Connecting People - Connecting Places

Annual Report ***2015***

Iarnród Éireann
Irish Rail

Financial and Operating Highlights 2015

Revenue
€233.9m
+ 7.5%

PSO
€98.2m
- 16.4%

MAC
€144.2m
+ 11.1%

EBITDA
€29.5m
+ 15.2%

Deficit
(€7.7m)
- 10%

Contribution to exchequer in taxes
€112.6m
- 1%

Journeys
€39.7m
+ 5.5%

Passenger train km operated
17.0m
+ 1%

Punctuality

DART	97.2%	- 0.4%
Intercity	96.8%	- 0.3%
Commuter	97.3%	- 0.4%

Freight tonne kms
96.4m
- 3.4%

Rosslare Revenue
€10.4m
+ 3.0%

Employees (average)
3,793
+23

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

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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

After an era in which the solvency of Iarnród Éireann was threatened, in 2015 the company saw the growth which returned during 2014 accelerate in all major business areas – passenger services, freight and Rosslare Europort.

I thank the employees and management of Iarnród Éireann who have delivered our services throughout 2015 safely and reliably, and my colleagues on the board for their support, expertise and contribution.

Highlights of 2015 include:

- 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 bring the asset to the required standard and 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 priority always is to operate a safe service, for customers, employees and those who interact with the railway. Also, to achieve continued improvement in safety performance, investment was focused on a series of initiatives which should enhance safety leadership and strengthen the safety culture throughout the organisation. It is crucial even through a prolonged period of financial difficulties that we ensure the necessary investment is made available to maintain and enhance safety. We are developing Train Protection Systems, rolling out improvements to level crossing safety and prioritising a new National Control Centre as immediate priorities in this area.

While progress is clear in our safety and in our operations, much remains to be done to secure our long-term financial sustainability. I acknowledge the support of our shareholder the Minister for Transport, Tourism and Sport Paschal Donohoe, his Department officials and the National Transport Authority who continue to engage proactively and constructively to achieve that sustainable future. We appreciate the supplementary funding in 2015 which is enabling us to undertake important network and fleet maintenance works, to the benefit of our customers. We will work with all stakeholders as we identify a clear path to a sustainable future for Iarnród Éireann, providing services which provide a return to the Railway Operations business and development of infrastructure which will generate a positive return for the economy, and maximise the benefit for the communities we serve now and in the future.

The imperative of sustainability in another context provides an opportunity for public transport and for high-capacity rail services at present. Congestion – particularly in our urban areas – has reached levels last seen during the Celtic Tiger era, and Dublin is ranked ninth in a European

Commission study of over 200 cities for congestion. As the Commission states, "transport infrastructure is critically important for spatial planning and economic development."

Furthermore, the new COP 21 UN Climate Change agreement puts an onus on Ireland as a country to work to reduce transport emissions significantly, which currently account for 30% of Ireland's emissions, second only to agriculture.

With measures under way to deliver short-term capacity, we must look to what will be required in the medium to long-term. While it was disappointing that the DART Expansion programme, including DART Underground, was not funded under the Exchequer Capital Investment plans announced during 2015, we will commence a review of the scope and design of the underground line to be in a position to commence construction from 2020. This project remains the key to unlocking public transport capacity in the Greater Dublin area. We also remain of the view that a DART Airport link would be a cost-effective solution to connect our entire national rail network to the country's premiere airport, in line with European Union policy goals.

During 2015, as we worked to agree productivity proposals with our trade unions representing drivers, it was regretted that industrial action was undertaken on one morning in October. We understand the aspirations of employees for improved earnings, and in October 2016 a 25-month temporary foregoing of basic pay agreed with our workforce will conclude. However, it is essential that we all maintain focus on the need for financial stability. With this focus everyone in Iarnród Éireann will benefit. Without this focus the threat of insolvency will return.

We are aligning the organisation to ensure that the customer is at the heart of everything we do, and we must work together to deliver a service that meets our customers' needs in all business areas, and in the communities we connect across Ireland every day. This organisation's focus on safety, service and financial stability will mean a brighter future for all our stakeholders.

Phil Gaffney,
Chairman,
Iarnród Éireann Irish Rail

Chief Executive's Report

In 2015, the twin challenges we have primarily faced in recent years continued: ensuring we provide a safe, customer-focused service as demand grows; while working in an under-funded environment with the absolute necessity to bring our finances to a sustainable position. These challenges will likely remain constant in 2016 and beyond too, though with them they bring the opportunity to ensure we develop a rail service and system which meets the needs of our customers, communities and the wider economy into the future.

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.

Complacency is the enemy of safety, and 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.

Safety performance indicators in 2015 saw an increase in the number of signals passed at danger to fifteen from ten in 2014. The installation of Driver Reminder Appliances to our diesel fleet is expected to reduce this total in 2016 and beyond. Third party incidents – predominantly slips, trips and falls in stations – saw a reduction from 234 to 202 against 2014. Lost Time Accidents amongst employees continued its downward trend, reducing from 74 to 48 in the year.

Improvement in Temporary Speed Restriction Boards, following driver consultation and feedback, and design work on level crossing alert systems at user-worked crossings will also enhance safety on our network. An acoustic bearing monitoring system has been installed to detect rolling stock issues, and the company also progressed pilot work on train protection systems for the diesel fleet.

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 (FRS102). 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 accounts.

The result is favourable to budget primarily due to continued strong passenger revenues. Revenue has also increased year on year in Rosslare, property and advertising, and 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.

The scale of underfunding significantly exceeds the supplementary funding provided by the Department of Transport, Tourism and Sport in 2015, illustrating the central importance of ensuring sustainable funding levels for our services and network are secured.

Payroll

A pay deal was implemented by the company for a period of 25 months. This is due to expire in quarter 4 of 2016. The payroll savings delivered to the end of 2015 were €5.6 million.

Our customers

Our first priority is to keep our customers safe. Then, we want to ensure we deliver to them a reliable and comfortable transport service.

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, and I want to express my gratitude to all my colleagues who ensured service continuity through this time and indeed into January 2016.

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.

The company's commercial activity continued to generate growth in key market segments. In 2015, student promotional activity yielded a fourth consecutive year of high growth of 7.8%. A series of online seat sales in 2015 resulted in a 7.7% increase in online revenues. TaxSaver revenue increased by 10.8% with a record number of companies registered with our business sales force, which also grew usage within existing participating companies.

The detailed requirements phase of the Customer First programme was completed, which through technology initiatives will transform the way Iarnród Éireann interacts with and transacts with its customers. The design and build phase will commence in 2016 and deploy from late 2016 to mid-2017 which will yield benefit to customers on a phased basis.

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 by 2016, delivering significant improvements in customer facilities and comfort.

Planning continues with Belmond to operate a luxury train across Ireland from Q3 2016 bringing to life the partnership agreement signed in 2014.

On-board business activity continued throughout the year with 'Networking on the Move' events completed with Dublin, and Cork Chambers of Commerce.

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. Navigator also performed amongst the best in Europe in this sector 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%.

Storm activity in December, while not as serious as in 2013/14, nevertheless moved sand into the approaches, and it is likely that some maintenance dredging will be required in 2016 as a result.

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. This funding was augmented by a supplementary funding of €9.0 million for Rail Network Maintenance & Renewal. In addition the National Transport Authority recommended to the Department that a sum of €9.0 million be transferred from the PSO subvention for the Railway Undertaking to the Infrastructure Manager in 2015. As a consequence, the total additional funding for the IM in 2015 is €18.0 million.

2015 was the second year of the Multi Annual Contract and all requirements were successfully met in the year. This included achieving all work programmes within expenditure planned and a network rationalisation programme to remove surplus assets.

Improvement projects

- City Centre Resignalling: Phase 3 works are progressing on programme with the final commissioning scheduled for July 2016. This will bring the new turnback at Grand Canal Dock into use. Works on Phase 2 will commence in early 2016 with commissioning planned for mid-2017.
- Journey time improvements: 2015 saw a total of 21 miles of degraded ballast between Hazelhatch and Portlaoise on the Dublin/Cork line substantially replaced with new ballast, in addition track geometry upgrades were carried out at the same time. This process extends the life and reliability of the track and, in conjunction with a planned continuation of this programme in 2016 will facilitate the upgrade of the line speed over much of this section to 100mph in 2016.
- Reilly's Crossing: 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 March 27th 2015, enhancing safety for rail traffic, road traffic and pedestrians.
- Drogheda Viaduct: The refurbishment works at Drogheda Viaduct were completed in November 2015. This essential work was supported by EU Interreg funding through the Special European Union Programmes Body.
- Phoenix Park Tunnel: Works on the Phoenix Park Tunnel project are progressing well. The Tunnel repair and upgrade of services works are substantially complete and the track relaying, cutting stabilisation and drainage works are on programme, with new services planned in Q4 2016.

Strategic Planning

Iarnród Éireann is looking forward to actively participating with all the key stakeholders in the development of a New Rail Policy as recommended in the Strategic Framework on Investment in Land Transport. There is an urgent need for an explicit rail policy in the context of a recovering economy and increasing levels of congestion. It is hoped that the policy will identify the priorities, costs and benefits for the future role and development of the railway in Ireland as a valuable national asset – aligned with economic, spatial planning, social and sustainable policies. It is Iarnród Éireann's view that the railway has a major role to play in the delivery of Ireland's climate change targets including the ultimate elimination of our dependency on fossil fuels.

Transport Strategy for the Greater Dublin Area 2016 – 2035

Iarnród Éireann welcomes the publication by the NTA of a draft Transport Strategy for the Greater Dublin Area 2016 – 2035. In particular Iarnród Éireann welcomes the inclusion of the DART Expansion programme, including the DART Underground Tunnel, as a central plank of the strategy. This programme is the single most important transport development in the history of the State and is essential for Ireland to have any chance of achieving its commitments in the Paris Climate Change Agreement.

Following the updating of the business case for the DART Expansion Programme, taking account of changed economic circumstances and updated project appraisal guidelines, Iarnród Éireann is now engaged with the NTA to identify possible cost saving measures associated with the DART Underground element of the programme and to agree on a programme for delivering the other elements of the programme.

Business Development Opportunities

Iarnród Éireann has identified a number of specific investment priority areas in order to make the rail mode more attractive to the travelling public and to broaden its catchment. These include journey time improvements (particularly on the Dublin-Cork route) and the new Central Train Control Centre (including modern traffic management systems).

Iarnród Éireann believes that a DART connection to Dublin airport, providing a rail link from the island wide railway network is an achievable business and transport opportunity that can be delivered in the short term at relatively modest cost. This airport connection also satisfies a core TEN-T objective, and would ultimately integrate with the proposed Swords – Airport – City Centre Metro offering a very wide range of public travel options for commuting, business and leisure travel.

Our People

Iarnród Éireann's team of 3,796 people has continued to deliver safe, quality transport services to our customers through an extremely difficult economic period.

The temporary foregoing of basic pay for all employees introduced in 2014 for a period of 25 months will cease in October 2016.

The company engaged extensively with employees to identify productivity measures which could improve the company's financial position and improve earnings for employees. Regrettably, despite intensive engagement with drivers, industrial action was taken by NBRU and SIPTU drivers on October Bank Holiday Friday, resulting in loss of revenue for the organisation. A Labour Court recommendation that outstanding issues from this engagement be independently examined was accepted and is underway.

A Leadership Development Programme has been introduced in to the organisation. This programme is being rolled out on a phased basis. The Executive Management Team started their Leadership Journey, the Senior Management Team (Second Phase) have started their Leadership Journey and the Middle Management Team (Third Phase) will commence their Leadership Journey at the end of January 2016.

Iarnród Éireann has embarked upon a Succession Planning & Talent Management Programme. It is anticipated that the introduction of this programme will ensure there are robust, objective and transparent processes and systems in place to build sufficient talent pools to compete for future leadership roles at all levels across the organisation. This programme will provide the blueprint for how Succession Planning & Talent Management will permeate throughout the organisation.

Iarnród Éireann welcomed our first new group of apprentices in 2015 for a decade, with a group of 13 chosen from almost 2,000 applications, an indication of the demand for apprenticeships and of the appeal of roles in Iarnród Éireann. Apprenticeships were offered across Diesel Mechanic, Electrician, fitter and welder roles, and a second intake was advertised in the latter half of the year, commencing in January 2016.

Our community

Iarnród Éireann has placed mental health awareness at the forefront of our community programmes. Many of our drivers and responders have experienced the tragedy of acts of suicide on our network, and we have partnered with a number of mental health awareness and suicide prevention initiatives. In 2015, this included:

- Installation of Samaritans contact information on signage at every station on the network
- Continued support of the Seechange.ie Green Ribbon month in May, encouraging conversations about mental health
- A team of over 100 employees participated in the Cycle against Suicide in April/May across the country.

Our community support initiative "The Journey's on Us" once again provided 100 groups across the charity, voluntary, sporting and community sector with a free group travel trip on our network.

Our continued partnership with St Michael's House through the Bring a Book, Buy a Book event in major stations helped raise funds for SMH's vital community work.

The company also partnered with the Royal Irish Academy to develop a programme of events to commemorate the centenary of the 1916 Rising, with particular focus on the fifteen stations renamed on the occasion of the 50th anniversary in 1966.

Our Environment

Overview of Energy Usage in 2015

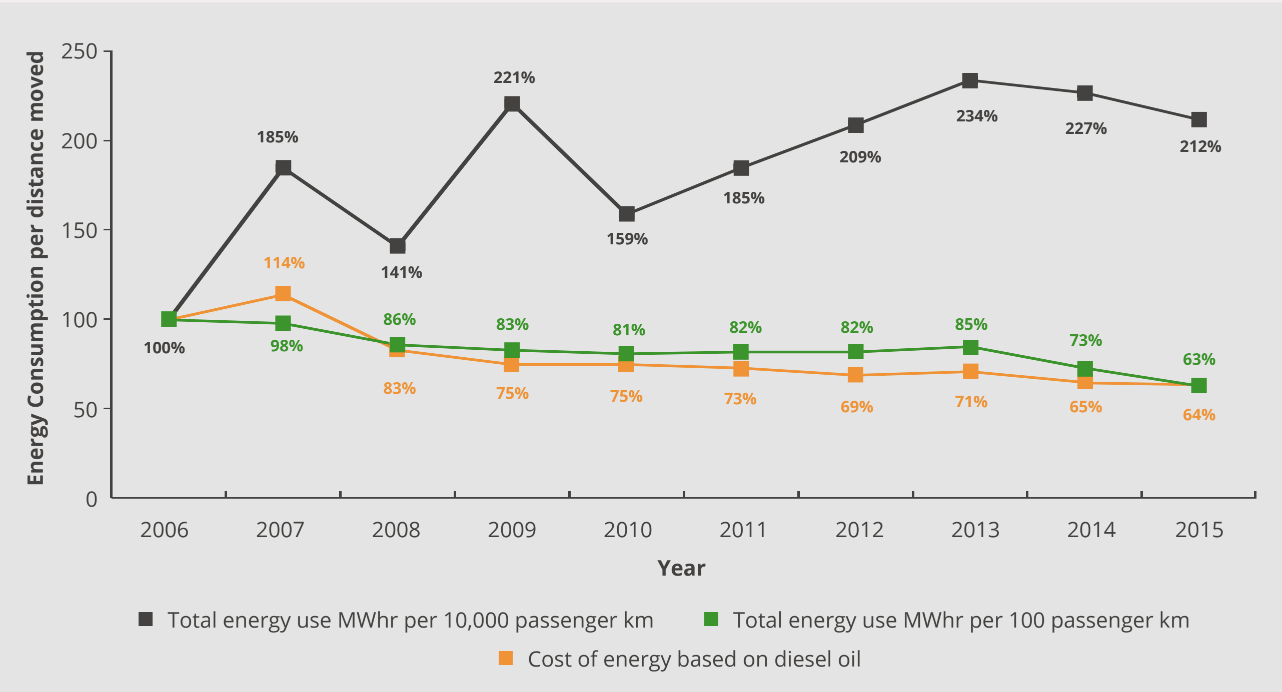
The Energy consumption profile of Iarnród Éireann (MWh) is shown below: (all figures rounded to '000)

Year	2006	2009	2012	2013	2014	2015
Total energy use MWhr per 10,000 passenger km	100%	83%	82%	85%	73%	63%
Total energy use MWhr per 100 train km	100%	75%	69%	71%	65%	65%
Cost of energy based on diesel oil	100%	221%	209%	234%	227%	212%
Diesel oil for traction	670,300	480,100	455,400	451,000	414,900	409,700
Electricity for traction	35,400	26,800	23,900	21,200	19,200	20,500
Road Fuel	13,400	16,900	16,200	15,700	15,300	15,700
Electricity other	31,000	40,000	37,400	37,800	37,400	36,800
Gas for heating	18,500	18,500	10,100	10,700	8,400	8,000
Total energy use MWhr	768,600	582,300	543,000	536,400	495,200	490,700
	100%	**76%**	**71%**	**70%**	**64%**	**64%**
Passenger M km	**1,872**	**1,681**	**1,583**	**1,568**	**1,691**	**1,917**
	100%	90%	85%	84%	90%	102%
Total energy use MWhr per 10,000 passenger km	4.03	3.36	3.33	3.42	2.93	2.59
	100%	**83%**	**82%**	**85%**	**73%**	**63%**
Train M km	18.2	18.2	18.4	18.3	18.3	18.4
	100%	100%	101%	100%	109%	109%
Total energy use MWhr per 100 Train km	4.14	3.11	2.86	2.94	2.71	2.68
	100%	**75%**	**69%**	**71%**	**65%**	**65%**
Number of electricity accounts (MPRN)	**390**	**511**	**593**	**628**	**626**	**602**
	100%	**131%**	**152%**	**161%**	**153%**	**154%**
Cost of energy based on diesel oil	0.34	0.75	0.71	0.80	0.77	0.72
	100%	221%	209%	234%	227%	212%

Notes.

1. Train configurations were altered in 2015 to cater for increased passenger demand, which rose 13% on the 2014 figure. This means that trains were lengthened, with a proportional increase in energy demand, and some additional services were provided. These increases were partially offset by the continuing roll-out of energy conservation measures. The diesel used fell by 1.2% with a decrease in overall energy used of 0.9%.
2. Similar train configuration changes took place on the DART service, leading to a 7% increase in traction electricity consumption. Plans to implement another energy saving measure were deferred until after the introduction of the "10 minute DART service".
3. Road fuel usage is rising slightly; it is planned to analyse fuel usage for road vehicles in detail in 2016, to inform strategy development.
4. The number of supply (metering) points varied slightly from 597 to 602, and the electricity consumed went down by 2%, which reflects both mild weather and initiatives taken by Building & Facilities, and Operations.
5. Gas usage reduced by a further 5%, which reflects both mild weather and initiatives by the CME and Building & Facilities departments. This decrease occurred despite a continuing programme of converting heating systems from diesel oil to gas. It would not be a surprise to see a "bounce" leading to an increase in consumption figures for gas in the future.
6. The overall use of energy has decreased by 0.9%, which is a good result when taken in the context of increased passenger numbers, and the related increase number of carriage kms run in 2015.
7. There was a significant increase in passenger numbers of 13%, which has significantly altered our performance as measured by this normalised criterion (Energy per passenger km), which improved from 73% to 64%.
8. There was a small increase in scheduled services which led to a corresponding increase in Train kms run. The use of energy per train decreased due to the combination of a reduction in overall energy usage and the increase in Train km.
9. The cost of energy fell for Gas, Electricity and Diesel. Diesel purchases are hedged forward so the prices reflect the hedged price, not the "Prompt price". It is worth noting that the drop in the energy portion of the price of electricity has fallen by roughly 50% over the last 3 years but the cost of electricity is largely unchanged due to the increases in Regulated Charges.

Chart 1



Highlights
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Actions Undertaken in 2015 and planned for 2016

In 2015 Iarnród Éireann continued its work on several levels:

Diesel Fuel for traction

Iarnród Éireann has initiated 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.

Electricity for traction.

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.

Building Energy Consumption

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.

Directors and Other Information

Chairman	Mr. P. Gaffney
Directors	Ms. C. Griffiths
	Ms. T. McGee
	Mr. M. McGreevy
	Mr. J. Moloney
	Mr. F. O'Mahony
	Mr. T. Wynne
Chief Executive	Mr. D. Franks
Secretary	Ms. G. Finucane
Registered Office	Connolly Station, Amiens Street, Dublin 1
Telephone	+353 1 836 3333
Facsimile	+353 1 836 4760
Website	www.irishrail.ie
Registered Number	119571
Auditors	PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, One Spencer Dock, North Wall Quay, Dublin 1

Phil Gaffney

Phil Gaffney was re-appointed as Chairman of Iarnród Éireann and CIÉ Board Member in July 2014, having previously served as Iarnród Éireann Chairman and CIÉ board Member since June 2011 and as a director of Iarnród Éireann since 2006. Mr Gaffney is a railway signalling engineer by profession. Before retiring in December 2005, Phil had spent 28 years with Hong Kong MTR. During that time his positions included Chief Engineer, Operations director and Managing director. He is Chairman of the CIÉ board Safety Committee. He is also a non-executive director of London's Crossrail board and a member of the Crossrail Health & Safety Committee.

Carolyn Griffiths

Carolyn is a Fellow of both the Royal Academy of Engineers and the Institution of Mechanical Engineers. She is Trustee of the Institution and also Engineering Council. She has extensive experience of the railway industry having worked in various sectors in the UK, Singapore, Germany and Sweden. Her two most recent positions were Senior Vice President of a multi national company and the founding Chief Inspector of the Rail Accident Investigation Branch in the UK.

She was awarded an Honorary Doctorate by Cranfield University in 2013 for her achievements in and contributions to the rail industry.

Tracey McGee

Tracey qualified as a Solicitor in 1990 and had a legal career in the UK, USA and Ireland before training as a Mediator. Tracey is now a Certified Mediator and works for the Family Mediation Service on a contract basis. During Tracey's legal career she worked in private practice, commerce and the public sector providing a varied experience in different aspects of law. Tracey enjoys a challenge and views her appointment to the board as an opportunity to use her experience and make a valid contribution. Tracey was appointed to the board in September 2013.

Mal McGreevy

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

John Moloney

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

Flor O' Mahony

Flor O' Mahony is a public affairs consultant and adviser to Fipra International. He is a former member of the European Parliament and of Seanad Éireann. He was an adviser to An Tánaiste and Minister for Health and Social Welfare, Brendan Corish and subsequently to the Labour Party Leader, Frank Cluskey. He was an Associate Lecturer on EU policies and processes in the Institute of Public Administration until 2006 and is a member of the Institute of International and European Affairs. Flor was appointed to the board in September 2013.

Tommy Wynne

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

Directors' Report

The directors present their annual report in accordance with their obligations under the Irish Companies Act 2014 and the Transport (Re-organisation of Córas Iompar Éireann) Act 1986 for the year ended 31 December 2015.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the Company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the Company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

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

In preparing these financial statements, the directors 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 the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Going Concern

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

Principal Activities and Financial Review

The principal activities of the Company are the provision of Intercity and Commuter Rail passenger services, freight services and the management of Rosslare Europort.

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

The Company continues to regularly monitor its performance through a range of key operating and financial performance indicators. These reviews by management and the directors include the strong focus on cost savings introduced a number of years ago which has successfully reduced the cost base and improved the quality and efficiency of its services for all customers. The 2015 results show the revenue generated from operations increased by €16.4m over 2014. The amount of the Public

Service Obligation ("PSO") subvention received in 2015 was €98.2m which is down €19.2m on 2014. Other exchequer funding for safety and maintenance increased by €35.5m over 2014.

The operating costs, before exceptional operating costs, increased by €37.9m over the 2014 level due to the increase in maintenance activities.

The Company recorded a deficit of €5.6m, before an exceptional charge of €2.1m for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €7.7m compared to €7.0m in 2014.

The directors are pleased to report that the targets agreed annually between the Company and the National Transport Authority ("NTA") were met in full for the year ended 31st December 2015.

There were no dividends paid or declared in 2015 or 2014.

Principal risks and uncertainties

The Company is committed to managing risk in a systematic and disciplined manner. Through an enterprise wide risk management process, the key risks facing the Company are identified and action plans to mitigate the risks are developed. The safety of the railway remains a top priority for the Company and this is reflected in the risk management process. The most serious risks include; major operational incidents, loss of operational communications and persistent failure to meet customers and other stakeholders expectations. The Company is in the process of establishing and implementing a new risk management system.

Financial Risk Management

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

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

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

Price risk

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

Foreign Exchange Risk

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

Liquidity risk

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

The Board

The Company is controlled through its board of directors. The board's main roles are to approve the Company's strategic objectives and to review the operation of the Company against a series of key performance indicators. The board, which meets at least nine times each year, has a schedule of matters reserved for its approval.

Code of Practice for the Governance of State Bodies

Maintaining high standards of corporate governance continues to be a priority of the directors of Iarnród Éireann. The board has developed its corporate governance policy so as to give effect to the Code of Practice for the Governance of State Bodies issued by the Department of Finance.

Details of the policies and procedures implemented by the Company following publication of the Code of Practice for the Governance of State Bodies are set out in the annual report of the Córas Iompair Éireann Group.

Railway Infrastructure Costs

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

Internal Control

The board of Iarnród Éireann has appointed an Audit & Risk Review Group to review; the annual financial statements, internal controls and compliance matters, the effectiveness of internal and external audit and risk management.

The board has also appointed an Engineering Advisory Group to monitor infrastructure renewal, project manage large infrastructure, signalling, electrical and telecoms projects and performance. The Train Advisory Group assists the board in matters relating to customer experience and perception, commercial strategies, train engineering, regulatory changes and business risks. The Safety Advisory Group assists the board in monitoring these key business areas.

Information

Regular reports and papers are circulated to the directors in a timely manner in preparation for board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The non-executive directors receive periodic management accounts and regular management reports and information which enable them to scrutinise the Company's and management's performance against agreed objectives.

Accounting records

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

Financial Reporting Standard 102 (FRS 102)

FRS 102 is effective for the year ended 31 December 2015 and this is the first year that the financial statements are being prepared under the new standard. The comparative amounts in the 2015 financial statements have been prepared in accordance with FRS 102 and required some restatement to assign with requirements of FRS 102. Management in conjunction with CIÉ group conducted a comprehensive review of the implications of FRS 102 and the concepts and pervasive principles contained within the Standard in the preparation of the financial statements.

Events since the end of the financial year

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

Health and Safety

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

Railway Safety Act 2005

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

Late Payment in Commercial Transactions Regulations 2013

The directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Amendment Regulations 2013. Procedures have been implemented to identify the dates upon which all invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the regulations.

During 2015 a total of €21,000 was paid to third party suppliers under the regulations.

Directors

The directors of the Company are appointed by the Minister for Transport, Tourism and Sport. The names of persons who were directors during the year ended 31 December 2015 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Phil Gaffney	(Chairman)
Frank Allen	(Retired 19 February 2016)
Patricia Golden	(Reappointed 30 July 2015, retired 31 January 2016)
Carolyn Griffiths	(Appointed 5 November 2015)
Tracey McGee	
Mal McGreevy	(Appointed 29 October 2015)
John Moloney	
James Nix	(Retired 29 July 2015)
Flor O'Mahony	
Thomas Wynne	

Listed Below is the board director's attendance at board meetings during 2015:

	Attendance Log
Phil Gaffney	10/10
Frank Allen	8/10
Patricia Golden	8/10
Carolyn Griffiths	1/1
Tracey McGee	9/10
Mal McGreevy	1/1
John Moloney	9/10
James Nix	3/6
Flor O'Mahony	9/10
Tommy Wynne	9/10

*Mr Nix joined the 24 February 2015 meeting by telephone and was not included in the quorum for the meeting.

The September 2015 board meeting was held at the Laois Traincare Depot and included a tour of its facilities for directors.

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

Iarnród Éireann Advisory Groups

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

Safety Advisory Group ('SAG')

The Iarnród Éireann Board SAG has been established to let the board satisfy itself that Safety (passenger, worker, contractor and neighbour) is being properly managed in Iarnród Éireann. The Group comprise of:

Mr Cliff Perry	(independent advisor - Chair)
Ms Carolyn Griffiths	(Iarnród Éireann Director – member from February 2016)
Mr Mal McGreevy	(Iarnród Éireann Director – member from February 2016)
Mr Tommy Wynne	(worker director)

Audit & Risk Review Group ('ARRG')

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

Ms Patricia Golden	(Iarnród Éireann Director and Chair to 31 January 2016, co-opted member to 31March 2016)
Ms Tracey McGee	(Iarnród Éireann Director and Chair from 23 February 2016)
Mr Frank Allen	(Iarnród Éireann Director to 19 February 2016)

Infrastructure Advisory Group ('IAG')

The IAG advises the Iarnród Éireann board and engineering management on performance, asset management strategy, operational strategies for engineering, consideration of regulatory changes, and the evaluation and review of capital projects. The Group comprise of:

Mr Bob Clarke	(independent advisor- Chair)
Mr David Wilkinson	(independent advisor)

Trains Advisory Group ('TAG')

The TAG was established to advise the Iarnród Éireann board and executive on issues relating to the Railway Undertaking, including the customer experience, commercial strategies, service offering and timetable, and train fleet engineering issues. The Group comprise of:

Mr Cliff Perry	(independent advisor- Chair)
Mr Mal McGreevy	(Iarnród Éireann Director – member from February 2016)

Organisation Development Steering Group ('ODSG')

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

Mr Flor O'Mahony	(Iarnród Éireann Director- Chair)
Ms Tommy Wynne	(worker director)

Company Secretary

The Company secretary is a full time employee of the Company's parent Company, Córas Iompair Éireann. The Company secretary is responsible for advising the board, through the Chairman, on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the directors.

Auditors

The statutory auditors, PricewaterhouseCoopers, Chartered Accountants continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the board

Mr. Phil Gaffney	Chairman
Ms. Tracey McGee	Director

Date:

Independent auditors' report to the members of Iarnród Éireann – Irish Rail

Report on the financial statements

Our opinion

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

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2015 and of its deficit and cash flows for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended;
- the 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 Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

In applying the financial reporting framework, the directors 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 are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matter on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors 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 Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 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 company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' 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.

Mary Cleary

for and on behalf of PricewaterhouseCoopers

Chartered Accountants and Statutory Audit Firm

Dublin

6 April 2016

(a) The maintenance and integrity of the Iarnród 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.

Summary of significant accounting policies

The significant accounting policies and estimations techniques adopted in the preparation of these financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated. Iarnród Éireann has adopted FRS 102 for the first time in these financial statements. Details of the transition to FRS 102 are disclosed in note 24.

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

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

Córas Iompair Éireann is the largest and smallest undertaking who prepares group financial statements, of which Iarnród Éireann is a member. Copies of the Córas Iompair Éireann group financial statements are available from the Company Secretary at Córas Iompair Éireann, Heuston Station, Dublin 8.

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out at (t) below.

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has not taken advantage of any available exemption for qualifying entities.

(b) Revenue

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

(b) Revenue (cont'd)

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

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

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

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

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

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

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

(c) Material and services costs

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

(d) Exceptional costs

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

(d) Exceptional costs (cont'd)

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

(e) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(f) European Union and state grants

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

(i) Grants for capital expenditure

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

(ii) Revenue grants

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

(iii) Infrastructure Manager Multi Annual Contract grant

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

(g) Employee benefits

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

Post-employment benefits

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

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

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

All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit cost for the schemes as a whole are recognised in the separate financial statements of CIÉ, as in the absence of a formal contractual arrangement the directors believe that this is entity that is legally responsible for the schemes. The other participating entities, including Iarnród Éireann recognise a cost equal to their contribution for the period. Further details of these schemes are set out in note 25.

(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) Related parties

Iarnród Éireann is a subsidiary of CIÉ Group. Iarnród Éireann discloses transactions with related parties which are not wholly owned within the group. The Company is exempt from disclosing transactions with members of the same group that are wholly owned.

(j) Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

(ii) Deferred tax

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

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

(k) Intangible fixed assets

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

(l) Tangible fixed assets and depreciation

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

(i) Railway lines and works

Railway lines and works comprise a network of systems.

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

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

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

(ii) Railway rolling stock

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

(iii) Road freight vehicles

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

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

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

(v) Land and buildings

Land is not depreciated. Buildings are depreciated, on the basis of historical cost spread over a fifty year life.

(vi) Depreciation and residual values

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

Railway lines and works	straight-line method	10 - 40 years
Bridges	straight-line method	120 years
Railway rolling stock	straight-line method	4 - 20 years
Road freight vehicles	straight-line method	1 - 10 years
Freehold buildings	straight-line method	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.

(vii) Subsequent additions and major components

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

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

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

(viii)Derecognition

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

(m)Heritage assets

Iarnród Éireann 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 Iarnród Éireann heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements.

(n) 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 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.

(o) 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.

(p) Financial instruments

(i) Financial assets

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

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

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

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

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

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

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

(ii) Financial liabilities

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

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

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

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

(q) Provisions and contingencies

(i) Provisions

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

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

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

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

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

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

Provision is not made for future operating losses.

(ii) Contingencies

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

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

(r) Leased assets

(i) Finance leases

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

(ii) Operating leases

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

(s) Equity

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

(t) Critical accounting estimates and assumptions

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

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

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

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

(ii) Defined benefit pension scheme

The CIÉ group, of which the Company is a member, has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including assumptions in respect of; life expectancy, salary increases, and the discount rate on corporate bonds. Further details are set out in note 25.

(iii) Third party and employer liability claims provisions

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

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

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

Profit and Loss Account

For The Financial Year Ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Revenue from operations		233,936	217,533
Receipts from Public Service Obligation contracts		98,161	117,386
Other exchequer funding		112,944	77,429
Total revenue	**3**	**445,041**	**412,348**
Costs			
Payroll and related costs	5	(233,569)	(234,338)
Materials and services costs	6	(181,934)	(143,236)
Total operating costs		**(415,503)**	**(377,574)**
EBITDA before exceptional operating costs		**29,538**	**34,774**
Exceptional costs	7	(2,111)	(1,586)
Depreciation and amortisation, net of capital grants amortised	8	(32,587)	(39,758)
(Loss)/profit on disposal of tangible assets		(5)	45
Deficit before interest and taxation		**(5,165)**	**(6,525)**
Interest payable and similar charges	9	(2,518)	(462)
Deficit for the year on ordinary activities before taxation		**(7,683)**	**(6,987)**
Taxation on ordinary activities	10	–	–
Deficit for the financial year		**(7,683)**	**(6,987)**

Statement of Comprehensive Income

For the Financial Year ended 31 December 2015

	2015	2014
	€'000	€'000
Deficit for the financial year	(7,683)	(6,987)
Other comprehensive income	–	–
Total comprehensive income for the financial year	**(7,683)**	**(6,987)**

Balance Sheet

As at 31 December 2015

	Notes	2015 €'000	2014 €'000
Fixed assets			
Intangible assets	12	1,825	3,788
Tangible assets	13	2,049,933	2,171,738
Financial assets	14	–	20
		2,051,758	**2,175,546**
Current assets			
Stocks	15	49,522	47,532
Debtors	16	20,813	12,276
Cash at bank and in hand		342	315
		70,677	**60,123**
Creditors (amounts falling due within one year)	17	**(281,845)**	**(290,141)**
Net current liabilities		(211,168)	(230,018)
Total assets less current liabilities		**1,840,590**	**1,945,528**
Deferred income	20	(1,726,272)	(1,819,429)
Provisions for liabilities	19	(70,338)	(74,436)
		43,980	**51,663**
Capital and reserves			
Called up share capital	21	194,270	194,270
Profit and loss account		(150,290)	(142,607)
Total Equity		**43,980**	**51,663**

On behalf of the board

Mr. P. Gaffney	Chairman
Ms. T. McGee	Director

Date:

Statement of Changes In Equity

Financial year ended 31 December 2015

	Capital Reserves €'000	Profit & Loss €'000	Total Equity €'000
Balance at 1 January 2014	**194,270**	**(135,620)**	**58,650**
Deficit for the financial year	–	(6,987)	(6,987)
Other comprehensive income for the financial year	–	–	–
Total comprehensive income for the financial year	**–**	**(6,987)**	**(6,987)**
Balance at 31 December 2014	**194,270**	**(142,607)**	**51,663**
Deficit for the financial year	–	(7,683)	(7,683)
Other comprehensive income for the financial year	–	–	–
Total comprehensive income for the financial year	–	(7,683)	(7,683)
Balance at 31 December 2015	**194,270**	**(150,290)**	**43,980**

Statement of Cash Flow

Financial year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Net cash generated from operating activities	22	**30,816**	**50,661**
Cash flow from investing activities			
Purchase of tangible fixed assets		(110,417)	(120,082)
Disposal of financial assets		20	–
Purchase of intangible fixed assets		(78)	(1,535)
Proceeds from disposal of tangible fixed assets		26	1,137
Proceeds from state and EU grants		96,788	133,162
Net cash generated (used in)/generated from investing capital activities		**(13,661)**	**12,682**
Cash flow from financing activities			
Interest paid		(2,518)	(462)
Finance lease payments		(2,344)	(5,005)
Intercompany financing		(12,309)	(57,321)
Total cash used in financing activities		**(17,171)**	**(62,788)**
Net (decrease)/increase in cash and cash equivalents		**(16)**	**555**
Cash and cash equivalents at 1 January		187	(368)
Cash and cash equivalents at 31 December		**171**	**187**
Cash and cash equivalents consist of:			
Cash at bank and in hand		342	315
Bank overdrafts		(171)	(128)
		171	**187**

Notes to the Financial Statements

1 Statement of compliance, activities and ownership

(a) Statement of Compliance

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

(b) Activities and ownership

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

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

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

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

2 Going concern

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

Background

At 31 December 2015 the CIÉ 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 CIÉ Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group. Committed facilities of €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 CIÉ Group in 2015. Management expect that the CIÉ Group will continue to meet the covenant targets 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 CIÉ Group continues to face a challenging business environment which gives rise to uncertainties.

While management are confident that overall financial targets 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 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.

The Company'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 the Iarnród Éireann's financial requirements. The additional government funding estimate which was approved in December 2015 enhances 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 targets, to which the Group is committed, are not breached and that sufficient cash-flow is generated after investment to meet obligations as they fall due.

4 Pensions

The Group's pension schemes are also in deficit. The liabilities of these schemes are included in the financial statements of CIÉ and not at the individual operating Company level, as explained in Note 25 to the financial statements. Although the net liabilities of the pension schemes reduced significantly 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.

Management's Actions

Group and Company 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 6 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 CIÉ Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the group and to meet its financial covenants under the CIÉ 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.

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

3 Divisional analysis of profit and loss account

(A) Railway Undertaking

	2015 €'000	2014 €'000
Sources of revenue		
Revenue	195,640	188,395
Public Service Obligation	98,161	117,386
Other exchequer funding	55	454
Total revenue	**293,856**	**306,235**
Operating costs		
Payroll and related costs	(123,142)	(126,584)
Materials and services	(66,898)	(77,616)
Fuel	(36,643)	(34,277)
Depreciation and amortisation, net of capital grants amortised	(24,042)	(32,371)
Total operating costs	**(250,725)**	**(270,848)**
Operating surplus before track access charges	**43,131**	**35,387**
Track access charge	(41,420)	(49,949)
EBITDA before exceptional operating costs	**1,711**	**(14,562)**
Exceptional costs	(854)	(1,559)
Profit on sale of tangible fixed assets	17	43
Surplus/ (deficit) before interest and taxation	**874**	**(16,078)**
Interest payable and similar charges	(1,450)	(241)
Deficit for the year on ordinary activities before taxation	**(576)**	**(16,319)**
Taxation on deficit on ordinary activities	–	–
Deficit for the year on ordinary activities after taxation	**(576)**	**(16,319)**

(B) Railway Infrastructure manager

	2015	2014
	€’000	€’000
In compliance with EU Council Directive 91/440 the costs of the Railway Infrastructure Division have been computed as follows:		
Sources of revenue		
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**
Operating costs revenue		
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 before interest and taxation	**(8,511)**	**10,178**
Interest payable and similar charges	(964)	(159)
(Deficit)/ surplus for the year on ordinary activities before taxation	**(9,475)**	**10,019**
Taxation on (deficit)/surplus on ordinary shares	–	–
(Deficit)/ surplus for the year on ordinary activities after taxation	**(9,475)**	**10,019**

(C) Rail freight division 2015

	2015 €'000	2014 €'000
Revenue	4,882	5,107
Total revenue	**4,882**	**5,107**
Operating costs		
Payroll and related costs	(1,219)	(1,423)
Materials and services	(1,962)	(1,671)
Fuel	(696)	(706)
Depreciation	(13)	(16)
Total operating costs	**(3,890)**	**(3,816)**
Operating surplus for the financial year before track access charges	**992**	**1,291**
Track access charges	(1,440)	(3,103)
EBITDA before exceptional operating costs	**(448)**	**(1,812)**
Exceptional costs	(259)	–
Deficit before interest and taxation	**(707)**	**(1,812)**
Interest payable and similar charges	(35)	(6)
Deficit for the year on ordinary activities before taxation	**(742)**	**(1,818)**
Taxation on (deficit) on ordinary shares	–	–
Deficit for the year on ordinary activities after taxation	**(742)**	**(1,818)**

(D) Rosslare Europort division

	2015 €'000	2014 €'000
Revenue	10,439	10,086
Total revenue	**10,439**	**10,086**
Operating costs		
Payroll and related costs	(4,420)	(4,564)
Materials and services	(2,152)	(3,135)
Depreciation net of capital grants amortised	(1,271)	(1,293)
Total operating costs	**(7,843)**	**(8,992)**
EBITDA before exceptional operating costs	**2,596**	**1,094**
Exceptional costs	(182)	(38)
Surplus before interest and taxation	**2,414**	**1,056**
Interest payable and similar charges	(69)	(56)
Surplus for the year on ordinary activities before taxation	**2,345**	**1,000**
Taxation on surplus on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	**2,345**	**1,000**

(E) Central and other activities

	2015 €'000	2014 €'000
Sources of revenue		
Third party revenue	3,369	3,707
Other exchequer funding	–	359
Total revenue	**3,369**	**4,066**
Operating costs		
Payroll and related costs	(7,763)	(7,136)
Materials and services	5,279	3,201
Total operating costs	**(2,484)**	**(3,935)**
EBITDA before exceptional operating costs	**885**	**131**
Exceptional costs	(120)	–
Surplus before interest and taxation	**765**	**131**
Taxation on surplus on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	**765**	**131**

(F) State and EU Funding

Public Service Obligation (PSO)

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

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

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

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

Multi Annual Contract (MAC)

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

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

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

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

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

	PSO 2015	Infrastructure MAC 2015	Other 2015	Total 2015
Allocated in the profit and loss account to:				
Rail Operations	98,161	–	55	98,216
Infrastructure	–	112,889	–	112,889
Other activities	–	–	–	–
	98,161	**112,889**	**55**	**211,105**
Sources				
State grants -- PSO	98,161	–	–	98,161
State grants -- multi annual contract	–	112,889	–	112,889
State grants -- Technical assistance	–	–	55	55
State grants -- other	–	–	–	–
	98,161	**112,889**	**55**	**211,105**

	PSO 2014	Infrastructure MAC 2014	Other 2014	Total 2014
Allocated in the profit and loss account to:				
Rail Operations	117,386	–	454	117,840
Infrastructure	–	75,093	1,523	76,616
Other activities	–	–	359	359
	117,386	**75,093**	**2,336**	**194,815**
Sources				
State grants -- PSO	117,386	–	–	117,386
State grants -- multi annual contract	–	68,428	–	68,428
State grants -- Capital investment program	–	1,368	–	1,368
State grants -- Severe Weather damage	–	5,297	–	5,297
State grants -- Technical assistance	–	–	200	200
State grants -- other	–	–	2,136	2,136
	117,386	**75,093**	**2,336**	**194,815**

(G) Net Surplus/(deficit) by activity

	Railway Undertaking €'000	Infrastructure Manager €'000	Rail Freight €'000	Other Commercial Activities €'000	Intra	Total €'000
2015						
Revenue*	195,640	62,466	4,882	13,808	(42,860)	233,936
Costs*	(294,432)	(184,830)	(5,624)	(10,698)	42,860	(452,724)
State grants	98,216	112,889	–	–		211,105
(Deficit)/surplus for the year	**(576)**	**(9,475)**	**(742)**	**3,110**	**-**	**(7,683)**
2014						
Revenue	188,395	63,290	5,107	13,793	(53,052)	217,533
Costs	(322,554)	(129,887)	(6,925)	(13,021)	53,052	(419,335)
State grants	117,840	76,616	–	359		194,815
(Deficit)/surplus for the year	**(16,319)**	**10,019**	**(1,818)**	**1,131**	**-**	**(6,987)**

*Revenue and costs include internal track access charges of €42.860m (2014: €53.052m).

4 Balance Sheet by Business

(A) Railway Undertaking

	2015 €'000	2014 €'000
Fixed Assets		
Intangible assets	869	1,181
Tangible assets	647,318	717,039
	648,187	**718,220**
Current Assets		
Stocks	34,305	31,105
Debtors	8,511	7,171
Cash at bank and in hand	1,190	536
	44,006	**38,812**
Creditors (amounts falling due within one year)		
Finance lease	–	(2,344)
Intra IÉ business	(33,288)	(49,432)
Deferred income	(84,692)	(84,635)
Other creditors	(44,183)	(36,893)
	(162,163)	**(173,304)**
Net Current Liabilities	**(118,157)**	**(134,492)**
Total Assets less Current Liabilities	**530,030**	**583,728**
Deferred income	(511,885)	(564,173)
Provisions for liabilities and charges	(30,750)	(31,585)
Net Liabilities	**(12,605)**	**(12,030)**

(B) Railway infrastructure Manager

	2015	2014
	€'000	**€'000**
Fixed Assets		
Intangible assets	956	996
Tangible assets	1,368,273	1,419,498
	1,369,229	**1,420,494**
Current Assets		
Stocks	15,216	16,388
Debtors	1,547	1,014
	16,763	**17,402**
Creditors (amounts falling due within one year)		
Intra IÉ business	(33,355)	(25,279)
Deferred income	(103,493)	(109,878)
Other creditors	(32,311)	(35,213)
	(169,159)	**(170,370)**
Net Current Liabilities	**(152,396)**	**(152,968)**
Total Assets less Current Liabilities	**1,216,833**	**1,267,526**
Deferred income	(1,205,706)	(1,246,264)
Provisions for liabilities and charges	(29,797)	(30,456)
Net Liabilities	**(18,670)**	**(9,194)**

(C) Rail freight division

	2015 €'000	2014 €'000
Fixed Assets		
Tangible assets	–	–
	–	**–**
Current Assets		
Debtors	696	686
	696	**686**
Creditors (amounts falling due within one year)		
Intra IÉ business	(4,608)	(3,860)
Other creditors	(198)	(262)
	(4,806)	**(4,122)**
Net Current Liabilities	**(4,110)**	**(3,436)**
Total Assets less Current Liabilities	**(4,110)**	**(3,436)**
Provisions for liabilities and charges	(86)	(18)
Net Liabilities	**(4,196)**	**(3,454)**

(D) Europort division

	2015 €'000	2014 €'000
Fixed Assets		
Tangible assets	33,946	34,814
Financial assets	–	20
	33,946	**34,834**
Current Assets		
Debtors	1,255	1,491
	1,255	**1,491**
Creditors (amounts falling due within one year)		
Intra IÉ business	(19,672)	(22,845)
Deferred income	(310)	(310)
Other creditors	(661)	(625)
	(20,643)	**(23,780)**
Net Current Liabilities	**(19,388)**	**(22,289)**
Total Assets less Current Liabilities	**14,558**	**12,545**
Deferred income	(8,665)	(8,975)
Provisions for liabilities and charges	(452)	(475)
Net Assets	**5,441**	**3,095**

(E) Central and other activities

	2015 €'000	2014 €'000
Fixed Assets		
Intangible assets	–	1,611
Tangible assets	397	388
	397	**1,999**
Current Assets		
Stocks	–	39
Debtors	8,803	1,913
Cash at bank and in hand	342	315
	9,145	**2,267**
Creditors (amounts falling due within one year)		
Overdraft	(1,361)	(664)
Intra IÉ business	90,923	101,416
Other creditors	(15,355)	(16,651)
	74,207	**84,101**
Net Current Assets	**83,352**	**86,368**
Total Assets less Current Liabilities	**83,749**	**88,367**
Creditors: (amounts falling due after more than one year)	–	–
Provisions for liabilities and charges	(9,722)	(15,104)
Deferred income	(17)	(17)
Net Assets	**74,010**	**73,246**

5 Payroll and related costs

(i) Employees

	2015 €'000	2014 €'000
Staff costs (excluding restructuring costs)		
Wages and salaries	204,266	205,979
Social insurance costs	19,303	18,964
Other retirement benefit costs	25,337	29,279
Gross Staff costs	**248,906**	**254,222**
Less: own work capitalised	(15,491)	(20,042)
Net Staff costs	**233,415**	**234,180**

(ii) Directors' emoluments

	2015 €'000	2014 €'000
– for services as director	75	85
– for executive services	79	73
	154	**158**
Total payroll and related costs	**233,569**	**234,338**

Of the total staff costs €15.5m (2014: €20m) has been capitalised into tangible fixed assets and €233.4m (2014: €234.2m) has been treated as an expense in the profit and loss account.

There are retirement benefits accruing to one director in 2015 and 2014 under a defined benefit scheme and the charge for the year in respect of the Company's contributions was €3,019 (2014: €3,019).

The payroll and related costs of the Chief Executive Officer which are included in the above, include gross salary of €211,275, (2014: €218,137), employer pension contribution of 25% and a car allowance of €15,005, (2014: €15,005).

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

Director	2015 €	2014 €
Mr. P. Gaffney	20,520	21,060
Ms. P. Golden	11,970	12,285
Ms. P. McGarry	–	2,341
Mr. J. Nix	6,983	12,285
Mr. F. Allen	11,970	12,285
Mr. F. O' Mahony	11,970	12,285
Ms.T. McGee	11,970	12,285
Total	**75,383**	**84,826**

The directors were paid the following expenses:

	2015 €	2014 €
Subsistence and Accommodation	2,490	1,034
Other	200	–
Total	**2,690**	**1,034**

(iii) Key Management compensation

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

	2015 €	2014 €
Salaries and other short term benefits	1,747	1,752
Post-employment benefits	262	244
Total key management compensation	**2,009**	**1,996**

(iv) Staff members

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

	Staff Numbers		Staff Numbers	
	2015 Average	**2014 Average**	**as at 31 Dec 2015**	**as at 31 Dec 2014**
Railway Operations	2,036	2,043	2,026	2,042
Infrastructure	1,584	1,561	1,600	1,579
Central Services	92	82	91	82
Rail Freight	9	10	7	9
Rosslare Europort	72	74	72	73
Total	**3,793**	**3,770**	**3,796**	**3,785**

6 Materials and Services

	2015	**2014**
	€'000	**€'000**
Operating and other costs	136,690	99,057
Fuel and electricity	37,413	35,024
Third party and employer's liability claims	3,122	4,000
Rates	1,755	1,740
Operating lease rentals	2,954	3,415
Total materials and services	**181,934**	**143,236**

7 Exceptional operating costs

	2015	**2014**
	€'000	**€'000**
Restructuring		
Amounts paid and payable to employees	2,111	1,586

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

8 Depreciation and amortisation (net)

	2015	2014
	€'000	€'000
Amortisation of intangible fixed assets (note 12)	2,041	1,611
Depreciation of tangible fixed assets (note 13)	225,372	230,364
Amortisation of capital grants (note 20)	(194,826)	(192,217)
Total depreciation and amortisation (net)	**32,587**	**39,758**

9 Interest payable and similar charges

	2015	2014
	€'000	€'000
Interest payable on loan from holding Company	2,326	110
Finance leases interest	36	296
Other interest payable	156	56
	2,518	**462**
Interest apportioned:-		
Railway undertaking	1,450	241
Railway infrastructure costs	964	159
Rail freight	35	6
Commercial operations	69	56
	2,518	**462**

10 Taxation

(a) Tax expense included in profit or loss

	2015	2014
	€'000	**€'000**
Current tax:		
Irish corporation tax on profit for the financial year	–	–
Adjustments in respect of prior financial years	–	–
Current tax expense for the financial year	–	–
Deferred tax:		
Origination and reversal of timing differences	–	–
Deferred tax expense for the financial year	–	–
Tax on deficit on ordinary activities	**–**	**–**

(d) Reconciliation of tax expense

Tax assessed for the financial year differs than that determined by applying the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 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 taxation	(7,683)	(6,986)
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2014: 12.5%)	(960)	(873)
Effects of:		
– Income not subject to tax	(50,924)	(48,379)
– Income subject to higher rate of tax	2,148	1,385
– Expenses not deductible for tax purposes	1,482	721
– Depreciation in excess of capital allowances	21,375	21,573
– Unrelieved tax losses brought forward not recognised	25,278	25,142
– Losses surrendered to group undertakings	1,153	499
– Other differences	448	(68)
Tax on deficit on ordinary activities	**–**	**–**

Deferred taxation

A potential deferred tax asset of €546m (2014: €524m) has not been as the future recovery against taxable profits is uncertain.

11 Government grants

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

Particulars of the Government grants of €308.2 million received in 2015 are given in the following table, including the relevant provision of EU regulations. The Company only retains ownership of land and building assets less than €0.2million, all others land and building assets are transferred to CIÉ Holding Company, including any related grants received. Grants received in respect of buildings of €0.3million was transferred to the CIÉ Holding Company in 2015.

Amounts disclosed under Regulation Number 1192/69 analyse the portion of Public Service Obligation grant received to cover costs which are incurred as a result of the Railway Operations activities. Regulation Number 1192/69 relates to the common transport policy rules for the normalisation of the accounts of railway undertakings and the harmonisation of certain provisions affecting competition in transport by rail, road and inland waterways.

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

Public Service Obligation	**EU Regulation Number**		
	1192/69 Costs	**1370/2007 (revenue)**	**2015 Total**
	€'000	**€'000**	**€'000**
Revenue related	**–**	**73,724**	**73,724**
Expenditure related			
Mainline rail			
Normalisation of accounts			
– Class III (pensions)	18,429	–	18,429
– Class IV (level crossings)	2,586	–	2,586
Subtotal Mainline rail	**21,015**	**–**	**21,015**
Suburban rail			
Normalisation of accounts			
– Class III (pensions)	3,197	–	3,197
– Class IV (level crossings)	225	–	225
Subtotal Suburban services	**3,422**	**–**	**3,422**
Subtotal Expenditure related	**24,437**		**24,437**
Total	**24,437**	**73,724**	**98,161**

			2015 Total
	€'000	€'000	€'000
Total Public Service Obligation			98,161
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			210,014
Total State grants received			**308,175**
The total funding received was applied as follows:			
Profit and loss account			
– Public Service Obligation			98,161
– Infrastructure Manager Multi-Annual Contract (Revenue)	112,889		
– Other Exchequer funding	–		
– Technical Assistance	55	112,944	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	31,393		
Deferred Capital Grants	65,395		
Transferred to CIÉ	282	97,070	
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			**210,014**
Total State grants received			**308,175**

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

Public Service Obligation	EU Regulation Number		
	1192/69 Costs	1370/2007 (revenue)	2014 Total
	€'000	€'000	€'000
Revenue related	**–**	**88,926**	**88,926**
Expenditure related			
Mainline rail			
Normalisation of accounts			
– Class III (pensions)	21,828	–	21,828
– Class IV (level crossings)	2,696	–	2,696
Subtotal Mainline rail	**24,524**	**–**	**24,524**
Suburban rail			
Normalisation of accounts			
– Class III (pensions)	3,702		3,702
– Class IV (level crossings)	234		234
Subtotal Suburban services	**3,936**	**–**	**3,936**
Subtotal Expenditure related	**28,460**		**28,460**
Total	**28,460**	**88,926**	**117,386**

			Total
	€'000	€'000	€'000
Total Public Service Obligation			117,386
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			212,244
Total State grants received			**329,630**
The total funding received was applied as follows:			
Profit and loss account			
– Public Service Obligation			**117,386**
– Infrastructure Manager Multi-Annual Contract (Revenue)	75,093		
– Other Exchequer funding	2,136		
– Technical Assistance	200	77,429	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	51,812		
Deferred Capital Grants	81,350		
Transferred to CIÉ	1,653	134,815	
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			**212,244**
Total State grants received			**329,630**

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

12 Intangible fixed assets

	1 Jan 2015 €'000	Additions €'000	31 Dec 2015 €'000
Cost			
Computer software	24,769	78	24,847
Amortisation			
Computer software	20,981	2,041	23,022
Net Book Value at 31 December 2015			**1,825**

	1 Jan 2014 €'000	Additions €'000	31 Dec 2014 €'000
Cost			
Computer software	23,234	1,535	24,769
Amortisation			
Computer software	19,370	1,611	20,981
Net Book Value at 31 December 2014			**3,788**

13 Tangible fixed assets

	1 Jan 2015	Reclassi-fications	Additions	Scrappings Disposals	31 Dec 2015
	€'000	€'000	€'000	€'000	€'000
Cost					
Railway lines and works	2,156,760	-	35,127	(15,452)	2,176,435
Assets under construction	2,760	-	2,696	–	5,456
Railway rolling stock	1,482,942	52	33,658	(107,488)	1,409,164
Road freight vehicles	2,893	-	-	–	2,893
Plant and machinery	492,013	(52)	16,282	–	508,243
Signalling	603,087	-	13,963	–	617,050
Docks, harbours and wharves	56,486	-	482	–	56,968
Catering equipment	926	-	-	–	926
Land and Buildings	6,015	-	2,837	–	8,852
Total	**4,803,882**	**-**	**105,045**	**(122,940)**	**4,785,987**
Depreciation					
Railway lines and works	1,193,320	-	84,300	(13,974)	1,263,646
Assets under construction	-	-	-	–	–
Railway rolling stock	839,149	(61)	87,455	(107,488)	819,055
Road freight vehicles	2,893	-	-	–	2,893
Plant and machinery	332,577	61	32,952	–	365,590
Signalling	239,204	-	19,095	–	258,299
Docks, harbours and wharves	22,829	-	1,350	–	24,179
Catering equipment	926	-	-	–	926
Land and Buildings	1,246	-	220	–	1,466
Total	**2,632,144**	**-**	**225,372**	**(121,462)**	**2,736,054**

	1 Jan 2014 €'000	Reclassi-fications €'000	Additions €'000	Scrappings Disposals €'000	31 Dec 2014 €'000
Cost					
Railway lines and works	2,099,283	-	57,477	–	2,156,760
Assets under construction	839	-	1,921	–	2,760
Railway rolling stock	1,458,624	-	34,738	(10,420)	1,482,942
Road freight vehicles	2,893	-	-	–	2,893
Plant and machinery	475,808	-	16,205	–	492,013
Signalling	594,481	-	8,606	–	603,087
Docks, harbours and wharves	56,452	-	34	–	56,486
Catering equipment	926	-	-	–	926
Land and Buildings	4,092	-	1,923	–	6,015
Total	**4,693,398**	**-**	**120,904**	**(10,420)**	**4,803,882**
Depreciation					
Railway lines and works	1,112,448	-	80,872	–	1,193,320
Assets under construction	-	-	-	–	–
Railway rolling stock	752,734	-	95,743	(9,328)	839,149
Road freight vehicles	2,893	-	-	–	2,893
Plant and machinery	298,432	-	34,145	–	332,577
Signalling	221,098	-	18,106	–	239,204
Docks, harbours and wharves	21,445	-	1,384	–	22,829
Catering equipment	926	-	-	–	926
Land and Buildings	1,132	-	114	–	1,246
Total	**2,411,108**	**-**	**230,364**	**(9,328)**	**2,632,144**

	31 Dec 2015 €'000	31 Dec 2014 €'000
Net Book Amounts		
Railway lines and works	912,789	963,440
Assets under construction	5,456	2,760
Railway rolling stock	590,109	643,793
Road freight vehicles	–	–
Plant and machinery	142,653	159,436
Signalling	358,751	363,883
Docks, harbours and wharves	32,789	33,657
Catering equipment	–	–
Land and Buildings	7,386	4,769
Total	**2,049,933**	**2,171,738**

This is the first year the Company has presented financial statements complying with FRS 102. Tangible fixed assets have been restated to comply with the requirements of FRS 102.

14 Financial assets

	2015 €'000	2014 €'000
Listed shares		
Cost or valuation at 1 January	63	63
Provision for permanent diminution in value at 31 December	–	(43)
Disposal	(63)	
Net book amounts at 31 December	**–**	**20**

15 Stocks

	2015 €'000	2014 €'000
Rolling stock, spare parts and maintenance materials	22,565	22,481
Infrastructure stocks	15,190	16,319
Fuel, lubricants and other sundry stocks	11,767	8,732
Total	**49,522**	**47,532**
Stocks utilised in the reporting period		
Materials	46,938	46,588
Fuel	34,222	31,940
Total	**81,160**	**78,528**

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

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

An impairment loss of €19,000 (2014: credit €168,000) has been recognised in profit and loss in relation to obsolete and damaged stocks.

16 Debtors

	2015 €'000	2014 €'000
Trade debtors	10,343	9,922
Amounts owed by parent undertaking	7,587	–
Prepayments and accrued income	2,883	2,354
Total	**20,813**	**12,276**

Trade debtors are after provision for impairment of €0.4m (2014: €0.7m).

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

The directors acknowledge that, although the amounts owed by the parent undertaking are repayable on demand, the company does not intend to seek repayment of the amounts due in the foreseeable future.

17 Creditors amounts falling due within one year

	2015	2014
	€'000	€'000
Creditors (Amounts falling due within one year)		
Bank overdraft	171	128
Trade creditors	33,685	32,215
Finance leases (note 18)	–	2,344
Income tax deducted under PAYE	3,883	3,366
Pay related social insurance	2,948	2,492
Universal social charge	1,226	1,103
Value added tax	4,017	2,008
Withholding tax	556	479
Amounts owed to parent undertaking	–	4,722
Other creditors	29,746	25,444
Accruals	17,116	21,016
Deferred income (note 20)	188,497	194,824
	281,845	**290,141**
Creditors for taxation and social welfare included above	**12,630**	**9,448**

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

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

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

18 Lease Obligations

(a) Finance leases

	2015	2014
	€'000	€'000
The future minimum lease payments are as follows:		
Not later than one year	–	2,344
Total	**–**	**2,344**

(b) Operating leases

	2015	2014
	€'000	€'000
Road vehicles		
Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:		
Within one year	655	1,382
Between one and five years	1,008	910
Total	**1,663**	**2,292**

19 Provisions for Liabilities

	Restructuring Provision €'000	Third Party and Employer's Liability Claims €'000	Other Provisions €'000	Total €'000
Balance at 1 January 2014	6,200	44,576	18,093	68,869
Utilised during the financial year	(2,069)	(3,884)	–	(5,953)
Profit and loss account	1,566	4,000	5,953	11,519
Balance at 31 December 2014	**5,697**	**44,692**	**24,046**	**74,435**
Balance at 1 January 2015	5,697	44,692	24,046	74,435
Utilised during the financial year	(4,529)	(2,714)	(2,465)	(9,708)
Profit and loss account	2,076	3,122	413	5,611
Balance at 31 December 2015	**3,244**	**45,100**	**21,994**	**70,338**

Restructuring provision

The restructuring provision relates to the implementation of continuing cost saving initiatives, this provision is expected to be utilised by 2017.

Other provision

At 31 December 2015 there was €22m (2014: €24m) of other provisions, €5.0m (2014:€5.6m) related to unresolved third party disputes, €3.7m (2014: €2.9m) related to legal claims, €12.6m (2014:€13.8m) related to post-retirement benefit costs and €0.7m (2014: €1.7m) relate to other pay related disputes.

Third party and employer's liability claims

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

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

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

(a) External insurance cover

CIÉ has, on behalf of the Company, the following external cover:

Irish Rail

(i) 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) Third Party Liability in excess of €250,000 on any one occurrence, or series of occurrences, arising out of other risks events, except:

(a) flood damage where the excess is €2,000,000;

(b) Ossary Road, where the excess for each and every occurrence is €1,000,000; and

(c) any claims subject to United States of America jurisdiction, where the excess is US$150,000.

(iii) In addition, the Company 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, for rail and road transport third party liabilities in excess of a self-insured retention of €11 million, subject to an overall Group self-insured annual retention of €27,000,000, after which any individual self-insured retention for that period will be €50,000.

(iv) Group Combined Liability Insurance, with an overall indemnity of €200,000,000 for the twelve month period, April 2014 to March 2015, for all rail and road transport Third Party and Other Risks liabilities, excluding Terrorism.

(v) 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.

(vi) 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).

Irish Rail-Rosslare

(i) Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:

(ii) Marine Third Party Liability cover of €12,500,000 any one incident subject to an excess of €150,000 per incident.

(iii) 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.

(iv) 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.

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

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

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

(viii) 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.

(ix) 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.

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(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 Company.

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

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

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

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

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

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

20 Deferred Income

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

	1 Jan 2015 €'000	Transfers & disposals €'000	Received & receivable €'000	Profit & loss A/C €'000	31 Dec 2015 €'000
Capital Grants					
Land and buildings	1,277	–	133	(52)	1,358
Assets under construction	2,453	–	2,573	–	5,026
Railway lines and works	951,217	(1,446)	38,182	(82,790)	905,163
Railway rolling stock	583,163	–	28,719	(67,363)	544,519
Plant and machinery	139,562	–	13,899	(27,864)	125,597
Signalling	327,295	–	13,282	(16,447)	324,130
Docks, harbours and wharves	9,286	–	–	(310)	8,976
Total	**2,014,253**	**(1,446)**	**96,788**	**(194,826)**	**1,914,769**

	1 Jan 2014 €'000	Transfers & disposals €'000	Received & receivable €'000	Profit & loss A/C €'000	31 Dec 2014 €'000
Capital Grants					
Land and buildings	1,163	–	168	(54)	1,277
Assets under construction	613	–	1,840	–	2,453
Railway lines and works	970,918	–	60,700	(80,401)	951,217
Railway rolling stock	604,534	–	45,030	(66,401)	583,163
Plant and machinery	151,799	–	17,103	(29,340)	139,562
Signalling	334,685	–	8,321	(15,711)	327,295
Docks, harbours and wharves	9,596	–	–	(310)	9,286
Total	**2,073,308**	**–**	**133,162**	**(192,217)**	**2,014,253**

	2015	2014
	€'000	€'000
Deferred Income		
– amounts falling due within one year	188,497	194,824
– amounts falling due after more than one year	1,726,272	1,819,429
	1,914,769	**2,014,253**

21 Share capital and reserves

	2015	2014
	€'000	€'000
Authorised:		
Ordinary shares of €1.27 each	194,270	194,270
Allotted, called up and fully paid– presented as equity		
At 1 January and 31 December, Ordinary shares of €1.27 each	194,270	194,270

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

22 Notes to the statement of cashflow

	2015	2014
	€'000	€'000
Deficit for the year before interest and taxation	(5,165)	(6,525)
Loss/(profit) on disposal of tangible fixed assets	5	(45)
Depreciation on tangible fixed assets	225,372	230,364
Amortisation for intangible fixed assets	2,041	1,611
Amortisation of capital grants	(194,826)	(192,217)
(Increase)/decrease in stocks	(1,990)	6,997
(Increase)/decrease in debtors	(950)	2,621
Increase in creditors and provisions	6,329	7,855
Net cash generated from operating activities	**30,816**	**50,661**

23 Capital Commitments

	2015 €'000	2014 €'000
At 31 December, the Company has the following capital commitments:		
Contractual commitments for the acquisition of tangible fixed assets	18,193	64,261
Capital expenditure on tangible fixed assets authorised by the directors but not contracted for	211,170	207,103

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

24 Transition to FRS 102

This is the first year that the Company has presented financial statements complying with FRS 102. The previous financial statements under Irish GAAP were for the financial year ended 31 December 2014. The Company's date of transition to FRS 102 was 1 January 2014. Set out below are the details of changes in accounting policies which reconcile the deficit for the financial year ended 31 December 2014 and total equity as at 1 January 2014 and 31 December 2014 between Irish GAAP as previously reported and FRS 102.

Deficit for the financial year	**2014 €'000**
Irish GAAP as previously reported	(2,171)
Adjustments:	
Tangible fixed assets (A)	(4,816)
FRS102 deficit for the year	**(6,987)**

Total equity	**1 January 2014** €'000	**31 December 2014** €'000
Irish GAAP as previously reported	61,367	59,196
Adjustments:		
Tangible fixed assets (A) – opening	(2,717)	(2,717)
Tangible fixed assets (A) – 2014	–	(4,816)
FRS102 equity	**58,650**	**51,663**

A. The most material impact of FRS 102 Section 17 'Property, Plant and Equipment' relates to the accounting for infrastructure assets within the Company. 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 is 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 from the date the Company was established in 1987, 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 Company 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 life, ranging from 10 to 120 years.

B. In accordance with FRS102, Computer Software with a net book value of €3.8 million at 31 December 2014 has been reclassified as Intangible fixed assets, see note 12 to the financial statements.

C. Revenue grants have been reclassified and included in revenue in the current year and comparative year.

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

E. The Company's statement of cash flows reflects the presentation requirements of FRS 102, which differ to FRS 1. In addition the statement of cash flows under FRS 102 reconciles profit for the financial year to cash and cash equivalents at the end of the financial year whereas under previous Irish GAAP the cash flow statement reconciled profit for the financial year to cash at the end of the financial year.

25 Post-Employment Benefits

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

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

The valuations of the schemes under FRS 102 as at 31 December 2015 showed a deficit of €288million, (2014: €701.8 million). The disclosures required under FRS 102 in respect of the group's defined benefit schemes, in which the Company participates, are set out in the financial statements of CIÉ for the year ended 31 December 2015 which are publicly available from CIÉ, Heuston Station, Dublin 8.

The Company's pension cost for the year under the defined benefit schemes was €25.3 million (2014: €29.3 million) and these costs are included in note 5. The Company cost comprises of contribution payable for the year.

26 Guarantees and contingent liabilities

Pending Litigation

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

Bank borrowings

The CIÉ Group has borrowings of €53.6 million (2014: €66.4 million) at the balance sheet date. These borrowings are cross guaranteed by Iarnród Éireann and the other subsidiaries in the CIÉ Group.

27 Related party transactions

In the ordinary course of business the Company 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 Company's business.

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

28 Membership of Córas Iompair Éireann Group

Iarnród Éireann (Irish Rail) is a member of the Córas Iompair Éireann Group of Companies (the Group) and the financial statements reflect the effects of Group membership.

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

29 Approval of financial statements

The directors approved the financial statements on 6 April 2016.