

Iarnród Éireann



Tuarascáil Bhliantúil agus Ráitis Airgeadais
don Bhliain go 31ú Nollaig 1995

Annual Report
and Financial Statements 1995



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Directors and Other Information

Directors

Mr. M. P. Mc Donnell, Chairman

Mr. C. D. Waters, Chief Executive

Mr. S. Feely

Mr. P. Lynch

Mr. B. Murtagh

Mr. A. J. O'Brien

Secretary and Registered Office

Mr. J. A. Watters,

Connolly Station,
Dublin 1.

Telephone (01) 836 3333

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Registered Number 119571

Auditors

Craig Gardner & Co.,

Chartered Accountants and Registered Auditors,
Gardner House,
Wilton Place,
Dublin 2.



Report of the Directors

For the Year Ended 31st December, 1995

The directors submit their annual report together with the audited financial statements for the year ended 31st December, 1995.

1. Principal Activities and Review of Operations

The principal activities of the company are the provision of national Rail Passenger and Rail and Road Freight services. These services operated at a satisfactory level during 1995.

During 1995 the company's services carried in excess of 27m. passengers - the highest number carried by the present railway system. The company took delivery of a further 22 new locomotives, in addition to the 10 received the previous year. These new locomotives are playing a strong role in delivering safe, speedy and comfortable journeys. A diesel railcar set was introduced on the Cork-Cobh commuter service which allowed for an increased service. The introduction of six-car trainsets on the DART increased capacity at peak times. A modular customer care training programme has been developed which will primarily focus on frontline staff.

The upgrading of the rail infrastructure, supported by European Union Cohesion and Structural Funds grants, continued during 1995. Extensive track renewal continued during 1995, especially on the Waterford, Cork and Belfast lines. The Belfast line is being substantially upgraded in preparation for the introduction of high frequency services being provided by high class comfortable carriages. Better station facilities around the network were provided for passengers.

The development of Rosslare Harbour in improving berthing facilities continued during 1995 with the assistance of European Union Interreg funds. These improved facilities will provide a better level of service to vessels from Britain and Continental Europe.

The financial statements continue to be prepared on a going concern basis as the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future.

2. Results and Reserves

The financial statements for the year ended 31st December, 1995 are set out in detail on pages 6 to 29 and a summary of the results is as follows:-

	1995 IR £000
Deficit for the year after State Grant	8,404
Transfer to Reserve	7,472
<hr/>	
Decrease in Accumulated Profit and Loss Balance	15,876

3. Worker Participation at Sub-Board Level

Agreed procedures covering discipline, grievance negotiation and below board structures were developed during the year. This process involved joint effort by the company's management, trade union and staff representatives and support from the Labour Relations Commission. The management and senior trade union officials have embarked on a joint programme of education and training on the new procedures. This programme which involves local seminars throughout the rail network and in all of its business units will continue in 1996.

4. Safety

The formal structure of safety consultation was consolidated with regular meetings of Departmental Safety Committees. Safety Representatives were trained under the joint aegis of Iarnród Éireann - Irish Rail and the Irish Congress of Trade Unions.

Report of the Directors (continued)

The formal safety management system, which implements and monitors safety and health standards within the workplace, is being continuously developed within the context of the International Safety Rating System. This system was introduced into the company in September 1991. The safety audit units in the company achieved their targeted standard level of audit. Further safety audits are planned for 1996.

The company also employed international specialists to conduct qualified risk assessments of the dangerous substances bulk traffics currently transported by rail and produced a general standard to be followed when designating areas for the temporary storage of containers of dangerous substances in transit.

The 'Signalling Manual' was reissued and substantial progress was made in developing a new edition of the 'Appendix to the Books of Rules and Regulations', which will be known as the 'General Appendix'. New high visibility clothing for railway workers was developed in consultation with the Safety Committees and workers' representatives.

5. Equal Opportunities in State Sponsored Bodies

Iarnród Éireann - Irish Rail is an equal opportunities employer. All policies and procedures adopted at Córas Iompair Éireann Group level have been implemented by the company in the areas of recruitment, training and promotion.

A series of developmental seminars for female members of staff was begun in 1995 and this series will continue in 1996.

6. Directors

The directors of the company are appointed by the Chairman of Córas Iompair Éireann with the consent of the Minister for Transport, Energy and Communications. The names of the persons who were directors at any time during the year ended 31st December, 1995 are set out below. Except where indicated they served as directors for the whole year.

Mr. M.P. McDonnell, Chairman
Appointed 12th September, 1995

Mr. D. O'Leary, Chairman
Resigned 25th April, 1995

Mr. E. Walsh, Chairman
Appointed 22nd May, 1995,
Resigned 12th September, 1995

Mr. C.D. Waters

Mr. S. Feely

Mr. J.J. Harrington
Retired 28th January, 1996

Mr. J. McCullough
Retired 28th January, 1996

Mr. A.J. O'Brien

Mr. P. Lynch and Mr. B. Murtagh were appointed as directors, with effect from 1st March, 1996.

7. Auditors

Craig Gardner & Co. Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board

M.P. McDonnell,
C.D. Waters,
24th April, 1996.

Chairman
Chief Executive



Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that year.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Acts, 1963 to 1990 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the Members of Iarnród Éireann - Irish Rail

We have audited the financial statements on pages 6 to 29 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective Responsibilities of Directors and Auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st December, 1995 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1990 and the European Communities (Companies : Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Report of the Directors on pages 2 and 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 9, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December, 1995 a financial situation which under section 40 (1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

**Craig Gardner & Co.,
Chartered Accountants and Registered Auditors,
Dublin.
24th April, 1996.**



Principal Accounting Policies

A. Basis of Accounting:

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and are expressed in Irish pounds, denoted by the symbol IR £.

Dubel Limited, a wholly owned subsidiary, is treated as a branch of Iarnród Éireann - Irish Rail for accounting purposes.

B. Tangible Assets, Depreciation and Provision for Renewals:

Tangible assets are stated at net book amount which represents the historical cost of these assets less, where applicable, accumulated depreciation based on that historical cost.

The bases of calculation of depreciation and provision for renewals are as follows:-

(i) Railway Lines and Works:

Railway lines and works are not depreciated. The cost of renewals necessary to maintain the running lines is charged to the profit and loss account in the year in which it is incurred.

(ii) Railway Rolling Stock:

Locomotives (other than those fully depreciated or acquired at no cost) are depreciated, by equal annual instalments, on the basis of their historical cost spread over their expected useful lives.

Railcars, coaching stock and wagons are also depreciated, by equal annual instalments, on the basis of historical cost spread over expected useful lives. In addition, the excess of depreciation based on replacement cost (at the beginning of the year) of railway rolling stock required to replace the existing fleet over the historical cost depreciation, is shown as a transfer to reserve from the profit and loss account.

(iii) Road Freight Vehicles:

These assets are depreciated on the basis of historical cost spread over expected useful lives using the sum of the digits method.

(iv) Docks, Harbour and Wharves; Plant and Machinery; Catering Services Equipment:

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

C. Leased Assets:

(i) Finance Leases

Assets held under finance leases are accounted for in accordance with SSAP 21 (Accounting for Leases and Hire Purchase Contracts). The capital 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 with creditors. Finance charges are charged to the profit and loss account over the primary period of the lease.

(ii) Operating Leases:

Rental payments under operating leases are charged to the profit and loss account as they accrue.

D. Stocks:

Stocks of materials and spare parts are valued at average cost less provision for all defective and obsolete stocks.

Provision is made for the write-off of all stocks which have not moved for more than four years, with the exception of stocks associated with recently acquired assets.

Principal Accounting Policies

E. European Union Grants:

European Union (EU) Grants which relate to capital expenditure on specific projects 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. EU Grants in respect of revenue expenditure are credited to deferred income as they become receivable and released to the relevant expenditure account in the year to which the expenditure relates.

F. Foreign Currency:

Transactions denominated in foreign currency are translated into Irish pounds at the rate ruling at the date of the transaction, or at contract rates where the amounts payable or receivable are covered by forward contracts.

Realised exchange gains or losses on transactions settled during the year are treated as part of the surplus or deficit for the year from ordinary activities.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at contract rates where applicable.

G. Non Repayable State Grants:

Non-Repayable State Grants dealt with in the profit and loss account represent amounts actually received during the year under Vote of Dáil Éireann.

H. Pensions:

The expected cost of providing pensions to employees is charged to the profit and loss account as incurred over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from

independent actuaries, at what is expected to be a stable percentage of pensionable pay. Variations from regular pension costs, identified by periodic actuarial valuations, are spread over the expected average remaining service lives of the members of the scheme. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. The capital cost of ex gratia pensions is provided for and charged to the profit and loss account in the year that the related employee severance is recognised and is included in the cost of severance.

This represents a change in accounting policy as in previous years:

- (i) the annual contributions charged to the profit and loss account for certain of the pension schemes were the annual contributions fixed under the schemes' rules and
- (ii) the cost of ex gratia pensions was recognised in the years of payment and was included in the pension costs.

The effects of this change in accounting policy are disclosed in Note 24.

I. Railway Infrastructure Costs:

In accordance with EU Council Directive 91/440 Iarnród Éireann - Irish Rail is required to ensure that the accounts of the business of transport services and those for the business of management of railway infrastructure are kept separate. The infrastructure costs are determined in accordance with Annex 1.A. to EU Regulation No. 2598/70 and are set out in Note 27.



Profit and Loss Account

	Notes	Year ended 31st December	
		1995 IR £000	1994 IR £000
Revenue			
Customer Receipts		119,056	111,339
Miscellaneous		2,856	2,813
Total Revenue	2	121,912	114,152
Costs			
Operational Costs	3	(151,861)	(141,846)
Railway Operational Infrastructure Costs	3	(51,796)	(43,350)
Exceptional Operating Costs	4	(10,508)	(8,681)
Total Operating Costs		(214,165)	(193,877)
Deficit before Profit on Disposal of Tangible Assets, Interest and State Grants		(92,253)	(79,725)
Profit on Disposal of Tangible Assets	5	60	77
Deficit before Interest and State Grants		(92,193)	(79,648)
Interest Payable -Operational	6	(6,994)	(5,902)
-Railway Infrastructure	6	(6,217)	(5,593)
Deficit for the Year before State Grants		(105,404)	(91,143)
State Grants	7	97,000	93,180
(Deficit)/Surplus for the Year after State Grants		(8,404)	2,037
Transfer to Reserve	20	(7,472)	(5,789)
Decrease in Accumulated Surplus during the Year	8	(15,876)	(3,752)
Accumulated Surplus at Beginning of the Year		5,860	9,612
Accumulated (Deficit)/Surplus at End of the Year		(10,016)	5,860

All figures relate to the continuing activities of the company.

There were no recognised gains or losses other than those included in the profit and loss account for the years 1995 and 1994.

On behalf of the board

M.P. Mc Donnell,
C.D. Waters,
24th April, 1996.

Chairman
Chief Executive

Balance Sheet

	Notes	As at 31st December	
		1995 IR £000	1994 IR £000 (Restated)
Fixed Assets			
Tangible Assets	9	280,646	233,681
Financial Assets	10	16	16
		280,662	233,697
Current Assets			
Stocks	11	16,334	20,271
Debtors	12	63,845	31,730
Cash at Bank and in Hand		48	47
		80,227	52,048
Creditors (Amount falling due within one year)	13	(106,578)	(97,328)
Net Current Liabilities		(26,351)	(45,280)
Total Assets Less Current Liabilities		254,311	188,417
Financed By:-			
Creditors (Amounts falling due after more than one year)	14	130,041	86,858
Provision for Liabilities and Charges	17	26,744	17,642
Deferred Income	18	48,034	26,021
		204,819	130,521
Capital and Reserves			
Called up Equity Share Capital	19	23,000	23,000
Asset Replacement Reserve	20	36,508	29,036
Profit and Loss Account		(10,016)	5,860
Equity Shareholders' Funds	21	49,492	57,896
		254,311	188,417

On behalf of the board

M.P. Mc Donnell,

Chairman

C.D. Waters,

Chief Executive

24th April, 1996.



Cash Flow Statement

	Notes	Year ended 31st December	
		1995 IR £000	1994 IR £000
Net Cash Inflow From Operating Activities	22(A)	10,008	40,720
Servicing of Finance			
Interest Paid	6	(9,251)	(11,041)
Interest Element of Finance Lease Rentals	6	(3,960)	(454)
State Grant - DART Interest	7	7,837	8,180
Net Cash Outflow from Servicing of Finance		(5,374)	(3,315)
Investing Activities			
Purchase of Tangible Assets		(58,132)	(37,782)
Sale of Tangible Assets		90	138
EU Capital Grants		9,279	9,722
Net Cash Outflow from Investing Activities		(48,763)	(27,922)
Net Cash (Outflow)/Inflow before Financing		(44,129)	9,483
Financing			
New Finance Lease		43,780	19,701
Capital Element of Finance Lease Rentals		(1,253)	(124)
Repayment of Holding Company Loan		—	(29,140)
Net Cash Inflow/(Outflow) from Financing		42,527	(9,563)
Decrease in Cash and Cash Equivalents	22(B)	(1,602)	(80)

Notes to the Financial Statements

1. STATUS OF COMPANY

Iarnród Éireann - Irish Rail was incorporated on 20th January, 1987 under the provisions of the Companies Acts, 1963 - 1986 and in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986 as a wholly owned subsidiary of Córas Iompair Éireann, a statutory body formed under the provisions of the Transport Act, 1950. Net Assets were transferred to the company from Córas Iompair Éireann on 2nd February, 1987 on which date Iarnród Éireann - Irish Rail commenced trading.

In accordance with Section 7 (3) of the Transport (Re-organisation of Córas Iompair Éireann) Act 1986, Iarnród Éireann - Irish Rail is exempt from the requirement of the Companies Act, 1963 to include the word "Limited" in its title.

2. REVENUE

	1995 IR £000	1994 IR £000
Mainline Rail	73,343	70,336
Bray/Howth Suburban Rail Services	13,029	12,049
Road Freight	20,673	18,580
Rosslare Harbour	6,009	5,510
Catering Services	8,858	7,677
Total	121,912	114,152



Notes to the Financial Statements

3. OPERATING COSTS	1995 IR £000	1994 IR £000
Staff Costs		
Wages and Salaries	94,284	93,526
Social Welfare Costs	8,401	8,614
Other Pension Costs	7,360	9,377
	110,045	111,517
Own Work Capitalised, Renewals and Engineering Work for Group Companies	(12,109)	(13,052)
Net Staff Costs	97,936	98,465
Materials and Services		
Fuel and Electric Traction	7,370	7,577
Road Tax and Licences	144	129
Rates	1,420	1,389
Auditors' Remuneration	54	50
Operating Lease Rentals	1,273	1,008
Maintenance - Railway Rolling Stock	13,755	12,887
Maintenance - Railway Lines and Work	9,512	6,024
Operating and Other Costs	38,601	33,872
Third Party and Employer's Liability Claims	11,168	5,863
	83,297	68,799
Directors' Remuneration Emoluments		
- for services as Directors	11	8
- for other services	101	94
	112	102
Depreciation	11,925	9,119
Amortisation of Capital Grants	(1,404)	(154)
Renewal of Railway Lines and Works (Note 27)	11,791	8,865
Total Operating Costs	203,657	185,196
Costs Allocated:-		
Operational Costs	151,861	141,846
Railway Operational Infrastructure Costs (Note 27)	51,796	43,350
	203,657	185,196

Notes to the Financial Statements

3. OPERATING COSTS (continued)

The average number of persons employed by activity, was as follows:

	Staff Numbers	
	1995	1994
Railway	4,710	4,826
Road Freight	235	247
Rosslare Harbour	71	74
Catering	297	265
Total	5,313	5,412

4. EXCEPTIONAL OPERATING COSTS

	1995 IR £000	1994 IR £000
Voluntary Severance	10,135	4,828
Third Party Claims	373	3,853
	10,508	8,681

5. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	1995 IR £000	1994 IR £000
Net profit on disposal of surplus assets	60	77

6. INTEREST PAYABLE

	1995 IR £000	1994 IR £000
On Loan from Holding Company	9,251	11,041
On Finance Leases	3,960	454
	13,211	11,495
Interest apportioned:-		
Operational Costs	6,994	5,902
Railway Infrastructure Costs (Note 27)	6,217	5,593
	13,211	11,495



Notes to the Financial Statements

7. STATE GRANTS

The grants payable to the company through the Holding Company, Córas Iompair Éireann, are in accordance with the relevant EU Regulations governing State aid to transport undertakings. These regulations are as follows:-

- (a) EU Regulation No. 1191/69: enables payment of compensation by the State to railway undertakings in respect of losses incurred on services operated under public service obligations which are deemed essential to ensure the provision of adequate transport services. Payment is made under this Regulation in respect of losses remaining on rail passenger services after fares increases and any possible economies in operation.
- (b) EU Regulation No. 1192/69: provides for compensation by the State in respect of specified financial burdens borne by railway undertakings. Payments are made under this Regulation to cover the following costs in respect of rail passenger and freight operations:

- Superannuation and pension costs less savings arising from exemption from payment of certain social welfare insurance contributions in respect of clerical and supervisory staff.
 - 50% of the cost of maintenance and control of level crossings.
- (c) EU Regulation No. 1107/70 : specifies certain additional circumstances in which State aid may be paid to transport undertakings. Under this Regulation payments are made in respect of:
- 50% of infrastructure costs in respect of rail freight (Article 3.1 [b]).
 - Residual deficits on railway operations (Article 4).

Particulars of the state Grants of IR £97,000,000 received in 1995 are given in the following table, showing the relevant provision of EU Regulations.

	EU Regulation Number		Total IR £000
	1191/69 IR £000	1107/70 (Article 4) IR £000	
Revenue Related			
Mainline Rail			
Operation of Passenger Services	55,088	—	55,088
Residual Deficit - State Grants	—	15,466	15,466
	55,088	15,466	70,554
Bray/Howth Services			
Operation of Passenger Services	5,579	—	5,579
Sub Total	60,667	15,466	76,133

Notes to the Financial Statements

7. STATE GRANTS (continued)

	EU Regulation Number		Total IR £000
	1192/69 IR £000	1107/70 (Article 3.1 [b]) IR £000	
Expenditure Related			
Mainline Rail			
Normalisation of Accounts			
- Class III (Pensions)	3,771	—	3,771
- Class IV (Level Crossings)	2,058	—	2,058
- Infrastructure Grant (Freight)	—	6,796	6,796
	5,829	6,796	12,625
Bray/Howth Services			
Normalisation of Accounts			
- Class III (Pensions)	380	—	380
- Class IV (Level Crossings)	25	—	25
	405	—	405
Sub Total	6,234	6,796	13,030
Total			89,163
Add State Grant for DART Interest - EU Regulation No. 1191/69			7,837
Total State Grants Received			97,000

8. RESULT

The deficit incurred for the year to 31st December, 1995 amounts to IR £15,876,000 (1994 - IR £3,752,000). The financial results, after transfer to asset replacement reserve and interest payable, of the business sectors within the company for the year show the following surpluses/(deficits) after State Grants:-

	1995 IR £000	1994 IR £000
Mainline Rail	(19,205)	(7,184)
Bray/Howth Suburban Rail	—	—
Road Freight	671	632
Rosslare Harbour	2,249	2,310
Catering Services	349	413
	(15,936)	(3,829)
Profit on disposal of Tangible Assets	60	77
	(15,876)	(3,752)

The Working Accounts for these business sectors are shown in Note 28.

No taxation charge arises on the results for the year because certain revenues of the company are not brought into account for tax purposes.



Notes to the Financial Statements

9. TANGIBLE ASSETS

	1st Jan. IR £000	Additions IR £000	Reclassifications IR £000	Scrappings and Disposals IR £000	31st Dec. IR £000
Cost					
Railway Lines and Works	9,713	922	—	—	10,635
Railway Rolling Stock	185,263	48,138	—	(1,523)	231,878
Road Freight Vehicles	5,848	—	—	—	5,848
Plant and Machinery	94,206	4,440	3,820	(900)	101,566
Catering Equipment	370	61	—	—	431
Docks, Harbours and Wharves	26,552	5,359	(3,820)	—	28,091
Total	321,952	58,920	—	(2,423)	378,449

	1st Jan. IR £000	Charge for Year IR £000	Reclassifications IR £000	Scrappings and Disposals IR £000	31st Dec. IR £000
Depreciation					
Railway Rolling Stock	44,525	6,120	—	(1,514)	49,131
Road Freight Vehicles	2,816	758	—	—	3,574
Plant and Machinery	37,935	4,542	6	(879)	41,604
Catering Equipment	281	47	—	—	328
Docks, Harbour and Wharves	2,714	458	(6)	—	3,166
Total	88,271	11,925	—	(2,393)	97,803

	31st Dec. 1995 IR £000	31st Dec. 1994 IR £000
Net Book Amounts		
Railway Lines and Works	10,635	9,713
Railway Rolling Stock	182,747	140,738
Road Freight Vehicles	2,274	3,032
Plant and Machinery	59,962	56,271
Catering Equipment	103	89
Docks, Harbours and Wharves	24,925	23,838
Total	280,646	233,681

Notes to the Financial Statements

9. TANGIBLE ASSETS (continued)

(a) The expected useful lives of the various types of assets for depreciation purposes are as follows:-

	Lives (Years)
Railway Lines and Works - Note (b)	-
Railway Rolling Stock	20 - 50
Road Freight Vehicles	6 - 10
Plant and Machinery	3 - 25
Docks, Harbours and Wharves	50
Catering Equipment	4

(b) Railway Lines and Works are not depreciated (Accounting Policy B).

(c) The amounts included in the original cost of various tangible assets include IR £27,142,000 in capitalised interest charges relating to the Bray/Howth Suburban Railway Electrification Scheme which was completed in 1984.

(d) Included in tangible assets above are payments on account and for assets in course of construction for the following:-

	1995 IR £000	1994 IR £000
Railway Rolling Stock	10,556	8,457

(e) Tangible assets include railway infrastructure assets as follows:-

	1995 IR £000	1994 IR £000
Cost	83,408	81,030
Accumulated Depreciation	33,257	30,955
Net Book Value	50,151	50,075
Depreciation for Year (Note 27)	2,188	2,515

(f) Included in tangible assets are amounts as stated below in respect of railway rolling stock which are held under finance leases, but remain in the legal ownership of the lessor :-

	1995 IR £000	1994 IR £000
Cost	64,301	20,071
Accumulated Depreciation	966	—
Net Book Value	63,335	20,071
Depreciation for Year	966	—



Notes to the Financial Statements

10. FINANCIAL ASSETS

	1995 IR £000	1994 IR £000
Trade Investments - Listed Shares		
Cost or valuation at 1st January	50	50
Provision for permanent diminution in value at 31st December	(34)	(34)
Net Book Amounts at 31st December	16	16
Market Value at 31st December	19	19

11. STOCKS

	1995 IR £000	1994 IR £000
Maintenance Materials and Spare Parts	13,920	16,349
Fuel, Lubricants and Other Sundry Stocks	2,414	3,922
	16,334	20,271

These amounts include parts and components necessarily held to meet long-term operational requirements. The replacement value of stocks is not materially different from their book value.

12. DEBTORS (Amounts falling due within one year)

	1995 IR £000	1994 IR £000
Trade Debtors	11,779	11,791
Amounts owed by Holding and Fellow Subsidiary Companies	18,561	12,861
EU Grants receivable	31,367	4,965
Other Debtors and accrued income	2,138	2,113
	63,845	31,730

Notes to the Financial Statements

13. CREDITORS (Amounts falling due within one year)

	1995 IR £000	1994 IR £000 (Restated)
Bank Overdraft	4,161	2,558
Trade Creditors	17,578	11,884
Loan from Holding Company (Note 15)	60,190	61,968
Finance Lease Obligations (Note 16)	1,873	751
Income Tax deducted under P.A.Y.E.	1,849	1,796
Pay Related Social Insurance	1,299	1,304
Value Added Tax and other taxes	563	475
Other Creditors	1,409	1,303
Voluntary Severance	4,850	160
Accruals	6,905	7,524
Third Party and Employer's Liability Claims (Note 17)	5,901	7,605
	106,578	97,328
Creditors for taxation and social welfare included above	3,711	3,575

14. CREDITORS (Amounts falling due after more than one year)

	1995 IR £000	1994 IR £000 (Restated)
Loan from Holding Company (Note 15)	69,810	68,032
Finance Lease Obligations (Note 16)	60,231	18,826
	130,041	86,858

15. LOAN FROM HOLDING COMPANY

	1995 IR £000	1994 IR £000 (Restated)
This loan is repayable as follows:		
Within one year (Note 13)	60,190	61,968
Between one and two years	11,518	9,028
Between two and five years	40,443	37,178
After five years	17,849	21,826
	69,810	68,032
	130,000	130,000



Notes to the Financial Statements

15. LOAN FROM HOLDING COMPANY (continued)

This loan represents the net assets, less issued share capital, assigned to the company on its establishment following the re-organisation of Córas Iompair Éireann in 1987. Each year the amount outstanding, less any repayments, is aged by reference to the bank loans held and managed by Córas Iompair Éireann on behalf of the operating companies.

The presentation of the maturity analysis of loans and other debt above complies with the provisions of FRS 4 (Capital Instruments). The standard requires that the maturity of debt should be determined by reference to the earliest date on which the lender can require repayment. Included in amounts repayable within one year are amounts of IR £39,700,000 (1994 - IR £52,400,000) relating to Irish Commercial Paper which are backed by committed medium term facilities which effectively extends the maturity of these instruments. In previous years, such borrowings were classified as being repayable after more than one year. Prior year figures have been restated to comply with the standard.

16. FINANCE LEASE OBLIGATIONS

	1995 IR £000	1994 IR £000
Net obligations under finance leases fall due as follows:		
Within one year (Note 13)	1,873	751
Between one and five years (Note 14)	9,071	3,674
After five years (Note 14)	51,160	15,152
	60,231	18,826
	62,104	19,577

17. PROVISION FOR LIABILITIES AND CHARGES

	1995 IR £000	1994 IR £000
Third Party and Employer's Liability Claims		
Balance at 1st January	25,247	19,848
Utilised during the year	(3,713)	(3,918)
Transfer from Profit and Loss Account	11,111	9,317
	32,645	25,247
Less: Transfer to current liabilities (Note 13)	(5,901)	(7,605)
Balance at 31st December	26,744	17,642

The transfer from Profit and Loss Account includes the exceptional charge of IR £373,000 (1994 -IR £3,853,000) for the rail accident at Claremorris (Note 4)

Provision is made for the estimated ultimate cost of all third party and employer's liability claims which are not covered by the Board's external insurance policies. In arriving at the amount of the total provision required for the third party liability claims, the company has had regard to the results of an independent actuarial review.

Notes to the Financial Statements

17. PROVISION FOR LIABILITIES AND CHARGES (continued)

Córas Iompair Éireann has, on behalf of the company, the following external insurance cover:-

- (i) third party liability in excess of IR £3,000,000 and up to IR £83,000,000 on any one occurrence or series of occurrences arising out of any one rail event;
- (ii) third party liability in excess of IR £1,000,000 and up to IR £81,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of actions taken for road claims subject to United States jurisdiction where the excess is US \$3,000,000;
- (iii) third party liability in excess of IR £50,000 and up to IR £80,050,000 on any one occurrence or series of occurrences arising out of All Other Risks events, except in the case of actions taken for All Other Risks claims subject to United States jurisdiction where the excess is US \$100,000;
- (iv) in addition, Iarnród Éireann - Irish Rail is covered for rail and road transport liabilities in excess of a self insured retention of IR £6,615,000 in aggregate in a twelve month period, April 1996 to March 1997; and
- (v) fire and special perils, including storm damage, to Board's property in excess of IR £200,000 on any one loss.

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

18. DEFERRED INCOME

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

	1st Jan. 1995 IR £000	Received and Receivable IR £000	Profit and Loss A/c IR £000	31st Dec. 1995 IR £000
European Union Grants				
Revenue Grant				
Renewal of Railway Lines and Works	—	14,747	(14,747)	—
Capital Grants				
Railway Lines and Works	345	—	—	345
Railway Rolling Stock	9,416	18,299	(591)	27,124
Plant and Machinery	8,104	1,806	(532)	9,378
Docks, Harbours and Wharves	6,915	3,340	(281)	9,974
	24,780	23,445	(1,404)	46,821
Total EU Grants	24,780	38,192	(16,151)	46,821
Other Deferred Income	1,241	—	(28)	1,213
Total	26,021	38,192	(16,179)	48,034



Notes to the Financial Statements

19. EQUITY SHARE CAPITAL

	1995 IR £000	1994 IR £000
Authorised		
Ordinary shares of IR £1 each	75,000	75,000
Allotted and Fully Paid		
Ordinary Shares of IR £1 each	23,000	23,000

20. ASSET REPLACEMENT RESERVE

	1995 IR £000	1994 IR £000
Balance at 1st January	29,036	23,247
Transfer from Profit and Loss Account	7,472	5,789
Balance at 31st December	36,508	29,036

The reserve represents the excess of depreciation based on replacement cost over that based on historical cost (Accounting Policy B).

21. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1995 IR £000	1994 IR £000
(Deficit)/Surplus for the Year after State Grants	(8,404)	2,037
Opening Equity Shareholders' Funds	57,896	55,859
Closing Equity Shareholders' Funds	49,492	57,896

Notes to the Financial Statements

22. CASH FLOW STATEMENT

(A) Reconciliation of Deficit to Net Cash Inflow from Operating Activities

	1995 IR £000	1994 IR £000
Deficit before State Grant and Servicing of Finance	(92,193)	(79,648)
State Grant	89,163	85,000
(Deficit)/Surplus for year before Servicing of Finance	(3,030)	5,352
Profit on disposal of Tangible Assets	(60)	(77)
Depreciation	11,925	9,119
Amortisation of EU Capital Grants	(1,404)	(154)
Decrease in Stocks	3,937	247
(Increase)/Decrease in EU Revenue Grants	(12,236)	1,999
(Increase)/Decrease in Debtors	(5,713)	14,877
Increase in Creditors and Provisions	16,589	9,357
Net Cash Inflow from Operating Activities before Servicing of Finance	10,008	40,720

(B) Analysis of Changes in Cash and Cash Equivalents during the Year

	1995 IR £000	1994 IR £000
Balance at 1st January	(2,511)	(2,431)
Net Cash Outflow	(1,602)	(80)
Balance at 31st December	(4,113)	(2,511)

(C) Summary of Balances of Cash and Cash Equivalents as shown in the Balance Sheet

	1995 IR £000	1994 IR £000	Change in 1995 IR £000	Change in 1994 IR £000
Cash at Bank and in Hand	48	47	1	(1)
Bank Overdraft	(4,161)	(2,558)	(1,603)	(79)
	(4,113)	(2,511)	(1,602)	(80)

(D) Analysis of Changes in Financing during the Year

	Share Capital IR £000	Loan and Finance Leases Obligations IR £000
Balance at 1st January, 1995	23,000	149,577
Cash Outflows from Financing	—	(1,253)
New Finance Leases	—	43,780
Balance at 31st December, 1995	23,000	192,104



Notes to the Financial Statements

23. OPERATING LEASES

Commitments under non-cancellable operating leases payable in the coming year expire as follows:-

	1995 IR £000	1994 IR £000
Within one year	69	108
Between one and five years	744	622
	813	730

24. PENSIONS

The majority of the Company's employees participate in defined benefit pension schemes based on final pensionable pay. Contributions by the Board and the employees are invested in trustee administered funds.

Proposals for the amalgamation of the Board's six pension schemes into two schemes CIE Superannuation Scheme 1951 (Amendment) Scheme 1996 and CIE Pension Scheme for regular wages staff (Amendment) Scheme 1996, have been accepted. The necessary statutory instruments to implement the new arrangements are in course of preparation.

Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions as incurred over employees' working lives with the Group as a stable percentage of expected future pay. Contributions to the amalgamated schemes are determined by independent actuaries on the basis of annual reviews using the projected unit method.

The market value of the group schemes' assets at 31st December, 1995 was IR £516,944,000.

An actuarial review of the amalgamated schemes was carried out as at 31st December, 1994. The market value of the group schemes' assets at that date was IR £440,602,000 and this exceeded 100% of the benefits which had accrued to members based on service to and pensionable pay

at the review date. After allowing for future pay and pension increases the level of funding was 86%. The principal assumption in this review was that investment returns would exceed the rate of increase in pensionable remuneration and of pensions in payment by 2.5% per annum. An actuarial valuation of the amalgamated schemes will be carried out at 31st December, 1996. Actuarial reports are available to scheme members.

The pensions cost for 1995 was IR £7,365,000. As noted in the accounting policies on page 7 there has been a change in the accounting policy for pensions. As permitted by SSAP 24 the results and financial position in respect of 1994 have not been restated for the change in accounting policy for pension costs. If the new accounting policy had been used in 1994, it would have given rise to a charge for pensions in that year of IR £7,770,000.

The pensions cost for 1994 reported in the 1994 financial statements was IR £9,383,000. Under the previously applied accounting policy the pensions cost for 1995 would have been IR £9,953,000.

Included in the charge for voluntary severance in Note 4 is IR £4,155,000 being the capital cost of the ex gratia pensions element of voluntary severance. Under the previously applied accounting policy this amount would not have been included in the charge for voluntary severance in 1995.

Notes to the Financial Statements

24. PENSIONS (continued)

As at 31st December, 1995 provision for the capital cost of ex gratia pensions of IR £3,346,000 (1994 IR £Nil) is included in Creditors. The charge for voluntary severance

reported in the 1994 financial statements was IR £4,828,000. If the new accounting policy had been used in 1994 it would have given rise to a charge for voluntary severance in that year of IR £5,287,000.

25. CAPITAL COMMITMENTS

	1995 IR £000	1994 IR £000
Contracted for	8,625	69,790
Authorised by the Directors but not contracted for	24,917	20,211
	33,542	90,001

26. CONTINGENT LIABILITIES

(A) Pending Litigation

The company, from time to time, is party to various legal proceedings. It is the opinion of the directors that losses, if any, arising in connection with these matters will not be material.

(B) Finance Leases

Under the terms of the finance leases there are contingent liabilities whereby material taxation changes affecting the lessors' taxation liability on lease income will be offset by appropriate adjustments to lease rentals

27. RAILWAY INFRASTRUCTURE COSTS

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

	1995 IR £000	1994 IR £000
Maintenance of Railway Lines and Works	26,102	21,774
Renewal of Railway Lines and Works (Note 3)	11,791	8,865
Operating (Signalling) and Other Expenses	11,715	10,196
Depreciation (Note 9 (e))	2,188	2,515
Railway Operational Infrastructure Costs before Interest (Note 3)	51,796	43,350
Interest Payable (Note 6)	6,217	5,593
Total Railway Infrastructure Costs	58,013	48,943
Apportionment:-		
Mainline Railway Services	50,555	41,189
Bray/Howth (DART) Services	7,458	7,754
	58,013	48,943



Notes to the Financial Statements

28. WORKING ACCOUNTS

(a) Mainline Rail Sector (Excluding Bray/Howth Rail Suburban Services)

	1995 IR£000	1994 IR£000
Revenue		
Passenger Train Traffic	53,603	49,494
Goods Train Traffic	17,398	18,412
Miscellaneous	2,342	2,430
Total Revenue	73,343	70,336
Expenditure		
Infrastructure	50,555	41,189
Maintenance of Rolling Stock	28,260	28,505
Fuel	5,612	5,592
Operating and Other Expenses	76,554	71,701
Operating Depreciation	12,685	8,562
Amortisation of Capital Grants	(989)	(47)
Total Expenditure	172,677	155,502
Operating Deficit before Operating Interest Payable and State Grants	(99,334)	(85,166)
Interest Payable	(3,050)	(1,079)
Deficit Before State Grants	(102,384)	(86,245)
State Grants	83,179	79,061
Deficit for the Year	(19,205)	(7,184)



Notes to the Financial Statements

28. WORKING ACCOUNTS (continued)

(b) Bray/Howth Suburban Rail Services Sector

	1995 IR £000	1994 IR £000
Revenue		
Passenger Traffic	12,649	11,780
Miscellaneous	380	269
Total Revenue	13,029	12,049
Expenditure		
Infrastructure	7,458	7,754
Maintenance of Rolling Stock	2,328	2,148
Fuel (including electricity for traction)	1,356	1,438
Operating and Other Expenses	9,764	8,259
Operating Depreciation	2,050	1,797
Total Expenditure	22,956	21,396
Operating Deficit before Operating Interest Payable and State Grants	(9,927)	(9,347)
Interest Payable	(3,894)	(4,772)
Deficit for Year Before State Grants	(13,821)	(14,119)
State Grants	13,821	14,119
	—	—

(c) Road Freight Sector

	1995 IR £000	1994 IR £000
Revenue		
Goods Services	20,539	18,466
Miscellaneous	134	114
Total Revenue	20,673	18,580
Operating Costs		
Maintenance of Buildings	1	—
Maintenance of Vehicles and Equipment	1,409	1,364
Fuel	889	927
Road Tax and Licences	144	129
Operating and Other Expenses	16,797	14,646
Operating Depreciation	762	882
Total Expenditure	20,002	17,948
Net Surplus	671	632



Notes to the Financial Statements

28. WORKING ACCOUNTS (continued)

(d) Rosslare Harbour Sector

	1995 IR £000	1994 IR £000
Revenue		
Harbour Services	6,009	5,510
Operating Costs		
Maintenance, Operating and Other Expenses	3,168	2,752
Operating Depreciation	824	504
Amortisation of Capital Grants	(281)	(107)
Total Expenditure	3,711	3,149
Operating Surplus before Interest Payable	2,298	2,361
Interest Payable	(49)	(51)
Net Surplus	2,249	2,310

(e) Catering Services Sector

	1995 IR £000	1994 IR £000
Revenue		
Ground and Train catering	8,858	7,677
Operating Costs		
Maintenance of Buildings, Cars and Equipment	120	114
Provisions	3,688	3,264
Other Direct Expenses	3,161	2,693
Other Expenditure	1,540	1,193
Total Expenditure	8,509	7,264
Net Surplus	349	413

Total expenditure in the above working accounts for the business sectors of the company include the exceptional items for 1995 IR £10,508,000 (1994 - IR £8,681,000) and the transfer to asset replacement reserve for 1995 IR £7,472,000 (1994 - IR £5,789,000). Profit of IR £60,000 (1994 - IR £77,000) on disposal of tangible assets is not included in the above working accounts.

Notes to the Financial Statements

29. MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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

Reference in these financial statements to the Board means the Board of Córas Iompair Éireann.

Dubel Limited is a wholly owned subsidiary of Iarnród Éireann - Irish Rail incorporated in Northern Ireland with registered offices at Central Station, East Bridge Street, Belfast.

30. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 24th April, 1996.



Value Added Statement

	Year Ended 31st December			
	1995	1994		
	IR £000	IR £000	IR £000	IR £000
Value Added Generated				
Revenue (Note 2)		121,912		114,152
State Grants (Note 7)		97,000		93,180
Profit on Sale of Tangible Assets		60		77
Own Work Capitalised, Renewals and Engineering Work for Group Companies		12,109		13,052
Less: Cost of Materials and Services Utilised	(83,297)		(68,799)	
Exceptional Items	(10,508)	(93,805)	(8,681)	(77,480)
		137,276		142,981
Application of Value Added				
Net Compensation of Employees including pension costs		76,918		77,040
Government - Payroll Taxes		33,239		34,579
Providers of Capital (Note 6)		13,211		11,495
Provision for Future Investment (Note 3)				
- Depreciation	11,925		9,119	
- Amortisation of Capital Grants	(1,404)		(154)	
- Renewal of Railways Lines and Works	11,791	22,312	8,865	17,830
Surplus/(Deficit) for the Year		(8,404)		2,037
		137,276		142,981

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