Iarnród Éireann

Annual Report and Financial Statements 1999

Tuarascáil Bhliantúil agus Ráitis Airgeadais don Bhliain 1999

Contents

Directors
at 2nd May, 2000

Chairman
Mr. M. P. McDonnell

Managing Director
Mr. J. Meagher

Directors
Mr. P. Cullen
Mr. G. Duggan
Mrs. T. Honan
Ms. A. M. Mannix

Secretary and Registered Office
Mr. R. O'Farrell
Connolly Station
Dublin 1

Telephone
+353 1 836 3333

Facsimile
+353 1 836 4760

Website
www.irishrail.ie

Registered number
119571

Auditors
PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Wilton Place
Dublin 2

02.25 08.50

The directors present their annual report together with the audited financial statements for the year ended 31st December, 1999.

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 1999 the company's services carried a record 32.8 million passengers - a 1.9% increase on the previous year. Total customer revenue amounted to IR£142.3 million of which the mainline rail and suburban rail businesses accounted for IR£106.6 million. Year on year revenue growth was 4.2% compared to 5.9% for the previous year. The slower growth rate is indicative of reaching capacity constraints for rolling stock, track and signalling at critical high demand periods of operation.

Total operating costs of IR£233 million were IR£30.5 million higher than the previous year. This increase was largely due to a IR£21.7 million increase in expenditure on infrastructure maintenance and renewal arising from implementing the first phase of the Railway Safety Investment Programme (1999-2003), which is based on the IRMS and A.D. Little reports. The average number of persons employed increased by 5%, mainly to resource the Infrastructure Safety Investment Programme.

The State grant for the maintenance of the rail infrastructure system and the provision of socially necessary but non-commercial services increased in line with the consumer price index from IR£92.5 million to IR£93.95 million (1.6%). This annual State grant was supplemented by a further payment of IR£76 million, of which IR£29.1 million was allocated to revenue and the balance to capital. Overall, there was a surplus in 1999 amounting to IR£10.4 million. The accumulated deficit at 31st December, 1999 amounted to IR£31.1 million.

Results and reserves

The financial statements for the year ended 31st December, 1999 are set out in detail on pages 8 to 27 and a summary of the results is as follows:

	1999 IR£000
Surplus for the year after State grants	22,474
Transfer to reserve	(12,110)
Decrease in accumulated deficit during the year	10,364

Year 2000 and the introduction of the euro

The company experienced no disruption or malfunction since the start of the year 2000 from its computer and embedded systems. The lack of disruption is attributed to an analysis of the risks carried out in prior years and consequential modifications to, or replacement of, hardware and software not held to be year 2000 compliant. The total cost is part of the overall costs of computer upgrading over a number of years to enhance the company systems.

The directors recognise the importance of euro compliance. A programme manager has been appointed and the issue has been established as a major component of normal management processes. The incremental costs of complying with the euro are not significant in terms of the size of the company. The directors believe that robust plans, resources and processes are in place to achieve euro compliance for all business areas and business critical systems and that work is well advanced towards achieving this objective.

Change process negotiations

The directors recognise that the Change Process negotiations have not adhered to the original schedule. However, the board of Iarnród Éireann is both committed to and anxious to finalise the process in as short a time frame as is possible.

Employee participation

The advisory services of the Labour Relations Commission have progressed an examination of the existing below board structures by contact with individuals and groups of staff and they are preparing recommendations. To support change towards a more inclusive partnership process in conjunction with the I.C.T.U., development seminars focussing on partnership, team building and communications are being conducted with management and employee members of the Joint Participation Council. Two employees served as worker directors on the board during the year as provided for under the Worker Participation (State Enterprises) Act, 1988.

Health and safety

The schedule of work for 1999 set out in the Railway Safety Investment Programme (1999-2003) and arising from the A.D. Little and IRMS reports was achieved. This was the first year of a IR£430 million 5 year programme which provides for the renewal and up-grading of the infrastructure on a prioritised basis over that period. The level of track renewal in 1999 was almost double that achieved previously - approximately 90 miles of old jointed track was replaced by modern continuous welded rail. Considerable progress was also made in 1999 in developing more formal standards, systems and processes to bring our Safety Management System into line with best practice worldwide. Staff at all levels have been involved in developing these and other general safety initiatives. In 1999, 26,000 person-days of training were completed, an increase of 71% over the previous year.

Equal opportunities

The Equality Programme has been in operation since June 1999 when the full time Equality Officer was appointed. The service, which is easily accessible to all staff, encourages equal access to employment and seeks to ensure that all employees are offered the opportunity to develop and progress within the company on the basis of ability and merit. The objective of the programme is to offer support and information in cases of discrimination under any of the areas covered by the employment equality legislation. These are age, race, gender, religion, disability, family status, marital status, sexual orientation and membership of the traveller community.

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, 1999 are as set out below. Except where indicated they served as directors for the whole year.

Mr. M. P. McDonnell	Chairman
Mr. J. Meagher	Managing Director (Appointed 1st March, 1999)
Mr. P. Cullen	
Mr. G. Duggan	(Appointed 1st March, 1999)
Mrs. T. Honan	
Mr. P. J. Lynch	(Retired 28th February, 1999)
Ms. A. M. Mannix	
Mr. B. Murtagh	(Retired 28th February, 1999)

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.

Auditors

The auditors, PricewaterhouseCoopers, 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**
J. Meagher **Managing Director**

2nd May, 2000.

10.00

12.25 14.50

Irish company law requires the directors to prepare financial statements for each financial year that 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 1999. 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.

16.00

To the members of Iarnród Éireann - Irish Rail

We have audited the financial statements on pages 8 to 27.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 1999. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and,
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called up share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit 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, 1999 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 1999.

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 directors' report on pages 2 to 3 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, 1999, 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.

PricewaterhouseCoopers,
Chartered Accountants and
Registered Auditors,
Dublin.

2nd May, 2000.


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(A) Basis of accounting

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 1999. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historic 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

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 their expected useful lives. In addition, the excess of depreciation based on replacement cost (at the beginning of the year) of railway rolling stock required to replace the existing fleet over the historical cost depreciation, is shown as a transfer to reserve from the profit and loss account.

(iii) Road freight vehicles

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

(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 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 that 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. A State grant was also received in 1999 in respect of expenditure under the Railway Safety Programme. This grant applied to both capital expenditure and revenue expenditure. The revenue grant was credited to the relevant expenditure account during 1999. The capital grant was credited to deferred income and will be amortised to the profit and loss account on the same basis as the related assets are depreciated.

(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.

Year ended 31st December	Notes	1999 IR£000	1998 IR£000
Revenue		**142,283**	136,612
Costs			
Payroll and related costs	*2*	**(111,606)**	(101,631)
Materials and services	*3*	**(82,436)**	(75,948)
Depreciation and railway lines renewals	*4*	**(38,898)**	(24,935)
Total operating costs		**(232,940)**	(202,514)
Deficit before profit on disposal of tangible assets, interest and State grants		**(90,657)**	(65,902)
Profit on disposal of tangible assets	*5*	**27**	57
Deficit before interest and State grants		**(90,630)**	(65,845)
Interest payable - operational	*6*	**(6,473)**	(7,171)
- railway infrastructure	*6*	**(3,514)**	(4,120)
Total interest		**(9,987)**	(11,291
Deficit for the year before State grants		**(100,617)**	(77,136)
State grants	*7*	**123,091**	92,505
Surplus for the year after State grants		**22,474**	15,369
Transfer to reserve	*19*	**(12,110)**	(10,947)
Change in the profit and loss account for the year	*1 (G)*	**10,364**	4,422
Accumulated deficit at beginning of the year		**(41,489)**	(45,911)
Accumulated deficit at end of the year		**(31,125)**	(41,489)

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
J. Meagher Managing Director

As at 31st December	Notes	1999 IR£000	1998 IR£000
Fixed assets			
Tangible fixed assets	*8*	**358,163**	311,992
Financial assets	*9*	**16**	16
		358,179	312,008
Current assets			
Stocks	*10*	**23,079**	18,255
Debtors	*11*	**138,297**	76,475
Cash at bank and in hand		**78**	51
		161,454	94,781
Creditors (amounts falling due within one year)	*12*	**(149,225)**	(155,855)
Net current assets/(liabilities)		**12,229**	(61,074)
Total assets less current liabilities		**370,408**	250,934
Financed by:			
Creditors (amounts falling due after more than one year)	*13*	**84,660**	98,965
Provisions for liabilities and charges	*16*	**54,369**	30,979
Deferred income	*17*	**160,207**	72,292
		299,236	202,236
Capital and reserves			
Called up share capital	*18*	**23,000**	23,000
Asset replacement reserve	*19*	**79,297**	67,187
Profit and loss account		**(31,125)**	(41,489)
Shareholders' funds	*20*	**71,172**	48,698
		370,408	250,934

On behalf of the Board

M. P. McDonnell Chairman
J. Meagher Managing Director

Year ended 31st December	Notes	1999 IR£000	1998 IR£000
Net cash inflow from operating activities	*21(A)*	**11,011**	29,246
Servicing of finance			
Interest paid	*6*	**(6,593)**	(6,970)
Interest element of finance lease rentals	*6*	**(3,394)**	(4,321)
State grant - DART interest	*7*	**4,500**	5,700
Net cash outflow from servicing of finance		**(5,487)**	(5,591)
Investing Activities			
Purchase of tangible assets		**(55,105)**	(30,766)
Sale of tangible assets		**45**	78
State capital grant		**46,859**	-
EU capital grants		**8,311**	18,688
Net cash inflow/(outflow) from investing activities		**110**	(12,000)
Net cash inflow before management of liquid resources and financing		**5,634**	11,655
Management of liquid resources	*21(B)*	**(2,881)**	(10,186)
Financing			
Capital element of finance lease rentals		**(2,748)**	(2,247)
Net cash outflow from financing		**(2,748)**	(2,247)
Increase/(decrease) in cash in the year	*21(B)*	**5**	(778)

Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the year	**5**	(778)
Cash outflow from holding company balance and lease financing	**5,629**	12,433
Movement in net debt in the year	**5,634**	11,655
Net debt at 1st January	**(127,844)**	(139,499)
Net debt at 31st December	**(122,210)**	(127,844)

1 **DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT**

(A) **Mainline rail division** (excluding Bray/Howth rail suburban services)

	1999 IR£000	1998 IR£000
Revenue		
Passenger train traffic	**70,591**	67,218
Goods train traffic	**16,919**	16,763
Miscellaneous	**2,560**	2,513
Total revenue	**90,070**	86,494
Expenditure		
Maintenance of rolling stock	**(31,041)**	(30,006)
Fuel	**(5,679)**	(6,259)
Operating and other expenses	**(66,905)**	(62,202)
Operating depreciation	**(17,657)**	(16,249)
Amortisation of capital grants	**1,535**	1,392
Total expenditure	**(119,747)**	(113,324)
Operating deficit before operating interest payable and State grants	**(29,677)**	(26,830)
Interest payable	**(3,470)**	(3,396)
Deficit for the year before State grants	**(33,147)**	(30,226)
State grants	**38,809**	30,201
Surplus/(deficit) for the year	**5,662**	(25)

(B) **Bray/Howth suburban rail division**

	1999 IR£000	1998 IR£000
Revenue		
Passenger traffic	**16,255**	15,871
Miscellaneous	**238**	191
Total revenue	**16,493**	16,062
Expenditure		
Maintenance of rolling stock	**(3,104)**	(2,646)
Fuel (including electricity for traction)	**(1,431)**	(1,451)
Operating and other expenses	**(8,389)**	(7,711)
Operating depreciation	**(3,859)**	(3,478)
Total expenditure	**(16,783)**	(15,286)
Operating (deficit)/surplus before operating interest payable and State grants	**(290)**	776
Interest payable	**(2,942)**	(3,712)
Deficit for the year before State grants	**(3,232)**	(2,936)
State grants	**3,232**	2,936
	-	-

	1999 IR£000	1998 IR£000
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:		
Maintenance of railway lines and works	(36,650)	(28,840)
Renewal of railway lines and works *(note 4)*	(45,922)	(25,523)
Operating (signalling) and other expenses	(11,105)	(10,064)
Depreciation *(note 8 (e))*	(3,546)	(3,238)
Amortisation of capital grants	390	390
Total expenditure	(96,833)	(67,275)
Operating deficit before operating interest payable and grants	(96,833)	(67,275)
Interest payable *(note 6)*	(3,514)	(4,120)
Deficit for year before grants	(100,347)	(71,395)
EU revenue grants	19,297	12,027
Deficit for the year before State grants	(81,050)	(59,368)
State grants	81,050	59,368
	-	-
Apportionment of costs:		
Mainline rail division	75,496	53,403
Bray / Howth suburban rail services division	5,554	5,965
Total costs infrastructure	81,050	59,368
(D) **Road freight division**		
Revenue		
Goods services	18,692	17,529
Miscellaneous	49	48
Total revenue	18,741	17,577
Operating costs		
Maintenance of vehicles and equipment	(1,208)	(1,321)
Fuel	(498)	(699)
Road tax and licences	(81)	(117)
Operating and other expenses	(15,264)	(13,836)
Operating depreciation	(322)	(404)
Total expenditure	(17,373)	(16,377)
Net surplus for the year	1,368	1,200

	1999 IR£000	1998 IR£000
1 **DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT** (continued)		
(E) **Rosslare Harbour division**		
Revenue		
Harbour services	7,316	7,213
Operating costs		
Maintenance, operating and other expenses	(3,646)	(3,657)
Operating depreciation	(1,317)	(1,110)
Amortisation of capital grants	548	438
Total expenditure	(4,415)	(4,329)
Operating surplus before interest payable	2,901	2,884
Interest payable	(61)	(63)
Net surplus for the year	2,840	2,821
(F) **Catering services division**		
Revenue		
Ground and train catering	9,663	9,266
Operating Costs		
Maintenance of buildings, cars and equipment	(59)	(97)
Provisions	(3,808)	(3,628)
Other direct expenses	(3,594)	(3,372)
Other expenditure	(1,735)	(1,800)
Total expenditure	(9,196)	(8,897)
Net surplus for the year	467	369
(G) **Company result**		
Mainline rail	5,662	(25)
Bray/Howth suburban rail	-	-
Infrastructure	-	-
Road freight	1,368	1,200
Rosslare Harbour	2,840	2,821
Catering services	467	369
	10,337	4,365
Profit on disposal of tangible assets	27	57
Change in the profit and loss account for the year	10,364	4,422

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

		1999 IR£000	1998 IR£000
2	**PAYROLL AND RELATED COSTS**		
	Staff costs		
	Wages and salaries	**113,672**	100,711
	Social welfare costs	**10,182**	8,859
	Other pension costs	**6,807**	5,964
		130,661	115,534
	Own work capitalised, renewals and engineering work for group companies	**(19,210)**	(13,953)
	Net staff costs	**111,451**	101,581
	Directors' remuneration		
	Emoluments		
	- for services as directors	-	-
	- for other services	**155**	50
	Total directors' remuneration and emoluments	**155**	50
	Total payroll and related costs	**111,606**	101,631

	Staff Numbers 1999	Staff Numbers 1998
The average number of employees by activity, was:		
Railway Operations	**2,788**	2,737
Infrastructure	**1,879**	1,648
Road Freight	**192**	215
Rosslare Harbour	**79**	77
Catering	**296**	308
Total	**5,234**	4,985

		1999 IR£000	1998 IR£000
3	**MATERIALS AND SERVICES**		
	Operating and other costs	**36,558**	30,869
	Maintenance - railway rolling stock	**15,489**	15,292
	Maintenance - railway lines and works	**15,033**	10,824
	Fuel and electric traction	**7,039**	7,797
	Third party and employer's liability claims	**5,125**	8,565
	Rates	**1,624**	1,469
	Operating lease rentals	**1,429**	963
	Road tax and licences	**81**	114
	Auditors remuneration	**58**	55
	Total materials and services	**82,436**	75,948

		1999 IR£000	1998 IR£000
4	**DEPRECIATION AND RAILWAY LINES RENEWALS**		
	Depreciation	14,745	13,659
	Amortisation of EU capital grants	(2,472)	(2,220)
	Renewal of railway lines and works	45,922	25,523
		58,195	36,962
	Less EU revenue grants *(note 17)*	(19,297)	(12,027)
	Total depreciation and railway lines renewals	38,898	24,935
5	**PROFIT ON DISPOSAL OF TANGIBLE ASSETS**		
	Net profit on disposal of surplus assets	27	57
6	**INTEREST PAYABLE**		
	On loan from holding company and other	6,593	6,970
	On finance leases	3,394	4,321
		9,987	11,291
	Interest apportioned:		
	Operational costs	6,473	7,171
	Railway infrastructure costs *(note 1 (c))*	3,514	4,120
		9,987	11,291

7 **STATE GRANTS**

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

Particulars of the State grants of IR£123 million received in 1999 are given in the following table, showing the relevant provision of EU regulations.

	EU Regulation Number 1191/69 IR£000	1107/70 (Article 4) IR£000	Total IR£000
Revenue related			
Mainline rail			
Operation of passenger services	57,844	-	57,844
Residual deficit - State grants	-	14,909	14,909
	57,844	14,909	72,753
Bray/Howth services			
Operation of passenger services	3,644	-	3,644
Sub total	61,488	14,909	76,397

7 STATE GRANTS (continued)

	EU Regulation Number		
	1192/69	1107/70 (Article 3.1 [b])	Total
	IR£000	IR£000	IR£000
Expenditure related			
Mainline rail			
Normalisation of accounts			
- Class III (pensions)	3,625	-	3,625
- Class IV (level crossings)	2,934	-	2,934
- Infrastructure grant (freight)	-	6,146	6,146
	6,559	6,146	12,705
Bray/Howth services			
Normalisation of accounts			
- Class III (pensions)	320	-	320
- Class IV (level crossings)	28	-	28
	348	-	348
Sub total	6,907	6,146	13,053
Total			89,450
Add State grant for DART interest - EU regulation 1191/69			4,500
Add State grant for Railway Safety Investment Programme (1999-2003)			29,141
Total State grants received			123,091

An additional State grant of IR£76 million was received in 1999 to augment internal funding for the Railway Safety Investment Programme (1999-2003). IR£29 million was credited to the profit and loss account in 1999 and the balance of IR£47 million was credited to deferred income *(note 17)* and will be amortised to the profit and loss on the same basis as the related assets are depreciated.

8 TANGIBLE FIXED ASSETS

	1st Jan 1999 IR£000	Additions IR£000	Scrappings & Disposals IR£000	31st Dec 1999 IR£000
Cost				
Railway lines and works	11,699	4,259	-	15,958
Railway rolling stock	266,945	28,532	(8)	295,469
Road freight vehicles	5,147	1,193	(569)	5,771
Plant and machinery	129,884	26,265	-	156,149
Catering equipment	824	60	-	884
Docks, harbours and wharves	32,668	626	-	33,294
Total	447,167	60,935	(577)	507,525

8 **TANGIBLE FIXED ASSETS** (continued)

	1st Jan 1999 IR£000	Charge for Year IR£000	Scrappings & Disposals IR£000	31st Dec 1999 IR£000
Depreciation				
Railway rolling stock	69,005	7,177	(4)	76,178
Road freight vehicles	4,201	308	(554)	3,955
Plant and machinery	56,613	6,537	-	63,150
Catering equipment	492	67	-	559
Docks, harbours and wharves	4,864	656	-	5,520
Total	135,175	14,745	(558)	149,362

	31st Dec 1999 IR£000	31st Dec 1998 IR£000
Net book amounts		
Railway lines and works	15,958	11,699
Railway rolling stock	219,291	197,940
Road freight vehicles	1,816	946
Plant and machinery	92,999	73,271
Catering equipment	325	332
Docks, harbours and wharves	27,774	27,804
Total	358,163	311,992

(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:

	1999 IR£000	1998 IR£000
Railway rolling stock	30,848	20,674

	1999 IR£000	1998 IR£000

8 **TANGIBLE FIXED ASSETS** (continued)

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

	1999 IR£000	1998 IR£000
Cost	**134,394**	112,773
Accumulated depreciation	**(48,618)**	(45,072)
Net book value	**85,776**	67,701
Depreciation for year *(note 1 (c))*	**(3,546)**	(3,238)

(f) Included in tangible 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:

	1999 IR£000	1998 IR£000
Cost	**67,010**	66,746
Accumulated depreciation	**(10,079)**	(7,968)
Net book value	**56,931**	58,778
Depreciation for year	**(2,111)**	(2,103)

9 **FINANCIAL ASSETS**

Trade investments - Listed shares	1999 IR£000	1998 IR£000
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	**39**	38

10 **STOCKS**

	1999 IR£000	1998 IR£000
Maintenance materials and spare parts	**21,517**	15,901
Fuel, lubricants and other sundry stocks	**1,562**	2,354
	23,079	18,255

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.

		1999 IR£000	1998 IR£000
11	**DEBTORS**		
	Trade debtors	**9,659**	8,587
	Amounts owed by holding and fellow subsidiary companies	**63,826**	60,945
	EU and State grants receivable	**54,746**	4,430
	Other debtors and accrued income	**10,066**	2,513
		138,297	76,475

		1999 IR£000	1998 IR£000
12	**CREDITORS** (amounts falling due within one year)		
	Bank overdraft	**2,762**	2,740
	Trade creditors	**29,852**	15,672
	Loan from holding company *(note 14)*	**95,680**	84,723
	Finance lease obligations *(note 15)*	**3,012**	2,412
	Income tax deducted under PAYE	**727**	1,850
	Pay related social insurance	**209**	1,302
	Value added tax and other taxes	**768**	2,565
	Other creditors	**816**	1,806
	Accruals	**5,024**	6,612
	Restructuring provision *(note 16)*	**5,575**	30,273
	Third party and employer's liability claims *(note 16)*	**4,800**	5,900
		149,225	155,855
	Creditors for taxation and social welfare included above	**1,704**	5,717

		1999 IR£000	1998 IR£000
13	**CREDITORS** (amounts falling due after more than one year)		
	Loan from holding company *(note 14)*	**34,320**	45,277
	Finance lease obligations *(note 15)*	**50,340**	53,688
		84,660	98,965

	1999 IR£000	1998 IR£000

14 LOAN FROM HOLDING COMPANY

This loan is repayable as follows:

	1999 IR£000	1998 IR£000
Within one year *(note 12)*	**95,680**	84,723
Between one and two years	**9,100**	8,480
Between two and five years	**11,830**	21,965
After five years	**13,390**	14,832
	34,320	45,277
	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£65,500,000 (1998 - IR£52,000,000) relating to Irish Commercial Paper which are backed by committed medium term facilities which effectively extend the maturity of these instruments.

15 LEASE OBLIGATIONS

(A) **Finance Leases**

Net obligations under finance leases fall due as follows:

	1999 IR£000	1998 IR£000
Within one year *(note 12)*	**3,012**	2,412
Between one and five years *(note 13)*	**13,041**	11,440
After five years *(note 13)*	**37,299**	42,248
	50,340	53,688
	53,352	56,100

(B) **Operating Leases**

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

	1999 IR£000	1998 IR£000
Within one year	**889**	494
Between one and five years	**1,628**	547
	2,517	1,041

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision IR£000	Third Party & Employer's Liability Claims IR£000	Total IR£000
Balance at 1st January, 1999	**30,273**	**36,879**	**67,152**
Utilised during the year	(4,471)	(3,062)	(7,533)
Transfer from profit and loss account	-	5,125	5,125
Balance carried forward	**25,802**	**38,942**	**64,744**
Less amount classified as current liability *(note 12)*	(5,575)	(4,800)	(10,375)
Balance at 31st December, 1999	**20,227**	**34,142**	**54,369**

(A) **Restructuring provision**
The directors consider that Iarnród Éireann has a constructive obligation in respect of the costs of staff restructuring. The restructuring costs derive from the company's viability plan, which is in the course of implementation in respect of some categories of staff and is at an advanced stage of negotiation with staff representatives for other categories. The amount of the provision is based on agreements reached and on discussions to date with staff and their representative unions.

(B) **Third party and employer's liability claims**
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£113,000,000 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£111,000,000 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£110,050,000 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 a twelve month period, April 1999 to March 2000; 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 the provision for liabilities and charges.

17 DEFERRED INCOME

This account, comprising non-repayable EU grants, State 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 1999 IR£000	Received & Receivable IR£000	Profit & Loss A/c IR£000	31st Dec 1999 IR£000
European Union grants				
Revenue grant				
Renewal of railway lines and works	-	19,297	(19,297)	-
Capital grants				
Railway lines and works	650	1,819	-	2,469
Railway rolling stock	33,953	31,368	(1,148)	64,173
Plant and machinery	23,741	10,346	(1,076)	33,011
Docks, harbours and wharves	12,790	(5)	(248)	12,537
	71,134	43,528	(2,472)	112,190
Total EU grants	71,134	62,825	(21,769)	112,190
State grants - Railway Safety Investment Programme (1999-2003)		46,859		46,859
Other deferred income	1,158	-	-	1,158
Total	72,292	109,684	(21,769)	160,207

An additional State grant of IR£76 million was received in 1999 to augment internal funding for the Railway Safety Investment Programme (1999-2003). IR£29 million was credited to the profit and loss account in 1999 *(note 7)* and the balance of IR£47 million was credited to deferred income and will be amortised to the profit and loss on the same basis as the related assets are depreciated.

	1999 IR£000	1998 IR£000
18 SHARE CAPITAL		
Authorised:		
Ordinary shares of IR£1 each	75,000	75,000
Allotted, called up and fully paid:		
Ordinary shares of IR£1 each	23,000	23,000
19 ASSET REPLACEMENT RESERVE		
Balance at 1st January	67,187	56,240
Transfer from profit and loss account	12,110	10,947
Balance at 31st December	79,297	67,187

The reserve represents the excess of depreciation based on replacement cost over that based on historical cost *(accounting policy B)*.

	1999 IR£000	1998 IR£000

20 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1999 IR£000	1998 IR£000
Surplus for the year after State grants	22,474	15,369
Opening equity shareholders' funds	48,698	33,329
Closing equity shareholders' funds	71,172	48,698

21 CASH FLOW STATEMENT

(A) Reconciliation of deficit to net cash inflow from operating activities

	1999 IR£000	1998 IR£000
Deficit before State grants and servicing of finance	(90,630)	(65,845)
State grants other than that applied to DART interest	118,591	86,805
Surplus for year before servicing of finance	27,961	20,960
Profit on disposal of tangible assets	(27)	(57)
Depreciation	14,745	13,659
Amortisation of EU capital grants	(2,472)	(2,220)
Increase in stocks	(4,824)	(4,144)
Increase in EU revenue grants	(15,098)	(3,256)
(Increase)/decrease in debtors	(8,625)	462
(Decrease)/increase in creditors and provisions	(649)	3,842
Net cash inflow from operating activities	11,011	29,246

(B) Analysis of net debt

	At 1st Jan 1999 IR£000	Cash Flow IR£000	At 31st Dec 1999 IR£000
Cash in hand	51	27	78
Bank overdraft	(2,740)	(22)	(2,762)
		5	
Loans	(130,000)	-	(130,000)
Finance leases	(56,100)	2,748	(53,352)
Holding company balance	60,945	2,881	63,826
		5,629	
	(127,844)	5,634	(122,210)

Liquid resources comprise amounts owed by holding company, which represents cash generated and not immediately required for operations and made available to the holding company, repayable on demand.

22 **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, 1999 was IR£1,070,900,000.

An actuarial review of the amalgamated schemes was carried out as at 31st December, 1996, but is not available for public inspection. The market value of the assets of the group's 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£6,807,000 (1998 - IR£5,964,000).

As at the 31st December, 1999 a provision for the capital cost of *ex gratia* pensions of IR£6,950,000 (1998 - IR£7,800,000) is included in restructuring provisions.

	1999	1998
	IR£000	IR£000
23 **CAPITAL COMMITMENTS**		
Contracted for	**79,919**	39,648
Authorised by the directors but not contracted for	**9,719**	8,304
	89,638	47,952

24 CONTINGENT LIABILITIES

The company has received claims from contractors in relation to a project to install a new signalling system on certain railway lines. Provision has been made for the amount which, in the opinion of the directors, is payable in respect of work done at the balance sheet date. The claims are under discussion with the contractors and the resolution of them may result in amounts payable exceeding the amount provided in these accounts.

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.

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.

25 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, An Post, and Bord Gais. 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 the company, its subsidiaries and the Irish Government.

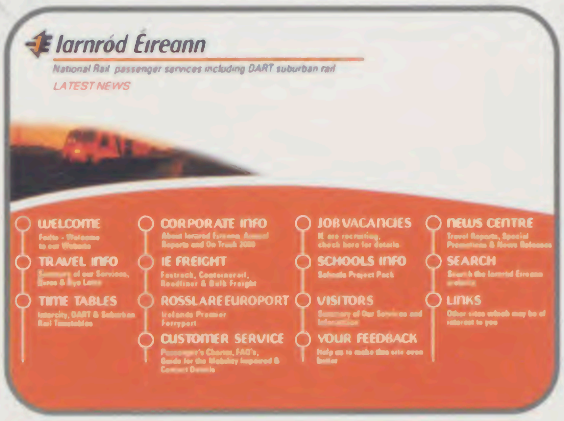
26 MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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.

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.

27 APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 2nd May, 2000.



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