Iarnród Éireann

Annual Report and Financial Statements 1996

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

Contents

Directors and Other Information

Directors

Mr. M. P. McDonnell, Chairman

Mr. P. J. Lynch

Mr. B. Murtagh

Mr. A. J. O'Brien

Chief Executive

Mr. J. P. Meagher

Secretary and Registered Office

Mr. R. O'Farrell,
Connolly Station,
Dublin 1.

Telephone (01) 836 3333
Facsimile (01) 836 4760

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, 1996

The directors present their annual report together with the audited financial statements for the year ended 31st December, 1996.

1. Principal Activities and Review of Operations

In view of the serious financial position of the company, management have prepared a restructuring plan for the company which has been adopted by the Board and is now under discussion with staff representatives. More details of the plan and its impact are given in Note 1 to the financial statements.

During 1996 the company's services carried a record 27.9 million passengers – a 3% increase on the previous year. This increase in passenger demand contributed strongly to a 3.9% growth in customer revenue which amounted to IR £123.7 million (1995 – IR £119.1 million).

Operational and infrastructure costs were vigorously controlled and reduced by IR £4.4 million. The loss-making Rail Link business was closed in December 1996 and this will generate savings in 1997. Total operating costs increased by IR £19.2 million after providing IR £37.1 million for the estimated costs of the ongoing restructuring programme.

State grants towards the cost of funding, renewing and maintaining rail infrastructure and meeting the public service obligation reduced by IR £4.6 million to IR £92.4 million.

Overall there was a net deficit in 1996 of IR £37.7 million after exceptional costs of IR £34.1 million. The accumulated deficit at 31st December, 1996 amounted to IR £47.7 million.

The benefits of the continuing investment programme supported by European Union Cohesion Structural Funds and Interreg Grants programme are reflected in the record number of passengers carried during the year. Delivery of 14 new carriages for the Cross Border Project commenced and commissioning is now in progress. An order was placed for 27 new Diesel Railcars to be delivered in 1998.

Further EU funded investment plans which were finalised in 1996 for implementation in 1997 include:

- Building two new DART stations, major refurbishment of five others and provision of park and ride facilities.
- A package of IR £73.3 million covering track renewal, electronically controlled signalling and DART extensions to Malahide and Greystones.

To compliment the EU co-financial investment in infrastructure and rolling stock, Heuston and Connolly stations will undergo very significant development at a cost of IR £8 million which will be funded from commercial opportunities within the stations.

During the year over 50 miles of track were renewed and improved and infrastructure work on the Cross Border Project neared completion. In Rosslare Port the project to construct a new quay wall and link span was completed.

The implementation of Statutory Instrument 204 on 1st July, 1996 permits access to railway infrastructure by other Rail operators and was a major step towards an open, competitive environment for the Railway in Ireland.

2. Results and Reserves

The financial statements for the year ended 31st December, 1996 are set out in detail on pages 7 to 31 and a summary of the results is as follows:-

	1996
	IR £000
Deficit for the year after State Grants	**28,345**
Transfer to Reserve	**9,383**
Increase in Accumulated Deficit during the Year	**37,728**

3. Worker Participation at Sub-Board Level

A programme of local seminars on agreed procedures covering discipline, grievance, negotiation and below Board structures continued during 1996. This programme involved a joint approach by company management, trade unions and staff representatives.

4. Health and Safety

The formal safety management system under the framework of the International Safety Rating System was further developed and implemented.

A firm of international consultants was engaged to conduct a qualitative risk assessment of the risk posed to the public at level crossings. A software model to assess risk at particular level crossings is being developed, based on the results of this study. The risk assessment of areas designated for the temporary storage of dangerous substances in transit continued.

The train radio communication system was extended beyond the C.T.C. (Centralised Traffic Control) areas to take in local signal cabins to ensure that drivers outside the C.T.C. area can now communicate with the local signal cabin at all times.

Supervisors were trained in safety consultation by Iarnród Éireann and the Irish Congress of Trade Unions. Formal consultation with safety representatives continued, with meetings at local, departmental and national levels.

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.

Iarnród Éireann - Irish Rail together with the trade unions established an Equality Working Group with an independent chairperson recommended by the Employment Equality Agency. The remit of this group is to examine and report on issues relating to gender equality within Iarnród Éireann. An interim report is expected mid 1997.

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, 1996 are set out below. Except where indicated they served as directors for the whole year.

Mr. M. P. McDonnell, Chairman

Mr. C. D. Waters
Term of office expired on
31st August, 1996

Mr. J. J. Harrington
Term of office expired on
28th January, 1996

Mr. J. Mc Cullough
Term of office expired on
28th January, 1996

Mr. S. Feely
Term of office expired on
30th November, 1996

Mr. P. J. Lynch
Appointed 1st March, 1996

Mr. B. Murtagh
Appointed 1st March, 1996

Mr. A. J. O'Brien

None of the directors or the secretary held any interest or any shares or debentures of the company, its holding company or its fellow subsidiaries at any time during the year.

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, Chairman
P. J. Lynch, Director
29th April, 1997.

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; and
- 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 7 to 31 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective Responsibilities of Directors and Auditors

As described on page 5 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, 1996 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 to 4 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 11, 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, 1996 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.
29th April, 1997.

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.

To facilitate comparability certain railway operational infrastructure figures in the 1995 comparatives have been restated.

B. Tangible Assets, Depreciation, and Provision for Renewals:

Tangible assets are stated at historical cost less 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, 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.

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.

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.

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.

Principal Accounting Policies

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 26.

Profit and Loss Account

	Notes	Year ended 31st December 1996 IR £000	1995 IR £000
Revenue			
Customer receipts		**123,653**	119,056
Miscellaneous		**2,750**	2,856
Total Revenue		**126,403**	121,912
Costs			
Operational costs	1 & 2	**(149,329)**	(151,861)
Railway operational infrastructure costs	1 & 2	**(49,908)**	(51,796)
Exceptional operating costs	3	**(34,128)**	(10,508)
Total Operating Costs		**(233,365)**	(214,165)
Deficit before Profit on Disposal of Tangible Assets, Interest and State Grants		**(106,962)**	(92,253)
(Loss)/Profit on Disposal of Tangible Assets	4	**(228)**	60
Deficit before Interest and State Grants		**(107,190)**	(92,193)
Interest Payable – Operational	5	**(8,532)**	(6,994)
– Railway infrastructure	5	**(5,028)**	(6,217)
Deficit for the Year before State Grants		**(120,750)**	(105,404)
State Grants	6	**92,405**	97,000
Deficit for the Year after State Grants		**(28,345)**	(8,404)
Transfer to Reserve	19	**(9,383)**	(7,472)
Change in Balance on Profit and Loss Account	7	**(37,728)**	(15,876)
Accumulated (Deficit)/Surplus at Beginning of the Year		**(10,016)**	5,860
Accumulated Deficit at End of the Year		**(47,744)**	(10,016)

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.

On behalf of the board

M. P. McDonnell, Chairman
P. J. Lynch, Director
29th April, 1997.

Balance Sheet

	Notes	As at 31st December 1996 IR £000	1995 IR £000
Fixed Assets			
Tangible assets	8	**281,765**	280,646
Financial assets	9	**16**	16
		281,781	280,662
Current Assets			
Stocks	10	**12,342**	16,334
Debtors	11	**71,931**	63,845
Cash at bank and in hand		**54**	48
		84,327	80,227
Creditors (Amounts falling due within one year)	12	**(132,561)**	(106,578)
Net Current Liabilities		**(48,234)**	(26,351)
Total Assets Less Current Liabilities		**233,547**	254,311
Financed By:-			
Creditors (Amounts falling due after more than one year)	13	**134,677**	130,041
Provision for Liabilities and Charges	16	**25,233**	26,744
Deferred Income	17	**52,490**	48,034
		212,400	204,819
Capital and Reserves			
Called up equity share capital	18	**23,000**	23,000
Asset replacement reserve	19	**45,891**	36,508
Profit and loss account		**(47,744)**	(10,016)
Equity Shareholders' Funds	20	**21,147**	49,492
		233,547	254,311

On behalf of the board

M. P. McDonnell, Chairman
P. J. Lynch, Director
29th April, 1997.

Cash Flow Statement

	Notes	Year ended 31st December 1996 IR £000	1995 IR £000
Net Cash Inflow From Operating Activities	21(A)	**26,578**	15,708
Servicing of Finance			
Interest paid	5	**(8,920)**	(9,251)
Interest element of finance lease rentals	5	**(4,640)**	(3,960)
State grant - DART interest	6	**7,395**	7,837
Net Cash Outflow from Servicing of Finance		**(6,165)**	(5,374)
Investing Activities			
Purchase of tangible assets		**(15,034)**	(58,132)
Sale of tangible assets		**83**	90
EU capital grants		**16,064**	9,279
Net Cash Inflow/(Outflow) from Investing Activities		**1,113**	(48,763)
Net Cash Inflow/(Outflow) before Management of Liquid Resources and Financing		**21,526**	(38,429)
Management of Liquid Resources	21(C)	**(20,296)**	(5,700)
Financing			
New finance lease		**191**	43,780
Capital element of finance lease rentals		**(1,873)**	(1,253)
Net Cash (Outflow)/Inflow from Financing		**(1,682)**	42,527
Decrease in Cash	21(C)	**(452)**	(1,602)

Notes to the Financial Statements

1. FUTURE VIABILITY

In 1996 the Board approved a plan for the company entitled "Building for the Future". The principal feature of the plan involves a reduction in annual operating costs of IR £30,000,000. The improvement in profitability from the savings will assist in generating the funds to allow for the significant investment programme needed in rolling stock, track, signalling, stations and staff training.

The reduction in annual operating costs is to be achieved through a range of measures including reduction in staff numbers, changes in work practices and savings in procurement. The directors consider that the plan can be implemented successfully and are satisfied that adequate financial facilities will be available for the foreseeable future. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

Included in exceptional operating costs in the profit and loss account is a charge of IR £37,140,000 for the estimated costs of implementing the plan. This charge relates to the costs of severance (including related pension costs) and other measures associated with the plan.

2. OPERATING COSTS

	1996 IR £000	1995 IR £000
Staff Costs		
Wages and salaries	**94,764**	94,284
Social welfare costs	**8,391**	8,401
Other pension costs	**7,898**	7,360
	111,053	110,045
Own work capitalised, renewals and engineering work for Group companies	**(11,221)**	(12,109)
Net Staff Costs	**99,832**	97,936
Materials and Services		
Fuel and electric traction	**7,801**	7,370
Road tax and licences	**124**	144
Rates	**1,511**	1,420
Auditors remuneration	**58**	54
Operating lease rentals	**1,168**	1,273
Maintenance - railway rolling stock	**14,967**	13,755
Maintenance - railway lines and works	**10,333**	9,512
Operating and other costs	**33,864**	38,601
Third party and employer's liability claims	**6,035**	11,168
	75,861	83,297
Directors' Remuneration		
Emoluments		
– for services as Directors	**5**	11
– for other services	**74**	101
	79	112
Depreciation	**12,973**	11,925
Amortisation of EU Capital Grants	**(1,658)**	(1,404)
Renewal of Railway Lines and Works (Note 26)	**12,150**	11,791
Total Operating Costs	**199,237**	203,657
Costs Allocated:-		
Operational Costs	**149,329**	151,861
Railway Operational Infrastructure Costs (Note 26)	**49,908**	51,796
	199,237	203,657

2. OPERATING COSTS (continued)

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

	Staff Numbers	
	1996	1995
Railway	**4,536**	4,710
Road Freight	**267**	235
Rosslare Harbour	**66**	71
Catering	**299**	297
Total	**5,168**	5,313

3. EXCEPTIONAL OPERATING COSTS

	1996	1995
	IR £000	IR £000
Restructuring costs	**37,140**	10,135
Interest refund	**(2,012)**	—
Third party claims (Note 16)	**(1,000)**	373
	34,128	10,508

4. (LOSS)/PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	1996	1995
	IR £000	IR £000
Net (Loss)/Profit on disposal of surplus assets	**(228)**	60

5. INTEREST PAYABLE

	1996	1995
	IR £000	IR £000
On loan from holding company	**8,920**	9,251
On finance leases	**4,640**	3,960
	13,560	13,211
Interest apportioned:-		
Operational Costs	**8,532**	6,994
Railway Infrastructure Costs (Note 26)	**5,028**	6,217
	13,560	13,211

6. 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 £92,405,000 received in 1996 are given in the following table, showing the relevant provision of EU Regulations.

	EU Regulation Number		
	1191/69	1107/70 (Article 4)	Total
	IR £000	IR £000	IR £000
Revenue Related			
Mainline Rail			
Operation of passenger services	68,605	—	68,605
Residual deficit – State Grants	—	—	—
	68,605	—	68,605
Bray/Howth Services			
Operation of passenger services	3,881	—	3,881
Sub Total	72,486	—	72,486

6. **STATE GRANTS** (continued)

	EU Regulation Number 1192/69 IR £000	1107/70 (Article 3.1 [b]) IR £000	Total 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
	6,893	5,285	12,178
Bray/Howth Services			
Normalisation of Accounts			
– Class III (pensions)	321	—	321
– Class IV (level crossings)	25	—	25
	346	—	346
Sub-Total	7,239	5,285	12,524
Total			85,010
Add State Grant for DART Interest – EU regulation. 1191/69			7,395
Total State Grants Received			92,405

7. **RESULT**

The deficit incurred for the year to 31st December, 1996 amounts to IR £37,728,000 (1995 – IR £15,876,000). 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:-

	1996 IR £000	1995 IR £000
Mainline Rail	(41,260)	(19,205)
Bray/Howth Suburban Rail	—	—
Road Freight	1,093	671
Rosslare Harbour	2,522	2,249
Catering Services	145	349
	(37,500)	(15,936)
(Loss)/Profit on disposal of Tangible Assets	(228)	60
	(37,728)	(15,876)

The working accounts for these business sectors are shown in Note 27.

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

8. TANGIBLE ASSETS

	1st Jan. 1996 IR £000	Additions IR £000	Scrappings and Disposals IR £000	31st Dec. 1996 IR £000
Cost				
Railway lines and works	10,635	269	—	10,904
Railway rolling stock	231,878	9,608	(492)	240,994
Road freight vehicles	5,848	446	(107)	6,187
Plant and machinery	101,566	3,532	(1,100)	103,998
Catering equipment	431	44	—	475
Docks, harbours and wharves	28,091	504	—	28,595
Total	378,449	14,403	(1,699)	391,153

	1st Jan. 1996 IR £000	Charge for Year IR £000	Scrappings and Disposals IR £000	31st Dec. 1996 IR £000
Depreciation				
Railway rolling stock	49,131	6,553	(201)	55,483
Road freight vehicles	3,574	643	(87)	4,130
Plant and machinery	41,604	5,177	(1,100)	45,681
Catering equipment	328	41	—	369
Docks, harbours and wharves	3,166	559	—	3,725
Total	97,803	12,973	(1,388)	109,388

	31st Dec. 1996 IR £000	31st Dec. 1995 IR £000
Net Book Amounts		
Railway lines and works	10,904	10,635
Railway rolling stock	185,511	182,747
Road freight vehicles	2,057	2,274
Plant and machinery	58,317	59,962
Catering equipment	106	103
Docks, harbours and wharves	24,870	24,925
Total	281,765	280,646

8. 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:-

	1996 IR £000	1995 IR £000
Railway rolling stock	**15,555**	10,556

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

	1996 IR £000	1995 IR £000
Cost	**93,178**	90,872
Accumulated Depreciation	**(38,639)**	(35,614)
Net Book Value	**54,539**	55,258
Depreciation for Year (Note 26)	**3,082**	2,931

(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:-

	1996 IR £000	1995 IR £000
Cost	**66,088**	64,301
Accumulated Depreciation	**(3,783)**	(1,655)
Net Book Value	**62,305**	62,646
Depreciation for Year	**2,128**	1,655

9. FINANCIAL ASSETS

	1996 IR £000	1995 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	21	19

10. STOCKS

	1996 IR £000	1995 IR £000
Maintenance materials and spare parts	9,213	13,920
Fuel, lubricants and other sundry stocks	3,129	2,414
	12,342	16,334

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.

11. DEBTORS (Amounts falling due within one year)

	1996 IR £000	1995 IR £000
Trade debtors	10,731	11,779
Amounts owed by holding and fellow subsidiary companies	38,857	18,561
EU grants receivable	19,125	31,367
Other debtors and accrued income	3,218	2,138
	71,931	63,845

12. CREDITORS (Amounts falling due within one year)

	1996 IR £000	1995 IR £000
Bank overdraft	4,619	4,161
Trade creditors	14,987	17,578
Loan from holding company (Note 14)	70,086	60,190
Finance lease obligations (Note 15)	2,071	1,873
Income tax deducted under PAYE	2,430	1,849
Pay related social insurance	1,531	1,299
Value added tax and other taxes	929	563
Other creditors	1,584	1,409
Restructuring provisions (Note 1)	21,983	4,850
Accruals	6,106	6,905
Third party and employer's liability claims (Note 16)	6,235	5,901
	132,561	106,578
Creditors for taxation and social welfare included above	4,890	3,711

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

	1996 IR £000	1995 IR £000
Loan from holding company (Note 14)	**59,914**	69,810
Finance lease obligations (Note 15)	**58,351**	60,231
Restructuring provisions	**16,412**	—
	134,677	130,041

14. LOAN FROM HOLDING COMPANY

	1996 IR £000	1995 IR £000
This loan is repayable as follows:		
Within one year (Note 12)	**70,086**	60,190
Between one and two years	**29,391**	11,518
Between two and five years	**18,033**	40,443
After five years	**12,490**	17,849
	59,914	69,810
	130,000	130,000

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 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 £32,500,000 (1995 – IR £39,700,000) relating to Irish commercial paper which are backed by committed medium term facilities which effectively extend the maturity of these instruments.

15. FINANCE LEASE OBLIGATIONS

	1996 IR £000	1995 IR £000
Net obligations under finance leases fall due as follows:		
Within one year (Note 12)	**2,071**	1,873
Between one and five years (Note 13)	**9,805**	9,071
After five years (Note 13)	**48,546**	51,160
	58,351	60,231
	60,422	62,104

16. PROVISION FOR LIABILITIES AND CHARGES

	1996 IR £000	1995 IR £000
Third Party and Employer's Liability Claims		
Balance at 1st January	**32,645**	25,247
Utilised during the year	**(6,212)**	(3,713)
Transfer from profit and loss account operating cost	**5,035**	11,111
	31,468	32,645
Less: Transfer to current liabilities (Note 12)	**(6,235)**	(5,901)
Balance at 31st December	**25,233**	26,744

The transfer from profit and loss account includes the exceptional credit of IR £1,000,000 (1995 – charge IR £373,000) for the rail accident at Claremorris (Note 3).

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.

Córas Iompair Éireann 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) rail and road transport liabilities in excess of a self insured retention of IR £6,615,000 in aggregate in the twelve month period, April 1997 to March 1998; 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.

17. 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. 1996 IR £000	Received and Receivable IR £000	Profit and Loss A/c IR £000	31st Dec. 1996 IR £000
European Union Grants				
Revenue Grant				
Renewal of railway lines and works	—	13,993	(13,993)	—
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
	46,821	6,141	(1,658)	51,304
Total EU Grants	46,821	20,134	(15,651)	51,304
Other Deferred Income	1,213	—	(27)	1,186
Total	48,034	20,134	(15,678)	52,490

18. EQUITY SHARE CAPITAL

	1996 IR £000	1995 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

19. ASSET REPLACEMENT RESERVE

	1996 IR £000	1995 IR £000
Balance at 1st January	36,508	29,036
Transfer from profit and loss account	9,383	7,472
Balance at 31st December	45,891	36,508

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

20. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1996 IR £000	1995 IR £000
Deficit for the year after State grants	**(28,345)**	(8,404)
Opening Equity Shareholders' Funds	**49,492**	57,896
Closing Equity Shareholders' Funds	**21,147**	49,492

21. CASH FLOW STATEMENT

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

	1996 IR £000	1995 IR £000
Deficit before State grants and servicing of finance	**(107,190)**	(92,193)
State grant other than that applied to DART interest	**85,010**	89,163
Surplus/(Deficit) for year before servicing of finance	**(22,180)**	(3,030)
(Profit)/Loss on disposal of tangible assets	**228**	(60)
Depreciation	**12,973**	11,925
Amortisation of EU capital grants	**(1,658)**	(1,404)
Decrease in stocks	**3,992**	3,937
(Increase)/Decrease in EU revenue grants	**2,319**	(12,236)
Decrease/(Increase) in debtors	**(32)**	(13)
Increase in creditors and provisions	**30,936**	16,589
Net Cash Inflow from Operating Activities before Servicing of Finance	**26,578**	15,708

(B) Reconciliation of Net Cash Flow to Movement in Net Debt

	1996 IR £000	1995 IR £000
Decrease in cash in the year	**(452)**	(1,602)
Cash outflow from holding company balance and lease financing	**22,169**	6,953
New finance leases	**(191)**	(43,780)
Movement in net debt in the year	**21,526**	(38,429)
Net Debt at 1st January	**(177,656)**	(139,227)
Net Debt at 31st December	**(156,130)**	(177,656)

21. CASH FLOW STATEMENT (continued)

(C) Analysis of Net Debt

	At 1st Jan. 1996 IR £000	Cash Flow IR £000	Non-cash Changes IR £000	At 31st Dec 1996 IR £000
Cash in hand	48	6	—	54
Bank overdraft	(4,161)	(458)	—	(4,619)
Total cash	(4,113)	(452)	—	(4,565)
Loans	(130,000)	—	—	(130,000)
Finance leases	(62,104)	1,873	(191)	(60,422)
Holding company balance	18,561	20,296	—	38,857
	(177,656)	21,717	(191)	(156,130)

Liquid resources comprise amounts owed by holding and fellow subsidiary companies, which represents cash generated and not immediately required for operations made available to other group companies, repayable on demand.

22. OPERATING LEASES

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

	1996 IR £000	1995 IR £000
Within one year	214	69
Between one and five years	789	744
	1,003	813

23. PENSIONS

The majority of the company's employees participate in defined benefit pension schemes based on final pensionable pay. Contributions by the company 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 Group pension 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 Groups 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%. An actuarial valuation of the amalgamated schemes as at 31st December, 1996 is currently taking place. Actuarial reports are available to scheme members but are not available for public inspection.

The pension cost for the year was IR £7,903,000 (1995 – IR £7,365,000)

Included in the charge for restructuring costs in Note 3 is IR £9,010,000 (1995 – IR £4,155,000) being the capital cost of the ex gratia pensions element of voluntary severance.

As at the 31st December, 1996 a provision for the capital cost of ex gratia pensions of IR £10,264,000 (1995 – IR £3,346,000) is included in restructuring provisions in creditors.

24. CAPITAL COMMITMENTS

	1996 IR £000	1995 IR £000
Contracted for	**26,781**	8,625
Authorised by the directors but not contracted for	**61,301**	24,917
	88,082	33,542

25. 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 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 taxation changes affecting the lessors' tax liability on lease income will be offset by appropriate adjustments to lease rentals.

26. 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 (Note 2)	**12,150**	11,791
Operating (signalling) and other expenses	**8,574**	11,715
Depreciation (Note 8 (e))	**3,082**	2,931
Amortisation of capital grants	**(232)**	(248)
Railway operational infrastructure costs before interest (Note 2)	**49,908**	51,796
Interest payable (Note 5)	**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

27. WORKING ACCOUNTS

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

	1996 IR £000	1995 IR £000
Revenue		
Passenger train traffic	**56,223**	53,603
Goods train traffic	**16,735**	17,398
Miscellaneous	**2,390**	2,342
Total Revenue	**75,348**	73,343
Expenditure		
Infrastructure	**47,526**	50,555
Maintenance of rolling stock	**31,867**	28,260
Fuel	**6,322**	5,612
Operating and other expenses	**92,605**	76,554
Operating depreciation	**15,105**	12,685
Amortisation of capital grants	**(1,064)**	(989)
Total Expenditure	**192,361**	172,677
Operating Deficit before Operating Interest Payable and State Grants	**(117,013)**	(99,334)
Interest payable	**(5,030)**	(3,050)
Deficit Before State Grants	**(122,043)**	(102,384)
State Grants	**80,783**	83,179
Deficit for the Year	**(41,260)**	(19,205)

27. **WORKING ACCOUNTS** (continued)

(b) Bray/Howth Suburban Rail Services Sector

	1996 IR £000	1995 IR £000
Revenue		
Passenger traffic	**13,775**	12,649
Miscellaneous	**328**	380
Total Revenue	**14,103**	13,029
Expenditure		
Infrastructure	**7,410**	7,458
Maintenance of rolling stock	**2,012**	2,328
Fuel (including electricity for traction)	**1,416**	1,356
Operating and other expenses	**9,183**	9,764
Operating depreciation	**2,252**	2,050
Total Expenditure	**22,273**	22,956
Operating Deficit before Operating Interest Payable and State Grants	**(8,170)**	(9,927)
Interest payable	**(3,452)**	(3,894)
Deficit for Year Before State Grants	**(11,622)**	(13,821)
State Grants	**11,622**	13,821
	—	—

(c) Road Freight Sector

	1996 IR £000	1995 IR £000
Revenue		
Goods services	**21,697**	20,539
Miscellaneous	**32**	134
Total Revenue	**21,729**	20,673
Operating Costs		
Maintenance of vehicles and equipment	**1,368**	1,409
Fuel	**856**	889
Road tax and licences	**124**	144
Operating and other expenses	**17,639**	16,798
Operating depreciation	**649**	762
Total Expenditure	**20,636**	20,002
Net Surplus for the Year	**1,093**	671

27. WORKING ACCOUNTS (continued)

(d) Rosslare Harbour Sector

	1996 IR £000	1995 IR £000
Revenue		
Harbour services	**6,177**	6,009
Operating Costs		
Maintenance, operating and other expenses	**3,003**	3,168
Operating depreciation	**964**	824
Amortisation of capital grants	**(362)**	(281)
Total Expenditure	**3,605**	3,711
Operating Surplus before Interest Payable	**2,572**	2,298
Interest payable	**(50)**	(49)
Net Surplus for the Year	**2,522**	2,249

(e) Catering Services Sector

	1996 IR £000	1995 IR £000
Revenue		
Ground and Train catering	**9,046**	8,858
Operating Costs		
Maintenance of buildings, cars and equipment	**106**	120
Provisions	**3,624**	3,688
Other direct expenses	**3,408**	3,161
Other expenditure	**1,763**	1,540
Total Expenditure	**8,901**	8,509
Net Surplus for the Year	**145**	349

Total expenditure in the above working accounts for the business sectors of the company include the exceptional items, for 1996 IR £34,128,000 (1995 – IR £10,508,000) and the transfer to asset replacement reserve for 1996 IR £9,383,000 (1995 – IR £7,472,000). Loss of IR £228,000 (1995 – Profit IR £60,000) on disposal of tangible assets is not included in the above working accounts.

28. RELATED PARTY TRANSACTIONS

Entities controlled by the Irish Government are related parties of the company by virtue of the Irish Government's control of the parent company, Córas Iompair Éireann.

In the ordinary course of business the company purchases goods and services from entities controlled by the Irish Government, the principal of these being the ESB, Telecom Éireann, An Post and Bord Gáis. The directors are of the opinion that the quantum of these purchases is not material in relation to the company's business.

The financial statements of Córas Iompair Éireann provide the information required by the Financial Reporting Standard No. 8 concerning transactions between that company, its subsidiaries and the Irish Government.

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 29th April, 1997.

Value Added Statement

	Year ended 31st December			
	1996		1995	
	IR £000	IR £000	IR000	IR £000
Value Added Generated				
Revenue		126,403		121,912
State grants (Note 6)		92,405		97,000
(Loss)/Profit on disposal of tangible assets		(228)		60
Own work capitalised, renewals and engineering work for Group Companies		11,221		12,109
Less: Cost of materials and services utilised	(75,861)		(83,297)	
Exceptional items	(34,128)	(109,989)	(10,508)	93,805
		119,812		137,276
Application of Value Added				
Net compensation of employees including pension costs		77,260		76,918
Government – payroll taxes		33,872		33,239
Providers of capital (Note 5)		13,560		13,211
Provision for future investment (Note 2)				
– Depreciation		12,973		11,925
– Amortisation of capital grants		(1,658)		(1,404)
– Renewal of railway lines and works		12,150		11,791
Deficit for the Year		(28,345)		(8,404)
		119,812		137,276

PN 3892