

Annual Report  
and Financial Statements 1997

Tuarascáil Bhliantúil agus  
Ráitis Airgeadais don Bhliain go 31ú Nollaig 1997





## Contents

- 1 Directors and Other Information
- 2 Report of the Directors
- 5 Statement of Directors' Responsibilities
- 6 Report of the Auditors
- 7 Principal Accounting Policies
- 9 Profit and Loss Account
- 10 Balance Sheet
- 11 Cash Flow Statement
- 12 Notes to the Financial Statements



## Directors and Other Information

### Directors

**Mr. M. P. McDonnell**, Chairman

**Mr. P. Cullen**

**Ms. T. Honan**

**Mr. P. J. Lynch**

**Ms. A. M. Mannix**

**Mr. B. Murtagh**

### 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 1997

The directors present their annual report together with the audited financial statements for the year ended 31st December, 1997.

#### Principal Activities and Business Review

The principal activities of the company are the provision of national rail passenger and freight services, road freight services, catering services and the management of Rosslare Harbour.

During 1997 the company's services carried a record 29.4 million passengers - a 5.4% increase on the previous year. Rail freight revenue suffered from the loss of several significant traffics which constrained overall revenue growth to 2.1%. Total revenue increased to IR £129.0 million from IR £126.4 million in 1996.

Total operating costs were IR £36.3 million lower than the previous year. This reduction was mainly due to the absence of costs associated with the ongoing restructuring programme which were largely provided for in the 1996 accounts. In addition payroll and related costs were reduced by IR £3.5 million due to a continuing reduction in staff numbers and restructured pension costs. Payroll costs represented 75% of revenue compared to 79% in 1996.

State grants towards the cost of renewing and maintaining rail infrastructure and in meeting the public service obligation remained constant at IR £92.4 million.

Overall, there was a surplus in 1997 amounting to IR £1.8 million. The accumulated deficit at 31st December, 1997 amounted to IR £45.9 million.

Economic buoyancy generated the demand potential for rail services and the substantial investment in and renewal of the railways in recent years provided the means of satisfying the demand. The launch of the new Dublin/Belfast Enterprise service in September is making a significant contribution to the promotion of tourism and to commerce along the corridor.

EU Grants are an essential ingredient in the funding of the ongoing capital expenditure programme. Major projects currently underway include signalling, rolling stock and Dart extensions.

A review of mainline rail investment needs has been undertaken and a capital projects plan has been drawn up for the suburban network. Total combined investment requirements amount to approximately IR £650 million and discussions are taking place with stakeholders to determine how this extensive investment in the renewal of the railway can be funded.

#### Results and Reserves

The financial statements for the year ended 31st December, 1997 are set out in detail on pages 9 to 32 and a summary of the results is as follows:-

	1997 IR £000
Surplus for the year after	
State Grant	12,182
Transfer to Reserve	(10,349)
Decrease in Accumulated	
Deficit during the Year	<u>1,833</u>



## Report of the Directors

### Employee Participation

Management and trade unions have agreed to a joint review of the existing employee participation scheme within Iarnród Éireann. The objective of the review is to establish and strengthen the relationship and level of co-operation between management, staff and their trade unions by redefining participation in terms of devising structures and consultation processes relevant to decision making. In order to facilitate this substantive and important review the parties have agreed to enlist the assistance and support of the Advisory Service of the Labour Relations Commission and the National Centre for Partnership, established under the Partnership 2000 Agreement.

### Health and Safety

The first Iarnród Éireann Safety Plan came into effect in March 1997. Seven key result areas were addressed:- Passenger Safety, Employee Safety, Public Safety, Operational Safety, Organisational Change, Management of Contractors and Safety Management. The implementation of the plan progressed throughout the year through regular meetings at all management levels. The plan was built on the premise of continuous improvement. Overall progress on the implementation of the plan has been satisfactory.

The company employed international consultants to conduct a qualitative risk assessment on the operation of the ammonia train.

Safety representatives and supervisors were trained in safety consultation by Iarnród

Éireann and the Irish Congress of Trade Unions. Formal consultation continued, with six-monthly safety committee meetings at department level, and more regular meetings at local level. The effectiveness of the safety consultative structure was reviewed.

### Equal Opportunities

The joint Equality Working Group set up in co-operation between management, the trade unions and staff of Iarnród Éireann undertook an extensive review of equality issues within Iarnród Éireann during 1997. Under the terms of the Group's remit, issues specifically relating to gender equality were examined. A draft interim report was produced during 1997 and the final report of the Group is expected to be issued in April 1998. Iarnród Éireann is committed to addressing all recommendations of the Group in a positive fashion.

In addition to gender equality issues, Iarnród Éireann management has been pursuing the removal of barriers to promotional opportunities in order to create promotional/developmental opportunities limited solely by competence and suitability rather than any dated restrictive agreements.

### Directors

The directors of the company are appointed by the Chairman of Córas Iompair Éireann with the consent of the Minister for Public Enterprise. The names of the persons who were directors at any time during the year ended 31st December, 1997



## Report of the Directors

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

Mr. M. P. McDonnell, Chairman

Mr. P. Cullen  
Appointed 30th May, 1997.

Ms T. Honan  
Appointed 1st December, 1997.

Mr. P. J. Lynch

Ms A. M. Mannix  
Appointed 1st December, 1997.

Mr. B. Murtagh

Mr. A. J. O'Brien  
Term of office expired on  
30th November, 1997.

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

### **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.

<b>M. P. McDonnell,</b>	Chairman.
<b>P. J. Lynch,</b>	Director.
<b>31st March, 1998.</b>	



## 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 9 to 32 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

### 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, 1997 and of its surplus 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 10, 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, 1997 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.  
31st March, 1998.**





## Principal Accounting Policies

### A. Basis of Accounting:

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

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

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

Tangible assets are stated at 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.



## Principal Accounting Policies

### D. Stocks:

Stocks of materials and spare parts are valued at the lower of average cost and net realisable value.

Stocks which are known to be obsolete at the balance sheet date are written off and provision is made in respect of stocks which may become obsolete in the future.

### E. Grants:

#### (i) *European Union:*

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.

#### (ii) *State Grants:*

State Grants received during the year in respect of public service obligations are dealt with in the profit and loss account.

### F. Foreign Currency:

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

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

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

### G. 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.

### H. 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.



## Profit and Loss Account

	Notes	Year ended 31st December	
		1997	1996
		IR £000	IR £000
<b>Revenue</b>		<b>129,026</b>	126,403
<b>Costs</b>			
Payroll and related costs	2	(96,463)	(99,911)
Materials and services	3	(76,068)	(75,861)
Depreciation and railway lines renewals	4	(24,032)	(23,465)
Exceptional operating costs	5	(501)	(34,128)
<b>Total Operating Costs</b>		<b>(197,064)</b>	(233,365)
<b>Deficit before Profit on Disposal of Tangible Assets, Interest and State Grants</b>		<b>(68,038)</b>	(106,962)
Profit/(loss) on disposal of tangible assets	6	58	(228)
<b>Deficit before Interest and State Grants</b>		<b>(67,980)</b>	(107,190)
Interest Payable - Operational	7	(7,768)	(8,532)
- Railway infrastructure	7	(4,470)	(5,028)
<b>Deficit for the Year before State Grants</b>		<b>(80,218)</b>	(120,750)
State grants	8	92,400	92,405
<b>Surplus/(Deficit) for the Year after State Grants</b>		<b>12,182</b>	(28,345)
Transfer to reserve	20	(10,349)	(9,383)
<b>Change in the Profit and Loss Account for the Year</b>	1	<b>1,833</b>	(37,728)
Accumulated Deficit at Beginning of the Year		(47,744)	(10,016)
<b>Accumulated Deficit at End of the Year</b>		<b>(45,911)</b>	(47,744)

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



## Balance Sheet

	Notes	As at 31st December	
		1997 IR £000	1996 IR £000
<b>Fixed Assets</b>			
Tangible assets	9	297,592	281,765
Financial assets	10	16	16
		<b>297,608</b>	<b>281,781</b>
<b>Current Assets</b>			
Stocks	11	14,111	12,342
Debtors	12	71,283	71,931
Cash at bank and in hand		51	54
		<b>85,445</b>	<b>84,327</b>
<b>Creditors</b> (amounts falling due within one year)	13	<b>(142,593)</b>	<b>(132,561)</b>
<b>Net Current Liabilities</b>		<b>(57,148)</b>	<b>(48,234)</b>
<b>Total Assets Less Current Liabilities</b>		<b>240,460</b>	<b>233,547</b>
<b>Financed By:-</b>			
<b>Creditors</b> (amounts falling due after more than one year)	14	<b>117,097</b>	134,677
<b>Provisions for Liabilities and Charges</b>	17	<b>26,422</b>	25,233
<b>Deferred Income</b>	18	<b>63,612</b>	52,490
		<b>207,131</b>	<b>212,400</b>
<b>Capital and Reserves</b>			
Called up share capital	19	<b>23,000</b>	23,000
Asset replacement reserve	20	<b>56,240</b>	45,891
Profit and loss account		<b>(45,911)</b>	(47,744)
<b>Shareholders' Funds</b>	21	<b>33,329</b>	21,147
		<b>240,460</b>	<b>233,547</b>

On behalf of the board

**M. P. McDonnell,** Chairman  
**P. J. Lynch,** Director



## Cash Flow Statement

	Notes	Year ended 31st December	
		1997	1996
		IR £000	IR £000
<b>Net Cash Inflow From Operating Activities</b>	22(A)	<b>40,866</b>	26,578
<b>Servicing of Finance</b>			
Interest paid	7	(7,756)	(8,920)
Interest element of finance lease rentals	7	(4,482)	(4,640)
State grant - DART Interest	8	6,400	7,395
<b>Net Cash Outflow from Servicing of Finance</b>		<b>(5,838)</b>	(6,165)
<b>Investing Activities</b>			
Purchase of tangible assets		(28,854)	(15,034)
Sale of tangible assets		162	83
EU capital grants		10,295	16,064
<b>Net Cash (Outflow)/Inflow from Investing Activities</b>		<b>(18,397)</b>	1,113
<b>Net Cash Inflow/(Outflow) before Management of Liquid Resources and Financing</b>		<b>16,631</b>	21,526
<b>Management of Liquid Resources</b>	22(B)	<b>(11,902)</b>	(20,296)
<b>Financing</b>			
New finance lease		—	191
Capital element of finance lease rentals		(2,075)	(1,873)
<b>Net Cash Outflow from Financing</b>		<b>(2,075)</b>	(1,682)
<b>Increase/(Decrease) in Cash in the year</b>	22(B)	<b>2,654</b>	(452)
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>			
		1997	1996
		IR £000	IR £000
Increase/(decrease) in cash in the year		2,654	(452)
Cash outflow from holding company balance and lease financing		13,977	22,169
New finance leases		—	(191)
Movement in net debt in the year		16,631	21,526
Net Debt at 1st January		(156,130)	(177,656)
<b>Net Debt at 31st December</b>		<b>(139,499)</b>	(156,130)



## Notes to the Financial Statements

### 1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

#### (a) Mainline Rail Division (excluding Bray/Howth Rail Suburban Services)

	1997	1996
	IR £000	IR £000
<b>Revenue</b>		
Passenger train traffic	61,231	56,223
Goods train traffic	17,334	16,735
Miscellaneous	2,749	2,390
<b>Total Revenue</b>	<b>81,314</b>	<b>75,348</b>
<b>Expenditure</b>		
Maintenance of rolling stock	30,686	31,867
Fuel	6,465	6,322
Operating and other expenses	61,214	58,477
Operating depreciation	15,360	15,105
Amortisation of capital grants	(1,205)	(1,064)
	<b>112,520</b>	<b>110,707</b>
Exceptional operating costs	501	34,128
<b>Total Expenditure</b>	<b>113,021</b>	<b>144,835</b>
<b>Operating Deficit before Operating Interest Payable and State Grants</b>	<b>(31,707)</b>	<b>(69,487)</b>
Interest payable	(3,596)	(5,030)
<b>Deficit Before State Grants</b>	<b>(35,303)</b>	<b>(74,517)</b>
State grants	33,148	33,257
<b>Deficit for the Year</b>	<b>(2,155)</b>	<b>(41,260)</b>



## Notes to the Financial Statements

### 1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)

#### (b) Bray/Howth Suburban Rail Division

	1997	1996
	IR £000	IR £000
<b>Revenue</b>		
Passenger traffic	14,278	13,775
Miscellaneous	350	328
<b>Total Revenue</b>	<b>14,628</b>	<b>14,103</b>
<b>Expenditure</b>		
Maintenance of rolling stock	2,421	2,012
Fuel (including electricity for traction)	1,459	1,416
Operating and other expenses	9,483	9,183
Operating depreciation	3,061	2,252
<b>Total Expenditure</b>	<b>16,424</b>	<b>14,863</b>
<b>Operating Deficit before Operating Interest Payable and State Grants</b>	<b>(1,796)</b>	<b>(760)</b>
Interest payable	(4,115)	(3,452)
<b>Deficit for Year Before State Grants</b>	<b>(5,911)</b>	<b>(4,212)</b>
<b>State Grants</b>	<b>5,911</b>	<b>4,212</b>
	—	—



## Notes to the Financial Statements

### 1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)

#### (c) Railway Infrastructure

In compliance with EU Council Directive 91/440 the costs of the Railway Infrastructure Division have been computed as follows:

	1997 IR £000	1996 IR £000
Maintenance of railway lines and works	23,350	26,334
Renewal of railway lines and works (Note 4)	27,286	26,143
Operating (signalling) and other expenses	9,810	8,574
Depreciation (Note 9 (e))	3,167	3,082
Amortisation of capital grants	(375)	(232)
<b>Total Railway Infrastructure Costs before Interest</b>	<b>63,238</b>	<b>63,901</b>
Interest payable (Note 7)	4,470	5,028
<b>Total Railway Infrastructure Costs before Grants</b>	<b>67,708</b>	<b>68,929</b>
<b>EU Revenue Grants</b>	<b>(14,367)</b>	<b>(13,993)</b>
<b>Total Railway Infrastructure Costs before State Grants</b>	<b>53,341</b>	<b>54,936</b>
<b>State Grants</b>	<b>(53,341)</b>	<b>(54,936)</b>
	—	—
<b>Apportionment:</b>		
<b>Mainline Rail Division</b>	<b>46,464</b>	<b>47,526</b>
<b>Bray/Howth Suburban Rail Services Division</b>	<b>6,877</b>	<b>7,410</b>
	<b>53,341</b>	<b>54,936</b>





## Notes to the Financial Statements

## 1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)

## (d) Road Freight Division

	1997	1996
	IR £000	IR £000
<b>Revenue</b>		
Goods services	17,051	21,697
Miscellaneous	40	32
<b>Total Revenue</b>	<b>17,091</b>	<b>21,729</b>
<b>Operating Costs</b>		
Maintenance of vehicles and equipment	1,486	1,368
Fuel	836	856
Road tax and licences	115	124
Operating and other expenses	13,330	17,639
Operating depreciation	496	649
<b>Total Expenditure</b>	<b>16,263</b>	<b>20,636</b>
<b>Net Surplus for the Year</b>	<b>828</b>	<b>1,093</b>

## (e) Rosslare Harbour Division

	1997	1996
	IR £000	IR £000
<b>Revenue</b>		
Harbour services	6,627	6,177
<b>Operating Costs</b>		
Maintenance, operating and other expenses	3,179	3,003
Operating depreciation	971	964
Amortisation of capital grants	(365)	(362)
<b>Total Expenditure</b>	<b>3,785</b>	<b>3,605</b>
<b>Operating Surplus before Interest Payable</b>	<b>2,842</b>	<b>2,572</b>
Interest payable	(57)	(50)
<b>Net Surplus for the Year</b>	<b>2,785</b>	<b>2,522</b>



## Notes to the Financial Statements

### 1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)

#### (f) Catering Services Division

	1997 IR £000	1996 IR £000
<b>Revenue</b>		
Ground and train catering	9,366	9,046
<b>Operating Costs</b>		
Maintenance of buildings, cars and equipment	79	106
Provisions	3,852	3,624
Other direct expenses	3,472	3,408
Other expenditure	1,646	1,763
<b>Total Expenditure</b>	9,049	8,901
<b>Net Surplus for the Year</b>	317	145

#### (g) Company Result

	1997 IR £000	1996 IR £000
Mainline Rail	(2,155)	(41,260)
Bray/Howth Suburban Rail	—	—
Infrastructure	—	—
Road Freight	828	1,093
Rosslare Harbour	2,785	2,522
Catering Services	317	145
	1,775	(37,500)
Profit/(loss) on disposal of tangible assets	58	(228)
<b>Change in the Profit and Loss Account for the Year</b>	1,833	(37,728)

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



## Notes to the Financial Statements

### 2. PAYROLL AND RELATED COSTS

	1997	1996
	IR £000	IR £000
<b>Staff Costs</b>		
Wages and salaries	95,538	94,764
Social welfare costs	8,298	8,391
Other pension costs	5,927	7,898
	<b>109,763</b>	<b>111,053</b>
Own work capitalised, renewals and engineering work for Group companies	<b>(13,340)</b>	<b>(11,221)</b>
<b>Net Staff Costs</b>	<b>96,423</b>	<b>99,832</b>
<b>Directors' Remuneration Emoluments</b>		
- for services as Directors	—	5
- for other services	40	74
<b>Total Directors' Remuneration and Emoluments</b>	<b>40</b>	<b>79</b>
<b>Total Payroll and Related Costs</b>	<b>96,463</b>	<b>99,911</b>

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

	Staff Numbers	
	1997	1996
Railway	4,331	4,536
Road Freight	241	267
Rosslare Harbour	71	66
Catering	296	299
<b>Total</b>	<b>4,939</b>	<b>5,168</b>



## Notes to the Financial Statements

### 3. MATERIALS AND SERVICES

	1997 IR £000	1996 IR £000
Operating and other costs	32,887	33,864
Maintenance - railway rolling stock	15,377	14,967
Maintenance - railway lines and works	8,887	10,333
Fuel and electric traction	7,954	7,801
Third party and employer's liability claims	8,164	6,035
Rates	1,521	1,511
Operating lease rentals	1,108	1,168
Road tax and licences	115	124
Auditors remuneration	55	58
<b>Total Materials and Services</b>	<b>76,068</b>	<b>75,861</b>

### 4. DEPRECIATION AND RAILWAY LINES RENEWALS

	1997 IR £000	1996 IR £000
<b>Depreciation</b>	<b>13,058</b>	12,973
<b>Amortisation of EU Capital Grants</b>	<b>(1,945)</b>	(1,658)
<b>Renewal of Railway Lines and Works</b>	<b>27,286</b>	26,143
	<b>38,399</b>	37,458
<b>Less EU Revenue Grants (Note 18)</b>	<b>(14,367)</b>	(13,993)
<b>Total Depreciation and Railway Lines Renewals</b>	<b>24,032</b>	23,465

### 5. EXCEPTIONAL OPERATING COSTS

	1997 IR £000	1996 IR £000
Insurance proceeds	(493)	—
Restructuring costs	994	37,140
Interest refund	—	(2,012)
Third party claims	—	(1,000)
	<b>501</b>	<b>34,128</b>



## Notes to the Financial Statements

## 6. PROFIT/(LOSS) ON DISPOSAL OF TANGIBLE ASSETS

	1997	1996
	IR £000	IR £000
Net Profit/(loss) on disposal of surplus assets	58	(228)

## 7. INTEREST PAYABLE

	1997	1996
	IR £000	IR £000
On loan from holding company	7,756	8,920
On finance leases	4,482	4,640
	12,238	13,560
Interest apportioned:-		
<b>Operational Costs</b>	7,768	8,532
<b>Railway Infrastructure Costs (Note 1)</b>	4,470	5,028
	12,238	13,560

## 8. STATE GRANTS

The grants payable to the company through the holding company, C oras Iompair  ireann, are in accordance with the relevant EU Regulations governing State aid to transport undertakings.

Particulars of the State grants of IR  92,400,000 received in 1997 are given in the following table, showing the relevant provision of EU Regulations.

	EU Regulation Number		Total
	1191/69	1107/70	
	IR �000	(Article 4) IR �000	IR �000
<b>Revenue Related</b>			
<b>Mainline Rail</b>			
Operation of passenger services	44,957	—	44,957
Residual deficit - State grants	—	24,206	24,206
	44,957	24,206	69,163
<b>Bray/Howth Services</b>			
Operation of passenger services	6,091	—	6,091
<b>Sub Total</b>	51,048	24,206	75,254



## Notes to the Financial Statements

### 8. STATE GRANTS (continued)

	EU Regulation Number		Total IR £000
	1192/69 (Article 3.1 [b]) IR £000	1107/70 IR £000	
<b>Expenditure Related</b>			
<b>Mainline Rail</b>			
Normalisation of Accounts			
- Class III (pensions)	2,227	—	2,227
- Class IV (level crossings)	2,206	—	2,206
- Infrastructure grant (freight)	—	6,016	6,016
	4,433	6,016	10,449
<b>Bray/Howth Services</b>			
Normalisation of Accounts			
- Class III (pensions)	258	—	258
- Class IV (level crossings)	39	—	39
	297	—	297
<b>Sub Total</b>	4,730	6,016	10,746
<b>Total</b>			86,000
Add State grant for DART Interest - EU Regulation. 1191/69			6,400
<b>Total State Grants Received</b>			92,400



## Notes to the Financial Statements

### 9. TANGIBLE FIXED ASSETS

	1st Jan. IR £000	Additions IR £000	Scrappings and Disposals IR £000	31st Dec. IR £000
<b>Cost</b>				
Railway lines and works	10,904	5,310	—	16,214
Railway rolling stock	240,994	13,799	(160)	254,633
Road freight vehicles	6,187	—	(400)	5,787
Plant and machinery	103,998	5,885	—	109,883
Catering equipment	475	38	—	513
Docks, harbours and wharves	28,595	3,956	—	32,551
<b>Total</b>	<b>391,153</b>	<b>28,988</b>	<b>(560)</b>	<b>419,581</b>

	1st Jan. IR £000	Charge for Year IR £000	Scrappings and Disposals IR £000	31st Dec. IR £000
<b>Depreciation</b>				
Railway rolling stock	55,483	6,601	(110)	61,974
Road freight vehicles	4,130	491	(347)	4,274
Plant and machinery	45,681	5,326	—	51,007
Catering equipment	369	71	—	440
Docks, harbours and wharves	3,725	569	—	4,294
<b>Total</b>	<b>109,388</b>	<b>13,058</b>	<b>(457)</b>	<b>121,989</b>

	31st Dec. 1997 IR £000	31st Dec. 1996 IR £000
<b>Net Book Amounts</b>		
Railway lines and works	16,214	10,904
Railway rolling stock	192,659	185,511
Road freight vehicles	1,513	2,057
Plant and machinery	58,876	58,317
Catering equipment	73	106
Docks, harbours and wharves	28,257	24,870
<b>Total</b>	<b>297,592</b>	<b>281,765</b>



## Notes to the Financial Statements

### 9. TANGIBLE FIXED 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 fixed 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 fixed assets above are payments on account and for assets in course of construction for the following:-

	1997 IR £000	1996 IR £000
Railway rolling stock	<b>14,630</b>	15,555

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

	1997 IR £000	1996 IR £000
Cost	<b>102,048</b>	93,178
Accumulated depreciation	<b>(41,806)</b>	(38,639)
Net book value	<b>60,242</b>	54,539
Depreciation for year (Note 1(e))	<b>3,167</b>	3,082





## Notes to the Financial Statements

### 9. TANGIBLE FIXED ASSETS (continued)

- (f) Included in tangible fixed assets are amounts as stated below in respect of railway rolling stock and plant and machinery which are held under finance leases, whereby the company has beneficial ownership i.e. substantially all the risks and rewards associated with the ownership of an asset, other than the legal title :-

	1997 IR £000	1996 IR £000
Cost	66,641	66,088
Accumulated depreciation	(5,865)	(3,783)
Net book value	60,776	62,305
Depreciation for year	2,082	2,128

### 10. FINANCIAL ASSETS

	1997 IR £000	1996 IR £000
<b>Trade Investments - Listed Shares</b>		
Cost or valuation at 1st January	50	50
Provision for permanent diminution in value at 31st December	(34)	(34)
<b>Net Book Amounts at 31st December</b>	16	16
<b>Market Value at 31st December</b>	29	21

### 11. STOCKS

	1997 IR £000	1996 IR £000
Maintenance materials and spare parts	11,440	9,213
Fuel, lubricants and other sundry stocks	2,671	3,129
	14,111	12,342

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.



## Notes to the Financial Statements

### 12. DEBTORS

	1997 IR £000	1996 IR £000
Trade debtors	8,716	10,731
Amounts owed by holding and fellow subsidiary companies	50,759	38,857
EU grants receivable	8,962	19,125
Other debtors and accrued income	2,846	3,218
	<b>71,283</b>	<b>71,931</b>

### 13. CREDITORS (amounts falling due within one year)

	1997 IR £000	1996 IR £000
Bank overdraft	1,962	4,619
Trade creditors	16,851	14,987
Loan from holding company (Note 15)	69,022	70,086
Finance lease obligations (Note 16)	2,228	2,071
Income tax deducted under PAYE	1,905	2,430
Pay related social insurance	1,235	1,531
Value added tax and other taxes	100	929
Other creditors	1,707	1,584
Restructuring provisions	33,472	21,983
Accruals	7,611	6,106
Third party and employer's liability claims (Note 17)	6,500	6,235
	<b>142,593</b>	<b>132,561</b>
Creditors for taxation and social welfare included above	<b>3,240</b>	<b>4,890</b>

Included in Creditors above is a provision of IR £33,472,000, the cost of implementing the plan entitled "Building for the Future". This cost relates to the cost of severance (including related pension costs) and other measures associated with the plan.

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

	1997 IR £000	1996 IR £000
Loan from holding company (Note 15)	60,978	59,914
Finance lease obligations (Note 16)	56,119	58,351
Restructuring provisions	—	16,412
	<b>117,097</b>	<b>134,677</b>



## Notes to the Financial Statements

### 15. LOAN FROM HOLDING COMPANY

	1997	1996
	IR £000	IR £000
This loan is repayable as follows:		
Within one year (Note 13)	69,022	70,086
Between one and two years	28,841	29,391
Between two and five years	25,239	18,033
After five years	6,898	12,490
	60,978	59,914
	<b>130,000</b>	<b>130,000</b>

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 £37,500,000 (1996 - IR £32,500,000) relating to Irish Commercial Paper which are backed by committed medium term facilities which effectively extend the maturity of these instruments.

### 16. LEASE OBLIGATIONS

#### (A) Finance Leases

	1997	1996
	IR £000	IR £000
Net obligations under finance leases fall due as follows:		
Within one year (Note 13)	2,228	2,071
Between one and five years (Note 14)	10,634	9,805
After five years (Note 14)	45,485	48,546
	56,119	58,351
	<b>58,347</b>	<b>60,422</b>



## Notes to the Financial Statements

### 16. LEASE OBLIGATIONS (continued)

#### (B) Operating Leases

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

	1997	1996
	IR £000	IR £000
Within one year	485	214
Between one and five years	325	789
	<b>810</b>	<b>1,003</b>

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	1997	1996
	IR £000	IR £000
<b>Third Party and Employer's Liability Claims</b>		
Balance at 1st January	31,468	32,645
Utilised during the year	(6,708)	(6,212)
Transfer from profit and loss account operating cost	8,162	5,035
	<b>32,922</b>	<b>31,468</b>
Less: Transfer to current liabilities (Note 13)	(6,500)	(6,235)
<b>Balance at 31st December</b>	<b>26,422</b>	<b>25,233</b>

Provision is made for the estimated ultimate cost of all third party and employer's liability claims which are not covered by 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 on behalf of the company the following external insurance cover:-

- (i) third party liability in excess of IR £3,000,000 and up to IR £83,000,000 on any one occurrence or series of occurrences arising out of any one rail event;
- (ii) third party liability in excess of IR £1,000,000 and up to IR £81,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of actions taken for road claims subject to United States jurisdiction where the excess is US \$3,000,000;
- (iii) third party liability in excess of IR £50,000 and up to IR £80,050,000 on any one occurrence or series of occurrences arising out of All Other Risks events, except in the case of actions taken for All Other Risks claims subject to United States jurisdiction where the excess is US \$100,000;



## Notes to the Financial Statements

### 17. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

- (iv) rail and road transport liabilities in excess of a self insured retention of IR £6,615,000 in aggregate in a twelve month period, April 1997 to March 1998; and
- (v) fire and special perils, including storm damage, to 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 provisions for liabilities and charges.

### 18. DEFERRED INCOME

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

	1st Jan. 1997 IR £000	Received and Receivable IR £000	Profit and Loss A/c IR £000	31st Dec. 1997 IR £000
<b>European Union Grants</b>				
<b>Revenue Grant</b>				
Renewal of railway lines and works	—	14,367	(14,367)	—
<b>Capital Grants</b>				
Railway lines and works	345	—	—	345
Railway rolling stock	31,695	3,691	(878)	34,508
Plant and machinery	9,525	7,482	(702)	16,305
Docks, harbours and wharves	9,739	1,922	(365)	11,296
	51,304	13,095	(1,945)	62,454
<b>Total EU Grants</b>	51,304	27,462	(16,312)	62,454
<b>Other Deferred Income</b>	1,186	—	(28)	1,158
<b>Total</b>	52,490	27,462	(16,340)	63,612



## Notes to the Financial Statements

### 19. SHARE CAPITAL

	1997 IR £000	1996 IR £000
<b>Authorised:</b>		
Ordinary shares of IR £1 each	75,000	75,000
<b>Allotted Called Up and Fully Paid:</b>		
Ordinary shares of IR £1 each	23,000	23,000

### 20. ASSET REPLACEMENT RESERVE

	1997 IR £000	1996 IR £000
Balance at 1st January	45,891	36,508
Transfer from profit and loss account	10,349	9,383
<b>Balance at 31st December</b>	<b>56,240</b>	<b>45,891</b>

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

### 21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 IR £000	1996 IR £000
Surplus/(deficit) for the year after State grants	12,182	(28,345)
Opening shareholders' funds	21,147	49,492
<b>Closing Shareholders' Funds</b>	<b>33,329</b>	<b>21,147</b>



## Notes to the Financial Statements

### 22. CASH FLOW STATEMENT

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

	1997	1996
	IR £000	IR £000
Deficit before State grant and servicing of finance	(67,980)	(107,190)
State grant other than that applied to DART interest	86,000	85,010
Surplus/(deficit) for year before servicing of finance	18,020	(22,180)
(Profit)/loss on disposal of tangible assets	(58)	228
Depreciation	13,058	12,973
Amortisation of EU capital grants	(1,945)	(1,658)
(Increase)/decrease in stocks	(1,769)	3,992
Increase in EU revenue grants	12,963	2,319
Decrease/(increase) in debtors	2,386	(32)
(Decrease)increase in creditors and provisions	(1,789)	30,936
<b>Net Cash Inflow from Operating Activities before Servicing of Finance</b>	<b>40,866</b>	<b>26,578</b>

#### (B) Analysis of Net Debt

	At 1st Jan. 1997	Cash Flow	Non-cash Changes	At 31st Dec. 1997
	IR £000	IR £000	IR £000	IR £000
Cash in hand	54	(3)	—	51
Bank overdraft	(4,619)	2,657	—	(1,962)
Total cash	(4,565)	2,654	—	(1,911)
Loans	(130,000)	—	—	(130,000)
Finance leases	(60,422)	2,075	—	(58,347)
Holding company balance	38,857	11,902	—	50,759
	(156,130)	16,631	—	(139,499)

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.



## Notes to the Financial Statements

### 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 CIE Group'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 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, 1997 was IR £766,760,000

An actuarial review of the amalgamated schemes was carried out as at 31st December, 1996. The market value of the assets of the groups schemes at that date was IR £580,104,000 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 94%. 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. Actuarial reports are available to scheme members but are not available for public inspection.

The pension cost for the year was IR £5,928,000 (1996 - IR £7,903,000)

Included in the charge for restructuring costs in Note 5 is IR £298,000 (1996 - IR £9,010,000) being the capital cost of *ex-gratia* pensions element of voluntary severance.

As at the 31st December, 1997 a provision for the capital cost of *ex gratia* pensions of IR £7,488,000 (1996 - IR £10,264,000) is included in restructuring provisions in creditors.





## Notes to the Financial Statements

### 24. CAPITAL COMMITMENTS

	1997 IR £000	1996 IR £000
Contracted for	20,349	26,781
Authorised by the directors but not contracted for	64,822	61,301
	<b>85,171</b>	<b>88,082</b>

### 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. 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.



## Notes to the Financial Statements

### 27. 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.

### 28. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 31st March, 1998.



PN 5177

