply Chain professional having held positions of CEO Pulse Logistics, Managing Director Supply C&C Group, General Manager Wincanton Ireland and Logistics Director Allegro Ltd. Aidan has been a keynote speaker to several European Supply Chain events including Logicon and the European Supply Chain Summit and is a Fellow and past President of the Chartered Institute of Logistics and Transport Ireland.

Tom O'Connor

Thomas was appointed to the Board of CIÉ in December 2013 under the Worker Participation (State Enterprises) Acts 1977 to 2001.

Thomas works a bus driver based in Ringsend Garage. He is a member of the National Bus and Rail Union, sits on the National Executive and has served as Dublin Branch Secretary since 2010. He previously worked in the electrical and signage industry.

Tommy Wynne

Tommy Wynne was first appointed to the Board on 1st December 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Tommy joined Iarnród Éireann as a depot man in 1991 and became a train driver in 1994. He is currently the Chairman of the Transport Sector and Utilities and Construction Division of SIPTU.

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 eleven Members appointed by the Government (in addition there is one vacancy). Included in the eleven 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 and Risk Committee (see below), Finance Committee (see below), Safety Committee, Remuneration Committee and Strategy Committee. Their members are listed on page 33.

Audit and Risk Committee (ARC)

The ARC has written terms of reference and is composed of up to four non-executive Board Members. The Committee met 6 times in 2014.

Among the main duties of the ARC 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 ARC 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 ARC 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 Group Internal Audit. The ARC 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 2013 for a three-year period following a competitive tender process. Therefore the ARC recommended to the Board that they be formally reappointed for the year ended 31st December, 2014.

There were no contractual commitments that acted to restrict the ARC 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 2014 valued at €199k. Having considered all relationships between the Group and the external audit firm, the ARC does not consider that the nature or extent of additional work undertaken in any way impairs the auditor's judgment or independence.

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

Finance Committee

The Finance Committee is composed of four Board Members and has written terms of reference.

The process by which the committee operates includes meeting with the Chief Financial Officers 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. The Committee is also charged with reviewing the management of the Group's property portfolio having regard to current and future operational requirements.

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 Groups 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 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, Group Internal Audit place emphasis on areas of greater risk as identified by their risk analysis framework. The role and responsibilities of the Group Internal Audit department are defined by a Board approved charter. The Head of Group Internal Audit formally reports to the ARC.

The Board, through the ARC, 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 2014.

Board Member	CIÉ Board	Finance Committee	Audit and Risk Committee	Remuneration Committee	Safety Committee	Strategy Committee
V. Jupp	10/10			5/5		8/8
K. Bonner	5/5	4/6				1/1
Ultan Courtney	3/3	2/2				1/1
P.J. Drudy	10/10		5/6			6/7
P. Gaffney	10/10		6/6	5/5	3/4	3/3
H. Keelan*	7/8		5/5			6/7
P. Mallee*	4/5	5/6				1/1
F. Meenan	10/10	10/10		5/5	4/4	
B. McCamley	9/10					
A. McGibney*	9/10	8/9				
J. Moloney	8/10					
A. Murphy	5/5	4/4				2/2
T. O'Connor	9/10				2/3	
T. Wynne	9/10					

* Mr Mallee joined one CIÉ Board meeting and four Board Finance Committee meetings by telephone, Mr Gibney joined one Board Finance Committee meeting by telephone, Ms Keelan joined two CIÉ Board meetings and one Board Strategy Committee meeting by telephone. They were not included in the quorum for the purposes of the meeting.

** Mr Bonner, Mr Gaffney Mr Mallee were temporarily co-opted to the Board Strategy Committee for its meeting on 3rd February 2014. Mr Gaffney and Mr Murphy were temporarily co-opted to the Board Strategy Committee for its meeting on 4th September.

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. Your attention is drawn to Note 1 in this regard.

On behalf of the Board

Vivienne Jupp *Chairman*
Prof. PJ Drudy *Board Member*

1st April, 2015

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. Under that law the directors have elected to prepare the financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

In preparing those financial statements, the 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; and
- 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 safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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 Auditor's 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 2014 which comprise the Principal Accounting Policies, the Consolidated Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is 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 40, 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 these 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland of the state of the Group's and the company's affairs as at 31st December 2014 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 37-39 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

1st April, 2015

- 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.

(B) Basis of Consolidation

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

- Bus Átha Cliath – Dublin Bus
- Bus Éireann – Irish Bus
- Iarnród Éireann – Irish Rail

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

The depreciation charge for existing railway lines and works is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the 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.

iv. 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.

(v) 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.

(vi) Plant and Machinery; Docks, harbours and wharves

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

(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.

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.

(ii) Revenue Grants

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

(iii) Infrastructure Manager Multi Annual Contract grant

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

(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.

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.

(K) Intercompany Balances

Transactions between CIÉ and its subsidiaries are valued at historical cost and classified based on the relevant arrangements between the respective parties and on the substance of the transaction, as follows:

(i) Long-Term Financial Asset

Represents the aggregate of the cash inflows and outflows from:

a) Intergroup financing activities.

b) The servicing of finance on intergroup financing activities.

(ii) Short-Term Trading Account

Represents the aggregate of:

a) Net surplus generated/deficit incurred by the subsidiaries in the two years to the balance sheet date.

b) Increase/reduction in working capital of the subsidiaries in the two years to the balance sheet date.

(iii) Long-Term Financial Liability

Represents the aggregate of:

a) Cash flow generated from subsidiary operations up to two years prior to the balance sheet date.

b) Net investment in fixed assets of the subsidiaries from the date of incorporation to the balance sheet date.

Consolidated Profit and Loss Account

Year Ended 31st December		Notes	2014 €000	2013 €000
Revenue				
Passenger and Commercial Revenue			**817,135**	764,946
Public Service Obligations		*10*	**211,812**	225,933
Other Exchequer Grants		*10*	**77,429**	15,563
Revenue and State Grants		*2*	**1,106,376**	1,006,442
Costs				
Payroll and related costs		*4*	**(535,845)**	(527,203)
Materials and services		*5*	**(488,985)**	(420,659)
Total operating costs			**(1,024,830)**	(947,862)
EBITDA before restructuring and other charges			**81,546**	58,580
Profit on disposal of tangible assets		*8*	**1,939**	2,798
Depreciation net of amortisation		*6*	**(56,348)**	(58,978)
Surplus before interest and exceptional costs			**27,137**	2,400
Interest receivable			**978**	1,198
Interest payable	– Operational	*9*	**(5,177)**	(4,237)
	– Railway Undertaking	*9*	**(241)**	(309)
	– Rail Freight	*9*	**(6)**	(5)
	– Railway infrastructure	*9*	**(159)**	(169)
Other finance cost		*23*	**(8,225)**	(5,278)
Total Interest Costs			**(12,830)**	(8,800)
Surplus/(deficit) before exceptional costs			**14,307**	(6,400)
Exceptional Costs		*7*	**(4,486)**	(5,208)
Surplus/(deficit) for the year			**9,821**	(11,608)

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*
Prof. P.J. Drudy *Board Member*

Statement of Total Recognised Gains and Losses

Year ended 31st December	Notes	2014 €000	2013 €000
Surplus/(deficit) for the year		**9,821**	(11,608)
Actuarial (loss)/gain in respect of pension schemes	*23*	**(285,777)**	71,219
Total recognised (loss)/gain relating to the year		**(275,956)**	59,611

Consolidated Balance Sheet

Year ended 31st December	Notes	2014 €000	2013 €000
Fixed Assets			
Tangible assets	*12*	**2,603,153**	2,686,888
Financial assets	*13*	**20**	20
		2,603,173	2,686,908
Current assets			
Stocks	*14*	**55,273**	61,170
Debtors	*15*	**70,393**	50,331
Cash at bank and in hand		**50,477**	25,814
		176,143	137,315
Creditors (amounts falling due within one year)	*16*	**(425,949)**	(454,020)
Net current liabilities		**(249,806)**	(316,705)
Total assets less current liabilities		**2,353,367**	2,370,203
Creditors (amounts falling due after more than one year)	*17*	**(59,314)**	(81,491)
Provisions for liabilities and charges	*19*	**(150,790)**	(151,319)
Retirement benefits obligation	*23*	**(701,780)**	(417,745)
Deferred income	*20*	**(2,019,674)**	(2,021,883)
		(578,191)	(302,235)
Financed by:			
Reserves			
Capital reserve		**28,556**	28,556
Profit and loss account	*21*	**(619,258)**	(343,302)
Non-repayable State advances		**12,511**	12,511
	21	**(578,191)**	(302,235)

On behalf of the Board

Vivienne Jupp *Chairman*
Prof. P.J. Drudy *Board Member*

Company Balance Sheet

As at 31st December	Notes	2014 €000	2013 €000
Fixed Assets			
Tangible assets	*12*	**780,366**	790,748
Financial assets	*13*	**640,267**	640,684
		1,420,633	1,431,432
Current assets			
Debtors	*15*	**50,264**	107,549
Cash at bank and in hand		**48,949**	24,355
		99,213	131,904
Creditors (amounts falling due within one year)	*16*	**(51,912)**	(88,143)
Net current assets		**47,301**	43,761
Total assets less current liabilities		**1,467,934**	1,475,193
Creditors (amounts falling due after more than one year)	*17*	**(610,007)**	(602,041)
Deferred income	*20*	**(552,245)**	(561,028)
		305,682	312,124
Financed by:			
Reserves			
Capital reserve		**28,556**	28,556
Profit and loss account	*21*	**264,615**	271,057
Non-repayable State advances		**12,511**	12,511
	21	**305,682**	312,124

On behalf of the Board

Vivienne Jupp *Chairman*
Prof. P.J. Drudy *Board Member*

Consolidated Cash Flow Statement

Year ended 31st December	Notes	2014 €000	2013 €000
Net cash inflow from operating activities	*22(a)*	**54,016**	21,705
Return on investments, servicing of finance and other finance income	*22(b)*	**(4,605)**	(3,522)
Capital expenditure and financial investment	*22(b)*	**34,905**	(33,109)
Cash inflow/(outflow) before use of liquid resources and financing		**84,316**	(14,926)
Financing – (Decrease)/increase in debt	*22(b)*	**(56,417)**	41,212
Increase in cash in the year		**27,899**	26,286
Reconciliation of net cash flow to movement in net debt	*22(c)*		
Increase in cash in the year		**27,899**	26,286
Cash movement from reduction in debt and lease financing		**56,417**	(41,212)
Change in net debt resulting from cash flows		**84,316**	(14,926)
Movement in net debt in the year		**84,316**	(14,926)
Net debt at 1st January		**(102,827)**	(87,901)
Net debt at 31st December		**(18,511)**	(102,827)

Notes to the Financial Statements

1 Going Concern

Background

In July 2013 the CIÉ Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group. Committed facilities of €160 million have been secured up to July 2018.

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

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

Nature of Uncertainties Facing Group

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

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

1. **Revenue**

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

2. **Operating Costs**

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

3. **Investment Costs**

   Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of effective, reliable and safe public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group.

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

1 Going Concern *(continued)*

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

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

4. Pensions

The Group's pension schemes are also in deficit. These schemes are included in the consolidated financial statements of CIÉ and not at the individual operating company level as explained in Note 23 to the financial statements. The net liability position of the pension schemes has increased significantly in the year. The increases arise mainly as a result of the low interest rate environment prevailing in Ireland and Internationally. CIÉ has commenced a review of the pension schemes to consider actions that may be required in light of the level of the deficit. The triennial valuations of the schemes are due to be performed in 2015.

Managements Actions

Group and Company management have taken and are continuing to take a number of actions, including:

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

Letter of Support

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

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

1 Going Concern *(continued)*

Conclusion

Having made due enquiries, and considering the uncertainties described above, the Board Members have a reasonable expectation that the CIÉ Group will deliver on its budget and 5-year plan and related covenant targets, and that its existing banking facilities will be sufficient to fund the ongoing cash-flow needs of the Group, for the period of at least 12 months from the date of signing these financial statements. They also have a reasonable expectation that the Government will support measures to ensure financial stability. For these reasons, the Board Members have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern The directors, having regard to above, have a reasonable expectation that the CIÉ Group and therefore the company will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

2 Profit and Loss for Year Ended 31st December

	Consol. FRS 17 €000	CIÉ €000	Iarnród Éireann €000	Bus Éireann €000	Bus Átha Cliath €000	Total 2014 €000	Total 2013 €000
Revenue:							
Railway undertaking			188,395			**188,395**	176,954
Freight division			5,106			**5,106**	4,942
Rosslare Harbour			10,086			**10,086**	9,670
Other rail services			14,427			**14,427**	3,580
Road passenger services:							
– Dublin City					216,001	**216,001**	204,128
– Provincial cities				29,001		**29,001**	26,166
– Other services				268,898		**268,898**	263,769
Tours		77,835				**77,835**	67,917
Central business activities		7,386				**7,386**	7,820
Public Service Obligation Contracts							
– Operational *(note 10)*			118,199	34,387	60,039	**212,625**	215,172
– Infrastructure *(note 10)*			76,616			**76,616**	26,324
Total revenue		**85,221**	**412,829**	**332,286**	**276,040**	**1,106,376**	1,006,442

	Consol. FRS 17 €000	CIÉ €000	Iarnród Éireann €000	Bus Éireann €000	Bus Átha Cliath €000	Total 2014 €000	Total 2013 €000
Expenditure Railway:							
Railway undertaking:							
Operational costs			276,166			**276,166**	259,787
Infrastructure costs			136,644			**136,644**	79,037
Track access allocation			(53,052)			**(53,052)**	(42,630)
			359,758			**359,758**	296,194
Freight division			6,883			**6,883**	6,510
Rosslare Harbour			7,274			**7,274**	6,329
Other rail services			4,140			**4,140**	3,348
Road passenger services:							
– Dublin City					255,324	**255,324**	259,643
– Provincial cities				35,207		**35,207**	35,377
– Other services				284,021		**284,021**	281,980
Tours		75,213				**75,213**	64,481
Central business activities	(9,967)	6,977				**(2,990)**	(6,000)
Total expenditure	**(9,967)**	**82,190**	**378,055**	**319,228**	**255,324**	**1,024,830**	947,862

2 Profit and Loss for Year Ended 31st December *(continued)*

	Consol. FRS 17 €000	CIÉ €000	Iarnród Éireann €000	Bus Éireann €000	Bus Átha Cliath €000	Total 2014 €000	Total 2013 €000
EBITDA before restructuring and other charges by activity							
Railway undertaking			(171,363)			**(171,363)**	(119,240)
Freight division			(1,777)			**(1,777)**	(1,568)
Rosslare Harbour			2,812			**2,812**	3,341
Other rail services			10,287			**10,287**	232
Road passenger services:							
– Dublin City					(39,323)	**(39,323)**	(55,515)
– Provincial cities				(6,206)		**(6,206)**	(9,211)
– Other services				(15,123)		**(15,123)**	(18,211)
Tours		2,622				**2,622**	3,436
Central business activities	9,967	409				**10,376**	13,820
Public Service Obligation Contracts			194,815	34,387	60,039	**289,241**	241,496
EBITDA before restructuring and other charges	**9,967**	**3,031**	**34,774**	**13,058**	**20,716**	**81,546**	58,580
Net depreciation		(5,156)	(34,942)	(6,665)	(9,585)	**(56,348)**	(58,978)
Interest (payable)/receivable		(5,055)	(462)	825	87	**(4,605)**	(3,522)
Other finance income *(note 23)*	(8,225)					**(8,225)**	(5,278)
Profit/(loss) on disposal of tangible assets *(note 8)*		1,254	45	(6)	646	**1,939**	2,798
Surplus/(Deficit) for the year before exceptional items	**1,742**	**(5,926)**	**(585)**	**7,212**	**11,864**	**14,307**	(6,400)
Exceptional operating costs		(516)	(1,585)	(2,090)	(295)	**(4,486)**	(5,208)
Surplus/(Deficit) for the year	**1,742**	**(6,442)**	**(2,170)**	**5,122**	**11,569**	**9,821**	(11,608)

3 Railway Infrastructure Costs

In compliance with EU Council Directive 91/440 these costs have been computed as follows:

	2014 €000	2014 €000	2013 €000	2013 €000
Maintenance of railway lines and works		**107,423**		52,761
Renewal of railway lines and works		**51,812**		83,510
Operating (signaling) and other expenses		**29,221**		26,276
Depreciation		**43,761**		46,950
Amortisation of capital grants		**(38,569)**		(40,752)
Total railway infrastructure costs		**193,648**		168,745
Infrastructure subvention	**–**		(18,470)	
Track Access Charges	**(53,052)**		(42,630)	
Multi Annual Contract	**(75,093)**		–	
Other Exchequer funding	**(1,523)**		(7,854)	
Renewals funding *(note 12(a))*	**(51,812)**		(83,510)	
Third Party Funding	**(10,238)**		–	
Total railway infrastructure funding		**(191,718)**		(152,464)
Deficit for the year		**1,930**		16,281

4 Payroll and Related Costs

	2014 €000	2013 €000
Staff costs		
Wages and salaries	**469,685**	477,713
Social welfare costs	**44,056**	44,531
Other pension costs	**41,744**	37,680
	555,485	559,924
Own work capitalised	**(20,095)**	(33,173)
Net staff costs	**535,390**	526,751
Board members' remuneration and emoluments		
– for services as Board members	**211**	219
– for executive services	**244**	233
Total Board members' remuneration and emoluments	**455**	452
Total payroll and related costs	**535,845**	527,203

4 Payroll and Related Costs *(continued)*

Included in Board Members' remuneration is €30,655 (2013 – €31,500) Director's fees paid to Vivienne Jupp non-executive Chairman.

The Board Members excluding the Chairman were paid Directors fees during 2013/14 as follows:

	2014 €	2013 €
Board Member		
Kevin Bonner	**12,600**	21,600
Ultan Courtney	**2,554**	–
P. J. Drudy	**15,750**	15,750
Phil Gaffney	**21,060**	21,600
Vincent Green	**–**	13,969
Helen Keelan	**12,295**	15,750
Paul Mallee	**8,545**	19,080
Frances Meenan	**15,750**	15,750
Aidan Murphy	**13,476**	–
Bill McCamley	**15,750**	15,750
William McDermott	**–**	14,438
Aebhric McGibney	**14,860**	15,750
John Moloney	**15,750**	15,750
Tom O'Connor	**15,750**	1,313
Tommy Wynne	**15,750**	1,313

Staff Numbers

The average number of persons employed by company was as follows:

	2014	2013
CIÉ	**246**	241
Iarnród Éireann – Irish Rail	**3,770**	3,792
Bus Éireann – Irish Bus	**2,456**	2,486
Bus Átha Cliath – Dublin Bus	**3,176**	3,172
	9,648	9,691

5 Materials and Services

Included in Materials and Services are:

	2014 €000	2013 €000
Auditors' remuneration	**410**	665
Operating Lease rentals	**4,517**	4,114
Expenses reimbursed to Directors	**2**	2
Revenue grants (note 20)	**(5,623)**	(1,683)

Included in Auditor's Remuneration is:

	2014 €000	2013 €000
Statutory audit services	**190**	223
Other assurance services	**21**	25
Tax advisory services	**106**	183
Other non audit services	**93**	234
	410	665

Included in Expenses Reimbursed to Directors are:

	2014 €000	2013 €000
Subsistence/Accommodation	**1**	2
Foreign Travel	**–**	–
Consultancy fees	**–**	–
Other	**1**	–
	2	2

6 Depreciation

	2014 €000	2013 €000
Depreciation *(note 12)*	**220,073**	230,523
Amortisation of capital grants *(note 20)*	**(163,725)**	(171,545)
	56,348	58,978

7 Exceptional Operating Costs

	2014 €000	2013 €000
Business Restructuring	**(4,486)**	(5,208)
	(4,486)	(5,208)

As part of the Group's 5-year plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The cost in 2014 including severance payments and other costs associated with the programme is €1.6 million. In addition Bus Éireann incurred €2.1 million. Dublin Bus incurred €0.3 million and Córas Iompair Éireann (the holding company) incurred €0.5 million in business restructuring during the year.

8 Profit on Disposal of Tangible Assets

	2014 €000	2013 €000
Net gain on sale of land and buildings	**1,254**	1,246
Profit/(loss) on disposal of rolling stock, vehicles, plant and machinery	**685**	1,552
	1,939	2,798

9 Interest Payable

	2014 €000	2013 €000
On loans and leases wholly repayable within five years	**5,287**	4,309
On loans and leases not wholly repayable within five years	**296**	411
	5,583	4,720
Interest apportioned:		
Group operational costs	**5,177**	4,237
Railway Undertaking	**247**	314
Railway infrastructure costs	**159**	169
	5,583	4,720

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 €289,241 million received in 2014 – €211,812 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €77,429 million under the Infrastructure Manager Multi Annual Contract are given in the following table:

State grants relating to 2013/2014 activities	2014 €000	2013 €000
Public Service Obligation		
Iarnród Éireann – Irish Rail	**117,386**	127,029
Bus Átha Cliath – Dublin Bus	**60,039**	64,540
Bus Éireann – Irish Bus	**34,387**	34,364
State grants under Sub-Head C1 of Vote 32 of Dáil Éireann	**211,812**	225,933
Add:		
Railway Safety Investment Programme	**–**	15,563
Infrastructure Manager Multi Annual Contract	**77,429**	–
State grant for National Development Plan (NDP)	**205,326**	164,378
Other Exchequer grants	**5,484**	2,079
Total Other State funding	**288,239**	182,020
Total State Funding	**500,051**	407,953
Total State Funding was applied as follows:		
Consolidated profit and loss account	**289,241**	241,496
Less: Infrastructure subvention and railway safety grants	**(76,616)**	(26,324)
Add: Other Exchequer revenue grants	**5,484**	1,588
Subvention and other Exchequer revenue grants – operational	**218,109**	216,760
Infrastructure subvention and railway safety grants	**76,616**	26,324
NDP – credit against renewals of railway lines and works	**51,812**	83,504
Infrastructure subvention	**128,428**	109,828
Deferred income – capital grants	**153,514**	81,365
Total State Funding	**500,051**	407,953

10 Public Service Obligations and Other Exchequer Grants *(continued)*

The amount and term of the capital grants are amortised over the useful lives of the assets. Revenue grants are brought to the Consolidated Profit and Loss Account in full in the relevant year received.

	Department of Transport, Tourism & Sport 2014 €000	National Transport Authority 2014 €000	Total 2014 €000	Department of Transport, Tourism & Sport 2013 €000	National Transport Authority 2013 €000	Total 2013 €000
Vote C2 Capital	145,168	142,243	**287,411**	103,037	78,211	181,248
Vote C2 Accessibility	–	828	**828**	–	772	772
Total	145,168	143,071	**288,239**	103,037	78,983	182,020

Source of NDP Funds received during the calendar year 2013/2014 are restricted to particular projects.

11 Holding Company Net Result for the Year

A summary of the financial results of the holding company and its divisions is shown in Note 2. The holding company's net deficit for the year, after profit on disposal of tangible assets, amounted to €6.4 million.

12 Tangible Fixed Assets

Group

	1st Jan 2014 €000	Additions €000	Scrappings & Disposals €000	31st Dec 2013 €000
Cost				
Railway lines and works	2,041,817	59,398	–	**2,101,215**
Funding received for railway lines and works	(1,422,851)	(51,812)	–	**(1,474,663)**
Railway rolling stock	1,458,779	34,738	(10,420)	**1,483,097**
Road passenger vehicles	573,145	53,394	(16,862)	**609,677**
Road freight vehicles	2,894	–	–	**2,894**
Land and buildings	922,157	6,843	(375)	**928,625**
Plant and machinery	1,239,212	35,445	(2,394)	**1,272,263**
Docks, harbours and wharves	56,453	34	–	**56,487**
Total	**4,871,606**	**138,040**	**(30,051)**	**4,979,595**

12 Tangible Fixed Assets *(continued)*

Group

	1st Jan 2014 €000	Additions €000	Scrappings & Disposals €000	31st Dec 2014 €000
Depreciation				
Railway lines and works	1,668,833	63,001	–	**1,731,834**
Funding received for railway lines and works	(1,422,851)	(51,812)	–	**(1,474,663)**
Railway rolling stock	752,890	91,815	(9,328)	**835,377**
Road passenger vehicles	393,023	35,913	(16,627)	**412,309**
Road freight vehicles	2,894	–	–	**2,894**
Land and buildings	129,133	16,360	–	**145,493**
Plant and machinery	639,350	63,412	(2,394)	**700,368**
Docks, harbours and wharves	21,446	1,384	–	**22,830**
Total	**2,184,718**	**220,073**	**(28,349)**	**2,376,442**

Group

	2014 €000	2013 €000
Net book amounts		
Railway lines and works	**369,381**	372,984
Railway rolling stock	**647,720**	705,889
Road passenger vehicles	**197,368**	180,122
Land and buildings	**783,132**	793,024
Plant and machinery	**571,895**	599,862
Docks, harbours and wharves	**33,657**	35,007
Total	**2,603,153**	2,686,888

12 Tangible Fixed Assets *(continued)*

Company

	1st Jan 2014 €000	Additions €000	Scrappings and Disposals €000	31st Dec 2014 €000
Cost				
Land and buildings	918,064	4,920	(375)	**922,609**
Plant and machinery	32,964	1,795	(239)	**34,520**
Total	**951,028**	**6,715**	**(614)**	**957,129**

Company

	1st Jan 2014 €000	Additions €000	Scrappings and Disposals €000	31st Dec 2014 €000
Depreciation				
Land and buildings	128,001	16,246	–	**144,247**
Plant and machinery	32,279	476	(239)	**32,516**
Total	**160,280**	**16,722**	**(239)**	**176,763**

Company

	2014 €000	2013 €000
Net book amount		
Land and Buildings	**778,362**	790,063
Plant and machinery	**2,004**	685
Total	**780,366**	790,748

(a) In compliance with FRS 15, Tangible Fixed Assets, 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 related grants.

12 Tangible Fixed Assets *(continued)*

Renewals expenditure and related grants were as follows:

	2014 €000	2013 €000
Renewals expenditure	**51,841**	83,510
State grants	**51,812**	83,504
Other grants	**–**	6
	51,812	83,510

(b) Road passenger vehicles at a cost of €121,730,621 (2013 – €86,236,719) 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 railway rolling stock and plant and machinery 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:

	2014 €000	2013 €000
Cost	**93,478**	89,414
Accumulated depreciation	**(84,986)**	(82,104)
Net book value at 31st December	**8,492**	7,310
Depreciation for year	**(2,882)**	(2,394)

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

	2014 €000	2013 €000
Railway Rolling Stock	**115**	526
Road passenger vehicles	**22,595**	647
	22,710	1173

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

	2014 €000	2013 €000
Cost	**1,434,672**	1,407,572
Accumulated depreciation	**(610,999)**	(567,429)
Net book value at 31st December	**823,673**	840,143

13 Financial Assets

Group

	Listed Shares		Unlisted Shares		Total	
	2014 €000	2013 €000	2014 €000	2013 €000	2014 €000	2013 €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		Amounts Due from Subsidiary Companies *(note 16(b))*	Total
	Unlisted Shares 000	Finance Leases 000	Listed Shares 000	Unlisted Shares 000	000	000
Restated cost of valuation at 1st January	293,309	7,349	34	13	340,026	640,731
Reduction in Finance Leases	–	(5,005)	–	–	–	(5,005)
Inter Company Cash Flow	–	–	–	–	4,588	4,588
At 31st December 2014	**293,309**	**2,344**	**34**	**13**	**344,614**	**640,314**
Provision for permanent diminution in value at 31st December 2014	–	–	(34)	(13)	–	(47)
Net Book Amounts at 31st December 2014	**293,309**	**2,344**	**–**	**–**	**344,614**	**640,267**
Net Book Amounts at 31st December 2013	293,309	7,349	–	–	340,026	640,684

14 Stocks

Group

	2014 €000	2013 €000
Maintenance materials and spare parts	**27,578**	30,288
Infrastructure stocks	**16,319**	17,693
Fuel, lubricants and other sundry stocks	**11,376**	13,189
	55,273	61,170

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

15 Debtors

Group

	2014 €000	2013 €000
Trade debtors	**22,256**	25,014
Department of Education and Science	**9,743**	7,781
EU grants receivable	**–**	4,508
Other debtors and accrued income	**38,394**	13,028
	70,393	50,331

Company

	2014 €000	2013 €000
Trade debtors	**850**	2,083
Amounts due from subsidiary companies (note 16(b))	**44,119**	98,806
Other debtors and accrued income	**5,295**	6,660
	50,264	107,549

16 Creditors (Amounts Falling Due within One Year)

Group

	2014 €000	2013 €000
Bank overdraft	**128**	3,364
Bank loans *(note 18)*	**13,000**	40,000
Finance lease obligations *(note 27)*	**2,078**	4,174
Trade creditors	**108,749**	106,920
Income tax deducted under PAYE	**10,110**	9,693
Pay related social insurance	**5,751**	5,452
Value added tax and other taxes	**4,050**	8,583
Other creditors	**24,051**	24,661
Restructuring provisions *(note 19)*	**12,463**	13,025
Third party and employer's liability claims *(note 19)*	**20,701**	22,300
Deferred income *(note 20)*	**163,783**	160,497
Accruals	**61,085**	55,351
	425,949	454,020
Creditors for taxation and social welfare included above	**19,911**	23,728

Company

	2014 €000	2013 €000
Bank overdraft	**–**	–
Bank loans (note 18)	**13,000**	40000
Finance lease obligations (note 27)	**2,078**	4,174
Trade creditors	**10,532**	9,819
Amounts owed to subsidiary companies (note 16(a))	**–**	6,493
Income tax deducted under PAYE	**949**	792
Pay related social insurance	**110**	228
Value added tax and other taxes	**889**	891
Other creditors	**7,630**	8,990
Deferred income (note 20)	**11,270**	11,449
Accruals	**5,454**	5,307
	51,912	88,143
Creditors for taxation and social welfare included above	**1,948**	1,911

16(A) Intercompany Balances

Company

	2014 €000	2013 €000
Long Term financial asset		
Amounts due from subsidiary companies (note 13)	**344,614**	340,026
Short term trading account		
Amounts due from subsidiary companies (note 15)	**44,119**	98,806
Amounts owed to subsidiary companies (note 16)	–	(6,493)
Long term financial liability		
Amounts owed to subsidiary companies (note 17)	**(556,148)**	(520,550)
Net intercompany balance payable	**(167,415)**	(88,211)

17 Creditors (Amounts Falling Due After more than One Year)

Group

	2014 €000	2013 €000
Bank Loans *(note 18)*	**53,387**	79,142
Finance lease obligations *(note 27)*	**395**	1,961
Irrecoverable value added tax on finance leases	**77**	388
Pensions	**5,455**	
	59,314	81,491

Creditors (Amounts Falling Due After more than One Year)

Company

	2014 €000	2013 €000
Bank Loans (note 18)	**53,387**	79,142
Finance lease obligations (note 27)	**395**	1,961
Irrecoverable value added tax on finance leases	**77**	388
Amounts owed to subsidiary companies (note 16(a))	**556,148**	520,550
	610,007	602,041

18 Bank Loans

Group and Company

These loans are repayable as follows:

	2014 €000	2013 €000
Within one year *(note 16)*	**13,000**	40,000
Between 2 and 5 years *(note17)*	**53,387**	79,142
Total Bank Borrowings	**66,387**	119,142

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

Group

	Restructuring Provisions €000	Third Party and Employer's Liability Claims €000	Total €000
Balance at 1st January 2014	13,025	173,619	**186,644**
Utilised during year	(4,423)	(15,128)	**(19,551)**
Transfer from profit and loss account	3,861	13,000	**16,861**
Balance carried forward 31st December 2014	**12,463**	**171,491**	**183,954**
Apportioned:			
Current liabilities *(note 16)*	12,463	20,701	**33,164**
Amounts falling due after more than one year	–	150,790	**150,790**
	12,463	**171,491**	**183,954**

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.

19 Provisions for Liabilities and Charges *(continued)*

(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 €2,000,000

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

Iarnród Éireann – Irish Rail	€11,000,000
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 2014 to March 2015, 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 damage indemnity cover for the Group is €200,000,000 with an excess of €10,000,000 each and every loss except for railway and road rolling stock whilst in transit where the excess is €500,000 each and every loss in Ireland/ Northern Ireland and €250,000 each and every loss in the United Kingdom (excluding Northern Ireland).

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.

19 Provisions for Liabilities and Charges *(continued)*

(c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.

(d) Marine Impact cover for itemised structures totalling €28,400,000, subject to an excess of €25,000 for each and every loss.

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

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

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

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

(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 net 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 2014 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss A/C €000	31st Dec 2014 €000
Capital grants					
Railway lines and works	353,509	8,888		(11,604)	**350,793**
Railway rolling stock	604,535	45,028		(66,401)	**583,162**
Plant and machinery	512,022	28,993		(49,826)	**491,189**
Docks, harbours and wharves	9,596	–		(310)	**9,286**
Land and Buildings	574,240	4,981	(368)	(11,620)	**567,233**
Road passenger vehicles	128,465	77,487	(206)	(23,964)	**181,782**
	2,182,367	**165,377**	**(574)**	**(163,725)**	**2,183,445**
Other deferred income	13	–		(1)	**12**
	2,182,380	**165,377**	**(574)**	**(163,726)**	**2,183,457**
Revenue grants	–	5,623		(5,623)	**–**
Total	**2,182,380**	**171,000**	**(574)**	**(169,349)**	**2,183,457**

	2014 €000	2013 €000
Apportioned:		
Deferred income – amounts falling due within one year (note 16)	**163,783**	160,497
Deferred income – amounts falling due after one year	**2,019,674**	2,021,883
	2,183,457	2,182,380

20 Deferred Income *(continued)*

Company

	1st Jan 2014 €000	Received and Receivable €000	Granted Aided Assets Disposals €000	Profit and Loss A/C €000	31st Dec 2014 €000
Capital grants					
Land and buildings	572,464	2,973	(368)	(11,566)	**563,503**
Other Deferred Income	13	–		(1)	**12**
Total	572,477	2,973	(368)	(11,567)	**563,515**

	2014 €000	2013 €000
Apportioned:		
Deferred income – amounts falling due within one year (note 16)	**11,270**	11,449
Deferred income – amounts falling due after one year	**552,245**	561,028
	563,515	572,477

21 Reconciliation of Movements In Reserves

Group

	Capital Reserve €000	Profit and Loss A/C €000	Non-repayable State Advances €000	2014 Total Reserves €000	2013 Total Reserves €000
Balance at 1st January	28,556	(343,302)	12,511	**(302,235)**	(361,846)
(Deficit)/Surplus for the year	–	9,821	–	**9,821**	(11,608)
Actuarial gain/(loss) in respect of pension schemes	–	(285,777)	–	**(285,777)**	71,219
Balance at 31st December	**28,556**	**(619,258)**	**12,511**	**(578,191)**	(302,235)

21 Reconciliation of Movements In Reserves *(continued)*

Company

	Capital Reserve	Profit and Loss A/C	Non-repayable State Advances	2014 Total Reserves	2013 Total Reserves
	€000	€000	€000	€000	€000
Balance at 1st January	28,556	271,057	12,511	**312,124**	311,085
Profit for the year	–	(6,442)	–	**(6,442)**	1,039
Balance at 31st December	**28,556**	**264,615**	**12,511**	**305,682**	312,124

22 Cash Flow Statement

(A) Reconciliation of Operating Deficit to Operating Cash Flows

	Year ended 31st December	
	2014 €000	2013 €000
EBITDA before restructuring and other charges	**81,546**	58,580
Exceptional costs – restructuring	**(4,486)**	(5,208)
(Increase)/reduction in stocks	**5,897**	(3,359)
Decrease in debtors	**(24,574)**	3,886
Decrease in creditors and provisions	**(4,367)**	(32,194)
Net cash inflow from operating activities	**54,016**	21,705

22 Cash Flow Statement *(continued)*

(B) Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	Year ended 31st December 2014 €000	2013 €000
Returns on investments and servicing of finance		
Interest received	**978**	1,198
Interest paid	**(5,252)**	(4,494)
Interest element of finance lease rental payments	**(331)**	(226)
Net cash outflow for returns on investments and servicing of finance	**(4,605)**	(3,522)
Capital expenditure and financial investment		
Purchase of tangible assets	**(189,852)**	(207,829)
Disposal of tangible assets	**3,060**	2,775
State and EU capital grants	**221,697**	171,945
Net cash outflow for capital expenditure and financial investment	**34,905**	(33,109)
Financing		
Repayment of debt	**(52,755)**	–
New Loans	**–**	45,142
Capital element of finance lease rental payments	**(3,662)**	(3,930)
Net cash inflow from financing	**(56,417)**	41,212

(C) Analysis of Net Debt

	1st Jan 2014 €000	Cash Flow €000	31st Dec 2014 €000
Cash at bank and in hand	25,814	24,663	**50,477**
Bank overdrafts	(3,364)	3,236	**(128)**
	22,450	27,899	**50,349**
Debt due within one year	(40,000)	27,000	**(13,000)**
Debt due after one year	(79,142)	25,755	**(53,387)**
Finance leases	(6,135)	3,662	**(2,473)**
	(125,277)	56,417	**(68,860)**
Total	**(102,827)**	**84,316**	**(18,511)**

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 2014, the results of which are due to be published during the second half of 2015, The previous 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 2014 by a qualified independent actuary.

The amounts recognised in the Balance Sheet are as follows:

	2014 €000	2013 €000
Fair value of scheme assets	**1,760,923**	1,538,389
Present value of scheme liabilities	**(2,462,703)**	(1,956,134)
Pension deficit	**(701,780)**	(417,745)

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:

	2014 €000	2013 €000
Charged to operating profit		
Current service cost	**35,216**	36,654
Total operating charge	**35,216**	36,654
Credited to other finance income		
Expected rate of return on pension scheme assets	**66,700**	67,231
Interest on pension scheme liabilities	**(74,925)**	(72,509)
Net return	**(8,225)**	(5,278)

23 Pensions *(continued)*

The amounts recognised in the Statement of Total Recognised Gains and Losses are as follows:

	2014 €000	2013 €000
Actual return less expected return on pension scheme assets	**165,947**	32,495
Experience gains/(losses) arising on the scheme liabilities	**(388)**	4,669
Changes in assumptions underlying the present value of the scheme liabilities	**(451,336)**	34,055
Actuarial (loss)/gain recognised in STRGL	**(285,777)**	71,219

The cumulative actuarial loss recognised in the Statement of Total Recognised Gains and Losses up to and including the financial year ended 31st December 2014 is €813.7 million (2013: €527.9 million). Based on current contribution ratios, the expected members and employer contributions for the year ended 31st December 2015 are €65 million.

Movement in Schemes' Assets and Liabilities

	Schemes' Assets €000	Schemes' Liabilities €000	Schemes' Deficit €000
At 1st January, 2013	1,452,968	(1,944,822)	(491,854)
Current service cost	–	(36,654)	(36,654)
Interest costs	–	(72,509)	(72,509)
Expected return on scheme assets	67,231	–	67,231
Actual less expected return on scheme assets	32,495	–	32,495
Experience gains on liabilities	–	38,724	38,724
Past service costs	–	–	–
Net benefit paid out	(76,988)	76,988	–
Members contributions	17,861	(17,861)	–
Employer contributions paid	44,822	–	44,822
At 31st December, 2013	1,538,389	(1,956,134)	(417,745)
Current service cost	–	(35,216)	(35,216)
Interest costs	–	(74,925)	(74,925)
Expected return on scheme assets	66,700	–	66,700
Actual less expected return on scheme assets	165,947	–	165,947
Experience gains on liabilities	–	(451,724)	(451,724)
Past service costs	–	–	–
Curtailment gain	–	–	–
Net benefit paid out	(72,998)	72,998	–
Members contributions	17,702	(17,702)	–
Employer contributions paid	45,183	–	45,183
At 31st December, 2014	**1,760,923**	**(2,462,703)**	**(701,780)**

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 2014 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 €1,760.9 million. The fair value of the asset categories as a percentage of total schemes' assets were as follows:

	2014 %	2013 %
Equities	**45.5**	48.6
Property	**6.9**	6.6
Bonds	**37.0**	33.3
Other	**10.6**	11.5
Total	**100**	100

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 6.3% and is expected to exceed that of bonds by on average 4.8%. The expected rate of return for property assets is 5.4% and for other assets is 4.3%. Thus the overall expected rate of return on schemes' assets at 31st December 2014 is 4.1% (2013: 4.4%) after allowing for the pension levy of 0.15% applicable in 2015. FRS17 is replaced by FRS102 effective 1 January 2015. Under FRS102 the Expected Return on Assets and the Interest on Liabilities are replaced by interest on the balance sheet item using the discount rate and the net interest item is charged to Financing Income.

Financial Assumptions

The principal actuarial assumptions used in the valuations were:

	31st Dec 2014 % p.a.	31st Dec 2013 % p.a.
Discount Rate	**2.1**	3.9
Inflation	**1.6**	2.0
Pension increases**	**1.6**	2.0
Salary increases**	**1.6**	2.0

** Pay Pause i.e. 0% increase for 2015-2017 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 2014 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 2014 Male	31st Dec 2014 Female	31st Dec 2013 Male	31st Dec 2013 Female
Currently aged 45 years	**23.5**	**25.6**	25.1	26.1
Currently aged 65 years	**20.9**	**23.5**	22.7	24.0

	2014 €000	2013 €000	2012 €000	2011 €000	2010 €000
Fair value of scheme assets	**1,760,923**	1,538,389	1,452,968	1,338,070	1,344,359
Present value of funded liabilities	**(2,462,703)**	(1,956,134)	(1,944,822)	(1,497,241)	(1,693,051)
Deficit in scheme	**(701,780)**	(417,745)	(491,854)	(159,171)	(348,692)
Experience gains/(losses) on scheme assets:	**165,947**	32,495	56,352	(77,245)	30,570
Percentage of the present value of the scheme assets	**9.4%**	2.1%	3.9%	(5.8)%	2.3%
Experience (losses)/gains on scheme liabilities**	**(388)**	4,669	(952)	(14,609)	32,340
Percentage of the present value of the scheme liabilities	**(0.02%)**	0.2%	(0.1)%	(1.0)%	1.9%

*** 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

	2014 €000	2013 €000
Contracted for	**100,231**	28,980
Authorised by Board but not contracted for	**208,109**	234,318
	308,340	263,298

Capital grants totalling €258.0 million have been approved in respect of the above expenditure (2013 – €85.5 million).

25 Foreign Exchange, Oil Commitments and Interest Rate Swaps

At 31st December 2014, Córas Iompair Éireann was committed to buying STG£12.1 million, buying US$27 million, selling US$12.0 million and selling AUS $2.0 million under forward currency contracts expiring during 2015 and 2016. The total fair value of these contracts at 31st December 2014 is €48.9 million resulting in a profit of €1.7 million.

At 31st December 2014, Córas Iompair Éireann was also committed to buying oil under commodity swap contracts to the value of US$ 109.6 million expiring during 2015 and 2016. The fair value of these contracts at 31st December 2014 was €72.0 million resulting in a loss of €30.9 million.

At 31st December, Córas Iompair Éireann had interest rate hedge contracts in place to cover at least 50% of the interest rate exposure on its €80 million term loan facility. These contracts run from January 2015 and expire in July 2017. The fair value of these contracts at 31st December 2014 was €0.09 million resulting in a loss of €1.1 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.

Bank borrowings

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

27 Lease Obligations

(A) Finance Leases

Net obligations under finance leases fall due as follows:

	2014 €000	2013 €000
Within one year *(note 16)*	**2,078**	4,174
Between one and five years *(note 17)*	**395**	1,961
After five years	**–**	–
	395	1,961
Total	**2,473**	6,135

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

(B) Operating Leases

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

	On plant & equipment/ motor vehicles 2014	On plant & equipment/ motor vehicles 2013
Within one year	**1,705**	**2,357**
Between one and five years	**1,227**	**1,447**
	2,932	**3,804**

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 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 €263.0 million in 2014 and amounts due from these entities to the Group at 31st December 2014 for these services totalled €24.6 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, oil swap contracts and day to day banking facilities. Expenditure on these services amounted to €108.6 million in 2014 and amounts due to these entities by the Group at 31st December 2014 for these services totalled €58.3 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
CIÉ 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 2013, 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.

29 Group Membership *(continued)*

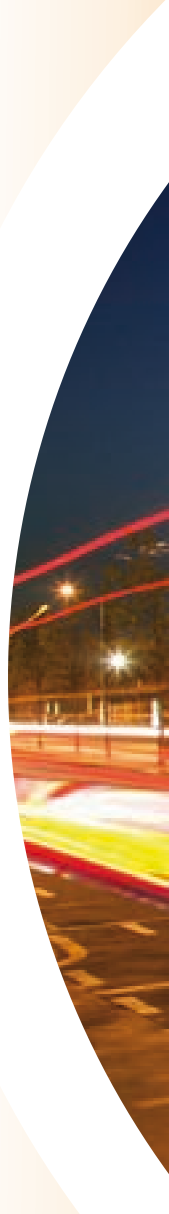
CIÉ Tours International is incorporated in New York and operates in North America.

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.
CIÉ 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 1st April 2015.



CIE