CIÉ Group Annual Report

Year Ended 31 December 2018

Contents

Financial and Operating Highlights

CIÉ Group Revenue

2018
€1,315m

2017
€1,239

CIÉ Group Number of Employees

2018
10,046

2017
10,098

CIÉ Group Customer Journeys

2018
275m

2017
264m

Iarnród Éireann Customer Journeys

2018
48m

2017
46m

Bus Éireann (excluding Schools Transport) Customer Journeys

2018
42m

2017
38m

Bus Átha Cliath Customer Journeys

2018
144m

2017
139m

Schools Transport Customer Journeys

2018
42m

2017
41m

Chairman's Statement

The goal of the CIÉ Group ("the Group") is to deliver attractive public transport services, which supports the continued growth of the Irish economy and social cohesion.

I am pleased to present the CIÉ Group 2018 Annual Report, which demonstrates CIÉ's role as the lead provider of public transport within the island of Ireland. Customer journeys have increased by 11.5 million (4.4%), to 275.1 million leading to a €72.1 million (7.7%) increase in the Group's operating revenue.

The goal of the CIÉ Group ("the Group") is to deliver attractive public transport services, which supports the continued growth of the Irish economy and social cohesion. The Group has the unique capacity to manage a cost effective delivery of high quality public transport solutions across Ireland. 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").

Service for All

As the leading provider of public transport services in the State, the CIÉ Group is committed to provision of accessible services for all of its customers. CIÉ thanks the Minister and the NTA for their commitment to fund the necessary fleet and infrastructural requirements that are essential to delivering services that are accessible to all, as resources permit. As we embark on investment under the National Development Plan, the needs of all customers will be integral to our planning and delivery.

During 2018, we continued to actively review our customer and staff engagement programmes to ensure ongoing focus on improvements in accessibility from within our own operational resources.

Direct Award Contracts 2019

During 2018, the NTA announced its intention to seek agreement with CIÉ Group subsidiaries on new direct award contracts from the period commencing December 2019 that will cover 100% of current Bus Átha Cliath service levels and a minimum of 95% of the Bus Éireann services. Iarnród Éireann are currently engaging with the NTA in relation to the next direct award contract commencing December 2019.

I welcome these announcements and commit to working collaboratively with the NTA to ensure that these contracts to deliver public transport services, which support both economic development and social cohesion in a financially sustainable manner. This will be a key focus of the CIÉ Group in 2019.

Market Opening

2018 saw the introduction of market competition in bus services in the Outer Dublin Metropolitan Area. Bus Átha Cliath worked closely with the NTA to ensure that the transition of services to a new operator was achieved in a smooth and efficient manner while at the same time continuing to expand its capacity to meet the growing demand for public transport within its network.

2018 also saw the introduction of expanded bus services in Waterford by Bus Éireann following its success in winning the tender for services in Waterford. During 2019 we will work with our colleagues in the NTA to ensure a smooth transition of some of the commuter services currently being operated by Bus Éireann following the conclusion of the tender process for those services to the new operator.

Financial Position

While there has been significant continued growth in public transport demand during 2018, operating profits have remained constant year-on-year. Increases in revenues have been offset by a reduction in Exchequer Funding of operations. As a consequence, the net financial position of the Group remains a concern and is an ongoing challenge.

Pensions

The CIÉ Group pension deficit is a key component of the weakness in the Group's financial position. The accrued liabilities of the Schemes exceed their assets by €547 million at the end of 2018. I am pleased to report that there was some improvement in the year; this mainly arose as a result of a change in the discount rate used to measure future liabilities. However this factor is outside the control of the Group and is subject to significant variations over time. The Group's exposure to very significant changes in the value of the Schemes' liabilities remains a priority concern of CIÉ as it puts the long-run security of pension provision for our workforce at risk.

Chairman's Statement (continued)

So while 2018 has been a relatively good year, it would be wrong to take comfort for the long run from this performance. Given the experience of the volatility of the discount rate and the ongoing exposure to investment market returns. it is incumbent on us to reach agreement with our staff on measures to further de-risk the Schemes and provide for long-term sustainability of pension provision.

I remain concerned that the existing Funding Proposals, which were approved in 2013 and were designed to return the Schemes to solvency by December 2023, have been certified as being Off Track. Off Track certification increases the risk to the security of future pensions for existing employees. A revised funding proposal to the Pension Authority from the Trustees and Committee of the CIÉ 1951 Superannuation Scheme and from the Trustees of the Regular Wages Scheme is required to address the existing deficit with an objective of reducing this completely in line with the "Minimum Funding Standard".

CIÉ remains committed to the funding levels set out in the 2013 Proposals. Developing proposals that can be implemented, on an agreed basis, to de-risk the Schemes and thereby provide greater assurance as to the long run security of pension benefits continues to be a key focus of the Group.

Government Strategy

The Group welcomes the continued improvement in the national economy and, in particular, the National Planning Framework 2040 and the strategic focus on "Environmentally Sustainable Public Transport" and "Climate Action". These two priorities complement the core values of the CIÉ Group.

Environment

The Group continues to strive for a cleaner environment and supports the use of fuel-efficient vehicles in the provision of public transport. The Group estimates that carbon emissions per person are reduced by in excess of 80% when using public transport compared with the use of private motor vehicles.

Economic Growth

Ireland's recent strong economic performance has brought with it the challenges of traffic congestion and achieving sustainable mobility for a growing population. In common with Bus Átha Cliath and Bus Éireann, Iarnród Éireann recognises its responsibility to offer a credible alternative to private transport for large numbers of passengers. I am pleased to report that each public transport operator within the Group continued their strong focus on the delivery of a safe and efficient network of services for all customers.

Bus Átha Cliath

Bus Átha Cliath is Ireland's largest public transport provider. During 2018, Bus Átha Cliath grew its service offering to deliver a 2.9% increase in passenger journeys bringing its total passenger journey numbers to in excess of 143 million passengers. Bus Átha Cliath is at the core of the Dublin transport network, and its effective operation is central to the economy of the Greater Dublin Area.

With the support of the NTA, Bus Átha Cliath continued its investment in a modern fleet. CIÉ welcomes initiatives focused on rolling out alternatives to diesel-only powered buses. Trials of hybrid vehicles have commenced in support of reducing our carbon emissions in future years.

At the end of 2018, the smooth transition of some Outer Dublin Metropolitan Area (ODMA) bus services to a new operator was substantially complete. Bus Átha Cliath is committed to working with the NTA to achieve the smooth transition of the remainder of the services contracted for during 2019.

Bus Éireann

During 2018, Bus Éireann delivered 42.0 million passenger journeys (excluding schools). This represents an increase of 4.2 million passengers (11.1%) when compared with the prior year. Bus Éireann is core to ensuring public transport connectivity in cities and towns throughout Ireland and it provides a critical service in managing the safe and efficient delivery of the Schools Transport Service. Bus Éireann delivered over 425 new services under the Schools Transport Scheme in 2018.

2018 was a particularly challenging year for Bus Éireann. Bus Éireann's financial position had declined to the extent that a fundamental, wide-ranging, change to the organisation structure, and business model, was required to put the business on a sustainable footing.

Over a number of years, Bus Éireann had experienced operating losses and a consequent decline in its financial position. Bus Éireann developed and agreed a fundamental, wide-ranging Transformation Plan incorporating the changes required to help underpin the business's survival. 2018 was the first full year of the plan: performance in achieving the objectives of the Transformation Plan has been broadly satisfactory. Therefore, the recovery in operating profits noted in the business has been encouraging.

Further progress is required however to ensure that all aspects of the business transformation is effectively delivered. Securing the survival of the business has entailed sacrifices across all staff grades. I thank the staff for their commitment to implementing the agreement. Challenges remain to achieving the full implementation of the Plan. While I am confident that, with the essential on-going support of staff, all of the necessary changes can be successfully achieved, the risk remains that delay in implementation undermines the long-term sustainability of the business.

Iarnród Éireann

During 2018, Iarnród Éireann grew its service offering to deliver a 5.3% increase in passenger journeys. This included expansion of weekday DART services to a greater frequency, and in December a significant increase in off-peak Commuter services, including Maynooth, Northern and Phoenix Park Tunnel services. In 2018, Iarnród Éireann provided an additional 2.5 million passenger journeys, bringing its total passenger journey numbers to 47.9 million per annum – a record year for the company.

Additionally, the company in its role as Port Authority for Rosslare Europort developed a new strategic plan which proposed €25 million investment in port facilities, infrastructure and technology over the next five years. The plan targets new business through new shipping companies and routes, and will also position Rosslare Europort to take advantage of opportunities arising from Brexit.

Chairman's Statement (continued)

CIÉ Tours

CIÉ Tours experienced another record year in 2018 with customer numbers 1.8% higher than in the previous year.

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

CIÉ is committed to working with other State agencies to ensure that its property assets are used as productively as possible, building on their proximity to transport infrastructure.

During the year, CIÉ has actively reviewed its property portfolio to ensure the portfolio fully complements the long-term strategic initiatives of the Group in the provision of public transport.

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. In this, CIÉ will work collaboratively with our other State Agencies and Local Authorities to ensure the best use of lands that are within the control of CIÉ.

Property income is fully allocated to the subsidiary companies, thereby reducing the total cost to the State of providing Public Transport Services.

Board Composition

CIÉ and its subsidiary companies are committed to operating to high standards of corporate governance as reflected in The Code of Practice for the Governance of State Bodies.

Having a fully-constituted Board is a key component of providing the necessary checks and balances within the overall governance process. I am pleased to note that progress is being made to ensure the full complement of Board members is restored to each CIÉ Group Company as soon as possible. The number of Board vacancies which existed throughout 2018 placed significant strain on the delivery of corporate governance at Board level. I would like to thank my Board colleagues for working with me to develop and implement effective mitigations to the risks arising from these vacancies.

Acknowledgments

On behalf of the Board, I would like to express my thanks to the Minister for Transport, Tourism and Sport, Mr Shane Ross TD, and 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 from the DTTaS and the NTA in this active collaborative process.

I would like to acknowledge the commitment and contribution made by Ms Niamh Walsh as a Board Member, who, sadly, passed away in July 2018. I also wish to thank Ms Christine Moran and Mr Ruairi O'Flynn for their contribution as Chairmen of the Audit and Risk Committee and of the Strategy Committee of the Board respectively. Finally, I want to thank Mr John Moloney who was first appointed to the Board as a Worker Director in December 2005 and retired in May 2018.

In conclusion, I would also like to thank the Board Members and Directors of all the subsidiary companies for their assistance 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.

Fiona Ross
Chairman


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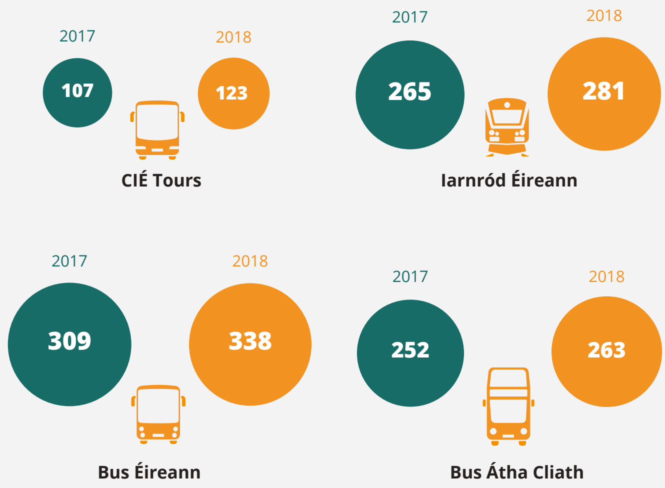
DART 25
40

Financial Review

Revenue

The Group grew its fare and commercial revenue by 7.7% driven by an increase in passenger journeys in 2018 of 4.4% and a shift towards higher yielding fares. Revenue dilution from the better value Leap Card continues to contribute to an erosion of overall revenue per passenger. Total revenue including subvention and exchequer funding grew by 6.2%.

Fare and Commercial Revenue €m



Fare and Commercial Revenue

Revenue from operations for the Group in 2018 was €1,004 million and can be broken down by company as per Fare and Commercial Revenue Graph.

EBITDA

2018 Earnings before interest, tax, depreciation and amortization (EBITDA) is similar to that delivered in 2017, however there are a number of noteworthy changes to the composition of that performance. The operating results for the Group for 2018 show EBITDA of €29 million. This shows a marginal improvement on 2017. Details of the movement in EBITDA are shown below.

The table shows that the significant increase in fare revenue enabled the CIÉ Group to provide more services, to reduce its Infrastructure maintenance deficit and to reduce its operational funding requirement from the Exchequer.

The principal components of the EBITDA development are:

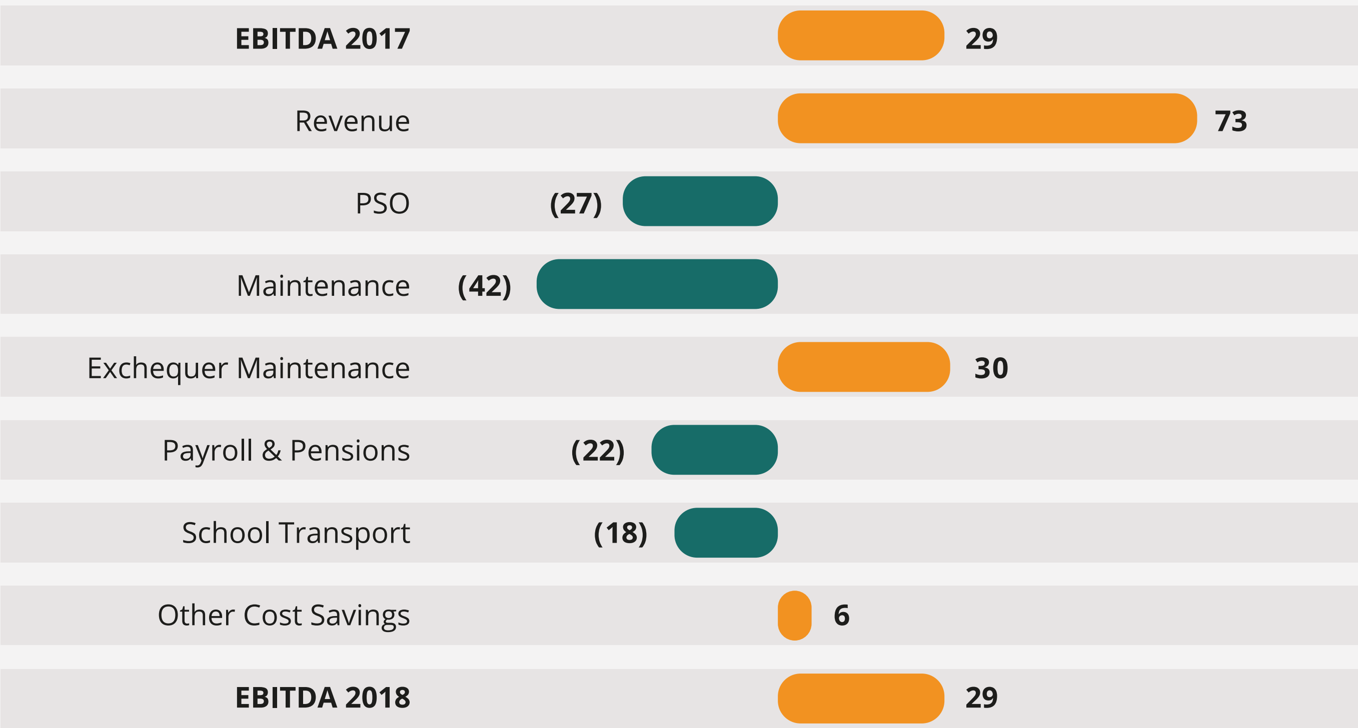
(i) Passenger Journeys are 4.4% higher than last year at 275.1 million. This in conjunction with the NTA sanctioned fares determination contributed to the overall revenue increase of 7.7% for the year;

(ii) Material and services cost increases are largely volume related, the principle elements being additional infrastructure maintenance investment in Iarnród Éireann, this is largely offset by increases in the Exchequer Maintenance Funding Programme;

(iii) Payroll costs increased by approximately 3.6% compared with 2017, reflecting the full year impact of wage increases negotiated in Iarnród Éireann and Bus Átha Cliath in 2018, together with the non-recurring Industrial Action experience in Bus Éireann in 2017; and

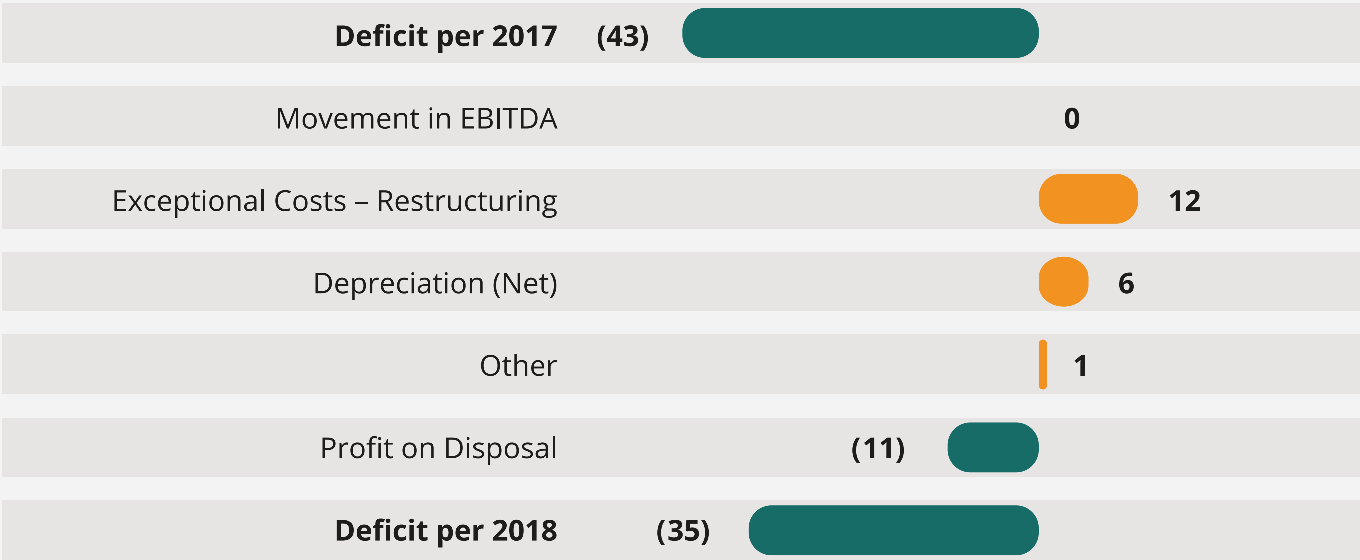
(iv) School Contractors' cost increases were driven by the significant increase in services provided during the year.

EBITDA Movement 2017 to 2018 (€m)



Financial Review (continued)

Movement in Deficit 2017 to 2018 (€m)



Deficit for the Year

The Group incurred a net deficit in 2018 of €35 million. This was a significant improvement of €8 million compared with a prior year deficit of €43 million as shown above.

The graph illustrates that the improvement in the Group's performance is due to:

(i) 2017 included the non-recurring exceptional costs arising from Bus Éireann Transformation Plan;

(ii) a reduction in the net depreciation charge; offset by

(iii) 2017 included a non-recurring profit on a substantial property disposal.

Banking Facilities

The Group manages its treasury requirements through committed bank facilities.

In January 2018, the Group successfully completed a re financing of its banking facilities. This facility is a committed facility of €108 million for an initial period of five years with two one-year extension options exercisable with the agreement of both parties at the end of year one and year two of the facility. Early in 2019, an extension of the facility to January 2024 was agreed.

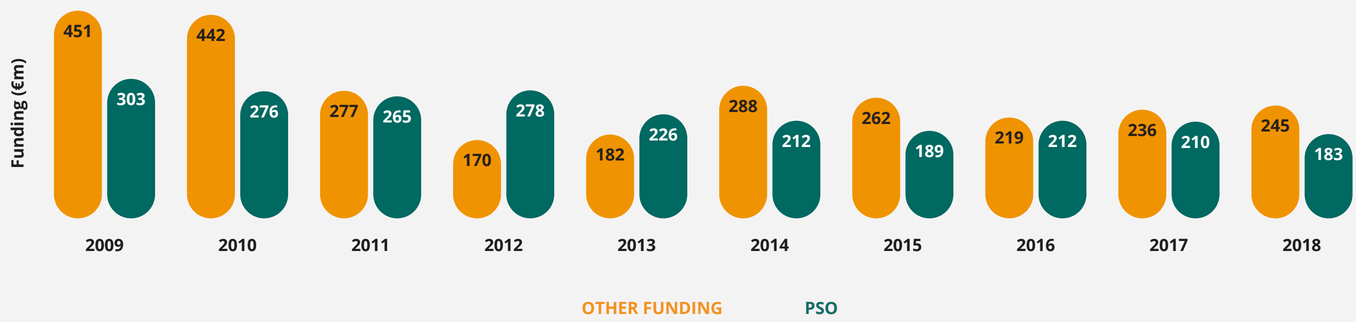
Total Exchequer Funding Received

Exchequer funding (Capital and Revenue) has stabilised in recent years but at levels that are significantly below the levels of funding provided a decade ago.

As shown in the graph opposite, 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.

The graph illustrates strong evidence of a recovery in passenger journeys and identifies the challenge of ensuring appropriate funding to support the provision of comprehensive public transport services to meet the increased demand. In addition, Bus Átha Cliath and Bus Éireann have received the support of the NTA through non-cash payments of approximately €69.3 million relating to the lease of buses (not included above).

Exchequer Funding (€m)



Significant Other Financial Developments

The net pension fund deficit at the year-end has improved significantly during 2018 by €237 million to €547 million.

The Group operates two defined benefit pension schemes: The CIÉ Superannuation Fund 1951 and the CIÉ Regular Wages Fund. These 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 annual cost of providing retirement benefits assumes the future rates of returns for pension fund assets and liabilities are aligned based on long-term interest rates. The exposure to fluctuations in long-term interest rates that arises is a significant risk, which the Group is seeking to mitigate.

The key financial assumptions and movements underlying the calculation of the deficit during the year are as follows:

(i) the discount rate increased from 1.75% to 2.05% impacting the annual service cost;

(ii) inflation rate decrease of 25 basis points in 2018 to 1.5%;

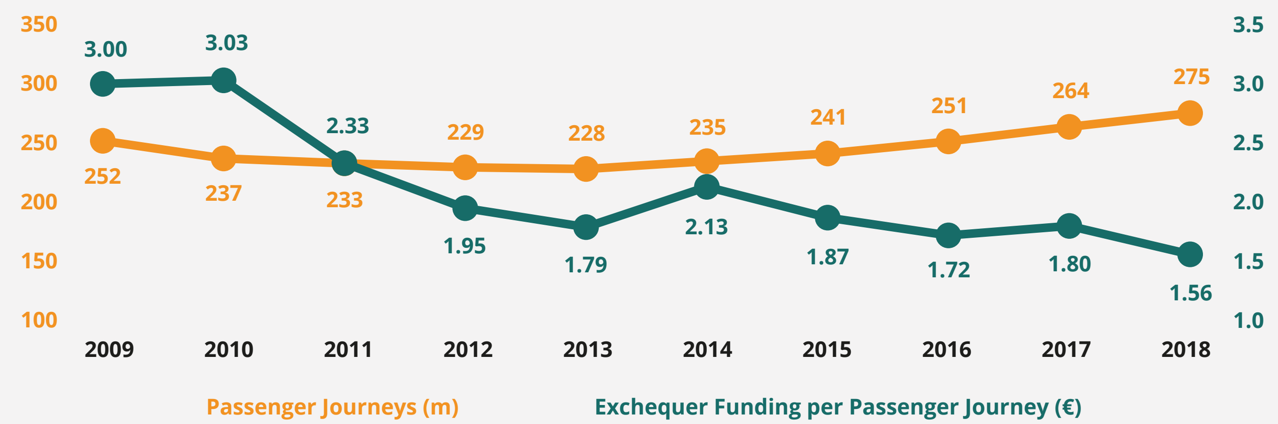
(iii) increases in the performance of the investments throughout the year of €5 million; and

(iv) the net cost reduction of the pension deficit is €237 million in total.

During 2018, both of these schemes were required to submit revised proposals to the Pensions Authority that achieve solvency of the schemes by the end of 2023. To date, funding proposals have yet to be agreed. The responsibility for the submission of revised funding proposals rests with the Trustees of the Regular Wages Scheme and Committee of the CIÉ 1951 Superannuation Scheme.

Nevertheless, CIÉ's policy, as sponsor, is to assist in the development of proposals that are agreed with staff which will form the basis for a revised Funding Proposal.

Passenger Journeys



PSO Contract

Public Service Obligation (PSO) Contract Income 2009-2018

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. Since December 2009, CIÉ companies have operated two five-year direct award contracts in respect of bus services and at the end of 2018 had concluded four years of two further five-year direct award contracts. At the same time, Iarnród Éireann has concluded nine years of its first ten-year contract.

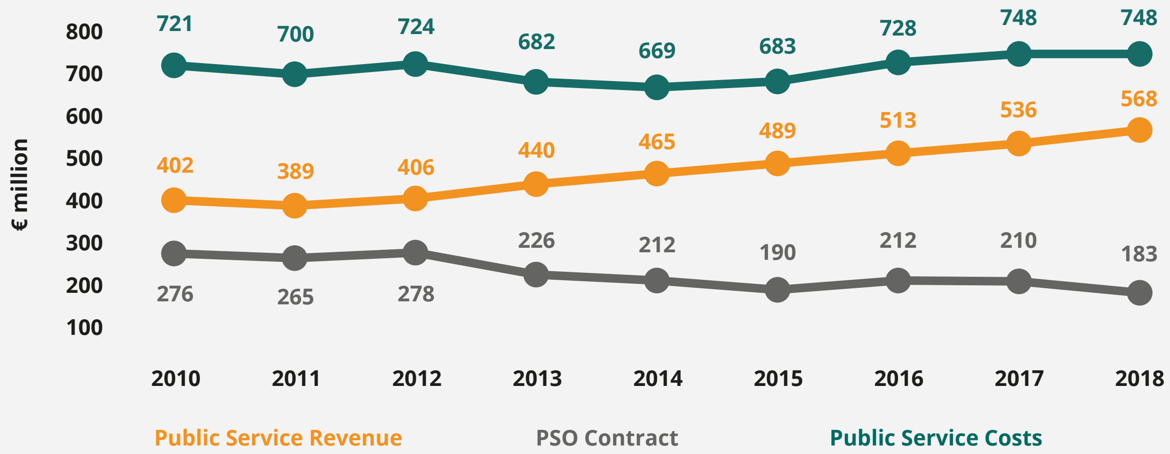
While it is acknowledged that the Group's PSO contracts did generate a small surplus in the current year, it was insufficient to make meaningful inroads into reducing the cumulative deficit on the contracts. Generating a reasonable return on PSO activity is an essential driver of financial sustainability for the Group.

The operating subsidiaries 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. The Group's PSO contracts did generate a small profit in he year, however this return is not significant in the context of the cumulative losses incurred on these contracts. The cumulative loss on PSO contracts since 2009 can be analysed as follows:

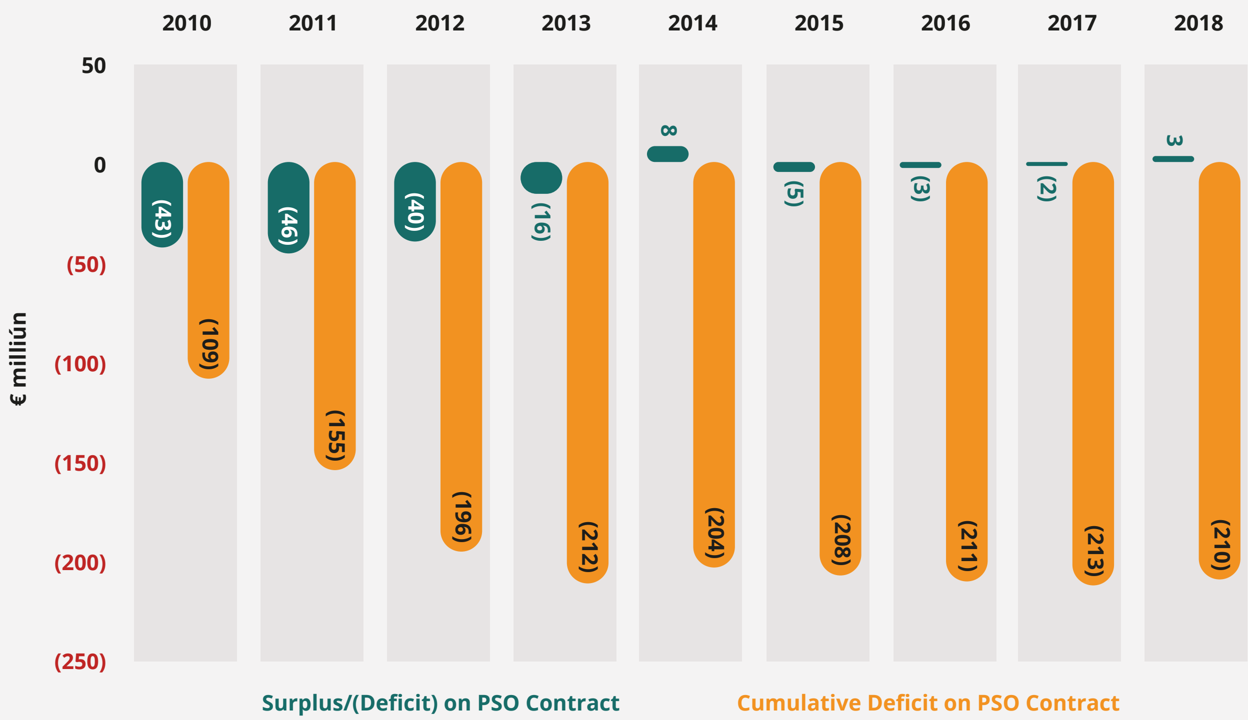
The Group has absorbed the historic losses arising while improving the volume, quality and frequency of the public transport services that it provides. The PSO contracts should generate a reasonable return in order to secure the provision of quality services and to restore the capital base of the Group to an appropriate level. In 2018 the aggregate profit realised on the direct award contracts was €3 million which is 0.5% of revenue. This level of return results in a continuation of a weak financial position with a significant ongoing dependence on Exchequer support in the event of unforeseen risks.

	PSO Passenger Journeys millions	Public Service Revenue €m	Public Service Costs €m	Receipts from PSO Contract €m	Deficit on PSO Contract €m	Return %
Completed Bus contracts	729	1,259	(1,839)	542	(38)	(3.0%)
Ongoing Bus Contracts	662	1,249	(1,623)	382	9	0.7%
Ongoing Rail contract	363	1,702	(2,944)	1,128	(115)	(6.8%)
	1,754	**4,210**	**(6,406)**	**2,052**	**(144)**	**(3.4%)**
Of which the 2018 outturn is	**227**	**568**	**(748)**	**183**	**3**	**0.5%**

Public Service Contract



Cumulative Deficit on PSO Contract



Service For All

The Group continues to provide safe, customer-focused public transport to an increasing number of customers. The CIÉ Group provides key services to the public across all demographics and is very conscious of its social responsibility through each of its Operating Companies. CIÉ is proud of the increase in service provision and service utilisation which has been achieved in 2018. Customer journeys are up 11.5 million on the previous year.

Total customer journeys grew by 4.4% during 2018. Total journeys have continued to grow with the upturn in the national economy. CIÉ is approaching the record levels of customers which was achieved in 2008 when customer patronage reached 282.1 million journeys.

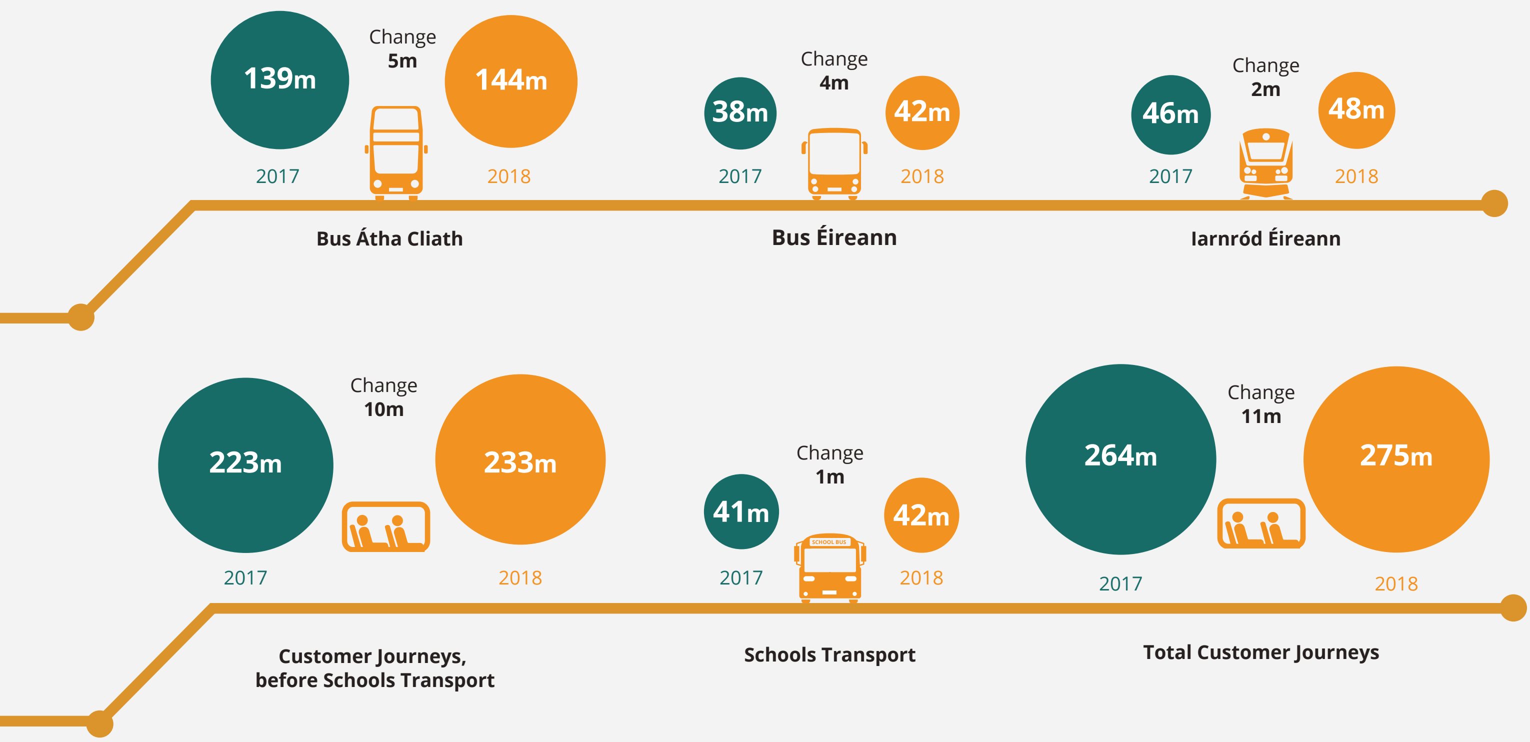
Each of the Operating Companies undertake individual initiatives to offer an enhanced customer experience to its customers including;

Bus Átha Cliath:

- Bus Átha Cliath operates a fully accessible bus fleet.
- Value for Money Campaign – Bus Átha Cliath launched a campaign during 2018 to drive awareness among the general public that using your Leap card saves you money and also advice on how customers can make these savings.
- Customer satisfaction surveys – We conducted our annual brand tracker research in June 2018. Fieldwork consisted of 50% face-to-face interviews and 50% online surveys. The overall satisfaction rate at 95% was up three points from the 2017 survey.
- Audio and Visual Announcement – All buses in the Bus Átha Cliath fleet have audio announcements. Next stop visual displays are on 99.9% of the bus fleet.

Passenger Journeys

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



Service for All

The CIÉ Group provides a range of services underpinning economic development and social cohesion:

Bus Éireann:

- During 2018, Bus Éireann completed the rollout of Leap Card to all PSO routes nationwide. Usage across all networks has continued to grow, particularly on our urban networks where over 40% of all trips now taking place using a Leap Card.
- Continued investment in Bus Stop and Bus Station accessibility improvement works in order to increase the number of services that are fully accessible.
- Bus Éireann played a significant role in supporting the NTA in the delivery of the public transport solution for the Papal visit during 2018, and were a key stakeholder on the working party group chaired by the NTA when planning and delivering transport solutions for both customers travelling into Dublin and for the Papal Mass at Knock.
- During 2018, Bus Éireann introduced 67 new buses and coaches into the fleet, delivering a significant improvement in terms of both quality and capacity to customers.
- Over 117,800 children travel on almost 7,000 dedicated school transport routes – school transport serves some 3,000 schools nationally every school day. More than 425 new school transport services were approved by the Department of Education and Skills in 2018.

Iarnród Éireann:

- Iarnród Éireann recorded its highest ever number of passenger journeys in 2018, with over 47.9 million passenger journeys made across DART, Commuter and Intercity services. This represents a 5.3% growth on the previous year.
- The introduction of more frequent DART services, as well as strong economic growth have contributed to this increase in passenger journeys. Major events such as the Pope's Visit to Ireland, a series of outdoor concerts during the summer and the busy GAA season also contributed to this passenger growth
- The Customer First programme, designed to enhance the customer experience through improved customer front end systems, continues to transform the way Iarnród Éireann interacts with, and transacts with, its customers.
- Initiatives to improve our service to customers with mobility or sensory impairments included the piloting of the DART Accessibility structure to ensure swifter assistance and reduce advised notice periods for travel.


C·I·E TOURS
International
C·I·E TOURS
International

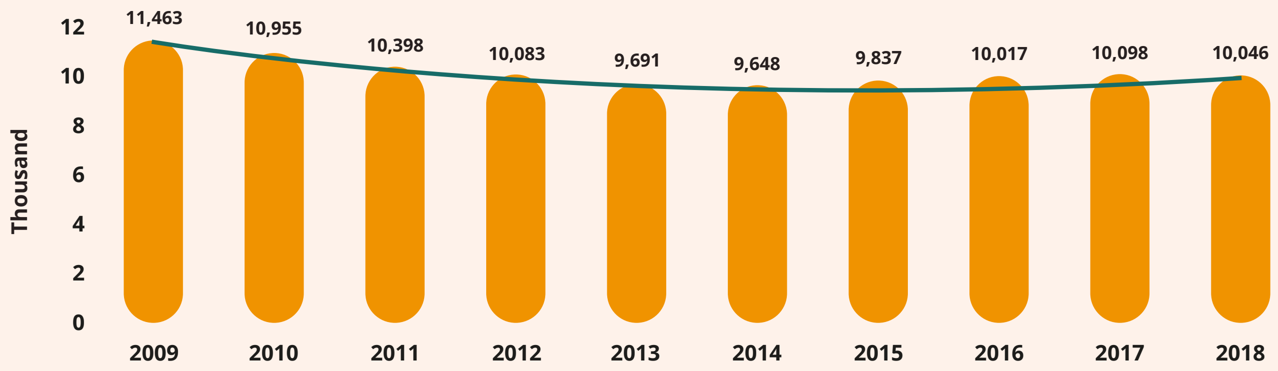

COACH HOUSE
TEACH NA gCÓISTÍ
CHESTER BEATTY LIBRARY
LEABHARLANN CHESTER BEATTY
C·I·E TOURS International
C·I·E TOURS International

Operations Review – CIÉ Group

Group Employment

The average number of people employed by the Group in 2018 was 10,046, a reduction of 52 from 2017.

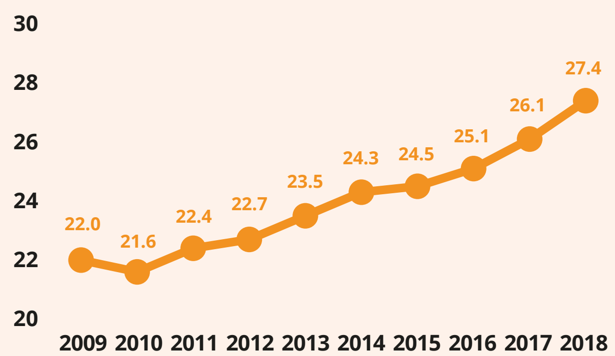
CIÉ Group Average Personnel Numbers



From 2009 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 2009 to 2014, staff numbers had reduced by 15.8% 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.

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 ('000) per employee



Customer journeys per employee reached 27,400 in 2018 , an increase of 25% over the level in 2009.

Staff Participation

The 10,000 staff who deploy our transport capabilities are the essential element in providing a reliable, safe and efficient service. 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 2018, there were four Worker Members on the CIÉ Board.

Equality and Diversity

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

Through its equality officers, the Group's operating subsidiaries 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 operates a fully low floor accessible fleet, and a fleet fully equipped with audio-visual announcements.

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 2018 was to comply with the requirements of the regulation.

Consultancy Costs

The Group procures consultancy services in relation to intellectual capital that assist in the effective decision making in complex areas where the skills are not readily available within the organisation. Below is a summary of the areas of consultancy expenditure incurred by the Group in 2018.

Consultancy Costs	€000
Maintenance and Renewals	463
Tax and Financial Advisory	446
Technology	281
Passenger Systems	250
Organisational Strategy	194
CIÉ Tours IT and Bus Development	178
Human Resources	167
Public Relations/Marketing	120
Regulatory	116
Stakeholder Engagement	111
Legal	108
Customer Charter	95
Recruitment	56
Strategy and Organisation Design	52
Talent Development	33
Industrial Relations	31
Building Design Fees	20
Business Improvement	14
Safety	12
Other	713
Total	**3,460**
*Capitalised Included Above	(382)

Operations Review (continued)

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. The CIÉ Group is compliant with the Public Spending Code that came into effect in September 2013.

Code of Practice

The Group policy is to be fully compliant with the 2016 Code of Practice for the Governance of State Bodies save for any exceptions agreed with the Department of Transport Tourism and Sport (DTTaS). The relevant exceptions relate to sensitivity in relation to personal data protection considerations for employees or commercial sensitivity.

An external evaluation of the Board and the Audit and Risk Committee is scheduled to take place in 2019 in line with the requirements of the Code. The Chairman undertook an internal evaluation of the Board in 2018.

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 subsidiaries). The revenues generated through CAN and Group Property are allocated to the operating subsidiaries to reduce the cost of operation of PSO services.

Commuter Advertising Network (CAN)

CAN advertising revenue posted another positive performance in 2018, generating further growth in revenues to €8.5 million.

CAN's revenue growth was driven by a strong performance on transit and digital advertising formats. In addition to advertising revenues, the operating subsidiaries continued to use CAN's advertising estate in many of their own marketing campaigns in 2018.

CIÉ Tours:

	2018 €m	2017 €m	Change €m
Tours revenue	123	107	16
Operating surplus	6	7	(1)

The 2018 revenue figure represents the best year in CIÉ Tours' company history. Operating profits improved in line with revenue growth, the overall surplus in 2017 however included an exceptional currency translation gain which did not recur in 2018.

The business unit generated revenues of €123 million which are up +15% over 2017 levels, slightly ahead of forecast but slightly behind on budget. The number of passengers travelling grew to 48,022 and was up +1.8% year-on-year across all land, air and insurance products.

2018 was another year of significant investment in the business's capability to drive sustainable growth into the future. As part of the business unit's five year strategy for transformational growth, the company further developed marketing initiatives, technology enhancements and product offering to support future growth.

Group Property

Rental Income for 2018 at €23.2 million, is up from €19.8 million in 2017. The growth of €3.4 million or 17%, is primarily owing to licence fees from new development agreements in respect of lands at Connolly Station, Boston Sidings near Pearse Station in Dublin and at Ceannt Station in Galway. The developments envisaged for these sites will represent significant enhancements of property adjacent to these major stations. These developments will benefit from their proximity to public transport hubs.

The Property Department are working closely with stakeholders and the Land Development Agency to bring other development opportunities forward.


Bus Éireann

Operations Review (continued)

Bus Átha Cliath:

Bus Átha Cliath saw strong growth in demand for both Public Service Obligation (PSO) and Commercial services in 2018 as the company continued to deliver efficient, reliable and safe services for our customers. Customer numbers on our PSO routes and Commercial Services grew to 143.5 million. The growth rate of 2.9% came in a year of significant change for the company and reflects strong satisfaction with services provided by Bus Átha Cliath. The company introduced a significant range of enhanced services and increased frequency of existing services, particularly on weekends, in response to continued strong demand. The profitability of both PSO and Commercial Services in 2018 has allowed Bus Átha Cliath to continue to focus on enhancing our customer experience and remain committed to meeting and exceeding customer expectations. The increase in our overall customer satisfaction ratings in 2018 underlines our continued focus on this area. This commitment to constant improvement and innovation was at the heart of key projects during 2018.

The company was pleased to introduce 141 buses to its fleet in 2018, a mix of additional capacity and replacement of older vehicles. 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 and is proud of its long tradition of serving the entire community.

The company achieved a €0.3 million surplus for the operation of PSO services and recorded a surplus of €3.4 million in respect of Commercial Services. The company remains focused on providing high quality, safe and efficient services for all customers. To enhance our value for money proposition, the company remains committed on delivering cost efficiencies across all expenditure categories.

2018 Operating Result and Financial Position

Bus Átha Cliath earned a surplus of €3.7 million in 2018 compared to a surplus of €1.0 million in 2017. This result, as set out below, shows a surplus of €0.3 million for PSO services and a surplus of €3.4 million for Commercial Services.

	2018 €m	2017 €m
PSO	0.300	0.035
Commercial Services	3.387	0.968
Total	**3.687**	**1.003**

PSO

The net cost of operating PSO services reduced from €47.4 million in 2017 to €40.8 million in 2018, a reduction of €6.6 million. Increased revenues generated through additions to service frequency and increased customers enabled the level of Exchequer support to fall. The level of PSO subvention reduced from €47.5 million in 2017 to €41.1 million in 2018, a reduction of €6.4 million. PSO services achieved a surplus of €0.3 million in 2018, after including all operating costs, compared to a breakeven position in 2017.

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. It is recognised by all stakeholders that a reasonable surplus on the PSO contract is critical if the company is to continue its progress towards financial stability which in turn will generate cash for essential investment and provide greater security around provision of transport services. The company is continuing its discussions with the NTA with regard to the overall level of surplus required on PSO services.

Commercial Services

Commercial Services continued to perform strongly in 2018 on both Airlink Services and City Tours. Commercial Services achieved a surplus of €3.4 million in 2018 building on a surplus of €1.0 million in 2017, an improvement of €2.4 million. This was achieved through a combination of revenue growth and targeted cost management. Revenue increased from €17.9 million to €20.3 million, an increase of €2.4 million. Expenditure was held at 2017 levels under a targeted cost management plan. The continuing profitability of Commercial Services is providing a basis for further growth and investment in 2019.

Total Company Revenue

Total operating revenue grew by €11.0 million or 4.4% from €251.7 million to €262.7 million in 2018. This increase in revenue is particularly encouraging during a year in which revenue was impacted by two severe weather events early in the year, the operation of an extended Luas Cross City line as well as the phased transition of 10% of PSO routes to a new operator over the period October to December. The total revenue reflects the 2.9% overall increase in customer demand which is supported by high quality PSO services and an expanded network of Commercial Services.

Total Company Operating Expenditure

Total operating costs have increased from €287.3 million in 2017 to €292.9 million in 2018, a net increase of €5.6 million. The company has incurred further costs associated with providing additional services for customers in response to increased demand arising from the recovering economy. These demand-led cost increases, and the associated revenue increases, are reflected in the financial results for 2018.

The increase in operating costs also reflects the third and final year of the 2016 pay agreement and includes a pay increase of 3.75%, implemented from 1 January 2018. 1% of this increased pay rate is funded through internal efficiencies resulting in a net payroll increase of 2.75%.

Expenditure on materials and services for the year increased by €0.3 million or 0.3% on 2017. Expenditure reductions on fuel, maintenance materials and claims were matched by increases in Integrated Ticketing System (ITS) costs and other services.

Bus Átha Cliath remains committed to the operation of profitable Public Service Contract under which high quality services are delivered in line with the contract terms. The company is also committed to developing its range of commercial services.

Bus Átha Cliath continues to serve as a strong contributor to the delivery and development of safe, reliable, customer-focused, public transport services within the Greater Dublin Area (GDA).


Bus Éireann
TS 20
ÉALÚ- EMERGENCY EXIT


bus scoile
Bus Éireann
BUS ÉIREANN - IRISH BUS
CLOCH LEATHAN, ÁTH CLIATH 7

Operations Review (continued)

Bus Éireann:

Delivering on our Strategic Goals while Creating a new Platform for Growth

In 2018, buoyed up by the continued recovery of the Irish economy and growth in employment, revenues showed a strong performance helped by significant passenger growth across all of our services. New initiatives such as enhanced city services and low fares helped to generate new patronage from the summer onwards, bringing new pressures on our capacity not seen since before the recession.

The Board and management are committed to delivering the best transport service possible, in an efficient and effective manner given the funds available. During 2018, our commitment to delivering on the requirements of our stakeholders, such as the NTA and the Department of Education and Skills (DoES) has been further strengthened by the appointment of a new management team aligned to a clear new vision of the future, which delivers service excellence, uncompromised safety standards for the customer and increased value for the State.

Throughout 2018, Bus Éireann implemented one of the most ambitious business transformation programmes ever implemented by a State company over the past thirty years. The mandate for change followed the acceptance by a majority of staff for a Labour Court Recommendation in June 2017, which provided the basis to re-build the finances of the company and re-focus our efforts and resources on delivering the critical dimensions of excellent standards for our customers who rely on the thousands of services we provide every day, throughout the country.

Financials Improving

In 2018, we achieved EBITDA of €9.75 million compared to €2.86 million in 2017.

Operating revenues also showed a significant improvement at €337.6 million compared to €309.3 million in 2017 albeit 2017 operating revenues were lower as a result of a three weeks strike.

The deficit for the year is €6.4 million after exceptional items which includes repayment of the schools reserve so when this is excluded, the company bottom line position is at break even for 2018.

The balance sheet has been strengthened by the €37 million recapitalisation of the Share Capital, which is very welcome, and brings our net assets position to €13.7 million for 2018 as compared to net liabilities of €16.9 million in 2017.

Whilst this strengthening of the balance sheet is much appreciated, nevertheless, the Board are very mindful that a series of future bottom line losses could bring us back again quickly to a net liabilities situation and the very serious financial challenges that would once again impact on the company.

The Bus Éireann Transformation Programme 2017/2019 is designed to secure a secure a sustainable future for the company. The programme involves six work streams involving cost efficiency and income generating initiatives amounting to €29.6 million with a target bottom line outcome of €3 million to €4 million in 2019. By the end of 2018, a total of €18.8 million savings were achieved. A critical aspect of the income generation programme was the agreement with the Department of Employment Affairs and Social Protection (DEASP) of the proper funding of DSP journeys on Expressway services in 2018. Resulting from the review and optimisation of driver rosters, both cost and working efficiencies were achieved from January 2018. Driver shortage and absenteeism resulted in an increase in bus hire which impacted the overall bottom line in 2018.

The 2018 profit and loss account reports receipts from PSO funding of €52.8 million in the year. This is an increase in funding of €5.1 million from 2017. This increase in year on year funding reflects an additional 24 PSO route service improvements in 2018 and the full year funding for a further 13 route service improvements introduced in 2017 including significant service enhancements on the Kells-Dublin (109/NX) corridor. The 2018 profit and loss account reports receipts for the provision of School Transport Services of €185.2 million in the year showing an increase of €11.1 million year-on-year. The rise is mainly attributed to the increase in children with special education needs availing of school transport.

Customer Service Improvements

Significant enhancements to our services were added in Waterford which facilitated the transition to the new gross cost contract awarded as part of a competitive tender under the Bus Market Opening (BMO).

Significant other enhancements were made in Cork and Galway, with a significant increase in frequencies and capacity on certain corridors within the cities to ensure we meet demand. In addition, and in recognition of the cost efficiency and service quality improvements we have made, we were very proud to be awarded a Direct Award for the next five years on PSO routes and will welcome the opportunity to tender for 5% of routes proposed in the Greater Dublin Area in 2021.

Wheelchair Accessibility

Our city and town services operated by Bus Éireann are now low floor wheelchair accessible buses and are 100% accessible. There is a designated wheelchair space on each bus and wheelchair access to the bus is by an integrated ramp. A wheelchair user has priority for use of this designated area at all times. One occupied child's buggy or pushchair may be parked in this designated area when it is not occupied by a wheelchair.

The overall percentage of wheelchair accessible vehicles within the Bus Éireann fleet will continue to grow alongside investment in new vehicles. As it currently stands, the bus fleet that operates on City and Town services is 100% wheelchair accessible, and the coach fleet that operates on Commuter and Expressway services is 78% wheelchair accessible. Overall the quantity of wheelchair accessible vehicles in the Bus Éireann service fleet is 86%.

Bus Éireann introduced 11 new coach service routes with full wheelchair accessibility and remain committed to continuing to improve accessibility for all our customers.

School Transport

The safe transport of children on-board our services is our highest priority.

Bus Éireann worked very closely with the DoES throughout 2018 to ensure that school transport services provided by Bus Éireann under the Department's School Transport Scheme continues to be delivered in a cost-effective and efficient manner on behalf of the State.

Operations Review

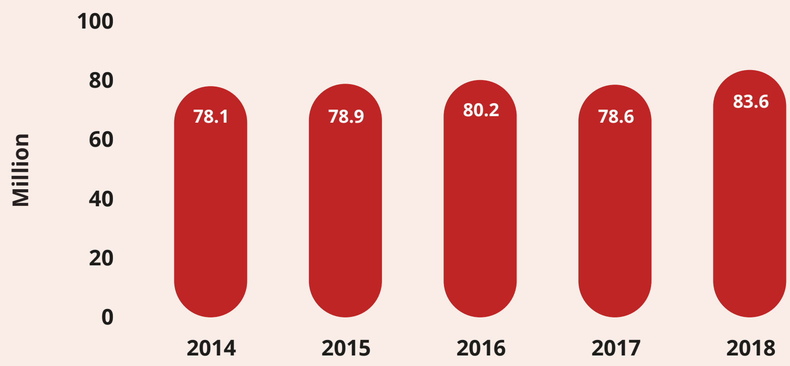
- Over 117,800 children travel to school on 7,000 dedicated school transport routes to over 3,000 schools nationally every school day.
- This includes 13,400 children with special educational needs who are provided with services that are designed to meet their individual requirements.
- School transport services provided over 41.5 million journeys in 2018.

These journeys operated safely and effectively due to the commitment of an experienced and dedicated team of school transport staff working throughout the country.

Giving back to the Community

As a service organisation it is no surprise that our people are dedicated to giving back to the community they serve. Bus Éireann continued its involvement in Green Ribbon month and "Sea Change" which is a national partnership of more than 70 organisations working together to reduce stigma and challenge discrimination associated with mental health problems. Bus Éireann also continue to be a partner with the National Dementia Awareness Campaign.

Overall Customer Journeys




CROSS THE RAILWAY BY
FOOTBRIDGE ONLY
Keep Behind


Heuston Station
22 302

Operations Review (continued)

Iarnród Éireann:

Our Safety

At Iarnród Éireann, we are committed to providing a safe environment for our passengers, employees and members of the public using our network. Our values: "Customers at the heart of our Business" and "Always Safe" are there to provide a transport service, where our employees and customers feel safe and to continuously improve working and travelling environments.

The Safety Management System provides the framework for addressing hazards and risks in the workplace and sets out the structures, responsibilities and arrangements for the effective management of health and safety. Underpinning this framework is a comprehensive range of safety policies, systems and procedures to help minimise the risk of accident or injury to employees, customers and anyone affected by the company's activities.

The welcome confirmation in Budget 2019 that steady state funding will be provided in 2019 – two years ahead of commitments under the National Development Plan – is hugely significant, and will allow us to begin to address the underfunding of the past decade.

Safety performance indicators in 2018 saw many improvements, including:

- There were 8 level crossings closed on operational lines during 2018, which reduced the risks of incidents on these lines;
- No derailments or collisions on running lines occurred;
- A reduction in lost time accidents of 9% for employees and 13% for contractors;
- 10% reduction in customer accidents, predominantly slips, trips and falls in stations; and
- Increase of 17% in the reporting of close calls.

A number of initiatives in relation to lost time accidents, platform train interface, and level crossing safety were commenced during the year, which supported these reductions. However, some challenges still remain.

The number of high risk SPADs (signals passed at danger) reduced from three to two but the number of lower risk SPADs doubled from six to 12. 2018 also saw an increase in the number of bridge strikes from 85 to 95. We are committed to continuing improvement in safety performance and will strive during 2019 to achieve improved performance in these areas.

Recertification of the Railway undertaking and reauthorisation of the Infrastructure Manager in conformity with Directive 2004/49/EC and applicable national legislation concluded successfully during the year.

Our focus remains on preventative measures with a series of initiatives detailed in the 2019 safety plan which will be actioned during the year to measure and enhance safety performance, safety culture, risk and employee health and well-being. We will continue to work with the relevant authorities to minimise the effect of anti-social behaviour on our network.

Our Finances

The overall result for the year is a net deficit of €1.1 million compared to a budgeted surplus of €6.5 million, an adverse variance of €7.6 million.

Total revenue from activities of €281.6 million for the year was €22.5 million favourable to budget with passenger revenue accounting for €15.3 million of the favourable variance. The growth in passenger revenue and journeys reflects the increased demand for rail services. 2018 saw increases in Intercity, Commuter and DART revenues.

Passenger journeys increased to an all-time high of 47.9 million in 2018, an increase of 5.3% on 2017.

Passenger revenue is €220.9 million in 2018, a 7.8% increase on €204.9 million in 2017. Revenue lost from cancelled services and lower passenger journeys during the adverse weather conditions in the first quarter of the year amounted to €1.2 million.

Infrastructure Multi Annual Contract funding received from the DTTaS was €160 million in 2018 (2017: €158.8 million). The NTA provided PSO funding of €97.8 million (2017: €114.8 million) for the operation of passenger services and capital funding of €36.8 million (2017: €32.2 million) for rolling stock heavy maintenance and other passenger related capital projects.

Cash generated for the year was €40.6 million. The favourable cash variance arises from the improved trading result, deferred PSO, additional levies received, reductions in working capital requirements together with lower own funded capital expenditure. The net assets of the company remain low at €47.4 million. The balance sheet remains vulnerable to an economic downturn or a reduction in exchequer funding.

Our Customers

In 2018, once again we achieved and exceeded our PSO punctuality targets on all routes, with Intercity, DART and Commuter at 97% levels.

Revenues and passenger numbers achieved record highs across Intercity, Commuter and DART services, growing by 7.8% to €220.9 million and 5.3% to 47.9 million journeys respectively.

The company's commercial activity continued to generate growth in key market segments.

- Marketing campaign activity and revenue management capabilities resulted in a 38% increase in online revenue to €54 million, its highest ever.
- TaxSaver revenue increased by 7% to a record €39 million due to new company registrations and growth in the existing base.
- Student promotional activity yielded another year of strong growth at 13% delivering all time high revenues of €20 million.

Iarnród Éireann's independent Customer Satisfaction monitor maintained the high overall satisfaction level at 94%, satisfaction levels also confirmed by the NTA's independent research.

Initiatives to improve our service to customers with mobility or sensory impairments included the piloting of DART Accessibility structure to ensure swifter assistance and reduce advised notice periods for travel. This will be extended to the Commuter network in early 2019, and an accessibility app will be launched.

Recruitment and training commenced for on-board Customer Service Officers, who will also enhance assistance for mobility and sensory impaired customers. These officers will be deployed to the majority of our Inter City services through 2019.

The Customer First programme, deployed in April 2017, continues to transform the way Iarnród Éireann interacts with and transacts with its customers. The new capabilities deployed include online sales, customer relationship management (CRM) and revenue management all of which contributed to the strong revenue performance and customer satisfaction achievements in the year.

Freight

In 2018, the Company's key rail freight traffics included:

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

Rail freight revenue, including Navigator Freight Forwarding, decreased from €8.0 million to €7.5 million, with total tonne kilometres decreasing from 100.3 million to 88.6 million, primarily due to the cessation of the DFDS container traffic to Waterford Port, and lower production volumes at Tara mines.

Freight is currently engaging with a number of parties regarding emerging rail freight opportunities within the Bulk and Container market and will focus on the commercial, environmental and wider economic value that rail freight offers within these markets.

The Iarnród Éireann Freight Navigator business, which specialises in the collection and distribution of automotive car parts, had another good performance in 2018. Navigator also performed amongst the best in Europe in this sector with 99.6% of all deliveries arriving on time throughout the island of Ireland.

Rosslare Europort

Rosslare Europort is the fourth largest port in Ireland in terms of overall tonnage handled, and the State's second largest Ro-Ro traffic and passenger port. The port is operated as a division of Iarnród Éireann, who are the Port Authority for Rosslare Europort. Revenue in 2018 for Rosslare Europort was €10.6 million

Following a strategic review of Rosslare Europort, Iarnród Éireann is committed to invest significantly in the development of the port over the next 10 years. Iarnród Éireann has identified opportunities for the port to make better use of available capacity, improve efficiencies and target specific sectors while promoting the benefits of congestion free access to both European and United Kingdom markets. A €25 million investment plan is proposed over five years to grow business and enhance port facilities. We are working with stakeholders to ensure the port is equipped to address opportunities and challenges arising from Brexit, with the port's capacity and strategic location crucial in a post-Brexit environment.

Operations Review (continued)

Our Network

Sources of income for the Infrastructure Manager business for 2018 were; the Multi Annual Contract (MAC) funding from the DTTaS and track access charges from all Railway Undertakings that operated on our network which includes all passenger and freight services. The total funding for 2018 was €248.0 million and all forecast outputs were delivered. Some of the benefits of this work were realised by journey time improvements, achievement of passenger services performance targets and the introduction of a more frequent DART service from 9 December 2018.

Progress during 2018

Safety Authorisation: In March 2018 the Infrastructure Manager successfully renewed its Safety Authorisation for a further four years.

Ballast Cleaning: A further 22.7 miles of track formation was renewed in 2018 during the 4th year of this programme bringing the total completed to date to 92.7 miles. This has contributed greatly to improved passenger service reliability and journey time improvements on the Cork line.

Resignalling Works: Over the Easter weekend 2018 signalling upgrade works at Kilkenny were completed and commissioned, which removed an obsolescence issue and provide for increased reliability on the Waterford line.

Construction Works: Work commenced in Q3 2018 on the construction of a new second platform at Limerick Junction, which is scheduled to be brought into service in Q3 2019, delivering major journey time improvements to Cork, Limerick and Tralee services. A major underbridge was installed over the Easter weekend 2018 to facilitate the construction of the new Sallins bypass dual carriageway.

Development: In conjunction with Waterford City and County Council an application was made to the Urban Development Regeneration Fund (UDRF), which if approved will result in a new station being constructed as part of an integrated transport hub for Waterford City.

Work commenced on the replacement of Pearse Station Roof in Q3 of 2018. The roof structure, which dates from the 1880s, is in poor condition, and protective mesh netting has been in place in the station below roof level in recent years to protect customers and rail services, due to the corrosion which has occurred. Its replacement has been identified by Iarnród Éireann as a crucial safety project. The construction process is challenging due to the fact that the Station must remain open for the majority of the works and that adjacent residents are impacted by night time works.

Multi Annual Contract (MAC): In conjunction with the DTTaS the development of the new MAC 2019–2024 was substantially completed, which sets the funding levels and work programmes for the next five years.


HOTEL
ROYAL MARINE HOTEL
CIE TOURS International

Environment and CIÉ Review

Carbon Emissions

CIÉ continues to promote the use of sustainable public transport through its operating subsidiaries. Carbon emission per person kilometre are 80% lower on public transport relative to the private car. As Ireland continues to have one of the highest usage of private motor cars within Europe, the potential to reduce our carbon emissions through switching to public transport is significant.

Overview of Energy Usage by the Group in 2018

The Group energy consumption includes:

- Diesel oil for the running of the Bus Átha Cliath, Bus Éireann bus fleets, the Iarnród Éireann Intercity rail cars and 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; and
- Natural gas and heating oil for space heating of offices and workshops.

The profile of use for 2018/2017 is set out in the table below

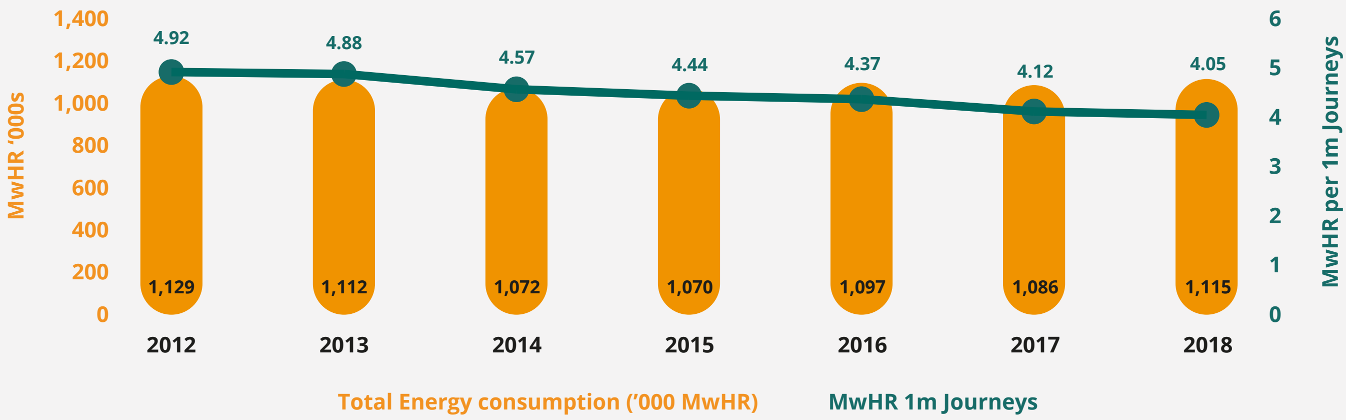
	MWhr 2018	MWhr 2017
Diesel oil for traction	1,015,786	989,761
Electricity for traction	26,222	25,240
Electricity for other	46,672	47,539
Gas	26,275	22,778
Heating oil	–	447
Total Energy consumption	**1,114,955**	**1,085,765**

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 2018 and planned for 2019 include:

Energy Consumption v Customer Journeys



Bus Átha Cliath

Bus Átha Cliath is Dublin's largest public transport provider (over 60% of all public transport trips taken into Dublin city centre are by bus). As the principal bus operator of urban buses in Dublin, Bus Átha Cliath covered 120 routes and 57.1 million kilometres in 2018. Bus Átha Cliath offer a more sustainable travel option than private car use by offering a number of key benefits:

Actions Undertaken in 2018

In 2018, Bus Átha Cliath undertook a range of initiatives to improve energy performance, including:

- Delivery of 141 new buses which are fitted with Euro 6 standard engines – a smaller and more efficient engine combined with lighter chassis providing reduced fuel consumption.
- Continued Vigil Vanguard training for drivers.
- Training on Eco-driving techniques through Driver Certificate of Professional Competence (CPC).
- Continued replacement-on-failure of internal and external light fittings with LED variants.
- Installation of fuel management systems at all depots across the city and on the complete (over 1000) vehicle fleet.
- Enhanced energy monitoring and energy capacity rationalisation.
- Energy Performance Officer

Actions Planned for 2019

In 2019, Bus Átha Cliath intends to further improve energy performance by undertaking the following initiatives:

- Continued fleet renewal utilising buses fitted with Euro 6 standard engines. The new vehicles will replace less efficient older vehicles;
- Commence the trial of nine hybrid diesel electric buses with regenerative braking for improved fuel consumption;
- Trials of eco-driving technology for the fleet using on-board telematics;
- Utilisation of data from the fuel management system in each depot to monitor and control fuel usage;
- Continuing LED lighting retrofits;
- Implementation of ISO 50001 – Energy Management System; and
- Continued identification of further energy saving opportunities throughout the company through our Energy Management System (EMS).

Bus Átha Cliath will continue to identify further energy saving opportunities through its local energy management teams.

Bus Éireann

Energy Targets Achieved in 2018

During 2018, Bus Éireann implemented the following in order to reduce the Company's energy consumption:

- Drivers are trained in Eco driving techniques which raises awareness of environmental obligations.
- The DTTaS invited Bus Éireann, Bus Átha Cliath and NTA to participate in planning and supporting the Department's proposed Alternative Fuel Trials. The trials are intended to inform future policy decisions on sustainable low/zero emissions drivetrain technologies in public transport bus operations.
- The range of technologies involved in the trials include a number of full electric, hybrid electric, CNG and Hydrogen Fuel Cell single and double deck buses tested against existing low emission diesel technologies.
- A contract was signed with an energy efficiency advisor participating in the Government's efficiency scheme. This will allow added focus, at no cost, to be given in 2019 to improving our energy management systems and to achieving energy reduction targets.
- The roll-out of the telematics system on our fleet was facilitated, with the finalisation of a contract with the chosen supplier in 2018. The system enables improved driver awareness of driving performance, as it impacts on fuel consumption and passenger safety.
- A member of the senior leadership team was designated as Bus Éireann's Energy Performance Officer (EPO). In line with the Public Sector Energy Efficiency Strategy, this manager is accountable for energy management and performance.
- Bus Éireann participated in a large-scale alternative fuel trial in quarter four 2018, under the direction of the DTTaS. The trial used Bus Éireann facilities at Broadstone in Dublin and Capwell in Cork. The initiative involves monitoring the efficiency and emissions performance of six different vehicle types and will continue into 2019, with the objective of informing Government policy on public transport fleet investment.
- 43% of the Bus Éireann fleet is now at the cleaner Euro 6 engine emissions standard. This will increase further in 2019 with the planned delivery of new fleet.

Environment and CIÉ Review (continued)

Iarnród Éireann

Note 1: Traction Diesel

Diesel consumption rose by 1.6% while passenger kilometres for diesel services rose by 8% on the 2017 figure in line with an overall 8% increase across all services. This improved the efficiency measured by Energy use MWh per 10,000 passenger kilometres.

There was an increase in train kilometres of 1.3%, resulting from an increase in scheduled services to meet ever-increasing demand. Iarnród Éireann are retro-fitting "telematics" to older rolling stock which will increase the accuracy of the data, as we will have online data of distance travelled and fuel consumption.

Efficiency as measured by Energy use MWh per 100 Train km decreased by 0.2%.

DMU in-service train kilometres increased by 3% due to the introduction of the following additional services, effective from December 2018:

- Half hourly off-peak Maynooth Commuter services all week;
- Six extra Drogheda – Dublin services Mon-Fri;
- Increase from two-hourly to hourly Drogheda – Dublin services on Sunday;
- Off-peak hourly service Mon-Fri on Phoenix Park Tunnel;
- Additional cruise specials in Cork (from June 2018);
- Increases of in-service kilometres were partially offset by rationalising the "links" operated to reduce empty train movements. For example, a DMU (Diesel Multiple Unit) set is now stabled overnight at Gorey, eliminating the evening empty run back to Drogheda and the morning empty run to Gorey;
- Locomotives provide traction for Dublin – Cork and Dublin Belfast passenger services, for freight, and for engineering trains;
- The use of Locomotive on Dublin – Cork was increased to free up DMUs for the new services mentioned above;
- Locomotive use in Freight decreased by 11% because of reductions in demand for freight transport; and
- Locomotive power is also provided for infrastructure works and in 2018, major track works on the Dublin-Cork line increased the consumption of diesel.

Note 2

There was an increase of 6.3% on the 2018 annual figure in Dart train kilometres due to the introduction of a more frequent timetable from September 2018, with a corresponding increase in the consumption of energy of 3.9%. The full effects will be seen in 2019.

Passenger kilometres on the DART rose by a further 4.3% in 2018.

Note 3

Road fuel usage has shown a decrease of 1.1%. This is primarily due to fleet replacement with more efficient vehicles and the limited introduction of telematics.

Note 4

Electricity consumption, for fixed assets (buildings, signalling system, telecoms system) increased by 0.6% in 2018. The number of supply (metering) points increased from 610 to 618

There are continuing programmes to reduce consumption of heating and lighting and other services.

In parallel with this, there are increases in consumption due to increasing automation – Train ticket vending machines, Train Radio, Automatic Level Crossings and increased activity.

Note 5

Gas usage has shown an increase of 5% on 2017. This was primarily caused by the unseasonal harsh weather conditions in March 2018 and a predicted "bounce" in demand as reduction programmes bedded in.

Note 6

The overall use of energy has increased by 1.8%: this is split 83% Traction Diesel; 12% Traction Electricity; and 5% gas.

Note 7

There was an increase in passenger kilometres of 7.5% compared to an increase in overall energy use of 1.6%. This led to an improvement in efficiency, with specific consumption reducing from 61% to 58% of the baseline.

Note 8

There was an increase in train kilometres of 1.3%, compared to an increase in overall energy use of 1.6%, leading to a decrease in efficiency of 0.2%. It should be noted that this provided an increase in services and passengers carried, and it includes the capacity to carry even more passengers in 2019.

Note 9

The cost of energy increased for Gas (3%) and Electricity (11%) but remained static for Diesel.

Diesel purchases are hedged forward so the prices reflect the hedged price, not the "Prompt price".

Actions Undertaken in 2018 and Planned for 2019

In 2018 Iarnród Éireann continued its work on several levels:

Diesel Fuel for Traction

- Envirox Fuel Additive (to reduce fuel consumption and keeps DP filters clean in diesel engines).
- Completed installation of an automated fuel loading system (Accuload) at Alexandra Road Depot. This project is being partially funded by the Energy Credits Scheme.
- Completed installation of additive dosing system at Alexandra Road for the purposes of treating the entire Iarnród Éireann fleet; this project is being partially funded by the Energy Credits Scheme.
- Data analysis from Cork Depot trial is indicating potential savings in the region of 6% and treatment of the full fleet is scheduled for March 2019.

Diesel Multiple Unit Gearbox (Intercity Railcars) – Replacement.

- Fit-out of a 3 x carriage 22000 train was completed in 2018 and a bench test indicated savings of >20% on this fleet.
- This trial also facilitates conversion to a hybrid vehicle in the near future (details opposite).

Iarnród Éireann: Hybrid Drive for Inter City Railcar Fleet

- The Diesel/Electric Hybrid will deliver electric only running in urban areas and lead to reductions in fuel and emissions.
- €15 million of government funding (Climate Action Fund) has been approved for the design and testing of new hybrid power-packs for intercity railcars to reduce diesel use and greenhouse gas emissions. Following the proof of concept in one three-car train, the hybrid power-packs will be implemented across the wider fleet during ongoing Heavy Maintaince Programme.

Locomotive Engine – Replacement.

- A project to replace the 20 year old 2-stroke engines with smaller modern efficient engines, with automatic shutdown was undertaken in 2018 but the results did not provide a viable business case. This project has been abandoned.

Train Position Monitoring System

- A remote monitoring and reporting system is currently in operation on the locomotive fleet, and most of the commuter DMU fleet.
- This is enabling the accurate measurement of distance travelled in a real time system and this is enabling the transition of train exams from time-based to distance-based, which will lead to economies.
- This project is ongoing and is being partially funded by the Energy Credits Scheme.

Train Fuel Monitoring System

- A remote monitoring and reporting system is currently in operation on the 201 fleet to measure fuel tank level which will allow reporting on train fuel consumption efficiency.


NIGHTCRAWLER
OCT 31

Members of the Board

The names of the persons who were Board Members at any time during the year ended 31 December 2018 are set out below. Except where indicated they served as Board Members from 1 January 2018 up to the date of approval of these financial statements.

Fiona Ross	*Non-executive Chairman (Appointed 26 June 2018)*
Frank Allen	
Ultan Courtney	
Denise Guinan*	*(Appointed 25 July 2018)*
Stephen Hannan*	
John Moloney*	*(Retired 31 May 2018)*
Christine Moran	*(Retired 6 July 2018)*
Aidan Murphy	
Tom O'Connor*	
Ruairi O'Flynn	*(Retired 23 July 2018)*
Liam O'Rourke	*(Appointed 4 September 2018)*
Niamh Walsh	*(Deceased 22 July 2018)*
Tommy Wynne*	

** Worker Member*

Secretary of the Board

Geraldine Finucane
Heuston Station
Dublin 8

Telephone + 353 1 703 2008

Board Committees

Audit and Risk Committee

Christine Moran	*Chairman (Retired 6 July 2018)*
Patricia Golden	*Chairman (Appointed 20 August 2018 Retired 12 February 2019)*
Liam O'Rourke	*Chairman (Appointed 13 February 2019)*
Brendan Lenihan	*(Appointed 20 August 2018)*
Aebhric McGibney	*(Appointed 20 August 2018)*
Niamh Walsh	*(Deceased 22 July 2018)*

Board Remuneration Committee

(Wound up on 12 December 2018 and responsibilities transferred to the CIÉ Board Strategy Committee)

Niamh Walsh	*Chairman (Deceased 22 July 2018)*
Frank Allen	
Ultan Courtney	
Aidan Murphy	
Fiona Ross	*(Appointed 4 July 2018)*

Board Strategy Committee

Ruairi O'Flynn	*Chairman (Retired 23 July 2018)*
Frank Allen	
Ultan Courtney	
Aidan Murphy	
Fiona Ross	*(Appointed 4 July 2018)*

Group Management

Ray Coyne	*Chief Executive, Bus Átha Cliath,*
David Franks	*Chief Executive, Iarnród Éireann (Retired 28 February 2018)*
Ronan Gill	*Acting Chief Operating Officer, CIÉ*
Ray Hernan	*Chief Executive, Bus Éireann (Appointed 1 January 2018, Retired 31 August 2018)*
Stephen Kent	*Chief Executive, Bus Éireann (Appointed 1 November 2018)*
Jim Meade	*Chief Executive, Iarnród Éireann (Appointed 1 March 2018)*
Lorcan O'Connor	*Chief Executive, CIÉ (Appointed 11 March 2019)*

Auditors

Deloitte Ireland LLP
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 Iompair Éireann

Fiona Ross *Non-executive Chairman*

Fiona Ross was appointed to the Board as Non-executive Chairman in June 2018. She is an exceptionally experienced public and private sector Chairman and Non-executive Director, having served on 17 boards in Ireland and the UK over the past six years. She focuses on governance, ethics, digital transformation and digital governance. In 2018, she was appointed by the Irish Government to chair Córas Iompair Éireann (CIÉ), Ireland's public transport provider.

Fiona began her career as a stockbroker in the City of London and spent 25 years working in all areas within capital markets in Dublin, London, Eastern Europe and the United States. Fiona has specific expertise in debt and equity funding and stock exchange listings.

In 2010, Fiona was appointed by the Minister for Arts to run Ireland's National Library, the NLI, where she successfully served two terms as Director/Chief Executive Officer. Subsequently, Fiona continued her interest in the arts, joined the Heaney Family as a Non-executive Director to help establish the Heaney literary estate and was the founding director of EPIC, The Irish Emigration Museum. Fiona currently chairs Mental Health Ireland.

Fiona is a graduate of Trinity College Dublin, University College Dublin, Queen's University Belfast and the Institute of Art and Design (IADT), where in 2017 she completed an MSc in Cyber Psychology. In 2012, Fiona was awarded a fellowship in Governance at George Washington University in the United States. Fiona is a member of the CIE Strategy Committee.

Frank Allen

Frank Allen was appointed to the Board of CIÉ in September 2017. He is an independent financial consultant, advising on infrastructure investment and operations, mostly in developing and transition economies. He was Chief Executive of the Railway Procurement Agency (RPA) from 2002 to 2012. In this period, the RPA had responsibility for building the Red and Green lines of the Luas light rail system and for extending them to the Docklands, Cherrywood and Citywest. Frank is a graduate of University College Cork and the Massachusetts Institute of Technology. He previously worked for the World Bank in Washington DC, arranging finance for infrastructure development in developing countries and in Eastern Europe and he was Head of Infrastructure Finance for KBC Bank in Ireland. He is Chairman of Depaul Ireland, which provides accommodation and other support to homeless people. Frank is a member of the CIE Strategy Committee

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. Ultan is a member of the CIE Strategy Committee

Denise Guinan

Denise Guinan was appointed to the Board of CIÉ in July 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. She joined the clerical grade in Bus Átha Cliath in 1989 and works in Ringsend Bus Garage. She is a member of the Transport and Salaried Staff Association.

Stephen Hannan

Stephen Hannan was appointed to the Board in December 2017 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 SIPTU and has held a wide variety of positions within the trade union for almost 30 years: President of the Bus Drivers Committee; Vice-Chairman of the Transport Sector Committee; the Divisional Committee, Depot Representative to name but a few.

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 worked in Capwell Garage in Cork as a bus driver. He is a member of the National Bus and Rail Union. He retired from the Board on 31 May 2018.

Christine Moran

Christine Moran was appointed to the Board of CIÉ in July 2015. She was a previous executive director of KBC Bank Ireland where she held several senior leadership roles and had extensive experience in the areas of credit, finance and risk management. She was a member and Chairman of the CIÉ Board Audit and Risk Committee.

Aidan Murphy

Aidan Murphy was first appointed to the Board of Bus Éireann in April 2013 and its Chairman in July 2014. He was also appointed to the Board of CIÉ in July 2014.

Aidan has extensive experience as a supply chain professional having held positions as CEO Pulse Logistics, Managing Director Supply at C&C Group, General Manager Wincanton Ireland and Logistics Director at 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 and is a Non-executive Director of M&M Walshe Group.

Aidan is a member of the CIÉ Board Strategy Committee.

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 Dublin. He participated in the 2015 International Directors Programme at Insead Business School. He retired from the Board on 23 July 2018.

Liam O'Rourke

Liam O'Rourke was appointed to the Board of CIÉ on 4 September 2018. He is a Fellow of the Institute of Certified Public Accountants in Ireland (FCPA). He has held senior executive positions with US multinational manufacturing companies for over 30 years and has extensive experience in finance, HR and ICT. He was previously the Finance Director/Controller of Champion Spark Plug Company and is currently the Internal Auditor with the Irish Wheelchair Association. Liam is the Chair of the CIE Audit and Risk Committee.

Niamh Walsh

Niamh Walsh was appointed to the Board in July 2015. She had 25 years' investment banking experience gained in London, Hong Kong and Dublin. Niamh's roles included Chief Risk Officer for J.P. Morgan Bank Dublin plc and Joint CEO for Bear Stearns Bank plc. She was a member of the Chartered Institute of Management Accountants and the Chartered Institute of Secretaries and Administrators. Niamh was a member of the CIÉ Audit and Risk Committee and Chairman of the CIÉ Board Remuneration Committee. Niamh sadly died on 22nd July 2018.

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. Tommy holds a Higher Diploma in International Railway Operations from Glasgow Caledonia University. He is currently President of the SIPTU TEAC Division and Chairman of the Transport Sector in SIPTU.

Corporate Governance Statement

The Board

The Board is comprised of up to twelve Members appointed by the Government. There are three Board vacancies at present. The Board includes four Worker Members, who are appointed by the Government for a four-year term, following an election by the staff of the Group.

The Board meets at least seven times a year and on other occasions as necessary. It has a formal schedule of matters specifically reserved for its decision including the approval of the annual financial statements, budgets, the corporate plan, significant acquisitions and disposals, investments, senior management appointments and major Group policies. The Group has a comprehensive process for reporting management information to the Board on a regular basis. The Board reviews performance against Budget and Forecast on a periodic basis.

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

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise of an Audit and Risk Committee (see below), a Remuneration Committee and a Strategy Committee. Following a restructuring of the committees, the Remuneration Committee was wound up on 12 December 2018 and its responsibilities transferred to the Strategy Committee.

Senior Management Team

The Senior Management Team of the CIÉ Entity (the Entity) is responsible for the day-to-day management of the Entity's activities as delegated by the Board. The Senior Management Team is governed by an organisation structure designed to suit the needs of the organisation in areas including; Finance, Audit, Company Secretarial, Property, Human Resources, IT, Pensions, Investigations and Claims and Legal. The Entity is also responsible for co-ordinating the activities from a reporting and governance perspective in relation to the CIÉ Group of companies.

Audit and Risk Committee ("ARC")

The ARC has written Terms of Reference and is currently composed of a Non-executive Board Member who is the Committee's Chairman and two Committee members who are not Members of the CIÉ Board. The Committee met five times in 2018.

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 Ireland LLP, were appointed following a competitive tender process. The ARC recommended to the Board that they be formally reappointed in respect of the year ended 31 December 2018. There were no contractual commitments that acted to restrict the ARC in making this recommendation. In addition to the audit services provided by Deloitte Ireland LLP, following their appointment, the firm also provided non-audit professional services to the Group in 2018 valued at €335,000. 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 auditors' 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. The ARC reviews the system of internal controls and makes recommendations in relation to the controls activities in accordance with the Code of Practice for the Governance of State Bodies 2016.

Corporate Governance Statement (continued)

Board Remuneration Committee (BRC)

The BRC was wound up on 12 December 2018 and its responsibilities transferred to the CIÉ Board Strategy Committee.

The BRC had written Terms of Reference and was composed of an independent Chairman, the Chairman of CIÉ and the Chairmen of the three subsidiary companies (all five of whom being Members of the CIÉ Board). The Committee met four times in 2018.

Among the main duties of the Committee were:

- to ensure implementation of Government policy and Guidelines in relation to the total remuneration and in relation to other provisions for superannuation and termination benefits of the Group Chief Operating Officer of CIÉ and the Chief Executives of the subsidiary companies;
- to ensure implementation of Government policy with regard to the remuneration of Board Members;
- to determine and implement performance criteria against which the performance of the Group Chief Operating Officer was measured, which were consistent with the corporate plans produced by the Board and which reflected the shareholder's objectives and strategic mandate;
- to review and ensure that performance criteria against which the performance of the Chief Executives of the subsidiary companies was measured were consistent with the corporate plans produced by the Board and which reflected the shareholder's objectives and strategic mandate; and
- to ensure a co-ordinated approach to succession planning across the CIÉ Group.

Board Strategy Committee

The Board Strategy Committee has a written terms of reference and is comprised of four members (the three Chairmen of the subsidiary companies and the Chairman of CIÉ). The Strategy Committee met seven times in 2018. Among the main duties of the Committee undertaken during the year were as follows:

- to coordinate the strategic planning process across all companies in the CIÉ Group, and in relationship with key stakeholders in NTA, Department of Transport, Tourism and Sport and New Era;
- to consider the CIÉ Group implications of the strategic plan proposals of the Operating Companies;
- to consider the objectives of, and implementation plans for, the CIÉ Group Strategy;
- to review, keep under review and propose, as necessary for adoption by the Board, revisions to the Board's policy on the acquisition, disposal and development of the Group's property portfolio having regard to the Group's current and future operational requirements;
- to consider the financing implications of business strategy of all companies in the CIÉ Group in the context of both Public Service Obligations and commercial operations, and both current operations and long-term investment;
- to provide oversight to the coordination of the actions required across all companies in the CIÉ Group in respect of addressing the mismatch between obligations and assets in the pension schemes; and
- to review the pension funds' investment strategy in the context of the Group's pension funding objectives and subsequent performance of the pension funds' investment managers.

Statement on Internal Control

Scope of Responsibility

The subsidiaries of CIÉ Group (the Group) have each prepared a Statement of Internal Control that has been approved by their individual boards. In addition, the CIÉ Entity (the Entity) has prepared a Statement of Internal Control. The following statement relates specifically to the Entity and has been approved by the CIÉ Board.

The Entity acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies 2016. This statement has been reviewed by the Audit and Risk Committee (ARC) and the Board to ensure it accurately reflects the control system in operation during the reporting period. This statement has also been reviewed by the external auditors to ensure that it is consistent with the information of which they are aware from their audit of the financial statements.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform and the Department of Finance has been in place in the Entity for the year ended 31 December 2018 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Entity has an ARC. The Charter and Terms of Reference of the ARC provides for up to three Board Members to be appointed to the Committee, one of whom is the Chairman of the committee. In the event that the CIÉ Board composition is such that it does not support the membership requirements set out above, the Board may appoint a Committee Chairman and Committee members who are not Members of the CIÉ Board. The Committee is currently composed of a Non-executive Board Member who is the Committee's Chairman and two Committee members who are not Members of the CIÉ Board. The ARC met five times in 2018.

The Entity has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC.

The Entity has developed a risk management policy which delegates responsibility for risk management to the Chief Financial Officer (or suitable management alternative), and they in turn set out a reporting structure, and appoint appropriate personnel, as detailed in the Risk Management Framework. The Board of the Entity has responsibility for and approves the Risk Management Framework, tailored to address their specific strategic objectives, and to manage their specific risk exposures efficiently and effectively, within the context of the policy.

The policy is to ensure that appropriate procedures are in place within the Entity to identify, assess and manage the key risks facing all areas of the business. The key risks are those that can damage its reputation, operational and or financial capability or cause hazards or prevent it from achieving its objectives in a risk averse manner.

Corporate Governance Statement (continued)

Risk and Control Framework

Risk assurance is provided by way of the three lines of defence. The key differentiating factor between the three lines of defence are their levels of independence from the Entity's operational activities and from the Entity itself.

The three lines of defence governance model distinguishes between risk resources, supervision and oversight as follows:

- Risk Ownership, i.e. functions owning and managing risks as part of their day to day activities (first line of defence);
- Risk Supervision, i.e. functions overseeing risks and providing robust challenge to the management teams (second line of defence); and
- Risk Oversight, i.e. functions providing independent assurance (third line of defence).

Risk Ownership is aligned with business ownership. As the heads of the departments are responsible for achieving business objectives, they are ultimately responsible, as risk owners, for identifying and managing risks associated with their areas of responsibility. They exercise this responsibility by ensuring that risk identification is fully incorporated into the day-to-day activities of those working within their departments.

Newly identified risks are assigned to a risk owner, that is, head of the department. This individual may delegate the management of the risk to a Risk Manager who will be responsible for the further analysis, evaluation and treatment of the risk in question.

The Entity has implemented a risk management system via an auditable risk software system, OpRiskControl, which has been designed to ensure that Risk Owners and other department resources, adopt a consistent, robust approach at every stage of the risk management process, from risk identification through to escalation. In accordance with ISO 31000, it is policy that risks be defined at a level that can be managed, that is, they are sufficiently articulated so that the possible extent and likelihood of the event can be appraised and mitigating actions put in place.

Risks are evaluated by the responsible Risk Owner using Risk Criteria Tables which have been developed so that risks which are outside of the Entity's Risk Appetite, are assigned the appropriate Risk Rating, and are escalated to the appropriate level of oversight.

Ongoing Monitoring and Review

All newly identified risks and Principal Risks and decisions and details of any emerging risks are subject to peer review by the Entity Executive Team.

Periodic reports will incorporate the following as standard:

- Principal Risks;
- Changes in Principal Risk;
- Newly Identified Risks;
- Emerging Risks;
- Overview of Entity Risk Universe; and
- Risks in breach of risk appetite and mitigating actions

A report of all Entity Risks, status as against Risk Appetite and performance as against KPI's is thereafter escalated to the ARC, quarterly, with supporting Risk Detail Reports.

In addition to the above, all Top Group Principal Risks and Emerging Risks are escalated to the CIÉ Executive Board for assessment by the CIÉ Executive Board on a Group-wide basis. A report of Top Group Principal Risks, status as against Risk Appetite and performance as against KPI's with supporting Risk Detail Reports is escalated to each sitting of the ARC and to the CIÉ Board quarterly.

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. The Entity confirms that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies;

- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned; and
- There are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

The Entity confirms it has procedures in place to ensure compliance with current procurement rules and guidelines. CIÉ previously advised the DTTaS that it is applying a threshold of €50,000 for procurement non compliances due to the volume of purchases within the CIÉ Group and the additional cost of supplying information at the lower limit Matters arising regarding controls over procurement are highlighted below.

CIÉ procures its insurances from Insurance Underwriters, with the support of an Insurance Broker. Insurance Broking services are procured under a public procurement compliant procedure. In 2011, CIÉ established a qualification system, which is an approved public procurement process for enabling the insurance broker to engage with insurance underwriters who have been qualified and admitted to the qualification system. This qualification system was not renewed, as required, in 2014. The qualification system was re-established in Q4 2018, from that date the procurement of insurances has been compliant. The annual value of insurances underwritten is €3.6 million.

Review of Effectiveness

The Code of Practice for the Governance of State Bodies 2016 published by the Department of Public Expenditure and Reform requires an external review of effectiveness of risk management framework of each State Body be completed "on a periodic basis". Mazars were engaged to perform a review of the Entity's Risk Management Framework in May 2017.

The Entity was found to be compliant with the Code.

Furthermore, the Entity confirms that it has procedures to monitor the effectiveness of its risk management and control procedures. The Entity's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the ARC, which oversees their work, and the senior management within the Entity responsible for the development and maintenance of the internal financial control framework.

The Entity confirms that the Board conducted an annual review of the effectiveness of the internal controls for 2018 in accordance with the Code of Practice for the Governance of State Bodies 2016.

Internal Control Issues

No material weaknesses in internal control, material losses or frauds were identified in relation to 2018 that require disclosure in the financial statements. While no weaknesses in internal controls that represent a material impact on the financial statements for 2018 or subsequent years were identified in the current year, the Board and Management remain vigilant against control weaknesses and welcome feedback through internal audit, external audit and other areas of ongoing monitoring and review on recommendations and suggestions to enhance the system of control within the Entity. The Entity follow up on all such reports and implement actions to the recommendations in a prompt manner.

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.

Corporate Governance Statement (continued)

Attendance at Board/Committee Meetings

Listed below is Board Members' attendance at Board/Committee meetings held during 2018.

Board Member	CIÉ Board	Audit and Risk Committee	Remuneration Committee	Strategy Committee
Fiona Ross	4/4		2/2	4/4
Frank Allen	7/7		4/4	7/7
Ultan Courtney	7/7		4/4	7/7
Denise Guinan	3/3			
Stephen Hannan	6/7			
John Moloney	1/2			
Christine Moran	5/5	2/2		
Aidan Murphy	7/7		2/3	6/7
Tom O'Connor	6/7			
Ruairi O'Flynn	3/4			3/4
Liam O'Rourke	2/3			
Niamh Walsh	3/4	2/2	2/2	
Tommy Wynne	6/7			

Listed below is Committee Members' attendance at Committee meetings held during 2018.

Committee Member	CIÉ Board	Audit and Risk Committee	Remuneration Committee	Strategy Committee
Patricia Golden *Non-Board Member*		3/3		
Brendan Lenihan *Non-Board Member*		3/3		
Aebhric McGibney *Non-Board Member*		3/3		

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

Fiona Ross
Chairman

Liam O'Rourke
Board Member

3rd April 2019

Statement of Board's Responsibilities

The Board Members are responsible for preparing the Annual Report and the financial statements of the CIÉ Entity (the Entity) 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, issued by the Financial Reporting Council ("relevant financial reporting framework").

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 the Entity 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 the Entity and the Group;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Entity and the Group to be determined with reasonable accuracy; and
- enable the Board Members to ensure that the Entity 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

Fiona Ross
Chairman

Liam O'Rourke
Board Member

3rd April 2019

Independent Auditors' Report

to the Minister for Transport, Tourism and Sport
in Respect of Córas Iompair Éireann

Report on the Audit of the Financial Statements

Opinion on the Financial Statements of Córas Iompair Éireann

In our opinion the CIÉ Group (the Group) and the CIÉ Entity (the Entity) financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Entity as at 31 December 2018 and of the loss of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework.

The financial statements we have audited comprise:

The Group financial statements

- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related Notes 1 to 32, including a summary of significant accounting policies as set out in Note 1.

The Entity financial statements:

- the Balance Sheet;
- the Statement of Changes in Equity;
- the related Notes 1 to 32, including a summary of significant accounting policies as set out in Note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Transport Act 1950 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("the relevant financial reporting framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Members use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Entity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Members are responsible for the other information. The other information comprises the information included in the CIÉ Group Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Board Members

As explained more fully in the Statement of Board Responsibilities, the Board Members 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, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group and the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Group and the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members.

Independent Auditors' Report (continued)

- Conclude on the appropriateness of the Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Entity or where relevant, the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the (consolidated) financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Minister for Transport, Tourism and Sport in accordance with Section 34 (2)(a) 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 auditor's 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 entity and The Minister, for our audit work, for this report, or for the opinions we have formed.

Matters on which we are Required to Report by Exception

Based on the knowledge and understanding of the Group and the Entity and its environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's statement.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement does not reflect the Groups compliance with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

For and on behalf of Deloitte Ireland LLP

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

3rd April 2019

Consolidated Profit and Loss Account

Financial Year Ended 31 December 2018

	Notes	2018 €000	2017 €000
Revenue from operations	*3*	1,004,413	932,330
Receipts from Public Service Obligations contracts	*12*	183,286	209,974
Other Exchequer funding	*12*	125,814	95,988
Other revenue grants		1,431	162
Total revenue	*3*	**1,314,944**	**1,238,454**
Payroll and related costs	*5*	(631,802)	(609,603)
Materials and services costs	*6*	(653,991)	(599,838)
Total operating costs		**(1,285,793)**	**(1,209,441)**
EBITDA before exceptional costs		**29,151**	**29,013**
Exceptional items	*7*	(7,736)	(19,710)
Depreciation and amortisation, net of capital grants amortised	*8*	(43,042)	(48,880)
Profit on disposal of tangible assets	*9*	1,396	12,204
Operating deficit before interest and taxation		**(20,231)**	**(27,373)**
Interest receivable and similar income	*10*	266	104
Interest payable and similar charges	*10*	(14,463)	(14,646)
Net interest expense		**(14,197)**	**(14,542)**
Deficit for the year before taxation		**(34,428)**	**(41,915)**
Tax on ordinary activities	*11*	(83)	(1,114)
Deficit for the year		**(34,511)**	**(43,029)**

Consolidated Statement of Comprehensive Income

Financial Year Ended 31 December 2018

	Notes	2018 €000	2017 €000
Deficit for the year		(34,511)	(43,029)
Other comprehensive income:			
Re-measurement of post-retirement benefit liabilities	*25*	277,777	(17,354)
Cash flow hedges			
– Re-classification to the profit and loss account		(6,990)	1,145
– Change in value of hedging instruments		(10,487)	8,481
		(17,477)	**9,626**
Other comprehensive income/(expense) for the year, net of tax		**260,300**	**(7,728)**
Total comprehensive income/(expense) for the year		**225,789**	**(50,757)**

Consolidated Balance Sheet

As at 31 December 2018

	Notes	2018 €000	2017 €000
Fixed assets			
Intangible fixed assets	*14*	12,778	9,379
Tangible fixed assets	*15*	2,765,394	2,862,326
		2,778,172	**2,871,705**
Current assets			
Inventories	*17*	51,573	57,992
Debtors	*18*	50,397	73,405
Cash at bank and in hand		222,349	149,317
		324,319	**280,714**
Creditors (amounts falling due within one year)	*19*	(508,026)	(480,714)
Net current liabilities		(183,707)	(200,000)
Total assets less current liabilities		**2,594,465**	**2,671,705**
Creditors (amounts falling due after more than one year)	*20*	(28,347)	(15,485)
Deferred income	*23*	(2,208,015)	(2,275,718)
Provisions for liabilities			
Other provisions for liabilities	*22*	(220,598)	(232,032)
Provision for post employee benefit obligations	*25*	(547,377)	(784,131)
Net liabilities		**(409,872)**	**(635,661)**
Capital and reserves			
Capital reserve		28,556	28,556
Profit and loss account		(450,939)	(676,728)
Non-repayable State advances		12,511	12,511
		(409,872)	**(635,661)**

On behalf of the Board

Fiona Ross
Chairman

Liam O'Rourke
Board Member

CIÉ Entity Balance Sheet

As at 31 December 2018

	Notes	2018 €000	2017 €000
Fixed assets			
Intangible fixed assets	*14*	2,192	1,577
Tangible fixed assets	*15*	750,568	753,764
Financial assets	*16*	331,255	294,246
		1,084,015	**1,049,587**
Current assets			
Debtors	*18*	9,111	27,399
Cash at bank and in hand		219,578	146,066
		228,689	**173,465**
Creditors (amounts falling due within one year)	*19*	(393,635)	(304,513)
Net current liabilities		(164,946)	(131,048)
Total assets less current liabilities		**919,069**	**918,539**
Creditors (amounts falling due after more than one year)	*20*	(28,347)	(15,485)
Deferred income	*23*	(529,720)	(534,401)
Provisions for liabilities			
Other provisions for liabilities	*22*	(2,285)	(1,908)
Provision for post employee benefit obligations	*25*	(547,377)	(784,131)
Net liabilities		**(188,660)**	**(417,386)**
Capital and reserves			
Capital reserve		28,556	28,556
Profit and loss account		(229,727)	(458,453)
Non-repayable State advances		12,511	12,511
		(188,660)	**(417,386)**

On behalf of the Board

Fiona Ross
Chairman

Liam O'Rourke
Board Member

Consolidated Statement of Changes in Equity

Financial Year Ended 31 December 2018

	Capital reserves €000	Profit and loss account €000	Non-Repayable State advances €000	Total equity €000
Balance as at 1 January 2017	28,556	(625,971)	12,511	(584,904)
Loss for the financial year	–	(43,029)	–	(43,029)
Other comprehensive expense for the financial year	–	(7,728)	–	(7,728)
Total comprehensive expense for the financial year	–	(50,757)	–	(50,757)
Balance as at 31 December 2017	**28,556**	**(676,728)**	**12,511**	**(635,661)**
Balance as at 1 January 2018	28,556	(676,728)	12,511	(635,661)
Loss for the financial year	–	(34,511)	–	(34,511)
Other comprehensive income for the financial year	–	260,300	–	260,300
Total comprehensive income for the financial year	–	225,789	–	225,789
Balance as at 31 December 2018	**28,556**	**(450,939)**	**12,511**	**(409,872)**

Included in the profit and loss reserve above is a school's reserve of nil (2017: €6.7 million).

CIÉ Entity Statement of Changes in Equity

Financial Year Ended 31 December 2018

	Capital reserves €000	Profit and loss account €000	Non-Repayable State advances €000	Total equity €000
Balance as at 1 January 2017	28,556	(430,781)	12,511	(389,714)
Loss for the financial year	–	(19,944)	–	(19,944)
Other comprehensive expense for the financial year	–	(7,728)	–	(7,728)
Total comprehensive expense for the financial year	–	(27,672)	–	(27,672)
Balance as at 31 December 2017	**28,556**	**(458,453)**	**12,511**	**(417,386)**
Balance as at 1 January 2018	28,556	(458,453)	12,511	(417,386)
Loss for the financial year	–	(31,574)	–	(31,574)
Other comprehensive income for the financial year	–	260,300	–	260,300
Total comprehensive income for the financial year	–	228,726	–	228,726
Balance as at 31 December 2018	**28,556**	**(229,727)**	**12,511**	**(188,660)**

Consolidated Cash Flow Statement

As at 31 December 2018

	Notes	2018 €000	2017 €000
Net cash from operating activities	*24*	92,385	67,900
Income taxes paid		(17)	(1,105)
Net cash generated from operating activities		**92,368**	**66,795**
Cash flow from investing activities			
Purchase of tangible fixed assets		(113,784)	(155,095)
Purchase of intangible fixed assets		(6,668)	(5,802)
Proceeds from disposal of tangible fixed assets		1,654	3,277
Proceeds from State and EU grants		99,274	141,033
Interest received		266	104
Net cash used in investing activities		**(19,258)**	**(16,483)**
Cash flow from financing activities			
Repayment of bank borrowings		–	(13,000)
Finance lease payments		(139)	(133)
Interest paid		(1,381)	(2,132)
Net cash used in financing activities		**(1,520)**	**(15,265)**
Net increase in cash and cash equivalents		**71,590**	**35,047**
Cash and cash equivalents at the beginning of the year		149,317	114,270
Cash and cash equivalents at the end of the year		**220,907**	**149,317**
Cash and cash equivalents consist of:			
Cash at bank and in hand		222,349	149,317
Bank overdrafts		(1,442)	–
Cash and cash equivalents at the end of the year		**220,907**	**149,317**

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 customer's journey.

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

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

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

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

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

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

Notes to the Financial Statements (continued)

(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 the profit and loss; and
- the reclassification of amounts related to cash-flow hedges previously recognised in other comprehensive income (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.

Notes to the Financial Statements (continued)

(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 the profit and loss account.

(M) Heritage Assets

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

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

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.

Notes to the Financial Statements (continued)

(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 two 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 the profit and 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 the profit and 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 forward foreign exchange and commodity swap contracts and these derivatives are designated as cash flow hedges.

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

Notes to the Financial Statements (continued)

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

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

(S) Provisions

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

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in the profit and 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 permanent 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.

Notes to the Financial Statements (continued)

The cost of the defined benefit plans, recognised in the profit and 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 the profit and loss account 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.

(iv) Road passenger vehicles acquired under a bus leasing agreement

Additions to road passenger vehicles received under the bus leasing agreement with the National Transport Authority (NTA) are recognised in line with Significant Accounting Policy (L) above. Similarly, a corresponding grant for capital expenditure is recognised in line with Significant Accounting Policy (E) above.

The Group has applied judgement to the recognition of an asset and corresponding grant in incidences where the NTA provide bus assets to the Group under a lease agreement.

In substance, there have been no significant changes to the rights and obligations of the Group and NTA, as prescribed in the Direct Award Contract December 2014 – December 2019. The Group is getting the right to use the asset for what would appear to be the major part of the buses economic life for an annual rental charge that does not reflect the value of the asset under lease. Furthermore, substantially all the risks and rewards of ownership transfer to the Group on receipt of the bus.

The cost of road passenger vehicles received under the bus leasing agreement with the NTA is the open market value of an equivalent bus or the cost of the most recent equivalent bus procured by the Group.

The cost of road passenger vehicles acquired under a bus leasing agreement will be the open market value of an equivalent bus or the cost of the most recent equivalent bus procured by the Group.

The Group will review and consider these estimates and judgements periodically for any contractual changes or a change in circumstance.

Further details are set out in Note 15 to the financial statements.

Notes to the Financial Statements (continued)

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 the 2018 financial statements for the year ended 31st December 2019.

Background

At 31 December 2018 the Group had net liabilities of €410 million (2017: €636 million) and net current liabilities of €184 million (2017: €200 million). Net current liabilities include non-cash items of €261 million (2017: €264 million) relating to deferred income in respect of capital grants and deferred revenue, capital grants do not involve a cash commitment and are utilised in line with the depreciation of the asset. Therefore, excluding these non-cash items the Group has net current assets of €77 million (2017: €64 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €547 million (2017: €784 million) and deferred income in respect of capital grants received of €2,421 million (2017: €2,494 million).

Nature of Uncertainties Facing Group

While trading performance improved considerably during 2018, the Group continues to face a challenging business environment which gives rise to uncertainties.

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

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

Revenue

The achievement of the revenue growth targets set out 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.

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.

A significant restructuring programme in relation to ensuring the long term future of Bus Éireann commenced in 2017. Following on from the successful implementation of the Transformation Programme, Bus Éireann returned to profitability in 2018 before exceptional items. Bus Éireann has delivered on the key aspects of the Transformation Programme and are forecasting continued improvement.

However, due to a deterioration in the Bus Éireann balance sheet and a compliance requirement which stipulates that the company must have a minimum reserve of €5 million in order to secure a Road Passenger Transport Operator's Licence (RPTOL) a recapitalisation was required.

Following a rigorous review of the implementation of the Transformation programme and 5-year plans, CIÉ increased its investment in Bus Éireann by €37 million in order to ensure that Bus Éireann was adequately capitalised to undertake its operations on a continuing basis.

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 2019 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.

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 covenant, to which the Group is committed, are not breached and that sufficient cash flow is generated after investment to meet obligations as they fall due.

As mitigation, the Group manages the authorisation of material investments and seeks confirmation of appropriate funding being in place prior to the commencement of those investments.

In November 2018 the National Transport Authority proposed to:

- Directly award a new 100% contract for the provision of public bus services currently operated by Bus Átha Cliath in the Dublin Area from December 2019 to Bus Átha Cliath for a period of five years.
- Directly award a new contract for the provision of public bus services outside the Dublin Area to Bus Éireann for a period of five year, with the exception of a selection of services, approximately 5%, where the direct award contract shall be for a period of no longer than two years, expiring in 2021.

The NTA is proposing to directly award a public service contract to Iarnród Éireann for the provision of public passenger transport services by rail with a commencement date of 1 December 2019, following the expiry of the current direct award contract on 30 November 2019. It is envisaged that the direct award contract will be for ten years.

Notes to the Financial Statements (continued)

Liquidity

In January 2018 the CIÉ Group secured an amendment and extension of its banking facility. The facility is a committed facility of €108 million for an initial period of five years, with two one year extension options exercisable with the agreement of both parties, at the end of year one and year two of the facility. At 31 December 2018 the Group had drawn down €28 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 2018. Management expect that the Group will continue to meet the covenants set out in the new facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities. The Group currently holds a net cash balance of €221 million as at 31 December 2018.

Pensions

The Group's pension schemes are in deficit, the liability position of the pension schemes reduced significantly in the year. The decrease in liability arose mainly due to an increase in the discount rate applied to calculate the present value of the scheme and a reduction in inflation rate assumptions. 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, the Group 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 5 Year business plan;
- discussions with the NTA and Department of Transport, Tourism and Sport on the appropriate funding structure/net financial effect for Iarnród Éireann, Bus Éireann and Bus Átha Cliath;
- discussion with staff representatives to agree measures to address the financial position of the Group's pension funds;
- continued implementation and rigorous monitoring of cost saving initiatives;
- close monitoring by management of the daily, weekly and monthly cash position across the Group; and
- implementation of revenue protection initiatives and seeking new revenue generating activities

Letter of Support

In compliance with the requirements of the Code of Practice for the Governance of State Bodies CIÉ has approved a rolling five-year plan which reflects the objectives of the shareholder, the Minister for Transport, Tourism and Sport, and the strategic and legal mandate of CIÉ.

As outlined above, during 2018, the Board agreed an extension of its banking facilities, on a committed basis, for a further five years. The Board also notes and welcomes the proposals of the National Transport Authority to award contracts to Bus Átha Cliath, Bus Éireann and to Iarnród Éireann for the provision of public transport services which extend beyond 12 months of the date of approval of these financial statements.

In 2018, CIÉ received a Letter of Support from the DTTaS, in finalizing the 2017 financial statements. In 2019, CIÉ and the DTTaS discussed whether, in light of the considerations outlined above, there was an ongoing requirement for a Letter of Support. It was agreed that, in the context of the Group's approved five-year plans and of its current financial position, that such a Letter of Support is not required.

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.

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.

Notes to the Financial Statements (continued)

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 Incorporated.

Revenue is analysed as follows:

	CIÉ €000	CIÉ Tours International €000	Bus Átha Cliath €000	Bus Éireann €000	Iarnród Éireann €000	Total 2018 €000	Total 2017 €000
Railway undertaking					235,742	235,742	220,153
Freight division					4,420	4,420	4,868
Rosslare Harbour					10,620	10,620	11,100
Other rail services					30,109	30,109	28,642
Road passenger services							
– Dublin City			262,685			262,685	251,674
– Other services				337,582		337,582	309,289
Tours		123,253				123,253	106,602
Central business activities	4,597					4,597	4,363
Intra-group revenue	(4,595)					(4,595)	(4,361)
Revenue from operations	**2**	**123,253**	**262,685**	**337,582**	**280,891**	**1,004,413**	**932,330**
Public Service Obligation ("PSO") Contracts:							
– PSO income *(Note 12)*			41,134	52,825	89,327	183,286	209,974
– Other Exchequer grants *(Note 12)*					125,814	125,814	95,988
– Revenue grant *(Note 12)*			720		711	1,431	162
Total revenue	**2**	**123,253**	**304,539**	**390,407**	**496,743**	**1,314,944**	**1,238,454**

4 Railway Infrastructure Costs

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

	2018 €000	2017 €000
Infrastructure Funding		
Multi Annual Contract	125,814	95,988
Track access charges	70,902	79,534
Third party revenue	26,994	25,476
Total revenue	**223,710**	**200,998**
Payroll and related costs	(110,699)	(105,003)
Materials and services	(113,324)	(92,509)
Depreciation and amortisation, net of capital grants amortised	(5,145)	(5,300)
Total operating costs	**(229,168)**	**(202,812)**
EBITDA before exceptional operating costs	**(5,458)**	**(1,814)**
Exceptional costs	(978)	(926)
Profit on sale of tangible fixed assets	13	–
Deficit for the year on ordinary activities before interest	**(6,423)**	**(2,740)**
Interest payable and similar charges	(405)	(601)
Deficit for the year on ordinary activities	**(6,828)**	**(3,341)**

Notes to the Financial Statements (continued)

5 Payroll and Related Costs

	2018 €000	2017 €000
Staff costs (excluding restructuring costs) comprise		
Wages and salaries	514,388	501,091
Social insurance costs	49,616	47,207
Other retirement benefit costs	78,476	74,497
	642,480	622,795
Own work capitalised	(11,226)	(13,581)
Net staff costs	**631,254**	**609,214**
Board Members' remuneration and emoluments		
– for services as Board Members	174	188
– for executive services	253	201
– voluntary severance	121	–
Total Board Members' remuneration and emoluments	**548**	**389**
Total payroll and related costs	**631,802**	**609,603**

Of the total staff costs, €11.2 million (2017: €13.6 million) has been capitalised into tangible fixed assets and €631.3 million (2017: €609.2 million) has been treated as an expense in the profit and loss account.

Included in wages and salaries are:

	2018 €000	2017 €000
Salary	407,766	389,611
Overtime	29,859	31,389
Allowances	76,763	80,091
	514,388	**501,091**

The number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards is set out below.

	2018	2017
€50,001 to €75,000	3,877	3,580
€75,001 to €100,000	579	493
€100,001 to €125,000	109	85
€125,001 to €150,000	28	15
€150,001 to €175,000	15	17
€175,001 and above	16	12

Key management compensation

The Board Members were paid Directors' fees as follows:

	2018 €	2017 €
Board Member		
Fiona Ross (Non-executive Chairman)	16,233	–
Vivienne Jupp (Non-executive Chairman)	–	16,354
Frank Allen	21,600	13,936
Ultan Courtney	20,984	20,877
Phil Gaffney	–	11,214
Denise Guinan	6,864	–
Stephen Hannan	15,750	1,313
Bill McCamley	–	1,916
Aebhric McGibney	–	13,306
John Moloney	6,563	15,750
Christine Moran	8,177	15,750
Aidan Murphy	21,600	14,339
Tom O'Connor	15,750	15,750
Ruairi O'Flynn	8,841	15,750
Liam O'Rourke	5,085	–
Niamh Walsh	8,841	15,750
Tommy Wynne	15,750	15,750
	172,038	**187,755**

Notes to the Financial Statements (continued)

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.

	2018 €000	2017 €000
Salaries and other short-term benefits	1,272	1,150
Social insurance costs	103	90
Post-retirement benefits	252	126
Termination benefits	121	171
	1,748	**1,537**

Director's expenses:

Included in expenses reimbursed to Board Members are:

	2018 €000	2017 €000
Subsistence, travel, accommodation	3	2
	3	**2**

The compensation paid or payable to the Chief Operating Officer and Chief Executive Officers of the Group for employee services is shown below.

	2018 €000	2017 €000
Salaries and other short-term benefits	882	786
Post-retirement benefits	238	118
Termination benefits	–	171
	1,120	**1,075**

Termination and severance

	2018 €000	2017 €000
Severance	983	17,866
	983	**17,866**

Staff Numbers

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

	2018	2017
CIÉ	278	259
Iarnród Éireann – Irish Rail	3,782	3,803
Bus Éireann – Irish Bus	2,562	2,530
Bus Átha Cliath – Dublin Bus	3,424	3,506
	10,046	**10,098**

6 Materials and Services Costs

Materials and services costs comprise of:

	2018 €000	2017 €000
Fuel, electricity and lubricants	85,261	84,122
Road tax and licenses	1,352	1,368
Rates	4,722	4,083
Auditors' remuneration	527	427
Operating lease rentals	5,179	5,281
School contractors	165,155	147,635
Third party and employer's liability claims	14,751	14,919
Other materials and services	375,450	340,450
Pension operating costs	1,594	1,553
	653,991	**599,838**

Included in other materials and services are:

	2018 €000	2017 €000
National travel and subsistence	1,272	1,488
International travel and subsistence	923	750
Hospitality	123	113
	2,318	**2,351**

Notes to the Financial Statements (continued)

Auditors' remuneration:

The following table discloses the fees payable to Deloitte Ireland LLP Ireland in respect of the year ended 31 December 2018. All amounts are exclusive of VAT.

	2018 €000	**2017 €000**
Statutory auditor		
– Statutory audit of Group companies	192	204
– Other assurance services	35	61
– Tax advisory services	24	47
– Other non-audit services	276	115
	527	**427**

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

	2018 €000	**2017 €000**
Inventory consumed	153,954	158,840
Increase in inventory obsolescence provision	2,912	785
Foreign exchange losses/(gains)	482	(1,520)
Profit on disposal of fixed assets	(1,396)	(12,204)
Operating leases	5,179	5,251
Business restructuring	7,736	19,710
Depreciation of tangible fixed assets	263,552	274,596
Amortisation of intangible assets	3,269	3,654
Amortisation of grants	(223,779)	(229,370)

7 Exceptional Items

	2018 €000	**2017 €000**
Business restructuring	1,060	19,710
School reserve repaid to Department of Education and Skills	6,676	–
	7,736	**19,710**

The business restructuring costs comprise of amounts arising from restructuring initiatives during the year:

Bus Átha Cliath €0.07 million, Bus Éireann €1.26 million and Iarnród Éireann (€0.27) million.

8 Depreciation And Amortisation, Net Of Capital Grants Amortisation

	2018 €000	2017 €000
Amortisation of intangible fixed assets *(Note 14)*	3,269	3,654
Depreciation of tangible fixed assets *(Note 15)*	263,552	274,596
Amortisation of capital grants *(Note 23)*	(223,779)	(229,370)
	43,042	**48,880**

9 Profit on Disposal of Tangible Assets

	2018 €000	2017 €000
Profit on disposal of land and buildings	960	11,865
Profit on disposal of rolling stock, vehicles, plant and machinery	436	339
	1,396	**12,204**

10 Net Interest Expense

(a) Interest Receivable and Similar Charges

	2018 €000	2017 €000
Interest income on short term deposits	**266**	**104**

(b) Interest Payable and Similar Charges

	2018 €000	2017 €000
Interest payable on loans and overdrafts	1,201	1,981
Interest payable on finance leases	6	14
Total interest expense on financial liabilities not measured at fair value through the profit and loss	1,207	1,995
Net interest expense on defined benefit pensions plans	13,082	12,514
Unwind of discount provisions	174	137
Total interest payable and similar charges	**14,463**	**14,646**

Notes to the Financial Statements (continued)

(c) Net Interest Expense

	2018 €000	2017 €000
Interest receivable and similar charges	266	104
Interest payable and similar charges	(14,463)	(14,646)
Net interest expense	**(14,197)**	**(14,542)**

11 Income Tax

(a) Tax Expense Included in Profit and Loss

	2018 €000	2017 €000
Foreign corporation tax charge on profit for the financial year	83	1,114
Current tax expense for the financial year	83	1,114
Tax on profit on ordinary activities	**83**	**1,114**

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

	2018 €000	2017 €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

	2018 €000	2017 €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 2018 of 12.5% (2017: 12.5%) to the surplus for the year. The differences are explained below:

	2018 €000	2017 €000
Deficit on ordinary activities before tax	(34,428)	(41,915)
Deficit multiplied by the standard rate of tax in the Republic of Ireland for the financial year ended 31 December 2018 of 12.5% (2017: 12.5%)	(4,304)	(5,239)
Effects of:		
Income not subject to tax	(61,906)	(62,789)
Higher rate of tax on overseas earnings	(292)	1,783
Expenses not deductible for tax purposes	1,165	623
Depreciation in excess of capital allowances	29,854	27,501
Utilisation of tax losses	(3,066)	–
Unrelieved tax losses carried forward	34,567	32,427
Income subject to higher rate of tax	3,360	6,662
Other differences	705	146
Tax on profits on ordinary activities	**83**	**1,114**

A potential deferred tax asset of €935 million (2017: €917 million) in relation to accumulated losses carried forward has not been recognised as their future recovery against taxable profits is uncertain.

Notes to the Financial Statements (continued)

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.

	2018 €000	2017 €000
Profit and Loss Account		
Public Service Obligation	183,286	209,974
Other Exchequer grants	125,814	95,988
Other revenue grants	1,431	2,330
	310,531	**308,292**
Balance Sheet		
Capital grants	96,608	138,048
Deferred Funding	21,134	–
Other capital grants	2,725	2,418
Total Public Service Obligation and Other Grants	**430,998**	**448,758**
Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation		
Bus Átha Cliath – Dublin Bus (revenue)	41,134	47,482
Bus Éireann – Irish Bus (revenue)	52,825	47,713
Iarnród Éireann – Irish Rail (revenue)	89,327	114,779
Iarnród Éireann – Irish Rail (capital)	35,000	32,202
	218,286	**242,176**
Sub-Head B8 of Vote 31 of Dáil Éireann – Capital Investment		
Infrastructure Manager Multi Annual Contract (revenue)	125,814	95,988
Infrastructure Manager Multi Annual Contract (capital)	34,186	62,783
Exchequer grants for infrastructure and capital investment	30,147	45,439
Deferred PSO	21,134	–
Other Exchequer grants	1,431	2,372
	212,712	**206,582**
Total funding under Vote 31 of Dáil Éireann	**430,998**	**448,758**
Total PSO and Exchequer grants	**430,998**	**448,758**

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

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

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

	Department of Transport, Tourism & Sport	National Transport Authority	Total	Department of Transport, Tourism & Sport	National Transport Authority	Total
	2018 €000	2018 €000	2018 €000	2017 €000	2017 €000	2017 €000
Vote B8 Capital	160,000	84,006	244,006	158,770	76,259	235,029
Vote B8 Accessibility	–	981	981	–	1,337	1,337
Total	**160,000**	**84,987**	**244,987**	**158,770**	**77,596**	**236,366**

Source of Exchequer fund received during the calendar years 2017 and 2018 are restricted to particular projects.

13 CIÉ Net Result for the Year

CIÉ, the Entity's net loss for the year amounted to €31.6 million (2017: loss €19.9 million).

The prior year comparative has been updated to exclude the impact of cash flow hedges from the net loss. The impact of the cash flow hedge has been included in Other Comprehensive Income.

Notes to the Financial Statements (continued)

14 Intangible Fixed Assets

Group

	Computer Software €000	Total €000
Financial year ended 31 December 2017		
Opening carrying amount	7,251	7,251
Additions	5,802	5,802
Disposals	(20)	(20)
Amortisation	(3,654)	(3,654)
Carrying amount	**9,379**	**9,379**
At 31 December 2017		
Cost	66,344	66,344
Accumulated amortisation and impairment	(56,965)	(56,965)
Carrying amount	**9,379**	**9,379**
Financial year ended 31 December 2018		
Opening carrying amount	9,379	9,379
Additions	6,668	6,668
Disposals	–	–
Amortisation	(3,269)	(3,269)
Carrying amount	**12,778**	**12,778**
At 31 December 2018		
Cost	73,012	73,012
Reclassification	(23,936)	(23,936)
	49,076	**49,076**
Accumulated amortisation and impairment	(60,234)	(60,234)
Reclassification	23,936	23,936
	(36,298)	**(36,298)**
Carrying amount	**12,778**	**12,778**

CIÉ Entity

	Computer Software €000	Total €000
Financial year ended 31 December 2017		
Opening carrying amount	180	180
Additions	1,485	1,485
Disposals	–	–
Amortisation	(88)	(88)
Carrying amount	**1,577**	**1,577**
At 31 December 2017		
Cost	17,405	17,405
Accumulated amortisation and impairment	(15,828)	(15,828)
Carrying amount	**1,577**	**1,577**
Financial year ended 31 December 2018		
Opening carrying amount	1,577	1,577
Additions	800	800
Disposals	–	–
Amortisation	(185)	(185)
Carrying amount	**2,192**	**2,192**
At 31 December 2018		
Cost	18,205	18,205
Reclassification	(95)	(95)
	18,110	**18,110**
Accumulated amortisation and impairment	(16,013)	(16,013)
Reclassification	95	95
	(15,918)	**(15,918)**
Carrying amount	**2,192**	**2,192**

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 (2017: €nil). Computer software is amortised over its estimated useful life, which is between three and five years.

15 Tangible Fixed Assets

Group

	Railway lines and works	Railway Rolling Stock	Road Passenger Vehicles	Land and Buildings	Plant And Machinery	Signalling	Docks, Harbours and Wharves	Catering Equipment	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Financial year ended 31 December 2017									
Opening carrying amount	860,979	537,550	241,583	769,354	165,090	347,686	31,575	–	2,953,817
Additions	40,174	35,393	65,401	7,602	30,629	5,310	204	–	184,713
Reclassification	5,435	(143)	–	(5,435)	122	21	–	–	–
Disposals	(534)	(161)	(64)	(615)	(234)	–	–	–	(1,608)
Depreciation	(70,083)	(85,409)	(50,580)	(16,762)	(29,476)	(21,030)	(1,256)	–	(274,596)
Carrying amount	**835,971**	**487,230**	**256,340**	**754,144**	**166,131**	**331,987**	**30,523**	**–**	**2,862,326**
At 31 December 2017									
Cost	2,245,056	1,479,780	777,328	949,507	688,691	632,200	57,373	–	6,829,935
Accumulated depreciation and impairment	(1,409,085)	(992,550)	(520,988)	(195,363)	(522,560)	(300,213)	(26,850)	–	(3,967,609)
Carrying amount	**835,971**	**487,230**	**256,340**	**754,144**	**166,131**	**331,987**	**30,523**	**–**	**2,862,326**

	Railway lines and works	Railway Rolling Stock	Road Passenger Vehicles	Land and Buildings	Plant And Machinery	Signalling	Docks, Harbours and Wharves	Catering Equipment	Total
	€000	€000	€000	€000	€000	€000	€000		€000
Financial year ended 31 December 2018									
Opening carrying amount	835,971	487,230	256,340	754,144	166,131	331,987	30,523	–	2,862,326
Additions	19,226	34,344	83,979	14,039	25,542	6,352	824	507	184,813
Reclassification	–	–	–	(226)	–	–	–	–	(226)
Disposals	(579)	–	(16,539)	(828)	(21)	–	–	–	(17,967)
Depreciation	(65,135)	(81,788)	(50,455)	(16,861)	(27,164)	(20,911)	(1,238)	–	(263,552)
Carrying amount	**789,483**	**439,786**	**273,325**	**750,268**	**164,488**	**317,428**	**30,109**	**507**	**2,765,394**
At 31 December 2018									
Cost	1,220,800	1,069,070	739,073	960,802	385,967	550,165	56,229	507	4,982,613
Accumulated depreciation and impairment	(431,317)	(629,284)	(465,748)	(210,534)	(221,479)	(232,737)	(26,120)	–	(2,217,219)
Carrying amount	**789,483**	**439,786**	**273,325**	**750,268**	**164,488**	**317,428**	**30,109**	**507**	**2,765,394**

Notes to the Financial Statements (continued)

During the financial year, the Group disposed of tangible fixed assets with a carrying amount of €17.967 million. The assets have a cost of €238.361 million and accumulated depreciation and impairment of €220.394 million. The profit on disposal of these tangible fixed assets is €1.396 million (2017: €12.204 million). Included within these figures are tangible fixed assets with a carrying amount of €16.539 million, in relation to buses transferred to the NTA.

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 €201.0 million (2017: €115.2 million) were fully depreciated but still in use at the balance sheet date.

c) Road passenger vehicles above include the recognition of buses received under a bus leasing agreement with the National Transport Authority (NTA) to the value of €69.3 million (2017: €29.0 million). The buses, recognised in 2018, came into service in the period from 1 January to 31 December 2018. The buses received are restricted for use in specified public transport services only.

d) Assets with a net book value of €149,000 under finance lease in 2017 are included within Plant and Machinery upon conclusion of the lease in 2018.

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

	2018 €000	**2017 €000**
Plant and Machinery	–	273
Road passenger vehicles	1,000	4,200
	1,000	**4,473**

CIÉ Entity

	Land and Buildings €000	Plant and Machinery €000	Total €000
Financial year ended 31 December 2017			
Opening carrying amount	762,065	3,532	765,597
Additions	7,449	13	7,462
Disposals	(613)	–	(613)
Depreciation	(16,688)	(1,994)	(18,682)
Carrying amount	**752,213**	**1,551**	**753,764**
At 31 December 2017			
Cost	945,936	23,123	969,059
Accumulated depreciation and impairment	(193,723)	(21,572)	(215,295)
Carrying amount	**752,213**	**1,551**	**753,764**
Financial year ended 31 December 2018			
Opening carrying amount	752,213	1,551	753,764
Additions	13,962	1,701	15,663
Disposals	–	–	–
Depreciation	(16,812)	(2,047)	(18,859)
Carrying amount	**749,363**	**1,205**	**750,568**
At 31 December 2018			
Cost	959,664	24,824	984,488
Accumulated depreciation and impairment	(210,301)	(23,619)	(233,920)
Carrying amount	**749,363**	**1,205**	**750,568**

During the financial year, the Entity disposed of tangible fixed assets with a carrying amount of nil.

Notes to the Financial Statements (continued)

16 Financial Assets

Group

	Listed Shares		Unlisted Shares		Total	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
Cost at 1 January	34	34	13	13	47	47
Impairment	(34)	(34)	(13)	(13)	(47)	(47)
Disposal	–	–	–	–	–	–
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	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
Cost at 1 January	294,246	294,246	34	34	13	13	294,293	294,293
Increase in year	37,009	–	–	–	–	–	37,009	–
Impairment	–	–	(34)	(34)	(13)	(13)	(47)	(47)
Net Book Amounts at 31 December	**331,255**	**294,246**	**–**	**–**	**–**	**–**	**331,255**	**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

	2018 €000	2017 €000
Maintenance materials and spare parts	24,140	28,954
Infrastructure stocks	16,969	18,399
Fuel, lubricants and other sundry stocks	10,464	10,639
	51,573	**57,992**
Stocks consumed during the year:		
Materials and fuel	**153,954**	**158,840**

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 €22,497,000 (2017: €19,747,000) in relation to obsolete and damaged stocks.

18 Debtors

Group

	2018 €000	2017 €000
Trade debtors	23,620	29,014
Amounts due from Department of Education and Skills	8,411	8,360
Derivative financial instruments	1,823	10,723
Other debtors and accrued income	16,543	25,308
	50,397	**73,405**

Debtors are stated after an allowance for impairment of €1,375,000 (2017: €1,155,000). Derivative financial instruments includes amounts falling due after one year of €582,000 (2017: €1,907,000).

CIÉ Entity

	2018 €000	2017 €000
Trade debtors	1,971	1,875
Derivative financial instruments	1,823	10,723
Other debtors and accrued income	5,317	14,801
	9,111	**27,399**

Debtors are stated after an allowance for impairment of €537,000 (2017: €358,000). Derivative financial instruments includes amounts falling due after one year of €582,000 (2017: €1,907,000).

19 Creditors (Amounts Falling Due within One Year)

Group

	2018 €000	2017 €000
Bank overdraft	1,442	–
Bank loans *(Note 21)*	4,000	13,000
Finance lease obligations *(Note 21)*	–	139
Trade creditors	102,174	74,527
Income tax deducted under PAYE	11,282	9,459
Pay related social insurance	6,981	5,901
Value added tax and other taxes	4,117	7,261
Other creditors	54,823	44,834
Accruals	55,814	60,698
Derivative financial instruments	6,056	1,341
Deferred grant income *(Note 23)*	213,351	218,501
Deferred revenue	47,986	45,053
	508,026	**480,714**
Creditors for taxation and social welfare included above	22,380	22,621

CIÉ Entity

	2018 €000	2017 €000
Bank overdraft	1,442	–
Bank loans *(Note 21)*	4,000	13,000
Finance lease obligations *(Note 21)*	–	139
Trade creditors	29,294	29,061
Amounts owed to subsidiary companies	335,478	242,160
Income tax deducted under PAYE	846	839
Pay related social insurance	144	110
Value added tax and other taxes	563	479
Accruals	5,001	6,478
Derivative financial instruments	6,056	1,341
Deferred grant income *(Note 23)*	10,811	10,906
	393,635	**304,513**
Creditors for taxation and social welfare included above	1,553	1,428

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 near future.

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

Group and CIÉ Entity

	2018 €000	2017 €000
Bank loans *(Note 21)*	24,000	15,000
Derivative financial instruments	4,347	485
	28,347	**15,485**

21 Loans and Other Borrowings

Group and CIÉ Entity – Bank loans

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

	2018 €000	2017 €000
Not later than one year *(Note 19)*	4,000	13,000
Later than one year and not later than five years *(Note 20)*	24,000	15,000
	28,000	**28,000**

The bank loans represent a term loan, which was restructured in 2018 and will be fully repaid by January 2024. The interest rate on the term loan was revised under the restructuring and is driven by the Group's net debt to EBITDA ratio. The applicable rates in 2018 were 1.5% for the first six months and 1.25% thereafter.

The Group has borrowings of €28.0 million (2017: €28.0 million) at the balance sheet date.

Group and CIÉ Entity – Finance leases

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

	2018 €000	2017 €000
Not later than one year *(Note 19)*	–	139
	–	**139**

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

The finance lease expired in 2018.

Notes to the Financial Statements (continued)

22 Provisions for Liabilities and Charges

Group

	3rd Party and Employer's Liability	Restructuring	Environmental	Operational/ Other	Legal and related matters	Total
	€000	€000	€000	€000	€'000	€000
Balance at 1 January 2017	183,396	7,543	5,563	21,501	5,528	223,531
Utilised during year	(13,666)	(12,499)	(786)	(954)	(4,089)	(31,994)
Transfer from profit and loss account	14,801	18,787	628	5,126	1,153	40,495
Balance carried forward 31 December 2017	**184,531**	**13,831**	**5,405**	**25,673**	**2,592**	**232,032**
Balance at 1 January 2018	184,531	13,831	5,405	25,673	2,592	232,032
Utilised during year	(14,495)	(10,333)	(463)	(4,088)	(1,551)	(30,930)
Transfer from profit and loss account	14,693	1,557	1,093	1,569	584	19,496
Balance carried forward 31 December 2018	**184,729**	**5,055**	**6,035**	**23,154**	**1,625**	**220,598**

The disclosure above in relation to 3rd Party and Employers Liability and Legal and related matters provide details as required under the Code of Practice for the Governance of State Bodies 2016, the number of cases has not been shown due to commercial sensitivity.

CIÉ Entity

	Restructuring	Environmental	Operational/ Other	Legal and related matters	Total
	€000	€000	€000	€000	€000
Balance at 1 January 2017	266	1,505	333	174	2,278
Utilised during year	–	–	(9)	(1)	(10)
Transfer from profit and loss account	(14)	(346)	–	–	(360)
Balance carried forward 31 December 2017	**252**	**1,159**	**324**	**173**	**1,908**
Balance at 1 January 2018	252	1,159	324	173	1,908
Utilised during year	–	–	–	(173)	(173)
Transfer from profit and loss account	392	93	65	–	550
Balance carried forward 31 December 2018	**644**	**1,252**	**389**	**–**	**2,285**

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 2019.

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 2018, the Group held €23.1 million (2017: €25.7 million) of other provisions. €23.0 million (2017: €25.6 million) related to operational provisions and €0.1 million (2017: €0.1 million) and related to other claims.

Legal and Related Matters

At 31 December 2018, the Group held €1.6 million (2017: €2.6 million) of legal and related matters provisions.

Third Party and Employers Liability

CIÉ as a self-regulated body operates a self-insurance model whereby the operating subsidiaries 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 subsidiaries 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.

Notes to the Financial Statements (continued)

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 2017	Received and Receivable	Grant Aided Asset Disposals	Profit and Loss Account	31 Dec 2017
	€000	€000	€000	€000	€000
Capital grants					
Railway lines and works	854,301	40,442	(536)	(69,448)	824,759
Railway rolling stock	495,205	32,212	(220)	(71,256)	455,941
Plant and machinery	134,776	29,171	(184)	(20,497)	143,266
Signalling	315,348	5,341	(10)	(18,622)	302,057
Docks, Harbours and Wharves	8,666	–	–	(310)	8,356
Land and Buildings	553,851	4,868	–	(12,148)	546,571
Road Passenger Vehicles	192,357	57,999	(4)	(37,089)	213,263
	2,554,504	**170,033**	**(954)**	**(229,370)**	**2,494,213**
Other deferred income	8	–	–	(2)	6
Total deferred income	**2,554,512**	**170,033**	**(954)**	**(229,372)**	**2,494,219**

	1 Jan 2018	Inter-Company Transfers	Received and Receivable	Grant Aided Asset Disposals	Profit and Loss Account	31 Dec 2018
	€000	€000	€000	€000	€000	€000
Capital grants						
Railway lines and works	824,759	–	19,068	(576)	(64,514)	778,737
Railway rolling stock	455,941	–	35,000	–	(70,735)	420,206
Plant and machinery	143,266	–	23,584	–	(18,794)	148,056
Signalling	302,057	–	5,964	–	(18,538)	289,483
Docks, Harbours and Wharves	8,356	–	–	–	(310)	8,046
Land and Buildings	546,571	–	6,961	(820)	(11,991)	540,721
Road Passenger Vehicles	213,263	–	77,997	(16,250)	(38,897)	236,113
	2,494,213	**–**	**168,574**	**(17,646)**	**(223,779)**	**2,421,362**
Other deferred income	6	–	–	–	(2)	4
Total deferred income	**2,494,219**	**–**	**168,574**	**(17,646)**	**(223,781)**	**2,421,366**

Total capital grants recognised in 2018 were €168.6 million (2017: €170.0 million), including €69.3 million (2017: €29.0 million) recognised under the bus leasing arrangement *(Note 15)*.

Apportioned as follows:	2018 €000	2017 €000
Deferred income – amounts falling due within one year *(Note 19)*	**213,351**	218,501
Deferred income – amounts falling due after one year	**2,208,015**	2,275,718
	2,421,366	**2,494,219**

CIÉ Entity

	1 Jan 2017 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss Account €000	31 Dec 2017 €000
Capital grants					
Land and buildings	552,533	4,870	–	(12,102)	545,301
Other deferred income	8	–	–	(2)	6
Total	**552,541**	**4,870**	**–**	**(12,104)**	**545,307**

	1 Jan 2018 €000	Inter-Company Transfers €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss Account €000	31 Dec 2018 €000
Capital grants						
Land and buildings	545,301	235	6,961	–	(11,970)	540,527
Other deferred income	6	–	–	–	(2)	4
Total	**545,307**	**235**	**6,961**	**–**	**(11,972)**	**540,531**

Apportioned:	2018 €000	2017 €000
Deferred income – amounts falling due within one year *(Note 19)*	10,811	10,906
Deferred income – amounts falling due after one year	529,720	534,401
	540,531	**545,307**

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

Notes to the Financial Statements (continued)

24 Cash Flow Statement

Notes to the statement of cash flows

	2018 €000	2017 €000
Year ended 31 December		
Deficit for the year	(34,511)	(43,029)
Tax on deficit on ordinary activities	83	1,114
Net interest expense	14,197	14,542
Operating deficit	**(20,231)**	**(27,373)**
Depreciation of tangible fixed assets	263,552	274,596
Amortisation of intangible fixed assets	3,269	3,654
Amortisation of deferred grant income	(223,779)	(229,370)
Increase in post-retirement benefits liability	27,941	24,564
Profit on disposal of tangible assets	(1,396)	(12,204)
Working capital movement		
– Decease in stocks	6,419	1,212
– Decease/(increase) in debtors	23,002	(6,172)
– Increase in creditors and provisions	13,608	38,993
Cash flow from operating activities	**92,385**	**67,900**

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:

	2018 €000	2017 €000
Fair value of scheme assets	2,125,237	2,093,106
Present value of scheme liabilities	(2,652,613)	(2,855,432)
Present value of unfunded scheme liabilities	(20,001)	(21,805)
Pension deficit	**(547,377)**	**(784,131)**

Contained within the pension deficit of €547 million is unfunded liabilities of €20 million (2017: €21.8 million). The unfunded liability arise from additional pension contributions undertaken by the Group outside of the main pension Schemes.

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

	2018 €000	2017 €000
Charged to operating profit		
Current service cost	(80,545)	(73,459)
Administration and other operating expenses	(1,594)	(1,553)
Past service cost	–	–
Total operating charge	**(82,139)**	**(75,012)**
Net interest expense	(13,082)	(12,514)
Total charge	**(95,221)**	**(87,526)**

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

	2018 €000	2017 €000
Actual return less interest income on pension scheme assets	4,885	78,555
Experience (losses)/gains arising on the scheme liabilities	(28,897)	2,016
Changes in assumptions underlying the present value of the scheme liabilities	301,789	(97,925)
Actuarial gain/(loss) recognised in statement of other comprehensive income	**277,777**	**(17,354)**

Defined benefit scheme

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.

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.

Notes to the Financial Statements (continued)

The principal actuarial assumptions used in the valuations were:

	31 Dec 2018 % p.a.	31 Dec 2017 % p.a.
Discount Rate	**2.05**	1.75
Rate of inflation	**1.50**	1.75
Expected rate of increase of pensions in payment*	**1.50**	1.75
Expected rate of pensionable salaries**	**1.50**	1.75

* 1.5% increase in pensionable pay other than in cases where awards of future pay increases are known.

** pause to pensionable pay to 2024, inflation rate thereafter.

Discount rate: The financial assumptions underlying the calculation of the liabilities changed during the year. The discount rate increased from 1.75% p.a. last year to 2.05% p.a. over the period. This was derived from a yield curve of AA rated corporate bonds appropriate to the duration of the liabilities of the CIÉ scheme (approximately 20 years). In isolation, the impact of this change was to reduce liabilities by €158.1 million.

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

	31 Dec 2018 Male	31 Dec 2018 Female	31 Dec 2017 Male	31 Dec 2017 Female
Currently aged 45 years	23.9	26.0	23.8	25.9
Currently aged 65 years	21.5	24.0	21.4	23.9

The assets in the scheme were:

	2018 €000	2018 %	2017 €000	2017 %
Equities	552,785	26.0	689,086	32.9
Property	122,831	5.8	188,936	9.0
Bonds	1,226,693	57.7	1,027,186	49.1
Cash/Alternatives	222,928	10.5	187,898	9.0
Total	**2,125,237**	**100.0**	**2,093,106**	**100.0**

Change in present value of the liabilities during the year:

	2018 €000	2017 €000
Opening present value of liabilities	2,877,237	2,717,112
Current service cost	80,545	73,459
Administration and other operating expenses	1,594	1,553
Interest cost	49,627	48,207
Member contributions	19,017	18,541
Net benefits paid	(82,514)	(77,544)
Actuarial (gains)/losses on liabilities due to changes in assumptions	(301,789)	97,925
Actuarial losses/(gains) on liabilities due to scheme experience	28,897	(2,016)
Closing present value of liabilities	**2,672,614**	**2,877,237**

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

Change in fair value of assets during the year:

	2018 €000	2017 €000
Opening fair value of assets	2,093,106	1,987,413
Interest income on pension scheme assets	36,545	35,693
Employer contributions (funded schemes)	52,896	49,128
Employer contributions (unfunded arrangements)	1,302	1,320
Members contributions	19,017	18,541
Net benefits paid	(82,514)	(77,544)
Actuarial gains on assets	4,885	78,555
Closing fair value of assets	**2,125,237**	**2,093,106**

Actual returns on assets:

	2018 €000	2017 €000
Interest income on assets	36,545	35,693
Actuarial gains on assets	4,885	78,555
Actual return on assets	**41,430**	**114,248**

Notes to the Financial Statements (continued)

Non-Funded Pensions

Across the CIÉ group of companies, staff were encouraged at various times to consider early retirement. Within the CIÉ Pension Scheme for Regular Wages Staff, staff if they were considering early retirement, were in some cases offered an enhanced pension by the operating company which employed them. These enhanced pensions had not been prefunded, as in the normal course of events and therefore are paid for by the different companies as the pensions are paid. The amount paid by the pensions office to such individuals includes the enhanced pension, so that each individual concerned only receives one pension payment. The enhanced pension, like all other pensions, (unless there is a spouse's element to be paid) stops when the pensioner passes away.

26 Capital and Other Commitments

	2018 €000	2017 €000
Contracted for	50,270	38,571
Authorised by Board but not contracted for	108,485	125,654
	158,755	**164,225**

Capital grants totalling €86.6 million have been approved in respect of the above expenditure (2017: €157 million).

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

	On plant & equipment/ motor vehicles 2018 €000	On plant & equipment/ motor vehicles 2017 €000
Within one year	3,759	3,121
Between one and five years	4,025	5,493
	7,784	**8,614**

27 Financial Instruments

The Group has the following financial instruments:

	2018 €000	2017 €000
Financial assets at fair value through other comprehensive income		
– Derivative financial instruments	1,823	10,723
	1,823	**10,723**
Financial assets that are debt instruments measured at amortised cost		
– Trade receivables	23,620	29,014
– Department of Education and Skills	8,411	8,360
– Other receivables	16,543	25,308
	48,574	**62,682**
Cash and bank in hand	**222,349**	**149,317**
Financial assets that are equity instruments measured at cost less impairment	–	–
Financial liabilities at fair value through other comprehensive income		
– Derivative financial instruments	10,403	1,826
	10,403	**1,826**
Financial liabilities measured at amortised cost		
– Bank loans and overdrafts	28,000	28,000
– Bank overdraft	1,442	–
– Trade creditors	102,169	74,527
– Other creditors	54,828	44,834
– Finance leases	–	139
	186,439	**147,500**

Notes to the Financial Statements (continued)

The CIÉ Entity has the following financial instruments:

	2018 €000	2017 €000
Financial assets at fair value through other comprehensive income		
– Derivative financial instruments	1,823	10,723
	1,823	**10,723**
Financial assets that are debt instruments measured at amortised cost		
– Trade receivables	1,971	1,875
– Other receivables	5,317	14,801
	7,288	**16,676**
Cash and bank in hand	**219,578**	**146,066**
Financial assets that are equity instruments measured at cost less impairment	–	–
Financial liabilities at fair value through other comprehensive income		
– Derivative financial instruments	10,403	1,825
	10,403	**1,825**
Financial liabilities measured at amortised cost		
– Bank loans and overdrafts	28,000	28,000
– Amounts owed to subsidiary companies	335,478	242,160
– Creditors	29,294	29,061
– Finance leases	–	139
	392,772	**299,360**

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 euro.

At 31 December 2018, CIÉ was committed to buying GBP17.5 million, buying USD54.3 million, selling USD45.7 million, selling AUD1.7 million and selling CAD3.6 million under forward currency contracts expiring during 2019 and 2020. The fair value of these contracts at 31 December 2018 is a liability of €1.0 million (2017: Asset €0.69 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 2018, CIÉ had no interest rate hedge contracts in place.

Derivative Financial Instruments – Commodity Swap Contracts

At 31 December 2018, CIÉ was also committed to buying oil under commodity swap contracts to the value of USD72.1 million expiring during 2019 and 2020. The fair value of these contracts at 31 December 2018 was a liability of €7.6 million (2017: Asset €8.2 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 Members 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 includes the disclosure of the compensation paid or payable to key management of the Group.

Notes to the Financial Statements (continued)

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.

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.

32 Approval of Financial Statements

The Board approved the financial statements on 3rd April 2019.

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