CIÉ Group Annual Report

Year Ended 31 December 2016

CIÉ Group

Connecting People - Connecting Places

Contents

Financial and Operating Highlights 2016

CIÉ Group Revenue
2016 €1,218.4m
2015 €1,153.0m

CIÉ Group Number of Employees
2016 10,017
2015 9,837

CIÉ Group Customer Journeys
2016 251.2m
2015 241.0m

Iarnród Éireann Customer Journeys
2016 42.8m
2015 39.7m

Bus Éireann (excluding Schools Transport) Customer Journeys
2016 39.7m
2015 37.9m

Bus Átha Cliath Customer Journeys
2016 128.2m
2015 122.4m

Schools Transport Customer Journeys
2016 40.5m
2015 41.0m

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

CIÉ Group's ("the Group") objectives are to deliver reliable, safe and accessible public transport services in as efficient a manner as possible, while meeting our customers' needs.

This focus also enables the Group to meet its goal of supporting the growth of the Irish economy, and social cohesion, through the provision of quality public transport services. In all matters, the Group works in collaboration with its shareholder, the Minister for Transport, Tourism and Sport and with the regulator, the National Transport Authority ("NTA").

Through its subsidiary companies, the Group operates the most comprehensive public transport network within the State. As such, working with the Department of Transport, Tourism and Sport ("DTTaS") and the NTA, it has the unique capacity to manage cost effective delivery of high quality public transport solutions across Ireland.

The NTA has commenced competitive tender processes for contracts in respect of approximately 10% of bus services currently provided by Bus Átha Cliath and Bus Éireann. Both companies have the capability to successfully deliver the requirements of these contracts. Their tender submissions demonstrate our capacity to provide high quality reliable services at a reasonable cost. However, should either tender submission be unsuccessful we will face the challenge of adjusting our cost base in response to a reduced level of activity. This challenge reinforces the importance of ensuring that, across the Group, costs remain competitive on an ongoing basis.

The Group is pleased to present its 2016 Annual Report, which shows that the number of customer journeys taken across its services has increased by 10.2 million (2.8%), to 251.2 million leading to a €29 million (3.8%) increase in the Group's fare revenue.

Bus Átha Cliath

Bus Átha Cliath is Ireland's largest public transport provider. It is a core element of the Dublin transport network, and its effective operation is central to the economy of the Greater Dublin Area.

During 2016, Bus Átha Cliath grew its service offering to a point where it carried 128.2 million passengers. With the support of the NTA, Dublin Bus put 110 new buses on the road; opened up three new routes serving Dublin City University; and played a key role in supporting 1916 commemoration events in Dublin - carrying over 1.5 million passengers who visited Dublin city centre to enjoy hundreds of events across the capital. The challenge will be to continue to meet growth in demand in an efficient manner.

Bus Éireann

Despite a very disappointing financial result, Bus Éireann continued its strong focus on the delivery of a safe and efficient network of services for all customers. An additional 1.3 million passengers availed of Bus Éireann's services, bringing overall passenger numbers to 80.2 million for the year.

Bus Éireann has identified initiatives to improve its cost base though proposals encompassing work practice changes, a rationalisation of its workforce, some commercial route closures and an overall cut to discretionary spends. The co-operation of staff with these proposals has been achieved with the assistance of the Workplace Relations Commission and the Labour Court.

Management intend to implement these cost reduction measures during 2017 and are confident that this will position Bus Éireann to reverse its recent poor financial performance, and provide a foundation for a viable and sustainable business for the long term.

Iarnród Éireann

During 2016 Iarnród Éireann grew its Intercity and Commuter (including DART) passenger journeys by 7.8%, and carried 42.8 million people on its trains.

Maintenance of the highest standards of railway safety is a principal focus of Iarnród Éireann. The Company can be justifiably proud of its safety performance during the year.

An essential element in maintaining that safety performance is ensuring that the Railway Service is adequately and sustainably funded.

The Group looks forward to the outcome of the NTA's public consultation arising from the Rail Review; and are particularly pleased to welcome the government's improved funding commitment contained in Budget 2017. This will enable Iarnród Éireann to address urgent fleet and infrastructure maintenance requirements, and develop significant safety investment programmes in Automatic Train Protection and train radio upgrades.

CIÉ Tours

CIÉ Tours experienced a record year in 2016, and brought almost 45,000 tourists into Ireland and Great Britain from the US, and beyond. Improved air access and positive perceptions of Ireland as a travel destination contributed to 2016 being one of the most successful years ever for inbound tourism.

CIÉ Tours is successfully meeting the challenges in the industry, which include accommodation shortages in the Dublin region, and is preparing for any impacts that Brexit may have on the free flow of people between Ireland, Northern Ireland and Great Britain.

CIÉ Property

During the year, CIÉ has actively engaged with the "Rebuilding Ireland" initiative to identify which of its properties might be suitable and attractive for the development of additional housing.

As development activity increases, CIÉ will continue to secure long-term value from the commercialisation of its property portfolio, which ultimately belongs to the State.

All property income is allocated entirely to the Operating Companies thereby reducing the total cost to the State of providing Public Transport Services.

Pension Schemes

The Group administers the Pension Schemes for all employees of the subsidiary companies.

Despite strong investment returns during the year, the pension deficit increased to €730 million, as the future cost of benefits payable by the Schemes grew substantially. The additional cost of pension provision is driven largely by the impact of pay awards, coupled with the very low interest rate environment.

It is accepted that neither the Group nor the active members of the Schemes have the capacity to eliminate this substantial deficit through increased contributions. An agreed basis must therefore be found to make the changes necessary to eliminate the deficit in the Schemes and thus remove the risk to the future pension benefits of our staff.

Furthermore, the Group's Pension Schemes are no longer performing in line with the expectations of the Funding Plan agreed with the Pensions Authority in 2013. As a result, a revised plan must be prepared and submitted to the Authority during 2017.

While some progress has been made during 2016 towards developing proposals to de-risk the Schemes, progress has been slow. The challenge in the current year is to re-double our efforts to secure change on an agreed basis. The aim is to reduce the risk to the Schemes and return them to solvency by 2023 - the timeframe determined by the Pensions Authority.

Acknowledgments

On behalf of the Board, I would like to express my thanks to the Minister for Transport, Tourism and Sport, Mr. Shane Ross and to his predecessor Mr. Paschal Donohoe, and their officials in the DTTaS. Their support to the Group during the year is recognised and appreciated.

The Group works closely with the DTTaS and with the NTA. Collaborative engagement enables us to work with the Shareholder and the Authority to deliver solutions that provide real value to customers. I would like to acknowledge the assistance of the officials of both in this active collaborative process.

CIÉ is fortunate to be in a position to avail of the contribution of its Board Members who provide a valuable blend of expertise and experience to assist in the governance of the organisation. I wish to thank the Board for their service during the year.

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

Vivienne Jupp
Chairman

Financial Review 2016

Improved customer revenue and increased Exchequer funding provided the opportunity for CIÉ Group ("the Group") to fund further essential renewal of its infrastructure and to extend the scope of its services.

EBITDA

The operating results for the Group for 2016 show earnings before interest, taxation, depreciation, and amortisation and before exceptional costs and profits on disposal of fixed assets (EBITDA) of €58 million. This is an increase of €10 million on 2015.

Revenue and EBITDA

	2016 €m	2015 €m	Change €m
Fare revenue	794	765	29
Tours revenue	99	81	18
Other revenue			
PSO contract income	212	190	22
Other Exchequer and revenue grants	113	117	(4)
Total revenue	**1,218**	**1,153**	**65**
Payroll before pension adjustment	(580)	(557)	(23)
Materials and services	(584)	(540)	(44)
EBITDA before pension adjustments	**54**	**56**	**(2)**
Pension adjustments	4	(8)	12
EBITDA	**58**	**48**	**10**

The principal components of the EBITDA development are:

(i) A 4% increase in fare revenue driven entirely by increases in customer journeys. While modest fare increases were awarded for 2016, increased use of the better value LEAP ticket and travel zones changes diluted revenue and more than offset the benefit of the nominal fare increase.

(ii) A successful year in CIÉ Tours on the back of customer volume growth and targeted margin improvements. The strength of the dollar also helps the result when translated into Euro.

(iii) With the support of both the Department of Transport, Tourism and Sport ("DTTaS") and the National Transport Authority ("NTA"), the Group has increased its investment in upgrading its infrastructure and scope of services.

(iv) Payroll costs increased by €23 million; 72% of the increase is attributable to higher activity with the remainder due to the pay award in Bus Átha Cliath and the restoration of pay in Iarnród Éireann during the year following the conclusion of a 25 month pay reduction period.

(v) Material and Services cost increases are largely volume related, the principal elements being additional infrastructure maintenance investment in Iarnród Éireann, the effect of currency translation on US denominated costs and an increase in Schools Transport Service contractor costs to provide additional Department of Education and Skills sanctioned services.

(vi) €12 million of the improvement in EBITDA is attributable to the non-cash pension accounting adjustment. The volatility of this adjustment introduces significant risk to the stability of earnings and highlights the importance of implementing changes to pensions, on an agreed basis, which reduces this volatility and helps to improve the security of future pensions for employees.

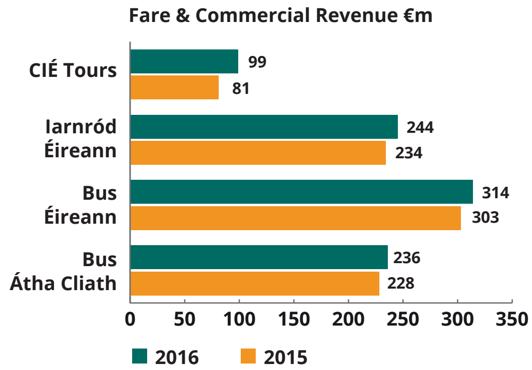
Revenue

The Group grew its fare revenue by 3.8%, driven by a 4.2% increase in passenger journeys in 2016. This emphasises the critical importance of the role that public transport plays in supporting general economic growth.

Total revenue grew by 5.6%.

Total revenue for the Group in 2016 was €1,218 million and can be broken down by company and business activity as follows:

Fare and Commercial Revenue

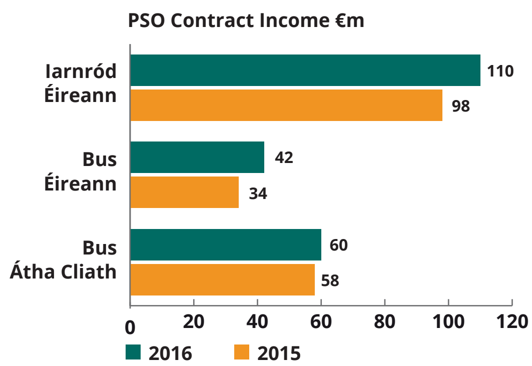


The Group achieved revenue growth in all its businesses during the year. Growth in passenger journeys by 10 million drove the revenue increase; fare increases awarded were modest and were more than offset by changes to rail ticket zones and a further increase in usage of lower costs LEAP based ticketing. Fare revenue grew by €29 million, a 3.8% year on year increase.

CIÉ Tours is one of the country's largest inbound tour operators. During 2016, CIÉ Tours financial performance recovered to the record levels achieved in 2014. CIÉ Tours carried 44,873 visitors to Ireland and Great Britain in the year, a 3.8% increase on 2015. The remainder of the increase reflects the benefit of translation of stronger dollar revenues into Euro.

Public Service Obligation ("PSO") Contract Income

PSO contract income increased in each operating company during 2016.



The increase in PSO funding supported the provision of additional services across each operating company.

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Other Exchequer Funding of current expenditure

Other Exchequer Funding relates principally to funding provided to Iarnród Éireann in respect of railway infrastructure maintenance costs. Iarnród Éireann operates a Multi-Annual Contract ("MAC"), administered by the DTTaS and monitored by the NTA, which funds expenditure on maintenance and renewal of railway infrastructure. In addition, the Exchequer funded €8m for storm damage repairs.

Operating Costs

Achieving the appropriate investment in fleet and infrastructure maintenance to secure the long run efficient performance of the transport network while maintaining financial stability is a key ongoing challenge for the Group.

Provision of a broader range of services and further investment in rail infrastructure maintenance accounted for the majority of the 6.1% increase in operating costs in 2016.

The Group operating costs before exceptional items increased by €67 million; 90% of the increase arises from growth in services combined with additional infrastructure maintenance activity. The main contributors to the €67 million movement are itemised below.

	€m	€m
Total operating costs 2015		**1,097**
Additional maintenance activity	18	
Service expansion	13	
Currency translation	13	
Additional headcount/overtime	16	
Increases in pay – restoration & increases	7	
Total movement		**67**
Total operating costs 2016		**1,164**

Surplus For The Year

The Group generated a net surplus in 2016 of €28 million due to strong operating earnings performance, profit on sale of property and the benefit of a once off exceptional gain.

The Group reported a net surplus of €28 million in 2016, after recognising an exceptional gain of €27 million. This compared to a net deficit of €26 million in 2015, a turnaround of €54 million.

The surplus for the year is stated after (charging)/crediting the following non-operating items.

	2016 €m	2015 €m	Change €m
EBITDA	**58**	**48**	**10**
Profit on disposal of tangible assets	8	2	6
Exceptional income/(costs)	23	(3)	26
Depreciation, net of capital grants amortised	(50)	(56)	6
Net finance expense (excl. pension)	(3)	(3)	0
Pension finance expense	(7)	(14)	7
Total non-operating income/ (costs)	**(29)**	**(74)**	**45**
Surplus/(deficit) before taxation	**29**	**(26)**	**55**
Tax on ordinary activities	(1)	0	(1)
Surplus/(deficit) for the year	**28**	**(26)**	**54**

2016 saw a €45 million reduction in total non-operating costs.

During 2016, as market conditions improved, the Group was successful in realising an €8 million surplus from the disposal of non-operational property.

The 2016 exceptional income relates to a retrospective reduction in its VAT liability associated with on-going operations. The change in VAT rules has given rise to a once-off credit of €27 million offset by €4 million in restructuring costs.

Depreciation, net of capital grants amortised, continues to reduce as the additional Exchequer funding of rolling stock heavy maintenance that has occurred since 2014 increases the amortisation credit.

Going Concern

Therefore, while trading performance continued to improve during 2016, the Group continues to face a challenging business environment. Management are confident that overall financial levels, including those required for the Group to meet its financial covenants, will continue to be met in the forthcoming year. Consideration of the principal uncertainties and related mitigations are set out in Note 2 to the financial statements which concludes that it is appropriate to prepare the financial statements on a going concern basis.

Banking Facilities

The Group manages its treasury requirements through committed bank facilities.

In July 2013 the Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group. Committed facilities of €160 million were secured up to July 2018, of which €39 million has subsequently been repaid and is not available to be redrawn under the Group's term loan facility. At 31 December 2016 the Group had drawn down €41 million under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

These facilities are based on normal commercial arrangements that require the Group to abide by a number of standard financial covenants – in particular not exceeding the required ratio of Net Debt to EBITDA over the life of the facility.

The Group has commenced the process of renewing its banking facilities during the current year.

Risk of Cost Escalation

Cost escalation is a significant challenge to maintaining financial stability while balancing the investment requirements of the transport network with revenue generation capacity and funding.

The level of investment in public transport infrastructure is below the minimum required to maintain the infrastructure in a steady state. This shortfall creates an investment deficit. The Group, in conjunction with other stakeholders, must play its part in contributing to reducing this deficit by efficiently managing its cost base.

Managing pay costs within a growing economy was a significant challenge for the Group in 2016. During the year, the following significant developments occurred:

- Agreed pay restoration in Iarnród Éireann following the completion of a 25-month pay reduction agreement in 2014.
- A general pay increase was agreed in Bus Átha Cliath.

Cost competitiveness and the efficiency of the Group remains a particular concern. While customer journeys have continued to recover, they remain 11% below the levels of 2008. During 2017 tender competitions for PSO services in Dublin, Waterford and Kildare/Dublin will progress. These tender processes will test the competitiveness of the cost base.

Total Exchequer Funding

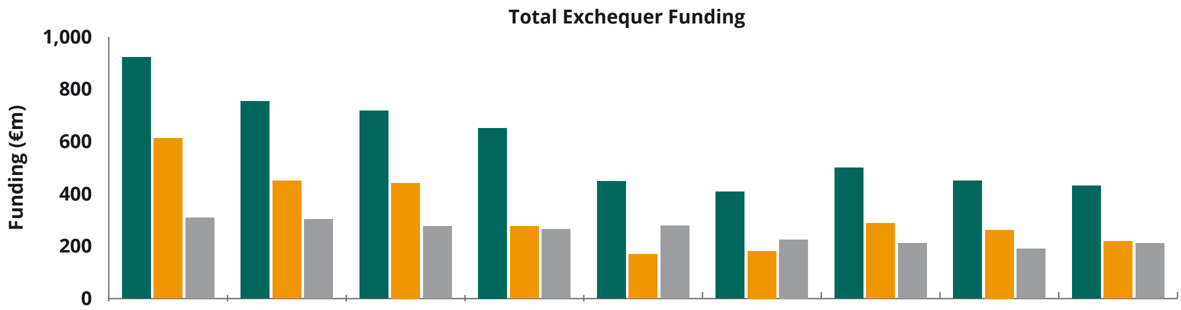
Total Exchequer funding of public transport is not keeping pace with growth in customer journeys.

The provision of reliable, efficient public transport requires funding. During 2016 total Exchequer funding for both the PSO contracts and for capital investment amounted to €431 million, a reduction from €451 million in 2015. This was comprised of an increase of €22 million in PSO funding but was offset by a reduction of €43 million in capital and other funding e.g. maintenance. Graph 1 illustrates the trend in total Exchequer funding and PSO funding over recent years.

As shown in Graph 2 – total investment in public transport is not keeping pace with the recovery in customer journeys. The decline in funding, both in absolute terms and relative to demand (customer journeys), has occurred in both capital investment and in the PSO contract income in respect of socially desirable but economically unviable public transport services.

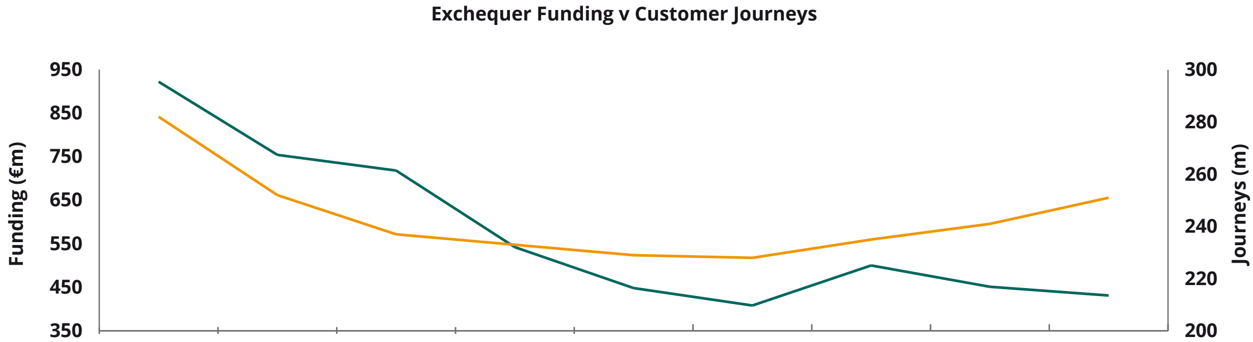
Graph 2 illustrates strong evidence of a recovery in passenger journeys and identifies the challenge of ensuring appropriate funding to support the provision of comprehensive public transport services to meet the increased demand.

Graph 1



	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL	922	754	718	652	448	408	500	451	431
CAPITAL & OTHER	613	451	442	277	170	182	288	262	219
PSO	309	303	276	265	278	226	212	190	212

Graph 2



	2008	2009	2010	2011	2012	2013	2014	2015	2016
FUNDING	922	754	718	652	448	408	500	451	431
JOURNEYS	282	252	237	233	229	228	235	241	251

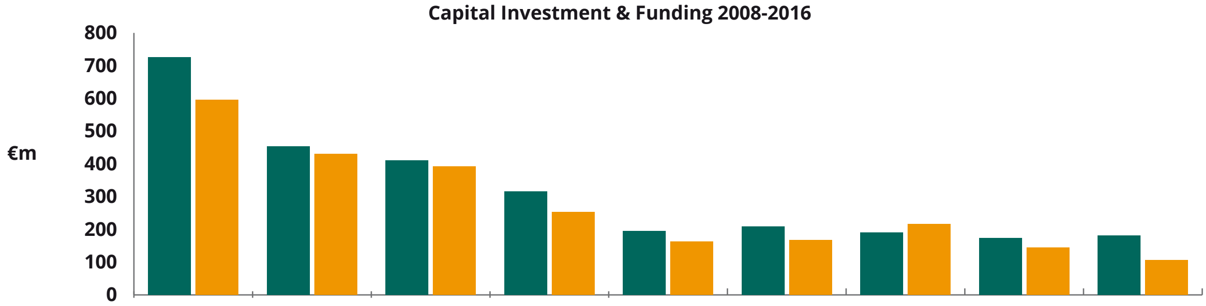
Capital Expenditure

There has been a notable downward trend in investment in the public transport system assets managed by the Group since 2008.

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

The Group investment in fixed assets in 2016 increased slightly to €181 million. However, there has been a notable downward trend in investment in the public transport system assets managed by the Group since 2008. This is due principally to financial constraints on the Exchequer, and brings public transport investment in Ireland significantly below EU averages.

Capital Investment & Funding 2008-2016



	2008	2009	2010	2011	2012	2013	2014	2015	2016
INVESTMENT	726	454	411	316	195	208	190	173	181
FUNDING	596	431	392	253	163	167	217	144	106

PSO Contract Income 2008-2016

The Group's PSO contracts did not generate a reasonable return during the year. Generating a reasonable return on PSO activity is an essential driver of financial sustainability for the Group.

Bus Átha Cliath, Bus Éireann and Iarnród Éireann ("Operating Companies") operate socially desirable but economically unviable public transport services under PSO contracts from the NTA.

The Operating Companies within the Group work closely with the NTA to maximise the provision of public transport services in terms of frequency and quality across all three companies. However, the Group's PSO contracts did not generate a reasonable return during the year. The cumulative loss on PSO contracts since 2008 can be analysed as follows:

	PSO Passenger Journeys m	Revenue from Public Services €m	Costs of Public Services €m	Income from PSO Contracts €m	Profit/(Loss) on PSO Contracts €m
2008	227.7	469	(817)	309	(39)
2009	200.8	441	(771)	303	(27)
2010	186.4	402	(721)	276	(43)
2011	182.9	389	(700)	265	(46)
2012	180.6	406	(724)	278	(40)
2013	179.7	440	(682)	226	(16)
2014	186.1	465	(669)	212	8
2015	192.3	489	(683)	190	(5)
2016	203.1	513	(728)	212	(3)
Cumulative Loss on PSO Contracts					**(211)**

The 2016 loss on PSO contracts and the return on revenue, by operating company, can be analysed as follows:

	PSO Passenger Journeys m	Revenue from Public Services €m	Costs of Public Services €m	Income from PSO Contracts €m	Profit/ (Loss) on PSO Contracts €m	Return on Revenue
Bus Átha Cliath	128	221	(277)	60	3	1.1%
Bus Éireann	32	86	(128)	42	(0)	(0.3%)
Iarnród Éireann	43	206	(323)	110	(6)	(1.8%)
	203	**513**	**(728)**	**212**	**(3)**	**(0.4%)**

Bus Átha Cliath was successful in generating a modest return on its PSO contract however the rate of return on its revenue was just 1.1%.

Bus Éireann incurred a €0.4 million loss on their PSO contract.

Iarnród Éireann's loss includes the net result of Infrastructure Manager activity. This activity includes a further increase in un-funded maintenance expenditure.

The Group has continued to absorb these losses while improving the volume, quality and frequency of the public transport services that it provides. The PSO contracts should generate a reasonable return in order to secure the provision of quality services and to restore the capital base of the Group to an appropriate level.

Significant Other Financial Developments

The net pension fund deficit at the year-end has deteriorated significantly during 2016.

The Group operates defined benefit pension schemes that are funded by contributions made by the Group and its employees. The retirement benefits, which are provided by these schemes, are funded by significant assets, which are invested in trustee-administered funds.

The method of calculating the annual cost of providing retirement benefits effectively assumes the future rates of returns for pension fund assets and liabilities are aligned based on long-term interest rates. The overall defined benefit cost is heavily impacted by financial market returns. The exposure to fluctuations in cost in this manner is a significant risk, which the Group is seeking to mitigate by bringing forward proposals for agreement with all stakeholders.

The net pension fund deficit at the year-end has deteriorated significantly during 2016. The deficit is adversely impacted by two factors; (i) the discount rate and (ii) future pay assumptions. Firstly, in accordance with accounting standards, the change in the discount rate used to calculate the future value of the pension liabilities increased the liability value by €420 million. Secondly, in light of the recently agreed pay settlement in Bus Átha Cliath, it was appropriate to revise the actuarial assumption made in regard to future pensionable pay. Better than anticipated investment returns partially offset the adverse impact of the change in discount rate and pensionable pay assumptions.

Experience during 2016 highlights the volatility of the pension valuation and the significant risks associated with the pension commitments of the Group. 2016 experience shows that, despite strong investment returns, the deficit increase was principally due to changes to the estimate of the future cost of the benefits to be provided from the schemes.

The trustees of the Group pension schemes implemented a pension funding plan in 2013, with the approval of the Pensions Authority, which envisages the elimination of the deficit in the schemes by 2023. Both the Regular Wages Scheme and the Superannuation Scheme are no longer operating in line with these funding plans.

During 2017, both of these schemes will be required to submit revised proposals to the Pensions Authority that achieves solvency of the schemes by the end of 2023. It is therefore imperative, in the interests of the active members of both schemes, that measures are taken which will meet with the approval of the Pensions Authority to address the deficits in the scheme and to secure the future benefits payable from the Schemes.

Operations Review 2016

Customers

Customer Journeys	2016 m	2015 m	Change m
Bus Átha Cliath	128.2	122.4	5.8
Bus Éireann	39.7	37.9	1.8
Iarnród Éireann	42.8	39.7	3.1
Customer journeys, before Schools Transport	**210.7**	**200.0**	**10.7**
Schools Transport	40.5	41.0	(0.5)
Total Customer Journeys	**251.2**	**241.0**	**10.2**

The Group continues to provide safe, customer focused public transport to an increasing number of customers.

Total customer journeys grew by 4.2% during 2016 from 241 million journeys in 2015 to 251.2 million journeys in 2016. Total journeys have now returned to 2009 levels but there is still a way to go to get back to the record levels achieved in 2008 when the CIÉ Group ("the Group") provided 282.1 million journeys. The growth across the individual operating companies is summarised as follows:

- Bus Átha Cliath's growth in customer journeys continued in 2016 with growth in journeys of 4.7%.
- Bus Éireann experienced good growth across its public service offerings but a decline in passenger journeys on its commercial services.
- Iarnród Éireann has made further progress in 2016, growing its customer journeys by 7.8%. This rate of growth is the highest achieved by the operating companies and was helped by growth in employment and major events such as the 1916 Rising Commemorations.

Customer Engagement and Service Quality Improvement

Highlights of the initiative that have been completed and are underway to improve the Group's services during 2016 include:

Bus Átha Cliath:

- Further growth in use of LEAP which now accounts for 73% of all Bus Átha Cliath customer journeys, up from 70% at the beginning of the year. The use of LEAP allows customers to avail of fares that are approximately 20% lower than on-bus fares.
- Bus Átha Cliath played a central role in ensuring the success of the Easter Rising commemoration events with over 1.5 million people visiting Dublin City Centre to enjoy events across the capital. Bus Átha Cliath introduced a new Tour – The 1916 Tour – Beyond Barricades to mark the year.
- 110 new buses were added to the Bus Átha Cliath bus fleet which operates a fully accessible bus fleet.
- Three new bus routes were introduced serving Dublin City University.
- A new Airport service, the 757, was introduced.
- Bus Átha Cliath participated in a multi-agency process, chaired by the National Transport Authority ("NTA") and including An Garda Síochána, Dublin City Council, Transport Infrastructure Ireland and the main project contractors to minimise the disruption and congestions in Dublin City centre activity arising from Luas Cross City works.
- Continued focus on customer communication through further rollout of Real Time Passenger Information (on bus stop signs, on website and mobile app), the "Value Campaign" which highlighted the benefits of LEAP Card fare capping, "Cut of the Chase Campaign" which assists customers in accessing the latest information on their bus route, and finally promoting direct interaction with customers through Facebook, Twitter and Instagram.

Bus Éireann:

- Customer journey growth of 5% from significant growth in Provincial City and Stage Carriage services which offset a slight reduction in Intercity commercial services.
- Over 400 new Schools Transport Services were approved by the Department of Education & Skills and successfully introduced by Bus Éireann.
- On a daily basis, Bus Éireann now carries over 115,000 children to 3,000 schools via 6,500 routes, This includes more than 11,000 children with special educational needs.
- "Making Better Connections" has been Bus Éireann's primary customer strategy since its inception as the key theme of the Company's inaugural Staff Summit in 2015. "Making Better Connections" encapsulates Bus Éireann's initiative of strategic communications with customers, employees and stakeholders.
- A new campaign in 2016 was initiated to highlight the importance to passengers of safety when entering, alighting or interacting in any way with Bus Éireann buses. This campaign combines high-impact visuals with clear and precise safety messages.
- Expressway investment in new seat sales and third level students focussed initiatives were undertaken to demonstrate value.
- In 2016, we successfully implemented over 200 network changes in conjunction with the NTA and continued the implementation of a 5 year Direct Award contract on our Public Service Obligations ("PSO") services

Iarnród Éireann:

- Customer journey growth of 8% includes an 11% increase in DART passengers.
- Performance and punctuality performance was ahead of target and NTA requirements.
- Changes to travel zones and fares provided an effective price reduction for customers, so while customer journeys grew by 8% the fare revenue increase was lower at 5%.
- Regular peak commuter services commenced through the Phoenix Park tunnel in November 2016.
- The fully refurbished Belfast/Dublin Enterprise returned to service in 2016, delivering significant improvements to customer facilities and comfort.

- Iarnród Éireann completed the latest phase of the City Centre Re-signalling Project (Tara Street to Sandymount Station). The completion of this project will expand the capacity of the city network by allowing more trains to travel in each direction at peak times through the city centre.
- Major re-signalling works at Limerick and improvement works on the Cork/Dublin line, will deliver improvements in service performance and journey times in the future. Iarnród Éireann welcomes the Government's decision to provide additional funding through the Infrastructure Manger multi-annual-contract for an annual programme of track ballast cleaning, to improve journey times on the Dublin/Cork line.
- Work to raise awareness of mental health issues through partnership with the Green Ribbon Month, Samaritans Ireland and Cycle against Suicide.
- Continued focus on providing safe services under our core value of "Always Safe".
- DART Underground is the single most important transport project for addressing congestion and sustainability in Irish transport. Together with the NTA, Iarnród Éireann is working to identify possible cost saving measures associated with the DART Underground element of the DART Expansion programme and to agree an approach to delivering the other elements of the programme. The ongoing works includes reviewing the options for tunnelling, stations and connectivity with the existing network.
- Progressing our investment priority for an Automatic Train Protection system to continue to improve safety performance.
- Iarnród Éireann Freight successfully completed the trail of the longest ever freight train during 2016 from a current 36 TEU to a 54 TEU which ran from Dublin to Ballina. Further work is underway in this area with longer freight trains commencing during 2017 that will strengthen the commercial competitiveness of rail freight.
- Rail freight volumes grew by 5% from 96.4 million tonnes to 101.4 million tonnes, mainly as a result of increased mineral ore volumes.
- 2016 was the third year of multi-annual infrastructure management contract – all contract requirements were successfully met during the year.

CIÉ Entity ("CIÉ")

CIÉ operates three significant business units – the Commuter Advertising Network (CAN), CIÉ Tours and Group Property and also provides support services to Bus Átha Cliath, Bus Éireann and Iarnród Éireann ("Operating Companies"). The revenues generated through CAN and Group Property are fully allocated to the Operating Companies to reduce the cost of operation of PSO services.

Commuter Advertising Network ("CAN")

CAN continued the positive growth trend of recent years, generating 12% growth in revenues to €7.5m. This was a strong performance as the Out Of Home ("OOH") advertising market reported growth of 7% in the Republic of Ireland and 4% in Northern Ireland in the same period.

CAN's performance was driven by a combination of the growth in the market generally and was also supported by the upgrading of CAN's advertising assets, particularly digital. In addition to advertising revenues, the Operating Companies used CAN's advertising estate in many of their own marketing campaigns in 2016.

The OOH industry is projecting market growth of 4% in 2017 and CAN is well positioned to take advantage of this growth.

CIÉ Tours

	2016 €m	2016 €m	Change €m
Tours revenue	99	81	18
Operating surplus	5	1	4

2016 has been the most successful year to date for CIÉ Tours. The business unit generated revenues of €99 million from 44,873 customers. The volume of customers grew by 4% over 2015 levels, however, due to significant strengthening in the value of the US Dollar, Company revenues grew by 22% over 2015 levels. The North American market accounted for approximately 90% of revenues.

The significant contributors to 2016 being one to of the most successful years for inbound tourism to Ireland include improved air access into Ireland from the North American market, Ireland being perceived as a "safe destination" and the negative impact of the Zika virus on warmer destinations.

Overall, operating profits were €5.2 million, up €4.4 million on 2015 levels. The strong margin performance was driven by improved load factors of tours and the strength of the US dollar against both Euro and Sterling.

The business continues to develop its products featuring the UK market, with coach tours that combine the UK and Ireland growing significantly over the last number of years. Significant challenges in the industry include accommodation capacity, particularly in the Dublin region, and the unknown impacts from Brexit, in relation to the free flow of people between Ireland, Northern Ireland and Great Britain. Despite these challenges, the outlook for 2017 is positive with current booking trends pacing ahead of 2016 levels.

Group Property

Rental income was up from €13.4 million in 2015 to €13.7 million in 2016. Gross income from property disposals amounted to €8.3 million in 2016, predominantly attributable to the sale of CIÉ's interest in a portion of a large development site in the Dublin docklands area.

The growth in rental income is primarily attributable to existing fibre optic licence agreements and development agreements in Dublin and at Kent Station Cork.

CIÉ considers that a number of its potential development sites are ideally located to capitalise on the prevailing strong demand in the commercial property market and is actively preparing to commence marketing in 2017 by way of development agreements.

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

Bus Átha Cliath

Overview

Bus Átha Cliath faced a number of key challenges in 2016 as it continued its mission to deliver an effective public service, providing efficient, reliable and safe services for our customers. Customer numbers on our PSO routes and commercial services grew by 4.7% to 128.2 million despite the loss of 6 days of services for our customers due to industrial action in September 2016. However, the continued economic recovery also resulted in increased traffic congestion and cost pressures associated with increased demand for services.

The Company was pleased to introduce an additional 110 new vehicles into service in 2016. The new buses are another significant development in the provision of convenient, comfortable and sustainable public transport for the people of Dublin. Bus Átha Cliath continued to operate a fully low floor accessible fleet.

Real Time Passenger Information ("RTPI") continues to be extremely popular and is now more attractive to customers with the implementation of additional RTPI units across the city.

The Company incurred cost increases in respect of a pay agreement reached with staff during 2016. This agreement also included a commitment to continue our focus on delivering cost efficiencies across all expenditure categories in order to ensure we continue to deliver value for money.

2016 Operating Result and Financial Position

In 2016, Bus Átha Cliath earned a net surplus of €2.6 million. This compares with a surplus of €10.2 million in 2015.

The key aspects of the financial results include revenue growth of €8 million, an increase of €16 million in operating costs and an increase of €1.9 million in PSO payments. The increase in operating costs reflects a pay increase of 3.75%, implemented during 2016. While this increase follows a pay freeze in place since 2008 and a reduction in terms and conditions introduced in 2013 to 2015 due to the financial crisis, it has resulted in increased costs of €6.5m in 2016. The Company has also incurred costs associated with providing additional services for customers as a result of the recovering economy. These demand led cost increases are reflected in the financial results for 2016.

Total operating revenue grew by €8 million (3.6%) from €228.1 million to €236.2 million in 2016. This increase in revenue reflects the 4.7% overall increase in customer demand. As customers continue to migrate from the higher yielding cash option to the Integrated Ticketing System ("ITS"), a dilution of the overall average fare per passenger journey was experienced in 2016.

A six day industrial dispute occurred in September 2016. The industrial action, causing significant disruption to our customers, was greatly regretted by the Company. The net impact of this dispute is reflected in the financial statements primarily in reduced revenue levels and NTA penalties, along with reductions in payroll and fuel costs during the period of the dispute. Total payroll costs increased by €10.8 million (6.3%) to €183.4 million as the average pay per employee increased together with an increase of 118 in average staff numbers associated with increased demand in 2016.

Expenditure on materials and services for the year increased by €5 million (5.4%) on 2015. Expenditure on maintenance of buildings, infrastructure access charges and cost allocations from ITS were the main contributors to the increase.

Bus Átha Cliath received PSO payments of €59.6 million in 2016; an increase of €1.9 million compared to 2015, as a direct result of increased service provision. The PSO received in 2016 remains lower than the PSO allocated on commencement of the direct award contract in 2014. This has been made possible through a continued focus on efficiencies in service delivery. Bus Átha Cliath continues to work closely with the NTA to deliver an enhanced network of services and to improve the quality of our service offering to customers. All stakeholders accept that a reasonable surplus on the PSO contract is critical if the Company is to continue its progress towards financial stability that in turn will generate cash for essential investment and provide greater security around provision of transport services.

The Company plans to continue growing its network of services and achieving further operational efficiencies. The increased network of services, strategic brand building, improved service reliability, the success of RTPI and ITS and service availability have all contributed directly to generating increased customer demand for our bus services. The Company will seek to improve its service offering to customers and to increase the number of public transport users through a combination of investment in key customer-focussed projects, increased marketing activity on our core routes, and specific targeted off-peak and weekend campaigns.

Developments in Commercial Services

2016 has been an extremely challenging and exciting year for Bus Átha Cliath's commercial services. The Company launched a number of new services, and enhanced existing services for customers. Commercial services carried 2.8 million passengers in 2016 which is an increase of 11% on 2015. 2016 saw the launch of increased frequency on the Airlink 747 service to meet demand. The Airlink 757 service was launched to target a new market of accommodation providers and businesses on the south side of Dublin. The 1916 Tour - Beyond Barricades was a great success quickly soaring through the ranks of TripAdvisor to be ranked 15th under "Tours of Dublin". A new Bus and Travel information desk was designed and built in Dublin Airport and provides a "go to" point at Terminal 1 for bus passengers. However, commercial services were significantly impacted by the industrial relations dispute during 2016 and the product incurred a deficit of €0.5m in 2016. This includes some exceptional items and the focus for 2017 is to return the service to profit through a combination of revenue maximisation and robust cost management.

Plans for 2017 include:

- Development and launch of new Commercial Brand – DoDublin.
- Development and launch of new DoDublin website.
- Continued focus on growing revenue on Airlink and City Tours.
- Continuation of The 1916 Tour - Beyond Barricades.

Market Opening

In June 2016, the NTA issued the Invitation to Negotiate for the tendering of 10% of orbital routes within the Greater Dublin Area. The Company committed to entering a competitive bid, aligned to our core values, in order to retain the operation of the current network of PSO services. Bus Átha Cliath submitted its bid in February 2017 and the Company will continue to work pro-actively with all stakeholders to manage the future operation of PSO services.

Luas Cross City

During 2016, Luas Cross City construction works continued to be a major challenge for Bus Átha Cliath contributing to increased journey times through the city centre. However, due to thorough planning and communications with all parties involved, Bus Átha Cliath have continued to operate a quality and reliable service. Planning for further construction works, erecting overhead catenary and testing trams during 2017 is well underway through the multi-agency process chaired by the NTA, involving An Garda Síochána, Dublin City Council, Transport Infrastructure Ireland and the main project contractors. The project is due for completion at the end of 2017.

Public Service Contract

Bus Átha Cliath focused on achieving the performance target obligations under the Direct Award Public Service Contract 2014-2019. The contract outlines the standards of operational performance and customer services that Bus Átha Cliath must maintain. The targets centre on Lost Kilometres, Reliability, Punctuality and Customer Information. Bus Átha Cliath is focused on ensuring a high quality service is provided for all customers and compliance with all performance targets.

Technological Advancements

RTPI (on bus stop signs, on website and mobile app) continues to provide a key component of service delivery. Independent surveys carried out by NTA record an accuracy of 97.5% for the RTPI displayed at bus stop signs. The accuracy of RTPI on our website is even greater.

The quantity of RTPI signs at bus stops reached 574 at the end of 2016 (2015: 562 RTPI signs). Bus Átha Cliath and the NTA plan to further increase this in 2017, with the deployment of up to 75 additional display units in the Dublin area.

All new additions to the fleet in 2016 came equipped with an on-board audio announcement system and audio visual displays. The programme of retrofitting the electronic displays on older buses is now complete. At the end of 2016, 430 buses had the electronic displays installed as original equipment and 407 buses were retrofitted. All buses have next stop audio announcements.

Leap Card

Leap Card usage continued to grow in 2016. By the end of 2016, more than 2 million Leap cards had been issued. Leap Cards accounted for approximately 66% of all Bus Átha Cliath passenger boarding numbers (including Department of Social Protection free travel passes) by December 2016, having risen from 56% at the start of the year.

Customer Value Campaign

Our 'Value Campaign' was launched in February 2016. The objectives of the campaign were to generate awareness of Leap Card Capping and to educate customers on the benefits of Capping. The proposition was 'You could be getting free travel on your bus at the weekends with your Leap Card'.

The campaign was very well received and attained a high level of positive publicity and interaction with customers through a competition which we ran through our Facebook channel.

1916 Commemorations

Bus Átha Cliath was proud to be the key transport partner for the 1916 Commemoration celebrations by providing visitors with transport to events and supporting cultural initiatives commemorating the men and women of the Rising. We also partnered with Royal Irish Academy to provide a free e-book; "1916: Portraits and Lives" which launched on the Late Late Show in mid-March.

Bus Éireann

Overview

Bus Éireann continued to face a very challenging operating environment in 2016 as evidenced by the operating deficit increasing to €9.5m in 2016 (2015: €6m). This deterioration in Bus Éireann's financial performance is unsustainable and unless urgent corrective action is taken, the future viability of the Company may be brought into question.

Despite this disappointing financial performance 2016 again continued the trend of year on year of increasing revenue opportunities with an annual growth of road passenger journeys of 4.8% to 39.7 million journeys.

Business plan

Arising from the deterioration of the financial position of the Company, a comprehensive review of all aspects of the business commenced in the second half of 2016. The key focus of this review was originally on Expressway, the main commercial operation in the Company, which does not receive any State subvention. Due to the combination of increased competition and the high cost base, the financial performance of Expressway has deteriorated significantly over the last 3 years. The board appointed external corporate advisors to perform a rigorous review of the various options considered by management and to assess the robustness of the management's plans. These plans and findings were presented to the Company board in December in 2016, with the board concluding that none of the proposed options were viable.

A fresh review of the business commenced in January 2017 following a number of changes to the senior management team. The objective was to formalise a plan that:

- stabilised and reversed the poor financial performance, and
- provided a foundation for making the business a viable and sustainable organisation capable of competing successfully in an increasingly competitive marketplace.

Initial assessment confirmed that the challenges facing the Company were not confined to Expressway. The review confirmed that the Company's work practices, organisation structure, management structure and information systems were not 'fit for purpose' and if not urgently addressed would have serious implications for the future viability of the Company as a whole.

Immediate action was taken by management in January to stem the deteriorating finances of the Company, however constructive engagement with staff and unions was unsuccessful and all parties were invited to the WRC. Intensive talks at WRC ultimately resulted in parties being referred to the Labour Court with the Labour Court issuing a detailed recommendation that was accepted by the Company, and subsequently by the majority of staff in a ballot during May 2017.

The board and management believe that the Labour Court recommendation contains many initiatives that, if implemented successfully, would enable the Company deliver on the objectives outlined above. Key aspects of the recommendations incorporate almost 60 work practice changes in addition to staff reductions of 240. These initiatives and non-payroll cost savings will deliver circa €20m of savings to the Company in a full year. There is on-going engagement with key stakeholders with the objective of securing additional funding in the future for services that are currently underfunded.

These initiatives are incorporated in a business plan that was approved by the board on May 29th, 2017. The board believe that the successful implementation of this plan will result in the financial position of the Company improving considerably; in conjunction with organisation restructuring, this will provide the foundations for creating a company that has a viable, long term future.

The board and the senior management team acknowledge that the decision made by individual staff to accept the recommendations of the Labour Court was difficult given the implications it may have on them. Management recognise that they must work to allay any unnecessary concerns staff may have and to rationalise clearly the need for change, and the potential for the Company in the future if the proposals are implemented successfully. It is now essential for both staff and management to work together to proceed with implementing the plan and in doing so, safeguard the future for the majority of staff.

Public Service Obligation

The current PSO contract between the NTA and Bus Éireann (2014-2019) outlines the standards of operational performance and customer services that Bus Éireann must maintain. The Company received PSO subvention of €41.9 million in 2016 (2015: €33.7 million with revenue grants of €4 million).

PSO customer journeys continued to show strong growth with regional services experiencing growth of 6.3%. Commuter services increased by 3.2%, a strong performance given the slower pace of economic recovery outside of the main urban areas.

School Transport

The Company continued to deliver School Transport Services on behalf of the Department of Education and Skills. During the course of 2016 Bus Éireann transported almost 115,000 children on some 6,500 routes to 3,000 schools each school day. This service is provided directly by a Bus Éireann fleet of vehicles and by over 1,500 subcontractors.

During 2016, the service was augmented by the introduction of a fleet of new buses that will deliver a greater level of efficiency and value over the coming years.

Expressway

This is the commercial division of the road passenger service which provides inter city services on key routes. In 2016, Expressway carried 6.9 million passengers, a slight decline on the previous year. The route network is supported by a fleet of 148 buses, 40 of which entered service during early 2016.

As part of the business restructuring plan 3 routes will close during 2017 whilst frequencies on a number of other routes will remain under review.

Customer Service

The Company is focussed on actively enhancing its customer service offer. During 2016 various initiatives were launched including a new Bus Èireann/Expressway

website which incorporated additional features such as an enhanced mobile optimised E-commerce engine. The Company recognises the necessity to enrich the customer experience. The focus will be delivering on what the customer wants; improved punctuality, increased frequency, better timetable, as well as improving the on-board bus experience through continued modernisation of our fleet. This must be complemented by our value for money proposition.

Safety

Safety remains the primary focus of all staff in Bus Éireann in 2016. We are continually improving and increasing our already high existing standards in line with ongoing technical enhancements and training certification.

Bus Market Opening

In recent months the NTA have formally issued notices for the invitation to negotiate for the tendering of:

- Waterford City bus services, and
- Dublin Commuter bus services.

The Company is committed to entering competitive bids for both services with an expectation of announcements as to the result being made later this year.

Iarnród Éireann

2016 saw growth in passenger numbers right across Intercity, Commuter and DART services, growing by 8% to 42.8 million journeys. Growth in the economy and employment, and major events contributed to the uplift.

However, the challenges of providing a safe, customer-focused service as demand grows remains. In 2016, we continued to operate in an under-funded environment and the publication of the Rail Review in August 2016 jointly with the NTA, outlined the implications of this for our future. To maintain and improve safety and service standards, and remove the threat of insolvency, sustainable multi-annual funding is essential, and we will work with our stakeholders to achieve this.

Our Safety

The Company has a strong record in safety management, with Ireland recorded as having the lowest number of accidents, fatalities and weighted serious injuries in the most recent European Union Agency for Railways' review of safety performance across member states and in Switzerland and Norway.

However, our underfunding must be addressed to ensure we maintain and improve safety.

Our Finances

The overall result of the year is a deficit of €2.9 million compared to a reported deficit of €7.7 million in 2015. The result is favourable to budget primarily due to continued strong passenger revenues. Revenue has increased year on year in all major businesses.

Passenger revenue in 2016 was the highest recorded in the history of the Company at €193.7 million with total revenue at €244.5 million favourable to prior year by €10.6 million.

Our Customers

In 2016, once again we achieved and exceeded our PSO targets on all routes, with most routes exceeding 95% punctuality. There was continued strong demand with passenger journeys and passenger revenue growth of 8.0% and 5.2% respectively in 2016.

Phoenix Park tunnel cross-city services commenced operation in November 2016 with peak services between Newbridge/Hazlehatch and Grand Canal Dock.

The design and build phase of the Customer First programme is progressing to plan, and will deploy in 2017; through technology initiatives, it will transform the way Iarnród Éireann interacts with and transacts with its customers.

The fully refurbished fleet on the Belfast/Dublin Enterprise returned to service in early 2016, delivering significant improvements in customer facilities.

Belmond successfully launched their Grand Hibernian luxury train tour across Ireland in August 2016 bringing to life the partnership agreement signed in 2014.

Freight

In 2016, the Company's key rail freight traffics included:

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

Revenue increased from €8.8 million to €9 million in 2016, with tonne kilometres up from 96.4 million to 101.4 million.

We successfully completed the trail of the longest ever freight train on our network during 2016, with longer freight trains commencing during 2017 to strengthen the competitiveness of rail freight.

Rosslare Europort

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

Revenue was up 1% overall year on year at €10.6 million, and increased volumes in passenger cars, RoRo freight units and trade vehicles were all recorded.

Our Network

The Infrastructure Manager business for 2016 is funded through multi-annual-contract funding and track access charges from train operations, amounting to €204.8 million.

Improvement Projects progressed during the year included:

- Ongoing line improvement works on the Dublin/Cork line.
- The design of a new National Train Control System including a new traffic management system has commenced.
- The Phoenix Park Tunnel route was upgraded to enable new services to commence.
- The development and implementation of the cuttings and embankments risk model and decision support tool was carried out in 2016. The project was awarded a prestigious engineering excellence award by Engineers Ireland.
- The introduction of rail milling technologies to the network, which will see significant benefits through improving the life cycle of the rails.
- The latest phase of the City Centre Resignalling project, which replaces older signalling equipment with modern equipment which will support a higher volume of train movements, was completed and further phases are being progressed.

Strategic Planning

Iarnród Éireann is engaged with the NTA to identify possible cost saving measures associated with the DART Underground element of the DART Expansion programme and to agree on a programme for its delivery. It remains the single most important transport project for addressing congestion and sustainability in Irish transport.

Iarnród Éireann welcomes the Government's decision to provide additional funding through the Infrastructure Manger multi-annual contract for an annual programme of line works, to improve journey times on the Dublin/Cork line.

Our People

Our team of 3,770 people continued to deliver safe, quality transport services to our customers through a difficult economic period. The temporary foregoing of basic pay introduced in 2014 for a period of 25 months ceased in October and this essential contribution by colleagues is genuinely appreciated.

As an organisation we won a number of national and international awards for train operations, engineering, heritage, marketing, environmental initiatives and social media.

The Company instituted a number of major change programmes, including:

- Redefining the Company's Mission, Vision and Values.
- A Leadership Development Programme.
- Succession Planning and Talent Management.
- Organisation redesign, to ensure we are structured to meet the needs of our customers and business into the future.

Our Environment

In 2016 Iarnród Éireann continued its work to reduce energy consumption, building on success to date which has seen Iarnród Éireann already exceed the 2020 emissions reduction target of 30% for the public sector.

Measures include:

- Extending automatic shutdown to locomotives.
- Trialling fuel additives to reduce consumption.
- Gearbox replacement feasibility study for Intercity railcars.
- Continuing programme of installing energy efficient lighting in buildings.

Our Community

Iarnród Éireann continues to support a range of initiatives to improve awareness of mental health issues in Ireland. These include Seechange.ie's Green Ribbon mental health awareness month in May; and participation of an Iarnród Éireann staff team in the 2016 Cycle against Suicide.

Major community partnerships included:

- Marking the centenary of the 1916 Rising with the Royal Irish Academy at the stations named after the Rising leaders
- Our community support programme, Journal Journeys with Iarnród Éireann, which sees 100 community and voluntary groups receive a free group travel trip to support their contribution to their communities.

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Overview of Energy Usage by the Group in 2016

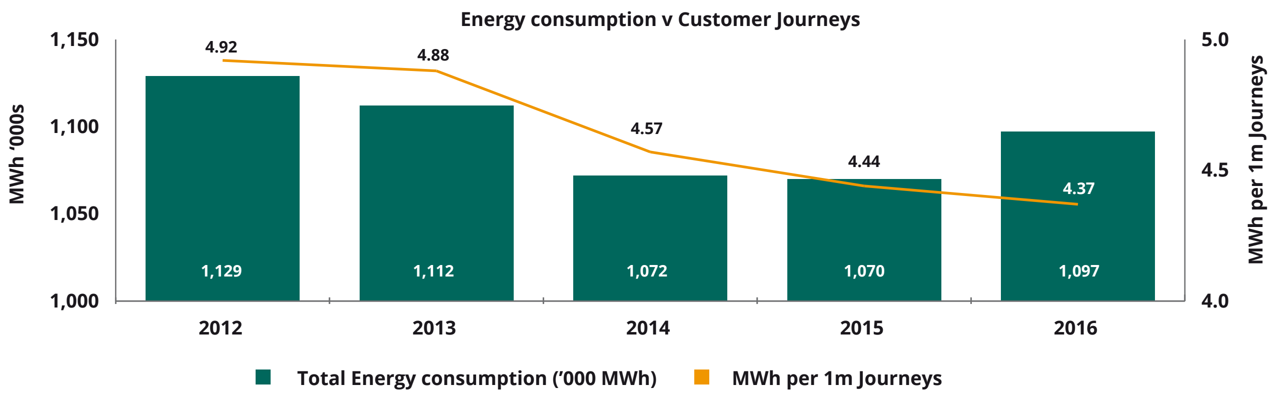
The Group energy consumption includes:

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

The profile of use for 2016/2015 is set out in the table below.

	MWh 2016	MWh 2015
Diesel oil for traction	999,544	976,730
Electricity for traction	24,500	20,500
Electricity for other	47,152	47,936
Gas	25,357	23,744
Heating oil	793	1,047
Total Energy consumption	**1,097,346**	**1,069,957**

The ongoing reduction in energy consumption per million customer journeys is outlined below:



Actions Undertaken to Minimise Energy Costs

The Group maintains an on-going focus on energy cost minimisation. The actions undertaken in 2016 and planned for 2017 include:

Bus Átha Cliath

In 2016, Bus Átha Cliath undertook a range of initiatives to improve its energy performance, including:

- Purchase of new vehicles fitted with Euro VI standard engines, a smaller and more efficient engine combined with lighter chassis providing reduced fuel consumption, making them 20% more efficient than the buses they replace.
- Vigil Vanguard, eco driving techniques, training for drivers.
- Continuation of energy monitoring at all Bus Átha Cliath premises.
- Trials of LED lights in offices.
- Trials of High Bay LED lighting in workshops.
- ISO 50001 Training programme.

In 2017, Bus Átha Cliath intends to further improve its energy performance by undertaking the following initiatives:

- Trials of eco-driving for fleet using on-board technology.
- Installation of an automated fuel management system in each depot.
- Implementation of ISO 50001 – Energy Management System.

Bus Éireann

In 2016, Bus Éireann undertook a range of initiatives to improve its energy performance including:

- A programme under the stewardship of Sustainable Energy Authority of Ireland (SEAI) towards implementing and achieving ISO 50001 accreditation continued.
- Successfully participated in CEM (Certified Energy Manager) programme.
- Increased the number of vehicles with automatic engine idle cut-off systems fitted.
- Increased the number of vehicles currently running on the new cleaner Euro VI engines from 16% to just under 25%.
- Improved monitoring of fuel consumption through on-board technology.
- The number of service fleet with on-board telematics has increased to 32% in 2016, with that number increasing further to 47% in 2017. The system has been used to monitor comparative fuel usage between vehicles.

In 2017, Bus Éireann intends to further improve its energy performance by:

- Initiatives to meet eco-driving targets, using the telematics cab interface.
- Automatic engine idle cut-off times will be reduced from seven to four minutes to reduce unnecessary fuel consumption.
- Review potential fuel savings in relation to the engine idle rev range.

Iarnród Éireann

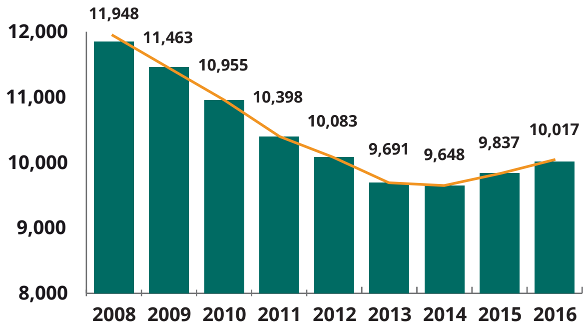
Energy cost reduction initiatives in Iarnród Éireann include:

- A test programme to verify the efficacy of a product that claims to reduce fuel consumption in diesel reciprocating engines is on going.
- The tender process for a project to replace the 20-40 year old 2-stroke locomotive engines with smaller modern efficient engines, with automatic shutdown provided as standard, has been completed. This project is ready to go subject to funding being made available.
- 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 levels have also been deferred; and these may have to be increased to account for bigger peak loads.
- Ongoing replacement of old lighting with energy efficient alternatives through a continuous maintenance/renewal programme.

Group Employment

The average number of people employed by the Group in 2016 was 10,017, an increase of 180 from 2015.

CIÉ Group Average Personnel numbers

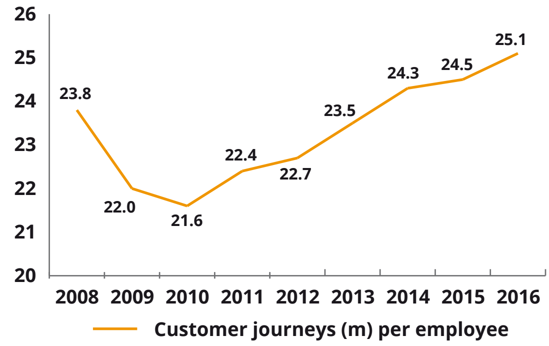


From 2008 to 2014, the Group was in a sustained period of contraction as it sought to offset the negative impacts of reducing PSO contract income and falling passenger numbers. From 2008 to 2014 staff numbers had reduced by 18.5% through a combination of natural turnover and voluntary severances. The Group funded voluntary severances from its own resources, as a result operating costs were reduced which in turn reduced the cost of provision of public transport to the Exchequer.

Thankfully, as growth has resumed, the Group are recruiting additional front line staff to service the additional demand. As in 2015, the majority of new entrants were recruited into Bus Átha Cliath as it expanded its services.

As the following graph illustrates, the number of customer journeys per employee has improved evidencing the on-going focus on maximising the efficiency of the transport services that we provide.

Customer journeys (m) per employee



Staff Participation

The Group's main asset is its staff. It is Group's policy to maximise this resource through a culture of participation and teamwork. All staff are encouraged to participate in the running of the Group through active involvement in project teams, working parties and customer focused initiatives. In 2016, there were four Worker Members on the CIÉ Board. In 2017 one Worker Member retired from the CIÉ Board and there are currently three Worker Members on the CIÉ Board.

Equality and Diversity

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

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

Accessibility

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

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

Payment Practices

The Group acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Regulations 2002. The policy throughout the Group in 2016 was to comply with the requirements of the regulation.

Procurement Policy

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

Risk Management

In 2016, the Board approved an update of the Group's Risk Management Policy and Framework. During 2016, the Group also implemented a common software platform which supports the risk management process. The process operates to identify, assess and manage key risks which may prevent the Group from achieving its objectives.

Each of the companies within the Group maintains a risk register, which identifies the various risks, and the status of action plans for mitigating those risks. The Risk Management Framework provides for regular review of risks and defines escalation procedures.

Members of the Board and Group Management

The names of the persons who were Board Members at any time during the year ended 31 December 2016 are set out below. Except where indicated they served as Board Members from 1 January 2016 up to the date of approval of these financial statements.

Vivienne Jupp	*Non-Executive Chairman*
Ultan Courtney	
Phil Gaffney	
Bill McCamley*	(*Retired 12 February 2017*)
Aebhric McGibney	
Christine Moran	
Aidan Murphy	
John Moloney*	
Tom O'Connor*	
Ruairi O'Flynn	
Niamh Walsh	
Tommy Wynne*	

* *Worker Member*

Secretary of the Board

Geraldine Finucane
Heuston Station
Dublin 8

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

Board Committees

Audit and Risk Committee

Christine Moran	*Chairman*
Phil Gaffney	
Aebhric McGibney	(*Appointed 6 July 2016*)
Niamh Walsh	

Finance Committee

Aebhric McGibney	*Chairman*
Ultan Courtney	
Christine Moran	
Aidan Murphy	

Remuneration Committee

Niamh Walsh	*Chairman*
Ultan Courtney	
Phil Gaffney	
Vivienne Jupp	
Aidan Murphy	

Safety Committee

Phil Gaffney	*Chairman*
Tom O'Connor	
Niamh Walsh	
1 vacancy	

Strategy Committee

Ruairi O'Flynn	*Chairman*
Ultan Courtney	
Phil Gaffney	
Vivienne Jupp	
Aidan Murphy	

Group Management

Ray Coyne	*Chief Executive, Bus Átha Cliath*
Cyril Dunne	*Chief Operating Officer, CIÉ*
David Franks	*Chief Executive, Iarnród Éireann*
Ray Hernan	*Acting Chief Executive, Bus Éireann (appointed 9 January 2017)*
Martin Nolan	*Chief Executive, Bus Éireann (stepped down 9 January 2017)*
Elizabeth Crabill	*Managing Director, CIÉ Tours International (appointed 1 April 2016)*
Brian Stack	*Managing Director, CIÉ Tours International (retired 31 March 2016)*

Chartered Accountants and Statutory Audit Firm

Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2

Solicitor

Colm Costello
Bridgewater House
Islandbridge
Dublin 8

Principal Banker

Bank of Ireland
College Green
Dublin 2

About the Board of Córas Iompar Éireann

Vivienne Jupp; *Non-Executive Chairman*

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

Ultan Courtney

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

Phil Gaffney

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

Bill McCamley

Bill McCamley was first appointed to the CIÉ Board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. He joined Bus Átha Cliath in 1974 and works in Phibsboro Garage as a bus driver. He has held a variety of positions in his trade union, SIPTU, including membership of the Regional, Divisional and Branch committees. He is presently a member of the Transport Sector and Dublin District committees. He has represented his trade union at a number of European transportation conferences and was a member of the Department of Justice Working Party on Bus Violence (1996). He has written extensively on transportation and trade union issues, including a book on the history of Dublin's tram workers. He retired from the Board on 12th February 2017.

Aebhric McGibney

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

John Moloney

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

Christine Moran

Christine Moran was appointed to the Board of CIÉ in July 2015. She is a previous executive director of KBC Bank Ireland where she held several senior leadership roles and has extensive experience in the areas of credit, finance and risk management. She is a member of the Board of CIÉ and Chairman of its Audit and Risk Committee. She is a member of the Governing Authority of Maynooth University and a member of its Audit and Risk Committee. She is a director of Darnell DAC (a BNP Paribas Ireland subsidiary) and a member of its Audit Committee. Ms Moran trained and qualified as a chartered accountant with PwC (Dublin) and completed two international assignments with PwC Belgium and PwC New York and is a Fellow of Chartered Accountants Ireland. She is a graduate of University College Dublin, a Certified Bank Director of The Institute of Bankers in Ireland and recently qualified as a Chartered Director with the Institute of Directors in Ireland and the UK.

Aidan Murphy

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

Tom O'Connor

Tom O'Connor was appointed to the Board of CIÉ in December 2013 under the Worker Participation (State Enterprises) Acts 1977 to 2001. He works as a bus driver based in Ringsend Garage. He is a member of the National Bus and Rail Union, sits on the National Executive and has served as Dublin Branch Secretary since 2010. He previously worked in the electrical and signage industry.

Ruairi O'Flynn

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

Niamh Walsh

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

Tommy Wynne

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

Corporate Governance Statement

Maintaining high standards of corporate governance continues to be a priority of the Board Members of CIÉ. 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 Public Expenditure and Reform.

The Department of Public Expenditure and Reform issued a revised Code of Practice for the Governance of State Bodies in August 2016. This 2016 version applies to financial reporting periods beginning on or after 1 September 2016. The Company is availing of the transitional arrangements for the introduction of the new Code of Practice issued which will apply to CIÉ for the financial year to 31 December 2017. The Board Audit and Risk Committee have considered the new requirements and will review throughout 2017 the actions to be taken by CIÉ to comply appropriately with these requirements.

The Board

The Board is comprised of twelve Members appointed by the Government. During the year the Board included four Worker Members, who are appointed by the Government for a four-year term, following elections by the staff of the Group. Since year end one Worker Member has retired and there are currently three Worker Members.

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

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

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise of an Audit and Risk Committee, Finance Committee, Safety Committee, Remuneration Committee and Strategy Committee. The members of each of the committees are listed on page 27.

Audit and Risk Committee ("ARC")

The ARC has written terms of reference and is composed of up to four non-executive Board Members. The Committee met eight times in 2016.

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

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

The external auditors, Deloitte, were appointed during the year following a competitive tender process. The ARC recommended to the Board that they be formally reappointed in respect of the year ended 31 December 2017.

There were no contractual commitments that acted to restrict the ARC in making this recommendation. In addition to the audit services provided by Deloitte, following their appointment, the firm also provided non-audit professional services to the Group in 2016 valued at €0.2 million. Having considered all relationships between the Group and the external audit firm, the ARC does not consider that the nature or extent of additional work undertaken in any way impairs the auditor's judgement or independence.

The external auditors and the Head of Group Internal Audit have full and unrestricted access to the ARC. The external auditors attend meetings of the ARC and annually meet the Committee without management being present to ensure the auditors can raise any matters in confidence.

The ARC keeps under review the effectiveness of the Group's internal controls and risk management systems by considering the work undertaken by the Audit and Risk Committees of the CIÉ Group's Operating Subsidiaries and by meeting periodically with CIÉ's senior management. The ARC approves the internal audit work programmes for the Group, meets regularly with the Head of Internal Audit and considers the results of the various internal audits undertaken and their implications. The ARC also keeps under review the controls, procedures and policies relating to compliance, whistleblowing and fraud.

Finance Committee

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

The process by which the committee operates includes meeting with the Chief Financial Officer and senior management from the subsidiary companies every month to review the funding of the Group's capital programme, the prioritisation of the subsidiary companies' capital expenditure proposals, annual operating and capital budgets and the Group's treasury, procurement and disposal policies.

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

Internal Financial Controls

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

The Group's overall control systems include:

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

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

The Board, through the ARC, has reviewed the effectiveness of the systems of internal financial control by:

- A review of the programme of internal audit (prepared following their audit risk assessment process) and consideration of their major findings.
- A consideration of the major findings of any internal investigations.
- A review of the report of the external auditor, which contains details of any material control issues identified as a result of their audit of the financial statements.
- Reviewing and providing independent oversight of the adequacy and effectiveness of the Group Risk Policy and Framework. Monitoring the Group's risk profile, the status of risks versus risk appetite and risk treatment plans for both known and emerging principal risks. A risk register of risks is maintained using a Risk Management Information System (RMIS) which provides an auditable platform for the real-time recording and reporting of risks to facilitate risk aggregation, escalation and reporting at regular intervals.

Board Members' Remuneration

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

Board Members appointed under the Worker Participation (State Enterprises) Acts, 1977 to 2001 are also remunerated in accordance with their contracts of employment.

Attendance at Board/Committee Meetings

Listed below is Board Members' attendance at Board/Committee meetings held during 2016.

Board Member	CIÉ Board	Finance Committee	Audit Committee	Remuneration Committee	Safety Committee	Strategy Committee
Vivienne Jupp	10/10			5/6		10/10
Ultan Courtney	10/10	9/10		6/6		10/10
Phil Gaffney	10/10		6/8	6/6	4/4	9/10
Bill McCamley	8/10					
Aebhric McGibney*	9/10	10/10	3/4			
John Moloney	9/10					
Christine Moran	9/10	8/10	8/8			
Aidan Murphy*	10/10	9/10		5/6		10/10
Tom O'Connor	9/10				3/4	
Ruairi O'Flynn*	9/10					8/10
Niamh Walsh*	10/10		6/8	6/6	4/4	
Tommy Wynne	10/10					

** Mr O'Flynn joined two CIÉ Board meetings by telephone, Mr Murphy joined one Board Finance Committee meeting and one Board Strategy Committee meeting by telephone, Mr McGibney joined one Board Audit and Risk Committee meeting by telephone, Ms Walsh joined one Board Audit and Risk Committee meeting by telephone.*

Going Concern

The Board Members are satisfied that CIÉ and the Group will have adequate resources to continue in business for at least 12 months from the date of signing of the financial statements. For this reason, they continue to adopt the 'going concern' basis for the preparation of the financial statements. Your attention is drawn to Note 2 to the financial statements in this regard.

On behalf of the Board

Vivienne Jupp
Chairman

Christine Moran
Board Member

29 June 2017

Statement of Board Responsibilities

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

The law requires the Board Members to prepare financial statements for each financial year that give a true and fair view of the Group's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law, the Board Members have prepared the financial statements in accordance with FRS 102, the financial reporting standard applicable in the UK and the Republic of Ireland.

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

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

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

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

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

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

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

On behalf of the Board

Vivienne Jupp
Chairman

Christine Moran
Board Member

29 June 2017

Independent Auditors' Report

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

We have audited the financial statements of Córas Iompair Éireann for the financial year ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statement, the Significant Accounting Policies and the related notes 1 to 31. The relevant financial reporting framework that has been applied in the preparation of group and the parent company financial statements is the Transport Act 1950 and Accounting Standards issued by the Financial Reporting Council, and promulgated by the Institute of Chartered Accountants in Ireland, FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework").

This report is made solely to the Minister for Transport, Tourism and Sport in accordance with Section 34 (3) of the Transport Act 1950. Our audit work has been undertaken so that we might state to the Minister those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Minister, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Board's Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Transport Act 1950. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the group and parent company financial statements give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2016 and of the profit of the group for the year then ended; and
- the group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and with the requirements of the Transport Act 1950.

Matters on which we have agreed to report

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

Matters on which we are required to report by exception

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Corporate Governance Statement does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have no exceptions to report arising from this responsibility.

Ciarán O'Brien

For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

30 June 2017

Consolidated Profit And Loss Account

Financial Year Ended 31 December 2016

	Notes	2016 €000	2015 €000
Revenue from operations	3	893,564	846,037
Receipts from Public Service Obligations contracts	12	212,071	189,575
Other Exchequer funding	12	104,586	112,944
Other revenue grants	12	8,140	4,490
Total revenue	3	**1,218,361**	**1,153,046**
Payroll and related costs	5	(576,391)	(564,716)
Materials and services costs	6	(583,755)	(540,044)
Total operating costs		**(1,160,146)**	**(1,104,760)**
EBITDA before exceptional costs		**58,215**	**48,286**
Exceptional items	7	22,527	(2,846)
Depreciation and amortisation, net of capital grants amortised	8	(50,435)	(55,845)
Profit on disposal of tangible assets	9	8,311	1,511
Operating surplus/(deficit) before interest and taxation		**38,618**	**(8,894)**
Interest receivable and similar income	10	436	103
Interest payable and similar charges	10	(9,612)	(17,390)
Net interest expense		**(9,176)**	**(17,287)**
Surplus/(deficit) for the year before taxation		**29,442**	**(26,181)**
Tax on ordinary activities	11	(1,255)	(252)
Surplus/(deficit) for the year		**28,187**	**(26,433)**

Consolidated Statement of Comprehensive Income Financial Year Ended 31 December 2016

	Notes	2016 €000	2015 €000
Surplus/(deficit) for the year		28,187	(26,433)
Other comprehensive income:			
Re-measurement of post-retirement benefit liabilities	*25*	(436,480)	437,168
Cash flow hedges			
– Reclassification to the profit and loss account		25,867	19,743
– Change in value of hedging instruments		3,813	(20,784)
	27	**29,680**	**(1,041)**
Other comprehensive (expense)/income for the year, net of tax		**(406,800)**	**436,127**
Total comprehensive (expense)/income for the year		**(378,613)**	**409,694**

Consolidated Balance Sheet

As at 31 December 2016

	Notes	2016 €000	2015 €000
Fixed assets			
Intangible fixed assets	*14*	7,251	9,036
Tangible fixed assets	*15*	2,953,817	3,063,609
		2,961,068	**3,072,645**
Current assets			
Inventories	*17*	59,204	57,370
Debtors	*18*	57,514	76,298
Cash at bank and in hand		114,270	59,404
		230,988	**193,072**
Creditors (amounts falling due within one year)	*19*	(463,714)	(468,089)
Net current liabilities		**(232,726)**	**(275,017)**
Total assets less current liabilities		**2,728,342**	**2,797,628**
Creditors (amounts falling due after more than one year)	*20*	(28,043)	(45,498)
Deferred income	*23*	(2,331,973)	(2,454,036)
Provisions for liabilities			
Other provisions for liabilities	*22*	(223,531)	(215,982)
Provision for post employee benefit obligations	*25*	(729,699)	(288,403)
Net liabilities		**(584,904)**	**(206,291)**
Capital and reserves			
Capital reserve		28,556	28,556
Profit and loss account		(625,971)	(247,358)
Non-repayable State advances		12,511	12,511
		(584,904)	**(206,291)**

On behalf of the Board

Vivienne Jupp
Chairman

Christine Moran
Board Member

29 June 2017

CIÉ Entity Balance Sheet

As at 31 December 2016

	Notes	2016 €000	2015 €000
Fixed Assets			
Intangible fixed assets	*14*	180	66
Tangible fixed assets	*15*	765,597	769,598
Financial assets	*16*	294,246	294,246
		1,060,023	**1,063,910**
Current assets			
Debtors	*18*	12,338	3,697
Cash at bank and in hand		108,789	55,515
		121,127	**59,212**
Creditors (amounts falling due within one year)	*19*	(269,353)	(261,713)
Net current liabilities		**(148,226)**	**(202,501)**
Total assets less current liabilities		**911,797**	**861,409**
Creditors (amounts falling due after more than one year)	*20*	(28,043)	(45,498)
Deferred income	*23*	(541,491)	(542,272)
Provisions for liabilities			
Other provisions for liabilities	*22*	(2,278)	(2,994)
Provision for post employee benefit obligations	*25*	(729,699)	(288,403)
Net liabilities		**(389,714)**	**(17,758)**

Capital and reserves			
Capital reserve		28,556	28,556
Profit and loss account		(430,781)	(58,825)
Non-repayable State advances		12,511	12,511
		(389,714)	**(17,758)**

On behalf of the Board

Vivienne Jupp
Chairman

Christine Moran
Board Member

29 June 2017

Consolidated Statement of Changes in Equity

Financial Year Ended 31 December 2016

	Capital reserves €000	Profit and loss a/c €000	Non repayable State advances €000	Total equity €000
Balance as at 1 January 2015	28,556	(657,052)	12,511	(615,985)
Deficit for the financial year	–	(26,433)	–	(26,433)
Other comprehensive income for the financial year	–	436,127	–	436,127
Total comprehensive expense for the financial year	–	409,694	–	409,694
Balance as at 31 December 2015	**28,556**	**(247,358)**	**12,511**	**(206,291)**
Balance as at 1 January 2016	28,556	(247,358)	12,511	(206,291)
Profit for the financial year	–	28,187	–	28,187
Other comprehensive income for the financial year	–	(406,800)	–	(406,800)
Total comprehensive income for the financial year	–	(378,613)	–	(378,613)
Balance as at 31 December 2016	**28,556**	**(625,971)**	**12,511**	**(584,904)**

CIÉ Entity Statement of Changes in Equity

Financial Year Ended 31 December 2016

	Capital reserves €000	Profit and loss a/c €000	Non repayable State advances €000	Total equity €000
Balance as at 1 January 2015	28,556	(467,426)	12,511	(426,359)
Deficit for the financial year	–	(28,567)	–	(28,567)
Other comprehensive income for the financial year	–	437,168	–	437,168
Total comprehensive expense for the financial year	–	408,601	–	408,601
Balance as at 31 December 2015	**28,556**	**(58,825)**	**12,511**	**(17,758)**
Balance as at 1 January 2016	28,556	(58,825)	12,511	(17,758)
Profit for the financial year	–	64,524	–	64,524
Other comprehensive income for the financial year	–	(436,480)	–	(436,480)
Total comprehensive income for the financial year	–	(371,956)	–	(371,956)
Balance as at 31 December 2016	**28,556**	**(430,781)**	**12,511**	**(389,714)**

Consolidated Cash Flow Statement

Financial Year Ended 31 December 2016

	Notes	2016 €000	2015 €000
Net cash from operating activities	24	103,589	65,893
Income taxes paid		(1,206)	(987)
Net cash generated from operating activities		**102,383**	**64,906**
Cash flow from investing activities			
Purchase of tangible fixed assets		(149,625)	(182,299)
Purchase of intangible fixed assets		(2,446)	(1,443)
Disposal of financial assets		–	20
Proceeds from disposal of tangible fixed assets		9,300	1,536
Proceeds from state and EU grants		111,202	144,404
Interest received		436	103
Net cash (used in)/generated from investing activities		**(31,133)**	**(37,679)**
Cash flow from financing activities			
Repayment of bank borrowings		(13,000)	(13,000)
Proceeds from issue of bank borrowings		–	–
Finance lease payments		(123)	(2,078)
Interest paid		(3,000)	(3,355)
Net cash used in financing activities		**(16,123)**	**(18,433)**
Net increase in cash and cash equivalents		**55,127**	**8,794**
Cash and cash equivalents at the beginning of the year		59,143	50,349
Cash and cash equivalents at the end of the year		**114,270**	**59,143**
Cash and cash equivalents consist of:			
Cash at bank and in hand		114,270	59,404
Bank overdrafts		–	(261)
Cash and cash equivalents at the end of the year		**114,270**	**59,143**

Notes to the Financial Statements

1. Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of Córas Iompair Éireann ("CIÉ") have been prepared on a going concern basis in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Transport Act, 1950 and subsequent amendments.

CIÉ is Ireland's national statutory authority providing land public transport within Ireland. It is a wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

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

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

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

CIÉ, the Entity, has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Entity cash flows, to the extent that the entity had cash flows with parties that were external to the Group.

CIÉ has not presented a parent entity profit and loss account (Income Statement) on the basis that it is generally accepted practice in Ireland for groups to take a Company Law exemption from presenting an Income Statement. While there is no specific exemption contained in the Transport Act 1950, the Group has taken this position on the basis that the financial statements are required to be prepared on a basis outlined by the Minister.

(b) Basis of Consolidation

The Group financial statements are a consolidation of the financial statements of CIÉ and its subsidiaries:

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

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

(c) Foreign Currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(d) Revenue

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

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

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

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

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

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

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

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

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

(e) Public Service Obligation Payments, European Union and Other Exchequer Grants

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

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

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

(ii) Grants for capital expenditure

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

(iii) Revenue Grants

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

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

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

(f) Materials and Services Costs

Materials and services costs constitute all costs associated with the day to day running of the operations of the Group, excluding depreciation, amortisation and payroll costs which are disclosed separately in the profit and loss account, and set out in more detail in Note 6 of the financial statements.

(g) Exceptional Costs

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

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

(h) Interest

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on hedging instruments that are recognised in profit or loss; and
- the reclassification of amounts related to cash-flow hedges previously recognised in OCI.

Interest income or expense is recognised using the effective interest method. In addition the unwind of discounts on provisions and the net interest cost on defined benefit pensions are charged to finance costs.

(i) Income Tax

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

(ii) Deferred tax

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

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

(j) Related Party Transactions

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

(k) Intangible Fixed Assets

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

(l) Tangible Fixed Assets

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

(i) Railway lines and works

Railway lines and works comprise a network of systems.

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

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

(ii) Railway rolling stock

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

(iii) Road passenger vehicles

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

(iv) Road freight vehicles

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

(v) Land and buildings

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

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

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

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

(vii) Depreciation and residual values

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

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

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

(viii) Subsequent additions and major components

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

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

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

(ix) De-recognition

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

(m) Heritage Assets

The Group has a number of heritage assets, mainly former fleet vehicles, plates, crests and various artefacts. The assets are maintained "purely for their contribution to knowledge and culture" and the assets comprise mainly former operational assets.

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

(n) Impairment of Non-financial Assets

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

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

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

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

(o) Financial Assets

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

(p) Stocks

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

At the balance sheet date, stock which is known to be obsolete is written off and a loss is recorded in respect of stocks which are considered to be impaired.

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

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

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

(q) Cash and Cash Equivalents

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

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

(r) Financial Instruments

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

(i) Financial Assets

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

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

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

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

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

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

(ii) Financial Liabilities

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

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

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are due within one year when the Group does not have the unconditional right to defer settlement for at least 12 months after the reporting date. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

(iii) Derivatives Financial Instruments and Hedging Activities

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

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

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

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

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

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

(s) Provisions

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

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

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

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

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

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

Provision is not made for future operating losses.

(t) Contingencies

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

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

(u) Leased Assets

(i) Finance Leases

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

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

Assets are assessed for impairment at the end of each financial year.

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

(ii) Operating Leases

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

(v) Employee Benefits

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

Post-Employment Benefits

The Group operates defined benefit plans for employees of the CIÉ Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The annual amortisation charge for intangible fixed assets and the depreciation charge for tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The useful economic lives for each class of intangible fixed and tangible fixed assets are set out above. The carrying amount of intangible and tangible fixed assets for each class of assets is set out in Note 14 and Note 15.

(ii) Defined benefit pension schemes

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

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

There is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. Further detail of the Group's defined benefit pension schemes and the assumptions used in the valuation of pension liabilities are set out in Note 25.

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

(iii) Third party and employer liability claims provisions

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

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

Further details are set out in Note 22 to the financial statements.

2. Going Concern

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

Background

At 31 December 2016 the Group had net liabilities of €585 million (2015: €206 million) and net current liabilities of €233 million (2015: €275 million).

The net current liabilities include non-cash items of €289 million (2015: €274 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these non-cash items the Group has net current assets of €56 million (2015: net current liabilities €1 million).

The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €730 million (2015: €288 million) and other non-cash items of €2,621 million (2015: €2,728 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these items the Group has net current assets of €2,766 million (2015: €2,810 million).

Nature of Uncertainties Facing Group

While trading performance continued to improve during 2016 the Group continues to face a challenging business environment which gives rise to uncertainties.

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

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

2.1 Revenue

The achievement of the revenue growth targets set out in the budget for the year 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.

This uncertainty is mitigated by the fare increases agreed for the current year being in line with plan and by the ongoing monitoring and review of revenue performance relative to plan.

2.2 Operating Costs

Maintaining operating costs at appropriate levels as set out in the Group's plans remains critical. Assumptions used in preparing the plans 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.

During 2016 Bus Éireann, a subsidiary undertaking, identified a range of initiatives which, when implemented during 2017 in consultation with staff, are forecast to achieve improvements, efficiencies and reductions in costs which will be sufficient to return Bus Éireann to a financially sustainable position. While there are uncertainties associated with the timing of the achievement of these measures, Bus Éireann has the capacity to fund the costs of transition and the transition period during which these initiatives are being implemented. In addition, during 2016 Bus Átha Cliath, a subsidiary undertaking incurred cost increases in respect of a pay agreement reached with staff.

These uncertainties are mitigated by monitoring and review of cost performance relative to plan. In respect of Bus Éireann, the range of initiatives to be implemented have now been agreed with staff.

2.3 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 2017 are subject to additional capital expenditure funding support from the Department of Transport, Tourism and Sport ("DTTaS") 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 Group's sustainability is particularly sensitive to uncertainty associated with funding future investment. During 2016 Iarnród Éireann and the NTA refreshed their review and evaluation of possible solutions to Iarnród Éireann's financial requirements. The additional Government funding provision which was approved in December 2016, combined with the commitments received in respect of 2017 funding, provides the cash flow capacity to fund the planned investment requirements – both capital and maintenance – of Iarnród Éireann in 2017.

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 cash flows 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 covenants, 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.

As mitigation, the Group manages the authorization of material investments and seeks confirmation of appropriate funding being in place from the DTTaS/NTA prior to the commencement of those investments.

In respect of the Group's Public Service Obligation contracts, the contracts with Dublin Bus and Bus Éireann were signed in December 2014 and are for a period of 5 years, to 2019. In the case of Iarnród Éireann, the current contract was signed in December 2009 and is for a period of 10 years, to 2019.

2.4 Liquidity

In July 2013 the Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group. Committed facilities of €160 million were secured up to July 2018, of which €39 million has subsequently been repaid and is not available to be redrawn under the Group's term loan facility. At 31 December 2016 the Group had drawn down €41 million under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

These facilities contain a number of financial covenants, all of which have been met by the Group in 2016. Management expect that the Group will continue to meet the covenants set out in the facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group has commenced the process of renewing its banking facilities during the current year.

The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities.

2.5 Pensions

The Group's pension schemes are in deficit, the liability position of the pension schemes increased significantly in the year. The increase in liability arose mainly as a result of the low interest rate environment prevailing in Ireland and internationally. Financial markets remain volatile, the Schemes continue to be exposed to significant movements in the underlying interest rates under which liabilities are measured and the valuation of assets held by the schemes. 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.

The Group considers that the appropriate long –term mitigation for this risk is to de-risk the schemes in consultation with staff, CIÉ is engaging with its staff to identify and agree on measures which are designed to de-risk the schemes. The Group manages its budgets to ensure that, in the short-term, the cash implications of its pension obligations are accounted for appropriately.

Managements Actions

In addition to the mitigations outlined above the Group and CIÉ management have taken and are continuing to take a number of actions, including:

- Continuous review of risks and opportunities affecting the Group's business plan.
- Discussions with the NTA and the DTTaS on the appropriate funding structure/net financial effect for Bus Átha Cliath, Bus Éireann and Iarnród Éireann
- 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 DTTaS has been evidenced in the letter of support dated 29 June 2017.

The letter states: *"the Department of Transport, Tourism and Sport 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 and mitigations described above, the Board Members have a reasonable expectation that the cash flow generating from the Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Group and CIÉ, and to meet the Group's financial covenants under the Group's banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements. They also have a reasonable expectation that the Government will support measures to ensure financial stability.

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

3. Revenue by Activity

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

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

Revenue is analysed as follows:

	CIÉ €000	CIÉ Tours International €000	Bus Átha Cliath €000	Bus Éireann €000	Iarnród Éireann €000	Total 2016 €000	Total 2015 €000
Railway undertaking	–	–	–	–	206,439	206,439	195,641
Freight division	–	–	–	–	5,199	5,199	4,882
Rosslare Harbour	–	–	–	–	10,543	10,543	10,439
Other rail services	–	–	–	–	22,341	22,341	22,974
Road passenger services							
– Dublin City	–	–	236,195	–	–	236,195	228,084
– Other services	–	–	–	313,781	–	313,781	303,004
Tours	–	99,064	–	–	–	99,064	81,011
Central business activities	2,900	–	–	–	–	2,900	2
Intra-group revenue	(2,898)					(2,898)	–
Public Service Obligation ("PSO") Contracts:							
– PSO income (Note 12)	–	–	59,558	41,873	110,640	212,071	189,575
– Other Exchequer grants (Note 12)	–	–	–	–	104,586	104,586	112,944
– Revenue grants (Note 12)	–	–	140	–	8,000	8,140	4,490
Total revenue	**2**	**99,064**	**295,893**	**355,654**	**467,748**	**1,218,361**	**1,153,046**

4. Railway Infrastructure Costs

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

	2016 €000	2015 €000
Infrastructure Funding		
Multi Annual Contract	104,586	112,889
Track access charges	68,020	42,860
Other Exchequer grants	7,048	–
Third party revenue	19,275	19,606
Total revenue	198,929	175,355
Payroll and related costs	(104,044)	(97,027)
Materials and services	(90,883)	(78,861)
Depreciation and amortisation, net of capital grants amortised	(5,213)	(7,261)
Total operating costs	(200,140)	(183,149)
EBITDA before exceptional operating costs	(1,211)	(7,794)
Exceptional costs	(311)	(695)
Profit/(loss) on sale of tangible fixed assets	3	(22)
(Deficit) for the year on ordinary activities before interest	(1,519)	(8,511)
Interest payable and similar charges	(865)	(964)
(Deficit) for the year on ordinary activities	(2,384)	(9,475)

5. Payroll and Related Costs

	2016 €000	2015 €000
Staff costs (excluding restructuring costs) comprise		
Wages and salaries	495,330	476,879
Social insurance costs	46,541	45,113
Other retirement benefit costs	47,077	57,814
	588,948	579,806
Own work capitalised	(13,023)	(15,540)
Net staff costs	575,925	564,266
Board Members remuneration and emoluments		
– for services as Board Members	222	211
– for executive services	244	239
Total Board Members remuneration and emoluments	466	450
Total payroll and related costs	**576,391**	**564,716**

Of the total staff costs, €13.0 million (2015: €15.5 million) has been capitalised into tangible fixed assets and €575.9 million (2015: €564.3 million) has been treated as an expense in the profit and loss account.

Key Management Compensation

The Board Members were paid Directors fees as follows:

	2016 €	2015 €
Board Member		
Vivienne Jupp (Non-executive Chairman)	31,500	31,500
Ultan Courtney	21,600	19,080
P.J. Drudy	–	9,188
Phil Gaffney	20,970	20,520
Bill McCamley	15,750	15,750
Aebhric McGibney	15,750	15,750
Frances Meenan	–	9,187
John Moloney	15,750	15,750
Christine Moran	15,750	7,709
Aidan Murphy	21,600	21,600
Tom O'Connor	15,750	15,750
Ruairi O'Flynn	15,750	6,925
Niamh Walsh	15,750	6,925
Tommy Wynne	15,750	15,750

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

	2016 €000	2015 €000
Salaries and other short-term benefits	1,274	1,191
Social insurance costs	97	97
Post-retirement benefits	153	230
	1,524	1,518

Staff Numbers

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

	2016	2015
CIÉ	248	244
Iarnród Éireann – Irish Rail	3,806	3,793
Bus Éireann – Irish Bus	2,532	2,487
Bus Átha Cliath – Dublin Bus	3,431	3,313
	10,017	9,837

6. Other Operating Expenses

Materials and services costs comprise of:

	2016 €000	2015 €000
Fuel, electricity and lubricants	101,751	102,583
Road tax and licenses	1,345	1,295
Rates	4,056	3,762
Auditors' remuneration	1,046	327
Operating lease rentals	5,210	4,024
School contractors	136,268	127,697
Third party and employer's liability claims	20,546	17,957
Other materials and services	311,676	280,849
Pension operating costs	1,857	1,550
	583,755	**540,044**

Auditors' Remuneration:

On 4th October 2016, PricewaterhouseCoopers resigned as Auditor of the Company and Deloitte was subsequently appointed as Group Auditor. The following tables disclose the fees payable to Deloitte Ireland in respect of the year ended 31 December 2016. All amounts are exclusive of VAT.

	2016 €000
Statutory auditor	
– Statutory audit of Group companies	205
– Other assurance services	46
– Tax advisory services	20
– Other non audit services	708
	979

The audit fee for the Entity is €45,000 and is payable to Deloitte Ireland, the statutory auditor.

During the year, €2.9m (€3.6m including VAT) was paid to Deloitte in respect of other services carried out over a ten-year period prior to their appointment. €375k relating to the other services provided by Deloitte before they were appointed auditor is included in other non audit services in the above table.

The following table sets out the amounts payable to PricewaterhouseCoopers up to their date of resignation on 4th October 2016, together with comparatives for the year ended 31 December 2015:

	2016 €000	**2015 €000**
Statutory auditor		
– Statutory audit of Group companies	–	175
– Other assurance services	18	55
– Tax advisory services	16	89
– Other non audit services	33	8
	67	327

	2016 €000	**2015 €000**
Amounts payable to current auditor	979	
Amounts payable to previous auditor	67	327
	1,046	327

Directors Expenses:

Included in expenses reimbursed to Board Members are:

	2016 €000	**2015 €000**
Subsistence, travel, accommodation	3	6
	3	6

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

	2016 €000	2015 €000
Inventory consumed	172,329	174,409
Increase in inventory obsolescence provision	89	51
Foreign exchange differences	552	2,083
(Profit) on disposal of fixed assets	(8,311)	(1,511)
Operating leases	5,210	4,024
Business restructuring	4,148	2,846
VAT settlement	(29,313)	–
Depreciation of tangible fixed assets	284,549	290,685
Amortisation of intangible assets	4,230	4,735
Amortisation of grants	(238,344)	(239,575)

7. Exceptional Items

	2016 €000	2015 €000
Business restructuring	4,148	2,846
VAT settlement	(50,621)	–
Amounts repayable to funding agencies in respect of VAT settlement	23,946	–
	(22,527)	**2,846**

The business restructuring costs comprise of amounts arising from restructuring initiatives during the year. Bus Átha Cliath incurred €1.7 million, Bus Éireann incurred €0.9 million, CIÉ Holding Company incurred €0.4 million and Iarnród Éireann incurred €1.1 million.

VAT Settlement and Amounts Repayable to Funding Agencies In respect of VAT Settlement:

CIÉ Group is registered as a single entity for VAT purposes and makes a single VAT return in respect of all Group activities. During 2016, the Revenue Commissioners agreed a revised basis for calculating the VAT liability of the CIÉ Group. This agreement gave rise to a settlement of €53.9 million from the Revenue Commissioners, which reflects the implications of the activities of the Group on the basis of calculating its VAT liability from November 2002 onwards.

The amount relating to 2016 has been credited to materials and services costs. The amount relating to prior years of €50.6 million has been accounted for as exceptional operating income in 2016. The amount repayable to funding agencies has been accounted for as an exceptional operating cost.

8. Depreciation and Amortisation, Net of Capital Grants Amortisation

	2016 €000	2015 €000
Amortisation of intangible fixed assets *(Note 14)*	4,230	4,735
Depreciation of tangible fixed assets *(Note 15)*	284,549	290,685
Amortisation of capital grants (*Note 23*)	(238,344)	(239,575)
	50,435	**55,845**

9. Profit on Disposal of Tangible Assets

	2016 €000	2015 €000
Profit on disposal of land and buildings	7,349	828
Profit on disposal of rolling stock, vehicles, plant and machinery	962	683
	8,311	**1,511**

10. Net Interest Expense

(a) Interest Receivable and Similar Charges

	2016 €000	2015 €000
Interest income on short term deposits	**436**	**103**

(b) Interest Payable and Similar Charges

	2016 €000	2015 €000
Interest payable on loans and overdrafts	2,823	3,201
Interest payable on finance leases	23	66
Total interest expense on financial liabilities not measured at fair value through the profit or loss	2,846	3,267
Net interest expense on defined benefit pensions plans	6,612	14,035
Unwind of discount provisions	154	88
Total interest payable and similar charges	**9,612**	**17,390**

(c) Net Interest Expense

	2016 €000	2015 €000
Interest receivable and similar charges	436	103
Interest payable and similar charges	(9,612)	(17,390)
Net interest expense	(9,176)	(17,287)

11. Income Tax

(a) Tax Expense Included in Profit and Loss

	2016 €000	2015 €000
Foreign corporation tax charge on profit for the financial year	1,255	252
Current tax expense for the financial year	1,255	252
Tax on profit on ordinary activities	**1,255**	**252**

(b) Tax Expense Relating to Items Recognised in Other Comprehensive Income

	2016 €000	2015 €000
Current tax	–	–
Deferred tax	–	–
– Deferred tax on re-measurement of net defined benefit liability	–	–
Total tax expense relating to items recognised in other comprehensive income	**–**	**–**

(c) Tax Expense Relating to Items Recognised in Equity

	2016 €000	2015 €000
Current tax	–	–
Deferred tax	–	–
Total tax expense relating to items recognised in equity	**–**	**–**

(d) Reconciliation of Tax Expense

Tax assessed for the financial year differs from that determined by applying the standard rate of corporation tax in the Republic of Ireland for the year ended 31 December 2016 of 12.5% (2015: 12.5%) to the surplus for the year. The differences are explained below:

	2016 €000	2015 €000
Surplus/(deficit) on ordinary activities before tax	29,442	(26,181)
Surplus/(deficit) multiplied by the standard rate of tax in the Republic of Ireland for the financial year ended 31 December 2016 of 12.5% (2015: 12.5%)	3,680	(3,273)
Effects of:		
Income not subject to tax	(67,910)	(67,919)
Higher rate of tax on overseas earnings	436	168
Expenses not deductible for tax purposes	–	2,101
Depreciation in excess of capital allowances	31,498	28,217
Utilisation of tax losses	–	(381)
Unrelieved tax losses carried forward	29,229	38,268
Income subject to higher rate of tax	3,298	3,103
Other differences	1,024	(32)
Tax on profits on ordinary activities	**1,255**	**252**

A potential deferred tax asset of €892 million (2015: €829 million) in relation to accumulated losses carried forward has not been recognised as their future recovery against taxable profits is uncertain.

12. Public Service Obligations and Other Exchequer Grants

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

	2016 €000	2015 €000
Profit and Loss Account		
Public Service Obligation	212,071	189,575
Other Exchequer grants	104,586	112,944
Other revenue grants	8,140	4,490
	324,797	307,009
Balance Sheet		
Capital grants (Note 23)	106,108	144,404
Total Public Service Obligation and Other Grants	**430,905**	**451,413**

Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation		
Bus Átha Cliath – Dublin Bus (revenue)	59,558	57,700
Bus Éireann – Irish Bus (revenue)	41,873	33,714
Iarnród Éireann – Irish Rail (revenue)	110,640	98,161
Bus Éireann – Irish Bus (capital)	511	–
Iarnród Éireann – Irish Rail (capital)	22,420	–
	235,002	189,575
Sub-Head B8 of Vote 31 of Dáil Éireann – Capital Investment		
Infrastructure Manager Multi Annual Contract (revenue)	104,586	112,889
Infrastructure Manager Multi Annual Contract (capital)	21,414	31,393
Exchequer grants for infrastructure and capital investment	61,676	108,454
Other Exchequer grants	8,074	4,312
	195,750	257,048

Total funding under Vote 31 of Dail Éireann	**430,752**	**446,623**

Other grants		
Other grants including EU and state grants for non-Public Service Obligation activities	153	4,790
Total PSO, Exchequer and other grants	**430,905**	**451,413**

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

CIÉ records grants using the "Accrual Model" allowable under FRS102 section 24.

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

The prior year comparative has been restated to better reflect the activity of the Group.

	Department of Transport, Tourism & Sport 2016 €000	National Transport Authority 2016 €000	Total 2016 €000	Department of Transport, Tourism & Sport 2015 €000	National Transport Authority 2015 €000	Total 2015 €000
Vote B8 Capital	134,000	60,949	194,949	144,719	111,562	256,281
Vote B8 Accessibility	–	801	801	9	758	767
Total	**134,000**	**61,750**	**195,750**	**144,728**	**112,320**	**257,048**

Source of Exchequer fund received during the calendar years 2015 and 2016 are restricted to particular projects.

13. CIÉ Net Result for the Year

CIÉ, the Entity's net surplus for the year amounted to €65 million (2015: deficit (€29) million).

14. Intangible Fixed Assets

Group

	Computer Software €000	Total €000
Financial year ended 31 December 2015		
Opening carrying amount	12,328	12,328
Additions	1,443	1,443
Disposals	–	–
Amortisation	(4,735)	(4,735)
Carrying amount	**9,036**	**9,036**
At 31 December 2015		
Cost	58,117	58,117
Accumulated amortisation and impairment	(49,081)	(49,081)
Carrying amount	**9,036**	**9,036**
Financial year ended 31 December 2016		
Opening carrying amount	9,036	9,036
Additions	2,445	2,445
Disposals	–	–
Amortisation	(4,230)	(4,230)
Carrying amount	**7,251**	**7,251**
At 31 December 2016		
Cost	60,562	60,562
Accumulated amortisation and impairment	(53,311)	(53,311)
Carrying amount	**7,251**	**7,251**

CIÉ Entity

	Computer Software €000	Total €000
Financial year ended 31 December 2015		
Opening carrying amount	121	121
Additions	–	–
Disposals	–	–
Amortisation	(55)	(55)
Carrying amount	**66**	**66**
At 31 December 2015		
Cost	15,729	15,729
Accumulated amortisation and impairment	(15,663)	(15,663)
Carrying amount	**66**	**66**
Financial year ended 31 December 2016		
Opening carrying amount	66	66
Additions	191	191
Disposals	–	–
Amortisation	(77)	(77)
Carrying amount	**180**	**180**
At 31 December 2016		
Cost	15,920	15,920
Accumulated amortisation and impairment	(15,740)	(15,740)
Carrying amount	**180**	**180**

Intangible assets comprise computer software. Computer software is measured at cost less accumulated amortisation and impairment losses. No impairment losses were recognised in the year (2015: €nil). Computer software is amortised over its estimated useful life, which is between 3 and 5 years.

15. Tangible Fixed Assets

Group

	Railway Lines and Works €000	Railway Rolling Stock €000	Road Passenger Vehicles €000	Road Freight Vehicles €000	Land and Buildings €000	Plant and Machinery €000	Signalling €000	Docks, Harbours and Wharves €000	Total €000
Financial year ended 31 December 2015									
Opening carrying amount	966,200	643,793	197,368	–	783,131	195,685	363,883	33,657	3,183,717
Additions	37,823	33,658	55,082	–	7,399	24,187	13,963	482	172,594
Reclassification	–	113	–	–	–	(113)	–	–	–
Disposals	(1,478)	–	(94)	–	(440)	(5)	–	–	(2,017)
Depreciation	(84,300)	(87,455)	(40,893)	–	(16,571)	(41,021)	(19,095)	(1,350)	(290,685)
Carrying amount	**918,245**	**590,109**	**211,463**	**–**	**773,519**	**178,733**	**358,751**	**32,789**	**3,063,609**
At 31 December 2015									
Cost	2,181,891	1,409,164	637,021	2,893	935,583	634,396	617,050	56,968	6,474,966
Accumulated depreciation and impairment	(1,263,646)	(819,055)	(425,558)	(2,893)	(162,064)	(455,663)	(258,299)	(24,179)	(3,411,357)
Carrying amount	**918,245**	**590,109**	**211,463**	**–**	**773,519**	**178,733**	**358,751**	**32,789**	**3,063,609**
Financial year ended 31 December 2016									
Opening carrying amount	918,245	590,109	211,463	–	773,519	178,733	358,751	32,789	3,063,609
Additions	23,525	35,528	75,405	–	12,924	23,786	9,819	201	181,188
Reclassification	(5,435)	–	–	–	–	–	–	–	(5,435)
Disposals	–	(1)	(435)	–	(552)	(8)	–	–	(996)
Depreciation	(75,356)	(88,086)	(44,850)	–	(16,537)	(37,421)	(20,884)	(1,415)	(284,549)
Carrying amount	**860,979**	**537,550**	**241,583**	**–**	**769,354**	**165,090**	**347,686**	**31,575**	**2,953,817**
At 31 December 2016									
Cost	2,199,981	1,444,691	711,991	–	947,955	658,174	626,869	57,169	6,646,830
Accumulated depreciation and impairment	(1,339,002)	(907,141)	(470,408)	–	(178,601)	(493,084)	(279,183)	(25,594)	(3,693,013)
Carrying amount	**860,979**	**537,550**	**241,583**	**–**	**769,354**	**165,090**	**347,686**	**31,575**	**(2,953,817)**

During the financial year, the Group disposed of tangible fixed assets with a carrying amount of €995,000. The assets have a cost of €91,494,000 and accumulated depreciation and impairment of €90,499,000. The profit on disposal of these tangible fixed assets is €8,311,000 (2015: €1,511,000).

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

(b) Road passenger vehicles at a cost of €121,630,000 (2015: €136,809,000) were fully depreciated but still in use at the balance sheet date.

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

	2016 €000	2015 (restated) €000
Cost	100,784	96,252
Accumulated depreciation	(92,880)	(90,762)
Net book value at 31 December	7,904	5,490
Depreciation for year	(2,119)	(1,847)

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

	2016 €000	2015 €000
Railway Rolling Stock	730	685
Plant & Machinery	138	–
Road Passenger Vehicles	1,630	4,584
	2,498	5,269

CIÉ Entity

	Land and Buildings €000	Plant and Machinery €000	Total €000
Financial year ended 31 December 2015			
Opening carrying amount	778,362	1,883	780,245
Additions	4,562	2,642	7,204
Disposals	(440)	–	(440)
Depreciation	(16,351)	(1,060)	(17,411)
Carrying amount	**766,133**	**3,465**	**769,598**
At 31 December 2015			
Cost	926,731	21,407	948,138
Accumulated depreciation and impairment	(160,598)	(17,942)	(178,540)
Carrying amount	**766,133**	**3,465**	**769,598**
Financial year ended 31 December 2016			
Opening carrying amount	766,133	3,465	769,598
Additions	12,921	1,703	14,624
Disposals	(552)	–	(552)
Depreciation	(16,437)	(1,636)	(18,073)
Carrying amount	**762,065**	**3,532**	**765,597**
At 31 December 2016			
Cost	939,100	23,110	962,210
Accumulated depreciation and impairment	(177,035)	(19,578)	(196,613)
Carrying amount	**762,065**	**3,532**	**765,597**

16. Financial Assets

Group

	Listed Shares		Unlisted Shares		Total	
	2016 €000	**2015 €000**	**2016 €000**	**2015 €000**	**2016 €000**	**2015 €000**
Cost at 1 January	34	97	13	13	**47**	**110**
Impairment	(34)	(34)	(13)	(13)	(47)	(47)
Disposal	–	(63)	–	–	–	(63)
Net Book Amounts at 31 December	**–**	**–**	**–**	**–**	**–**	**–**

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

CIÉ Entity

	Subsidiary Companies		Listed Shares		Unlisted Shares		Total	
	2016 €000	**2015 €000**	**2016 €000**	**2015 €000**	**2016 €000**	**2015 €000**	**2016 €000**	**2015 €000**
Cost at 1 January	294,246	294,246	34	34	13	13	294,293	294,293
Impairment	–	–	(34)	(34)	(13)	(13)	(47)	(47)
Net Book Amounts at 31 December	**294,246**	**294,246**	**–**	**–**	**–**	**–**	**294,246**	**294,246**

Financial assets comprise trade investments and investments in subsidiary companies.

Investment in subsidiary companies comprise of equity shares in Iarnród Éireann, Bus Éireann, Bus Átha Cliath and CIÉ Tours International (US subsidiary). These shares are not publicly traded.

17. Stocks

Group

	2016 €000	**2015 €000**
Maintenance materials and spare parts	29,604	27,559
Infrastructure stocks	18,319	15,190
Fuel, lubricants and other sundry stocks	11,281	14,621
	59,204	**57,370**
Stocks consumed during the year:		
Materials and fuel	172,329	172,409

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

Stock is stated after an allowance for impairment of €18,893,000 (2015 restated: €17,262,000) in relation to obsolete and damaged stocks.

18. Debtors

Group

	2016 €000	2015 €000
Trade debtors	24,424	24,139
Amounts due from Department of Education and Skills	8,335	9,359
Derivative financial instruments	3,332	179
Other debtors and accrued income	21,423	42,621
	57,514	**76,298**

Debtors are stated after an allowance for impairment of €831,000 (2015: €1,163,000). Derivative financial instruments includes amounts falling due after one year of €416,000.

CIÉ Entity

	2016 €000	2015 €000
Trade debtors	754	1,303
Derivative financial instruments	3,332	179
Other debtors and accrued income	8,252	2,215
	12,338	**3,697**

Debtors are stated after an allowance for impairment of €386,000 (2015: €602,000). Derivative financial instruments includes amounts falling due after one year of €416,000.

19. Creditors (Amounts Falling Due within One Year)

Group

	2016 €000	2015 €000
Bank overdraft	–	261
Bank loans *(Note 21)*	13,000	13,000
Finance lease obligations *(Note 21)*	132	124
Trade creditors	73,810	68,466
Income tax deducted under PAYE	12,023	10,968
Pay related social insurance	7,085	6,548
Value added tax and other taxes	5,092	5,217
Other creditors	41,083	19,155
Accruals	42,171	44,518
Derivative financial instruments	4,060	26,046
Deferred grant income *(Note 23)*	222,539	232,730
Deferred revenue	42,719	41,056
	463,714	**468,089**
Creditors for taxation and social welfare included above	24,200	22,733

CIÉ Entity

	2016 €000	2015 €000
Bank overdraft	–	90
Bank loans *(Note 21)*	13,000	13,000
Finance lease obligations *(Note 21)*	132	124
Trade creditors	835	555
Amounts owed to subsidiary companies	209,868	200,968
Income tax deducted under PAYE	848	930
Pay related social insurance	107	75
Value added tax and other taxes	827	228
Other creditors	27,151	7,159
Accruals	1,475	1,471
Derivative financial instruments	4,060	26,046
Deferred grant income *(Note 23)*	11,050	11,067
	269,353	**261,713**
Creditors for taxation and social welfare included above	1,782	1,233

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

20. Creditors (Amounts Falling Due After more than One Year)

Group and CIÉ Entity

	2016 €000	2015 €000
Bank loans *(Note 21)*	27,877	40,632
Finance leases *(Note 21)*	140	271
Irrecoverable value added tax on finance leases *(Note 21)*	26	53
Derivative financial instruments	–	4,542
	28,043	**45,498**

21. Loans and Other Borrowings

Group and CIÉ Entity – Bank loans

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

	2016 €000	2015 €000
Not later than one year *(Note 19)*	13,000	13,000
Later than one year and not later than five years *(Note 20)*	27,877	40,632
	40,877	**53,632**

The bank loans represent a term loan, which will be fully repaid by July 2018. The interest on the term loan is the percentage rate per annum, which is the aggregate of EURIBOR plus a margin. A margin of 2.25% was applied throughout 2016 driven by the Group's net debt to EBITDA ratio being less than 2 for the year.

The Group has borrowings of €40.9 million (2015: €53.6 million) at the balance sheet date. These borrowings are cross-guaranteed by Bus Átha Cliath, Bus Éireann, CIÉ and Iarnród Éireann.

Group and CIÉ Entity – Finance leases

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

	2016 €000	2015 €000
Not later than one year *(Note 19)*	132	124
Later than one year and not later than five years *(Note 20)*	140	271
	272	**395**

The finance lease relates to computer hardware assets (Storage Area Network), which are leased from a specialist leasing company, which represents the security given by CIÉ in respect of the finance lease liability.

This lease is subject to a rate of 5.78% and is repayable in quarterly instalments over the following 4 years totalling €395,000, at which point it can be purchased for a nominal fee.

22. Provisions for Liabilities and Charges

Group

	3rd Party and Employers Liability €000	Restructuring €000	Environmental €000	Operational/ Other €000	Total €000
Balance at 1 January 2015	171,491	9,415	4,150	32,059	217,115
Utilised during year	(13,186)	(5,030)	(150)	(3,275)	(21,641)
Transfer from profit and loss account	17,957	2,306	66	179	20,508
Balance carried forward 31 December 2015	**176,262**	**6,691**	**4,066**	**28,963**	**215,982**
Balance at 1 January 2016	176,262	6,691	4,066	28,963	215,982
Utilised during year	(13,428)	(3,869)	(66)	(5,854)	(23,217)
Transfer from profit and loss account	20,562	4,721	1,563	3,920	30,766
Balance carried forward 31 December 2016	**183,396**	**7,543**	**5,563**	**27,029**	**223,531**

CIÉ Entity

	Restructuring €000	Environmental €000	Operational/ Other €000	Total €000
Balance at 1 January 2015	752	1,500	1,259	3,511
Utilised during year	–	–	(743)	(743)
Transfer from profit and loss account	226	–	–	226
Balance carried forward 31 December 2015	**978**	**1,500**	**516**	**2,994**
Balance at 1 January 2016	978	1,500	516	2,994
Utilised during year	(715)	–	(24)	(739)
Transfer from profit and loss account	3	5	15	23
Balance carried forward 31 December 2016	**266**	**1,505**	**507**	**2,278**

Group Restructuring

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

Environmental

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

Operational/Other

At 31 December 2016, the Group held €27.0 million (2015: €29.0 million) of other provisions, €16.4m (2015: €16.4 million) related to post-retirement benefit costs, €9.5m (2015: €10.4 million) related to unresolved third party and employee disputes and legal claims, €1.0m (2015: €2.2 million) related to other pay related disputes and €0.1 million (2015: nil) related to deferred tax.

Third Party and Employers Liability

CIÉ as a self-regulated body operates a self-insurance model whereby the operating company's bear the financial risk associated with the costs of claims, subject to any-one incident and annual insurance caps in the case of Third Party claims.

Any losses, not covered by external insurance, are charged to the profit and loss account.

Provision is made at the year-end for the (undiscounted) estimated cost of future payments required to discharge liabilities incurred but not finalised at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) and incurred but not enough reported (IBNER).

The provisions that have been recorded represent the directors' best estimate of the expenditure required to settle the obligations, with the benefit of experienced in-house claims handlers and external actuarial and legal advice. The best estimate includes estimates of externally procured services in managing claims but excludes the internal overhead of the Investigations Department.

In calculating the estimated cost of outstanding potential liabilities case estimates are set by skilled claims handlers and are subject to established policies and procedures. Claims handlers apply their experience and knowledge to the specific circumstances of individual claims. Quantum is set taking into account all available information and correspondence regarding the specific circumstances of the claim, such as inspection reports, medical reports, legal and/or other expert advices, Book of Quantum and/or court precedents on liabilities with similar characteristics. Claims above certain limits are referred to senior claims handlers.

The ultimate cost of outstanding claims is then estimated with the assistance of external actuarial advice. The actuaries use a range of standard actuarial claims projection techniques, such as the Average Cost per Claim Method, Chain Ladder Method, Credibility Method and Large Claims Method. The actuary's mathematical modelling is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the potential liabilities to increase or reduce when compared with the cost of previously finalised claims including, for example, changes in the legal environment, the effects of inflation, changes in operational activity and the impact of large losses. Provisions are calculated separately for each of the Group's Operating Companies for each class of business.

Exceptionally serious accidents are assessed separately from the averages indicated by actuarial modelling.

While the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures it is inherent in the nature of estimating liability that the ultimate liabilities may differ to initial valuations as investigations ensue and particulars are disclosed. If the outcomes of the claims are different to the assumptions underpinning the directors' best estimates then a further liability may arise.

Provisions for claims are calculated gross of any reinsurance recoveries. Reinsurance recoveries are recognised in the profit and loss account as they are received.

23. Deferred Income

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

Group

	1 Jan 2015 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss A/C €000	31 Dec 2015 €000
Capital grants					
Railway lines and works	951,217	38,182	(1,446)	(82,790)	905,163
Railway rolling stock	583,163	28,719	–	(67,363)	544,519
Plant and machinery	163,893	15,747	–	(32,866)	146,774
Signalling	327,295	13,282	–	(16,447)	324,130
Docks, harbours and wharves	9,286	–	–	(310)	8,976
Land and buildings	567,233	4,585	(430)	(11,675)	559,713
Road passenger vehicles	181,782	43,889	(66)	(28,124)	197,481
	2,783,869	**144,404**	**(1,942)**	**(239,575)**	**2,686,756**
Other deferred income	12	–	–	(2)	10
Total deferred income	**2,783,881**	**144,404**	**(1,942)**	**(239,577)**	**2,686,766**

	01 Jan 2016 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss A/C €000	31 Dec 2016 €000
Capital grants					
Railway lines and works	905,163	23,850	–	(74,712)	854,301
Railway rolling stock	544,519	22,420	–	(71,734)	495,205
Plant and machinery	146,774	17,685	–	(29,683)	134,776
Signalling	324,130	9,731	–	(18,513)	315,348
Docks, harbours and wharves	8,976	–	–	(310)	8,666
Land and buildings	559,713	5,855	–	(11,717)	553,851
Road passenger vehicles	197,481	26,567	(16)	(31,675)	192,357
	2,686,756	**106,108**	**(16)**	**(238,344)**	**2,554,504**
Other deferred income	10	–	–	(2)	8
Total deferred income	**2,686,766**	**106,108**	**(16)**	**(238,346)**	**2,554,512**

Apportioned as follows:	2016 €000	2015 €000
Deferred income – amounts falling due within one year *(Note 19)*	222,539	232,730
Deferred income – amounts falling due after one year	2,331,973	2,454,036
	2,554,512	**2,686,766**

CIÉ Entity

	1 Jan 2015 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss A/C €000	31 Dec 2015 €000
Capital grants					
Land and buildings	563,503	1,879	(430)	(11,623)	553,329
Other deferred income	12	–	–	(2)	10
Total	**563,515**	**1,879**	**(430)**	**(11,625)**	**553,339**

	01 Jan 2016 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss A/C €000	31 Dec 2016 €000
Capital grants					
Land and buildings	553,329	10,865	–	(11,661)	552,533
Other deferred income	10	–	–	(2)	8
Total	**553,339**	**10,865**	**–**	**(11,663)**	**552,541**

Apportioned as follows:	2016 €000	2016 €000
Deferred income – amounts falling due within one year *(Note 19)*	11,050	11,067
Deferred income – amounts falling due after one year	541,491	542,272
	552,541	**553,339**

Deferred income represents grants received/receivable to fund capital investment. Refer to Note 12 for additional disclosure on grants received/receivable.

24. Cash Flow Statement

Notes to the Statement of Cash Flows

	Year ended 31 December	
	2016 €000	**2015 €000**
Surplus/(deficit) for the year	28,187	(26,432)
Tax on deficit on ordinary activities	1,255	252
Net interest expense	9,176	17,287
Operating surplus/(deficit)	**38,618**	**(8,893)**

Depreciation of tangible fixed assets	284,549	290,685
Amortisation of intangible fixed assets	4,230	4,735
Amortisation of deferred grant income	(238,344)	(239,575)
(Decrease)/increase in post-retirement benefits liability	(1,796)	9,756
Profit on disposal of tangible asset	(8,311)	(1,511)
Working capital movement		
– (Increase) in stocks	(1,835)	(2,097)
– (Increase)/decease in debtors	(11,997)	763
– Increase in creditors and provisions	38,475	12,030
Cash flow from operating activities	**103,589**	**65,893**

25. Post Retirement Benefits

Group and CIÉ Entity

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

	2016 €000	**2015 €000**
Fair value of scheme assets	1,987,413	1,835,838
Present value of scheme liabilities	(2,717,112)	(2,124,241)
Pension deficit	**(729,699)**	**(288,403)**

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

	2016 €000	2015 €000
Charged to operating profit		
Current service cost	(45,646)	(57,681)
Administration and other operating expenses	(1,857)	(1,550)
Past service cost	(326)	(1,072)
Total operating charge	**(47,829)**	**(60,303)**
Net interest expense	(6,612)	(14,035)
Total charge	**(54,441)**	**(74,338)**

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

	2016 €000	2015 €000
Actual return less interest income on pension scheme assets	109,996	43,086
Experience (losses) arising on the scheme liabilities	(15,363)	(16,557)
Changes in assumptions underlying the present value of the scheme liabilities	(531,113)	410,639
Actuarial (loss)/gain recognised in statement of other comprehensive income	**(436,480)**	**437,168**

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

Defined Benefit Scheme

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

Full actuarial reviews are completed every 3 years. The most recent actuarial review was carried out as at 31 December 2014. The market value of the assets of the schemes at that date was €1.76 billion, which amounted to 86.0% of the benefits which had accrued to members based on service to and pensionable pay at the review date. Actuarial reports are available to scheme members but are not provided for public inspection.

The principle actuarial assumptions used in the valuations were:

	31 Dec 2016 % p.a.	31 Dec 2015 % p.a.
Discount Rate	1.8	2.6
Rate of inflation	1.6	1.6
Expected rate of increase of pensions in payment*	1.6	1.6
Expected rate of salary increases**	1.6***	1.6 **

** pause to pensions in payment to 2024*

*** pause to pensionable pay to 2024, 1.6% thereafter*

**** 1.6% increase in pensionable pay other than in cases where awards of future pay increases are known*

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

	31 Dec 2016	31 Dec 2016	31 Dec 2015	31 Dec 2015
	Male	**Female**	**Male**	**Female**
Currently aged 45 years	23.7	25.8	23.6	25.7
Currently aged 65 years	21.2	23.7	21.1	23.6

The assets in the scheme were:

	2016 €000	2015 €000
Equities	874,591	789,975
Property	140,651	140,273
Bonds	759,871	709,932
Cash/Alternatives	212,300	195,658
Total	**1,987,413**	**1,835,838**

Change in present value of the liabilities during the year:

	2016 €000	2015 €000
Opening present value of liabilities	2,124,241	2,462,703
Current service cost	45,646	57,681
Administration and other operating expenses	1,857	1,550
Interest cost	54,269	50,961
Member contributions	17,979	17,817
Net benefits paid	(74,488)	(73,461)
Actuarial (gains)/losses on liabilities due to changes in assumptions	531,430	(410,639)
Actuarial losses/(gains) on liabilities due to scheme experience	15,852	16,557
Past service cost	326	1,072
Closing present value of liabilities	**2,717,112**	**2,124,241**

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

Change in fair value of assets during the year:

	2016 €000	2015 €000
Opening fair value of assets	1,835,838	1,760,923
Interest income on pension scheme assets	47,658	36,926
Employer contributions (funded schemes)	48,286	50,547
Employer contributions (unfunded arrangements)	1,339	–
Members contributions	17,979	17,817
Net benefits paid	(74,488)	(73,461)
Actuarial gains on assets	110,801	43,086
Closing fair value of assets	**1,987,413**	**1,835,838**

Actual returns on assets:

	2016 €000	2015 €000
Interest income on assets	47,642	36,926
Actuarial gains on assets	110,801	43,086
Actual return on assets	**158,443**	**80,012**

26. Capital and Other Commitments

	2016 €000	2015 €000
Contracted for	69,551	71,696
Authorised by Board but not contracted for	153,430	217,245
	222,981	288,941

Capital grants totalling €211 million have been approved in respect of the above expenditure (2015: €229 million).

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

	On plant & equipment/ motor vehicles 2016 €000	On plant & equipment/ motor vehicles 2015 €000
Within one year	3,074	1,934
Between one and five years	7,574	5,681
	10,648	7,615

27. Financial Instruments

The Group has the following financial instruments:

	2016 €000	2016 €000	2015 €000	2015 €000
Financial assets at fair value through other comprehensive income				
– Derivative financial instruments	3,331		179	
		3,331		179
Financial assets that are debt instruments measured at amortised cost				
– Trade receivables	24,424		24,139	
– Department of Education and Science	8,335		9,359	
– Other receivables	21,423		42,621	
		54,182		76,119
Cash and bank in hand		114,270		59,404
Financial assets that are equity instruments measured at cost less impairment		–		–
Financial liabilities at fair value through other comprehensive income				
– Derivative financial instruments	4,060		30,588	
		4,060		30,588
Financial liabilities measured at amortised cost				
– Bank loans and overdrafts	40,877		53,893	
– Trade creditors	73,810		68,466	
– Other creditors	37,725		38,812	
– Finance leases	272		395	
		152,684		161,566

The CIÉ Entity has the following financial instruments:

	2016 €000	2016 €000	2015 €000	2015 €000
Financial assets at fair value through the profit and loss account				
– Derivative financial instruments	3,331		179	
		3,331		179
Financial assets that are debt instruments measured at amortised cost				
– Trade receivables	754		1,303	
– Other receivables	8,252		2,251	
		9,006		3,554
Cash and bank in hand		108,789		55,515
Financial assets that are equity instruments measured at cost less impairment		–		–
Financial liabilities at fair value through the profit and loss account				
– Derivative financial instruments	4,060		30,588	
		4,060		30,588
Financial liabilities measured at amortised cost				
– Bank loans and overdrafts	40,877		53,722	
– Trade creditors	835		555	
– Amounts owed to subsidiary companies	209,868		200,969	
– Other creditors	2,568		7,159	
– Finance leases	272		395	
		254,420		262,800

Derivative Financial Instruments – Forward Contracts

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

At 31 December 2016, CIÉ was committed to buying STG£12.5 million, buying US$4.0 million, selling US$21.5 million, selling AUS $4.0 million and selling CAD $2.8 million under forward currency contracts expiring during 2017 and 2018. The fair value of these contracts at 31 December 2016 is a liability of €1.55 million (2015: liability of €0.1 million).

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

Derivative Financial Instruments – Interest Rate Swaps

At 31 December 2016, CIÉ had interest rate hedge contracts in place to cover at least 50% of the interest rate exposure on its term loan facility.

The hedging arrangement fixes the total interest payable on the euro term loan facility. These contracts expire in July 2017. The fair value of these contracts at 31 December 2016 was a liability of €0.3 million (2015: liability of €1.0 million). Cash flows on both the loan and the interest rate swaps are paid quarterly until 2017.

Details on maturity of long-term debt are outlined in Note 21.

Derivative Financial Instruments – Commodity Swap Contracts

At 31 December 2016, CIÉ was also committed to buying oil under commodity swap contracts to the value of US$46.8 million expiring during 2017 and 2018. The fair value of these contracts at 31 December 2016 was an asset of €1.1 million (2015: liability of €29.3 million).

28. Contingent Liabilities

Pending Litigation

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

Grants Receivable

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

Details of PSO and other exchequer grants are included in Note 12.

29. Related Party Transactions

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

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

Note 5 to the financial statements on page 60 includes the disclosure of the compensation paid or payable to key management of the Group.

30. Group Membership

Name	Principal Activity
Holding company:	
Córas Iompair Éireann	– Public transport services
Subsidiary companies (all wholly owned)	
Bus Átha Cliath – Dublin Bus	– Public bus passenger services
Bus Éireann – Irish Bus	– Public bus passenger services
CIÉ Tours International Incorporated	– Tours
Iarnród Éireann – Irish Rail	– Public rail (passenger and freight) services

Iarnród Éireann – Irish Rail, Bus Éireann – Irish Bus and Bus Átha Cliath – Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Act, 2014, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

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

CIÉ has provided a letter of support to each of its subsidiary companies, covering the period of at least 12 months from the date of approval of their respective financial statements

The registered offices of the subsidiary companies are as follows:

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

31. Events since the End of the Financial Year

The Board Members are not aware of any events since the end of the financial year which require adjustment to or disclosure in the financial statements. Notwithstanding that there are no adjusting post balance sheet events, it should be noted that Bus Éireann entered into a significant industrial relations phase with staff and the trade unions during 2017. This resulted in a strike during late March and into April 2017 followed by talks at the Workplace Relations Commission and a Labour Court recommendation which was balloted upon and accepted by all unions in the process during mid-May 2017.

Management of Bus Éireann have a plan to implement changes to terms and conditions and other cost saving measures, which it is envisaged, will reduce costs and return the Company to profitability based on the Labour Court recommendation.

32. Approval of Financial Statements

The Board approved the financial statements on 29 June 2017.

Contact Info

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