

Córas Iompair Éireann

Group Annual Report and Financial Statements 1996

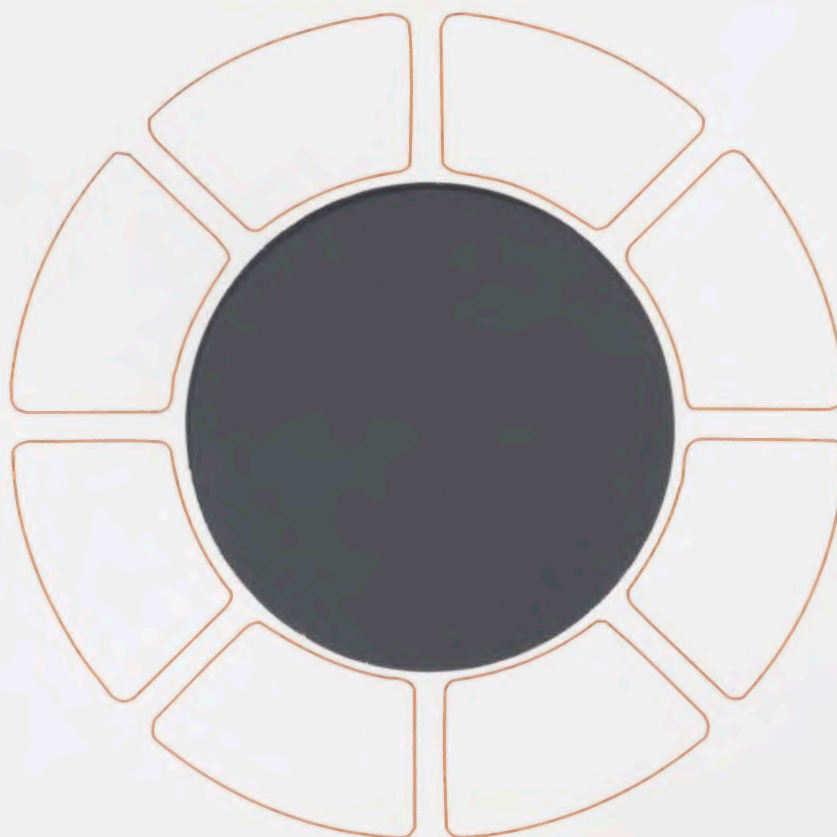
Tuarascáil Bhliantúil an Ghrúpa agus Ráitis Airgeadais
don Bhliain go 31ú Nollaig 1996



CIE

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To the Minister for Transport, Energy and Communications

The Board of Córas Iompair Éireann herewith presents the Group Annual Report and Accounts for the year ended 31st December 1996 in accordance with Section 34 of the Transport Act, 1950.



The Córas Iompair Éireann (CIE) Group provides an integrated national land public transport service with the following mandate from it's sole shareholder, the Irish Government.

The Shareholder's mandate to CIE is:-

to provide cost effective, high quality, safe, reliable and efficient transport services.

to give value for money to both tax payer and public transport user.

to be commercially driven and be customer focussed.

to generate internal resources to finance necessary investment and renewal expenditure.

to prepare for increasing competition and a more liberal inland transport market.





Group Structure

CORPORATE PROFILE

Córas Iompair Éireann (CIE) is the national statutory authority providing land public transport within the Republic of Ireland. The company is wholly owned by the Government of Ireland through shares vested in the Minister for Transport, Energy and Communications.

The Group Holding Company is organised into five subsidiary operating companies, three business units and other ancillary service providers. Between them they provide services of:-

- Rail passenger travel
- Rail freight carrying
- City, inter-city, rural and school bus travel
- Road freight carrying
- Harbour management
- Event/holiday tours
- International consultancy
- Ancillary services:
Project Management, Property, Legal, Insurance/Liability Management

Strategic direction, control and overall co-ordination is provided by the Holding Company whilst each subsidiary and business unit has a high degree of operating autonomy.

GROUP STRUCTURE



Iarnród Éireann

Mainline Rail
 Dart / Arrow
 Rail Freight
 Road Freight
 Rosslare Harbour
 Network Catering/
 (Dubel Ltd)



Bus Éireann

Expressway
 Rural Services
 Prov. City Services
 School Bus Services
 Vehicle Testing
 Private Hire



Bus Átha Cliath

City Services
 Cityswift
 City Speed
 City Imp
 Nightlink
 Airlink
 Private Hire



Ancillary Businesses/ Services

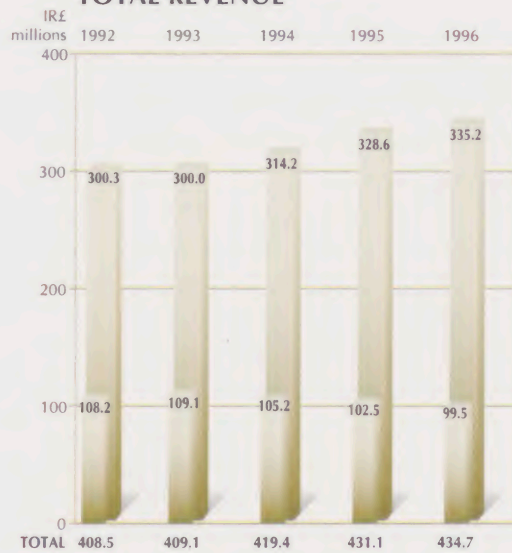
CIE Tours Int. Inc.
 CIE Consult
 CIE Property
 Outdoor Advertising
 (CAN)
 Insurance/Liability
 Management
 Legal



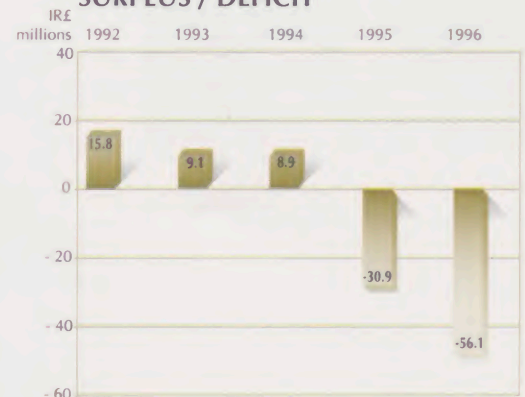
Financial Highlights

	1996	1995
	IR £m	IR £m
Total Revenue	434.7	431.1
Expenditure	436.7	441.7
Exceptional Costs	54.1	20.3
Deficit	(56.1)	(30.9)
Capital Expenditure	53.8	93.4
Passenger Journeys (millions)	300.7	300.2
Employees (average numbers)	10,951	11,121

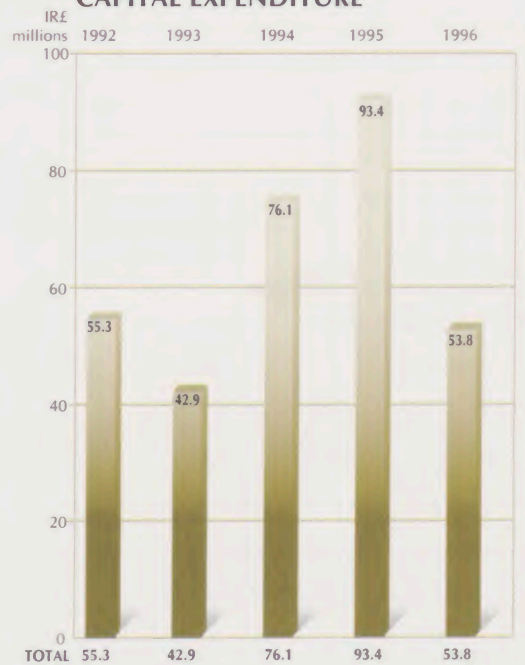
TOTAL REVENUE



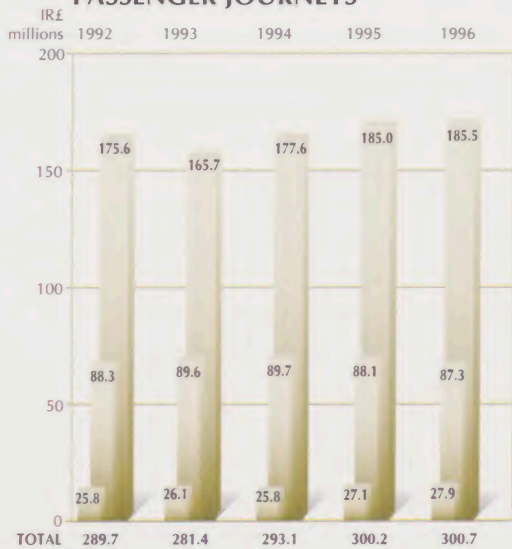
SURPLUS / DEFICIT



CAPITAL EXPENDITURE



PASSENGER JOURNEYS





Chairman's Statement



Brian A. Joyce
Chairman

CHAIRMAN'S STATEMENT

The accompanying accounts set out the results of the CIE Group of companies for the year ended 31st December, 1996.

I wish to thank our customers for their continued loyal support and to record my appreciation of the contribution of the Board, management and staff of the Group throughout 1996.

The total deficit on the Group's operations for the year was over IR £56 million. The deficit is attributable in large part to exceptional provisions totalling IR £57 million for planned restructuring changes. These changes are necessary to enable each company in the Group compete efficiently and commercially in the rapidly changing Irish land transport market.

During 1996 we substantially upgraded the quality of our fleet and facilities in all operating companies at a total cost of IR £38 million. We are committed to pursuing this policy of increased investment to give our customers higher quality integrated public transport services throughout Ireland and to providing excellent value for money.

We are grateful to the EU and the Government for their assistance towards financing the Group's capital investment programmes. However, even with this assistance, CIE must find substantial extra resources to finance the balance of these investments. It is Board policy that this balance must be financed through resources generated from profitable trading plus depreciation provisions and not by a permanent increase in Group borrowings which are already at an excessively high level. To this end, management undertook a fundamental review of all costs within the Group in 1996 and succeeded in reducing non payroll costs by IR £8 million which more than offset the IR £6 million increase in staff costs.

The Board also charged the management of each operating company within the Group with the task of preparing viability plans for their individual companies to generate the extra cash needed by them for increased investment. They were mandated to discuss implementation of their proposals with their trade unions. Progress in this regard has been slower than planned. However, with the assistance of the State's industrial relations agencies, I am hopeful that these negotiations can be successfully concluded in the near future.

While all companies in the CIE Group are committed to improving the quality of our product, there is one major factor outside our control which prevents us from providing the quality of public transport services we desire for our customers. That is the ever increasing level of traffic congestion throughout Ireland and particularly in our main conurbations. Dublin is experiencing traffic gridlock, the full economic cost of which is estimated to be IR £1 billion per year. This is approximately ten times the annual subvention to CIE for providing national

'Even with the assistance of EU and Government, CIE must find substantial extra resources to finance the balance of these investments.'



transport services. Traffic in other Irish cities is also reaching gridlock proportions, particularly at rush hour. Operation Freeflow showed that with the necessary commitment, staff and resources by all authorities responsible for traffic management this problem can be solved. The efficiency and quality of our services improved significantly during Operation Freeflow, a fact which was manifest from the many complimentary comments we received from our customers during that period. The economic case for permanent traffic management measures of this sort is overwhelming, not only for Dublin but for other major cities.

One disappointing feature of 1996 was the failure to conclude with Government public service contracts for the provision of essential but non-commercial social services which we operate. If the CIE Group is to become fully commercial, which is the wish of the Board and the aspiration of our shareholder, then it is essential that we are remunerated for the social obligations we fulfil on behalf of the Government.

Full commerciality also dictates commercial pricing freedom to recover unavoidable cost increases and remunerate capital investment. In this regard, the last general price increase granted to CIE was in 1991. In the intervening period, the Group incurred substantial additional costs arising from national pay agreements and other unavoidable sources. We will, therefore, be seeking commercial pricing freedom, in line with CPI increases, in the public service contracts we are negotiating with the Government. I am hopeful these negotiations can be successfully concluded in the coming months.

I feel that both our customers and our staff can look forward to a brighter future with the CIE Group as we continue our investment policy to upgrade the quality of our public transport services in Ireland. Our main challenge is to earn sufficient profits to renew and continuously upgrade the quality of our product to meet the demands of our customers. We can and we will meet that challenge.

ACKNOWLEDGMENTS

I would like to thank the Minister for Transport, Energy and Communications, Alan Dukes, T.D., and his predecessor, Mr. Michael Lowry, T.D., the Minister for Finance, Mr. Ruairí Quinn, T.D., and their officials for their support and advice to Córas Iompair Éireann during 1996. I also thank the officials of the European Union for their support, particularly for the Group's investment programme.

Brian A Joyce.

Brian A. Joyce,
Chairman

'Our main challenge is to earn sufficient profits to renew and continuously upgrade the quality of our product to meet the demands of our customers'



Members of the Board

at 31st December, 1996

Brian A. Joyce	Chairman
Tras Honan	Deputy Chairperson
# Jim Cullen	Group Chief Financial Officer
* Michael Faherty	
* Shay Feely	
* Frank Kenny	
Patrick J. Lynch	
Laura Magahy	
# Michael P. McDonnell	Group Chief Executive
Brendan Murtagh	
* Anthony J. O'Brien	
Arthur O'Daly	
* Worker Director	
# Executive Member	

Secretary of the Board

Brian P. Dowling,
Heuston Station,
Dublin 8.
Telephone: 01 677 1871.
Facsimile: 01 703 2276.

Board Committees

Audit Committee

Brian A. Joyce, *Chairman*
Michael Faherty
Shay Feely
Laura Magahy

Remuneration Committee

Tras Honan, *Chairperson*
Brian A. Joyce
Brendan Murtagh

Safety Committee

Patrick J. Lynch, *Chairman*
Frank Kenny
Anthony J. O'Brien
Arthur O'Daly

BRIAN A. JOYCE

Brian Joyce (56), BA, BComm., FCMA. Non-Executive Chairman. Appointed as Chairman of the Board of C oras Iompair  ireann on 28th November 1995. He is Chairman of the Board's Audit Committee and a member of the Remuneration Committee. A Chartered Management Accountant, he runs his own business consultancy company and currently holds a number of company directorships including Allegro Ltd., EBS Building Society and the Mater Private Hospital. He was formerly the Managing Director of The Irish Dairy Board from 1978 to 1989.

SHAY FEELY

Shay Feely (64). First appointed as a Member of the Board of C oras Iompair  ireann in December 1989 following election through the Worker Participation (State Enterprises) Act, 1977. He is a member of the Board's Audit Committee. Shay is also a Director of Iarnr od  ireann and Bus  ireann. He is a gold medallion holder with the TSSA and is Executive in Charge of cash management at Bus  ireann. (Since the year end, he retired from the Board on 31st January 1997).

MICHAEL P. McDONNELL

Michael McDonnell (53), MEconSc., BComm., DPA. Joined C oras Iompair  ireann as Group Chief Executive in May 1995 and was appointed as a Member of the Board of C oras Iompair  ireann in November 1995. He is Chairman of Iarnr od  ireann, Bus  ireann, Bus  atha Cliath and CIE Tours International Incorporated.

TRAS HONAN

Tras Honan (65). Non-Executive Deputy Chairperson. Appointed as a Member of the C oras Iompair  ireann Board in November 1994 and re-appointed in November 1995 as Deputy Chairperson. She is Chairperson of the Board's Remuneration Committee and is a Director of Bus  ireann and CIE Tours International Incorporated. She also acts as Chairperson of the Property Advisory Committee. Tras was a member of the Senate throughout the period 1977 to 1993. She was elected as Cathaoirleach for two terms, 1982 to 1983 and 1987 to 1989, and elected as Leas Cathaoirleach from 1983 to 1987.

FRANK KENNY

Frank Kenny (37). First appointed as a Member of the Board of C oras Iompair  ireann in December 1989 following election through the Worker Participation (State Enterprises) Act, 1977. He is a member of the Board's Safety Committee and is also a Director of Bus  atha Cliath. Frank works as a bus driver with Bus  atha Cliath.

BRENDAN MURTAGH

Brendan Murtagh (51), BComm. Appointed as a Member of the Board of C oras Iompair  ireann in November 1995. He is a member of the Board's Remuneration Committee and is a Director of Iarnr od  ireann and Bus  ireann. Brendan is Deputy Chairman and Marketing Director of the Kingspan Group.



JIM CULLEN

Jim Cullen (51), FCA. Appointed as a Member of the Board of Córas Iompair Éireann in November 1995. Jim is a Chartered Accountant and he joined CIE in July 1995 as Group Chief Financial Officer. He previously held senior executive positions in private industry including Chief Executive of Killeen Investments/Toyota Motor Group.

MICHAEL FAHERTY

Michael Faherty (48). First appointed as a Member of the Board of Córas Iompair Éireann in December 1983 following election through the Worker Participation (State Enterprises) Act, 1977. He is a member of the Board's Audit Committee and is a Director of Bus Átha Cliath. Michael is also on the Property Advisory Committee and works as a bus driver with Bus Átha Cliath.

PATRICK J. LYNCH

Patrick Lynch (60), BE, MSc., FIEI, CEng. Appointed as a Member of the Board of Córas Iompair Éireann in November 1995. He is the Chairman of the Board's Safety Committee and is a Director of Iarnród Éireann. Patrick was a former Chief Executive of Irish Shell Ltd., a former Programme Director with the National Board for Science and Technology, past President of the Institution of Engineers of Ireland and is currently Chairman of the Transport Council of IBEC.

LAURA MAGAHY

Laura Magahy (36), BA, MBA. Appointed as a Member of the Board of Córas Iompair Éireann in November 1995. She is a member of the Board's Audit Committee, is a Director of Bus Átha Cliath and is on the Property Advisory Committee. Laura is Managing Director of Temple Bar Properties, is a Member of the Arts Council/An Chomhairle Éalaíon since 1993 and in 1995 was appointed as a Member of the Devolution Commission.

ANTHONY J. O'BRIEN

Anthony O'Brien (62). First appointed as a Member of the Board of Córas Iompair Éireann in June 1991 following election through the Worker Participation (State Enterprises) Act, 1977. He is a member of the Board's Safety Committee, is a Director of Iarnród Éireann and Bus Éireann and is also on the Property Advisory Committee. Tony is currently President of the NATE Division of SIPTU and works as a Locomotive Inspector with Iarnród Éireann in Limerick.

ARTHUR O'DALY

Arthur O'Daly (60), FCA. Appointed as a Member of the Board of Córas Iompair Éireann in November 1995. He is a member of the Board's Safety Committee and is a Director of Bus Átha Cliath. Arthur, a Chartered Accountant, is a board member of the National Rehabilitation Board and a Director of Dun Laoghaire Community Training Workshop Ltd.

Current Group Management

Michael P. McDonnell
Group Chief Executive

Tony Bergin
Group Head of Human Resources

Ray Byrne
Head of Programmes and Projects

Jim Cullen
Group Chief Financial Officer

Brian Dowling
Managing Director, CIE Tours

Bill Lilley
Managing Director, Bus Éireann

Pat McDonagh
Group Head of Strategic Marketing and Communications

Joseph Meagher
Chief Executive, Iarnród Éireann

Alan Westwell
Managing Director, Bus Átha Cliath

Officers/Advisers

Auditors

Craig Gardner & Co., Chartered Accountants,
Gardner House, Wilton Place, Dublin 2.

Solicitor

Michael Carroll, Bridgewater House,
Islandbridge, Dublin 8.

Principal Banker

Bank of Ireland, College Green, Dublin 2.



Operations Review

'This deficit was caused principally by the need to provide IR £57 million in the year for restructuring and voluntary severance costs.'

GROUP RESULTS

The overall deficit on the Group's operations in 1996 was IR £56 million or IR £25 million more than in 1995. This deficit, which was caused principally by the need to provide IR £57 million in the year for restructuring and voluntary severance costs, has doubled the Accumulated Deficit of the Group at the end of 1996, to IR £111 million.

The following table compares the 1996 results with those for 1995.

	IR £millions 1996	IR £millions 1995	IR £millions +/-
Revenue – Customers/Other	335.2	328.6	+6.6
– State Grants	99.5	102.5	–3.0
Total Revenue	434.7	431.1	+3.6
Operating Costs (Net)	414.6	419.1	+4.5
Exceptional Operating Costs (Net)	54.1	20.3	–33.8
Total	468.7	439.4	–29.3
Financial Costs	10.6	14.7	+ 4.1
Reserves Transfers	11.5	7.9	–3.6
Deficit for the Year	56.1	30.9	–25.2
Accumulated Deficit to Date	111.1	55.0	–56.1

Revenues

Customer revenues increased by 2.0% to IR £335.2 million. However, as Government payments for the provision of social services were reduced by IR £3.0 million to IR £99.5 million, total Group revenue increased by only IR £3.6 million or just under 1%.

Operating Costs

Significant savings were made in non-pay expenditure during 1996. At IR £165.9 million they decreased by IR £7.8 million (4.5%) from IR £173.7 million in 1995. Net staff costs however increased by IR £6.0 million (2.8%) to IR £219.7 million. Depreciation costs were IR £2.8 million lower than in 1996.

Exceptional Operating Costs

Provisions of IR £57.1 million have been made in the 1996 accounts to cover anticipated voluntary severance and other restructuring costs as a result of the measures identified to improve competitiveness and profitability.

Financial Costs

The combination of lower borrowing levels and reduced interest rates helped to reduce overall Group interest charges. Net interest charges at IR £13.3 million were IR £1.2 million less than 1995 charges. In addition, foreign currency movements during the year and foreign currency revaluations at year end produced a gain of IR £2.7 million. Overall net financial costs decreased by IR £4.1 million or 28%.





Capital Investment/Payments

The Group's gross investment in capital expenditure during the year amounted to IR £37.5 million and a further IR £16.3 million was repaid by way of loan repayments. At year end further capital expenditure commitments had either been contracted for or authorised by the Board to a value of IR £135.2 million.

IARNRÓD ÉIREANN

Iarnród Éireann is a wholly owned subsidiary of Córas Iompair Éireann. It operates national rail passenger and freight services, road freight and catering businesses and also a port management business at Rosslare Harbour.

Results

Customer revenue increased by 3.7% to IR £126.4 million due to record passenger carryings of 27.9 million and increased freight tonnage carried. The Government's contribution towards the upkeep of the railway infrastructure, interest subsidies and the provision of social services amounted to IR £92.4 million in the year, a decrease of IR £4.6 million over 1995 levels. Overall the company recorded a deficit of IR £37.7 million, IR £21.8 million greater than in 1995.

Due to significant savings in non-pay expenditure, expenditure, including interest charges, decreased by IR £4.1 million (1.9%). However, following a fundamental review of the business throughout 1996, a plan was prepared to achieve annual savings in operating costs of IR £30 million to be used for a substantial increase in investment to provide a first class quality service for Iarnród Éireann customers. The cost of implementing this plan has been estimated at IR £37.1 million. Full provision has been made in the 1996 Accounts for this expenditure.

Continuing Investment

Expenditure programmes, both of a capital and revenue nature, to upgrade the Railway Rolling Stock and Lines and Works, continued during the year. Gross capital expenditure of IR £14.4 million was invested on the renewal of Rail Rolling Stock and Equipment with a further IR £26.1 million spent on the renewal of rail lines and works, both with the support of EU Structural and Cohesion Fund to a value of IR £20.1 million. Over fifty miles of track was renewed or improved and the major infrastructural work on the Cross Border Project is nearing completion. Subject to availability of resources, this substantial investment programme will continue into 1997 and beyond. At year end further capital expenditure commitments, to a total value of IR £88.1 million, have been either contracted for or authorised by the directors of the company.

Road Freight

Tonnage carried increased by 14.3% to 1.8 million tonnes. Revenue increased by 5.1% and profits improved to over IR £1 million.

Rosslare Harbour

Although the port experienced a reduction of 7.7% in the number of freight units

'Over fifty miles of track was renewed or improved and the Cross Border Project is nearing completion.'



'A plan was prepared to achieve general savings in operating costs of IR £30 million.'



Operations Review



'Subject to the availability of resources, it is intended to pursue an accelerated investment programme.'



using the port, buoyant demand for new cars helped generate increased revenue to IR £6.2 million and profits increased by 12% to IR £2.5 million. Investment in the port continued with the completion of a new quay wall and passenger linkspan.

Network Catering (Dubel Ltd)

Achieved a higher level of turnover but competitive pressures depressed profits in the year.

BUS ÉIREANN

Bus Éireann is a wholly owned subsidiary of Córas Iompair Éireann. It provides intercity, rural, provincial and school transport services.

Results

Bus Éireann carried 87.3 million customers in 1996. Total revenues increased to IR £100.1 million and were IR £0.4 million higher than in 1995. The company recorded an overall deficit of IR £9.3 million after the receipt of a Government contribution toward social services of IR £3.4 million.

The Accounts include provisions of IR £10.5 million to pay for restructuring and voluntary severance costs following a major review of operations which was carried out during 1996. The objective of this review was to generate additional resources for investment in new buses and facilities.

Services

Provincial City and Rural services maintained customer loyalty at previous years' levels, whilst the School Transport Service was successfully undertaken on behalf of the Department of Education.

Continuing Investment to Improve Quality of Service

A total of IR £10.7 million was invested by the company with 35 new and 91 secondhand vehicles introduced on Expressway and School Transport services, reducing the average fleet age and improving service quality. The company supplemented its investment plans by the leasing of a further 25 Expressway coaches. Subject to availability of resources, it is intended to pursue an accelerated investment programme to upgrade the quality of Bus Éireann's bus fleet and facilities. At year end a further IR £ 8.3 million of capital expenditure commitments had been either contracted for or authorised by the directors of the company.

BUS ÁTHA CLIATH

Bus Átha Cliath is a wholly owned subsidiary of Córas Iompair Éireann. It provides passenger bus services throughout the greater Dublin area.

Results

Bus Átha Cliath returned a loss of IR £11.6 million for 1996 – IR £4.6 million higher than in 1995 – having received a Government contribution of IR £3.7 million towards the provision of socially necessary services.



During 1996 a major review of all costs in the company was completed with the objective of generating additional resources for investment in buses and other facilities. The cost of implementing the findings of this review are estimated at IR £9.5 million for which provision has been made in the 1996 Accounts.

Improving the Quality of Service

The company continued its fleet replacement and upgrading programme with capital investments of IR £10.8 million in the year. All extra cash generated by the restructuring programme underway in Bus Átha Cliath will be invested in the renewal of the bus fleet and other facilities.

The implementation programme for Quality Bus Corridors (QBC's) continues. The Lucan QBC Cityswift route was launched in the year with encouraging results on service improvements resulting in increased patronage. Due to strategically placed traffic management priorities, including 24 hour bus lanes on the quays, reductions of up to 20% on bus journey times have been achieved.

Security of Staff

Security for staff is a paramount objective of the company. In recent years the company was forced to curtail services in some areas due to the regular assaults on its staff. In co-operation with the company's trade unions, a number of initiatives, including security screens and an Autofare system, were undertaken during 1996 which have considerably reduced the number of assaults on drivers.

Traffic Congestion

Traffic congestion in Dublin has reached gridlock proportions for long periods daily. In Autumn 1996, under a Government initiative, Operation Freeflow was launched. Additional Garda, Corporation and other resources were allocated to tasks specifically designed and drawn up by the relevant public bodies to reduce congestion at key points in the city centre. The company for its part allocated additional buses at peak times. The initiative was highly successful and showed what could be done to reduce the huge costs of traffic congestion.

LUAS

Work continued in 1996 on the completion of the detailed design, public consultation and environmental impact assessment for the Luas Light Rail Project for Dublin. This process is the largest of its kind ever undertaken for an investment project in the State. Formal application for a draft Light Rail Order in respect of the Luas project was recently made by the Board to the Minister for Transport, Energy and Communications.

ANCILLARY BUSINESSES

The CIE Group has four other businesses which operate as separate profit centres with responsibility for their own revenue generation and financial performance. Total sales of IR £43.8 million were generated by these businesses and profits of IR £2.5 million were recorded.



'The Operation Freeflow initiative was highly successful and showed what could be done.'





Operations Review



'CIE Tours increased the number of passengers handled by 9% to 97,000.'



CIE Tours International is the largest single contributor to inward tourism traffic to Ireland emanating from America, Europe and Australia. It generated gross revenues of IR £38 million in 1996 and increased the number of passengers handled by 9% to 97,000. Over 70% of the revenue goes directly into the Irish tourist economy to hotels, coach companies, airlines and other services. During the year the company began to refocus its activities on the core coach associated products which generate over 50% of total turnover.

CIE Consult is an international transportation consultancy whose services include rail network design, rail engineering, civil engineering, signalling, safety programmes, privatisation studies, restructuring projects and a wide range of training programmes. Total revenues of IR £2.6 million were achieved in an increasingly competitive marketplace often affected by political considerations and changing governmental regimes.

Outdoor Advertising. The Group's Commuter Advertising Network (CAN) generated net income of IR £1.3 million in 1996.

CIE Property manages the CIE Group's properties nationwide. During 1996, rental income from properties increased by over IR £0.5 million to IR £1.7 million. The year also saw the successful launching of the major redevelopment programmes at both Heuston Station and Connolly Stations.

CIE Tours and **CIE Consult** results are shown separately within the financial reports, whilst **CIE Property** and **Outdoor Advertising** returns are allocated as contributions to the subsidiary companies.

CORPORATE ISSUES

1. Personnel

Staff Numbers

The average number of people employed in the Group decreased by 170 during the year. They are deployed throughout the Group as outlined on page 25 of the Report.

The increase in staffing at CIE Holding Company level is due to the addition of personnel working on the LRT (Luas) Project from Iarnród Éireann.

Staff Costs

The net cost of staff employed throughout the Group (excluding provisions for voluntary severance payments) amounted to IR £219.3 million, up 2.7% on 1995 levels. It is the Group's single highest cost area and represents 65% of revenue earned. Included in these costs are social welfare costs of IR £ 17.7 million and the Board's contributions to employee superannuation schemes of IR £13.7 million.

Employee Pensions

The majority of the Group's past and current employees participate in defined benefit schemes based on final pensionable pay. Contributions by the Board, its subsidiaries and the employees are invested in trustee-administered funds. Proposals are in hand to amalgamate the Board's six pension schemes into two



schemes. The CIE Superannuation Scheme 1951 (Amendment) Scheme 1996 is awaiting Ministerial confirmation. An actuarial review of the amalgamated schemes as at 31st December 1996 is currently being undertaken. The market value of the Schemes' assets at 31st December 1996 was IR £ 580.1 million, an increase of 12.2% on the value at 31st December 1995.

Staff Participation

The CIE Group believes one of its greatest assets is its workforce and in order to harness this asset all employees, in a spirit of teamwork, are encouraged to participate in the decision making process. This began as far back as 1977 when Board participation commenced following the enactment of the Worker Participation (State Enterprises) Act, 1977 and was further progressed at subsidiary level following the enactment of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986.

Equal Opportunities

The company continues to keep under review opportunities for enhancing equality of opportunities. The company is a member of the partnership in Employment of Disabled Persons Scheme which was established under the aegis of the Department of Equality and Law Reform to inform and assist employers in relation to the proposed new employment legislation covering disabled people.

2. Safety, Health and Welfare

The safety of customers and employees is paramount in all CIE businesses. The CIE Group is committed to facilitating a policy of education and awareness to both customers and employees and to ensuring compliance by monitoring procedures and standards of care and attention. The Board's Safety Committee, established in 1996, actively encourages a participative approach to safety by all employees to ensure the highest possible standards. During 1996 health and safety activities centred on reviewing the implementation of practices and procedures to all levels and locations. The Holding Company and each subsidiary have prepared Safety Statements in accordance with the Safety, Health and Welfare at Work Act, 1989.

3. Facilities for Mobility Impaired Customers

The CIE Group is committed, insofar as resources allow, to make its services accessible for our mobility impaired customers. To this end several initiatives have been taken in consultation with mobility impaired organisations. All new rolling stock on the railways will be fully accessible and existing stock, where possible, are being converted. Rail station facilities and access are being provided. New road passenger coaches introduced into the fleets have 'kneeling' facilities and a pilot bus scheme was introduced in North Dublin featuring low floor minibuses to accommodate wheelchairs.



'The CIE Group believes one of its greatest assets is its workforce.'





Statement of the Board's Responsibilities

Statement of the Board's Responsibilities

The responsibilities of the Members of the Board of Córas Iompair Éireann are determined by the Transport Act, 1950 and subsequent amendments. The responsibilities of the directors of its subsidiaries are determined by company law and the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986.

This legislation requires the Members of the Board to ensure that financial statements are prepared for each financial year which give a true and fair view of the state of affairs of Córas Iompair Éireann and of the surplus or deficit of Córas Iompair Éireann for that period.

In preparing those financial statements, the Members of the Board are required to:-

- ensure that suitable accounting policies are selected and consistently applied;
- ensure that any judgements or estimates made are reasonable and prudent; and
- ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that Córas Iompair Éireann will continue in business.

The Members of the Board are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of Córas Iompair Éireann and enable them to ensure that the financial statements comply with the requirements of the Transport Act, 1950 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for

safeguarding the assets of Córas Iompair Éireann and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

It is the policy of the CIE Group to comply as closely as possible with best practice in the area of corporate governance and financial disclosure. It is the Board's policy to align its practice with those recommendations of the Cadbury Report which the Group considers appropriate for a State Sponsored Body. The Group complies with the provisions of the Government Guidelines for Commercial State Companies.

Córas Iompair Éireann is a statutory company with a Board of twelve Members. The Board consists of a Non-Executive Chairman, a Non-Executive Deputy Chairperson, four Non-Executive Members, two Executive Members and four Worker Directors.

The Board operates three subcommittees, Audit, Safety and Remuneration for which specific terms of reference for each committee are in place

Auditors' Report to the Minister for Transport, Energy and Communications



As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 16 to 47 which have been prepared under the historical cost convention and the accounting policies set out on pages 16 to 18.

Respective Responsibilities of the Members of the Board and the Auditors

As described on page 14 the Members of the Board are responsible for the preparation of the 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 Members of the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 affairs of Córas Iompair Éireann and of the Group as at 31st December, 1996 and of the deficit and cash flows of the Group for the year then ended.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of accounts have been kept by Córas Iompair Éireann. Córas Iompair Éireann's balance sheet is in agreement with the books of account.

**Craig Gardner & Co.,
Chartered Accountants and Registered
Auditors,
Dublin.
7th May, 1997.**



Principal Accounting Policies

A. Basis of Consolidation:

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

Iarnród Éireann – Irish Rail and its subsidiary Dubel Limited

Bus Éireann – Irish Bus

Bus Átha Cliath – Dublin Bus

CIE Tours International Incorporated is treated as a branch of Córas Iompair Éireann for accounting purposes.

Dubel Limited is treated as a branch of Iarnród Éireann – Irish Rail for accounting purposes.

B. 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 £.

It is the Board's policy to comply with Statements of Standard Accounting Practice and Financial Reporting Standards.

To facilitate comparability certain railway infrastructure cost figures in the 1995 comparatives have been reclassified.

C. Revenue:

Revenue comprises the gross value of services provided, except in the case of CIE Tours International Incorporated where the net value is included.

D. 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 consolidated 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 their 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 consolidated profit and loss account.

(iii) Road Passenger Vehicles

The historical cost of road passenger vehicles is depreciated over their expected useful lives on a reducing

percentage basis which reflects the vehicles usage throughout their lives (Note 9). In addition, the excess of depreciation based on the replacement cost of the vehicles (at the beginning of the year) over this historical cost depreciation is shown separately as a transfer to reserve from the consolidated profit and loss account.

School buses are depreciated by equal annual instalments, on the basis of their written down value at that date spread over the remainder of their expected useful lives.

(iv) Road Freight Vehicles

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

(v) Docks, Harbours 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 their expected useful lives.

E. 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 in creditors. Financial charges are

charged to the consolidated profit and loss account over the primary period of the lease.

(ii) Operating Leases

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

F. Stocks:

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

G. 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 consolidated 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.

H. Department of Education – Funding of School Buses:

Those school buses which were funded by the Department of Education are included in tangible assets and are depreciated as described in (D) with a corresponding amortisation of the monies received from the Department of Education.

I. Foreign Currency:

Transactions denominated in foreign currency are translated into Irish pounds at the rate ruling at the date of



Principal Accounting Policies

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.

Long-term foreign currency borrowings, including that portion payable within one year of the balance sheet date, are translated at the rates of exchange ruling at the balance sheet date (closing rates) with the resulting gains or losses included in the consolidated profit and loss account .

J. Non-repayable State Grants:

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

K. 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 schemes. 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.

L. Railway Infrastructure Costs:

In accordance with EU Council Directive 91/440 Iarnród Éireann – Irish Rail is required to ensure that the accounts for the business of transport services and those for the business of management of the 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 29.

M. Goodwill on Acquisition:

Goodwill on acquisition, being the excess of consideration payable over the fair value of net assets acquired at the date of acquisition, is written off immediately against reserves.

Consolidated Profit and Loss Account



	Notes	Year ended 31st December	
		1996 IR £000	1995 IR £000
Revenue			
Customer receipts		331,347	322,099
Miscellaneous		3,906	4,499
Exceptional operating revenue		—	2,032
Total Revenue	1	<u>335,253</u>	<u>328,630</u>
Costs			
Operational costs	2	364,828	367,880
Railway infrastructure operational costs	2	49,908	51,796
Exceptional operating costs (net)	3	54,128	20,297
Total Operating Costs		<u>468,864</u>	<u>439,973</u>
Deficit before Profit on Disposal of Tangible Assets, Interest and State Grants			
		(133,611)	(111,343)
Profit on Disposal of Tangible Assets	4	201	613
Deficit before Interest and State Grants		<u>(133,410)</u>	<u>(110,730)</u>
Interest Receivable	5	113	182
Interest Payable – Operational	6	(8,421)	(8,496)
– Railway Infrastructure	6	(5,028)	(6,217)
Gains/(Losses) on Foreign Currency Loans		2,717	(210)
Deficit for the Year before State Grants		<u>(144,029)</u>	<u>(125,471)</u>
State Grants	7	99,455	102,500
Deficit for the Year after State Grants		<u>(44,574)</u>	<u>(22,971)</u>
Transfer to Reserve	21	(10,750)	(7,882)
Change in Balance on Profit and Loss Account during the Year			
		(55,324)	(30,853)
Goodwill Write-off		(753)	—
Accumulated Deficit at Beginning of the Year		(55,039)	(24,186)
Accumulated Deficit at End of the Year		<u>(111,116)</u>	<u>(55,039)</u>

Movements in reserves are shown in Notes 19 and 21 to the financial statements.

All figures relate to the continuing activities of the Group.

There were no recognised gains or losses other than those included in the consolidated profit and loss account .

On behalf of the Board

Brian A. Joyce, Chairman
Michael P. McDonnell, Board Member
 7th May, 1997.



Consolidated Balance Sheet

	Notes	As at 31st December	
		1996 IR £000	1995 IR £000
Fixed Assets			
Tangible assets	9	421,713	415,598
Financial assets	10	21	23
		<u>421,734</u>	<u>415,621</u>
Current Assets			
Stocks	11	17,283	22,248
Debtors	12	56,937	65,457
Bank deposits	13	4,965	500
Cash at bank and in hand		1,066	622
		<u>80,251</u>	<u>88,827</u>
Creditors (Amounts falling due within one year)	14	<u>(174,184)</u>	<u>(143,466)</u>
Net Current Liabilities		<u>(93,933)</u>	<u>(54,639)</u>
Total Assets Less Current Liabilities		<u>327,801</u>	<u>360,982</u>
Financed by:			
Creditors (Amounts falling due after more than one year)	15	131,157	124,798
Provision for Liabilities and Charges	17	70,103	68,722
Deferred Income	18	54,848	50,442
		<u>256,108</u>	<u>243,962</u>
Reserves			
Insurance reserve	20	1,117	1,117
Asset replacement reserve	21	149,349	138,599
Capital reserve	22	22,490	22,490
Profit and loss account		(111,116)	(55,039)
Non-repayable State advances		9,853	9,853
	19	<u>71,693</u>	<u>117,020</u>
		<u>327,801</u>	<u>360,982</u>

On behalf of the Board

Brian A. Joyce, Chairman
Michael P. McDonnell, Board Member
 7th May, 1997.

Company Balance Sheet



	Notes	As at 31st December	
		1996 IR £000	1995 IR £000
Fixed Assets			
Tangible assets	9	46,127	45,477
Financial assets	10	269,581	272,927
		<u>315,708</u>	<u>318,404</u>
Current Assets			
Debtors	12	14,845	11,899
Bank deposits	13	4,965	500
Cash at bank and in hand		909	458
		<u>20,719</u>	<u>12,857</u>
Creditors (Amounts falling due within one year)	14	<u>(122,301)</u>	<u>(106,589)</u>
Net Current Liabilities		<u>(101,582)</u>	<u>(93,732)</u>
Total Assets Less Current Liabilities		<u>214,126</u>	<u>224,672</u>
Financed by:			
Creditors (Amounts falling due after more than one year)	15	110,687	124,614
Deferred Income	18	2,182	2,173
		<u>112,869</u>	<u>126,787</u>
Reserves			
Insurance reserve	20	1,117	1,117
Asset replacement reserve	21	85,563	85,563
Capital reserve	22	22,490	22,490
Profit and loss account		(17,766)	(21,138)
Non-repayable State advances		9,853	9,853
	19	<u>101,257</u>	<u>97,885</u>
		<u>214,126</u>	<u>224,672</u>

On behalf of the Board

Brian A. Joyce, Chairman
Michael P. McDonnell, Board Member
 7th May, 1997.



Consolidated Cash Flow Statement

	Notes	Year ended 31st December	
		1996 IR£000	1995 IR£000
Net Cash Inflow from Operating Activities	23(A)	48,677	40,259
Return on Investments and Servicing of Finance Acquisition	23(B)	(6,274)	(6,261)
Capital Expenditure and Financial Investment	23(B)	(21,257)	(25,429)
Cash Inflow before use of Liquid Resources and Financing		20,855	8,569
Financing – Decrease in Debt	23(B)	(18,028)	(22,051)
Increase/(Decrease) in Cash in the Year		2,827	(13,482)
Reconciliation of Net Cash Flow to Movement in Net Debt (note 23(c))			
Increase/(Decrease) in Cash in the Year		2,827	(13,482)
Cash outflow from decrease in debt and lease financing		18,028	22,051
Change in net debt resulting from cash flows		20,855	8,569
New finance leases		(191)	(40,000)
Translation difference		2,717	(210)
Movement in Net Debt in the Year		23,381	(31,641)
Net Debt at 1st January		(176,182)	(144,541)
Net Debt at 31st December		(152,801)	(176,182)



1. GROUP REVENUE

Customer and Miscellaneous Receipts – analysis by company

	1996			
	Customer	Misc.	Exceptional	Total
	Receipts IR £000	IR £000	Receipt (Note 3) IR £000	IR £000
CIE	8,658	—	—	8,658
Iarnród Éireann – Irish Rail	123,653	2,750	—	126,403
Bus Éireann – Irish Bus	99,566	566	—	100,132
Bus Átha Cliath – Dublin Bus	99,470	590	—	100,060
Total	331,347	3,906	—	335,253

	1995			
	Customer	Misc.	Exceptional	Total
	Receipts IR £000	IR £000	Receipt (Note 3) IR £000	IR £000
CIE	7,220	—	—	7,220
Iarnród Éireann – Irish Rail	119,056	2,856	—	121,912
Bus Éireann – Irish Bus	97,152	597	2,032	99,781
Bus Átha Cliath – Dublin Bus	98,671	1,046	—	99,717
Total	322,099	4,499	2,032	328,630



Notes to the Financial Statements

2. OPERATING COSTS

	1996 IR £000	1995 IR £000
Staff Costs		
Wages and salaries	199,624	196,110
Social welfare costs	17,671	17,541
Other pension costs (Note 24)	13,688	12,400
	<u>230,983</u>	<u>226,051</u>
Own work capitalised	(11,634)	(12,550)
Net Staff Costs	<u>219,349</u>	<u>213,501</u>
Materials and Services		
Fuel and electric traction	16,274	15,538
Road tax and licences	707	729
Rates	2,245	2,166
Auditors' remuneration	145	138
Operating lease rentals	2,225	1,865
School contractors	18,774	17,786
Third party and employer's liability costs	20,880	26,163
Materials and other services	92,476	97,501
	<u>153,726</u>	<u>161,886</u>
Board Members' Remuneration		
Emoluments		
– for services as Board Members	61	57
– for other services	281	178
	<u>342</u>	<u>235</u>
Depreciation (Note 9)	30,827	33,667
Amortisation of EU Capital Grants (Note 18)	(1,658)	(1,404)
	<u>29,169</u>	<u>32,263</u>
Renewal of Railway Lines and Works (Net)	12,150	11,791
Total Operating Costs	<u>414,736</u>	<u>419,676</u>
Costs Allocated :-		
Group Operational Costs	364,828	367,880
Railway Infrastructure Operational Costs (Note 29)	49,908	51,796
	<u>414,736</u>	<u>419,676</u>



2. OPERATING COSTS (continued)

	Staff Numbers	
	1996	1995
The average number of persons employed by company was as follows:-		
CIE	309	282
Iarnród Éireann – Irish Rail	5,168	5,313
Bus Éireann – Irish Bus	2,561	2,593
Bus Átha Cliath – Dublin Bus	2,913	2,933
	10,951	11,121

The CIE figure for 1996 includes those working on the Luas Project, which at 31st December, 1996 had a workforce of thirty.

3. EXCEPTIONAL OPERATING COSTS (NET)

	1996		1995	
	IR £000	IR £000	IR £000	IR £000
Operating Revenue				
Payment by Department of Education for Schools Transport Services in respect of earlier years		—		2,032
Operating Costs				
Restructuring costs	(57,140)		(19,924)	
Third party rail accident claims	1,000		(373)	
Interest refund	2,012	(54,128)	—	(20,297)
		(54,128)		(18,265)

The charge for restructuring costs includes IR £14,171,000 (1995 – IR £6,798,000) for the exceptional pension element of voluntary severance.

During 1996 management undertook an in-depth review of all activities to identify the measures necessary to improve competitiveness and profitability. As a result restructuring and viability plans have been adopted by each of the operating subsidiaries and are in the course of discussion with staff representatives. Central to these plans is the achievement of annual savings in operating costs of IR £44 million in the subsidiary companies as follows:

Iarnród Éireann – Irish Rail	IR £30 million
Bus Átha Cliath – Dublin Bus	IR £ 8 million
Bus Éireann – Irish Bus	IR £ 6 million

Each of the plans involve changes in the management structure, some reductions in management and staff numbers, changes in work practices including reduction in overtime and savings through improvements in procurement. Each subsidiary plans to



Notes to the Financial Statements

3. EXCEPTIONAL OPERATING COSTS (NET) (continued)

make a major investment in fleet modernisation and other measures aimed at enhancing the quality of service provided to customers.

The Board is satisfied that the restructuring plans can be implemented successfully and that adequate financial facilities will be available for the foreseeable future. On this basis the Board considers it appropriate to prepare the accounts on a going concern basis.

Included in exceptional operating costs in the profit and loss account is a charge of IR £57.1 million for the estimated costs of implementing the plans. These relate principally to the costs of severance (including related pension costs) and other measures associated with the plans and represent the Board's best estimates of the costs likely to arise.

4. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	1996 IR £000	1995 IR £000
Net proceeds on sale of surplus land and buildings	355	517
(Loss)/Profit on disposal of rolling stock, vehicles, plant and machinery	<u>(154)</u>	<u>96</u>
	<u>201</u>	<u>613</u>

5. INTEREST RECEIVABLE

	1996 IR £000	1995 IR £000
Short-term deposits	<u>113</u>	<u>182</u>

6. INTEREST PAYABLE

	1996 IR £000	1995 IR £000
On loans and leases repayable wholly within five years:-		
Loans	5,528	10,091
Leases	80	113
On other loans and leases not wholly repayable within five years:-		
Loans	2,695	—
Leases	5,146	4,509
	<u>13,449</u>	<u>14,713</u>
Interest apportioned:-		
Group Operational Costs	8,421	8,496
Railway Infrastructure Costs (Note 29)	5,028	6,217
	<u>13,449</u>	<u>14,713</u>

7. STATE GRANTS – analysis by activity

The grants payable to 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 due to 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)).
 - Deficits on road passenger services which cannot be recouped by fares increases, or eliminated by economies in operation (Article 3.2).
 - Residual deficits on railway operation (Article 4).

Particulars of the State grants of IR £99,455,000 received in 1996 under Sub-Head C1 of Vote 18 of Dáil Éireann of 1996 are given in the following table, showing the relevant provisions of the EU Regulations.

State Grants relating to 1996 Activities

	EU Regulation Number		Total IR £000
	1191/69 IR £000	1107/70 Art. 3.2 IR £000	
Revenue Related			
Mainline Rail			
Operation of passenger services	68,605	—	68,605
Bray/Howth Services			
Operation of passenger services	3,881	—	3,881
Total Railway	72,486	—	72,486



Notes to the Financial Statements

7. STATE GRANTS (continued)

State Grants relating to 1996 Activities (continued)

	EU Regulation Number		Total IR £000
	1191/69	1107/70 Art.3.2	
	IR £000	IR £000	IR £000
Road Passenger			
Bus Átha Cliath – Dublin Bus	—	3,650	3,650
Bus Éireann – Irish Bus	—	3,400	3,400
	<u>72,486</u>	<u>7,050</u>	<u>79,536</u>

	EU Regulation Number		Total IR £000
	1192/69	1107/70 Art.3.1(b)	
	IR £000	IR £000	IR £000
Expenditure Related			
Mainline Rail			
Normalisation of Accounts			
– Class III (pensions)	4,710	—	4,710
– Class IV (level crossings)	2,183	—	2,183
Infrastructure grant (freight)	—	5,285	5,285
Bray/Howth Services			
Normalisation of Accounts			
– Class III (pensions)	321	—	321
– Class IV (level crossings)	25	—	25
	<u>7,239</u>	<u>5,285</u>	<u>12,524</u>

Total		92,060
Add State Grant for DART Interest – EU Regulation Number 1191/69		7,395
Total State Grants Received		<u>99,455</u>

(i) The total grants voted by Dáil Éireann in 1996 under Sub-Head C1 of Vote 18 were:-

	IR £000
Grants for normal activities	92,060
Grant for DART interest	7,395
	<u>99,455</u>

(ii) The allocation of State grants as between Córas Iompair Éireann and its subsidiaries is shown in Note 28.

8. NET DEFICIT FOR YEAR

A summary of the financial results of the holding company and its subsidiaries is shown in Note 28.

The holding company's surplus for the year, after exceptional items and profit on disposal of tangible assets amounted to IR £3,372,000.

9. TANGIBLE ASSETS

Group	1st Jan.	Additions	Scrappings and	31st Dec.
	IR £000		Disposals	
Cost				
Railway lines and works	10,635	269	—	10,904
Railway rolling stock	231,878	9,608	(492)	240,994
Road passenger vehicles	192,167	20,502	(14,990)	197,679
Road freight vehicles	5,848	446	(107)	6,187
Land and buildings	44,136	1,378	—	45,514
Plant and machinery	115,920	4,747	(1,142)	119,525
Catering equipment	431	44	—	475
Docks, harbours and wharves	28,090	504	—	28,594
Total 1996	629,105	37,498	(16,731)	649,872
Total 1995	562,185	76,586	(9,666)	629,105
		Charge For	Scrappings and	
	1st Jan.	Year	Disposals	31st Dec.
	IR £000	IR £000	IR £000	IR £000
Depreciation				
Railway rolling stock	49,131	6,553	(201)	55,483
Road passenger vehicles	107,117	16,233	(14,990)	108,360
Road freight vehicles	3,574	643	(87)	4,130
Plant and machinery	50,192	7,013	(1,112)	56,093
Catering equipment	328	41	—	369
Docks, harbours and wharves	3,165	559	—	3,724
Total 1996	213,507	31,042	(16,390)	228,159
Total 1995	189,417	33,680	(9,590)	213,507



Notes to the Financial Statements

9. TANGIBLE ASSETS (continued)

			31st Dec. 1996 IR £000	31st Dec. 1995 IR £000
Group				
Net Book Amounts				
Railway lines and works			10,904	10,635
Railway rolling stock			185,511	182,747
Road passenger vehicles			89,319	85,050
Road freight vehicles			2,057	2,274
Land and buildings			45,514	44,136
Plant and machinery			63,432	65,728
Catering equipment			106	103
Docks, harbours and wharves			24,870	24,925
Total			421,713	415,598
			Scrappings and Disposals	
	1st Jan. IR £000	Additions IR £000	IR £000	31st Dec. IR £000
Company				
Cost				
Land and buildings	44,136	1,378	—	45,514
Plant and machinery	3,907	244	(42)	4,109
Total 1996	48,043	1,622	(42)	49,623
Total 1995	45,956	2,087	—	48,043
			Scrappings and Disposals	
	1st Jan. IR £000	Charge For Year IR £000	IR £000	31st Dec. IR £000
Depreciation				
Plant and machinery				
Total 1996	2,566	942	(12)	3,496
Total 1995	1,575	991	—	2,566
			31st Dec. 1996 IR £000	31st Dec. 1995 IR £000
Net Book Amounts				
Land and buildings			45,514	44,136
Plant and machinery			613	1,341
Total			46,127	45,477

9. TANGIBLE ASSETS (continued)

- (a) In the case of certain railway rolling stock and road passenger vehicles, the excess of depreciation based on replacement cost over historical cost depreciation is shown separately as a transfer to reserve (Note 21).
- (b) The 1996 depreciation charge shown for road passenger vehicles includes IR £7,000 (1995 – IR £13,000) depreciation on school buses. The amount is wholly offset by the amortisation of monies received from the Department of Education.
- (c) Road passenger vehicles at a cost of IR £10,997,000 (1995 – IR £13,969,000) were fully depreciated but still in use at the balance sheet date.
- (d) The expected useful lives of the various types of assets for depreciation purposes are as follows:-

	Lives (Years)
Railway lines and works ((e) below)	—
Railway rolling stock	20 to 50
Road passenger vehicles	5 to 16
Road freight vehicles	6 to 10
Land and buildings ((f) below)	—
Plant and machinery	3 to 25
Docks, harbours and wharves	50
Catering equipment	4

- (e) Railway lines and works are not depreciated (Accounting Policy D).
- (f) No depreciation has been charged on buildings. The amount involved is not material.
- (g) Included in tangible assets are amounts, as stated below, in respect of rail locomotives, road passenger vehicles and plant and machinery (computer equipment) which are held under finance leases, but which remain in the legal ownership of the lessors:-

	Rail Locomotives IR £000	Road Passenger Vehicles IR £000	Plant and Machinery IR £000	Total IR £000
1996				
Cost	66,088	7,942	2,104	76,134
Accumulated depreciation	(3,783)	(2,100)	(2,104)	(7,987)
Net Book Value at 31st December, 1996	<u>62,305</u>	<u>5,842</u>	<u>—</u>	<u>68,147</u>
Depreciation for 1996	<u>2,128</u>	<u>823</u>	<u>552</u>	<u>3,503</u>



Notes to the Financial Statements

9. TANGIBLE ASSETS (continued)

	Rail Locomotives IR £000	Road Passenger Vehicles IR £000	Plant and Machinery IR £000	Total IR £000
1995				
Cost	64,301	7,942	2,104	74,347
Accumulated depreciation	(1,655)	(1,277)	(1,552)	(4,484)
Net Book Value at 31st December, 1995	<u>62,646</u>	<u>6,665</u>	<u>552</u>	<u>69,863</u>
Depreciation for 1995	<u>1,655</u>	<u>822</u>	<u>551</u>	<u>3,028</u>

(h) All tangible assets, other than land and buildings, which related to its activity are vested in the relevant subsidiary company.

(i) Included in the additions above are payments on account and assets in the course of construction and assets not yet in service as follows:-

	1996 IR £000	1995 IR £000
Railway rolling stock	15,555	10,556
Road passenger vehicles	2,740	2,736
	<u>18,295</u>	<u>13,292</u>

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

	1996 IR £000	1995 IR £000 (Restated)
Cost	93,178	90,872
Accumulated depreciation	(38,639)	(35,614)
Net Book Value at 31st December	<u>54,539</u>	<u>55,258</u>
Depreciation for Year (Note 29)	<u>3,082</u>	<u>2,931</u>

10. FINANCIAL ASSETS

Group	Trade Investments				Total	
	Listed Shares		Unlisted Shares		1996 IR £000	1995 IR £000
	1996 IR £000	1995 IR £000	1996 IR £000	1995 IR £000		
Cost or Valuation	77	77	10	10	87	87
Provision for permanent diminution in value	(56)	(54)	(10)	(10)	(66)	(64)
Net Book Amounts						
At 31st December	<u>21</u>	<u>23</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>23</u>
Market Value						
At 31st December	<u>42</u>	<u>39</u>			<u>42</u>	<u>39</u>

10. FINANCIAL ASSETS (continued)

Company	Subsidiary Companies			Trade Investments		Total IR £000
	Unlisted Shares IR £000	Loans IR £000	Finance Leases IR £000	Listed Shares IR £000	Unlisted Shares IR £000	
	Cost or Valuation					
At 1st January, 1996	71,000	133,340	68,580	27	10	272,957
New finance leases			191			191
Less: Reduction in						
– Finance leases			(2,429)			(2,429)
– Loans		(1,106)				(1,106)
At 31st December, 1996	71,000	132,234	66,342	27	10	269,613
Provision for permanent diminution in value						
At 31st December, 1996	—			(22)	(10)	(32)
Net Book Amounts						
At 31st December, 1996	<u>71,000</u>	<u>132,234</u>	<u>66,342</u>	<u>5</u>	<u>—</u>	<u>269,581</u>
At 31st December, 1995	<u>71,000</u>	<u>133,340</u>	<u>68,580</u>	<u>7</u>	<u>—</u>	<u>272,927</u>
Market Value						
At 31st December, 1996				<u>21</u>		<u>21</u>
At 31st December, 1995				<u>20</u>		<u>20</u>

Loans to subsidiary companies represent the net assets assigned to them by Córas Iompair Éireann less share capital issued by them on their establishment following the re-organisation of Córas Iompair Éireann in 1987, less loan repayments by them to date.

11. STOCKS

Group	1996 IR £000	1995 IR £000
Maintenance materials and spare parts	13,159	18,976
Fuel, lubricants and other sundry stocks	<u>4,124</u>	<u>3,272</u>
	<u>17,283</u>	<u>22,248</u>

These amounts include parts and components necessarily held to meet long-term operational requirements.

The replacement value of stocks is not materially different from the book values shown above.



Notes to the Financial Statements

12. DEBTORS (Amounts falling due within one year)

	1996	1995
	IR £000	IR £000
Group		
Trade debtors	19,867	20,876
LRT project	4,975	3,035
EU grants receivable	19,125	31,367
Other debtors and accrued income	12,970	10,179
	<u>56,937</u>	<u>65,457</u>
Company		
Trade debtors	2,079	2,574
LRT project	4,975	3,035
Other debtors and accrued income	7,791	6,290
	<u>14,845</u>	<u>11,899</u>

13. BANK DEPOSITS

	1996	1995
	IR £000	IR £000
Group and Company		
Demand deposits	529	500
Restricted cash deposits held	4,436	—
	<u>4,965</u>	<u>500</u>

The company has granted a charge over these deposits as security for its obligations under a letter of credit facility.

14. CREDITORS (Amounts falling due within one year)

	1996	1995
	IR £000	IR £000
Group		
Bank overdraft	10,016	7,803
Bank loans (Note 16)	41,314	48,704
Finance lease obligations (Note 27)	2,764	2,504
Trade creditors	18,140	21,447
Income tax deducted under PAYE	5,290	4,257
Pay related social insurance	3,327	2,898
Value added tax and other taxes	3,871	1,671
Value added tax on finance leases	279	165
Other creditors	5,325	4,668
Restructuring provisions—principally severance costs	42,242	12,859
Accruals	24,649	21,284
Third party and employer's liabilities (Note 17)	16,967	15,206
	<u>174,184</u>	<u>143,466</u>
Creditors for taxation and social welfare included above	<u>12,767</u>	<u>8,991</u>



14. CREDITORS (Amounts falling due within one year) (continued)

	1996	1995
	IR £000	IR £000
Company		
Bank overdraft	4,478	2,533
Bank loans (Note 16)	41,314	48,704
Finance lease obligations (Note 27)	2,764	2,504
Trade creditors	1,258	926
Amounts owed to subsidiary companies	53,816	38,075
Income tax deducted under PAYE	658	553
Pay related social insurance	73	55
Value added tax and other taxes	2,670	994
Value added tax on finance leases	279	165
Other creditors	1,732	1,856
Restructuring provisions	2,439	2,716
Accruals	10,820	7,508
	<u>122,301</u>	<u>106,589</u>
Creditors for taxation and social welfare included above	<u>3,680</u>	<u>1,767</u>

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

	1996	1995
	IR £000	IR £000
Bank loans (Note 16)	46,818	57,799
Finance lease obligations (Note 27)	57,920	60,494
Value added tax on finance leases	5,949	6,321
Company	<u>110,687</u>	<u>124,614</u>
Restructuring provisions	20,470	184
Group	<u>131,157</u>	<u>124,798</u>

16. BANK LOANS

	1996	1995
	IR £000	IR £000
Group and Company		
These loans are repayable as follows:-		
Within one year (Note 14)	<u>41,314</u>	<u>48,704</u>
Between one and two years	9,201	9,119
Between two and five years	29,689	33,811
After five years	7,928	14,869
	<u>46,818</u>	<u>57,799</u>
Total	<u>88,132</u>	<u>106,503</u>



Notes to the Financial Statements

16. BANK LOANS (continued)

The presentation of the maturity analysis of loans and other debt on page 35 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 £32,500,000 (1995 – IR £39,700,000) relating to Irish commercial paper which are backed by committed medium term facilities which effectively extends the maturity of these instruments.

The following table shows the amount and type of currency in which these loans are to be repaid :-

		1996 '000	1995 '000
Current Liabilities			
United States	USD	707	553
United Kingdom	GBP	1,256	647
Republic of Ireland	IR £	37,400	44,600
Germany	DEM	1,070	4,076
The Netherlands	NLG	4,072	1,438
France	FRF	—	2,491
European Union	ECU	470	418
Loan Capital			
United States	USD	2,728	3,434
United Kingdom	GBP	9,764	11,020
Republic of Ireland	IR £	18,300	23,200
Germany	DEM	9,462	10,532
The Netherlands	NLG	29,838	33,910
European Union	ECU	4,336	4,806

The Minister for Finance has guaranteed loans included in the above table to the extent of IR £88,132,000 (1995 – IR £106,496,000).

17. PROVISION FOR LIABILITIES AND CHARGES

	1996 IR £000	1995 IR £000
Third Party and Employer's Liability Claims		
Group and Company		
Balance at 1st January	83,928	70,307
Utilised during year	(16,472)	(12,192)
Transfer from profit and loss account	19,614	25,813
Balance carried forward	87,070	83,928
Less: Transfer to current liabilities (Note 14)	(16,967)	(15,206)
Balance at 31st December	<u>70,103</u>	<u>68,722</u>

Provision is made by the Board 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 Board has had regard to the results of an independent actuarial review.

The Board has 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 each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 1997 to March 1998, for rail and road transport third party liabilities in excess of a self insured retention of:—

Iarnród Éireann – Irish Rail	IR £6,615,000
Bus Éireann – Irish Bus	IR £4,410,000
Bus Átha Cliath – Dublin Bus	IR £8,820,000

 subject to an overall Group self insured retention of IR £15,435,000; and
- (v) fire and special perils, including storm damage, to the Board's property in excess of IR £200,000 on any one loss.

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



Notes to the Financial Statements

18. DEFERRED INCOME

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

	1st Jan. 1996 IR £000	Received and Receivable IR £000	Profit and Loss A/c IR £000	31st Dec. 1996 IR £000
Group				
European Union Grants				
Revenue Grants				
Renewal of railway lines and works	—	13,993	(13,993)	—
Wheelchair accessible buses project	—	7	(7)	—
	<u>—</u>	<u>14,000</u>	<u>(14,000)</u>	<u>—</u>
Capital Grants				
Railway lines and works	345	—	—	345
Railway rolling stock	27,124	5,301	(730)	31,695
Plant and machinery	9,378	713	(566)	9,525
Docks, harbours and wharves	9,974	127	(362)	9,739
Land and buildings	2,173	9	—	2,182
Road passenger vehicles	228	113	(165)	176
	<u>49,222</u>	<u>6,263</u>	<u>(1,823)</u>	<u>53,662</u>
Total European Union Grants	49,222	20,263	(15,823)	53,662
Other Deferred Income	1,220	—	(34)	1,186
Total	<u>50,442</u>	<u>20,263</u>	<u>(15,857)</u>	<u>54,848</u>
Company				
European Union Grant				
Capital Grant				
Land and buildings	2,173	9	—	2,182
	<u>2,173</u>	<u>9</u>	<u>—</u>	<u>2,182</u>



19. RECONCILIATION OF MOVEMENTS IN RESERVES

	1996 IR £000	1995 IR £000
Group		
Deficit for the year after State grants	(44,574)	(22,971)
Goodwill on acquisition write-off	(753)	—
Opening Reserves	<u>117,020</u>	<u>139,991</u>
Closing Reserves	<u>71,693</u>	<u>117,020</u>
Company		
Surplus/(Deficit) for the year	3,372	(1,505)
Opening Reserves	<u>97,885</u>	<u>99,390</u>
Closing Reserves	<u>101,257</u>	<u>97,885</u>

20. INSURANCE RESERVES

	1996 IR £000	1995 IR £000
Group and Company		
Balance at 1st January and 31st December	<u>1,117</u>	<u>1,117</u>

The Group Insurance Fund was established to meet exceptional claims which may arise.

21. ASSET REPLACEMENT RESERVE

	Railway Rolling Stock IR £000	Road Passenger Vehicles IR £000	Total IR £000
Group			
Balance at 1st January, 1996	64,167	74,432	138,599
Transfer from profit and loss account	<u>9,383</u>	<u>1,367</u>	<u>10,750</u>
Balance at 31st December, 1996	<u>73,550</u>	<u>75,799</u>	<u>149,349</u>
Company			
Balance at 31st December, 1996 and 1995			<u>85,563</u>

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

22. CAPITAL RESERVE

	1996 IR £000	1995 IR £000
Group and Company		
Balance at 1st January and 31st December	<u>22,490</u>	<u>22,490</u>



Notes to the Financial Statements

23. CASH FLOW STATEMENT

(A) Reconciliation of Operating Deficit to Operating Cash Flows

	Year ended 31st December	
	1996	1995
	IR £000	IR £000
Operating deficit before State grants	(133,410)	(110,730)
State grants	92,060	94,663
	<u>(41,350)</u>	<u>(16,067)</u>
Exceptional operating costs	57,140	19,924
Redundancy payments made	(7,654)	(8,261)
Depreciation	31,035	33,667
Amortisation of EU capital grants	(1,866)	(1,404)
Profit on disposal of tangible assets	(201)	(613)
Decrease in stocks	4,965	4,416
Increase/(Decrease) in EU revenue grants	2,362	(12,283)
Increase in debtors	(3,497)	(7,967)
Increase in creditors and provisions	7,743	28,847
Net Cash Inflow from Operating Activities	<u>48,677</u>	<u>40,259</u>

(B) Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	1996		1995	
	IR £000		IR £000	
Returns on Investments and Servicing of Finance				
Interest received	113		182	
Interest paid	(8,523)		(10,449)	
Interest element of finance lease rental payments	(5,259)		(3,831)	
State grant – DART interest	7,395		7,837	
Net Cash Outflow for Returns on Investments and Servicing of Finance	<u>(6,274)</u>		<u>(6,261)</u>	
Capital Expenditure and Financial Investment				
Purchase of tangible assets	(38,174)		(35,659)	
Disposal of tangible assets	532		651	
EU capital grants	16,385		9,579	
Net Cash Outflow for Capital Expenditure and Financial Investment	<u>(21,257)</u>		<u>(25,429)</u>	
Financing				
Repayment of debt due within one year	(15,523)		(20,177)	
Capital element of finance lease rental payments	(2,505)		(1,874)	
Net Cash Outflow from Financing	<u>(18,028)</u>		<u>(22,051)</u>	

23. CASH FLOW STATEMENT (continued)

(C) Analysis of Net Debt

	At 1st Jan. 1996 IR £000	Cash Flow IR £000	Other non- cash changes IR £000	Exchange movement IR £000	At 31st Dec. 1996 IR £000
Cash at bank and in hand	1,122	5,040		(131)	6,031
Bank overdrafts	(7,803)	(2,213)			(10,016)
		2,827			
Debt due after one year	(57,799)	(2,512)	10,981	2,512	(46,818)
Debt due within one year	(48,704)	18,035	(10,981)	336	(41,314)
Finance leases	(62,998)	2,505	(191)		(60,684)
		18,028			
Total	(176,182)	20,855	(191)	2,717	(152,801)

	At 1st Jan. 1995 IR £000	Cash Flow IR £000	Other non-cash changes IR £000	Exchange movement IR £000	At 31st Dec. 1995 IR £000
Cash at bank and in hand	12,260	(11,138)			1,122
Bank overdrafts	(5,459)	(2,344)			(7,803)
		(13,482)			
Debt due after one year	(66,184)	—	8,595	(210)	(57,799)
Debt due within one year	(60,286)	20,177	(8,595)		(48,704)
Finance leases	(24,872)	1,874	(40,000)		(62,998)
		22,051			
Total	(144,541)	8,569	(40,000)	(210)	(176,182)

(D) Cash Flow Relating to Exceptional Items

The operating deficit before State grants includes an outflow of IR £7,194,000 for restructuring costs and voluntary severance. At the year end there is a provision of IR £62,712,000 (1995 – IR £13,043,000).



Notes to the Financial Statements

24. PENSIONS

The majority of the Group's employees participate in defined benefit pension schemes based on final pensionable pay. Contributions by the Board, its subsidiaries and the employees are invested in trustee-administered funds. Proposals for the amalgamation of the Board's six pension schemes into two schemes have been accepted. Statutory Instrument No. 115 of 1996 confirmed the CIE Pension Scheme for Regular Wages Staff (Amendment) Scheme 1996. The CIE Superannuation Scheme 1951 (Amendment) Scheme 1996 is awaiting confirmation. 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 schemes' assets at 31st December, 1996 was IR £580,104,000.

An actuarial review of the amalgamated schemes was carried out as at 31st December, 1994. The market value of the assets of the schemes 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 at 31st December, 1996 is currently being undertaken. Actuarial reports which are available to scheme member are not available for public inspection.

The pensions cost for 1996 was IR £13,665,000 (1995 – IR £12,407,000).

At 31st December, 1996 a provision for the capital cost of ex gratia pensions of IR £17,025,000 (1995 – IR £5,543,000) is included under restructuring costs in creditors. Prepaid contributions of IR £5,786,000 are included in debtors at 31st December, 1996 (1995 – IR £4,420,000).

25. CAPITAL COMMITMENTS

	1996	1995
	IR £000	IR £000
Contracted for	44,975	23,699
Authorised by Board but not contracted for	63,481	25,621
	<u>108,456</u>	<u>49,320</u>

EU grants totalling IR £27.8 million have been approved in respect of IR £34.5 million of the above expenditure.

26. CONTINGENT LIABILITIES

(A) 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 made in the financial statements.

(B) Finance Leases

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

(C) Letter of Credit

Under agreements relating to the lease and lease-back of locomotive equipment the company has given an indemnity in relation to certain obligations of its lessor, which may arise in the event of early termination of the agreements. No liability is expected to arise in respect of this indemnity.

27. LEASE OBLIGATIONS

	1996 IR £000	1995 IR £000
(A) Finance Leases		
Net obligations under finance leases fall due as follows:-		
Within one year (Note 14)	2,764	2,504
Between one and five years	11,706	11,106
After five years	46,214	49,388
	<u>57,920</u>	<u>60,494</u>
Total	<u>60,684</u>	<u>62,998</u>

The Minister for Finance has guaranteed finance leases included above to the extent of IR £59,923,000 (1995 – IR £62,094,000).

(B) Operating Leases

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

	On other than Land and Buildings IR £000
Within one year	511
Between one and five years	1,817
	<u>2,328</u>



Notes to the Financial Statements

28. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER

Total Net Surplus/(Deficit) from

	CIE	Iarnród Éireann – Irish Rail	Bus Éireann – Irish Bus	Bus Átha Cliath – Dublin Bus	Total 1996	Total 1995
	IR £000	IR £000	IR £000	IR £000	IR £000	IR £000
Railway						
– Bray/Howth		(11,504)			(11,504)	(13,291)
– Other than Bray/Howth		(78,650)			(78,650)	(85,070)
		<u>(90,154)</u>			<u>(90,154)</u>	<u>(98,361)</u>
Road Freight		1,093			1,093	729
Rosslare Harbour		2,522			2,522	2,249
Catering Services		145			145	427
Road Passenger Services						
– Dublin City				(4,605)	(4,605)	(6,995)
– Provincial Cities			(2,794)		(2,794)	(2,897)
– Other Services			674		674	(3,361)
Tours	165				165	424
Consultancy	135				135	176
Surplus/(Deficit) before Exceptional Items, Profit on Disposal of Tangible Assets and State Grants	300	(86,394)	(2,120)	(4,605)	(92,819)	(107,609)
Exceptional Items (Note 3)		(34,128)	(10,500)	(9,500)	(54,128)	(18,265)
Gains/(Losses) on Foreign Currency Loans	2,717				2,717	(210)
Profit/(Loss) on Disposal of Tangible Assets (Note 4)	355	(228)	74	—	201	613
Surplus/(Deficit) before State Grants	3,372	(120,750)	(12,546)	(14,105)	(144,029)	(125,471)
State Grants	—	92,405	3,400	3,650	99,455	102,500
Surplus/(Deficit) for the year after State Grants	3,372	(28,345)	(9,146)	(10,455)	(44,574)	(22,971)
Transfer to Reserves	—	(9,383)	(190)	(1,177)	(10,750)	(7,882)
Surplus/(Deficit) for the Year	<u>3,372</u>	<u>(37,728)</u>	<u>(9,336)</u>	<u>(11,632)</u>	<u>(55,324)</u>	<u>(30,853)</u>

28. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER (continued)

	Iarnród Éireann – Irish Rail		Bus Éireann – Irish Bus		Bus Átha Cliath – Dublin Bus		Total 1996	Total 1995
	IR £000	IR £000	IR £000	IR £000	IR £000	IR £000	IR £000	IR £000
Revenue								
Railway								
– Bray/Howth		14,103				14,103		13,029
– Other than Bray/Howth		75,348				75,348		73,343
		<u>89,451</u>				<u>89,451</u>		<u>86,372</u>
Road Freight		21,729				21,729		20,673
Rosslare Harbour		6,177				6,177		6,009
Catering Services		9,046				9,046		8,858
Road Passenger Services								
– Dublin City					100,060	100,060		99,717
– Provincial Cities				11,816		11,816		11,848
– Other Services				88,316		88,316		85,901
Tours (Net)	6,104					6,104		5,238
Consultancy	2,554					2,554		1,982
Total Revenue	<u>8,658</u>	<u>126,403</u>	<u>100,132</u>	<u>100,060</u>		<u>335,253</u>		<u>326,598</u>
Expenditure								
Railway								
– Bray/Howth								
Operational costs		18,197				18,197		18,862
Infrastructure costs		7,410				7,410		7,458
– Other than Bray/Howth								
Operational costs		106,472				106,472		107,858
Infrastructure costs		47,526				47,526		50,555
		<u>179,605</u>				<u>179,605</u>		<u>184,733</u>
Road Freight		20,636				20,636		19,944
Rosslare Harbour		3,655				3,655		3,760
Catering Services		8,901				8,901		8,431
Road Passenger Services								
– Dublin City					104,665	104,665		106,712
– Provincial Cities				14,610		14,610		14,745
– Other Services				87,642		87,642		89,262
Tours	5,939					5,939		4,814
Consultancy	2,419					2,419		1,806
Total Expenditure	<u>8,358</u>	<u>212,797</u>	<u>102,252</u>	<u>104,665</u>		<u>428,072</u>		<u>434,207</u>



Notes to the Financial Statements

29. RAILWAY INFRASTRUCTURE COSTS

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

	1996 IR £000	1995 IR £000
Maintenance of railway lines and works	26,334	25,607
Renewal of railway lines and works net (Note 2)	12,150	11,791
Operating (signalling) and other expenses	8,574	11,715
Depreciation (Note 9 [j])	3,082	2,931
Amortisation of capital grants	(232)	(248)
Total Railway Infrastructure Costs before Interest (Note 2)	49,908	51,796
Interest payable (Note 6)	5,028	6,217
Total Railway Infrastructure Costs	54,936	58,013
Apportionment:-		
Mainline Railway Services	47,526	50,555
Bray/Howth (DART) Services	7,410	7,458
	54,936	58,013

30. RELATED PARTY TRANSACTIONS

(A) The Ownership of the company

CIE is a Statutory Body set up under the Transport Act, 1950. The Members of the Board are appointed by the Minister for Transport, Energy and Communications.

(B) Provision of services to entities owned by the Irish Government

The Group provides rail and road transport services in the ordinary course of its business to Government departments and to entities controlled by the Irish Government, the principal of these being the Departments of Education and Social Welfare, Telecom Éireann, Coillte, Aer Lingus and An Post. Revenue from these services amounted to IR £83.8 million in 1996 and amounts due from these entities to the Group at 31st December, 1996 for these services totalled IR £4.3 million.

(C) Purchase of services from entities owned by the Irish Government

In the ordinary course of its business the Group purchases services from entities controlled by the Irish Government, the principal of these being Aer Lingus, the ESB, Great Southern Hotels and Telecom Éireann. Expenditure on these services amounted to IR £12.2 million in 1996 and amounts due to these entities by the Group at 31 December, 1996 for these services totalled IR £1.3 million.

(D) In the ordinary course of its business the Group has finance leases for equipment with ACC Bank plc.



31. GROUP MEMBERSHIP

Name	Principal Activity
Holding Company : Córas Iompair Éireann	– Public Transport Services
Subsidiary Companies (all wholly owned)	
Iarnród Éireann – Irish Rail	– Public Rail (Passenger and Freight) and Road Freight Services
Bus Éireann – Irish Bus	– Public Bus Passenger Services
Bus Átha Cliath – Dublin Bus	– Public Bus Passenger Services
CIE Tours International Incorporated	– Tours
Dubel Limited.	– Catering 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 Acts 1963–1990, 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.

CIE Tours International is incorporated in New York and operates in North America.

Dubel Limited is incorporated in Northern Ireland where it provides catering services for Northern Ireland Railways including their cross-border trains.

The registered offices of the subsidiary companies are as follows:-

Iarnród Éireann – Irish Rail	Connolly Station, Dublin 1.
Bus Éireann – Irish Bus	Broadstone, Dublin 7.
Bus Átha Cliath – Dublin Bus	59, Upper O'Connell Street, Dublin 1.
CIE Tours International	100, Hanover Avenue, Incorporated PO Box 501 Cedar Knolls, New Jersey.
Dubel Limited	Central Station, East Bridge Street, Belfast.

32. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 7th May, 1997.



Group Value Added Statement

Group Value Added Statement

	Year ended 31st December			
	1996		1995	
	IR £000	IR £000	IR £000	IR £000
Value Added Generated				
Revenue		335,253		328,630
State grants (Note 7)		99,455		102,500
Own work capitalised		11,634		12,550
Profit on disposal of tangible assets		201		613
Less: Cost of materials and services utilised	(153,771)		(163,853)	
Exceptional items	(51,411)	(205,182)	(18,095)	(181,948)
		<u>241,361</u>		<u>262,345</u>
Application of Value Added				
Net compensation of employees including pension costs		159,322		157,793
Government – payroll taxes		71,958		68,938
Other providers of capital		13,336		14,531
Provision for future investment (Note 2)				
– Depreciation	30,827		33,667	
– Amortisation of capital grants	(1,658)		(1,404)	
– Renewal of railway lines and works	12,150	41,319	11,791	44,054
Loss for the Year (Note 28)		<u>(44,574)</u>		<u>(22,971)</u>
		<u>241,361</u>		<u>262,345</u>

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