CIE

Córas Iompair Éireann

Group Annual Report and Financial Statements 2001

Tuarascáil Bhliantúil agus Ráitis Airgeadais don Bhliain 2001

Contents

CIÉ would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2000 - 2006 as well as co-funding by the European Union.

MOBILITY FOR A GROWING IRELAND

318.4 MILLION PUBLIC TRANSPORT JOURNEYS A YEAR
- 40,000 EXTRA COMMUTERS DAILY DURING 2001

Chairman's Statement

CIÉ completed an extraordinary 318.4 million passenger journeys last year. It is by far the largest single transport operator in Ireland. No other single provider can aspire to even a tiny fraction of the passenger traffic that our companies move every day of the year.

However, there is a price and a challenge for being the biggest in the business. The challenge - the overriding challenge - is one of providing a comfortable and efficient service for our millions of customers. We are responding with energy to that demand from the travelling public. There are unprecedented increases in the volume of investment in rolling stock, infrastructure and facilities. Figures elsewhere in this Annual Report will show that average daily passenger numbers have increased by 40,000.

However, the increased business comes at a cost. The CIÉ accounts reflect the reality that this cost is growing. It comes in different guises. There is the social cost of maintaining a public transport service on the roads. There are also substantial infrastructure and service costs in relation to rail services. Not only are these obligations uncommercial in Ireland, they would be uneconomic anywhere in the world.

In areas like urban public transport, where traditionally a service like ours could make money, the sustained and formidable efforts of our staffs are being thwarted because we have to pit our systems against the growing traffic chaos that plagues every Irish city. The war with traffic congestion is one that public transport services must win, not just for the sake of commuters, but also to make the living environments of our cities safe and bearable again.

While we are obliged to meet these challenges, public policy determines that we keep passenger fares low. There have been only three relatively modest increases in controlled fares in the last eleven years. That is something else that makes CIÉ unique. These are the considerations that must dominate any analysis of the 2001 CIÉ accounts.

The Government has had to step up its financial support for CIÉ in the last year. Its subvention which was €204.1 million in 2000, was increased to €245.1 million in the past 12 months. However, it is worth remembering that this represents a subvention of only 78 cent per public transport journey.

Our owner, the State, has determined that sustained public transport usage is essential to maintain Ireland's economic growth. CIÉ's rail and road transport will play a full part in that national objective.

The following are some of the highlights in a year of considerable achievement:

Increased carryings

We can record continued improvement and in 2001, Bus Átha Cliath passenger numbers rose to 196.8 million - a 3.6% increase from 190 million in the previous year. This reflects the increased capacity resulting from investment in new buses, under the National Development Plan, as well as attracting new customers through the Quality Bus Corridor strategy.

Iarnród Éireann carried a record number of 34.2 million passengers, a 7.9% increase on the previous year; this resulted from the 33% increase in DART capacity during the year, and a significant increase in suburban capacity as well as a continued increase in InterCity passengers.

DART and commuter rail services accounted for 22 million of these passenger journeys. These increases resulted from the additional train services and capacity following on from the investment programme.

Bus Éireann recorded 87.4 million passenger journeys as compared to 84.3 million the previous year - and for the first time began to achieve significant increases in the provincial cities. Gridlock also continues to affect provincial cities and significantly increases the cost of providing these services.

The investment programme

For thirty years up to 1997 there was very little investment in public transport. Now we have a changed environment and there are in the order of €2.8 billion worth of major bus and rail programmes under the National Development Plan 2000 - 2006, which will contribute to reversing the trend towards unsustainable levels of traffic congestion.

This investment is designed to do for the economy what earlier investments in communications and education did in creating the economic boom. Without a first world infrastructure, including public transport, Ireland's prosperity cannot continue.

Chairman's Statement

Need for restraints on car usage

All the major public transport improvements in Ireland are still not sufficient on their own without the balance of restraints on car usage. In Britain the report in May 2002 by the parliamentary *Select Committee on Transport, Local Government and the Regions* was very critical of the UK Government's 10 year transport plan concluding that the plan "fails to promote significant restraint on car use to accompany public transport improvements" and the report recommended that "the Government should adopt traffic reduction targets, developed at a local level, that reflect the need to reduce car dependence, with strong guidance on how to achieve them".

Thus, it is against this background that we must view the current investment in the order of €2.8 billion in public transport infrastructure and bear in mind that the medium term solution to the gridlock problem continues to remain bus based.

We have had some very encouraging results; the greatest success came, as predicted, on the Quality Bus Corridors with the Stillorgan corridor showing a 243% increase in the numbers of customers using the route.

However, a very significant part of the Bus Átha Cliath network is not on QBCs, which highlights the impact that gridlock has upon the company's operation. A study commissioned in 2001 by Bus Átha Cliath, and carried out by BDO Simpson Xavier concluded that congestion could be costing Bus Átha Cliath approximately €34 million per annum. These extra costs arise from providing extra buses at uneconomic costs to maintain peak services and extra staff costs including overtime.

The Bus Átha Cliath fleet is scheduled to operate at 14.6 kilometres per hour (kph) during peak times and 17.6 kph during off-peak times. This is rarely achieved and the actual speed of operation is often as low as 8 kph due to traffic congestion. This compares to an international city average scheduled bus speed of 19.6 kph for peak times (a difference of 34%) and 23.5 kph for off-peak times (a difference of 33%).

If such speeds could be achieved with traffic moving more freely through the city, it is estimated that the current service could be operated with a reduced fleet size and a significant reduction in subvention.

Financial outturn

As a result of significantly increased bus and rail services as well as increased wage costs and minimal fares increases the overall result for the group's operations in 2001 was a deficit of €7.8 million compared to a surplus of €21.9 million in 2000.

The State grants payable for the provision of public transport services increased to €245.1 million, an increase of €41 million, again a reflection of the increased level of loss making services.

Payroll costs during 2001 increased by €75 million due mainly to (i) increases in the level of bus and rail service, (ii) wage settlements negotiated with various groups of employees and (iii) payments under the Programme for Prosperity and Fairness.

In addition, the group received Exchequer funding of €187.3 million for capital expenditure that is included in the financial statements as credits to the tangible fixed assets or deferred income.

International cost comparison

Other EU States believe that economic success comes from good sustainable public transport systems and they are prepared to fund these systems to a considerable degree.

By comparison our practice in Ireland until the mid 1990's was to under-fund public transport. Now, however, the very substantial funding under the National Development Plan 2000 - 2006 has tipped the balance in favour of public transport and the significant increases in public transport usage and the success of Bus Átha Cliath on the QBCs are testimony to that success.

It should also be pointed out that the true cost of public transport will have to be met regardless of whether it is State owned or private companies are providing train and bus services. We have always spent less than most other European countries on our public transport.

Chairman's Statement

Industrial relations and social issues

We are committed to the partnership paradigm in our industrial relations and to working with our trade unions to ensure that a quality public transport system is delivered to our customers at all times.

To meet that objective during the year, Iarnród Éireann's Change Process negotiations reached a multiplicity of radically new agreements covering the majority of staff. This will lead to increased performance and the elimination of conflict surrounding pay based on restructured earnings.

In addition, at the invitation of Iarnród Éireann, the Advisory Service of the Labour Relations Commission issued a report and recommendations to management and trade unions, pointing to new participative structures and relationships. This process was initiated jointly by management and trade unions during 2001.

Likewise, in Bus Éireann a joint management/trade union working party under an independent chairman, nominated by the Labour Relations Commission, agreed a "Scheme for Enterprise Partnership". The scheme provides for the establishment of a steering group, top group and enterprise partnership councils. It was agreed to set up an implementation group to oversee the introduction of the Enterprise Partnership Council in 2002.

Bus Átha Cliath, during the year, also commenced initial discussions between management and the trade unions to explore the best way forward in relation to the concept of continued partnership and this process is also being progressed into 2002.

The External Review Group, or 'Three Wise Men' report on Iarnród Éireann was presented to the Minister for Public Enterprise in July 2001. Iarnród Éireann have welcomed the report and we are proceeding to see how best, in a spirit of partnership, we and our trade unions can now move forward to transform the company and continue to attract more and more commuters to use the rail mode. Many of the recommendations suggested in this report were already in progress or on the Iarnród Éireann agenda for the future. However, the fact that these issues have been identified and addressed by a top level independent group will support these processes, in areas such as industrial relations, customer services, management structures and communications.

I continue to listen attentively to the transport issues raised by the community. During the year I extended my consultation process with elected representatives at national and local level as well as with local authorities and the business community to continually refine our plans for rail and bus services throughout the country.

Acknowledgements

Messrs. Plev Ellis and John Fearon were appointed to the Board on 20th February, 2001.

The longest ever serving Worker Director, Mr. Michael Faherty, resigned from the Board on 1st March, 2001. I wish to thank him for the valued and substantial contribution he made to CIÉ during his long service on the Board. Following the Worker Director Elections in November 2001, the workforce re-elected Mr. Paul Cullen, Ms. Anne Marie Mannix and Mr. Bill McCamley to the Board. Mr. Gerry Charles was elected to the Board for the first time.

Ms. Susan Spence and Mr. John Fearon resigned from the Board on 4th June, 2002. I would like to thank them for their valued contribution to CIÉ during their service on the Board.

Ms. Margaret Walsh was appointed to the Board on 5th June, 2002.

The Board and all his colleagues in CIÉ were greatly saddened by the death in 2001 of former CIÉ Group Chief Executive, Mr. Michael McDonnell, who had retired from the company that year.

On behalf of the Board I would like to express our thanks to the Minister for Public Enterprise, Mrs. Mary O'Rourke, for her unstinting help and assistance during the year as well as to officials of the Department of Public Enterprise for their continuing support. To the Government and the Minister for Finance we are grateful for the major investment programmes currently being undertaken under the National Development Plan 2000 - 2006 which is the driving force behind the renewal of public transport usage in Ireland. In addition, we are also grateful for the EU funding which we have received.

Finally, I would like to thank the staff of the CIÉ group for their efforts on behalf of the group throughout the year.

INVESTMENT IN A GROWING IRELAND

16 NEW DART TRAINS BOOST CAPACITY BY 50%
20 NEW DIESEL RAILCARS FOR GREATER DUBLIN COMMUTERS
20 NEW BENDIBUSES FOR CAPITAL, 20% OF SCHOOL BUS FLEET IS REPLACED

Operations Review

Group results

The overall result for the group's operations for 2001 was a deficit of €7.8 million compared to a surplus of €21.9 million in 2000.

The following table summarises the results:

	2001	2000
	€M	€M
Revenue	548.4	502.8
State grants	245.1	204.1
Total	793.5	706.9
Payroll related costs	432.5	357.5
Other operating costs	363.5	316.3
Financial costs	11.1	11.2
Profit on disposal of tangible assets	(5.9)	-
Loss on foreign currency	0.1	-
Total	801.3	685.0
(Deficit)/surplus	(7.8)	21.9

Revenue

Customer revenue increased by €45.6 million, with Bus Éireann showing the highest increase at €19.7 million followed by Iarnród Éireann at €15.5 million and Bus Átha Cliath €10.1 million. The increase in revenue arises from the increased service levels being provided by the operating companies and the holding company activities.

State grants

The State grants payable for the provision of public transport services increased to €245.1 million, an increase of €41 million. These grants of €245.1 million include €22.9 million for the Railway Safety Investment Programme (2000 - €13.9 million).

The increase in revenue funding was provided to help meet the cost of providing the increased level of loss making services undertaken by the group.

In addition, the group received Exchequer funding of €187.3 million for capital expenditure that is included in the financial statements as credits to the tangible fixed assets or deferred income.

Other operating costs

The increase in these costs is attributable to the increases in levels of services being operated throughout the group and increased infrastructural maintenance and work in the Rail Safety Investment Programme.

Payroll costs increased by €75 million due mainly to

(i) Increases in the level of services being provided,

(ii) Wage settlements negotiated with various groups of employees, and

(iii) Payments under the Programme for Prosperity and Fairness.

Operations Review

Iarnród Éireann

Iarnród Éireann provides national rail Intercity and commuter passenger services, freight services, catering services and manages Rosslare Europort.

A record number of 34.2 million passengers was carried by rail during the year - a 7.9% increase on the previous year. DART and suburban rail services accounted for 23.4 million of these passenger journeys. The rise in passenger journeys is due to the major increase in train services following from the investment programme.

Total customer revenue increased by €15.5 million (8.5%) to €197.1 million of which the InterCity and suburban rail businesses accounted for €147.9 million.

While passenger carryings increased, revenue was not sufficient to meet increased costs. Total operating costs increased by €54 million (17.2%) to €367.3 million.

Wage costs accounted for €33.1 million of the increase due to a 6.8% increase in staff numbers to facilitate a transition to five-day working for operational staff and significant pay increases in return for major changes in working practices and the provision of expanded services.

These improved working arrangements are expected to under-pin a sharper focus on delivering an efficient service to our customers.

Highlights of the year included

- Introduction into service of 20 new railcars
- Addition of 16 new DART carriages
- Opening of Grand Canal Dock and Monasterevin Stations
- Ongoing Rail Safety Investment Programme, including track renewal nationwide, and bridge renewal including Sarsfield Rd. Bridge
- An improved commuter service to Maynooth doubling peak time capacity on the route
- Journey time improvements on Sligo and Westport routes.

Planning permission was obtained during 2001 for a new diesel rail car maintenance facility which is being constructed in Drogheda to service the enlarged fleet. A major refurbishment program for Heuston Station, which will increase the number of platforms and improve track and signalling, is underway.

The Heuston project will be ongoing throughout 2002 with completion scheduled for Autumn 2003.These investments, to meet the increasing demand for public transport, are made possible by being fully funded under the National Development Plan through a combination of Exchequer and EU grants.

A thorough review of costs has yielded savings of approximately €8 million but these alone will not be sufficient to return the company to profitability. In addition to the revenue from the expanded services a system of regular market related fares increases is required. In addition, consideration of Public Service payments has been under way for some time and progress is now required in order to address the financial problems faced by Iarnród Eireann if the current network of services is to be maintained.

In July 2001 there was a major fire at the Fairview DART Depot resulting in significant damage to rolling stock and maintenance facilities. A satisfactory agreement has recently been reached with the company's insurers resulting in an exceptional gain of €5.6 million on rolling stock being recognised in the 2001 accounts.

Safety

A very positive IRMS Safety Report was published during the year, which stated Iarnród Éireann has made substantial progress in improving the safety of the railway infrastructure since 1998 and the speed of improvement has increased since the last safety audit in late 1999. The report also found that within Iarnród Éireann "a sea change has taken place in safety management culture."

Freight

Total freight revenue at €58 million was 2.7% better than the previous year, despite the effects of the Foot and Mouth outbreak. During 2001 it was decided to withdraw from the rail haulage of gypsum and pulpwood due to poor profitability returns.

Despite substantial rates increase negotiated with Tara Mines for the rail haulage of zinc concentrate its benefit was offset by the closure of the mine in mid November, due to losses being incurred by its owners from the lower price of zinc.

The Ballina Freight Depot was upgraded during the year to cater for the extra business from Coca Cola. The life expired gantry crane was replaced, the track was realigned and storage capacity increased.

Operations Review

Iarnród Éireann was successful in tendering for a number of new contracts for keg distribution and the company is now the market leader in keg distribution in Ireland.

The first of the new 45' low floored bogie wagons arrived in Inchicore towards the end of the year. These will enable Iarnród Éireann to carry containers 45' long and up to 10' high. It is planned to introduce them into service during 2002.

Rosslare Europort

Revenue at Rosslare was €9.7 million in 2001 as compared to €10 million the previous year and the port returned a profit of €2.7 million (€3.8 million in 2000).

There was reduced business demand in all sectors at Rosslare Europort in 2001. The performance of the shipping companies at Rosslare which had been exceptional in 2000 was largely driven by the high levels of imported private cars, due to the economic boom.

The Foot and Mouth epidemic also had a severe impact on freight movements between Ireland and the UK.

In the latter part of 2001, freight business improved, due to the elimination of trade restrictions and the introduction of a major new freight vessel on the Irish Sea route.

Increased competition has maintained the downward pressure on margins. Overall, revenue recorded a drop of 3% whilst costs advanced by 13%, with labour costs accounting for most of the cost increase.

Network Catering

The recovery programme introduced in 2001 helped to reduce the deficit from €0.6 million in 2000 to €0.2 million in 2001. Successful business reengineering contributed substantially to this improvement. Further business growth was thwarted by the difficulties brought about by the Foot and Mouth epidemic.

Additional unbudgeted costs were incurred in complying with the food movement regulations for the Department of Agriculture. The introduction of Minimum Wage legislation, additional supervisory costs and further legal reconfiguration of gratuity payments in the calculation of minimum wage payments are responsible for the growth in labour costs of 11.34%.

Future developments

During the year, the Minister for Public Enterprise announced that a Strategic Rail Study will examine a range of proposals for railway services in various parts of the country and develop a 20 year blueprint for the future of the network to meet increasing demand for public transport. The company has welcomed this initiative and looks forward to contributing to the blueprint and implementing its recommendations.

The year 2001 was the third year of the five year Rail Safety Investment Programme. During 2002 work will begin on planning the next phase of the railway safety programme.

The company's fleet will be further increased in 2002 with 12 new DART units and in the following years with the procurement of 80 diesel rail cars, DART units and the replacement of life expired InterCity rolling stock.

Change Process negotiations

A range of radical new agreements were finalised during the year under the Change Process negotiations covering the vast majority of staff in Iarnród Éireann. The process, designed to build a new foundation for improved performance through the elimination of conflict surrounding pay and hours at work, based on restructured earnings and hours at work on the one hand, and greater efficiency and productivity on the other, is on course for completion during the first half of 2002.

MOBILITY FOR A GROWING CITY

PEAK USAGE OF STILLORGAN, MALAHIDE AND RATHFARNHAM QBC'S UP BY 243%, 44% AND 39% RESPECTIVELY

Operations Review

Bus Átha Cliath

The principal activities of the company are the provision of a comprehensive bus service for the city and the county of Dublin and its hinterland.

The results for the year ended 31st December, 2001 show a surplus of €1.1 million (2000 - €9 million).

The Bus Átha Cliath business performed well during the Year 2001. There was a strong trend toward increased revenue which was maintained throughout the year and this was very encouraging.

Driver recruitment continued to be a challenge for most of the year. A total of 200 additional drivers were recruited during the year to provide the increased peak service in accord with the NDP policy to increase the modal split at peak periods in favour of public transport.

Payroll costs amounted to €132 million, an increase of €22 million on the preceding year. This reflected the increased number of staff, the full year impact of the productivity agreement reached in 2000 and the increase of 7.5% under the Programme for Prosperity and Fairness.

The NDP investment programme enabled a range of projects to be pursued. A total of 44 new double deck buses and 12 new midi buses were delivered during the year. These buses were in accord with the policy declared in the Year 2000 that every new bus would be of a fully accessible low floor design.

By the end of 2001, the company had 306 fully accessible buses, or almost 34% of the fleet. Twelve fully accessible bus routes were launched earlier in the year, and the company will progressively roll out this programme across the city as new buses are delivered. Public response to the new vehicles has been excellent.

A total of twenty articulated buses have been introduced and are working on specific routes. Bus Átha Cliath will shortly convert a major route to articulated "bendibuses", to gauge public and driver reaction in continuous operation. To date these buses have been mainly used on peak time commuter routes demonstrating the strength of this type of bus as a people mover.

A total of five new QBCs were introduced during the year; Rathfarnham, Tallaght, Whitehall, Swords and Blanchardstown. These, in addition to the four already in place at the end of 2000, mean that 43% of customers now significantly benefits from the QBCs which have demonstrated that dedicated road space for buses can deliver consistent journey time performance.

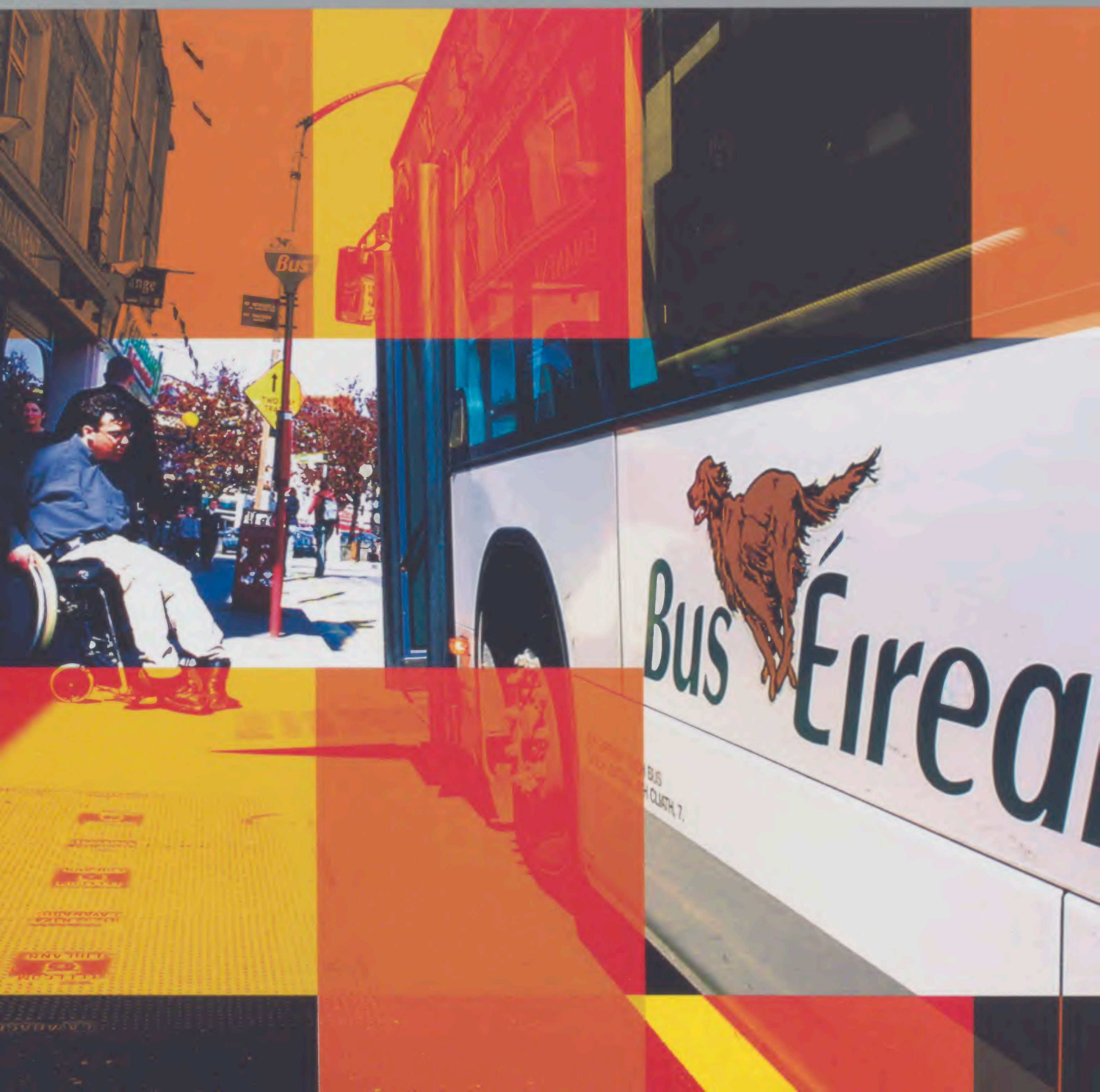
The introduction of these QBCs was accompanied by additional buses and improved service levels. However, the company also recognises that there is considerable more work to be done to raise the standard of QBCs and to maintain the quality of service in the longer term. Bus Átha Cliath supports the appointment of the Quality Bus Network Team by Dublin City Council in their efforts to improve and develop both existing and new QBCs.

Outstanding success has been achieved where continuous bus priority is delivered. For example, some of the QBCs have delivered significant growth compared to the pre-QBC (1995) position:

QBC	Peak Passenger Growth
Stillorgan	243%
Tallaght	24%
Malahide	44%
Rathfarnham	39%

SOLUTIONS FOR OUR GROWING REGIONS

PROVINCIAL CITY BUS USERS RISE BY 4.7%
EXPRESSWAY BUS PASSENGERS UP BY 4.1 %



Operations Review

Bus Éireann

Bus Éireann operates a network of expressway scheduled inter-urban coach services as well as city bus services in Cork, Limerick, Galway and Waterford cities, local stage carriage bus services throughout the country and nationwide school transport services on behalf of the Department of Education and Science.

In 2001, additional service improvements were made, principally on commuting routes in the Greater Dublin Area and on provincial city services.

The Expressway network was also improved with additional services from Tralee to Waterford, Sligo to Derry and Ballina to Dublin. Substantial increases in passenger numbers were recorded; 4.7% in provincial cities; 14.5% in commuting and 4.1% in Expressway; whilst on the School Transport Scheme a slow decline continued in line with the fall in the school-going population.

The number of passenger journeys for the year was 87.4 million as compared to 84.3 million the preceding year, with significant increases in city service customers as well as Expressway.

Despite this, the results for the year ended 31st December, 2001 show a deficit of €4.4 million (2000- surplus €6.1 million), reflecting the cost of providing the above mentioned additional services and the cost of resourcing the extra peak-time services required by the Government.

Major unforseen factors influencing Bus Éireann's financial performance during 2001 (which was not as good as expected) were the effects of the Foot and Mouth Disease, the global economic downturn following the terrorist attack in New York on September 11th and increased funding problems with resourcing extra peak time services required by Government.

A study undertaken by BDO Simpson Xavier concluded that cities traffic congestion is costing Bus Éireann €13 million a year.

The company's profitability has deteriorated due to

- Additional costs in introducing substantial increases in rural services, provincial city services and peak time commuter services as part of the National Development Plan and in compliance with Government policy to promote a modal shift to public transport

- Traffic congestion continuing to place ever increasing cost on the company, which dissipates the substantial investment made in the additional fleet with some of these additional vehicles being used to maintain existing schedules because of slower journey times rather than improving services

- The labour intensive company having to honour all national pay agreements to its' workforce even though the company has been unable to achieve comparable price increases.

To supplement the additional revenue from the expanded services and savings from internal efficiencies a system of regular market related fares increases is required. In addition, consideration of public service payments has been underway for some time and progress is now required in order to address the financial problems faced by Bus Éireann if the wider network of uneconomic services is to be maintained.

Against this the company is set to improve the financial position through effectiveness and efficiency measures as well as curtailing and controlling all costs and overheads. The company hopes for fare increases on an annual basis as well as delivering a more efficient provision of services

Highlights of the year included

- Work commenced on building of new bus station in Athlone

- Scania commuter coaches entered service on Greater Dublin Hinterland Area routes

- Nestor High Court case against Bus Éireann - dismissed by consent

- 20% of school bus fleet replaced

- Town services in Athlone extended and developed

- New washing and cleaning installation commissioned at Broadstone depot

- Bus Éireann accredited for advanced driver training by Institute of Advanced Motorists - first Irish fleet operator to achieve this

- Online ticket sales introduced

- Additional Expressway services based on Athlone interchange hub

- First 20 low-floor accessible rural buses introduced in service.

During 2001 the company purchased 97 new vehicles for its road passenger fleet, building on the record investment of the preceding year.

During the year Bus Éireann introduced the on-line sales of Day Tour tickets and Rambler tickets as well as introducing a website Expressway Journey Planner. The on-line sales facility is being further extended during 2002.

Operations Review

Other Services

CIE Tours International

In what was a most difficult year, CIE Tours International achieved a net profit of €1 million, generated from gross revenues of €55.5 million of which 93% was sourced overseas.

During 2001, global tourism was adversely impacted upon by the general effects of economic slow down. In addition, tourism to Ireland was seriously undermined from February 2001 onwards by the Foot and Mouth outbreak in the UK and this was compounded by the September 11th terrorist attacks in the USA. CIE Tours International had to react quickly to the crises and the company put in place a strong emphasis on internal efficiences in tour coach operation as well as expenditure economies.

In 2001, 68,000 customers enjoyed the products of CIE Tours International of whom 85% came onto the island of Ireland. These Irish destination customers spent the majority of their time in rural Ireland helping to bring much needed revenues to most regions of Ireland.

Group Property

CIÉ's Property Division had an excellent year in 2001 with rental income increasing by €1 million to €8.4 million, which led to a profit of €5.3 million.

Work continues on the development proposals for Spencer Dock. In June 2002 the Minister for the Environment approved the DDDA North Lotts Planning Scheme for the area, which allows for accelerated planning approval.

Work is also under way to bring forward major redevelopment proposals for Heuston Station Phase 2, Connoly Station Phase 2, Tara Street DART Station, Cork Rail Station, Limerick Rail Station and, Galway Rail and Bus Stations.

CIÉ Consult

The year 2001 was, as in the previous year, difficult for CIÉ Consult. There were delays with a number of projects, both those in execution and those due to come on stream during the year, which have reduced activity in the sector worldwide.

CIÉ Consult returned a profit of €66,000 during the year with a turnover of €2.3 million. This was considerably lower than budgeted for at the start of the year due to a general "tightening" of the market.

During 2001 CIÉ Consult was active with projects for Romania Railways as well as work in Hungary (Budapest Urban Transport Investment Needs.); Tanzania-TRC Privatisation; Russia-Railways MIS Macedonia- Rehabilitation Needs Study in addition to a number of projects with African railways.

Commuter Advertising Network (CAN)

Commuter Advertising Network (CAN) is responsible for the management and control of CIÉ's outdoor advertising business which includes both transit (bus and rail) and fixed (property) advertising sites.

The business recorded a net profit of €4.9 million for the year 2001 as compared to €2.8 million for the year 2000.

CAN will continue to increase its core advertising plant and exploit new media opportunities.

Luas

During 2001 CIÉ continued to have responsibility for the Luas Project until December when the Government established, by statute, the Railway Procurement Agency to undertake the development of the Luas network and to procure a metro system for Dublin through the process of Public Private Partnerships.

The year 2001 was a significant year in the construction of the Light rail system. The major contract for the construction of the system was awarded to a consortium of international construction companies, Ansaldo SpA, MVM Rail and Ballast Nedam. The consortium is known as AMB and is scheduled to complete the construction of the Luas network by the end of 2003.

The Luas depot at the Red Cow was completed and fitting out has begun. The construction of the second depot at Sandyford has commenced and construction is scheduled for completion by the end of 2002.

The construction of bridges on lines A and B has also commenced. The major preparatory work, the diversion of the utilities, has progressed very well and by the close of the year 85% of the diversion work was completed.

The Alstom Citidas trams are arriving in the depot and four had been delivered in 2001.

Operations Review

Employment

The average number of people employed by the group during 2001 was 12,141 - an increase of 718 as compared to 2000.

Staff participation

CIÉ's main asset is its staff. It is group policy to utilise this asset to the fullest extent by progressively developing teamwork and a participative culture throughout the group. Staff are encouraged to participate in the running of the group through active involvement in project teams, working parties and customer focussed service improvement initiatives. There is provision for four worker directors on the CIÉ Board.

Equal opportunities

The group continues to keep under review opportunities for enhancing equality of opportunities. It is a member of the partnership in the Employment of Disabled Persons Scheme, which was established under the aegis of the Department of Equality and Law Reform. It also has regular consultations with representatives of organisations for the mobility impaired to establish priorities for investments in facilities for such groups.

Safety, health and welfare

The safety of customers and employees is paramount in all CIÉ businesses. The Board Safety Committee monitors the safety performance of each operating company against formal annual safety plans. It actively supports the safety programmes of each company and encourages the widest possible involvement in safety promotion and accident prevention.

Payment practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the Prompt Payment of Accounts Act, 1997. Procedures have been implemented to identify the dates upon which invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the Act. The payment policy throughout the group in 2001 was to comply with the requirements of the Act.

Introduction of the euro

During the year the group successfully completed its preparations to deal with the impact of the introduction of the euro. The total cost to the group was €2.7 million of which €2.2 million was incurred in 2001. The Government direction that all fares on conversion to euro be rounded down will adversely affect revenue in 2002.

Procurement policy

The CIÉ Group Procurement Policy is in place to ensure compliance with the EU Public Procurement and Utilities Directives, as well as Board and Government policies. All procurements over the qualifying thresholds were put to open tender and inserted in the EU Journal where appropriate.

Books of account

The measures taken by the members of the Board to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at the company's head office Heuston Station, Dublin 8.

Group Structure

Córas Iompair Éireann is the national statutory authority providing land public transport within the Republic of Ireland. It is wholly owned by the Government of Ireland and reports to the Minister for Public Enterprise.

The group holding company is organised into five subsidiary operating companies, three business units and ancillary service providers. Between them they provide services for:

- Rail passenger travel
- Rail freight haulage
- Train and ground catering
- City, InterCity, rural and school bus travel
- Road freight haulage
- Harbour management
- Event/holiday tours
- International consultancy
- Ancillaryservices:
  Project management; Property; Legal;
  Insurance/Liability management.

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

Córas Iompair Éireann

CIE Tours International Inc.
CIÉ Consult
CIÉ Group Property
Commuter Advertising (CAN)
Insurance/Liability Management
Legal Services

Iarnród Éireann

InterCity
Suburban
Long Distance Commuter
Rail Freight
Road Freight
Rosslare Harbour
Network Catering (Dubel Ltd.)

Bus Éireann

Expressway
Rural Services
Provincial City Services
School Bus Services
Commercial Vehicle Testing
Private Hire

Bus Átha Cliath

City Services
Cityswift
City Speed
City Imp
Nitelink
Airlink
Private Hire

Members of the Board and Group Management

Members of the Board

The names of the persons who were board members at any time during the year ended 31st December, 2001, are set out here. Except where indicated they served as board members for the whole year.

John J. Lynch	Executive Chairman
· Paul Cullen	(Reappointed 1st December, 2001)
· Gerry Charles	(Appointed 1st December, 2001)
Gerry Duggan	
David Egan	
Plev Ellis	(Appointed 20th February, 2001)
· Michael Faherty	(Resigned 1st March, 2001)
John Fearon	(Appointed 20th February, 2001) (Resigned 4th June, 2002)
Tras Honan	Deputy Chairperson
Paul Kiely	
· Anne Marie Mannix	(Reappointed 1st December, 2001)
· Bill McCamley	(Reappointed 1st December, 2001)
Susan Spence	(Resigned 4th June, 2002)
Margaret Walsh	(Appointed 5th June, 2002)

· Worker director

Secretary of the Board

Geraldine Finucane,
Heuston Station,
Dublin 8.

Telephone	+ 353 1 703 2008
Facsimile	+ 353 1 703 2776

Board Committees

Audit Committee

Paul Kiely	Chairman
David Egan	
Anne Marie Mannix	
Bill McCamley	

Finance Committee

Paul Kiely	Chairman
David Egan	
Plev Ellis	(Appointed 7th November, 2001)
Bill McCamley	

Renumeration Committee

John J. Lynch	Chairman
Tras Honan	
Paul Kiely	

Safety Committee

Gerry Duggan	Chairman
Paul Cullen	
David Egan	
Michael Faherty	(Resigned 1st March, 2001)
Bill McCamley	(Appointed 7th November, 2001)

Property Committee

Tras Honan	Chairperson
Gerry Charles	(Appointed 1st December, 2001)
Michael Faherty	(Resigned 1st March, 2001)
Anne Marie Mannix	
Susan Spence	(Resigned 4th June, 2002)

Group Management

Jim Cullen	Chief Financial Officer
Brian Dowling	Managing Director, CIE Tours International
Bill Lilley	Managing Director, Bus Éireann
Joe Meagher	Managing Director, Iarnród Éireann
Alan Westwell (UK)	Managing Director, Bus Átha Cliath

Auditors

PricewaterhouseCoopers,
Chartered Accountants and
Registered Auditors,
Wilton Place,
Dublin 2.

Solicitor

Michael Carroll,
Bridgewater House,
Islandbridge,
Dublin 8.

Principal Banker

Bank of Ireland,
College Green,
Dublin 2.

Statement of the Board's Responsibilities

The Transport Act, 1950 and subsequent amendments determine the responsibilities of the members of the Board of the Córas Iompair Éireann. This legislation requires the members of the Board to ensure that financial statements are prepared for each financial year which, in accordance with applicable Irish law and accounting standards, give a true and fair view of the state of affairs of the group and of the surplus or deficit of the group for that period.

In preparing those financial statements, the members of the Board are required to ensure that:

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

The members of the Board are responsible for ensuring that proper accounting records are kept 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 Transport Act, 1950, and all Regulations to be construed as one with the Act.

They are also responsible for taking steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Corporate governance statement

It is the policy of the CIÉ group to comply as closely as possible with the best practice in the area of corporate governance and financial disclosure. The members of the Board are currently taking appropriate steps to meet the reporting requirements of the Code of Practice for the Governance of State Bodies for the year ending 31st December, 2002.

Principles of good governance

The Board

All members of the Board are appointed to the Board by the Minister for Public Enterprise and their terms of office are set out in writing.

The Board comprises an executive chairperson, seven non-executive members and four worker directors.

The Board meets formally on a monthly basis and on other occasions as necessary. The Board has a schedule of matters specifically reserved to it for decision.

The group's annual budget and corporate plan are reviewed and approved by the Board. The group has a comprehensive process for reporting management information to the Board.

All members of the Board have access to the advice and services of the Company Secretary.

Board committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise an Audit Committee (see below), a Finance Committee, a Property Committee, a Remuneration Committee and a Safety Committee. Their members are listed on page 17.

Audit committee

The Audit Committee meets periodically with the external auditors, the internal auditor and the group's senior management to review the group's internal controls, the internal and external audit plans, selection of appropriate accounting policies, the audit report, financial reporting and other related matters.

The external auditors and the Head of Internal Audit have full and unrestricted access to the Audit Committee. The external auditors attend meetings of the Audit Committee and once a year meet with the Committee without management present to ensure that there are no outstanding issues of concern.

Statement of the Board's Responsibilities

Internal controls

The Board has overall responsibility for the group's systems of internal control and for monitoring their effectiveness. These systems are designed to provide a reasonable but not absolute assurance against material misstatement or loss. In order to discharge that responsibility in a manner which ensures compliance with legislation and regulations, the Board has established an organisational structure with clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

Executive Board members' remuneration

CIÉ's policies in relation to remuneration of executive Board members are in accordance with "Arrangements for determining the remuneration of Commercial State Bodies under the aegis of the Department of Public Enterprise", issued in July 1999. The only executive Board member is the Chairperson whose remuneration is determined annually within a range determined by the Ministers for Finance and Public Enterprise.

Non-Executive Board members' remuneration

Board members appointed under the Worker Participation (State Enterprises) Act 1977 are remunerated in accordance with the provisions of that Act.

The remuneration of other non-executive Board members is determined by the Minister for Public Enterprise and their remuneration as Board members is non pensionable.

Going concern

The Board members are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for the preparation of the accounts.

ON TRACK FOR A GROWING IRELAND

RAIL USERS INCREASE BY 7.9% IN 2001
34.2 MILLION JOURNEYS A YEAR ARE NOW MADE BY RAIL

Report of the Auditors

Independent auditors' report to the Minister for Public Enterprise

As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 22 to 48, which have been prepared under the historical cost convention, and the accounting policies set out on pages 22 and 23.

Respective responsibilities of the members of the Board and the auditors

The responsibilities of the Board for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 18 in the statement of the Board's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland.

We report to you our opinion as to whether the financial statements give a true and fair view of the state of affairs, results and cash flows of the group. We state whether we have obtained all the information and explanations we consider necessary for the purpose of our audit and whether the Córas Iompair Éireann balance sheet is in agreement with the books of account. We also report to you our opinion as to whether Córas Iompair Éireann has kept proper books of account.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 members of the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of Córas Iompair Éireann and of the group as at 31st December, 2001 and of the deficit and cash flows of the group for the year then ended.

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

PricewaterhouseCoopers,
Chartered Accountants and Registered Auditors,
Dublin.

5th June, 2002.

Principal Accounting Policies

The significant accounting policies and estimation techniques adopted by the group, are as follows:

(A) Basis of preparation

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2001. 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 have been prepared under the historical cost convention and are expressed in euro, denoted by the symbol €. The comparative figures, previously presented in Irish pounds, have been restated at the fixed rate of €1 = IR£0.787564.

The prior year comparatives have been revised to conform with the current year presentation.

(B) Basis of consolidation

The group financial statements are a consolidation of the financial statements of Córas Iompair Éireann and its subsidiaries:

Iarnród Éireann - Irish Rail and its subsidiary Dubel Limited

Bus Éireann - Irish Bus

Bus Átha Cliath - Dublin Bus

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

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

(C) Revenue

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

(D) Tangible assets and depreciation

The bases of calculation of depreciation are as follows:

(i) Railway lines and works

Railway lines and works comprise a network of systems. Expenditure on the existing network, which maintains the operating capability in accordance with defined standards of service, is treated as an addition to tangible fixed assets and included at cost after deducting grants.

The depreciation charge for existing railway lines and works is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the Iarnród Éireann - Irish Rail asset management plan.

Expenditure on the network, which increases its capacity or enhances its operating capability, is treated as an addition to tangible fixed assets at cost and depreciated over its useful life.

(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.

(iii) Road passenger vehicles

The historical cost of road passenger vehicles other than school buses are depreciated over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical cost of school buses are depreciated in equal annual instalments over their expected useful lives.

(iv) Road freight vehicles

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

(v) Docks, harbours and wharves; plant and machinery; catering services equipment

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

Principal Accounting Policies

(E) Leased assets

(i) Finance leases

Assets held under finance leases are accounted for in accordance with SSAP 21 (Accounting for Leases and Hire Purchase Contracts). The capital cost of such assets is included in tangible assets and depreciated over the shorter of the lease term or the estimated useful life of the asset. The capital element of the outstanding lease obligations is included in creditors. Finance charges are charged to the consolidated profit and loss account over the primary period of the lease.

(ii) Operating leases

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

(F) Stocks

Stocks of materials and spare parts are valued at 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.

(G) European Union and State grants

(i) Grants for existing railway lines and works

Grants received for existing railway lines and works are deducted from the cost of the related assets.

This policy is not in accordance with the Companies (Amendment) Act 1986, which requires tangible fixed assets to be shown at cost and hence grants and contributions as deferred income. This departure from the requirements of the Companies (Amendment) Act 1986 is, in the opinion of the Board, necessary for the financial statements to show a true and fair view as these railway lines and works do not have determinable lives and therefore no basis exists on which to recognise grants and contributions and deferred income

(ii) Grants for other capital expenditure

Grants for other capital expenditure are credited to deferred income as they become receivable. They are amortised to the consolidated profit and loss account on the same basis as the related assets are depreciated.

(iii) Revenue grants

Revenue grants are taken to the consolidated profit and loss account in the year in which they become receivable.

(iv) Safety investment grants

Safety investment grants are amortised to the consolidated profit and loss account by reference to the Safety Investment Programme.

(H) Foreign currency

Transactions denominated in foreign currency are translated into euro 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.

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

(I) Pensions

The expected cost of providing pensions to employees is charged to the consolidated profit and loss account as incurred over the period of employment of pensionable employees. The cost is calculated, with the benefit of advice from independent actuaries, at what is expected to be a stable percentage of pensionable pay. Variations from regular pension costs, identified by periodic actuarial valuations, are spread over the expected average remaining service lives of the members of the schemes.

The capital cost of supplementary pensions is provided for and charged to the consolidated profit and loss account in the year that the related employee severance is recognised and is included in the cost of severance.

(J) Railway infrastructure costs

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

Consolidated Profit and Loss Account

Year ended 31st December	Notes	2001 €000	2000 €000
Revenue	1	548,427	502,769
Costs			
Payroll and related costs	3	(432,469)	(357,517)
Materials and services	4	(299,169)	(247,360)
Depreciation	5	(64,371)	(69,585)
Exceptional operating income (net)	6	-	666
Total operating costs		(796,009)	(673,796)
Deficit before profit on disposal of tangible assets, interest and State grants		(247,582)	(171,027)
Profit on disposal of tangible assets	7	5,869	4
Deficit before interest and State grants		(241,713)	(171,023)
Interest receivable		390	442
Interest payable - Operational	8	(7,493)	(7,399)
- Railway infrastructure	8	(4,010)	(4,186)
Loss on foreign currency loans		(133)	(43)
Deficit for the year before State grants		(252,959)	(182,209)
State grants	9	245,122	204,078
(Deficit)/surplus for the year		(7,837)	21,869
Transfer from reserves		-	1,418
Accumulated deficit at beginning of the year		(74,800)	(98,087)
Accumulated deficit at end of the year		(82,637)	(74,800)

Movements in reserves are shown in Notes 20 and 21 to the financial statements.

All figures relate to the continuing activities of the group.

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

On behalf of the Board

John J. Lynch Chairman
Paul Kiely Board Member

Consolidated Balance Sheet

As at 31st December	Notes	2001	2000
		€000	€000
Fixed assets			
Tangible assets	11	939,540	860,686
Financial assets	12	21	21
		939,561	860,707
Current assets			
Stocks	13	60,041	44,709
Debtors	14	170,306	122,807
Cash at bank and in hand		6,022	2,979
		236,369	170,495
Creditors (amounts falling due within one year)	15	(371,392)	(284,341)
Net current liabilities		(135,023)	(113,846)
Total assets less current liabilities		804,538	746,861
Creditors (amounts falling due after more than one year)	16	(72,829)	(84,407)
Provisions for liabilities and charges	18	(137,324)	(135,361)
Deferred income	19	(398,645)	(323,516)
		195,740	203,577
Financed by:			
Reserves			
Asset replacement reserve	21	237,310	237,310
Capital reserve		28,556	28,556
Profit and loss account deficit		(82,637)	(74,800)
Non-repayable State advances		12,511	12,511
	20	195,740	203,577

On behalf of the Board

John J. Lynch Chairman
Paul Kiely Board Member

Company Balance Sheet

As at 31st December	Notes	2001	2000
		€000	€000
Fixed assets			
Tangible assets	11	182,875	148,933
Financial assets	12	318,108	323,058
		500,983	471,991
Current assets			
Debtors	14	50,048	36,144
Cash at bank and in hand		4,945	2,824
		54,993	38,968
Creditors (amounts falling due within one year)	15	(305,598)	(267,746)
Net current liabilities		(250,605)	(228,778)
Total assets less current liabilities		250,378	243,213
Creditors (amounts falling due after more than one year)	16	(72,829)	(84,407)
Deferred income	19	(38,557)	(22,379)
		138,992	136,427
Financed by:			
Reserves			
Asset replacement reserve		108,643	108,643
Capital reserve		28,556	28,556
Profit and loss account deficit		(10,718)	(13,283)
Non-repayable State advances		12,511	12,511
	20	138,992	136,427

On behalf of the Board

John J. Lynch — Chairman
Paul Kiely — Board Member

Consolidated Cash Flow Statement

Year ended 31st December	Notes	2001 €000	2000 €000
Net cash inflow from operating activities	22(A)	33,518	84,780
Return on investments and servicing of finance	22(B)	(6,651)	(6,064)
Capital expenditure and financial investment	22(B)	(78,598)	(75,179)
Cash (outflow)/inflow before use of liquid resources and financing		(51,731)	3,537
Financing - increase/(decrease) in debt	22(B)	51,907	(14,891)
Increase/(decrease) in cash in the year		176	(11,354)
Reconciliation of net cash flow to movement in net debt *(note 22(C))*			
Increase/(decrease) in cash in the year		176	(11,354)
Cash (inflow)/ outflow from (increase)/decrease in debt and lease financing		(51,907)	14,891
Change in net debt resulting from cash flows		(51,731)	3,537
Translation difference		714	820
Movement in net debt in the year		(51,017)	4,357
Net debt at 1st January		(194,676)	(199,033)
Net debt at 31st December		(245,693)	(194,676)

Notes to the Financial Statements

1. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER

	CIÉ €000	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2001 €000	Total 2000 €000
Revenue						
Railway						
- Suburban Rail Division		32,837			32,837	30,133
- Mainline Rail Division		115,016			115,016	103,763
		147,853			147,853	133,896
Road freight		26,108			26,108	25,460
Rosslare Harbour		9,719			9,719	10,032
Catering services		13,408			13,408	12,209
Road passenger services						
- Dublin city				153,386	153,386	143,292
- Provincial cities			17,258		17,258	15,812
- Other services			162,106		162,106	143,875
Tours (net)	11,647				11,647	11,948
Consultancy	2,269				2,269	1,173
Central business activities	4,673				4,673	5,072
Total revenue	18,589	197,088	179,364	153,386	548,427	502,769
Expenditure						
Railway						
- Suburban Rail Division						
Operational costs		59,005			59,005	43,878
Infrastructure costs		32,514			32,514	28,271
- Mainline Rail Division						
Operational costs		173,673			173,673	156,658
Infrastructure costs		190,661			190,661	156,898
		455,853			455,853	385,705
Road freight		24,166			24,166	23,378
Rosslare Harbour		7,037			7,037	6,193
Catering services		13,654			13,654	12,824
Road passenger services						
- Dublin city				204,305	204,305	174,316
- Provincial cities			30,544		30,544	23,481
- Other services			176,684		176,684	145,824
Tours	10,626				10,626	9,336
Consultancy	2,335				2,335	1,518
Central business activities	3,785				3,785	3,705
Total expenditure	16,746	500,710	207,228	204,305	928,989	786,280

Notes to the Financial Statements

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

	CIÉ €000	Iarnród Éireann - Irish Rail €000	Bus Éireann - Irish Bus €000	Bus Átha Cliath - Dublin Bus €000	Total 2001 €000	Total 2000 €000
(Deficit)/surplus						
Railway						
- Suburban Rail Division		(58,682)			(58,682)	(42,016)
- Mainline Rail Division		(249,318)			(249,318)	(209,793)
		(308,000)			(308,000)	(251,809)
Road freight		1,942			1,942	2,082
Rosslare Harbour		2,682			2,682	3,838
Catering services		(246)			(246)	(615)
Road passenger services						
- Dublin city				(50,919)	(50,919)	(31,024)
- Provincial cities			(13,286)		(13,286)	(7,669)
- Other Services			(14,578)		(14,578)	(1,949)
Tours	1,021				1,021	2,612
Consultancy	(66)				(66)	(345)
Central business activities	888				888	1,367
Operating surplus/(deficit)	1,843	(303,622)	(27,864)	(50,919)	(380,562)	(283,512)
Exceptional items *(note 6)*	-	-	-	-	-	666
Loss on foreign currency loans	(133)				(133)	(43)
Profit/(loss) on disposal of tangible assets *(note 7)*	855	5,632	(305)	(313)	5,869	4
Surplus/(deficit) before State grants	2,565	(297,990)	(28,169)	(51,232)	(374,826)	(282,885)
State grants operational		168,937	23,808	52,377	245,122	204,078
State grants infrastructure		121,867			121,867	100,676
Surplus/(deficit) for the year after State grants	2,565	(7,186)	(4,361)	1,145	(7,837)	21,869

Notes to the Financial Statements

	2001 €000	2000 €000
2. RAILWAY INFRASTRUCTURE COSTS		
In compliance with EU Council Directive 91/440 these costs have been computed as follows		
Maintenance of railway lines and works	68,445	57,593
Renewal of railway lines and works	121,868	100,676
Operating (signalling) and other expenses	21,786	17,978
Depreciation *(note 11 [h])*	9,499	5,537
Amortisation of capital grants	(2,433)	(801)
Total railway infrastructure costs before interest	219,165	180,983
Interest payable *(note 8)*	4,010	4,186
Total railway infrastructure costs before grants	223,175	185,169
State grants, EU and Exchequer funding	(220,379)	(185,169)
Deficit for Year	2,796	-
Apportionment of costs:		
Mainline Rail Division	190,661	156,898
Suburban Rail Division	32,514	28,271
	223,175	185,169

	2001 €000	2000 €000
3. PAYROLL AND RELATED COSTS		
Staff costs		
Wages and salaries	407,616	339,468
Social welfare costs	38,813	31,365
Other pension costs	17,386	12,498
	463,815	383,331
Own work capitalised	(31,748)	(26,526)
Net staff costs	432,067	356,805
Board members' remuneration		
Emoluments		
- for services as Board members	130	65
- for other services	272	647
Total Board members' remuneration and emoluments	402	712
Total payroll and related costs	432,469	357,517

Included in Board members' remuneration is €150,627 paid to John J. Lynch, Executive Chairman, being €126,674 for other services and € 23,954 for Board members' fees. The latter amounts include arrears in respect of the preceding year of €25,095 for other services and €4,907 for the Board members' fees.

Notes to the Financial Statements

3. **PAYROLL AND RELATED COSTS** (continued)

	Staff Numbers	
	2001	2000
The average number of persons employed by company was as follows:-		
CIÉ	444	407
Iarnród Éireann - Irish Rail	5,724	5,358
Bus Éireann - Irish Bus	2,641	2,565
Bus Átha Cliath - Dublin Bus	3,332	3,093
	12,141	11,423

The CIÉ figure includes those working on the Luas Project, which at 31st December, 2001, had a workforce of 121 and 88 in 2000.

4. **MATERIALS AND SERVICES**

	2001 €000	2000 €000
Fuel and electric traction	32,708	21,778
Road tax and licences	808	813
Rates	3,581	3,261
Auditors' remuneration	195	212
Operating lease rentals	8,544	8,868
School contractors	41,045	33,610
Third party and employer's liability claims	26,493	25,406
Materials and other services	185,795	153,412
	299,169	247,360

5. **DEPRECIATION**

Depreciation *(note 11)*	85,823	81,139
Amortisation of capital grants *(note 19)*	(21,452)	(11,554)
	64,371	69,585

6. **EXCEPTIONAL OPERATING INCOME (net)**

Insurance proceeds	-	1,397
Restructuring costs	-	(731)
	-	666

7. **PROFIT/(LOSS) ON DISPOSAL OF TANGIBLE ASSETS**

Net proceeds on sale of surplus land and buildings	855	392
Profit / (Loss) on disposal of rolling stock, vehicles, plant and machinery	5,014	(388)
	5,869	4

The profit on disposal of rolling stock includes €5,632,000 arising from a fire at the Fairview DART Depot, which destroyed four DART carriages. The profit is calculated by netting the insurance proceeds against their net book value.

8. INTEREST PAYABLE

	2001 €000	2000 €000
On loans and leases repayable wholly within five years:		
Loans	8,092	7,591
Leases	160	208
On loans and leases not wholly repayable within five years:		
Loans	-	-
Leases	3,251	3,786
	11,503	11,585
Interest apportioned:		
Group operational costs	7,493	7,399
Railway infrastructure costs *(note 2)*	4,010	4,186
	11,503	11,585

9. STATE GRANTS

The grants payable to Córas Iompair Éireann are in accordance with the relevant EU Regulations governing State aid to transport undertakings. Particulars of the State grants of €245.122 million received in 2001 under Sub-Head C1 of Vote 32 of Dáil Éireann are given in the following table.

State grants relating to 2001 activities	**2001 Total €000**
Iarnród Eireann - Irish Rail	
Passenger - mainline and suburban services	60,135
Railway Safety Investment Programme (1999 - 2003)	22,917
Infrastructure	85,885
Total rail	168,937
Bus Átha Cliath -Dublin Bus	52,377
Bus Éireann - Irish Bus	23,808
Total	245,122

Further State grants amounting to €187.264 million, as set out below, are included in the financial statements as credits to the tangible fixed assets or deferred income.

Iarnród Éireann	152,935
Bus Átha Cliath	17,059
Bus Éireann	17,270
Total	187,264

CIÉ was also re-imbursed with €137.4 million for expenditure incurred on the Luas project which was undertaken on behalf of the Government.

Notes to the Financial Statements

10. HOLDING COMPANY NET SURPLUS FOR YEAR

A summary of the financial results of the holding company and its subsidiaries is shown in note 1.

The holding company's surplus for the year, after profit on disposal of tangible assets, amounted to €2,565,000.

11. TANGIBLE FIXED ASSETS

	1st Jan	Reclass-ifications	Additions	Scrappings and Disposals	31st Dec
	€000	€000	€000	€000	€000
Group					
Cost					
Railway lines and works	402,167	2,794	141,407	-	546,368
Funding received for railway lines and works	(215,930)	-	(121,868)	-	(337,798)
Railway rolling stock	419,981	-	24,169	(3,405)	440,745
Road passenger vehicles	364,864	-	41,554	(6,793)	399,625
Road freight vehicles	7,664	-	122	-	7,786
Land and buildings	138,911	-	36,144	-	175,055
Plant and machinery	278,407	2,829	44,568	(37)	325,767
Docks, harbours and wharves	42,509	(52)	-	-	42,457
Capital work in progress	7,611	(6,335)	1,305	-	2,581
Total 2001	1,446,184	(764)	167,401	(10,235)	1,602,586

	1st Jan	Reclass-ifications	Charge For Year	Scrappings and Disposals	31st Dec
	€000	€000	€000	€000	€000
Depreciation					
Railway lines and works	384,685	-	122,335	-	507,020
Funding received for railway lines and works	(215,930)	-	(121,868)	-	(337,798)
Railway rolling stock	130,773	-	27,053	(2,353)	155,473
Road passenger vehicles	155,872	-	35,605	(5,885)	185,592
Road freight vehicles	5,545	-	509	-	6,054
Land and buildings	2,205	-	2,720	-	4,925
Plant and machinery	114,506	-	18,620	(37)	133,089
Docks, harbours and wharves	7,842	-	849	-	8,691
Total 2001	585,498	-	85,823	(8,275)	663,046

Notes to the Financial Statements

11. TANGIBLE FIXED ASSETS (continued)

	31st Dec 2001 €000	31st Dec 2000 €000
Group		
Net book amounts		
Railway lines and works	39,348	17,482
Railway rolling stock	285,272	289,208
Road passenger vehicles	214,033	208,992
Road freight vehicles	1,732	2,119
Land and buildings	170,130	136,706
Plant and machinery	192,678	163,901
Docks, harbours and wharves	33,766	34,667
Capital work in progress	2,581	7,611
Total	939,540	860,686

	1st Jan €000	Additions €000	31st Dec €000
Company			
Cost			
Land and buildings	138,911	36,144	175,055
Plant and machinery	21,531	3,193	24,724
Total 2001	160,442	39,337	199,779

	1st Jan €000	Charge for Year €000	31st Dec €000
Depreciation			
Land and buildings	2,205	2,720	4,925
Plant and Machinery	9,304	2,675	11,979
Total 2001	11,509	5,395	16,904

	31st Dec 2001 €000	31st Dec 2000 €000
Net book amounts		
Land and buildings	170,130	136,706
Plant and machinery	12,745	12,227
Total	182,875	148,933

Notes to the Financial Statements

11. TANGIBLE FIXED ASSETS (continued)

(a) In compliance with FRS 15, Tangible Fixed Assets, the basis of accounting for renewals of railway lines and works is to credit the grant against the cost of additions to the railway network.

	2001	2000
	€000	€000
Renewals expenditure and related grants were as follows		
Renewals expenditure	129,794	100,676
State grants	121,868	100,676

(b) Road passenger vehicles at a cost of €24,013,000 (2000 - €16,835,000) were fully depreciated but still in use at the balance sheet date.

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

	Lives (Years)
Buildings	50
Railway lines and works	40
Railway rolling stock	15 to 20
Road passenger vehicles	8 to 14
Road freight vehicles	6 to 10
Plant and machinery	3 to 25
Docks, harbours and wharves	50
Catering equipment	4

(d) Included in tangible fixed assets are amounts, as stated below, in respect of rail locomotives and road passenger vehicles which are held under finance leases, whereby the company has substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

	Rail Locomotives	Road Passenger Vehicles	Total
	€000	€000	€000
2001			
Cost	85,846	10,085	95,931
Accumulated depreciation	(22,410)	(7,894)	(30,304)
Net book value at 31st December, 2001	63,436	2,191	65,627
Depreciation for 2001	(4,812)	(1,052)	(5,864)

(e) Included in the reclassification of tangible assets is €764,000 which was expensed to the profit and loss account during the year. The expenditure related to feasibility studies on projects which it was decided not to proceed with.

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

Notes to the Financial Statements

11. TANGIBLE FIXED ASSETS (continued)

	2001 €000	2000 €000
(g) Included in the additions above are payments on account in respect of assets as set out below which were not yet in service:		
Railway rolling stock	28,103	63,418
Road passenger vehicles	16,454	19,244
	44,557	82,662
(h) Tangible fixed assets include railway infrastructure assets as follows:		
Cost	407,516	371,780
Accumulated depreciation	(245,523)	(236,024)
Net book value at 31st December	161,993	135,756
Depreciation for Year *(note 2)*	(9,499)	(5,537)

12. FINANCIAL ASSETS

	Trade Investments					
	Listed Shares		Unlisted Shares		Total	
	2001 €000	2000 €000	2001 €000	2000 €000	2001 €000	2000 €000
Group						
Cost or valuation	97	97	13	13	110	110
Provision for permanent diminution in value	(76)	(76)	(13)	(13)	(89)	(89)
Net book amounts						
At 31st December	21	21	-	-	21	21
Market value						
At 31st December	89	83			89	83

	Subsidiary Companies			Trade Investments		
	Unlisted Shares €000	Loan €000	Finance Leases €000	Listed Shares €000	Unlisted Shares €000	Total €000
Company						
Cost or valuation						
At 1st January, 2001	90,151	165,066	67,840	34	13	323,104
Less: Reduction in - finance leases			(4,950)			(4,950)
At 31st December, 2001	90,151	165,066	62,890	34	13	318,154
Provision for permanent diminution in value						
At 31st December, 2001	-	-	-	(33)	(13)	(46)
Net book amounts						
At 31st December, 2001	90,151	165,066	62,890	1	-	318,108
Market value						
At 31st December, 2001				50		50

Loan to a subsidiary company represents the net assets assigned to Iarnród Éireann - Irish Rail by Córas Iompair Éireann less share capital issued on its establishment following the re-organisation of Córas Iompair Éireann in 1987.

Notes to the Financial Statements

	2001 €000	2000 €000
13. STOCKS		
Group		
Maintenance materials and spare parts	19,177	15,058
Infrastructure stocks	33,315	24,902
Fuel, lubricants and other sundry stocks	7,549	4,749
	60,041	44,709

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

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

14. DEBTORS

	2001 €000	2000 €000
Group		
Trade debtors	23,596	21,581
LRT project	47,095	2,564
EU grants receivable	72,230	52,667
Other debtors and accrued income	27,385	45,995
	170,306	122,807
Company		
Trade debtors	1,450	1,108
LRT project	47,095	2,564
Other debtors and accrued income	1,503	32,472
	50,048	36,144

15. CREDITORS (amounts falling due within one year)

	2001 €000	2000 €000
Group		
Bank overdraft	26,866	23,999
Bank loans *(note 17)*	152,609	90,482
Finance lease obligations *(note 26)*	4,599	4,445
Trade creditors	64,502	56,553
Income tax deducted under PAYE	3,454	4,382
Pay related social insurance	4,133	3,078
Irrecoverable value added tax on finance leases and other taxes	3,706	3,409
Other creditors	8,379	6,645
Restructuring provisions *(note 18)*	11,454	18,164
Deferred income	29,383	20,970
Accruals	42,399	33,022
Third party and employer's liability claims *(note 18)*	19,908	19,192
	371,392	284,341
Creditors for taxation and social welfare included above	11,293	10,869

Notes to the Financial Statements

	2001	2000
	€000	€000
15. CREDITORS (continued)		
Company		
Bank overdraft	7,572	11,193
Bank loans *(note 17)*	152,609	90,482
Finance lease obligations *(note 26)*	4,599	4,445
Trade creditors	3,390	3,691
Amounts owed to subsidiary companies	113,535	134,497
Income tax deducted under PAYE	664	396
Pay related social insurance	186	143
Irrecoverable value added tax on finance leases and other taxes	2,047	1,679
Other creditors	3,621	3,823
Restructuring provisions	1,275	1,590
Deferred income	793	-
Accruals	15,307	15,807
	305,598	267,746
Creditors for taxation and social welfare included above	2,897	2,218

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

	2001	2000
Group and Company		
Bank loans *(note 17)*	15,045	21,533
Finance lease obligations *(note 26)*	52,596	57,196
Irrecoverable value added tax on finance leases	5,188	5,678
	72,829	84,407

17. BANK LOANS

	2001	2000
Group and Company		
These loans are repayable as follows:		
Within one year *(note 15)*	152,609	90,482
Between one and two years	7,426	6,645
Between two and five years	7,619	14,888
	15,045	21,533
Total	167,654	112,015

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 €145,822,498 (2000 - €80,628,368) relating to Irish commercial paper which are backed by committed medium term facilities which effectively extends the maturity of these instruments.

The Minister for Finance has fully guaranteed the above loans.

Notes to the Financial Statements

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provisions	Third Party and Employer's Liability Claims	Total
	€000	€000	€000
Third party and employer's liability claims			
Group			
Balance at 1st January, 2001	25,963	146,752	172,715
Utilised during year	(14,509)	(16,013)	(30,522)
Transfer from profit and loss account	-	26,493	26,493
Balance carried forward	11,454	157,232	168,686
Less: Transfer to current liabilities *(note 15)*	(11,454)	(19,908)	(31,362)
Balance at 31st December, 2001	-	137,324	137,324

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

(A) EXTERNAL INSURANCE COVER

The Board has the following external insurance cover:-

(i) third party liability in excess of €3,809,210 and up to €143,480,400 on any one occurrence or series of occurrences arising out of any one rail event;

(ii) third party liability in excess of €1,269,740 and up to €140,940,930 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 €63,490 and up to €139,734,680 on any one occurrence or series of occurrences arising out of all other risks events, except in the case of actions taken for all other risks claims subject to United States jurisdiction where the excess is US $100,000;

(iv) in addition each of the subsidiary companies within the group has aggregate cover in a twelve month period, April 2001 to March 2002, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann - Irish Rail	€ 8,399,320
Bus Éireann - Irish Bus	€ 5,599,550
Bus Átha Cliath - Dublin Bus	€11,199,090

subject to an overall group self insured retention of €19,598,410; and

(v) fire and special perils, including storm damage, to the Board's property in excess of €253,950 on any one loss.

Notes to the Financial Statements

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(B) THIRD PARTY AND EMPLOYER LIABILITY CLAIMS PROVISIONS AND RELATED RECOVERIES

Provision is made at the year-end for the estimated cost of liabilities incurred but not finalised at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the group. The estimated cost of claims includes expenses to be incurred externally in managing claims but excludes the internal overhead of claims management fees. The group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of outstanding potential liabilities the group calculates individual file valuations to which contingency provisions are added with the assistance of external actuarial advice. The actuary's mathematical modelling is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the potential liabilities to increase or reduce when compared with the cost of previously finalised claims including, for example, changes in the legal environment, the effects of inflation, changes in operational activity and the impact of large losses.

In estimating the cost of claims notified but outstanding, the group has regard to the accident circumstances as established by investigations, any information available from legal or other experts and information on court precedents on liabilities with similar characteristics in previous periods. Exceptionally serious accidents are assessed separately from the averages indicated by actuarial modelling.

The estimation of IBNR claims is subject to a greater degree of uncertainty than the estimated liability for claims already notified to the group, because of the lack of any information about the claim event except in those cases where investigators have been called to the scenes of accidents. Claim types which have a longer development tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Provisions for claims are calculated gross of any reinsurance recoveries. Reinsurance recoveries in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to notification from the group's brokers of any re-insurers in run off.

Notes to the Financial Statements

19. DEFERRED INCOME

	1st Jan 2001 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec 2001 €000
Group				
Capital grants				
Railway lines and works	-	12,746	(99)	12,647
Railway rolling stock	116,421	12,769	(4,848)	124,342
Plant and machinery	67,173	27,697	(3,525)	91,345
Docks, harbours and wharves	15,605	-	(319)	15,286
Land and buildings	22,379	17,453	(482)	39,350
Road passenger vehicles	63,427	34,329	(9,204)	88,552
	285,005	104,994	(18,477)	371,522
State grant for Railway Safety Investment Programme (1999 - 2003)	58,012	-	(2,975)	55,037
Other deferred income	1,469	-	-	1,469
Total	344,486	104,994	(21,452)	428,028

	2001 €000
Apportioned:	
Deferred income - amounts falling due within one year	29,383
Deferred income - amounts falling due after one year	398,645
	428,028

	1st Jan 2001 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec 2001 €000
Company				
European Union grant				
Capital grant				
Land and buildings	22,379	17,453	(482)	39,350

	2001 €000
Apportioned:	
Deferred income - amounts falling due within one year	793
Deferred income - amounts falling due after one year	38,557
	39,350

Notes to the Financial Statements

20. RECONCILIATION OF MOVEMENTS IN RESERVES

	2001 €000	2000 €000
Group		
(Deficit)/surplus for the year after State grants	(7,837)	21,869
Opening reserves	203,577	181,708
Closing reserves	195,740	203,577
Company		
Surplus for the year	2,565	3,985
Opening reserves	136,427	132,442
Closing reserves	138,992	136,427

21. ASSET REPLACEMENT RESERVE

	Railway Rolling Stock €000	Road Passenger Vehicles €000	Total €000
Group			
Balance at 31st December, 2001 and 2000	135,806	101,504	237,310

22. CASH FLOW STATEMENT

	Year ended 31st December	
	2001 €000	2000 €000
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before State grants	(241,713)	(171,023)
State grants	240,303	198,261
	(1,410)	27,238
Exceptional operating costs	-	731
Foreign exchange loss on loan repayments	(847)	(862)
Depreciation	85,823	81,138
Write off of capital wip - feasibility studies	764	-
Amortisation of capital grants	(21,452)	(11,554)
Profit on disposal of tangible assets	(5,869)	(404)
Increase in stocks	(15,332)	(10,258)
Increase/(decrease) in EU revenue grants	72	(3,944)
Increase in debtors	(22,462)	(1,240)
Increase in creditors and provisions	14,231	3,935
Net cash inflow from operating activities	33,518	84,780

Notes to the Financial Statements

22. CASH FLOW STATEMENT (continued)

(B) Analysis of cash flows for headings netted in the cash flow statement

	Year ended 31st December 2001 €000	2000 €000
Returns on investments and servicing of finance		
Interest received	390	442
Interest paid	(8,300)	(8,329)
Interest element of finance lease rental payments	(3,560)	(3,994)
State grant - DART interest	4,819	5,817
Net cash outflow for returns on investments and servicing of finance	(6,651)	(6,064)
Capital expenditure and financial investment		
Purchase of tangible assets	(286,369)	(320,720)
Disposal of tangible assets	543	955
State and EU capital grants	207,228	244,586
Net cash outflow for capital expenditure and financial investment	(78,598)	(75,179)
Financing		
Repayment of debt due within one year	(89,469)	(91,221)
New loans	145,822	80,628
Capital element of finance lease rental payments	(4,446)	(4,298)
Net cash inflow/(outflow) from financing	51,907	(14,891)

(C) Analysis of net debt

	At 1st Jan 2001 €000	Cash flow €000	Exchange Movement €000	At 31st Dec 2001 €000
Cash at bank and in hand	2,979	3,043	-	6,022
Bank overdrafts	(23,999)	(2,867)	-	(26,866)
		176		
Debt due after one year	(21,533)	6,242	246	(15,045)
Debt due within one year	(90,482)	(62,595)	468	(152,609)
Finance leases	(61,641)	4,446	-	(57,195)
		(51,907)		
Total	(194,676)	(51,731)	714	(245,693)

Notes to the Financial Statements

23. PENSIONS

The majority of the group's employees participate in defined benefit pension schemes based on final pensionable pay. Contributions by the Board, its subsidiaries and the employees are invested in trustee administered funds. Amalgamation of the CIÉ group's six pension schemes into two schemes was completed in 2000.

Contributions to the schemes are charged to the consolidated 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.

An actuarial review of the amalgamated schemes was carried out as at 31st December, 1999. The market value of the assets of the schemes at that date was €1,355,282,000 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 108% in respect of the Regular Wages Staff Scheme and 115% in respect of the Superannuation Scheme 1951.

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 provided for public inspection.

The pensions cost for 2001 was €17,390,000 (2000 - €12,527,000).

FRS 17 Pension disclosures

The additional disclosures required by the transitional arrangements of FRS 17 in relation to the defined benefit plans of the group are set out below:

FINANCIAL ASSUMPTIONS

Major assumptions:	Weighted Average
Discount rate	5.75%
Inflation	3.0%
Salary / wage increases	4.5%
State retirement pension increases	3.5%
Pension increases	4.5%
Increases to benefits in deferment	2.5%

SCHEME ASSETS

The expected long term rate of return of the assets of the defined benefit plans at 31st December, 2001 were:

Equities	7.5%
Bonds	5.75%
Property	5.0%
Other	3.0%

Notes to the Financial Statements

23. PENSIONS (continued)

The fair value of assets held by the group's defined benefit schemes at 31st December, 2001 was €1,243.6 million, broken down as follows:

	€million
Equities	887.7
Bonds	207.1
Property	119.3
Other	29.5
Total market value of schemes' assets	**1,243.6**
Present value of schemes liabilities	1,174.4
Overall surplus in schemes	**69.2**
Related deferred tax liability	-
Net pension asset	**69.2**

If the above amounts had been recognised in the accounts, the net assets and profit and loss reserve at 31st December, 2001 would be as follows

	€million
Net assets excluding pension asset	195.7
Pension asset	69.2
Net assets including pension asset	**264.9**
Profit and loss reserve excluding pension asset	(82.6)
Pension reserve	69.2
Profit and loss reserve including pension asset	**(13.4)**

24. CAPITAL COMMITMENTS

	2001 €000	2000 €000
Contracted for	186,122	196,053
Authorised by Board but not contracted for	63,141	45,497
	249,263	241,550

Capital grants totalling €99.1 million have been approved in respect of €104.5 million of the above expenditure (2000 - €157.8 million on €227.3 million).

Notes to the Financial Statements

25. CONTINGENT LIABILITIES

Pending Litigation

The group, from time to time, is party to various legal proceedings. It is the opinion of the Board that losses, if any, arising in connection with these matters will not be materially in excess of provisions in the financial statement.

Finance Leases

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

Letters of credit

Under lease agreements relating to railway rolling stock the company has certain obligations to the lessor which could arise in the event of early termination of the agreements. These obligations are covered by letters of credit which are indemnified by the company. No liability is expected to arise in respect of this indemnity

26. LEASE OBLIGATIONS

	2001 €000	2000 €000
(A) Finance Leases		
Net obligations under finance leases fall due as follows :		
Within one year *(note 15)*	4,599	4,445
Between one and five years	18,111	18,197
After five years	34,485	38,999
	52,596	57,196
Total	57,195	61,641

The Minister for Finance has fully guaranteed the above finance leases.

(B) Operating Leases

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

	On other than Land and Buildings €000
Within one year	3,323
Between one and five years	5,867
	9,190

Notes to the Financial Statements

27. RELATED PARTY TRANSACTIONS

(A) **The ownership of the company**
CIÉ is a statutory body set up under the Transport Act 1950.
The members of the Board are appointed by the Minister for Public Enterprise.

(B) **Provision of services to entities owned by the Irish Government**
The group provides rail and road transport services in the ordinary course of its business to Government departments and to entities controlled by the Irish Government, the principal of these being the Departments of Education and Social Welfare , Coillte, Aer Lingus and An Post. Revenue from these services amounted to €94.6 million in 2001 and amounts due from these entities to the group at 31st December, 2001 for these services totalled €6.8 million.

(C) **Purchase of services from entities owned by the Irish Government**
In the ordinary course of its business the group purchases services from entities controlled by the Irish Government, the principal of these being Aer Lingus, the ESB and Great Southern Hotels. Expenditure on these services amounted to €10.8 million in 2001 and amounts due to these entities by the group at 31st December, 2001 for these services totalled €0.3 million.

(D) In the ordinary course of its business the group has a finance lease for equipment with ACC Bank plc.

28. GROUP MEMBERSHIP

Name		Principal activity
Holding Company:		
Córas Iompair Éireann		- Public transport services

Subsidiary Companies (all wholly owned)

Iarnród Éireann	- Irish Rail	- Public rail (passenger and freight) and road freight services
Bus Éireann	- Irish Bus	- Public bus passenger services
Bus Átha Cliath	- Dublin Bus	- Public bus passenger services
CIE Tours International Incorporated		- Tours
Dubel Limited.		- Catering services

Iarnród Éireann - Irish Rail, Bus Éireann - Irish Bus and Bus Átha Cliath - Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Acts 1963 - 2001, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act 1986. All of the group's interests in the subsidiary companies consist of ordinary share capital.

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

Notes to the Financial Statements

28. GROUP MEMBERSHIP (continued)

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

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

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

29. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 5th June, 2002.

PHOTOGRAPHERS : NEIL WARNER : JONATHAN MC DONNELL **DESIGN** : CREATIVE INPUTS

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