CIÉ Group Annual Report and Financial Statements **2015**

# Connecting People - Connecting Places

CIÉ Group Annual Report
Year Ended 31 December **2015**

# Financial and Operating Highlights 2015

**Revenue**
**€1,153.0m 2015**
€1,120.0m 2014

**+6.5m**
**CIÉ Group customer journeys**
**241.0m 2015**
234.5m 2014

**+1.9m**
**Iarnród Éireann customer journeys**
**39.7m 2015**
37.8m 2014

**+0.7m**
**Bus Éireann (excluding Schools transport) customer journeys**
**37.9m 2015**
37.2m 2014

**+3.8m**
**Bus Átha Cliath customer journeys**
**122.4m 2015**
118.6m 2014

**+0.1m**
**Schools Transport customer journeys**
**41.0m 2015**
40.9m 2014

Energy consumption reduced through sustainability initiatives

# Contents






*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.*

# Chairman's Statement

**I am pleased to report that during 2015 CIÉ continued to grow the number of customer journeys being taken across its services by 6.5 million (2.8%), leading to a €20.9 million (2.5%) increase in the Group's fare revenue.**

**Our goal is to support the growth of the Irish economy, and social cohesion, through the provision of attractive public transport services. We do this by meeting and exceeding the travel needs of our customers, which in turn stimulates increased demand.**

All three operating companies have made real progress in the quality of services they provide. I acknowledge and appreciate the contribution of our management and staff towards the provision of these excellent public transport services.

CIÉ is pleased to note the strong performance of Bus Átha Cliath, which had a successful year from both a customer and financial perspective. Our challenge here is to continue to meet the growth in demand in an efficient manner.

Iarnród Éireann continued to deliver rail services safely and reliably during 2015. Strong punctuality, the delivery of a comprehensive range of safety initiatives and the commencement of key investments which will yield journey time benefits for customers are the building blocks for furthering the good progress that has been achieved in developing the business during 2015.

Bus Éireann generated passenger growth across all its service offerings. However, it is facing a challenging operating environment. Expressway has experienced further increases in competition during the year. The negotiated 19-month pay reduction ended at the beginning of 2015 leading to an increase in operating costs for the year. A reduction in contract income resulted in a loss on the Public Service Obligation (PSO) business for 2015.

CIÉ Tours experienced a decline in volume and margin during 2015. Negative consumer sentiment towards European travel generally during the principal booking period adversely affected volume, while greater competition for lower numbers gave rise to margin pressure. Nevertheless, CIÉ Tours continued to be profitable in 2015.

Since 2012, our key focus has been on improving the Group's short-term liquidity position, while maintaining our quality services. Through a combination of increased passenger volumes and cost reduction initiatives, as well as additional funding for essential recurring maintenance, the CIÉ Group has made good progress in addressing its short-term liquidity requirements. The Group moved from a net debt position of €18.6 million at the end of 2014 to a net cash position of €5.1 million at the end of 2015. However, the Group's medium-term financial stability and liquidity remain challenges.

Exchequer support for public transport remains critical to the long-term financial viability of the Group. The Exchequer has made supplementary funding available for essential maintenance in both 2014 and in 2015. However, under the EU Stability and Growth Pact mechanism, the capacity to fund essential expenditures through this mechanism may be restricted in the future.

Overall Exchequer funding increased in 2015. Yet, the essential costs and investment required to maintain the scope of public transport services continues to exceed the funding available. In 2014, the joint National Transport Authority (NTA)/Iarnród Éireann Rail Review identified this as a significant issue.


During 2015, the Group invested €16.8 million more in the essential maintenance of its railway infrastructure than had been provided in Exchequer Funding. This essential investment had an adverse impact on the Group's EBITDA performance in the year. There is a requirement to develop a committed, multi-annual approach to funding the maintenance of public transport infrastructure. This is vital to ensure the long-term financial sustainability of the CIÉ Group.

A funding gap has re-emerged in the provision of PSO bus services outside Dublin. The availability of multi-annual funding, to secure the provision of transport services, which are both financially and operationally sustainable, remains a principal concern of the CIÉ Board. CIÉ is fully committed to working with its stakeholders to develop a long-term plan, which balances the requirements of service provision with the objective of achieving funding sustainability.

While CIÉ Group traded well generally during 2015, it is clear that considerable challenges remain. The most significant of these are:

**A Strategy for the Sustainable Development of Public Transport.** CIÉ's mandate is to provide socially necessary bus and rail transport in a well-functioning, integrated manner. The provision of public transport services requires an appropriate medium-term planning horizon within which clear objectives are identified. Ongoing development and provision of services must be framed in the context of available funding. We will seek support so that funding will be committed on a multi-year basis, as this will allow the achievement of cost-effective outcomes for the travelling public, and contribute to balance regional and economic development at a reasonable cost.

**Continued pressure on Exchequer Funding.** This year's PSO contract review shows that the cumulative deficit of PSO provision has increased during 2015 by €5 million to €208 million. In 2014, the Minister for Transport, Tourism and Sport earmarked a supplementary investment of €51 million in Iarnród Éireann, which principally funded the Heavy Maintenance of its rolling stock fleet during 2015. Similarly, in the last quarter of 2015, €38 million was provided on a supplementary basis, which will assist in funding 2016 Heavy Maintenance requirements.

This funding is most welcome as it improved our capacity to maintain quality rail transport services and the liquidity position of the Group on a year-to-year basis. However, given the continuous nature of the maintenance of the Rolling Stock fleet, it is essential to achieve a commitment to the annual funding of this maintenance.

As detailed in the Department of Transport, Tourism and Sport's (DTTaS) 2014 draft Strategic Framework for Investment in Land Transport, agreement exists between the Shareholder, the NTA, CIÉ and Iarnród Éireann that the rail network is significantly underfunded for its scale and for the services we are contracted to provide. A clear path to a sustainable future for Iarnród Éireann is essential, in order to ensure it is equipped to provide a network and services which will generate a positive return for the economy.

**Appropriate Bus Éireann PSO Compensation.** Bus Éireann incurred a loss on the cost of the PSO services it provided in 2015. It was clear throughout 2015 that Bus Éireann's PSO contract was under-funded by c. €6 million. The issue was finally resolved by the end of the year. The timing and manner of the resolution gave rise to considerable uncertainty throughout the year, which presented a significant on-going business challenge for Bus Éireann.


**Expressway.** The Expressway commercial service faces an extremely challenging market that requires the implementation of a change programme to position the company to meet competition effectively.

**Luas Cross City Disruption.** During 2015, the Luas Cross City presented a significant logistical hurdle to Bus Átha Cliath operations. This disruption will continue into 2016, and Bus Átha Cliath will continue to successfully meet this challenge. This can be seen by the strong growth in patronage despite the disruption. We would like to highlight the effectiveness of the traffic management plans put in place in conjunction with the NTA, Dublin City Council and An Garda Siochána to minimise the disruption.

## Acknowledgments

CIÉ Group continues to work closely with the DTTaS and with the NTA. Collaborative engagement enables us to work with the Authority to deliver solutions which provide real value to customers. A notable example has been the success of LEAP, the Integrated Ticketing System. CIÉ actively supports the increased use of LEAP by customers, even though a consequence is that revenue is not growing at the same rate as customer journeys.

On behalf of the Board, I would like to express my thanks to the Minister for Transport, Tourism and Sport, Mr. Paschal Donohoe 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. Their support to the CIÉ Group during the year is recognised and appreciated. I would also like to thank the officials of the Department of Transport, Tourism and Sport and of the NTA for their assistance.

CIÉ is fortunate to be in a position to avail of the contribution of its Board Members who provide a valuable blend of expertise and experience to assist in the governance of the organisation. I wish to thank the Board for their service during the year and, in particular, to acknowledge the contributions of Professor P.J. Drudy and Ms. Frances Meenan who retired from the Board during the year. I welcome the continued presence on the Board of Mr. Aebhric McGibney, who was re-appointed by the Minister during the year and to welcome onto the Board Ms. Christine Moran, Mr. Ruairi O'Flynn and Ms. Niamh Walsh.

In conclusion, I would also like to thank the Board Members and directors of all the subsidiary companies for their help and support to the subsidiary companies and to CIÉ 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 2015

## EBITDA

The operating results for the CIÉ Group for 2015 show earnings before interest, taxation, depreciation, and amortisation and before exceptional costs and profits on disposal of fixed assets (EBITDA) of €48.3 million.

## Revenue and EBITDA

| | 2015 €m | 2014 €m | Change €m |
|---|---|---|---|
| Fare revenue and commercial income | 846.0 | 825.1 | 20.9 |
| **Other income** | | | |
| PSO contract income | 189.6 | 211.8 | (22.2) |
| Other State grants | 117.4 | 83.1 | 34.3 |
| | **307.0** | **294.9** | **12.1** |
| **Total revenue** | **1,153.0** | **1,120.0** | **33.0** |
| Payroll before pension adjustment | (556.5) | (545.8) | (10.7) |
| Pension adjustment | (8.2) | 10.5 | (18.7) |
| Materials and services | (540.0) | (503.5) | (36.5) |
| **Total operating costs** | (1,104.7) | (1,038.8) | (65.9) |
| **EBITDA** | **48.3** | **81.2** | **(32.9)** |

The 2015 EBITDA result of €48.3 million is €32.9 million lower than 2014 EBITDA of €81.2 million. The principal components of the EBITDA decline are:

(i) 2014 EBITDA included a significant once-off benefit related to additional Exchequer funding of €12.0 million. This funding, which was received in late 2014 through a supplementary estimate, has funded c. 70% of the €16.8 million increase in railway infrastructure maintenance that occurred in 2015.

(ii) Pension accounting adjustments account for €18.7 million of the year on year decline in EBITDA, while the pension adjustment is a non–cash item, the increase highlights the importance of implementing changes to pensions, on an agreed basis, which reduces the risk of significant cost escalations as has occurred in 2015. The pension adjustment reflects the difference between the current and past service charges under FRS 102 and the actual employer contributions paid and payable in the year.

When these factors are taken into account, the underlying EBITDA performance reflects a combination of strong business performance due to:

- Strong revenue performance across all operations as CIÉ Group increased its passenger numbers by 6.5 million to 241.0 million passenger journeys, which is an increase of 3.6%.
- The increase in payroll costs in the year reflects recruitment necessary to service additional demand combined with an increased focus on ongoing essential maintenance rather than new project works.
- Payroll costs, before pension adjustment, increased by €10.7 million in the year. During 2015, the staff of Iarnród Éireann contributed €5.6 million in savings through a voluntary pay reduction scheme. A similar programme, which had been implemented in Bus Éireann, completed in December 2014 and as a result, the year on year pay costs increased by €5.0 million.

The positive fare revenue trends help to meet the continuing challenge of funding the maintenance of public transport infrastructure and fleets to the appropriate standards:

- Government support for investment in railway infrastructure maintenance increased by €36.2 million, this was in addition to €12.0 million funding provided in 2014 for planned maintenance programmes undertaken in 2015. On an overall basis, during 2015 the total cost of rail infrastructure maintenance, net of funding, increased by €16.8 million.
- This increased investment in rail infrastructure maintenance includes programmes of substantial renewal of degraded track ballast and essential refurbishment of station buildings which will support faster journey times and an improved customer experience for the travelling public.

Finally, Public Service Obligation (PSO) funding has reduced during 2015 – the reduction of €22.2 million more than offsets the improvements in fare revenue. As a result, the gains achieved in the year, principally by carrying more passengers, has not resulted in an improvement in EBITDA.

## Revenue

Revenue for the CIÉ Group in 2015 was €1,153.0 million and can be broken down by company and business activity as follows:

### Fare, Commercial and PSO Income

| | 2015 €m | 2014 €m | Change €m |
|---|---|---|---|
| Iarnród Éireann | 233.9 | 217.6 | 16.3 |
| Bus Éireann | 303.0 | 297.9 | 5.1 |
| Bus Átha Cliath | 228.1 | 216.0 | 12.1 |
| Other (Tours, Property and CAN) | 81.0 | 93.6 | (12.6) |
| **Fare and commercial revenue** | **846.0** | **825.1** | **20.9** |
| **PSO contract income** | | | |
| Iarnród Éireann | 98.2 | 117.4 | (19.2) |
| Bus Éireann | 33.7 | 34.4 | (0.7) |
| Bus Átha Cliath | 57.7 | 60.0 | (2.3) |
| **PSO contract income** | **189.6** | **211.8** | **(22.2)** |
| **Other Exchequer funding** | **117.4** | **83.1** | **34.3** |
| **Total revenue** | **1,153.0** | **1,120.0** | **33.0** |

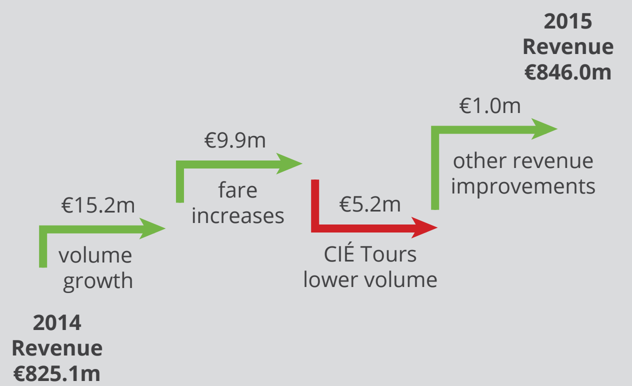
### Fare and Commercial Revenue

Fare and commercial revenues grew in each of the public transport companies giving a combined improvement in 2015 of €33.5 million. Property and Advertising activity income of €20.1 million, which was previously partially allocated to the operating companies, is now allocated in full so that PSO activities of the operating companies incorporate the full benefit of ancillary activity. CIÉ Tours revenue declined by €5.2 million due to a reduction in passenger volumes.

CIÉ is pleased to report that a higher proportion of revenue growth has derived from increased demand for its services than was the case in previous years. Total fare revenue grew by 2.7% of which 1.8% was attributable to volume increases. Fare revenue grew by €25.1 million through a combination of an improvement in passenger journeys (€15.2m), and fare increases approved by the National Transport Authority (NTA) in 2014 (€9.9 m).

CIÉ Tours passenger numbers declined during 2015. CIÉ Tours carried 43,403 visitors to Ireland and Great Britain in the year, and remains one of the country's largest inbound tour operators.

**Revenue Growth of €20.9m during 2015**




### PSO Contract Income

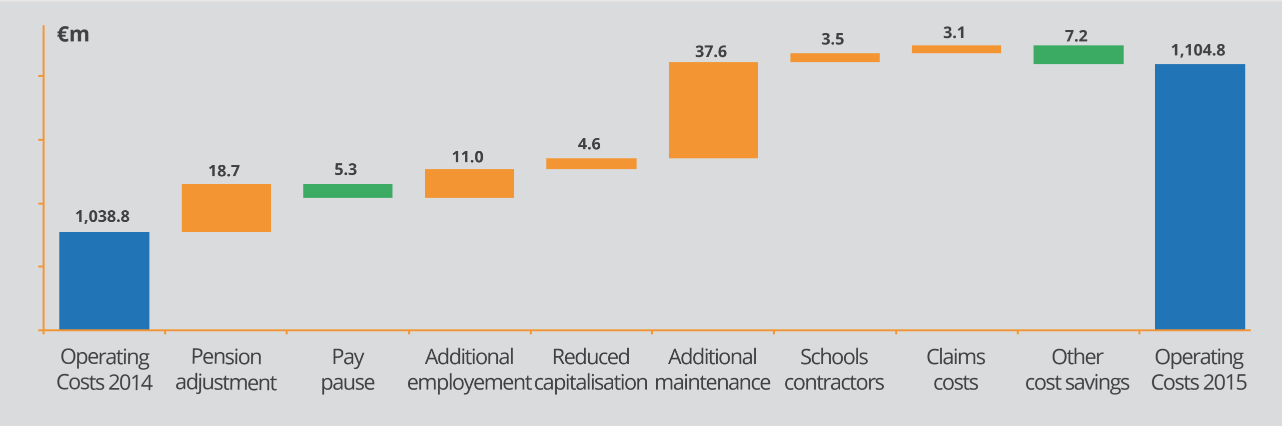
PSO contract income was reduced in each operating company during 2015.

Within Iarnród Éireann, the reduction in PSO contract income was made possible by a combination of growth in revenue and continued strong cost control. However, as a result of the reduction, Iarnród Éireann did not generate a reasonable profit on its PSO contract in 2015. While the reduction in PSO did facilitate increased funding for Infrastructure maintenance, the reduction in PSO contract income contributed to the increase in the deficit incurred by Iarnród Éireann in 2015.

In Bus Éireann, PSO income declined by 2% and was not sufficient to generate a reasonable profit on its PSO activity during the year.

We are pleased to note the strong operational performance of Bus Átha Cliath. During the year, Bus Átha Cliath was very successful in growing revenue. As passengers availed of better value LEAP ticketing, the increase in revenue is almost entirely attributable to additional demand for public transport services. Bus Átha Cliath was successful in delivering an increased level of service while reducing the direct cost to the Exchequer of the PSO contract.

The sustained improvement in the efficiency of public transport services provided by the CIÉ Group enabled a further reduction in PSO contract income in 2015. However, the reduction in PSO income was greater than the benefit of additional volume when the increased costs, particularly of Infrastructure maintenance are taken into account. As a result, there has been a further erosion of the capital base




of the Group. The long-term viability of the Group will require that PSO income be set at a level, which generates a reasonable return so that the business has the financial strength to continue to manage its business challenges.

### Other Exchequer Funding

Other Exchequer Funding relates principally 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 DTTaS and monitored by the NTA, which funds expenditure on maintenance and renewal of Railway Infrastructure.

In 2015, a greater proportion of MAC was spent on essential maintenance with a lesser proportion spent on renewals. Consequently, a greater proportion of the funding is accounted for as a Revenue Grant with the associated maintenance costs being included in Operating Costs.

CIÉ welcomes the additional funding commitment to essential infrastructure maintenance and has itself committed additional resources over and above the available direct funding to ensure that infrastructure is maintained to the highest standards possible within the financial constraints that both CIÉ and the Exchequer faces.

Iarnród Éireann's operating result is reduced in 2015 as a result of CIÉ's contribution of additional net expenditure on infrastructure maintenance of €16.8 million. The supplementary estimate, which was provided in late 2014, provided €12.0 million of the funding for this increased investment. A longer term commitment to infrastructure maintenance by the DTTaS is essential to maintain the high standards of safety and operational reliability that we have challenged ourselves to achieve on a continuous basis.

## Operating Costs

Group operating costs before exceptional costs increased by €66.0 million in 2015 from €1,038.8 million in 2014 to €1,104.8 million in 2015.

A summary of the movement in operating costs, from 2014 to 2015 is set out below:

- Pension costs as advised by the Group's actuaries are included in the financial statements to reflect the defined benefit accounting pension requirements of FRS 102. Relative to 2014, the non-cash pension cost adjustment has increased by €18.7 million.
- In October 2014, Iarnród Éireann's staff accepted a voluntary pay reduction scheme. This voluntary pay reduction scheme was also implemented within CIÉ, as a result, operating costs reduced by €5.3 million relative to 2014.
- We are pleased to report that the CIÉ Group has increased employment by 191 during 2015 to meet the growth in passenger demand. The additional cost arising as a result is €11.0 million.
- Iarnród Éireann is striving to achieve the best standard of infrastructure maintenance possible with limited resources. In this context a greater proportion of our own labour resource has been dedicated to maintenance rather than capital, as a result an additional €4.6 million of the total payroll cost was included in operating costs in the year.
- There has been a significant increase in expenditure on infrastructure maintenance during 2015 relative to 2014. This increase was planned and substantially funded by additional Exchequer Funding.
- The number of children availing of the Schools Transport Service provided through Bus Éireann has continued to increase.
- In recognition of the increase in passenger journeys, and related claims, CIÉ has increased its provisions for claims in the year.

- Finally cost savings of €7.2 million were realised which is made up of a €3.3 million, volume related, reduction in CIÉ Tours costs and the effect of other cost saving initiatives across the Group.

In summary, the year on year change is outlined as follows:

| | | €m |
|---|---|---|
| EBITDA 2014 | | 81.2 |
| Revenue growth | 20.9 | |
| Reduction in PSO income | (22.2) | (1.3) |
| Net additional rail maintenance expenditure funded from own resources | | (16.8) |
| Non cash pension cost adjustment | | (18.7) |
| Other changes – net | | 3.9 |
| **EBITDA 2015** | | **48.3** |

The summary illustrates that the Group made very good progress in growing its fare revenue base during 2015. However, this improvement was more than offset by the reduction in PSO funding.

It is now generally accepted that the funding level provided for railway infrastructure maintenance is below the level required to maintain the network so that it does not deteriorate. Therefore, we were pleased to receive additional maintenance funding of €35.4m in 2015, which together with the benefit of the supplementary funding of €12.0 million provided in 2014, financed significant additional maintenance works. In addition, CIÉ provided a further €4.8 million of its own resources to finance infrastructure maintenance.

The long run cost of the provision of defined benefit pension benefits is significantly impacted by long-term interest rates. As interest rates have declined the costs of providing a fixed income increases.

## Deficit for the Year

The CIÉ Group reported a net deficit of €26.4 million in 2015. This compared to a net deficit of €3.3 million in 2014, a deterioration of €23.1 million.

| | 2015 €m | 2014 €m | Change €m |
|---|---|---|---|
| **EBITDA** | **48.3** | **81.2** | **(32.9)** |
| **Non-operating income/(costs)** | | | |
| Profit on disposal of fixed assets | 1.5 | 1.9 | (0.4) |
| Exceptional costs | (2.8) | (4.5) | 1.7 |
| | (1.3) | (2.6) | 1.3 |
| Depreciation and amortisation net of grant amortisation | (55.8) | (61.2) | 5.4 |
| Net finance expense (excluding pension) | (3.3) | (4.6) | 1.3 |
| Pension related finance costs | (14.0) | (14.9) | 0.9 |
| | (73.1) | (80.7) | 7.6 |
| Total non-operating income and costs | (74.4) | (83.3) | 8.9 |
| Taxation charge | (0.2) | (1.3) | 1.1 |
| **Net deficit** | **(26.4)** | **(3.3)** | **(23.1)** |

The deterioration in EBITDA of €32.9 million was partially offset by an improvement of €8.9 million in the other income and costs of the Group. The reduction in other costs arises principally in reduced net depreciation and amortisation charges.

Net finance costs, excluding pension related finance costs, have been reduced as average borrowings reduced during 2015 reflecting the supplementary funding provided in both 2014 and in late 2015.

Finally, the lower taxation charge is related to the reduction in the profits of CIÉ Tours.

## Banking Facilities

Since 2008, the Group has financed a €208 million shortfall in PSO contract income, while maintaining services, through a combination of asset sales (€121 million) and increasing its net debt. During 2013, CIÉ successfully secured a 5-year €160 million banking facility.

The banking facilities consist 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, two repayments have been made with a further annual repayment instalment due in July 2016.

These facilities are based on normal commercial arrangements that require CIÉ to abide by a number of standard financial covenants – in particular not exceeding the required 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.

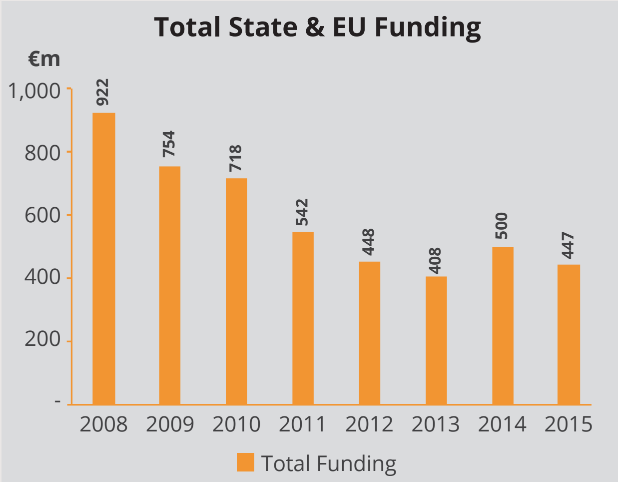
## Progress on Cost Reduction

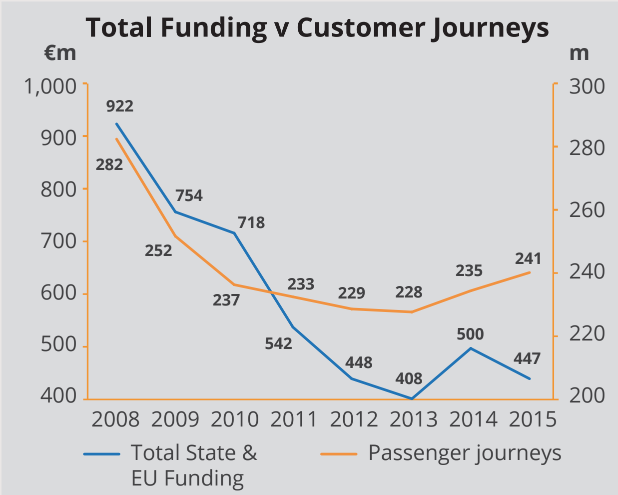
Managing pay costs within a competitive growing economy is a significant challenge for CIÉ. During the year, the Group has made further significant progress in delivering targeted cost containment programmes.

- Iarnród Éireann implemented a 25-month pay reduction agreement in the latter half of 2014.
- A similar pay reduction agreement has been implemented in the CIÉ Holding Company on a voluntary basis.
- The combination of these measures generated savings of €5.3 million in 2015.

## Total State Funding

The provision of reliable, efficient public transport requires funding. During 2015 total public funding for both the PSO contracts and for capital investment amounted to €447 million a reduction from €500 million in 2014. The following graphs illustrate the trend in PSO and other state funding over recent years.



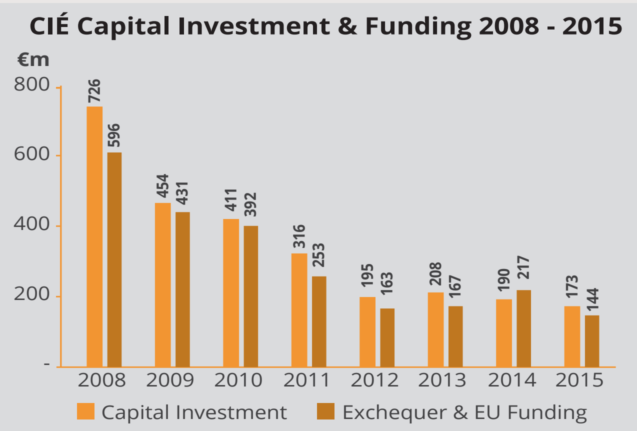

CIÉ acknowledges the support of the Minister, the DTTaS and the NTA. Providing a public transport service, which supports economic and social cohesion with the State, is the primary role of CIÉ. The graph illustrates strong evidence of a recovery in passenger journeys and identifies the challenge of ensuring appropriate funding to support


the provision of comprehensive public transport services to meet the increased demand.

The significant decline in funding has occurred in both capital investment and in the subvention in respect of socially desirable but economically non-sustainable public transport services.

## Capital Expenditure

The CIÉ Group continues 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 2015 amounted to €173.0 million. There is a notable downward trend in investment in the public transport system assets managed by the CIÉ Group since 2008. This is due principally to financial constraints on the Exchequer, and brings public transport investment in Ireland significantly below EU averages. Increasingly limited resources are targeted towards maintaining the existing infrastructure assets.

## PSO Contract Income 2008-2015

Iarnród Éireann, Bus Átha Cliath and Bus 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 2015, 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.

During 2015, the Group continued the progress achieved in 2014 by a combination of

- Growth in Passenger Journeys,
- Cost Reduction, and
- Fare Increases.

However, the Group's PSO contracts did not generate any reasonable returns. Despite a reduction in its PSO contract income Bus Átha Cliath was successful in generating a modest return on its PSO contract, the rate of return on its revenue was just 2.6%.

Both Iarnród Éireann and Bus Éireann sustained losses on their PSO contracts in the year. The Iarnród Éireann loss includes the net result of Infrastructure Manager activity, which has included a significant increase in un-funded maintenance expenditure. Bus Éireann's PSO contract generated a loss as its PSO contract income was reduced relative to 2014.

The aggregate net loss from PSO contracts in 2015 was €5 million and has increased the cumulative deficit 2008 to €208 million.

Working in partnership with our Shareholder, the DTTaS and the NTA and bearing in mind the importance of public transport to the wider economy, CIÉ continues to absorb these losses while improving the volume, quality and frequency of the Group's services.

The cumulative deficit has been funded by CIÉ in that period through a combination of an increase in net debt and the sale of significant elements of CIÉ's real estate portfolio that generated proceeds of €121 million. Achieving a 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, as there is limited potential to realise significant income from further sale of real estate assets in the short to medium term.

### Cumulative Loss on PSO Contracts since 2008

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

| | PSO Passenger Journeys | Revenue from Public Services | Costs of Public Services | Income from PSO Contracts | Loss on PSO Contracts |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €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 |
| 2015 | 192.3 | 489 | (683) | 190 | (5) |
| **Cumulative Loss on PSO Contracts** | | | | | **(208)** |

* includes unplanned PSO payment of €36 million

** prior year data has not been restated to reflect FRS 102, the cumulative impact of the restatement would be to increase the cumulative loss of public services by c. €4.8 million.

## Significant Other Financial Developments

The CIÉ Group operates two contributory defined benefit pension schemes that 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.

The method of calculating the annual cost of providing defined benefit pension benefits has been amended in line with the requirements of FRS 102. The calculation method now effectively assumes the future rates of returns for pension fund assets and liabilities are aligned on the basis of long-term interest rates. The overall defined benefit cost is heavily impacted by financial market returns. The exposure to fluctuations in cost in this manner is a significant risk, which the Group will seek to mitigate by bringing forward proposals for agreement with all stakeholders.

The net pension fund deficit at the year-end has reduced significantly relative to the beginning of the year. The overall reduction in the deficit, from €702 million to €288 million includes the positive impact of a change in assumption regarding future growth in pensionable pay combined with an increase in the discount rate used to calculate the future value of pension liabilities.

The experience during 2015 highlights the volatility of the pension valuation and the significant risks associated with the pension commitments, which have been made by the Group. It is therefore imperative that measures are taken, on an agreed basis, to ensure that the level of risk to future pension benefit is reduced.

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 2015, should the trends of early 2016 continue, a risk actual performance will not meet the requirement of the pension funding plan during 2016 may arise.

*Chief Operating Officer*

# Operations Review 2015

## Customer Journeys

| Customer Journeys | 2015 | 2014 | Change |
|---|---|---|---|
| | m | m | m |
| Iarnród Éireann | 39.7 | 37.8 | 1.9 |
| Bus Átha Cliath | 122.4 | 118.6 | 3.8 |
| Bus Éireann | 37.9 | 37.2 | 0.7 |
| **Total Customer Journeys** | 200.0 | 193.6 | 6.4 |
| Schools Transport | 41.0 | 40.9 | 0.1 |
| **Total Customer Journeys** | 241.0 | 234.5 | 6.5 |

Total customer journeys grew by 2.8% during 2015 from 234.5 million journeys in 2014 to 241.0 million journeys in 2015. Good progress was made in the year in recapturing the custom that was lost during the economic downturn. Total journeys are now approaching 2009 levels however, there is still a way to go to get back to the record levels achieved in 2008 when the CIÉ Group provided 282.1 million journeys. The growth across the individual operating companies is summarised as follows:

- Iarnród Éireann has built further on the progress it achieved in 2014 by growing its customer journeys by 5%. This rate of growth is the highest achieved by the operating companies and could be considered strong evidence of the benefits of economic recovery extending beyond the Greater Dublin Area.
- Bus Átha Cliath was the first group company to experience a recovery in customer journeys (during 2013) and this recovery has continued into 2015 with growth in journeys of 3.2%.
- Bus Éireann experienced steady growth across all of its service offerings.

### Customer Engagement and Service Quality Improvement

Initiatives to improve customer experience delivered in 2015 include:

- A joint campaign with Dublin Bus, Iarnród Éireann and Luas highlighting the benefits of the Taxsaver Scheme to both employers and employees.
- Continuing strong punctuality, despite some extremely difficult weather conditions towards the end of the year, with all rail routes again exceeding requirements under the Iarnród Éireann Public Service Obligation (PSO) contract – over 95% punctuality in most cases and over the 90% punctuality requirement of our PSO contract in all cases.

- The first refurbished train in the Belfast/Dublin Enterprise fleet, supported by EU Interreg funding through the Special European Union Programmes Body ('SEUPB'), entered service towards the end of the year. The full fleet returned to service in 2016, delivering significant improvements in customer facilities and comfort.

- Commencement of investment in the Phoenix Park Tunnel line, to deliver direct Kildare to Grand Canal Dock services in conjunction with ongoing city centre resignalling works towards the end of 2016.
- Investment in track works which will yield journey time benefits for customers. In particular the substantial renewal of 21 miles of degraded ballast on the Dublin/ Cork line between Hazelhatch and Portlaoise which will facilitate the upgrade of the line speed over much of this section to 100mph in 2016.
- The new bridge at Reilly's crossing was opened to the public on the 24th February 2015. This replaced the level crossing, XG002, which was formally closed on 27 March 2015, enhancing safety for rail traffic, road traffic and pedestrians.
- Investment by Iarnród Éireann in the Customer First programme, which will transform engagement with our customers, ensuring the customer is at the heart of the business.
- Planning continues with Belmond to operate a luxury train across Ireland from Q3 2016 bringing to life the partnership agreement signed in 2014.
- New Customer Care management initiatives were implemented in Bus Éireann and Bus Átha Cliath to focus on delivering our customer charter objectives which are also in line with our obligations under the Direct Award contracts with the NTA.
- Roll out of Real Time Passenger Information (RTPI) displays at stops in the Greater Dublin Area as well as in Cork, Limerick, Galway and Waterford cities continued during 2015. RTPI was also introduced at all stops in the Bus Éireann network through the Transport for Ireland Real Time App.
- Service improvements across the Bus Éireann's PSO and Expressway route networks to deliver significant customer service improvements in terms of journey time and connectivity.
- Roll out of Leap Card to Limerick and Waterford offering customers a cheaper, flexible and more convenient way to travel on services.
- Introduction of a new Bus Éireann website that incorporates innovations in e-commerce, real-time information and mobile optimisation.
- Building on the new fleet introduced in 2014, a further 40 Expressway coaches were manufactured during 2015 for entry into service in the first quarter of 2016.
- For PSO services, a total of 57 new buses and coaches entered service during 2015. Further orders were placed in early 2015 for a further 43 PSO vehicles, including 12 double deck buses to boost capacity on regional city routes, 16 city single deck buses for Cork city services and 15 double deck commuter coaches for the Greater Dublin area.
- Bus Éireann transported approximately 113,000 children on over 6,500 routes to some 3,000 schools, including children with special educational needs. In 2015, an engaging safety programme dedicated to increasing seatbelt usage and on-bus safety to Primary School children was developed. This campaign was supported by the Road Safety Authority and the Irish National Teachers' Organisation and underlines our commitment to safety across all of our services.
- The School Transport Scheme continued to expand in terms of the number of new services provided during the year while the cost of the scheme to the Department of Education and Skills for 2015 was less than it was in 2014.

- In Dublin significant co-ordinated efforts, through a multi-agency process chaired by the NTA, involving An Garda Síochána, Dublin City Council, Transport Infrastructure Ireland (TII) and the main project contractors, were made to facilitate the construction of Luas Cross City with minimal impact on customer experience.
- Improving the commercial operating speed of the Bus Átha Cliath network through the implementation of the Traffic Light Priority project with the NTA and Dublin City Council
- Introducing 90 new double deck buses to the Bus Átha Cliath fleet in 2015 to support the provision of convenient, comfortable and sustainable public transport for the people of Dublin. Additions to the fleet are 100% accessible with enhanced features including a separate wheelchair and buggy space.
- Achieving capital investment for 110 new double deck Bus Átha Cliath buses for delivery in 2016.
- Leap Cards accounted for just under 70% of all Bus Átha Cliath passenger boarding numbers (including social welfare free travel passes) by December 2015, having risen from 50% at the start of the year. Leap Card offers customers significant savings, with on-bus cash fares at least 20% more expensive than the Leap Card.

## CIÉ

CIÉ operates three significant business units, the Commuter Advertising Network (CAN), CIÉ Tours and Group Property and also provides support services to the Group's operating subsidiaries.

### Commuter Advertising Network (CAN)

CAN's revenue delivered a strong performance during 2015 with growth in excess of 21% to €6.7 million. As economic conditions improve, there has been a recovery in the Out of Home (OOH) advertising market. As a result, the OOH market reported growth of 7%, in this context CAN's performance was very creditable having generated 21% revenue growth.

The main driver of CAN revenue growth was the impact of an intensive investment programme upgrading the CIÉ advertising estate during 2014 and 2015, in particular the roll out of digital technology. The OOH advertising market continues to show signs of growth and CAN is well positioned to take advantage of this recovery.

In addition to the revenue stream, which the advertising estate generates, the operating companies also made good use of the medium in 2015 for their own marketing purposes.

### CIÉ Tours

| | 2015 €m | 2014 €m | Change €m |
|---|---|---|---|
| Tours Revenue | 81.0 | 86.2 | (5.2) |
| Operating Surplus | 0.9 | 2.9 | (2.0) |

Following several years of strong positive growth, CIÉ Tours faced a challenging year in 2015 with revenues of €81 million being down c. €5.2 million, on the 2014 levels.

Unfortunately, the timing of the various terror incidents at the end of 2014, and beginning of 2015 along with the worldwide Ebola scare, occurred during the main booking period for the majority of CIÉ Tours customers. In these situations, many of CIÉ Tours potential customer's deferred their travel plans to a later date.

In addition to the reduction in revenues, gross margins were also under pressure due to the necessity to extend price promotions into the main booking season of January to April. This action was necessary due to a highly competitive coach touring market.

Despite the above challenges, the CIÉ Tours activity remained profitable and generated an operating surplus of €0.9 million during 2015. The outlook for 2016 is more positive with bookings currently ahead of 2015 levels.

## Group Property

Overall income by comparison with 2014 was slightly down owing to the continued consolidation in the telecoms industry. Gross rental income was €13.4 million down from €13.7 million in 2014.

During 2015, CIÉ successfully tendered the Development Agreement for the site at Tara Street, which provides for the potential development of the site over a five-year term with a significant potential revenue stream/rent share into the future. Further potential development sites within the CIÉ property portfolio are being prepared for market.

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

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

## Bus Átha Cliath

2015 was a year of significant progress for Bus Átha Cliath, its customers and the communities we serve. Passenger numbers continued to increase throughout the year, resulting in the company carrying 122.4 million passengers, which is an increase of 3.2% on 2014.

Bus Átha Cliath earned a net surplus of €10.2 million in 2015 through a combination of revenue growth and continued payroll and overhead cost control measures which are critical to achieving sustained financial stability over the coming years. This compares with a surplus of €11.6 million in 2014. The key aspects of the financial results include revenue growth of €12.1 million, an increase of €10.2 million in operating costs and a reduction of €2.3 million in the Public Service Obligation (PSO) payments. Total operating revenue grew from €216.0 million to €228.1 million (5.6%) in 2015. This increase in revenue was generated through the 3.2% overall increase in customer demand and also assisted by the NTA fares determination implemented in October/November 2014.

With customer demand increasing, Bus Átha Cliath responded by providing additional peak and other services and in the process deployed additional buses and increased average staff numbers by 137 (4.3%). A reversal of some of the premium rate pay measures contained within a third cost reduction programme agreed with staff in November 2013, occurred within the first half of 2015. The 2013 cost reduction programme also incorporated a wide range of changes in work practices. An increase in payroll expenditure of €1.5 million in 2015 resulted from the reversal of some of the pay measures. Total payroll costs increased by €5.5 million (3.3%) to €172.6 million.

Serious accident provisions were increased by over €2.5 million to reflect an increase in the numbers of claims and higher settlement costs. Higher settlement costs are a matter of growing concern.

Driven by our strong performance in 2015, Bus Átha Cliath received PSO payments of €57.7 million in 2015; a reduction of €2.3 million compared to 2014. Continuing profitability, after PSO payments, is crucial to achieving the critical objectives of: financial stability for Bus Átha Cliath, generating cash for essential investment, providing security around provision of transport services, sustainability of employment and contributing to the elimination of losses incurred during the economic downturn.

The company plans to continue on its path to recovery through on-going growth in network services and achieving further operational efficiencies. The revised network of services and improved service reliability delivered under Network Direct, the introduction of Wifi, RTPI and Integrated Ticketing (ITS) and the welcome on-going increase in employment have all contributed directly to generating increased customer demand for our bus services. These opportunities will be exploited through increased marketing activity for the core routes and targeted off-peak and weekend campaigns in addition to enhancing Bus Átha Cliath revenue protection resources. The positive trend in volume resulted in Bus Átha Cliath continuing its recruitment drive. 170 new bus drivers were recruited in 2015 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 the appointment of a Customer Service Improvement Manager, with the aim of implementing service improvement standards across all functions and in all locations, an increase in the number of Real Time Passenger Information signs at bus stops, enhancements to the Automated Vehicle Location Control System and additional developments to provide customers with more value for money through Leap Card. Leap Cards offer discounts of over 20% on cash fares and accounted for just under 70% of all Bus Átha Cliath passenger numbers (including welfare free travel passes) by December 2015.

In April 2015, Bus Átha Cliath submitted a preliminary qualification questionnaire (PQQ) to the NTA as part of the tendering process for market opening within the Greater Dublin Area. In December 2015, the NTA announced that Bus Átha Cliath were selected as one of the candidates to progress to the next round and the process is continuing into 2016.

## Costs must be managed in a competitive market

In 2015, Luas Cross City construction works continued to be a major challenge for Bus Átha Cliath, impacting journey times and reliability through the city centre. However, due to thorough planning and communications with all parties involved we have minimised the impact on our customer experience. Planning for further construction works during 2016 is well underway through the multi-agency process chaired by the NTA, involving An Garda Síochána, Dublin City Council, Transport Infrastructure Ireland (TII) and the main project contractors.

2015 has been an extremely busy and successful year for Bus Átha Cliath's Commercial Services. Commercial Services carried almost 2.6 million passengers in 2015 which is an increase of 9.7% from 2014 figures. The turnover figure for 2015 was €15.1 million. Plans for 2016 include a new tour to commemorate 1916 launched in February 2016, the introduction of a new Airlink route and increased frequency on the existing Airlink route to meet increasing customer demand at Dublin Airport.

During 2015, investment in the fleet continued and 90 new buses were delivered into service to replace older vehicles. Other significant expenditure included fleet refurbishment programmes to maintain quality and reliability for the benefit of the customer. Investment in improving services continued with the assistance of NTA funding including an investment of €33.5 million for the new buses.

Through the Community Spirit Initiative, Bus Átha Cliath continued to play an active role in the communities in which it operates. The 11th annual Bus Átha Cliath Community Spirit Awards took place on the 25 September, at Croke Park Stadium, hosted by patron Niall Quinn. 85 charities and voluntary groups from the Greater Dublin Area (GDA) were awarded grants of €1,000, €2,000 or €5,000 on the night with over 1,800 charities and local organisations benefiting from the grants since the inception of the awards.

Our annual Children's Art Competition and Calendar theme for 2016 was 'Bus Átha Cliath is at the heart of the community'. The competition promotes the value of public transport in local communities to younger passengers and creates awareness. This year 25 national schools from the following areas: Ballygall, Ballyfermot, Ballymun, Cherry Orchard, Clondalkin, Crumlin, Finglas, Jobstown, Inchicore, Larkhill, Swords and Tallaght took part in the competition. The winning entries were published in the Children's Art Calendar 2016. Bus Átha Cliath staged an exhibition of some of the winning entries in Wood Quay Venue to launch the 2016 calendar. Our redesigned Schools DVD was also launched at the event and the DVD will be used in 2016 by the schools co-ordinators as an educational tool to inform children of the importance of respecting their local bus services.

Looking ahead to 2016 presents both challenges and opportunities. Bus Átha Cliath has a key role in the social and economic viability of Dublin City. We are well positioned to help deliver sustainable growth in our city. The strong foundations on which the company operates will help deliver this growth between now and 2020.


## Bus Éireann

### Overview

Bus Éireann continued to face a challenging operating environment in 2015 and while the growth experienced in 2014 continued into 2015, the company has incurred a deficit of €5.6 million before exceptional items, primarily on commercial services. This result is unsustainable and has serious implications for the future stability of the company.

*Operating result before exceptional items after interest payable and interest receivable*

| | 2015 €m | 2014 €m |
|---|---|---|
| PSO Services | (0.2) | 4.1 |
| Commercial Expressway | (5.3) | 0.6 |
| Schools | (0.0) | 2.3 |
| Commercial other | (0.1) | 0.2 |
| **Total** | **(5.6)** | **7.2** |

2015 continued to deliver increased revenue opportunities after many years of recession. The company continued to build on the success of 2014 as revenues increased by 1.7% in 2015 with road passenger journeys up 1.8%. Whilst the economy was an enabler of this growth, the strength of our brand and the quality of our service also contributed to the growth experienced. Bus Éireann's reputation is hugely dependent on the passion and commitment of our staff.

A recovering economy also brought challenges for the transport sector. This included increased levels of traffic congestion. Peak journey times in 2015 are estimated on some routes to have increased by between 5% and 7% compared to 2014. Bus Éireann continues to actively engage with stakeholders in the pursuit of bus priority measures to improve journey times.

On commercial routes, new licences were issued to private operators on a number of routes currently served by Expressway. It will be critical for the maintenance of service levels on these corridors, that licensing decisions are very prudently aligned to real demand, to ensure business is sustainable for every operator. Bus Éireann must also ensure that costs continue to be aligned to increased competition in the market.

Highlights
Chairman's Statement
Review
Financial Statements

The unsustainable financial performance of Expressway in 2015 drives our 2016 focus on implementing a business plan, on an agreed basis, which achieves the company's ambitions for growth, investment, efficiencies and people development taking into account the corporate requirements of stakeholders at all levels. The company undertook an extensive review of the Expressway operating model in 2015 and will be engaging with all stakeholders regarding the next stage in the process of returning Expressway to profitability.

## Safety

Safety remains at the heart of all we do in Bus Éireann and this focus on safety continued in 2015. Given the scale of our service delivery, we are continually improving and extending our high standards in line with the latest in training certification and technology. Our aim in 2015 was to raise awareness and standards to ensure that our safety protocols meet future challenges and legislation while also gaining formal accreditation. The investment in our new fleet incorporated new safety features designed to enhance the safety as well as the comfort of our passengers. A new campaign aimed at young children promoted the use of safety belts for all bus services

## Public Service Obligation

The current Public Transport Contract between the NTA and Bus Éireann (2014-2019) outlines the standards of operational performance and customer services that Bus Éireann must maintain. The company received €33.7 million in 2015 (2014 €34.4 million) in payment for its PSO services. The company also received a significant revenue grant of €4 million which was used to offset additional PSO maintenance expenditure.

PSO revenue continued to show strong growth with regional city services experiencing growth of up to 11.4%. Stage Carriage services revenues increased by 3.7% which is a strong performance given that the economic recovery has been slower outside of the main urban areas. The PSO cost base was impacted by increased payroll costs in 2015. As part of the agreement to generate essential savings, payroll reductions were introduced from 1 June 2013, as part of a 19 month derogation from existing terms and conditions. This 19 month period expired on 31 December 2014 and the original terms and conditions were reinstated. Claims costs also increased in 2015.

**Engagement with stakeholders to return Expressway to profit.**

The company intends to continue its progress in eliminating operating deficits on PSO Services by 2016 and while PSO recorded a deficit of €0.35 million in 2015 after exceptional items, the company expects that PSO Services will break even in 2016.

The NTA are proceeding with their plans for Bus Market Opening and the company is committed to fully participating in this process.

## Expressway

The Intercity bus market was a very competitive market place in 2015. The company noted a 1% increase in revenue and passenger numbers in this competitive environment but is targeting a more significant increase in 2016. The Expressway cost base also incurred additional payroll costs, following the conclusion of the 19 month pay agreement with staff and also had to absorb a higher claims cost.

The introduction of 20 new vehicles into service early in 2015 resulted in significant enhancement of the fleet profile. The net result for Expressway in 2015 was a deficit of €5.3 million (surplus 2014: €0.6 million). The company undertook an extensive review of the Expressway operating model in 2015 and will be engaging with all stakeholders regarding the next stage in the process of returning Expressway to profitability.

## School Transport

The company continued to deliver School Transport Services on behalf of the Department of Education and Skills. School Transport Services continued to be provided through a combination of in-house and externally provided services. School Transport operated at breakeven level in 2015. The impact of the cost of new services 2015 was partially offset by cost reductions achieved in the annual reorganisation of services, administration, and other cost headings including the running cost of the Bus Éireann school bus fleet.

## Other Commercial Services

Bus Éireann also operates other commercial services such as private hire, day tours, Eurolines and other ancillary services. These activities generate a gross margin for the company. They also absorb a portion of total company overheads thereby reducing the overhead allocation to other activities within the company.

## Capital Investment

Bus Éireann continues to prioritise investments which will enhance the customer experience when travelling with the company. Investment in fleet, facilities, IT systems and garage plant and machinery is aimed at continuously improving our customer offering. In 2015 the company introduced new fleet for both PSO and Expressway services, providing our customers with a significantly improved service. Capital expenditure in total amounted to €18.5 million in 2015, with €7.2 million in capital grant funding provided by the NTA.

CIÉ encouraging effective action for advancing and recognising women.

## Our People

Bus Éireann is committed to the continuous professional development of its staff and a number of staff development projects were undertaken in 2015. The company continued to implement a number of new initiatives arising from the staff engagement survey in 2014.

In 2015 Bus Éireann updated its Equality and Diversity Policy and the Dignity and Respect Policy. As required in the Disability Act 2005, the company monitors the number employees with disabilities. Since commencing this monitoring process, there has been an increase in the number of employees with a disability. Bus Éireann also joined Ireland's largest anti-racism campaign which was launched across the public transport network in April 2015. Bus Éireann hosted the CIÉ event for International Women's Day in 2015. 'Make It Happen' was this year's theme, encouraging effective action for advancing and recognising women.

## Customers and Community

In 2015 Bus Éireann continued to deliver information and key messages to customers, the public, media and stakeholders. The company provides up to date information on its service provisions via the website, social media channels and regional and national media outlets. A new Customer Care service team was introduced in 2015 to improve the customer experience. Bus Éireann also contributed to over 50 Corporate Social Responsibility (CSR) initiatives in 2015. The majority of these were in local communities including initiatives such as the Knocknaheeny Justice Project in Cork, and Waterford Spraoi Arts Festival. Examples include the annual #Stop Racism campaign with other public transport companies and facilitating and supporting fundraising efforts for the 'Change for Charity' initiative.


## Financial and Operating Highlights 2015

**Operating revenue**
**€303.0m 2015**
€297.9m 2014

**EBITDA**
**€2.0m 2015**
€13.1m 2014

**Number of customer journeys**
**78.9m 2015**
78.1m 2014

**Number of employees**
**2,487 2015**
2,456 2014

**Other contractors**
**€127.7m 2015**
€124.2m 2014

**Operating (deficit)/ surplus**
**(€5.4m) 2015**
€4.3m 2014

**Payroll and related costs**
**€130.7m 2015**
€123.9m 2014

**Contribution to exchequer in taxes**
**€59m 2015**
€61m 2014

Bus Éireann

**Schools Served Nationally in 2015**
**approx 3,000**

**Children Carried Daily on School Services in 2015**
**approx 113,000**

**Special Needs Children Carried Daily in 2015**
**approx 10,000**

## Iarnród Éireann

Iarnród Éireann's goal is to deliver transport services that continually meet our customers' requirements and help drive Ireland's economic development.

The company's values are:

- Always Safe
- Customers at the heart of our business
- Valuing our people
- Iarnród Éireann – One Team
- Proud of our past, passionate about our future

Highlights of 2015 included:

- An additional 1.9 million rail journeys, bringing total journeys to 39.7 million.
- Growth in our rail freight and Rosslare Europort revenue, of 2.3% and 3.0% respectively.
- Passenger revenue growth of 4.9%.
- A programme of safety initiatives to ensure it is the foremost priority of all colleagues
- Strong punctuality, with all routes exceeding requirements under the Public Service Obligation contracts.
- Commencement of investment in the Phoenix Park Tunnel line, to deliver direct Kildare to Grand Canal Dock services in conjunction with ongoing city centre resignalling works.
- Investment in track works which will yield journey time benefits for customers.
- 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
- Re-establishment of an Apprenticeship programme across diesel mechanic, electrician, fitter and welder roles.
- Continuing emphasis on raising awareness of mental health issues through partnerships with the Green Ribbon Month, Samaritans Ireland and Cycle against Suicide.

### Our Safety

The first and foremost belief and value of Iarnród Éireann is that we should be always safe. To ensure this, our Safety Management System underpins all we do, and is independently supervised by the Commission for Rail Regulation.

Iarnród Éireann launched a series of initiatives in 2015 to enhance safety culture and safety leadership throughout the organisation. These included:

- Safety Leadership training for all managers and supervisors
- Reviewing safety standards, with involvement of employees delivering the service and functions
- Renewing focus on the role of safety representatives to support employees
- Introduction of confidential close-call reporting

The overall message, communicated throughout the organisation is "Accident Free Depends on Me", putting the focus on the role each individual has to ensure the highest safety standards are delivered by the company as a whole.

## Our Finances

The overall result of the year is a deficit of €7.7 million compared to a reported deficit of €2.2 million in 2014. The 2014 comparative has been restated to reflect the implementation of a new Financial Reporting Standard (FRS 102). The restated 2014 result is a deficit of €7.0 million, the restatement movement being primarily due to changes of the accounting treatment of the fixed assets of Iarnród Éireann. These are analysed in detail in the notes to the financial statements.

Revenue has increased year on year in passenger revenues, Rosslare, property, advertising and third party income, excluding one-time adjustments in 2014. Freight income also increased despite marginally lower volumes. A combination of service demand from the economic upturn and continued targeted marketing initiatives has strongly contributed to this result. Total revenue at €233.9 million is favourable to prior year by €16.4 million and exceeds the revenue levels attained in the mid 2000's.

There still remains a funding gap of circa €60 million per annum to maintain and renew our infrastructure asset. Continued underfunding of the infrastructure asset will give rise to ongoing challenges in maintaining safety standards. Failure to address this funding gap will see deteriorating operational performance with reactive maintenance activity ultimately costing more than an appropriately funded asset maintenance programme.

Additional supplementary funding of €38 million was received in 2015 from the Department of Transport, Tourism and Sport for the maintenance of rolling stock and safety works on the infrastructure asset.

## Our Customers

In 2015, once again we achieved and exceeded our Public Service Obligation targets on all routes, with most routes exceeding 95% punctuality. This was despite some extremely difficult weather conditions towards the end of the year.

There was strong passenger journeys and passenger revenue growth of 5.5% and 4.9% respectively in 2015. In total, passenger journeys increased by 37.8 million to 39.7 million, the best year since 2008. This growth was recorded across all businesses – Intercity, DART and Commuter at 2.3%, 3.6% and 7.8% respectively.

Iarnród Éireann's independent Customer Satisfaction monitor registered an overall satisfaction level of 93%, an all-time high.

## Freight

In 2015, the Company's key rail freight traffics included:

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

Rail freight revenue and navigator revenue increased from €8.6 million to €8.8 million in 2015, with total tonne kilometres reduced from 99.8 million to 96.4 million, primarily due to a reduction in mineral ore volumes.

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 another very strong performance in 2015 with revenue 2% ahead of forecast, and with 99.4% of all deliveries arriving on time throughout the island of Ireland.

## Rosslare Europort

Iarnród Éireann is the port authority at Rosslare Europort, the second busiest seaport in the State in terms of ship visits, tourist traffic and unitised freight.

Revenue was up 3% overall year on year at €10.4 million, reflecting a 2% increase in passenger cars and a 4% increase in RoRo freight units, while the importation of trade vehicles & light commercials was up 39%.

Also in 2015 Iarnród Éireann appointed a consortium of specialist consultants to investigate market interest in a concession arrangement to manage operations at Rosslare Europort, as recommended by the Indecon Report. Iarnród Éireann is working with all stakeholders in Rosslare through this process.

## Our Network

Sources of income for the Infrastructure Manager business include Multi Annual Contract funding and track access charges from train operations, both passenger and freight amounting to €175.4 million.

## Overview of Energy Usage by the Group in 2015

The Group energy consumption includes:

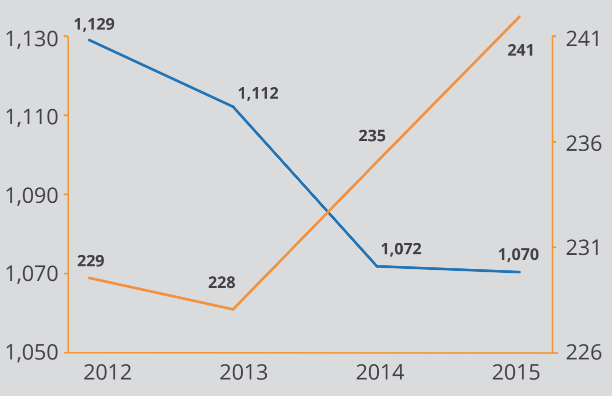
- Diesel oil for the running of the Bus Átha Cliath, Bus Éireann bus fleets, the Iarnród Éireann Intercity rail cars and the Diesel Multiple Units.
- Electricity for the running of the Iarnród Éireann DART service, automatic level crossings, train and bus stations, equipment rooms, workshops and general office requirements.
- Natural gas and heating oil are used for space heating of offices and workshops.

The profile of use for 2015/2014 is set out in the table below.

| Group energy consumption profile | MWhr 2015 | MWhr 2014 |
|---|---|---|
| Diesel oil for traction | 976,730 | 981,412 |
| Electricity for traction | 20,500 | 19,200 |
| Electricity for other | 47,936 | 48,453 |
| Gas | 23,744 | 21,868 |
| Heating oil | 1,047 | 595 |
| **Total Energy Consumption** | **1,069,957** | **1,071,528** |

The ongoing reduction in energy consumption represents a strong performance when considered in the context of customer journeys as shown.

**Energy Consumption vs Customer Journeys**




### Actions Undertaken to Reduce Energy Costs

Savings have been made throughout the Group in energy costs during 2015, which include:

### Iarnród Éireann

**Actions undertaken in 2015 and planned for 2016**

Energy cost reduction initiatives in Iarnród Éireann include:

- A test programme to verify the efficacy of a product that claims to reduce fuel consumption in diesel reciprocating engines. This has now moved on to a full site test at the Cork Depot and a definitive answer is expected in 2016.
- A project to replace the 20 to 40 year old 2-stroke locomotive engines with smaller modern efficient engines, with automatic shutdown provided as standard, is underway. A feasibility study on a measurement system has been completed, aided through the Energy Credits Scheme. Fuel consumption measurement equipment will be fitted in 2016 and baseline measurements will commence. It is expected that the tender process for the "201" fleet will be undertaken in 2016.
- Further modifications of the Traction Control Software have been deferred until the "10 minute DART" service is implemented and stable. Modifications to Maximum Import Capacity (MIC) levels have also been deferred; and these may have to be increased to account for bigger peak loads.
- In approximately 600 stations and outbuildings, new programmable electric space heaters have been fitted and commissioned. New water heaters have also been fitted as required. These initiatives will be extended to Infrastructure buildings.

### Bus Átha Cliath

**Actions undertaken in 2015 and planned for 2016**

In 2015, Bus Átha Cliath undertook a range of initiatives to improve its energy performance, including:

- Expansion of fleet fuel monitoring by route;
- Continued rollout of eco driving monitoring by route in each depot;
- Purchase of new vehicles fitted with Euro 6 standard engines – a smaller and more efficient engine combined with lighter chassis providing reduced fuel consumption, making them 20% more efficient than the buses they replace;
- Vigal Vanguard, eco driving techniques, training for drivers;

Highlights
Chairman's Statement
Review
Financial Statements

- Continuation of energy monitoring at all Bus Átha Cliath premises;
- Rain water harvesting for use on chassis cleaning of buses in depots; and
- ISO 50001 Training program.

In 2016, Bus Átha Cliath intends to further improve its energy performance by undertaking the following initiatives:

- Trials of eco-driving for fleet using on-board technology;
- Purchase of 110 new vehicles which will be fitted with Euro 6 standard engines. The new vehicles will replace less efficient older vehicles;
- Installation of an automated fuel management system in each depot;
- Trial High Bay Light Emitting Diode (LED) lighting in workshop; and
- Implementation of ISO 50001 – Energy Management System.

## Bus Éireann

### Actions undertaken in 2015 and planned for 2016

In 2015, Bus Éireann undertook a range of initiatives to improve its energy performance including:

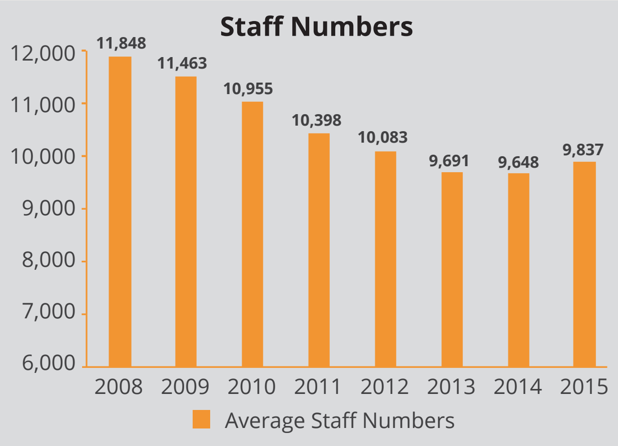
- A programme under the stewardship of Sustainable Energy Authority of Ireland towards implementing and achieving ISO50001 accreditation was commenced;
- Continued promotion of Energy Awareness Campaigns, in particular directed at reducing fuel consumption associated with unnecessary vehicle engine idling;
- Increased number of vehicles within the fleet that are fitted with automatic engine idle cut-off systems fitted;
- Introduction of vehicles with more efficient engines;
- Lighting Efficiency Upgrade Programmes for replacement of outdated technology with modern low-energy LED lighting systems; and
- Improved monitoring and reporting of fleet fuel consumption through use of Business Systems Software and SAP.

In 2016, Bus Éireann intends to further improve its energy performance by:

- Introduction of telematic systems to a further 97 vehicles bringing the total fleet installation to 153 vehicles fitted with automatic engine idle cut-off systems and fuel consumption telematics;
- Replacement of 7 litre engine capacity single deck buses with 25, 5 litre engine capacity, double deck buses;
- Further implementation of the vehicle dry break anti-spill fuelling system to other large depots;
- To continue lighting efficiency upgrade programmes through replacement of outdated technology with modern low-energy lighting systems; and
- Implementation of further energy awareness programmes in conjunction with developing industry recommendations and best practice

## Group Employment

The average number of people employed by the CIÉ Group in 2015 was 9,837, an increase of 189 from 2014.




From 2008 to 2014, the Group was in a sustained period of contraction as it sought to offset the negative impacts of reducing subvention and falling passenger numbers. From 2008 to 2014 staff numbers had reduced by 18.5%, through a combination of natural turnover and through voluntary severances. The cost of voluntary severances has been funded from the resources of the Group and was the principal contributor to the reduction in operating costs over this period.

Thankfully, as growth has resumed additional front line staff are being recruited to service the additional demand. Over 70% of the new entrants were recruited into Bus Átha Cliath.

### Staff Participation

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

### Equality and Diversity

The Group is committed to creating an environment where employees and customers are treated with dignity and respect and where differences are respected, accommodated and valued. We also aim to create an environment in which everyone can achieve their full potential and where a broad range of individual abilities, talents and perspectives are valued and supported.

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

## Accessibility

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

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 policy throughout the Group in 2015 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.

## Risk Management

The CIÉ Group has a risk management policy and the Board has an approved risk management framework which is regularly reviewed. The risk management framework operates to identify, assess and manage the key risks which may prevent the Group from achieving its objectives. Risk register are maintained by each of the companies within the Group which identify the various risks and the status of action plans for addressing those risks.

# 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 31 December 2015 are set out below. Except where indicated they served as Board Members from 1 January 2015 up to the date of approval of these financial statements.

| | |
|---|---|
| Vivienne Jupp | *Non-Executive Chairman* |
| Ultan Courtney | |
| P.J. Drudy | *(Retired 23 July 2015)* |
| Phil Gaffney | |
| Bill McCamley* | |
| Aebhric McGibney | |
| Frances Meenan | *(Retired 23 July 2015)* |
| John Moloney* | |
| Christine Moran | *(Appointed 7 July 2015)* |
| Aidan Murphy | |
| Tom O'Connor* | |
| Ruairi O'Flynn | *(Appointed 24 July 2015)* |
| Niamh Walsh | *(Appointed 24 July 2015)* |
| Tommy Wynne* | |

* Worker Member

## Secretary of the Board

Geraldine Finucane

Heuston Station

Dublin 8

Telephone + 353 1 703 2008

Facsimile + 353 1 703 2276

# Board Committees

## Audit and Risk Committee

| | |
|---|---|
| Christine Moran | *Chairman (Appointed 2 September 2015)* |
| P.J. Drudy | *(Retired 23 July 2015)* |
| Phil Gaffney | |
| Niamh Walsh | *(Appointed 7 October 2015)* |
| 1 vacancy | |

## Finance Committee

| | |
|---|---|
| Aebhric McGibney | *Chairman* |
| Ultan Courtney | |
| Frances Meenan | *(Retired 23 July 2015)* |
| Aidan Murphy | |
| Christine Moran | *(Appointed 4 November 2015)* |

## Remuneration Committee

| | |
|---|---|
| Niamh Walsh | *Chairman (Appointed 7 October 2015)* |
| Phil Gaffney | *(Retired as Chairman on 5 May 2015)* |
| Vivienne Jupp | |
| Frances Meenan | *(Retired 23 July 2015)* |
| Ultan Courtney | *(Appointed 6 May 2015)* |
| Aidan Murphy | *(Appointed 6 May 2015)* |

## Safety Committee

| | |
|---|---|
| Phil Gaffney | *Chairman* |
| Frances Meenan | *(Retired 23 July 2015)* |
| Tom O'Connor | |
| Niamh Walsh | *(Appointed 4 November 2015)* |
| 1 vacancy | |

## Strategy Committee

| | |
|---|---|
| Ruairi O'Flynn | *Chairman (Appointed 7 October 2015)* |
| Ultan Courtney | |
| Phil Gaffney | |
| Vivienne Jupp | |
| Aidan Murphy | |

## Group Management

| | |
|---|---|
| Paddy Doherty | *Chief Executive, Bus Átha Cliath (retired 30 June 2015)* |
| Ray Coyne | *Chief Executive, Bus Átha Cliath (appointed 1 July 2015)* |
| Cyril Dunne | *Chief Operating Officer, CIÉ (appointed 4 January 2016)* |
| Mike Flannery | *Chief Operating Officer and Chief Financial Officer, CIÉ (resigned 6 November 2015)* |
| 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 Banker

Bank of Ireland
College Green
Dublin 2

# About the Board of Córas Iompar Éireann

**Vivienne Jupp** *Non-Executive Chairman*

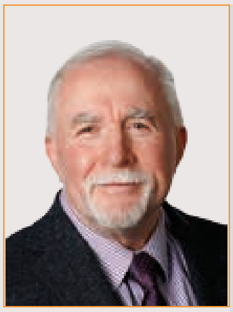
Vivienne Jupp was appointed as Non-Executive Chairman of CIÉ in June 2011. She is a management consultant and formerly a Global Managing Director in Accenture. She has had a number of Government appointments, including Chairman of the Information Society Commission and Member of the Broadcasting Commission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

**Ultan Courtney**

Mr. Ultan Courtney was appointed to the Board of CIÉ and as 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.

**Phil Gaffney**

Phil Gaffney was appointed to the Board of CIÉ and as Chairman of Iarnród Éireann in June 2011 having previously 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.

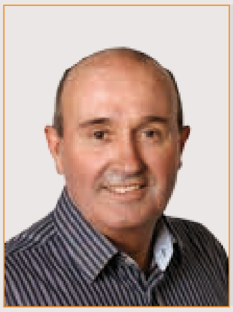


**Bill McCamley**

Bill McCamley was first appointed to the CIÉ Board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. 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. 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.

### Christine Moran

Christine was appointed to the Board of CIÉ in July 2015. She is a previous executive director of KBC Ireland Bank plc where she held a number of senior leadership roles and has extensive experience in the areas of strategic development, audit, finance and risk management. She has been a director or member of a number of public bodies, not for profit organisations and charities, including the First Advisory Group to the Irish Marine Development Office and Enactus Ireland. She is a member of the Governing Authority of Maynooth University. She trained and qualified as a chartered accountant with PwC (Dublin) and is a Fellow of Chartered Accountants Ireland. She is a graduate of UCD (Bachelor of Commerce and Diploma in Professional Accounting) and is a Certified Bank Director.

### Aidan Murphy

Aidan was appointed to the CIÉ Board and as Chairman of Bus Éireann in July 2014. Aidan is the Chief Operating Officer of Carlow Precast and 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

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

### Ruairi O'Flynn

Ruairi was appointed to the Board in July 2015. He is also on the Boards of FBD Holdings plc, Canada Life International Reinsurance, and Irish Life Investment Managers. He was previously CEO at Canada Life Ireland and was also CEO at Setanta Asset Management and at Lifetime Assurance. His early career was at Bank of Ireland Group and he has also been a full time member of faculty at the IMI. Ruairi holds B.B.S. and Msc. (Mgt) degrees from Trinity College. He participated in the 2015 International Directors Programme at Insead Business School.

## Niamh Walsh

Niamh was appointed to the Board on July 24th 2015. She has 25 years Investment Banking experience gained in London, Hong Kong and Dublin. Her more recent roles include Chief Risk Officer for JPMorgan Bank Dublin plc and Joint CEO for Bear Stearns Bank plc. She is a member of the Chartered Institute of Management Accountants and the Chartered Institute of Secretaries and Administrators.

## Tommy Wynne

Tommy Wynne was appointed to the Board in 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 twelve Members appointed by the Government. This includes 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. The members of each of the committees are listed on page 29.

## 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 5 times in 2015.

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 of the audit. The Committee also monitors the integrity of the financial statements prepared by the Group.

The external auditors, PricewaterhouseCoopers, were appointed during the year ended 31 December 2013 for a three-year period following a competitive tender process. The ARC recommended to the Board that they be formally reappointed in respect of the year ended 31 December 2015.

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 2015 valued at €0.2 million. 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 judgement 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 being present to ensure the auditors can raise any matters in confidence.

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. The ARC approves the internal audit work programmes for the Group, meets regularly with the Head of Internal Audit and considers the results of the various internal audits undertaken and their implications. The ARC also keeps under review the controls, procedures and policies relating to compliance, whistleblowing and fraud.

## 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 Officer and senior management from the subsidiary companies every month to review the funding of the Group's capital programme, the prioritisation of the subsidiary companies' capital expenditure proposals, annual operating and capital budgets and the Group's treasury, procurement and disposal policies.

The Committee also reviews the Group's insurance and finance strategies. It is also charged with ensuring that the Group's management information systems enable the effective implementation of the Board's finance strategies.

## Internal Financial Controls

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

The Group's overall control systems include:

- A clearly defined organisational structure with written authority limits, appropriate segregation of duties and reporting mechanisms to higher levels of management, the boards of the subsidiary companies, board sub-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 boards are prepared and all significant capital projects require the completion of a formal close-out paper.
- Within Iarnród Éireann, the Infrastructure Advisory Group, which comprises 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. A risk register is maintained and updated quarterly and includes action plans for addressing the identified risks.

## 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) Acts, 1977 to 2001 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 2015.

| Board Member | CIÉ Board | Finance Committee | Audit Committee | Remuneration Committee | Safety Committee | Strategy Committee |
|---|---|---|---|---|---|---|
| Vivienne Jupp | 10/10 | | | 8/8 | | 8/8 |
| Ultan Courtney | 10/10 | 10/10 | | 5/5 | | 8/8 |
| P.J. Drudy | 6/6 | | 3/3 | | | |
| Phil Gaffney | 10/10 | | 5/5 | 7/8 | 4/4 | 8/8 |
| Bill McCamley | 10/10 | | | | | |
| Aebhric McGibney | 10/10 | 10/10 | | | | |
| Frances Meenan | 6/6 | 6/6 | | 5/5 | 2/2 | |
| John Moloney | 8/10 | | | | | |
| Christine Moran | 4/4 | 1/1 | 2/2 | | | |
| Aidan Murphy | 10/10 | 10/10 | | 5/5 | | 8/8 |
| Tom O'Connor | 8/10 | | | | 3/4 | |
| Ruairi O'Flynn | 4/4 | | | | | 2/2 |
| Niamh Walsh | 4/4 | | 1/1 | 1/1 | 1/1 | |
| Tommy Wynne | 9/10 | | | | | |

## Going Concern

The Board Members are satisfied that CIÉ and 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 financial statements. Your attention is drawn to Note 1 in this regard.

On behalf of the Board

**Vivienne Jupp** *Chairman*

**Christine Moran** *Board Member*

6 April 2016

# Statement of Board's Responsibilities

The Board Members are responsible for preparing the Annual Report and the financial statements of CIÉ (the parent) and for the CIÉ Group in accordance with the Transport Act, 1950 and subsequent amendments.

The law requires the Board Members to prepare financial statements for each financial year that give a true and fair view of the CIÉ Group's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law the Board Members have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the Board Members shall not approve the financial statements unless they are satisfied that they give a true and fair view of CIÉ's and the Group's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Group for the financial year.

In preparing these financial statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements;
- Notify CIÉ's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that CIÉ and the Group will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to:

- Correctly record and explain the transactions of CIÉ and the Group;
- Enable, at any time, the assets, liabilities, financial position and profit or loss of CIÉ to be determined with reasonable accuracy; and
- Enable the Board Members to ensure that the CIÉ and Group financial statements are prepared in accordance with applicable accounting standards and the Transport Act, 1950 and subsequent amendments.

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

On behalf of the Board

**Vivienne Jupp** *Chairman*

**Christine Moran** *Board Member*

6 April 2016

# Independent auditors' report

## to the Minister for Transport, Tourism and Sport in Respect of Córas Iompair Éireann ("CIÉ")

## Report on the financial statements

### Our opinion

In our opinion, Córas Iompair Éireann's financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and CIÉ's affairs as at 31 December 2015 and of the Group's loss and cash flows for the year then ended; and
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland.

### What we have audited

The financial statements comprise:

- the consolidated and CIÉ balance sheets as at 31 December 2015;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated and CIÉ statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the significant accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements 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), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

In applying the financial reporting framework, the members of the board have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Matters on which we have agreed to report

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of CIÉ were sufficient to permit the CIÉ financial statements to be readily and properly audited.
- The CIÉ balance sheet is in agreement with the accounting records.

## Matter on which we are required to report by exception

### Code of Practice for the Governance of State Bodies

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 33 to 35 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. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the members of the board

As explained more fully in the Statement of the Board's Responsibilities' set out on page 36, the members of the board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 and CIÉ'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.

We primarily focus our work in these areas by assessing the members of the Board's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

**6 April 2016**

(a) 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.

(b) Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Significant Accounting Policies

## Statement of Compliance

The Consolidated financial statements of CIÉ have been prepared on a going concern basis in accordance with – Irish GAAP (Accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland), including compliance in Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Transport Act, 1950 and subsequent amendments.

Córas Iompair Éireann (CIÉ) 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.

## Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated. CIÉ has adopted FRS 102 for the first time in these financial statements. Details of the transition to FRS 102 are disclosed in Note 28.

### (a) Basis of Preparation

The financial statements have been prepared on a going concern basis, under historical cost convention as modified for the measurement of certain financial assets and liabilities at fair value through the profit and loss account.

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

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the entity's shareholders.

CIÉ, the entity, has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Entity cash flows.

### (b) Basis of Consolidation

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

- Iarnród Éireann – Irish Rail.
- Bus Éireann – Irish Bus.
- Bus Átha Cliath – Dublin Bus.
- CIÉ Tours International Incorporated

The subsidiaries' financial period ends are all coterminous with those of CIÉ. Subsidiaries are all entities over which CIÉ has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights.

### (c) Foreign Currency

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

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

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

**(d) Revenue**

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

Revenue is recognised in the period in which the service is provided. Each of the key revenue streams is described below, along with a description of the revenue recognition policy for each stream.

Proceeds received for the sale of annual tickets and other future dated products are carried within liabilities and recognised in the profit and loss account over the period of the relevant product. Other public transport revenue is recognised on completion of the customers journey.

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

Rental income is recognised on a straight-line basis over the lease term.

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

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

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

CIÉ Tours International Incorporated revenue is derived from the provision of services offered including scheduled Tours, groups and Foreign Independent Travel (FIT). Revenue is measured at fair value of the consideration received for supply of services offered and is recognised when the service is delivered.

**(e) Public Service obligation payments, European Union and Other Exchequer Grants**

The Group recognise government grants in line with the accruals model under FRS 102.

*(i) Public Service Obligation (PSO) payments*

PSO payments received and receivable during the year are recognised in the profit and loss account in the period they become receivable.

*(ii) Grants for capital expenditure*

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

*(iii) Revenue Grants*

Grants in respect of expenditure are recognised in the profit and loss at the same time as the related expenditure for which the grant is intended to compensate is incurred.

*(iv) Infrastructure Manager Multi Annual Contract (MAC) grant*

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

**(f) Materials and services costs**

Materials and services costs constitute all costs associated with the day to day running of the operations of the Group, excluding depreciation, amortisation and payroll costs which are disclosed separately in the profit and loss account, and set out in more detail in Note 5 of the financial statements.

**(g) Exceptional costs**

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

In this regard the determination of 'significant' as included in the definition is based on qualitative and quantitative judgements used by the Board in assessing the particular items, which by virtue of their scale and nature, are disclosed in the Group profit and loss account and related notes as exceptional items.

**(h) Interest**

*(i) Interest receivable*

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

*(ii) Interest payable*

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

**(i) Income tax**

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

Current or deferred taxation assets and liabilities are not discounted.

*(i) Current tax*

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

*(ii) Deferred tax*

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

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

**(j) Related Party Transactions**

The CIÉ Group discloses transactions with related parties which are not wholly owned within the group. It does not disclose transactions with members of the same group that are wholly owned.

**(k) Intangible Fixed Assets**

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

**(l) Tangible Fixed Assets**

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

*(i) Railway lines and works*

Railway lines and works comprise a network of systems.

Expenditure on the network, which increases its capacity or enhances its operating capability is treated as an addition to tangible fixed assets, is capitalised and depreciated over its estimated economic useful life. Tangible fixed assets include capitalised employee and other costs that are directly attributable to the asset.

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

*(ii) Railway rolling stock*

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

*(iii) Road passenger vehicles*

Road passenger vehicles, other than school buses, are depreciated on the basis of the historical cost of vehicles in the fleet, spread over their expected useful lives, on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical cost 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 cost spread over their estimated economic useful lives using the straight line method.

*(v) Land and buildings*

Land and buildings include freehold land and buildings, retail outlets and offices. Land and buildings are carried at cost (or deemed cost for land and buildings previously revalued under GAAP) less accumulated depreciation and accumulated impairment losses.

Certain properties within the group are mixed use properties as the Group receives incremental revenues from the rental of retail units within its stations to third parties and rental income on certain other properties that are not fully utilised by the Group. However as the fair value of the investment property component cannot be measured reliably without undue cost or effort, the entire properties are accounted for as property, plant and equipment in accordance with Section 17 of FRS 102.

*(vi) Bridges, docks, harbours and wharves, signalling, plant and machinery and catering equipment*

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

*(vii) Depreciation and residual values*

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

| | | |
|---|---|---|
| Railway lines and works | straight-line method | 10 - 40 years |
| Bridges | straight-line method | 120 years |
| Railway rolling stock | straight-line method | 4 - 20 years |
| Road passenger vehicles | reducing percentage method | 8 - 14 years |
| School buses | straight-line method | 8 - 14 years |
| Road freight vehicles | straight-line method | 1 - 10 years |
| Freehold buildings | straight-line method | over 50 years |
| Plant and machinery | straight-line method | 3 - 30 years |
| Signalling | straight-line method | 10 years |
| Docks, harbours and wharves | straight-line method | over 50 years |
| Catering equipment | straight-line method | 5 - 10 years |

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

*(viii) Subsequent additions and major components*

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

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

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

*(ix) De-recognition*

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

### (m) Heritage Assets

The Group has a number of heritage assets, mainly former fleet vehicles, plates, crests and various artefacts. The assets are not maintained "purely for their contribution to knowledge and culture" and the assets comprise mainly former operational assets.

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

### (n) Impairment of Non-financial Assets

At the end of each financial year, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use, pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account.

### (o) Investments

CIÉ's investment in subsidiary companies is carried at historical cost less accumulated impairment losses.

### (p) Stocks

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

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

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

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

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

**(q) Cash and Cash Equivalents**

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

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

**(r) Financial Instruments**

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

*(i) Financial assets*

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

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

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

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

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

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

*(ii) Financial liabilities*

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is treated as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

*(iii) Derivatives financial instruments and hedging activities*

Derivatives, including interest rate swaps, forward foreign exchange and commodity swap contracts are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The Group applies hedge accounting for interest rate swaps, forward foreign exchange and commodity swap contracts and these derivatives are designated as cash flow hedges.

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in the hedge reserve are recycled in the profit and loss account in the periods when the hedged items will affect profit or loss (for instance when the forecast purchase that is hedged takes place). If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in the hedge reserve are transferred from the reserve and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit and loss account.

**(s) Provisions**

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

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

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

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

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

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

Provision is not made for future operating losses.

### (t) Contingencies

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

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

### (u) Leased Assets

*(i) Finance Leases*

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessor.

At the commencement of the finance lease term the Group recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. The capital cost of such assets is included in tangible assets and depreciated over the shorter of the lease term or the estimated useful life of the asset. The capital element of the outstanding lease obligations is included within creditors. Finance charges are charged to the profit and loss account over the primary period of the lease.

Assets under finance leases are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at the end of each financial year.

The minimum lease payments are apportioned between the outstanding liability and finance charges, using the effective interest method, to produce a constant periodic rate of interest on the remaining balance of the liability.

*(ii) Operating Leases*

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

### (v) Employee Benefits

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

*Post-Employment Benefits*

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

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

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligations at the end of each financial year less the fair value of the plans assets at the same date.

The defined benefit obligations are calculated annually by an external actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Euro and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of the plans assets out of which the obligations are to be settled are measured in accordance with the Group's accounting policy for financial assets. For most assets of the plans this is the quoted price in an active market. Where quoted prices are not available appropriate valuation techniques are used to estimate the fair value.

The cost of the defined benefit plans, recognised in profit or loss, except where included in the cost of an asset, comprises:

(a) The increase in net defined benefit liabilities arising from employee service during the financial year; and

(b) The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate (both as determined at the start of the financial year, taking account of any changes in the net defined benefit liability during the financial year as a result of contribution and benefit payments). This net interest cost is recognised in profit or loss as 'interest payable and similar charges'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets less the interest income on plan assets included in the net interest cost, are presented as re-measurement of net defined benefit liability' in other comprehensive income.

All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. The net defined benefit pension liability for the schemes as a whole is recognised in the CIÉ entity balance sheet.

**(w) Critical Judgements in Applying the Group's Accounting Policies**

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

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

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

The annual amortisation charge for intangible fixed assets and the depreciation charge for tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The useful economic lives for each class of intangible fixed and tangible fixed assets are set out above. The carrying amount of intangible and tangible fixed assets for each class of assets is set out in Note 13 and Note 14.

*(ii) Defined benefit pension schemes*

The Group has an obligation to pay pension benefits to certain employees. Valuations of the pensions plans are carried out by the scheme actuaries. The cost of pension benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, the level of increases, if any, awarded to pensioners and the interest rate at which the future pension payments are discounted. The Group uses estimates for all of these factors in determining the pension costs and assets and liabilities reflected in the financial statements.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

There is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. Further detail of the Group's defined benefit pension schemes and the assumptions used in the valuation of pension liabilities are set out in Note 24.

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rate at which future pension liabilities are valued have fluctuated significantly over the last number of years.

*(iii) Third party and employer liability claims provisions*

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

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.

Further details are set out in Note 21 to the financial statements.

# Consolidated Profit and Loss Account

| Financial Year Ended 31 December 2015 | Notes | 2015 €'000 | 2014 €'000 |
|---|---|---|---|
| Revenue from operations | 2 | 846,037 | 825,118 |
| Receipts from Public Service Obligations contracts | 11 | 189,575 | 211,812 |
| Other Exchequer funding | 11 | 112,944 | 77,429 |
| Other revenue grants | 11 | 4,490 | 5,623 |
| **Total revenue** | 2 | **1,153,046** | **1,119,982** |
| Payroll and related costs | 4 | (564,716) | (535,284) |
| Materials and services costs | 5 | (540,044) | (503,517) |
| **Total operating costs** | | **(1,104,760)** | **(1,038,801)** |
| **EBITDA before exceptional costs** | | **48,286** | **81,181** |
| Exceptional costs | 6 | (2,846) | (4,487) |
| Depreciation and amortisation, net of capital grants amortised | 7 | (55,845) | (61,164) |
| Profit on disposal of tangible assets | 8 | 1,511 | 1,939 |
| **Operating (deficit)/surplus before interest and taxation** | | **(8,894)** | **17,469** |
| Interest receivable and similar income | 9 | 103 | 978 |
| Interest payable and similar charges | 9 | (17,390) | (20,495) |
| **Net interest expense** | | **(17,287)** | **(19,517)** |
| **Deficit for the year before taxation** | | **(26,181)** | **(2,048)** |
| Tax on ordinary activities | 10 | (252) | (1,251) |
| **Deficit for the year** | | **(26,433)** | **(3,299)** |

# Consolidated Statement of Comprehensive Income

| Financial Year Ended 31 December 2015 | Notes | 2015 | 2014 |
|---|---|---|---|
| | | €'000 | €'000 |
| Deficit for the year | | (26,433) | (3,299) |
| | | | |
| Other comprehensive income: | | | |
| Re-measurement of post-retirement benefit liabilities | 24 | 437,168 | (278,110) |
| Cash flow hedges | | | |
| Reclassification to the profit and loss account | | 19,743 | (2,983) |
| Change in value of hedging instruments | | (20,784) | (29,081) |
| | 26 | **(1,041)** | **(32,064)** |
| | | | |
| **Other comprehensive income/(expense) for the year, net of tax** | | **436,127** | **(310,174)** |
| | | | |
| **Total comprehensive income/(expense) for the year** | | **409,694** | **(313,473)** |

# Consolidated Balance Sheet

| As at 31 December 2015 | Notes | 2015 €'000 | 2014 €'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible fixed assets | 13 | 9,036 | 12,328 |
| Tangible fixed assets | 14 | 3,063,609 | 3,183,717 |
| Financial assets | 15 | – | 20 |
| | | **3,072,645** | **3,196,065** |
| **Current assets** | | | |
| Inventories | 16 | 57,370 | 55,273 |
| Debtors | 17 | 76,298 | 72,728 |
| Cash at bank and in hand | | 59,404 | 50,477 |
| | | **193,072** | **178,478** |
| Creditors (amounts falling due within one year) | 18 | (468,089) | (462,547) |
| **Net current liabilities** | | **(275,017)** | **(284,069)** |
| **Total assets less current liabilities** | | **2,797,628** | **2,911,996** |
| Creditors (amounts falling due after more than one year) | 19 | (45,498) | (63,484) |
| Deferred income | 22 | (2,454,036) | (2,545,602) |
| **Provisions for liabilities** | | | |
| Other provisions for liabilities | 21 | (215,982) | (217,115) |
| Provision for post employee benefit obligations | 24 | (288,403) | (701,780) |
| **Net liabilities** | | **(206,291)** | **(615,985)** |
| | | | |
| **Capital and reserves** | | | |
| Capital reserve | | 28,556 | 28,556 |
| Profit and loss account | | (247,358) | (657,052) |
| Non-repayable State advances | | 12,511 | 12,511 |
| | | **(206,291)** | **(615,985)** |

On behalf of the Board

**Vivienne Jupp** *Chairman*

**Christine Moran** *Board Member*

# Entity Balance Sheet

| As at 31 December 2015 | Notes | 2015 | 2014 |
|---|---|---|---|
| | | €'000 | €'000 |
| **Fixed Assets** | | | |
| Intangible fixed assets | 13 | 66 | 121 |
| Tangible fixed assets | 14 | 769,598 | 780,245 |
| Financial assets | 15 | 294,246 | 295,653 |
| | | **1,063,910** | **1,076,019** |
| **Current assets** | | | |
| Debtors | 17 | 3,697 | 8,054 |
| Cash at bank and in hand | | 55,515 | 48,949 |
| | | **59,212** | **57,003** |
| **Creditors** (amounts falling due within one year) | 18 | (261,713) | (238,361) |
| **Net current assets** | | **(202,501)** | **(181,358)** |
| **Total assets less current liabilities** | | **861,409** | **894,661** |
| Creditors (amounts falling due after more than one year) | 19 | (45,498) | (63,484) |
| Deferred income | 22 | (542,272) | (552,245) |
| **Provisions for liabilities** | | | |
| Other provisions for liabilities | 21 | (2,994) | (3,511) |
| Provision for post employee benefit obligations | 24 | (288,403) | (701,780) |
| **Net liabilities** | | **(17,758)** | **(426,359)** |
| | | | |
| **Capital and reserves** | | | |
| Capital reserve | | 28,556 | 28,556 |
| Profit and loss account | | (58,825) | (467,426) |
| Non-repayable State advances | | 12,511 | 12,511 |
| | | **(17,758)** | **(426,359)** |

On behalf of the Board

**Vivienne Jupp** *Chairman*

**Christine Moran** *Board Member*

# Consolidated Statement of Changes in Equity

| Financial Year Ended 31 December 2015 | Notes | Capital reserves | Profit and loss a/c | Non repayable State advances | Total equity |
|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 |
| Balance as at 1 January 2014 | 28 | 28,556 | (343,579) | 12 | (302,512) |
| Deficit for the financial year | | – | (3,299) | – | (3,299) |
| Other comprehensive expense for the financial year | | – | (310,174) | – | (310,174) |
| Total comprehensive expense for the financial year | | – | (313,473) | – | (313,473) |
| **Balance as at 31 December 2014** | | **28,556** | **(657,052)** | **12,511** | **(615,985)** |
| Balance as at 1 January 2015 | 28 | 28,556 | (657,052) | 12,511 | (615,985) |
| Deficit for the financial year | | – | (26,433) | – | (26,433) |
| Other comprehensive income for the financial year | | – | 436,127 | – | 436,127 |
| Total comprehensive income for the financial year | | – | 409,694 | – | 409,694 |
| **Balance as at 31 December 2015** | | **28,556** | **(247,358)** | **12,511** | **(206,291)** |

# CIÉ Entity Statement of Changes in Equity

| Financial Year Ended 31 December 2015 | Notes | Capital reserves | Profit and loss a/c | Non repayable State advances | Total equity |
|---|---|---|---|---|---|
| | | €'000 | €'000 | €'000 | €'000 |
| Balance as at 1 January 2014 | 28 | 28,556 | (144,248) | 12,511 | (103,181) |
| Deficit for the financial year | 12 | – | (45,068) | – | (45,068) |
| Other comprehensive expense for the financial year | | – | (278,110) | – | (278,110) |
| Total comprehensive expense for the financial year | | – | (323,178) | – | (323,178) |
| **Balance as at 31 December 2014** | | **28,556** | **(467,426)** | **12,511** | **(426,359)** |
| Balance as at 1 January 2015 | 28 | 28,556 | (467,426) | 12,511 | (426,359) |
| Deficit for the financial year | 12 | – | (28,567) | – | (28,567) |
| Other comprehensive income for the financial year | | – | 437,168 | – | 437,168 |
| Total comprehensive income for the financial year | | – | 408,601 | – | 408,601 |
| **Balance as at 31 December 2015** | | **28,556** | **(58,825)** | **12,511** | **(17,758)** |

# Consolidated Cash Flow Statement

| Financial Year Ended 31 December 2015 | Notes | 2015 | 2014 |
|---|---|---|---|
| | | €'000 | €'000 |
| Net cash from operating activities | 23 | 65,893 | 85,849 |
| Income taxes paid | | (987) | (1,206) |
| **Net cash generated from operating activities** | | **64,906** | **84,643** |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of tangible fixed assets | | (182,299) | (212,382) |
| Purchase of intangible fixed assets | | (1,443) | (3,343) |
| Disposal of financial assets | | 20 | – |
| Proceeds from disposal of tangible fixed assets | | 1,536 | 3,060 |
| Proceeds from state and EU grants | | 144,404 | 217,188 |
| Interest received | | 103 | 978 |
| **Net cash (used in)/generated from investing activities** | | **(37,679)** | **5,501** |
| | | | |
| **Cash flow from financing activities** | | | |
| Repayment of bank borrowings | | (13,000) | (13,000) |
| Proceeds from issue of bank borrowings | | – | (40,000) |
| Finance lease payments | | (2,078) | (3,662) |
| Interest paid | | (3,355) | (5,583) |
| **Net cash used in financing activities** | | **(18,433)** | **(62,245)** |
| **Net increase in cash and cash equivalents** | | **8,794** | **27,899** |
| Cash and cash equivalents at the beginning of the year | | 50,349 | 22,450 |
| **Cash and cash equivalents at the end of the year** | | **59,143** | **50,349** |
| | | | |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank and in hand | | 59,404 | 50,477 |
| Bank overdrafts | | (261) | (128) |
| **Cash and cash equivalents at the end of the year** | | **59,143** | **50,349** |

# Notes to the Financial Statements

**1 Going Concern**

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

**Background**

At 31 December 2015 the Group had net liabilities of €206m (2014: €616m) and net current liabilities of €275m (2014: €284m). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €288m (2014: €702m) and deferred income in respect of capital grants received of €2,687m (2014: €2,784m).

In July 2013 the 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 €160m were secured up to July 2018, of which €26m has subsequently been repaid and is not available to be redrawn under the Group's term loan facility. At 31 December 2015 the Group had drawn down €54m under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80m.

These facilities contain a number of financial covenants, all of which have been met by the Group in 2015. Management expect that the Group will continue to meet the covenants set out in the facility agreement for the period of at least 12 months from the date of approval of these financial statements.

**Nature of Uncertainties Facing Group**

While trading performance improved during 2015 the Group continues to face a challenging business environment which gives rise to uncertainties.

While management are confident that overall financial levels including those required for the Group to meet its financial covenants will continue to be met in the forthcoming year, the Group's future performance is based on a number of challenging targets and assumptions which require constant monitoring and oversight by management. The Group's budget assumes that the Group will continue to incur an operating deficit in 2016.

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 5-year business plan are based on a combination of assumptions related to increases in nominal fares, increases in passenger journeys and the mix of fares between cash and other fares. The capacity of the Group to secure the fare increases assumed in its 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 plan 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 safe, effective and reliable public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group.

   The Group's plans for 2016 are subject to additional capital expenditure funding support from the Exchequer and the NTA and also envisage funding investment from operating cash flows. The Group's sustainability in the longer term is dependent on an appropriate level of government funding being in place to fund the public transport services that are required under the Group's Public Service Obligation contracts.

***1 Going Concern (cont'd)***

The Group's sustainability is particularly sensitive to uncertainty associated with funding future investment. During 2014 Iarnród Éireann and the NTA undertook a process to review and evaluate possible solutions to Iarnród Éireann's financial requirements. The additional Government funding estimate which was approved in December 2015 improves the capacity to fund from cash flow the investment requirements of Iarnród Éireann in 2016.

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 would be required to ensure that the overall financial covenant, to which the Group is committed, are not breached and that sufficient cash-flow is generated after investment to meet obligations as they fall due.

**4. Pensions**

The Group's pension schemes are in deficit. Although the net liabilities of the pension schemes reduced at 31 December 2015, in comparison to the prior year, the financial markets remain volatile, including significant movements in the underlying interest rates under which liabilities are measured and the valuation of assets held by the schemes since year end. The ongoing volatility in the valuation of the schemes require careful monitoring and the identification of measures which can be implemented, on an agreed basis, to reduce the risk in relation to the schemes.

CIÉ is engaging with its staff to identify and agree on measures which are designed to de-risk the schemes.

**Managements Actions**

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

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

**Letter of Support**

The ongoing support of the Department of Transport, Tourism and Sport has been evidenced in the letter of support dated 5 April 2016.

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

**Conclusion**

Having made due enquiries, and considering the uncertainties described above, the Board Members have a reasonable expectation that the cashflow generating from the Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Group and CIÉ, and to meet the Group's financial covenants under the Group's banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements. They also have a reasonable expectation that the Government will support measures to ensure financial stability. 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.

**1 *Going Concern (cont'd)***

The Board Members, having regard to above, have a reasonable expectation that the Group and CIÉ 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 Revenue BY ACTIVITY**

Revenue represents the amounts derived from the provision of services which fall within the Group's ordinary activities, stated net of tax.

The Group is primarily a transport service provider and operates in the island of Ireland. Each division of the Group's transport service is managed by a separate legal entity. The Group also operates a "Tour" company – CIÉ Tours International Inc.

Revenue is analysed as follows:

| | CIÉ | CIÉ Tours International | Iarnród Éireann | Bus Éireann | Bus Átha Cliath | Total 2015 | Total 2014 |
|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Railway undertaking | – | – | 195,641 | – | – | 195,641 | 188,395 |
| Freight division | – | – | 4,882 | – | – | 4,882 | 5,106 |
| Rosslare Harbour | – | – | 10,439 | – | – | 10,439 | 10,086 |
| Other rail services | | | 22,974 | – | – | 22,974 | 13,947 |
| Road passenger services | | | | | | | |
| – Dublin City | – | – | – | – | 228,084 | 228,084 | 216,036 |
| – Other services | – | – | – | 303,004 | – | 303,004 | 297,898 |
| Tours | – | 81,011 | – | – | – | 81,011 | 86,264 |
| Central business activities | 2 | – | – | – | – | 2 | 7,386 |
| Public Service Obligation Contracts: | | | | | | | |
| – PSO income (Note 11) | – | – | 98,161 | 33,714 | 57,700 | 189,575 | 211,812 |
| – Other Exchequer grants (Note 11) | – | – | 112,944 | – | – | 112,944 | 77,429 |
| – Revenue grant (Note 11) | – | – | – | 4,048 | 442 | 4,490 | 5,623 |
| **Total revenue** | **2** | **81,011** | **445,041** | **340,766** | **286,226** | **1,153,046** | **1,119,982** |

## 3 Railway Infrastructure Costs

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

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| **Infrastructure Funding** | | |
| Multi Annual Contract | 112,889 | 75,093 |
| Track access charges | 42,860 | 53,052 |
| Other Exchequer grants | – | 1,523 |
| Third party revenue | 19,606 | 10,238 |
| Total revenue | 175,355 | 139,906 |
| Payroll and related costs | (97,027) | (94,631) |
| Materials and services | (78,861) | (29,031) |
| Depreciation and amortisation, net of capital grants amortised | (7,261) | (6,080) |
| Total operating costs | (183,149) | (129,742) |
| EBITDA before exceptional operating costs | (7,794) | 10,164 |
| Exceptional costs | (695) | 12 |
| (Loss)/profit on sale of tangible fixed assets | (22) | 2 |
| (Deficit)/surplus for the year on ordinary activities before interest | (8,511) | 10,178 |
| Interest payable and similar charges | (964) | (159) |
| **(Deficit)/surplus for the year on ordinary activities** | **(9,475)** | **10,019** |

## 4 Payroll and Related Costs

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| **Staff costs (excluding restructuring costs) comprise** | | |
| Wages and salaries | 476,879 | 469,695 |
| Social insurance costs | 45,113 | 44,056 |
| Other retirement benefit costs | 57,814 | 41,175 |
| | 579,806 | 554,926 |
| Own work capitalised | (15,540) | (20,096) |
| **Net staff costs** | **564,266** | **534,830** |
| | | |
| Board Members remuneration and emoluments | | |
| – for services as Board Members | 211 | 211 |
| – for executive services | 239 | 243 |
| **Total Board Members remuneration and emoluments** | **450** | **454** |
| | | |
| **Total payroll and related costs** | **564,716** | **535,284** |

Of the total staff costs €15.5m (2014: €20.1m) has been capitalised into tangible fixed assets and €564.3m (2014: €534.8m) has been treated as an expense in the profit and loss account.

## 4 *Payroll and Related Costs (cont'd)*

### Key management compensation

The Board Members were paid Directors fees as follows:

| | 2015 | 2014 |
|---|---|---|
| | € | € |
| **Board Member** | | |
| Vivienne Jupp (Non–executive Chairman) | 31,500 | 30,655 |
| Kevin Bonner | – | 12,600 |
| Ultan Courtney | 19,080 | 2,554 |
| P.J. Drudy | 9,188 | 15,750 |
| Phil Gaffney | 20,520 | 21,060 |
| Helen Keelan | – | 12,295 |
| Paul Mallee | – | 8,545 |
| Bill McCamley | 15,750 | 15,750 |
| Aebhric McGibney | 15,750 | 14,860 |
| Frances Meenan | 9,187 | 15,750 |
| John Moloney | 15,750 | 15,750 |
| Christine Moran | 7,709 | – |
| Aidan Murphy | 21,600 | 13,476 |
| Tom O'Connor | 15,750 | 15,750 |
| Ruairi O'Flynn | 6,925 | – |
| Niamh Walsh | 6,925 | – |
| Tommy Wynne | 15,750 | 15,750 |

Key management includes the Board Members and members of senior management of the Group. The compensation paid or payable to key management for employee services is shown below.

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Salaries and other short-term benefits | 1,191 | 1,220 |
| Social insurance costs | 97 | 95 |
| Post-retirement benefits | 230 | 182 |
| | **1,518** | **1,497** |

## 4 *Payroll and Related Costs (cont'd)*

### Staff Numbers

The average number of persons employed by CIÉ during the financial year was:

| | 2015 | 2014 |
|---|---|---|
| CIÉ | 244 | 246 |
| Iarnród Éireann - Irish Rail | 3,793 | 3,770 |
| Bus Éireann - Irish Bus | 2,487 | 2,456 |
| Bus Átha Cliath - Dublin Bus | 3,313 | 3,176 |
| | **9,837** | **9,648** |

## 5 Other Operating Expenses

Materials and services costs comprise of:

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Fuel, electricity and lubricants | 102,583 | 101,899 |
| Road tax and licenses | 1,295 | 1,269 |
| Rates | 3,762 | 3,880 |
| Auditors' remuneration | 327 | 410 |
| Operating lease rentals | 4,024 | 4,517 |
| School contractors | 127,697 | 124,167 |
| Third party and employer's liability claims | 17,957 | 13,000 |
| Directors' expenses | 6 | 2 |
| Other materials and services | 280,843 | 252,823 |
| Pension operating costs | 1,550 | 1,550 |
| | **540,044** | **503,517** |

**Auditors' remuneration:**

Remuneration (including expenses) for the statutory audit and other services carried out of the Group by the Group's auditors is as follows:

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Audit of Group financial statements | 175 | 190 |
| Other assurance services | 55 | 21 |
| Tax advisory services | 89 | 106 |
| Other non audit services | 8 | 93 |
| | **327** | **410** |

### 5 *Other Operating Expenses (cont'd)*

Included in expenses reimbursed to Board Members are:

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Subsistence/accommodation | – | 1 |
| Other | 6 | 1 |
| | **6** | **2** |

The deficit for the year is stated after charging/(crediting):

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Inventory consumed | 174,409 | 170,930 |
| Increase/(decrease) in inventory obsolescence provision | 51 | (433) |
| Foreign exchange differences | 2,083 | 918 |
| Profit on disposal of fixed assets | (1,511) | (1,939) |
| Operating leases | 4,024 | 4,517 |
| Restructuring costs | 2,846 | 4,487 |
| Depreciation of tangible fixed assets | 290,685 | 289,571 |
| Amortisation of intangible assets | 4,735 | 4,114 |
| Amortisation of grants | (239,575) | (232,521) |

### 6 Exceptional Operating Costs

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Business Restructuring | 2,846 | 4,487 |
| | **2,846** | **4,487** |

As part of the Group's 5-year plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The cost in 2015 including severance payments and other costs associated with the programme is €2.1 million. In addition, Bus Éireann incurred €0.3m. Dublin Bus incurred €0.3m and CIÉ incurred €0.1 million in business restructuring costs during the year.

## 7 Depreciation and Amortisation, Net of Capital Grants Amortisation

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Amortisation of intangible fixed assets (Note 13) | 4,735 | 4,114 |
| Depreciation of tangible fixed assets (Note 14) | 290,685 | 289,571 |
| Amortisation of capital grants (Note 22) | (239,575) | (232,521) |
| | **55,845** | **61,164** |

## 8 Profit on Disposal of Tangible Assets

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Net gain on disposal of land and buildings | 828 | 1,254 |
| Profit on disposal of rolling stock, vehicles, plant and machinery | 683 | 685 |
| | **1,511** | **1,939** |

## 9 Net interest expense

*(a) Interest receivable and similar charges*

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| **Interest income on short term deposits** | **103** | **978** |

*(b) Interest payable and similar charges*

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Interest payable on loans and overdrafts | 3,201 | 5,252 |
| Interest payable on finance leases | 66 | 331 |
| Total interest expense on financial liabilities not measured at fair value through the profit or loss | 3,267 | 5,583 |
| Net interest expense on defined benefit pensions plans | 14,035 | 14,912 |
| Unwind of discount provisions | 88 | – |
| **Total interest payable and similar charges** | **17,390** | **20,495** |

### 9 *Net interest expense (cont'd)*

*(c) Net interest expense*

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Interest receivable and similar charges | 103 | 978 |
| Interest payable and similar charges | (17,390) | (20,495) |
| **Net interest expense** | **(17,287)** | **(19,517)** |

### 10 Income tax

*(a) Tax expense included in profit and loss*

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Foreign corporation tax charge on profit for the financial year | 252 | 1,251 |
| Current tax expense for the financial year | 252 | 1,251 |
| | | |
| **Tax on profit on ordinary activities** | **252** | **1,251** |

*(b) Tax expense relating to items recognised in other comprehensive income*

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Current tax | – | – |
| Deferred tax | | |
| – Deferred tax on re-measurement of net defined benefit liability | – | – |
| **Total tax expense relating to items recognised in other comprehensive income** | **–** | **–** |

(c) Tax expense relating to items recognised in equity

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Current tax | – | – |
| Deferred tax | – | – |
| **Total tax expense relating to items recognised in equity** | **–** | **–** |

**10 Income tax (cont'd)**

*(d) Reconciliation of tax expense*

Tax assessed for the financial year differs that determined by applying the standard rate of corporation tax in the Republic of Ireland for the year ended 31 December 2015 of 12.5% (2014: 12.5%) to the deficit for the year. The differences are explained below:

| | **2015** | **2014** |
|---|---|---|
| | **€'000** | **€'000** |
| Deficit on ordinary activities before tax | (26,181) | (2,048) |
| Deficit multiplied by the standard rate of tax in the Republic of Ireland for the financial year ended 31 December 2015 of 12.5% (2014: 12.5%) | (3,273) | (256) |
| Effects of: | | |
| Income not subject to tax | (67,919) | (65,099) |
| Higher rate of tax on overseas earnings | 168 | 701 |
| Expenses not deductible for tax purposes | 2,101 | 1,534 |
| Depreciation in excess of capital allowances | 28,217 | 27,543 |
| Utilisation of tax losses | (381) | – |
| Unrelieved tax losses carried forward | 38,268 | 34,158 |
| Income subject to higher rate of tax | 3,103 | 2,883 |
| Other differences | (32) | (213) |
| **Tax on profits on ordinary activities** | **252** | **1,251** |

A potential deferred tax asset of €829 million (2014: €799 million) in relation to accumulated losses carried forward has not been recognised as their future recovery against taxable profits is uncertain.

## 11 Public Service Obligations and Other Exchequer Grants

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

Particulars of the State grants of €302,519 million received in 2015 – €189,575 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €112,944 million under the Infrastructure Manager Multi Annual Contract are included in the following table:

| **State grants relating to 2014/2015 activities** | **2015** | **2014** |
|---|---|---|
| | **€'000** | **€'000** |
| Public Service Obligation | | |
| Iarnród Éireann - Irish Rail | 98,161 | 117,386 |
| Bus Átha Cliath - Dublin Bus | 57,700 | 60,039 |
| Bus Éireann - Irish Bus | 33,714 | 34,387 |
| **State grants under Sub-Head C1 of Vote 32 of Dáil Éireann** | **189,575** | **211,812** |
| Add: | | |
| Infrastructure Manager Multi Annual Contract | 112,944 | 77,429 |
| State grant for National Development Plan (NDP) | 139,847 | 205,326 |
| EU Grants for Infrastructure and Capital Investment | 4,492 | 15,897 |
| Other Exchequer grants | 4,490 | 5,623 |
| **Total Other Exchequer Funding** | **261,773** | **304,275** |
| **Total PSO and other Exchequer Grants** | **451,348** | **516,087** |

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

CIÉ records grants using the "Accrual Model" allowable under FRS 102 section 24.

The amount and term of the capital grants are amortised over the useful lives of the related assets. Revenue grants are included to the consolidated profit and loss account in full in the relevant year.

| | **Department of Transport, Tourism & Sport** | **National Transport Authority** | **Total** | **Department of Transport, Tourism & Sport** | **National Transport Authority** | **Total** |
|---|---|---|---|---|---|---|
| | **2015** | **2015** | **2015** | **2014** | **2014** | **2014** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| Vote C2 Capital | 144,719 | 111,562 | 256,281 | 143,168 | 144,243 | 287,411 |
| Vote C2 Accessibility | 9 | 758 | 767 | – | 828 | 828 |
| **Total** | **144,728** | **112,320** | **257,048** | **143,168** | **145,071** | **288,239** |

Source of National Development Plan (NDP) Funds received during the calendar years 2014 and 2015 are restricted to particular projects.

Highlights
Chairman's Statement
Review
Financial Statements

**12 CIÉ Net Result for the Year**

CIÉ, the entity's net deficit for the year amounted to €28.6 million (2014: €45.1 million).

**13 Intangible Fixed Assets**

| Group | Computer Software €'000 | Total €'000 |
|---|---|---|
| **At 1 Jan 2014** | | |
| Cost | 53,510 | 53,510 |
| Accumulated amortisation and impairment | (40,411) | (40,411) |
| **Carrying amount** | **13,099** | **13,099** |
| **Financial year ended 31 December 2014** | | |
| Opening carrying amount | 13,099 | 13,099 |
| Additions | 3,343 | 3,343 |
| Disposals | – | – |
| Amortisation | (4,114) | (4,114) |
| **Carrying amount** | **12,328** | **12,328** |
| **At 31 December 2014** | | |
| Cost | 56,780 | 56,780 |
| Accumulated amortisation and impairment | (44,452) | (44,452) |
| **Carrying amount** | **12,328** | **12,328** |
| **Financial year ended 31 December 2015** | | |
| Opening carrying amount | 12,328 | 12,328 |
| Additions | 1,443 | 1,443 |
| Disposals | – | 0 |
| Amortisation | (4,735) | (4,735) |

| CIÉ Entity | Computer Software €'000 | Total €'000 |
|---|---|---|
| **At 1 Jan 2014** | | |
| Cost | 15,659 | 15,659 |
| Accumulated amortisation and impairment | (15,565) | (15,565) |
| **Carrying amount** | **94** | **94** |
| **Financial year ended 31 December 2014** | | |
| Opening carrying amount | 94 | 94 |
| Additions | 70 | 70 |
| Disposals | – | – |
| Amortisation | (43) | (43) |
| **Carrying amount** | **121** | **121** |
| **At 31 December 2014** | | |
| Cost | 15,729 | 15,729 |
| Accumulated amortisation and impairment | (15,608) | (15,608) |
| **Carrying amount** | **121** | **121** |
| **Financial year ended 31 December 2015** | | |
| Opening carrying amount | 121 | 121 |
| Additions | – | – |
| Disposals | – | – |
| Amortisation | (55) | (55) |

### *13 Intangible Fixed Assets (cont'd)*

| Group | Computer Software €'000 | Total €'000 |
|---|---|---|
| **Carrying amount** | **9,036** | **9,036** |
| **At 31 December 2015** | | |
| Cost | 58,117 | 58,117 |
| Accumulated amortisation and impairment | (49,081) | (49,081) |
| **Carrying amount** | **9,036** | **9,036** |

| CIÉ Entity | Computer Software €'000 | Total €'000 |
|---|---|---|
| **Carrying amount** | **66** | **66** |
| **At 31 December 2015** | | |
| Cost | 15,729 | 15,729 |
| Accumulated amortisation and impairment | (15,663) | (15,663) |
| **Carrying amount** | **66** | **66** |

Intangible assets comprise computer software. Computer software is measured at cost less accumulated amortisation and impairment losses. No impairment losses were recognised in the year (2014: €nil). Computer software is amortised over its estimated useful life, which is between of 3 and 5 years.

## 14 Tangible Fixed Assets

### Group

| | Railways line and works | Railway Rolling Stock | Road Passenger Vehicles | Road Freight Vehicles | Land and Buildings | Plant and Machinery | Signalling | Docks, Harbours and Wharves | Total |
|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **At 1 Jan 2014** | | | | | | | | | |
| Cost | 2,100,122 | 1,458,624 | 573,145 | 2,893 | 922,156 | 591,381 | 594,481 | 56,452 | 6,299,254 |
| Accumulated depreciation and impairment | (1,112,448) | (752,734) | (393,023) | (2,893) | (129,133) | (377,999) | (221,098) | (21,445) | (3,010,773) |
| **Carrying amount** | **987,674** | **705,890** | **180,122** | **–** | **793,023** | **213,382** | **373,383** | **35,007** | **3,288,481** |
| **Financial year ended 31 December 2014** | | | | | | | | | |
| Opening carrying amount | 987,674 | 705,890 | 180,122 | – | 793,023 | 213,382 | 373,383 | 35,007 | 3,288,481 |
| Additions | 59,398 | 34,738 | 53,394 | – | 6,843 | 23,496 | 8,606 | 34 | 186,509 |
| Disposals | – | (1,092) | (235) | – | (375) | – | – | – | (1,702) |
| Depreciation | (80,872) | (95,743) | (35,913) | – | (16,360) | (41,193) | (18,106) | (1,384) | (289,571) |
| **Carrying amount** | **966,200** | **643,793** | **197,368** | **–** | **783,131** | **195,685** | **363,883** | **33,657** | **3,183,717** |
| **At 31 December 2014** | | | | | | | | | |
| Cost | 2,159,520 | 1,482,942 | 609,677 | 2,893 | 928,624 | 612,556 | 603,087 | 56,486 | 6,455,785 |
| Accumulated depreciation and impairment | (1,193,320) | (839,149) | (412,309) | (2,893) | (145,493) | (416,871) | (239,204) | (22,829) | (3,272,068) |
| **Carrying amount** | **966,200** | **643,793** | **197,368** | **–** | **783,131** | **195,685** | **363,883** | **33,657** | **3,183,717** |

## 14 *Tangible Fixed Assets (cont'd)*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Financial year ended 31 December 2015** | | | | | | | | | |
| Opening carrying amount | 966,200 | 643,793 | 197,368 | – | 783,131 | 195,685 | 363,883 | 33,657 | 3,183,717 |
| Additions | 37,823 | 33,658 | 55,082 | – | 7,399 | 24,187 | 13,963 | 482 | 172,594 |
| Reclassification | – | 113 | – | – | – | (113) | – | – | – |
| Disposals | (1,478) | – | (94) | – | (440) | (5) | – | – | (2,017) |
| Depreciation | (84,300) | (87,455) | (40,893) | – | (16,571) | (41,021) | (19,095) | (1,350) | (290,685) |
| **Carrying amount** | **918,245** | **590,109** | **211,463** | **–** | **773,519** | **178,733** | **358,751** | **32,789** | **3,063,609** |
| **At 31 December 2015** | | | | | | | | | |
| Cost | 2,181,891 | 1,409,164 | 637,021 | 2,893 | 935,583 | 634,396 | 617,050 | 56,968 | 6,474,966 |
| Accumulated depreciation and impairment | (1,263,646) | (819,055) | (425,558) | (2,893) | (162,064) | (455,663) | (258,299) | (24,179) | (3,411,357) |
| **Carrying amount** | **918,245** | **590,109** | **211,463** | **–** | **773,519** | **178,733** | **358,751** | **32,789** | **3,063,609** |

During the financial year, the Group disposed of tangible fixed assets with a carrying amount of €2,017,000. The assets have a cost of €153,413,000 and accumulated depreciation and impairment of €151,396,000. The profit on disposal of these tangible fixed assets is €1,511,000 (2014: €1,939,000).

(a) The Group has elected to use the cost model at the date of transition to FRS 102 in relation to land and buildings.

(b) Road passenger vehicles at a cost of €136,809,000 (2014 – €121,730,621) were fully depreciated but still in use at the balance sheet date.

**_14 Tangible Fixed Assets (cont'd)_**

(c) Included in tangible fixed assets are amounts, as stated below, in respect of rail rolling stock and plant and machinery (computer equipment) which are held under finance leases, whereby the Group has substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Cost | 90,157 | 93,478 |
| Accumulated depreciation | (82,379) | (88,915) |
| Net book value at 31 December | 7,778 | 4,563 |
| Depreciation for year | (2,905) | (1,824) |

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

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Railway Rolling Stock | 685 | 115 |
| Road passenger vehicles | 4,584 | 22,595 |
| | 5,269 | 22,710 |

### *14 Tangible Fixed Assets (cont'd)*

**CIÉ Entity**

| | Land and Buildings €'000 | Plant and Machinery €'000 | Total €'000 |
|---|---|---|---|
| **At 01 Jan 2014** | | | |
| Cost | 918,064 | 17,305 | 935,369 |
| Accumulated depreciation and impairment | (128,001) | (16,714) | (144,715) |
| **Carrying amount** | **790,063** | **591** | **790,654** |
| **Financial year ended 31 December 2014** | | | |
| Opening carrying amount | 790,063 | 591 | 790,654 |
| Additions | 4,920 | 1,725 | 6,645 |
| Disposals | (375) | – | (375) |
| Depreciation | (16,246) | (433) | (16,679) |
| **Carrying amount** | **778,362** | **1,883** | **780,245** |
| **At 31 December 2014** | | | |
| Cost | 922,609 | 18,791 | 941,400 |
| Accumulated depreciation and impairment | (144,247) | (16,908) | (161,155) |
| **Carrying amount** | **778,362** | **1,883** | **780,245** |
| **Financial year ended 31 December 2015** | | | |
| Opening carrying amount | 778,362 | 1,883 | 780,245 |
| Additions | 4,562 | 2,642 | 7,204 |
| Disposals | (440) | – | (440) |
| Depreciation | (16,351) | (1,060) | (17,411) |
| **Carrying amount** | **766,133** | **3,465** | **769,598** |
| **At 31 December 2015** | | | |
| Cost | 926,731 | 21,407 | 948,138 |
| Accumulated depreciation and impairment | (160,598) | (17,942) | (178,540) |
| **Carrying amount** | **766,133** | **3,465** | **769,598** |

## 15 Financial Assets

### Group

| | Listed Shares | | Unlisted Shares | | Total | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Cost at 1 January** | **97** | **97** | **13** | **13** | **110** | **110** |
| Provision for permanent diminution in value | (34) | (77) | (13) | (13) | **(47)** | **(90)** |
| Disposal | (63) | – | – | – | **(63)** | **–** |
| **Net Book Amounts at 31 December** | **–** | **20** | **–** | **–** | **–** | **20** |

Financial assets comprise listed and unlisted shares. The shares relate to transport stocks and war stocks held by the Group.

The cumulative provision for diminution in value of financial assets amounts to €47,000 (2014: €90,000).

### CIÉ Entity

| | Subsidiary Companies | | Trade Investments | | Total |
|---|---|---|---|---|---|
| | Unlisted Shares | Finance Leases | Listed Shares | Unlisted Shares | |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| **Cost at 1 January** | 293,309 | 2,344 | 34 | 13 | 295,700 |
| Reduction in Finance Leases | – | (2,344) | – | – | (2,344) |
| Investment in CIÉ Tours International Inc. | 937 | – | – | – | 937 |
| **At 31 December 2015** | **294,246** | | **34** | **13** | **294,293** |
| Provision for permanent diminution in value at 31 December 2015 | – | – | (34) | (13) | (47) |
| **Net Book Amounts at 31 December 2015** | **294,246** | | | | **294,246** |
| Net Book Amounts at 31 December 2014 | 293,309 | 2,344 | | | 295,653 |

Financial assets comprise trade investments and investments in subsidiary companies.

Investment in subsidiary companies comprise of equity shares in Iarnród Éireann, Bus Éireann, Bus Átha Cliath and CIÉ Tours International (US subsidiary) and an intra-group finance lease with Iarnród Éireann. These shares are not publically traded.

## 16 Stocks

### Group

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Maintenance materials and spare parts | 27,559 | 27,578 |
| Infrastructure stocks | 15,190 | 16,319 |
| Fuel, lubricants and other sundry stocks | 14,621 | 11,376 |
| | **57,370** | **55,273** |
| Stocks consumed during the year: | | |
| Materials and fuel | 172,409 | 170,930 |

These amounts include parts and components necessarily held to meet long-term operational requirements. The difference between the purchase cost and the replacement cost is not material.

Stock is stated after a provision for impairment of €16,760,000 (2014: €16,849,000) in relation to obsolete and damaged stocks.

## 17 Debtors

### Group

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Trade debtors | 24,139 | 23,295 |
| Amounts due from Department of Education and Skills | 9,359 | 9,743 |
| Derivative financial instruments | 179 | 2,802 |
| Other debtors and accrued income | 42,621 | 36,888 |
| | **76,298** | **72,728** |

All debtors fall due within one year.

Debtors are stated after a provision for impairment of €1,163,000 (2014: €1,622,000).

### CIÉ Entity

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Trade debtors | 1,303 | 850 |
| Derivative financial instruments | 179 | 2,802 |
| Other debtors and accrued income | 2,215 | 4,402 |
| | **3,697** | **8,054** |

All assets fall due within one year.

Debtors are stated after a provision for impairment of €602,000 (2014: €775,000).

## 18 Creditors (Amounts Falling Due within One Year)

**Group**

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Bank overdraft | 261 | 128 |
| Bank loans *(Note 20)* | 13,000 | 13,000 |
| Finance lease obligations *(Note 20)* | 124 | 2,078 |
| Trade creditors | 68,466 | 61,204 |
| Income tax deducted under PAYE | 10,968 | 10,110 |
| Pay related social insurance | 6,548 | 5,751 |
| Value added tax and other taxes | 5,217 | 4,050 |
| Other creditors | 38,812 | 33,816 |
| Accruals | 53,389 | 59,326 |
| Derivative financial instruments | 26,046 | 22,545 |
| Deferred grant income *(Note 22)* | 232,730 | 238,279 |
| Deferred revenue | 12,528 | 12,260 |
| | **468,089** | **462,547** |
| Creditors for taxation and social welfare included above | 22,733 | 19,911 |

### 18 *Creditors (Amounts Falling Due within One Year) (cont'd)*

**CIÉ Entity**

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Bank overdraft | 90 | – |
| Bank loans *(Note 20)* | 13,000 | 13,000 |
| Finance lease obligations *(Note 20)* | 124 | 2,078 |
| Trade creditors | 555 | 626 |
| Amounts owed to subsidiary companies | 200,968 | 178,580 |
| Income tax deducted under PAYE | 930 | 949 |
| Pay related social insurance | 75 | 110 |
| Value added tax and other taxes | 228 | 889 |
| Other creditors | 7,159 | 6,992 |
| Accruals | 1,471 | 1,322 |
| Derivative financial instruments | 26,046 | 22,545 |
| Deferred grant income *(Note 22)* | 11,067 | 11,270 |
| | **261,713** | **238,361** |
| Creditors for taxation and social welfare included above | 1,233 | 1,948 |

Amounts owed to subsidiary companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Although the amounts owed to subsidiary companies are repayable on demand, the Board Members do not expect CIÉ to be required to repay the amounts due in the foreseeable future.

### 19 Creditors (Amounts Falling Due After more than One Year)

**Group and CIÉ Entity**

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Bank loans *(Note 20)* | 40,632 | 53,387 |
| Finance leases *(Note 20)* | 271 | 395 |
| Irrecoverable value added tax on finance leases *(Note 20)* | 53 | 77 |
| Derivative financial instruments | 4,542 | 9,625 |
| | **45,498** | **63,484** |

## 20 Loans and Other Borrowings

### Group and CIÉ Entity – Bank loans

These bank loans are included within creditors and repayable as follows:

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Not later than one year *(Note 18)* | 13,000 | 13,000 |
| Later than one year and not later than five years *(Note 19)* | 40,632 | 53,387 |
| | **53,632** | **66,387** |

The bank loans represent a term loan, which will be fully repaid by June 2017. The interest on the term loan is the percentage rate per annum, which is the aggregate of EURIBOR plus a margin. A margin of 2.25% applied throughout 2015 driven by the Group's net debt to EBITDA ratio being less than 2 for the year.

The Group has borrowings of €53.6 million (2014: €66.4 million) at the balance sheet date. These borrowings are cross-guaranteed by CIÉ, Iarnród Éireann, Bus Átha Cliath and Bus Éireann.

### Group and CIÉ Entity – Finance leases

The finance leases are included within creditors and repayable as follows:

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Not later than one year *(Note 18)* | 124 | 2,078 |
| Later than one year and not later than five years *(Note 19)* | 271 | 395 |
| | **395** | **2,473** |

The finance leases relate to locomotive assets and computer hardware assets (Storage Area Network), which are leased from a specialist leasing companies, which represent the security given by CIÉ in respect of the finance lease liability.

The locomotive lease was subject to an interest rate of 6.1%. The locomotive lease was fully repaid in the financial year. The computer hardware lease is subject to a rate of 5.78% and is repayable in quarterly instalments over the following 4 years totalling €395,000, at which point it can be purchases for a nominal fee.

## 21 Provisions for Liabilities and Charges

### Group

| | 3rd Party and Employers Liability | Restructuring | Environmental | Operational/ Other | Total |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 January 2014 | 173,619 | 9,652 | 1,150 | 26,483 | 210,904 |
| Utilised during year | (15,128) | (3,409) | – | (486) | (19,023) |
| Transfer from profit and loss account | 13,000 | 3,172 | 3,000 | 6,062 | 25,234 |
| **Balance carried forward 31 December 2014** | **171,491** | **9,415** | **4,150** | **32,059** | **217,115** |
| | | | | | |
| Balance at 1 January 2015 | 171,491 | 9,415 | 4,150 | 32,059 | 217,115 |
| Utilised during year | (13,186) | (5,030) | (150) | (3,275) | (21,641) |
| Transfer from profit and loss account | 17,957 | 2,306 | 66 | 179 | 20,508 |
| **Balance carried forward 31 December 2015** | **176,262** | **6,691** | **4,066** | **28,963** | **215,982** |

***21 Provisions for Liabilities and Charges (cont'd)***

**CIÉ Entity**

| | Environmental | Restructuring | Operational/ Other | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 January 2014 | – | 824 | 1,282 | 2,106 |
| Utilised during year | – | (184) | (100) | (284) |
| Transfer from profit and loss account | 1,500 | 112 | 77 | 1,689 |
| **Balance carried forward 31 December 2014** | **1,500** | **752** | **1,259** | **3,511** |
| | | | | |
| Balance at 1 January 2015 | 1,500 | 752 | 1,259 | 3,511 |
| Utilised during year | – | – | (743) | (743) |
| Transfer from profit and loss account | – | 226 | – | 226 |
| **Balance carried forward 31 December 2015** | **1,500** | **978** | **516** | **2,994** |

**Group restructuring**

The restructuring provision relates to amounts payable arising from the implementation of continuing cost saving initiatives. This provision is expected to be utilised in 2017.

**Environmental**

The land and buildings occupied by Group companies are of varying age. The environmental provision relates to substantial building works that are currently required to be performed to meet the Group's obligations under Environment and Health and Safety legislation.

**Operational/Other**

At 31 December 2015 the Group held €29.0m (2014: €32.1m) of other provisions, €10.4m (2014: €12.0m) related to unresolved third party and employee disputes and legal claims, €16.4m (2014: €17.7m) related to post-retirement benefit costs and €2.2m (2014: €1.4m) relate to other pay related disputes.

**Third Party and Employers Liability**

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

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

The nature of these claims means that there is some uncertainty with regard to the value that they will be settled at. If the outcomes of the claims differ to the assumptions underpinning the Board Members' best estimates then a further liability may arise. Further details are set out below.

***21 Provisions for Liabilities and Charges (cont'd)***

**(A) External Insurance Cover**

CIÉ on behalf of the Group 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 excess of a self-insured retention in respect of each twelve-month period. The aggregate cover for the period from April 2015 to March 2016 are:

| | |
|---|---|
| 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, after which any individual self-insured retention in that annual period will be €50,000.

(vi) Group Combined Liability Insurance, with an overall indemnity of €200,000,000 for the twelve month period, April 2015 to March 2016, for all rail and road transport Third Party and Other Risks liabilities, excluding Terrorism.

(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 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 for any one incident.

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

***21 Provisions for Liabilities and Charges (cont'd)***

(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.

Similar insurance arrangements are in place in respect of earlier years.

**(B) Third Party and Employer Liability Claims Provisions and Related Recoveries**

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

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

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

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

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

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

## 22 Deferred Income

This account comprises of non-repayable EU and Exchequer grants which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated:

**Group**

| | 1 Jan 2014 | Received and Receivable | Grant Aided Asset Disposals | Profit and Loss A/C | 31 Dec 2014 | 01 Jan 2015 | Received and Receivable | Grant Aided Asset Disposals | Profit and Loss A/C | 31 Dec 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Capital grants | | | | | | | | | | |
| Railway lines and works | 970,918 | 60,700 | – | (80,401) | 951,217 | 951,217 | 38,182 | (1,446) | (82,790) | 905,163 |
| Railway rolling stock | 604,534 | 45,030 | – | (66,401) | 583,163 | 583,163 | 28,719 | – | (67,363) | 544,519 |
| Plant and machinery | 177,337 | 20,670 | – | (34,114) | 163,893 | 163,893 | 15,747 | – | (32,866) | 146,774 |
| Signalling | 334,685 | 8,321 | – | (15,711) | 327,295 | 327,295 | 13,282 | – | (16,447) | 324,130 |
| Docks, Harbours and Wharves | 9,596 | – | – | (310) | 9,286 | 9,286 | – | – | (310) | 8,976 |
| Land and Buildings | 574,240 | 4,981 | (368) | (11,620) | 567,233 | 567,233 | 4,585 | (430) | (11,675) | 559,713 |
| Road Passenger Vehicles | 128,466 | 77,486 | (206) | (23,964) | 181,782 | 181,782 | 43,889 | (66) | (28,124) | 197,481 |
| | **2,799,776** | **217,188** | **(574)** | **(232,521)** | **2,783,869** | **2,783,869** | **144,404** | **(1,942)** | **(239,575)** | **2,686,756** |
| Other deferred income | 13 | – | – | (1) | 12 | 12 | – | – | (2) | 10 |
| **Total deferred income** | **2,799,789** | **217,188** | **(574)** | **(232,522)** | **2,783,881** | **2,783,881** | **144,404** | **(1,942)** | **(239,577)** | **2,686,766** |

| | 2015 | 2014 |
|---|---|---|
| **Apportioned as follows:** | **€'000** | **€'000** |
| Deferred income – amounts falling due within one year *(Note 18)* | 232,730 | 238,279 |
| Deferred income – amounts falling due after one year | 2,454,036 | 2,545,602 |
| | **2,686,766** | **2,783,881** |

## 22 Deferred Income (cont'd)

### CIÉ Entity

| | 1 Jan 2014 | Received and Receivable | Grant Aided Asset Disposals | Profit and Loss A/C | 31 Dec 2014 | 01 Jan 2015 | Received and Receivable | Grant Aided Asset Disposals | Profit and Loss A/C | 31 Dec 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Capital grants | | | | | | | | | | |
| Land and buildings | 572,464 | 2,973 | (368) | (11,566) | 563,503 | 563,503 | 1,879 | (430) | (11,623) | 553,329 |
| Other deferred income | 13 | – | – | (1) | 12 | 12 | – | – | (2) | 10 |
| **Total** | **572,477** | **2,973** | **(368)** | **(11,567)** | **563,515** | **563,515** | **1,879** | **(430)** | **(11,625)** | **553,339** |

| **Apportioned:** | **2015** | **2014** |
|---|---|---|
| | **€'000** | **€'000** |
| Deferred income – amounts falling due within one year (Note 18) | 11,067 | 11,270 |
| Deferred income – amounts falling due after one year | 542,272 | 552,245 |
| | **553,339** | **563,515** |

Deferred income represents grants received/receivable to fund capital investment. Refer to Note 11 for additional disclosure on grants received/receivable.

## 23 Cash Flow Statement

Notes to the statement of cash flows:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| | **€'000** | **€'000** |
| Deficit for the year | (26,432) | (3,299) |
| Tax on deficit on ordinary activities | 252 | 1,251 |
| Net interest expense | 17,287 | 19,517 |
| **Operating (deficit)/surplus** | **(8,893)** | **17,469** |
| | | |
| Depreciation of tangible fixed assets | 290,685 | 289,571 |
| Amortisation of intangible fixed assets | 4,735 | 4,114 |
| Amortisation of deferred grant income | (239,575) | (232,521) |
| Increase/(decrease) in post-retirement benefits liability | 9,756 | (8,987) |
| Profit on disposal of tangible asset | (1,511) | (1,939) |
| *Working capital movement* | | |
| – (Increase)/decrease in stocks | (2,097) | 5,897 |
| – Decease in debtors | 763 | 7,935 |
| – Increase in creditors and provisions | 12,030 | 4,310 |
| **Cash flow from operating activities** | **65,893** | **85,849** |

### Non-cash transaction

In the previous year, the Group acquired assets under finance leases, €nil (2014: €623,000) has been capitalised as the cost of the tangible fixed assets, being the present value of the minimum lease payments.

## 24 Post retirement benefits

The Group operates defined benefit plans for the majority of employees. The amounts recognised in the financial statements in respect of the defined benefit plans are as follows:

| | **2015** | **2014** |
|---|---|---|
| | **€'000** | **€'000** |
| Fair value of scheme assets | 1,835,838 | 1,760,923 |
| Present value of scheme liabilities | (2,124,241) | (2,462,703) |
| **Pension deficit** | **(288,403)** | **(701,780)** |

***24 Post retirement benefits (cont'd)***

The amount recognised in the profit and loss account is as follows:

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| **Charged to operating profit** | | |
| Current service cost | (57,681) | (34,646) |
| Administration and other operating expenses | (1,550) | (1,550) |
| Past service cost | (1,072) | – |
| **Total operating charge** | **(60,303)** | **(36,196)** |
| Net interest expense | (14,035) | (14,912) |
| **Total charge** | **(74,338)** | **(51,108)** |

The amount recognised in the statement of other comprehensive income is as follows:

| | 2015<br>€'000 | 2014<br>€'000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | 43,086 | 173,614 |
| Experience (losses)/gains arising on the scheme liabilities | (16,557) | 388 |
| Changes in assumptions underlying the present value of the scheme liabilities | 410,639 | (452,112) |
| **Actuarial gain/(loss) recognised in statement of other comprehensive income** | **437,168** | **(278,110)** |

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.

**Defined benefit scheme**

The Group has two defined benefit pension schemes with assets held in separately administered funds. The schemes provide retirement benefits on the basis of members' final salary. The schemes are administered by independent trustees, who are responsible for ensuring that the schemes are sufficiently funded to meet current and future obligations. The Group has agreed a funding plan with the trustees, whereby ordinary contributions are made into the schemes based on a percentage of active employees' salary.

Full actuarial reviews are completed every 3 years. The most recent actuarial review was carried out as at 31 December 2014. The market value of the assets of the schemes at that date was €1.76 billion, which amounted to 86.0% 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.

**_24 Post retirement benefits (cont'd)_**

The principal actuarial assumptions used in the valuations were:

| | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| | **% p.a.** | **% p.a.** |
| Discount Rate | 2.6 | 2.1 |
| Rate of inflation | 1.6 | 1.6 |
| Expected rate of increase of pensions in payment** | 1.6 | 1.6 |
| Expected rate of salary increases** | 1.6 | 1.6 |

**Pensionable pay pause (i.e. 0% increase) to 2024 (2014:2017) reverting to 1.6% thereafter.

The mortality assumptions, in years, of a member retiring at age 65 were as follows:

| | 31 Dec 2015 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2014 |
|---|---|---|---|---|
| | **Male** | **Female** | **Male** | **Female** |
| Currently aged 45 years | 23.6 | 25.7 | 23.5 | 25.6 |
| Currently aged 65 years | 21.1 | 23.6 | 20.9 | 23.5 |

The assets in the scheme were:

| | 2015 | 2014 |
|---|---|---|
| | **€'000** | **€'000** |
| Equities | 789,975 | 801,157 |
| Property | 140,273 | 121,382 |
| Bonds | 709,932 | 651,957 |
| Cash/Alternatives | 195,658 | 186,427 |
| **Total** | **1,835,838** | **1,760,923** |

***24 Post retirement benefits (cont'd)***

Change in present value of the liabilities during the year:

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Opening present value of liabilities | 2,462,703 | 1,956,134 |
| Current service cost | 57,681 | 34,646 |
| Administration and other operating expenses | 1,550 | 1,550 |
| Interest cost | 50,961 | 73,945 |
| Member contributions | 17,817 | 17,702 |
| Net benefits paid | (73,461) | (72,998) |
| Actuarial (gains)/losses on liabilities due to changes in assumptions | (410,639) | 452,112 |
| Actuarial losses/(gains) on liabilities due to scheme experience | 16,557 | (388) |
| Past service cost | 1,072 | – |
| **Closing present value of liabilities** | **2,124,241** | **2,462,703** |

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

Change in fair value of assets during the year:

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Opening fair value of assets | 1,760,923 | 1,538,389 |
| Expected return on pension scheme assets | 36,926 | 59,033 |
| Employer contributions | 50,547 | 45,183 |
| Members contributions | 17,817 | 17,702 |
| Net benefits paid | (73,461) | (72,998) |
| Actuarial gains on assets | 43,086 | 173,614 |
| **Closing fair value of assets** | **1,835,838** | **1,760,923** |

Actual returns on assets:

| | 2015 €'000 | 2014 €'000 |
|---|---|---|
| Expected return on assets | 36,926 | 59,033 |
| Actuarial gains on assets | 43,086 | 173,614 |
| **Actual return on assets** | **80,012** | **232,647** |

### 25 Capital and other Commitments

| | 2015 | 2014 |
|---|---|---|
| | €'000 | €'000 |
| Contracted for | 71,696 | 100,231 |
| Authorised by Board but not contracted for | 217,245 | 208,109 |
| | 288,941 | 308,340 |

Capital grants totalling €229 million have been approved in respect of the above expenditure (2014: €258 million).

Future minimum lease payments under non-cancellable operating leases at the end of the finance year were:

| | On plant & equipment/ motor vehicles | On plant & equipment/ motor vehicles |
|---|---|---|
| | 2015 | 2014 |
| | €'000 | €'000 |
| Within one year | 1,934 | 1,705 |
| Between one and five years | 5,681 | 1,227 |
| | 7,615 | 2,932 |

## 26 Financial instruments

The Group has the following financial instruments:

| | 2015 €'000 | 2015 €'000 | 2014 €'000 | 2014 €'000 |
|---|---|---|---|---|
| Financial assets at fair value through the profit and loss account | | | | |
| – Listed shares | – | | 20 | |
| | | – | | 20 |
| Financial assets at fair value through other comprehensive income | | | | |
| – Derivative financial instruments | 179 | | 2,802 | |
| | | 179 | | 2,802 |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| – Trade receivables | 24,139 | | 23,295 | |
| – Department of Education and Science | 9,359 | | 9,743 | |
| – Other receivables | 42,621 | | 36,888 | |
| | | 76,119 | | 69,926 |
| Cash and bank in hand | | 59,404 | | 50,477 |
| Financial assets that are equity instruments measured at cost less impairment | | – | | – |
| Financial liabilities at fair value through other comprehensive income | | | | |
| – Derivative financial instruments | 30,588 | | 32,170 | |
| | | 30,588 | | 32,170 |
| Financial liabilities measured at amortised cost | | | | |
| – Bank loans and overdrafts | 53,893 | | 66,515 | |
| – Trade creditors | 68,466 | | 61,204 | |
| – Other creditors | 38,812 | | 33,816 | |
| – Finance leases | 395 | | 2,473 | |
| | | 161,566 | | 164,008 |

### 26 *Financial instruments (cont'd)*

The CIÉ Entity has the following financial instruments:

| | 2015 €'000 | 2015 €'000 | 2014 €'000 | 2014 €'000 |
|---|---|---|---|---|
| Financial assets at fair value through the profit and loss account | | | | |
| – Derivative financial instruments | 179 | | 2,802 | |
| | | 179 | | 2,802 |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| – Trade receivables | 1,303 | | 850 | |
| – Amounts due from subsidiary companies | – | | – | |
| – Other receivables | 2,251 | | 4,402 | |
| | | 3,554 | | 5,252 |
| Cash and bank in hand | | 55,515 | | 47,116 |
| Financial assets that are equity instruments measured at cost less impairment | | – | | – |
| Financial liabilities at fair value through the profit and loss account | | | | |
| – Derivative financial instruments | 30,588 | | 32,170 | |
| | | 30,588 | | 32,170 |
| Financial liabilities measured at amortised cost | | | | |
| – Bank loans and overdrafts | 53,722 | | 66,387 | |
| – Trade creditors | 555 | | 626 | |
| – Amounts owed to subsidiary companies | 200,969 | | 178,580 | |
| – Other creditors | 7,159 | | 6,992 | |
| – Finance leases | 395 | | 2,473 | |
| | | 262,800 | | 255,058 |

**26 *Financial instruments (cont'd)***

**Derivative Financial Instruments – Forward Contracts**

The Group enters into foreign currency forward contracts to mitigate exchange risk that exists when financial transactions are denominated in a currency other than euros.

At 31 December 2015, CIÉ was committed to buying STG£15.7 million, buying US$5.0 million, selling US$2.5 million and selling AUS $3.0 million under forward currency contracts expiring during 2016. The fair value of these contracts at 31 December 2015 is a liability of €0.1 million (2014: asset of €1.7 million).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for EUR:USD, EUR: GBP and EUR:AUD.

**Derivative Financial Instruments – Interest Rate Swaps**

At 31 December 2015, CIÉ had interest rate hedge contracts in place to cover at least 50% of the interest rate exposure on its term loan facility.

The hedging arrangement fixes the total interest payable on the euro term loan facility. These contracts expire in July 2017. The fair value of these contracts at 31 December 2015 was a liability of €1.0 million (2014: liability of €1.1 million). Cash flows on both the loan and the interest rate swaps are paid quarterly until 2017.

Details on maturity of long-term debt are outlined in Note 20.

**Derivative Financial Instruments – Commodity Swap Contracts**

At 31 December 2015, CIÉ was also committed to buying oil under commodity swap contracts to the value of US$ 74.0 million expiring during 2016 and 2017. The fair value of these contracts at 31 December 2015 was a liability of €29.3 million (2014: liability of €30.0 million).

**27 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.

**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, please see Note 11 for further details of grants obtained by the Group.

The Group's capital expenditure in respect of PSO bus fleet is funded through Capital Grants from the National Transport Authority. This funding is provided in line with the provisions of the Direct Award Contract, signed on 1 December 2014 and certain contingent liabilities arise under these agreements. The Board Members believe that the risk of the National Transport Authority exercising their rights under the related agreements is remote.

## 28 Transition to FRS 102

This is the first year that the Group and CIÉ have presented its results under FRS 102. The last financial statements under the Irish GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2015. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between Irish GAAP as previously reported and FRS 102.

**Group**

| Profit and loss account | Notes | 2014 €'000 | 2014 €'000 |
|---|---|---|---|
| **Reconciliation of profit for the financial year** | | | |
| **Irish GAAP – As reported previously** | | | **9,821** |
| Defined benefit pension scheme | A | (7,667) | |
| Tangible fixed asset | B | (4,816) | |
| Advertisement prepayments | C | (637) | |
| Total adjustment to profit before tax for the financial year | | | (13,120) |
| **FRS 102** | | | **(3,299)** |

**Group**

| Other comprehensive income | Note | 2014 €'000 |
|---|---|---|
| **Reconciliation of other comprehensive income** | | |
| **Irish GAAP – As reported previously** | | **(285,777)** |
| Change in post-retirement benefit liabilities | A | 7,667 |
| Change in value of hedging instrument | D | (32,064) |
| **FRS 102** | | **(310,174)** |

***28 Transition to FRS 102 (cont'd)***

**Group**

| Equity | Note | 1 January 2014 €'000 | 31 December 2014 €'000 |
|---|---|---|---|
| **Reconciliation of Equity** | | | |
| **Irish GAAP – As reported previously** | | **(302,235)** | **(578,191)** |
| Defined benefit pension scheme | A | – | – |
| Tangible fixed assets | B | (2,717) | (7,533) |
| Change in value of hedging instrument | D | 2,696 | (29,368) |
| Advertisement prepayments | C | (256) | (893) |
| **FRS 102** | | **(302,512)** | **(615,985)** |

**CIÉ Entity**

| Equity | Note | 1 January 2014 €'000 | 31 December 2014 €'000 |
|---|---|---|---|
| **Reconciliation of Equity** | | | |
| **Irish GAAP – As reported previously** | | **312,124** | **305,682** |
| Defined benefit pension scheme | A | (417,745) | (701,780) |
| Change in value of hedging instrument | D | 2,696 | (29,368) |
| Advertisement prepayments | C | (256) | (893) |
| **FRS 102** | | **(103,181)** | **(426,359)** |

**(a) Defined benefit pensions scheme**

Under previous Irish GAAP the net defined benefit pension liability was recognised only in the consolidated balance sheet of the Group. Under FRS 102 the net defined benefit pension liability is recognised in the individual financial statements of CIÉ.

Under previous Irish GAAP, the CIÉ Group recognised a separate expected return on defined benefit plan assets in the profit and loss account. The difference between the expected return on plan assets and the actual return was recognised as part of the actuarial gain or loss on defined benefit pensions.

FRS 102 requires a net interest expense, based on the net defined benefit liability and the discount rate determined at the start of the year, to be recognised in the profit and loss account. The changes in the Group's accounting policies have been to replace interest cost and expected return on plan assets previously included in the profit and loss account with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

***28 Transition to FRS 102 (cont'd)***

There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change in how the net interest expense is determined has been to increase the total defined benefit pension expense in the profit and loss account for the financial year ended 31 December 2014 by €7.7 million and reduce the re-measurement of the net defined benefit liability in other comprehensive income by an equivalent amount.

**(b) Tangible fixed asset depreciation**

The most material impact of FRS 102 Section 17 'Property, Plant and Equipment' relates to the accounting for infrastructure assets within the Group. Under Irish GAAP, these assets were accounted for in accordance with the renewals accounting rules permitted under FRS 15 'Tangible Fixed Assets'. Renewals accounting is not permitted under FRS 102 and it was therefore necessary to change the way the assets are accounted for on transition to FRS 102.

Under renewals accounting, as permitted by FRS 15, the rail infrastructure networks were assumed to be single assets and the depreciation charged was the estimated level of annual expenditure required to maintain the operating capability of the networks.

Renewals accounting is not permitted under FRS 102. The carrying value of infrastructure assets has therefore been recalculated as if renewals accounting had never been adopted.

Under FRS 102, infrastructure expenditure that meets the recognition criteria for tangible fixed assets has been capitalised at cost and depreciated over its expected life. Expenditure relating to repair or maintenance has been expensed.

Infrastructure grants and contributions, previously presented as deductions from infrastructure cost, under FRS 15, have been allocated to deferred income and amortised over the expected useful lives of the related assets.

Under FRS 102 the Group has elected to measure the infrastructure assets at 1 January 2014, being the date of transition to FRS 102, at their carrying cost at that date adjusting for estimated useful lives as if FRS 102 was always adopted.

There are no significant differences between FRS 15 and FRS 102 Section 17 in respect of all other fixed assets other than the separate classification of certain assets as intangibles rather than tangible assets in accordance with FRS 102 Section 18 'Intangible Assets'.

Assets have been grouped by type, and depreciated over their estimated useful lives.

**(c) Advertisement prepayments**

Certain advertising costs previously recognised as prepayments have been expensed on transition to FRS 102. FRS 102 requires that all expenditure on advertising and promotional activities be expensed in the year that it is incurred.

**(d) Derivative financial instruments**

CIÉ was not previously required to recognise derivative financial instruments on its balance sheet. The effects of derivative financial instruments were recognised in profit or loss when they were settled.

FRS 102 requires derivative financial instruments to be recognised as a financial asset or financial liability at fair value when CIÉ becomes a party to the contractual provisions of the derivative financial instruments. Such financial instruments are subsequently measured at fair value through other comprehensive income where they qualify and are designated as cash flow hedge instruments or in profit or loss to the extent that they are ineffective or do not qualify for cash flow hedge accounting.

**(e) Other adjustments**

In accordance with FRS 102, computer software with a net book value of €12.3 million at 31 December 2014 has been reclassified to intangible fixed assets in the current year.

Certain prior year comparative amounts have been reclassified on a basis consistent with the current year to accord with the presentation adopted Financial Reporting Standard 102 (FRS 102).

## 29 Related Party Transactions

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

The Group is exempt from the disclosure requirements of paragraph 33.9 of FRS 102 in relation to transactions with those entities that are a related party by virtue of the fact that the same state has control, joint control or significant influence over both the reporting entity and the other entity.

## 30 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 Act, 2014, 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.

CIÉ Tours International is incorporated in New York and operates in North America. Its principal activity is the sale and promotion of Ireland coach tour holidays and ancillary activities in certain markets outside Ireland. It purchases the tour packages from CIÉ.

The registered offices of the subsidiary companies are as follows:

| | |
|---|---|
| Iarnród Éireann – Irish Rail | Connolly Station, Amiens Street, 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,<br>P.O. Box 1965, Morristown NJ 07962-1965 |

## 31 Events since the end of the financial year

The Board Members are not aware of any events since the end of the financial year which require adjustment to or disclosure in the financial statements.

## 32 Approval of Financial Statements

The Board approved the financial statements on 6 April 2016.