Annual Report & Financial Statements **2011**

Connecting Communities

Iarnród Éireann

PRN. A12/0343

Contents

Iarnród Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2007-2013 as well as co-funding by the European Union.

NDP National Development Plan Transforming Ireland

Operations Review

Overview

2011 was another challenging year for Iarnród Éireann.

Passenger revenues fell as a result of reduced InterCity passenger journeys and subvention for Public Service Obligation services was reduced by €6.45m or 4.2% during 2011. Fuel costs rose by €1.58m or 5.8%.

However, the DART business was helped by an increasing number of entertainment and sporting events held in Dublin City and Iarnród Éireann's Rail Freight business was boosted by the introduction of new liner trains from Ballina to Dublin Port for the freight forwarders IWT.

The Rosslare Europort business was also affected by the continuing economic deterioration but still contributed a profit of €1.695m in 2011.

The welcome retention of the Railway Safety & Renewals Programme at a value of €119m for 2011, compared to €108m in 2010, has ensured that vital asset renewal works, as well as beneficial staff training programmes, continue to uphold the excellent passenger safety record in Iarnród Éireann. At the same time, the capital programme was cut by €142m to €133m , leaving many longer term investment opportunities on hold.

2011 was again a time for proactive cost reduction schemes and implementation of efficiency measures. However, despite all the improvements in efficiency, overall losses continue to accumulate and more cost cutting measures will have to be taken in 2012. In parallel to this, there is a renewed emphasis on maximising revenue and promoting the message of sustainable transport. A new Commercial Director position was created and an appointment made to the post to support these goals.

In the meantime, Iarnród Éireann front line staff have continued to provide a very professional service to the public and the train service performance record has been excellent despite the financial constraints on the business.

Iarnród Éireann's safety record remains consistently good in terms of passenger safety.

The outlook for the future of Iarnród Éireann remains cautiously optimistic in the longer term but is dependent on the business successfully implementing its 5-year plan for the recovery of financial stability.

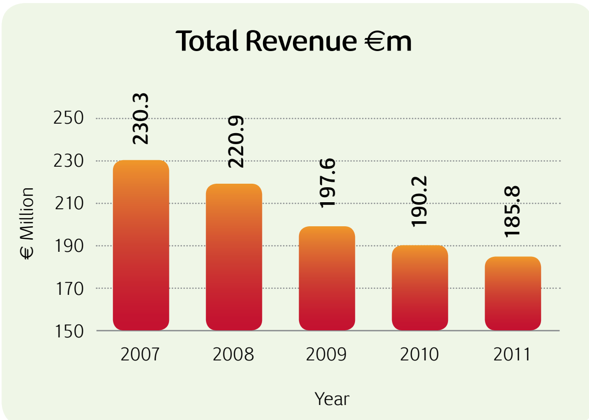
Finance

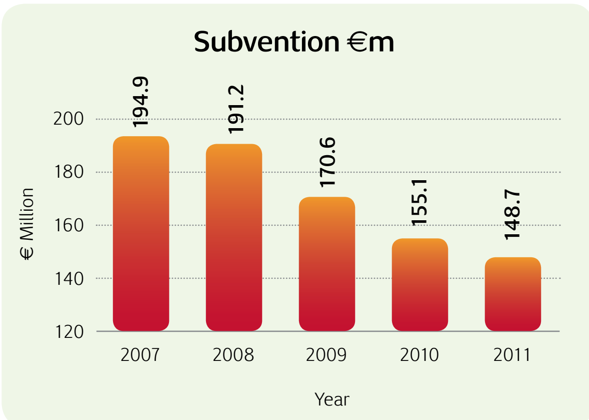
Financial result 2011

The final year end results for passenger revenue saw the DART business 1.5% above budget for 2011, but 1.5% below the total for 2010. The InterCity and Commuter business revenue for the year was 0.6% above budget, but 4.2% below 2010. However revenue in periods 12 and 13 in 2010 was inflated by the severe weather last year which increased rail volumes significantly due to treacherous road conditions. Overall in 2011 total passenger journeys were circa 2.1% below 2010.

The overall net loss for 2011 was in line with the final forecast at €18.8m (before exceptional items) and €21.9m after exceptional items were taken into account.

The charts in Figure 1 below for the 5-year period 2007 to 2011 clearly show how the income reductions from revenue and subvention have been tackled with the headcount and cost reduction programmes.





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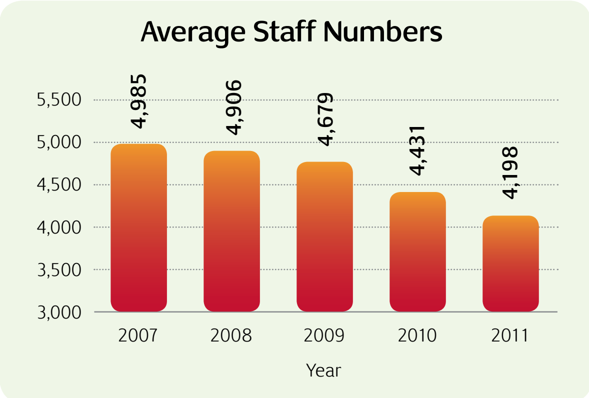


Fares Increases

In February 2011, the National Transport Authority (NTA) authorised Iarnród Éireann to increase all its DART and Commuter fares and those InterCity fares where the single fare for the journey was €25 or less by 3% and this was implemented from 1st March, 2011. TaxSaver monthly and annual season tickets were increased by 3% from 1st May, 2011.

Whilst a national fares increase for implementation in January 2012 was approved by the NTA on 9th December 2011, this increase coincided with the introduction of a new simpler fares policy for InterCity journeys and involved some InterCity single fare reductions alongside the general increases.

Passenger sales promotions

A number of targeted passenger sales promotions have been held in an effort to increase passenger revenue across the InterCity, Commuter and DART business sectors.

The TaxSaver business continued to grow in 2011 with total sales reaching €24.5m an increase of €2.8m. Promotions were held on site at existing client companies throughout 2011 to highlight the value for money message to employees. A direct mail campaign targeting companies not in the TaxSaver scheme was undertaken and that proved to be very successful. A marketing campaign took place in December prior to the budget with a strong emphasis on the tax savings that could be made by purchasing a TaxSaver ticket. The combination of the direct mail and marketing campaign led to 241 additional companies purchasing TaxSaver cards for their staff in 2011. Iarnród Éireann will continue to focus its marketing and sales effort on this product in 2012.

A family ticket promotion during Easter 2011 doubled the number of family tickets sold over the Easter holiday with revenue increasing from €103k in 2010 to €210k in 2011.

Summer sales promotions supported by the Irish tourism agencies and focussed on stay-at-home holiday makers yielded a 28% increase, or €836k, over 2010 figures, and €690k for family tickets.

European obligations relating to access to railway infrastructure

The European Communities (Railways Infrastructure) Regulations 2010 provides for a separation of accounts as required under the European Communities Directives 91/440/EC and 2001/14/EC, as amended.

Iarnród Éireann is required to keep and publish, annually, separate profit and loss accounts and balance sheets, on the one hand for business relating to the provision of rail transport services, and, on the other, for business relating to the management and maintenance of the railway infrastructure. The accounts of Iarnród Éireann shall be maintained so as to reflect the prohibition on State aid granted for the provision of transport services by the railway undertaking transferred for use in the management of the railway infrastructure.

Iarnród Éireann is also required to keep and publish, annually, separate profit and loss accounts and, either, balance sheets or statements of assets and liabilities in respect of the provision of rail freight-transport services. The accounts of Iarnród Éireann shall show separately the funds paid for activities relating to the provision of passenger-transport services as public service remits and the accounts shall reflect the prohibition on such funds being transferred for use in activities relating to the provision of other transport services or any other business.

Profit and loss accounts are detailed in Note 2 to the Accounts and the unaudited balance sheet extracts are as outlined on next page.

Iarnród Éireann – Irish Rail
Balance Sheet extract – unaudited

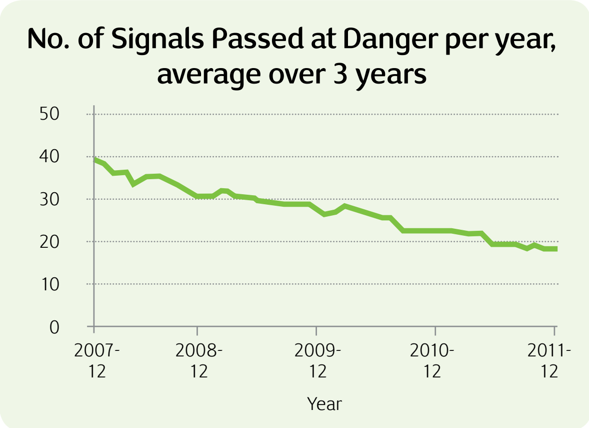
All figures are expressed in €000's

	Total		Operations		Infrastructure		Rail Freight		Other activities	
	2011 €000	2010 €000	**2011 €000**	2010 €000	**2011 €000**	2010 €000	**2011 €000**	2010 €000	**2011 €000**	2010 €000
Fixed Assets										
Tengible Assets										
Assets at Cost	**3,146,326**	2,898,662	**1,729,906**	1,674,708	**1,323,935**	1,132,365	**21,000**	20,661	**71,485**	70,928
Accumulated Depreciation	**(1,279,827)**	(1,112,216)	**(749,001)**	(630,764)	**(477,479)**	(429,297)	**(20,404)**	(20,437)	**(32,943)**	(31,718)
	1,866,499	1,786,446	**980,905**	1,043,944	**846,456**	703,068	**596**	224	**38,542**	39,210
Financial Assets	**20**	20	**–**	–	**–**	–	**–**	–	**20**	20
	1,866,519	1,786,466	**980,905**	1,043,944	**846,456**	703,068	**596**	224	**38,562**	39,230
Current Assets										
Stocks	**49,941**	40,981	**34,546**	28,250	**15,327**	12,661	**–**	–	**68**	70
Debtors	**20,665**	30,225	**14,367**	11,463	**3,385**	16,060	**693**	1,431	**2,220**	1,271
Inter-company balance	**22,774**	57,892	**–**	–	**–**	–	**–**	–	**22,774**	57,892
Cash at bank and in hand	**313**	320	**313**	320	**–**	–	**–**	–	**–**	–
	93,693	129,419	**49,226**	40,033	**18,712**	28,721	**693**	1,431	**25,062**	59,233
Creditors: (amounts falling due within one year)										
Overdraft	**410**	4,252	**1,337**	1,409	**570**	564	**–**	–	**(1,497)**	2,278
Finance lease	**4,382**	4,092	**4,382**	4,092	**–**	–	**–**	–	**–**	–
Deferred Income	**135,526**	125,292	**100,570**	95,858	**34,646**	29,122	**–**	–	**310**	313
Other Creditors	**148,229**	149,640	**79,667**	66,852	**57,638**	60,338	**140**	360	**10,784**	22,090
	288,547	283,276	**185,956**	168,211	**92,854**	90,024	**140**	360	**9,597**	24,681
Net Current Liabillities	**(194,854)**	(153,857)	**(136,730)**	(128,178)	**(74,142)**	(61,303)	**553**	1,072	**15,465**	34,552
Total Assets less Current Liabilities	**1,671,665**	1,632,609	**844,175**	915,766	**772,314**	641,764	**1,149**	1,296	**54,027**	73,783
Creditors: (amounts failing due after more then one year)	**11,917**	16,165	**11,917**	16,165	**–**	–	**–**	–	**-**	–
Provisions for Liabilities and Charges	**56,271**	55,730	**48,064**	48,058	**7,327**	7,258	**–**	64	**880**	351
Deferred Income	**1,503,224**	1,438,602	**773,379**	840,146	**719,920**	588,207	**–**	–	**9,925**	10,249
	100,253	122,112	**10,815**	11,397	**45,067**	46,300	**1,149**	1,231	**43,222**	63,183
Financed By										
Capital and Reserves										
Called up Share Capital	**194,270**	194,270							**194,270**	194,270
Profit and Loss Account	**(94,017)**	(72,158)							**(94,017)**	(72,158)
Shareholders' Fund	**100,253**	122,112							**100,253**	122,112

Safety

Safety Performance

The charts below show the three year trends on key railway safety performance indicators.



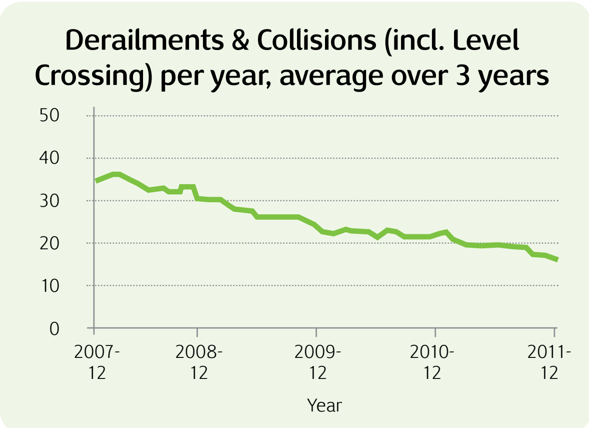


Figure 2 Safety 3 year average trend lines.

The reduction in signals passed at danger has been brought about by a series of targeted measures including; improved driver training and competence management, safety briefings, focus groups, awards for clean driver records, downloading of data recordings from trains to analyse driving technique and use of a driver simulator for training.

The number of derailments and collisions has also reduced, along with incidents at level crossings

However, increased vigilance at user-worked crossings and, where possible the prosecution of those regularly misusing the crossings, is now the focus of the action plan to reduce this risk, particularly now that a programme of upgrading and re-signing of these high risk crossings is nearly completed. A number of prosecutions are pending.

To help raise awareness of the serious and potentially fatal consequences of misuse of railway level crossings by road users, Iarnród Éireann held special presentations at the National Ploughing Championships 2011 event. The presentations were aimed particularly at the use of rural level crossings by farmers, other agricultural workers and their families.

Railway Safety & Investment Programme

The Railway Safety Capital Investment Programme continues to strengthen network safety in Iarnród Éireann and the 2011 programme concentrated on the replacement of sub-standard assets and the improvement of safety related work practices.

Exchequer funding of €119m was claimed in 2011 as part of the Railway Safety Programme. The major renewal works completed included:

- 12 miles of new track renewal and 9 miles of second hand track renewal
- 18 miles of under track excavation and formation renewal, 95 miles tamping and 380 miles ballasting
- 95 track joints and 142 point ends renewed
- 28 cutting and embankment projects completed
- 46 miles fencing replaced
- 50 bridges and 24 level crossings upgraded
- 6 accommodation level crossings closed and 10 other closures underway
- 5 Automatic Half Barrier level crossings upgraded to CCTV monitored crossings

In addition extensive technical investigations were completed including scouring, cuttings and embankment investigations, aerial surveys and development of structures standards. A new tamper, a new ballast cleaner and new ballast wagons were commissioned. A contract was awarded for the development of an Automatic Train Protection System for commuter trains in the Dublin area. Significant enhancements of competency assessment in Infrastructure were also implemented.

Mid Term Review

A mid-term review of the 2009 – 2013 report was undertaken by Iarnród Éireann. The review took account of progress to date, risk model output and revised asset ratings, arising principally from the Malahide incident and subsequent detailed inspections. The review recommended completion of the 5 year programme and a rebalancing of expenditure to permit additional spending on structures and safety critical buildings for 2012 and 2013.

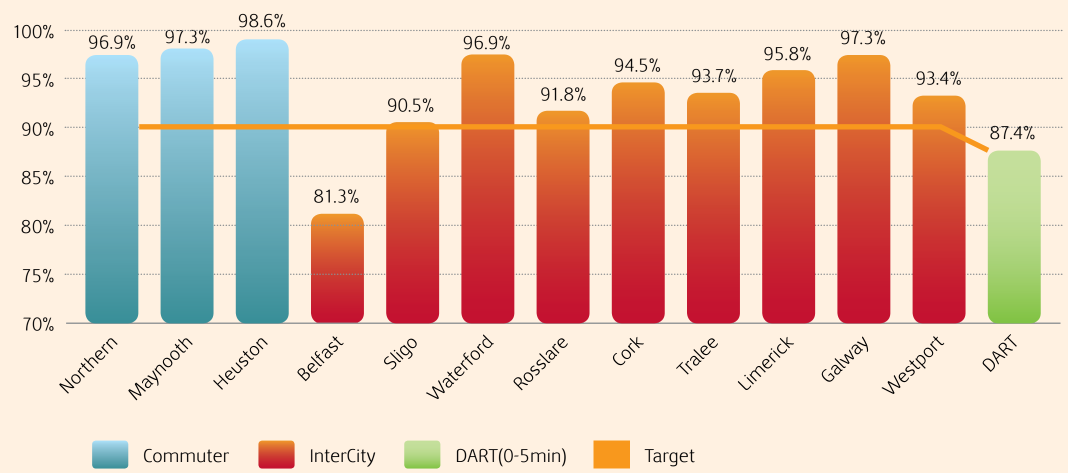
Passenger Operations

Operating Performance

2011 was a very good year overall for passenger train service punctuality and reliability. The results are set out by line of route below and show that, over the year as a whole, all Iarnród Éireann's DART, commuter and InterCity routes within the state achieved and exceeded the targets set by the National Transport Authority in the Public Service Contract with Iarnród Éireann.

The exception to this was the cross border route which did not achieve the 90% 0-10 minutes punctuality target in 2011. Actions, including daily and weekly cross border train service performance reviews via telephone conferencing with NIR management, have commenced in a determined effort to restore punctuality to the Enterprise service in 2012.

Figure 1. Operating Performance



Dodder Bridge – Lansdowne Road

Flood scour damage to the rail bridge over the River Dodder at Lansdowne Road DART station, caused by exceptionally high rainfall and local flooding, resulted in the immediate closure of the bridge to rail services after an inspection by IÉ commissioned divers on 27th October, as part of the new standard inspections after flooding which are now carried out following the Malahide Viaduct inquiry recommendations.

DART services were restored several days ahead of expectations on Tuesday 8th November, after a programme of pier foundation strengthening works were carried out and approved by the Railway Safety Commissioner. An electronic monitoring system has also been installed on the bridge, similar to that installed at Malahide, to detect any further movement to the structure.

Customer service improvements

The LEAPCARD, Dublin's integrated ticketing e-purse smartcard system was introduced for journeys on Iarnród Éireann's DART and Commuter services, along with Dublin Bus and Luas services, in December 2011. The area over which the ITS smartcard is valid includes all Dublin Bus routes, all Luas lines, and Iarnród Éireann's DART and Commuter services over the 'short hop zone', which is the area bounded by Balbriggan to the north, Maynooth and Hazelhatch to the west and Greystones/Kilcoole to the south.

WiFi has been installed successfully on the Dublin-Cork InterCity trains and is now being rolled out to all other Iarnród Éireann Intercity railcars and to the DART and Commuter fleets, thus ensuring that WiFi connectivity will be available for customers on all Iarnród Éireann's train services within the state.

Discussions are ongoing with NIR with regard to WiFi on cross-border Enterprise train services.

In 2011, Iarnród Éireann introduced the 'PayByText' mobile phone payment system for all station car parks, to provide greater customer convenience and to reduce the dependence on cash-based pay and display ticket machines.

Current Investment Projects

51 New Railcars

The deliveries of a further 57 Intercity railcar vehicles, (19 x 3-car units) commenced in May 2011 and the first vehicles will be commissioned for use in early 2012.

The programme for the deployment of these new trains includes:

- deployment on outer-suburban commuter services from Longford and Dundalk, to improve speed and quality for longer distance commuters and to enable redeployment of class 29000 commuter railcars to improve inner suburban peak frequency and capacity where required.
- targeted deployment on InterCity routes to increase peak frequency by the introduction of limited stop quicker journey time services to recoup InterCity revenue

City Centre Re-Signalling – Implementation Phase 1

The City Centre Resignalling Project is underway to upgrade the original DART signalling system. This is phase 1 of a three phase project that will, on completion of phase 3, replace the existing life expired wayside signalling equipment and provide a signalling system capable of delivering an operational head way of up to 20 trains per hour on green aspect signals north of Connolly. Phase 1A, Howth to Howth Junction area, will be commissioned in early 2012. Completion of this Phase will improve the headways between Malahide and Killester and increase the flexibility of train movements over Howth Junction. Phase 1B, Killester to Connolly in mid 2012, will increase the headway through Killester and to North Strand outside Connolly, and will facilitate an interface to a future DART Underground project at East Wall.

Central Traffic Control (CTC) Development – Phase 1- Design

The outline design for a new Central Traffic Control facility was completed in October, 2011. The existing CTC facility in Connolly is inadequate to cater for current demands and this has resulted in increasing operational inefficiencies, as the colour light re-signalled area has significantly extended in recent years. The development of a new CTC is essential to address these shortcomings. It is also a prerequisite to fully implement many of the major projects in the GDA, including; City Centre re-signalling, Maynooth line re-signalling and electrification, Northern line re-signalling and electrification, and DART Underground.

Phase 1 is to develop a new CTC at the disused Loco Shed off Lower Oriel Street. It is intended to maintain the existing CTC fully operational until the new centre is in service at which point the existing CTC will become the main contingency back-up for the network.

The NTA subsequently requested a review of the project scope and site selection for the new CTC and have engaged their own consultants to assess the work completed to date. Work on the project has now paused and additional funding will be required to restart the project in 2012 following the review.

Future Investment Projects

Journey Time Improvement Project

An internal project Group examining the scope and feasibility of line speed improvements and InterCity journey time reductions, with the existing infrastructure and rolling stock, has concluded that journey time reductions of circa 25 minutes on the Dublin-Cork route and up to 33 minutes on the Galway line could be achieved by increasing line speeds to 160kph whenever possible if works are undertaken at various locations where the line speed is currently restricted. This would reduce the fastest Dublin-Cork time to just 2 hours 5 minutes and the fastest Dublin-Galway journey to less than 2 hours

The project is critical to the further development and competitiveness of Iarnród Éireann's InterCity passenger business.

DART Underground

An Bord Pleanála granted the Railway Order on 14th December 2011. However, Iarnród Éireann was advised in advance of this that the DART Underground Project was to be put on hold due to a lack of funds. Two parties have sought a Judicial Review of the Railway Order. Both parties argue that the Railway Order is null and void on the basis that their land is blighted and there is no funding for the project.

Following close out of all statutory notifications and requirements the project will formally close although Iarnród Éireann will continue addressing 3rd party inquiries and planning applications so as to protect the route and Railway Order.

DART to Airport

Iarnród Éireann commissioned work on the business case for and cost benefit analysis of the scheme to extend the DART from Clongriffin station to Dublin Airport across undeveloped lands. The work was undertaken for Iarnród Éireann by AECOM/Goodbody and their final report has now been received and submitted to both the Department of Transport, Tourism and Sport and the National Transport Authority.

The results show an excellent Net Present Value of over €1bn for the low cost DART Airport scheme (7.5 kms) with an Internal Rate of Return of 22.25%. The total scheme cost would be circa €200m and it has been assessed that, within 15 years, 9.4 million passengers per annum would use the DART extension to the airport, which is nearly 60% of the entire current DART annual usage. In the longer term it would be possible to extend electrified InterCity services from the provincial cities through to the airport via DART underground in line with the objectives of TEN-T for core EU airports.

While this project has not been identified for priority funding under the Government's framework (2012-16) it is essential that the next phase of work is undertaken with the Dublin Airport Authority to identify a preferred alignment for preservation in the context of the Airport Master Plan and to establish how this could contribute to public transport access for the Swords area. There is also a need to investigate the potential for alternative funding for this project in the context of a possible TEN-T contribution and private sector involvement.

Rail Freight Development

In 2011 the principal rail freight traffic flows were:

- Zinc ore from Tara Mines to Dublin Port (up to 4 train loads daily)
- Timber from Co. Mayo to Waterford Pulp Mill (up to 4 train loads per week)
- Container trains from Ballina to Dublin Port and Waterford Port (up to 9 trains per week)

A further boost to the recovering freight business was received during July when an extension of the spur to Dublin Port was opened.

The expansion of the rail spur follows a €1.5 million investment made by Dublin Port Company. The spur is 1.6 kilometres long, and the project took six months to complete.

The new rail spur facilitates access for rail freight to ship side at the Ocean Pier, eliminating the need for loading and unloading on Alexandra Road, and will improve the competitiveness of rail freight to/from Dublin Port.

Strategic Planning

2011 Strategy

During 2011, a long term strategy study was commissioned by Iarnród Éireann and carried out by AECOM/Goodbody. Whilst many of the messages are concerned with longer term strategies such are DART Underground, Maynooth and Northern line electrification etc., other of the findings of the study, such as the need for journey time improvements and the focus on City hubs, are implementable in the short to medium term and are being rolled out from 2012 onwards.

EU regulatory compliance

During 2011, a special project team was set up to identify and recommend to the Iarnród Éireann Board, an appropriate structure for the management of Iarnród Éireann's railway business, to achieve compliance with the relevant EU Directives on the lapse of the derogation to Ireland in March 2013.

Overview of Energy Usage in 2011

The energy consumption profile of Iarnród Éireann is represented in the table below:

Energy Consumption Profile – Iarnród Éireann (MWh) (all figures rounded to '00)				
Year	2008	2009	2010	2011
Diesel oil for traction	598,600	480,100	465,900	468,300
Electricity for traction	35,400	26,800	26,700	25,000
Electricity for other	31,000	40,000	39,000	40,000
Gas	18,800	18,500	16,300	10,800
Total	683,800	565,400	547,900	544,100
	100%	83%	80%	80%

Notes 2010 to 2011 (on above table)

Note 1

This includes a percentage mix of RME/FAME as dosed by the importer; average dosing rate since Jul 2009 was 1.1%. Fuel usage is primarily driven by the schedule and the vehicle type.The Freight business expanded by 12 M km Tonnes (13%) in 2011. Fifty one new vehicles were being run outside of scheduled service in 2011 as part of their commissioning prior to entering service in 2012. Several "links" were changed to reduce empty runs and / or waiting time. Automatic shut-down of auxiliary engines on the 2900 DMU fleet implemented.

Note 2

Train sizes were reduced off-peak to match reduced customer demand. This reduction will be sustained until the passenger numbers pick up to the original level.

Note 3

The number of metering points increased slightly from 571 in Jan 2011 to 574 in December 2011,

Note 4

Gains from improved control systems for heating, which were offset in 2010 by the very cold winters of 2009/2010 and 2010/2011, have now come to fruition, coupled to improved monitoring and control.

Actions Undertaken in 2011

In 2011 Iarnród Éireann continued its energy conservation work on several levels:

Diesel fuel for traction

- Initiated a test programme on a product to verify a process that claims to reduce fuel consumption in diesel reciprocating engines. The measurement equipment has been purchased and fitted to 4 rail vehicles (Commuter DMU's). This equipment was to be commissioned in early 2011, but unforeseen technical difficulties delayed it for 12 months. The system is now functioning and baseline measurements are being recorded. The test will take place over a 7 month period. Results will be assessed to inform decision on future action. Potential saving of 25,000 MWh per annum

- Automatic shut-down / Re-start of locomotive engines. A proprietary system has been sourced and a contract agreement is being finalised.
- Auto shut-down of auxiliary engines in Commuter DMUs 2900 type. Savings of 4,500 MWh per annum are being achieved.

Lighting in car parks

- A programme of replacing discharge lighting with Induction Fluorescent lighting was undertaken in 22 car parks. These lights are automatically switched using occupancy sensors. Savings in excess of 250 MWh per annum are being achieved.

Gas consumption

- Improved controls, both automatic and manual.
- Savings of 5,500 MWh per annum achieved in 2011.

Actions Planned for 2012

In 2012 Iarnród Éireann intends to further improve our energy performance by undertaking the following initiatives:

Diesel fuel for traction

- Product to improve performance of diesel reciprocating engines. A fuel additive test programme will be implemented and concluded. Subject to satisfactory test results, the implementation programme will commence with potential saving of 25,000 MWh per annum.
- Auto shut-down / Re-start for Locomotives: Subject to contract, the implementation programme will commence in 2012 with potential saving of 6,000 MWh per annum.

Lighting

- Implement new T8 tube in “Switch Start” fittings throughout the organisation with potential saving in a full year of 70 MWh.

Heating control

- Implement temperature control programming of buildings to reduce the need for additional “Plug-in heaters”. Also implement temperature control programming of “Plug-in heaters” where they are required. Potential saving in a full year of 200 MWh.

Directors and Other Information

Board of Directors

Directors at 26th October 2012

Chairman
Mr. P. Gaffney.

Directors
Ms. L. Baker,
Ms. P. Golden,
Mr. P. McGarry,
Mr. J. Moloney,
Mr. J. Nix.

Chief Executive
Mr. A. R. Fearn.

Secretary
Ms. G. Finucane.

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Registered Number
119571

Auditors
PricewaterhouseCoopers,
Chartered Accountants and Registered Auditors,
One Spencer Dock, North Wall Quay, Dublin 1.

Phil Gaffney

Phil Gaffney was appointed as Chairman of Iarnród Éireann and CIÉ Board Member in June, 2011, having previously served as a Director of Iarnród Éireann since 2006. Mr Gaffney is a railway signalling engineer by profession. Before retiring in December 2005, Phil had spent 28 years with Hong Kong MTR. During that time his positions included Chief Engineer, Operations Director and Managing Director. He is Chairman of the CIÉ Board Safety Committee. He is also a member of London's Crossrail Board and of the Crossrail Health & Safety Committee.

Laetitia Baker

Laetitia Baker is the Principle in the firm of MacCarthy Baker and Company Solicitors and a Council Member of the Law Society. She is involved in community life in west Cork and has held senior positions in Skibbereeen UDC, Bantry Town Council and is a former Chairman of Bantry Harbour Board. She has also been a Director of Cork Kerry Tourism, a member of the RTÉ Authority, a Director of Bantry Credit Union and is a former National President of Junior Chamber Ireland.

Patricia Golden

Patricia Golden was appointed to the Iarnród Éireann Board in July, 2012. She is a Chartered Accountant with over 25 years senior management experience across a broad range of companies. She is currently a Finance & Corporate Governance Consultant providing strategic expertise in the areas of Project Management, Corporate Affairs and System Development working with clients in the Public Sector, Private Sector and Multinational sector. She has previously served as Head of Finance and Corporate Services with Sustainable Energy Authority of Ireland and Science Foundation Ireland.

Paul McGarry

Paul Mc Garry is a senior counsel specialising in commercial, public, and EU law. He spent 10 years as an elected member of the General Council of the Bar of Ireland and chaired a number of its committees. He was formerly employed as an official with the European Commission, and is currently a member of the Superior Courts Rules Committee and a permanent delegate for Ireland to the Council of European Bars.

John Moloney

John Moloney was appointed to the Board in December 2005 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. John joined Bus Éireann in 1978 and works in Capwell Garage in Cork as a bus driver. He is a member of the NBRU.

James Nix

James Nix was appointed to the Board of Iarnród Éireann in July, 2012. Mr Nix is a barrister who works for the European Climate Foundation on law reform to deliver better transport policies and practices. He previously served as co-ordinator for Transport and Planning Policy at the Irish Environmental Network,

Report of Directors

The Directors present their annual report in accordance with their obligations under the Companies Acts and the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. The accounts of the Company and the related notes which form part of the accounts, and are included in this report, have been prepared in accordance with accounting standards generally accepted in Ireland.

Principal Activities and Financial Review

The principal activities of the Company are the provision of Intercity and Commuter Rail passenger services, freight services and the management of Rosslare Europort. Córas Iompair Éireann, a statutory body wholly owned by the Government of Ireland and reporting to the Minister for Transport, holds 100% of the issued share capital of the Company.

The Company recorded a deficit of €18.8m before a charge for an exceptional item of €3.1 for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €21.9m The total amount of subvention in 2011 was €148.7m which is €6.4m lower than in 2010 and €21.9m lower than in 2009. The Directors are pleased to report that the targets agreed annually between the Company and the NTA were met in full.

The Company continues to regularly monitor its performance through a range of key operating and financial performance indicators. These reviews by management and the Directors include the strong focus on cost savings introduced a number of years ago which has successfully reduced the cost base, improved the quality and efficiency of its services for all customers. A detailed review of the Company's activity for the year is contained in the Operations Review.

Results and Reserves

The financial statements for the year ended 31st December, 2011 are set out in detail on pages 22 to 51.

Risk Management

The Company is committed to managing risk in a systematic and disciplined manner. Through an enterprise wide risk management process, the key risks facing the Company are identified and action plans to mitigate the risks are developed. The safety of the railway remains a top priority for the Company and this is reflected in the risk register. The most serious risks include; major operational incidents, acts of terrorism, loss of operational communications and persistent failure to meet customers and other stakeholders expectations.

The Board

The Company is controlled through its Board of Directors. The Board's main roles are to approve the Company's strategic objectives and to review the operation of the Company against a series of key performance indicators. The Board, which meets at least nine times per year, has a schedule of matters reserved for its approval.

Code of Practice for the Governance of State Bodies

Maintaining high standards of corporate governance continues to be a priority of the Directors of Iarnród Éireann. The Board has developed its corporate governance policy so as to give effect to the Code of Practice for the Governance of State Bodies issued by the Department of Finance.

Details of the policies and procedures implemented by the Company following publication of the Code of Practice for the Governance of State Bodies are set out in the annual report of the Córas Iompair Éireann Group.

Drugs and Alcohol Policy

In line with the Railway Safety Act (2005), Iarnród Éireann has made further positive incremental adjustments to our agreed Drugs and Alcohol Policy. Changes which were agreed through consultative process with our staff and trade unions ensure compliance with legislative requirements, whilst simultaneously enabling steady cultural change.

An improved testing regime was successfully implemented in spring 2010 which supports a robust safety management system within the organisation through its random approach to testing. Since March 2010 a total of 300 individuals have been tested on a random, unannounced basis.

Further improvements were made to the overall testing process during 2011. A Mobile Testing Unit was deployed. This development enables the inclusion of remote, out-door workers such as Track workers or level-Crossing Keepers in random unannounced test processes.

In addition new Point-Of-Care Test Kits were introduced. These kits enable on-the-scene analysis of urine samples during Post-Incident or For-Cause Testing. This ultimately removes the requirement for individuals to be stood down from safety critical roles pending laboratory analysis and the confirmation and return of results, thereby yielding greater cost efficiencies.

Performance Management

Iarnród Éireann's Performance Management System was formally reintroduced by the Chief Executive Officer during the first meeting of the Executive Conference Group in January 2012. The broad objectives of the reintroduction of the Performance Management System are as follows:

- To align the Performance Management System with the delivery of corporate objectives
- To distil corporate objectives into departmental objectives and tailor supporting Individual Performance Plans
- To establish a formal link between personal development and participation in the Performance Management System
- To embed the practice of appraisal and formal review
- To define and enable succession planning

Industrial Relations Issues

2011 has proven to be another very difficult year for Iarnród Éireann in terms of the financial constraints upon us. As with all businesses, labour costs make up a significant portion of our operating costs and a variety of initiatives have been progressed in order to make inroads into this payroll bill. One particularly successful focus has been the continued reduction of staff numbers across the year, from 4254 to 4129, a reduction of 125. While perhaps a more modest reduction than previous years, it remains significant when one considers the rapidly reducing ratio of staff to service level offering. It is additionally significant when one reflects on the more limited opportunities that currently exist to advance new technologies and when one considers that a very stable industrial relations climate has prevailed across the year.

Employee Engagement

Despite the negative economic context that prevails, 2011 was a progressive year for Iarnród Éireann in terms of positive initiatives and experiences around employee engagement. One such very positive initiative was the introduction of a very progressive Employee Handbook. The publication provides our colleagues with valuable and practical information on policies/procedures, statutory entitlements and work life balance initiatives. Additionally provided is a comprehensive overview of the various functions within the organisation. It is a valuable source of information for all employees.

Internal Control

The Board of Iarnród Éireann has appointed an Audit Review Group to review; the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. The Board has also appointed an Engineering Advisory Group to monitor infrastructure renewal, project manage large infrastructure, Signaling, Electrical and Telecoms projects and performance. The Safety Advisory Group assists the Board in monitoring these key business areas. More detail on the Company's internal control system is set out in the annual report of the Córas Iompair Éireann Group.

Information

Regular reports and papers are circulated to the Directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the Directors from time to time.

The non-executive Directors receive periodic management accounts and regular management reports and information which enables them to scrutinise the Company's and management's performance against agreed objectives.

Going Concern

The Board of Directors is satisfied that while a number of uncertainties exist, that the Company will have 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. Note 1 "Going Concern" addresses those uncertainties and summarises the Directors' conclusions in relation to going concern.

Books of Account

The board directors are satisfied that the company 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.

Railway Safety Act 2005

Iarnród Éireann continues to operate in compliance with the Railway Safety Act 2005.

Late Payment in Commercial Transactions Regulations 2002

The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the Late Payment in Commercial Transactions Regulations 2002. Procedures have been implemented to identify the dates upon which all 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 regulations.

Directors

The Directors of the Company are appointed by the Minister for Transport. The names of persons who were Directors during the year ended 31st December, 2011 or who have since been appointed are set out below. Except where indicated they served as Directors for the entire year.

Phil Gaffney (Chairman)
Appointed as Chairman 29/6/2011

Dr. John Lynch (ex Chairman)
Reappointed 29/3/2011, retired 28/6/2011

Laetitia Baker

Mick Cullen
Retired 4/10/12

Michael Giblin
Retired 17/5/12

Patricia Golden
Appointed 30/7/12

Paul McGarry
Appointed 8/3/11

John Moloney

James Nix
Appointed 30/7/12

Cliff Perry
Retired 17/5/12

Dearbhalla Smyth
Retired 17/5/12

Board director's attendance at Board meetings during 2011

Director	Iarnród Éireann Board Attendance Log
Phil Gaffney	9/9
John Lynch	5/5
Laetitia Baker	7/9
Mick Cullen	9/9
Michael Giblin	8/9
Paul McGarry	5/7
John Moloney	7/9
Cliff Perry	9/9
Dearbhalla Smyth	9/9

None of the Directors held any interest or any shares or debentures of the Company, its Holding Company or its fellow subsidiaries at any time during the year. There were no material contracts or arrangements entered into during the year in which a Director was interested in relation to the Group's business. The Company Secretary holds one ordinary share as nominee of the Board of Córas Iompair Éireann.

Company Secretary

The Company Secretary is a full time employee of the Company's parent Company, Córas Iompair Éireann. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the Directors.

Auditors

The auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office in accordance with section 160(2) of the Companies Act, 1963.

On behalf of the Board

Mr. Phil Gaffney	Chairmen
Ms. Laetitia Baker	Director

26th October, 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 2012. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Iarnród Éireann's Performance Management System was formally reintroduced by the Chief Executive Officer during the first meeting of the Executive Conference Group in January 2012.

Report of the Auditors

Independent auditors' report to the members of Iarnród Éireann – Irish Rail

We have audited the financial statements of Iarnród Éireann for the year ended 31 December 2011 which comprises the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 22 to 24.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 18.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2012. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

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

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors report and Operations Review. We 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements;

- give a true and fair view of the state of the Company's affairs as at 31 December, 2011; and
- of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2012.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the report of the Directors on pages 14 to 17 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 27, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December, 2011, a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern.

The Company incurred a net loss of €21.9 million during the year ended 31 December 2011 and, at that date, the Company had net assets of €100.3 million and net current liabilities of €194.9m.

As set out in Note 1 of these financial statements, management's current projections show that the Company will incur further deficits in the period 2012 to 2015 with a return to profitability expected in 2016. The resultant cash deficits will result in a requirement for additional funding from the CIÉ Group. Note 1 in the CIÉ Group accounts indicates that CIÉ is in discussions with its bankers in relation to the renewal of its existing bank facilities which are due for renewal at dates between January 2013 and October 2013, and are also in discussions with the Department of Transport, Tourism and Sport, the National Transport Authority, and the Group's Bankers' in respect of the additional funding which will be required. Those discussions have not been concluded at the date of approval of these financial statements.

These conditions, along with the other matters explained in Note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Company was unable to continue as a going concern.

Teresa Harrington
For and on behalf of PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

1st November 2012

Principal Accounting Policies

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

(A) Basis of Accounting

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2012. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historical cost convention.

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

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

(B) Revenue

Revenue comprises the gross value of services provided.

(C) Tangible Assets and Depreciation

(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 Company's 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 freight vehicles

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

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

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

(v) Land and buildings

Buildings are depreciated, by equal annual instalments, on the basis of historical cost spread over a fifty year life. The book value of land and buildings that are available for sale and likely to be disposed of in the next twelve months is included in current assets as appropriate.

(D) 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 within creditors. Finance charges are charged to the profit and loss account over the primary period of the lease.

(ii) Operating leases

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

(E) 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.

(F) 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 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 Directors, 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 as 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 profit and loss account on the same basis as the related assets are depreciated.

(iii) Revenue grants

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

(iv) Safety investment grants

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

(G) 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.

(H) Pensions

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

The capital cost of supplementary pension benefits is provided for and charged to the profit and loss account in the year that the enhanced benefits are granted.

(I) Railway Infrastructure Costs

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

In 2011 Iarnród Éireann continued its energy conservation work on several levels.

Profit and Loss Account

	Note	Total 2011 €000	Exceptional Operating Item 2011 €000	Continuing Operations before Exceptional Items 2011 €000	Total 2010 €000	Exceptional Operating Items 2010 €000	Continuing Operations before Exceptional Items 2010 €000
Revenue		185,802	–	185,802	190,185	–	190,185
Costs							
Payroll and related costs	*3*	(226,020)	(2,389)	(223,631)	(256,711)	(21,784)	(234,927)
Materials and services	*4*	(108,467)	(694)	(107,773)	(105,370)	-	(105,370)
Depreciation less amortisation of capital grants	*6*	(33,166)	-	(33,166)	(29,161)	-	(29,161)
Total operating costs		(367,653)	(3,083)	(364,570)	(391,242)	(21,784)	(369,458)
(Loss)/Profit on disposal of tangible assets	*7*	(130)	-	(130)	179	-	179
Deficit before interest and State grants		(181,981)	(3,083)	(178,898)	(200,878)	(21,784)	(179,094)
Interest payable							
- operational	*8*	(2,020)	-	(2,020)	(1,717)	-	(1,717)
- railway infrastructure	*8*	(1,139)	-	(1,139)	(951)	-	(951)
Total interest		(3,159)	-	(3,159)	(2,668)	-	(2,668)
Deficit for the year before State grants		(185,140)	(3,083)	(182,057)	(203,546)	(21,784)	(181,762)
State grants- Public Service Obligation	*9*	148,683	-	148,683	155,137	-	155,137
State grants-railway safety grant	*9*	14,598	-	14,598	12.378	-	12,378
Deficit for the year	*20*	(21,859)	(3,083)	(18,776)	(36,031)	(21,784)	(14,247)

All figures relate to the continuing activities of the Company.
There were no recognised gains or losses other than those included in the profit and loss account.

On behalf of the Board
Mr. Phil Gaffney Chairman
Ms. Laetitia Baker Director

Balance Sheet

As at 31st December	*Notes*	**2011 €000**	2010 €000
Fixed assets			
Tangible assets	*10*	**1,866,500**	1,786,445
Financial assets	*11*	**20**	20
		1,866,520	1,786,465
Current assets			
Stocks	*12*	**49,941**	40,981
Debtors	*13*	**43,439**	88,118
Cash floats		**313**	320
		93,693	129,419
Creditors (amounts falling due within one year)	*14*	**(288,548)**	(283,274)
Net current liabilities		**(194,855)**	(153,855)
Total assets less current liabilities		**1,671,665**	1,632,610
Creditors (amounts falling due after more than one year)	*15*	**(11,917)**	(16,165)
Provisions for liabilities and charges	*17*	**(56,271)**	(55,730)
Deferred income	*18*	**(1,503,224)**	(1,438,603)
		100,253	122,112
Financed by:			
Capital and reserves			
Called up share capital	*19*	**194,270**	194,270
Profit and loss account	*20*	**(94,017)**	(72,158)
Shareholders funds	*20*	**100,253**	122,112

On behalf of the Board
Mr. Phil Gaffney Chairman
Ms. Laetitia Baker Director

Cash Flow Statement

As at 31st December	Notes	2011 €000	2010 €000
Net cash inflow from operating activities	*21(A)*	**5,321**	11,055
Servicing of finance			
Interest paid	*8*	**(2,158)**	(1,310)
Interest element of finance lease rentals	*8*	**(1,001)**	(1,358)
Net cash outflow from servicing of finance		**(3,159)**	(2,668)
Investing activities			
Purchase of tangible assets		**(352,735)**	(325,709)
(Cost of sale)/sale of tangible assets		**(127)**	214
Capital grants		**323,375**	342,607
Net cash (outflow)/inflow from investing activities		**(29,487)**	17,112
Net cash (outflow)/inflow before management of liquid resources and financing	*21(B)*	**(27,325)**	25,499
Management of liquid resources	*21(B)*	**35,118**	(20,645)
Financing			
Capital element of finance lease rentals		**(3,958)**	(3,805)
Net cash outflow from Financing	*21(B)*	**(3,958)**	(3,805)
Increase in cash in the year	*21(B)*	**3,835**	1,049

Reconciliation of net cash flow to movement in net debt

Increase in cash in the year	**3,835**	1,049
Cash (outflow)/inflow from Holding Company balance, lease financing and NDP Investment projects funded by C.I.É.	**(31,160)**	24,450
Movement in net debt in the year	**(27,325)**	25,499
Non-cash movement in the year	**–**	99,040
Net debt at 1st January	**33,703**	(90,836)
Net funds at 31st December	**6,378**	33,703

Notes to Financial Statements

1. Going concern – Material uncertainty

The Company incurred a net loss of €21.9 million during the year ended 31 December 2011 and, at that date, the Company had net assets of €100.3 million and net current liabilities of €194.9m. Management's current projections show that the Company will incur further deficits in the period 2012 to 2015 with a return to profitability expected in 2016. The resultant cash deficits will result in a requirement for additional funding from the CIÉ Group. A copy of the Going Concern disclosure included in Note 1 of the CIÉ financial statements is included below:

"The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to continue in operational existence for the foreseeable future.

The Group continues to operate in a very challenging environment. The continued deterioration of the Irish economy has adversely affected the Group's financial performance and poses challenges for the future. Passenger journeys have decreased and overall reductions in Government Public Expenditure have caused consequent reductions in the level of State funding to CIÉ.

The Group exceeded its available borrowing facilities during 2012, and the excess to date has been met by advance payments of the Public Service Obligation. Without mitigating measures, it is expected that the Group will again exceed its existing borrowing facilities in 2013. Coupled with this, the existing Group bank borrowing facilities (of €107 million) are due to expire on various dates between January and October 2013. At 31st December 2011 the Group had bank and leasing debt outstanding of €77.8m. The maximum debt facilities currently available to the Group amount to €121m (including leasing facilities of €14m).

The Department of Transport, Tourism and Sport has committed additional funding to the Group to fund ongoing activities of the Group to 31st December 2012. The format and extent of this funding has not yet been finalised. The Minister of Transport, Tourism and Sport has provided a letter of support to the Group dated 30th August 2012. The letter states the Department "continues to monitor the financial position of CIÉ and is engaging with the Company in relation to measures necessary to safeguard CIÉ's financial sustainability". Whilst the letter states that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states that "it remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities. The State is CIÉ's sole shareholder and I can confirm that the State will continue to exercise its shareholder rights with a view to ensuring that CIÉ manages its operations in a manner that will enable it to meet all its obligations in a timely manner. Any action to be considered by the State however would have to be in compliance with EU law, including State Aid rules which may require Commission notification and approval".

Management's current projections indicate that the Group will incur further deficits in the period 2012, 2013 and 2014, with a return to profitability expected in 2015 and 2016. The resultant cash deficits will result in a requirement for renewed facilities and other funding and measures including cost reduction and the realisation of assets.

These circumstances give rise to uncertainty for the business and cast doubt on the Group's ability to continue to trade as a going concern in its current form.

Following a comprehensive review of the Group's business plan and the underlying assumptions for the period 2011 to 2016 and its budget for the year 2012, and having considered the output of recent discussions which have taken place by Group management with the Department of Transport, Tourism and Sport, the Board Members have a reasonable expectation that planned actions, together with renewed facilities and other funding, the additional funding committed by the Department of Transport, Tourism and Sport, the additional revenue generated by fare increases, the support of the Government, and the successful implementation of cost reduction measures will ensure that the Company will have sufficient resources to continue its operations for the foreseeable future.

The Board Members have a reasonable expectation that although there are a number of uncertainties facing the Group, that these uncertainties can be addressed through a range of measures. These measures include:

- Realisation of non-core assets
- Reduction in cost base including payroll reductions
- Multi-annual fare increases
- Curtailment of own-funded capital programme

Management have had initial discussions with their bankers in relation to the new facilities in 2013. As the outcome of the Groups negotiations with the Banks, the Department of Transport, Tourism and Sport and the National Transport Authority is not entirely within the Groups Control, the Board Members have concluded that the risk represents a material uncertainty which casts significant doubt about the Group's ability to continue as a going concern. Nonetheless, having made due enquiries and considering the uncertainties described above, the Board Members have a reasonable expectation that renewed facilities and other funding will be made available to the Group and that Government will support measures to ensure financial stability. For these reasons, the Board Members continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would be required if the Group were unable to continue as a going concern."

2. Divisional analysis of profit and loss account

A) **Company result**	**2011**	2010
Operating deficit before operating interest, State grants and exceptional items;	**€000**	€000
Rail operations		
Mainline rail (note 2B)	**(123,267)**	(73,975)
Suburban rail (note 2C)	**(10,454)**	(22,396)
Total Rail operations	**(133,721)**	(96,371)
State Subvention	**99,356**	57,419
Grants for Rail Operations	**9,995**	10,268
Operating deficit before operating interest and exceptional items:		
Rail operations	**(24,370)**	(28,684)
Infrastructure maintenance (note 2D)	**(879)**	7,271
Rail freight (note 2E)	**(1,273)**	682
Rosslare Europort (note 2F)	**1,751**	1,693
Other activities (note 2G)	**9,284**	7,280
Total operating deficit for year before operating interest and exceptional items	**(15,487)**	(11,758)
Interest	**(3,159)**	(2,668)
(Loss)/profit on disposal of tangible assets	**(130)**	179
Total operating deficit before exceptional items	**(18,776)**	(14,247)
Exceptional operating costs (note 5)	**(3,083)**	(21,784)
Deficit for the year	**(21,859)**	(36,031)

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

2. *Divisional analysis of profit and loss account (continued)*

B) Mainline rail division	**2011 €000**	2010 €000
Revenue	**107,467**	113,018
Expenditure		
Maintenance of rolling stock	**(49,102)**	(40,607)
Fuel	**(28,001)**	(24,082)
Operating and other expenses	**(119,175)**	(113,910)
Operating depreciation	**(70,617)**	(62,019)
Amortisation of capital grants	**61,692**	53,625
Total operational expenditure	**(205,203)**	(186,993)
Operating deficit before State grants and track access charges	**(97,736)**	(73,975)
Track access charge	**(25,531)**	–
Deficit for the year before state grants	**(123,267)**	(73,975)

C) Suburban rail division		
Revenue	**49,160**	50,592
Expenditure		
Maintenance of rolling stock	**(7,674)**	(17,677)
Fuel (including electricity for traction)	**(3,065)**	(5,091)
Operating and other expenses	**(25,852)**	(39,843)
Operating depreciation	**(45,743)**	(42,215)
Amortisation of capital grants	**32,441**	31,838
Total operational expenditure	**(49,893)**	(72,988)
Operating deficit before State grants and track access charge	**(733)**	(22,396)
Track access charge	**(9,721)**	–
Deficit for the year before State grants	**(10,454)**	(22,396)
Included in the Maintenance of rolling stock figures in Mainline rail note 2(B) and Suburban rail note 2(C) are;		
– Depreciation charge	**2,917**	2,539
– Amortisation of grants	**1,679**	1,506

2. Divisional analysis of profit and loss account (continued)

D) Railway infrastructure maintenance	**2011**	2010
In compliance with EU Council Directive 91/440 the costs of the railway infrastructure division have been computed as follows:	**€000**	€000
Income		
PSO	**49,327**	97,718
Track access charge	**37,673**	–
Exchequer safety funding	**4,603**	2,110
Renewals funding	**103,039**	89,545
Total	**194,642**	189,373
Expenditure		
Maintenance of railway lines and works	**(63,316)**	(62,904)
Renewal of railway lines and works	**(103,039)**	(89,545)
Operating (signalling) and other expenses	**(20,886)**	(22,054)
Depreciation	**(46,319)**	(32,899)
Amortisation of capital grants	**38,039**	25,300
Total expenditure	**(195,521)**	(182,102)
Surplus for the year before interest	**(879)**	7,271
Apportionment of Costs including exceptional items		
Mainline rail division	**147,998**	144,024
Suburban Rail division	**42,567**	33,489
Rail freight division	**4,956**	4,589
Total costs infrastructure maintenance	**195,521**	182,102

2. *Divisional analysis of profit and loss account (continued)*

E) Rail freight division

Revenue	**5,487**	5,079
Operating costs		
Maintenance of vehicles and equipment	**(1,343)**	(1,142)
Fuel	**(549)**	(485)
Operating and other expenses	**(2,280)**	(2,607)
Operating depreciation	**(167)**	(163)
Total expenditure	**(4,339)**	(4,397)
Net surplus for the year before track access charge	**1,148**	682
Track access charges	**(2,421)**	-
Net (deficit)/surplus for the year	**(1,273)**	682

F) Rosslare Europort division

Revenue		
Harbour services	**9,862**	10,123
Operating costs		
Maintenance, operating and other expenses	**(7,075)**	(7,300)
Operating depreciation	**(1,347)**	(1,608)
Amortisation of capital grants	**311**	478
Total expenditure	**(8,111)**	(8,430)
Operating surplus before interest payable	**1,751**	1,693

G) Other activities

Revenue	**13,826**	11,373
Operating costs		
Operating and other expenses	**(4,542)**	(4,093)
Total expenditure	**(4,542)**	(4,093)
Net surplus for the year	**9,284**	7,280

2. Divisional analysis of profit and loss account (continued)

H) State and EU Funding	**2011 PSO**	**2011 Infrastructure Safety**	**2011 Total**
Allocated to			
Rail operations	99,356	9,995	109,351
Infrastructure - renewals	-	103,039	103,039
Infrastructure	49,327	4,603	53,930
	148,683	**117,637**	**266,320**
Sources			
State grants - PSO	148,683	-	148,683
State grants - renewals	-	103,039	103,039
State grants - railway safety	-	14,598	14,598
EU grant - renewals	-	-	-
	148,683	**117,637**	**266,320**

	2010 PSO	**2010 Infrastructure Safety**	**2010 Total**
Allocated to			
Rail operations	57,419	10,268	67,687
Infrastructure - renewals	-	89,545	89,545
Infrastructure	97,718	2,110	99,828
	155,137	**101,923**	**257,060**
Sources			
State grants - PSO	155,137	-	155,137
State grants - renewals	-	74,306	74,306
State grants - railway safety	-	12,378	12,378
EU grant - renewals	-	15,239	15,239
	155,137	**101,923**	**257,060**

2. *Divisional analysis of profit and loss account (continued)*

(I) Net surplus/(deficit) by activity before exceptional items	Commercial €000	Social €000	Total €000
2011			
Revenue	29,175	156,627	185,802
Costs	(17,081)	(453,817)	(470,898)
State grants, EU and Exchequer funding	-	266,320	266,320
Surplus/(deficit) for the year	**12,094**	**(30,870)**	**(18,776)**
2010 Net result	**9,611**	**(23,858)**	**(14,247)**

Commercial activities included in the above are rail freight division and Rosslare Europort division, car parking and advertising.

3. *Payroll and related costs*

Staff costs	€000	€000
Wages and salaries	**236,337**	243,630
Social welfare costs	**20,144**	20,710
Other pension costs	**24,798**	28,394
	281,279	292,734
Own work capitalised, renewals and engineering work for Group Companies	**(57,811)**	(57,985)
Net staff costs	**223,468**	234,749
Directors' remuneration		
- Services as Directors	**67**	68
- Other emoluments	**96**	110
Total Directors' remuneration and emoluments	**163**	178
Total payroll and related costs	**223,631**	234,927

The services as Directors includes the following fees Mr C. Perry €12,600, Mr P. Gaffney €17,100, Mr M. Giblin €12,600, Ms D. Smyth €12,600, Ms L. Baker €12,600 and Mr P. McGarry €10,319.

Also included in the above Payroll and Related Costs is the C.E.O.'s Gross Salary to Y/E 2011 of €250,000.

3. Payroll and related costs (continued)

Included in the other emoluments are the following expenses:	**2011**	**2010**
	€0	**€0**
Foreign Travel	**129**	3,582
Subsistence and Accommodation	**2,649**	213
Other	**10,969**	906

	2011 Average	2010 Average	**2011 as at 31st Dec 11**	2010 as at 31st Dec 10
The number of employees by activity, was				
Railway operations	**2,568**	2,659	**2,533**	2,600
Infrastructure	**1,355**	1,450	**1,324**	1,346
Central services	**177**	216	**176**	203
Rail freight	**16**	18	**15**	19
Rosslare Europort	**82**	88	**81**	86
Total	**4,198**	4,431	**4,129**	4,254

4. Materials and services

The deficit for the year before interest and State grants is arrived after charging the following under the materials and services heading.	**2011 €000**	**2010 €000**
Operating and other costs	**71,936**	66,492
Fuel and electric traction	**28,448**	26,754
Third party and employer's liability claims	**1,940**	5,850
Rates	**1,902**	2,639
Operating lease rentals	**3,547**	3,635
	107,773	105,370

5. Exceptional Operating Costs

	2011 €000	2010 €000
Business Restructuring	**3,083**	21,784

As part of the 2003 Financial Plan the Company introduced a voluntary severance and early retirement programme. The costs in 2011, including severance payments and other costs associated with the programme is €1.8 million.

6. Depreciation

	2011 €000	2010 €000
Depreciation *(note 10)*	**168,603**	142,646
Amortisation of capital grants *(note 18)*	**(135,437)**	(113,485)
	33,166	29,161

7. Profit on the disposal of tangible assets

	2011 €000	2010 €000
Total (loss)/profit on disposal of tangible assets	**(130)**	179

8. Interest payable

	2011 €000	2010 €000
From Holding Company	**2,158**	1,310
On finance leases	**1,001**	1,358
	3,159	2,668
Interest apportioned:		
Operational costs	**2,020**	1,717
Railway infrastructure costs	**1,139**	951
	3,159	2,668

9. State Grants

The grants payable to the Company through the Holding Company, Córas Iompair Éireann, are in accordance with the relevant EU regulations governing State aid to transport undertakings.

Particulars of the State grants of €400.2 million received in 2011 are given in the following table, showing the relevant provision of EU regulations. A sum of €32.5 million in relation to grants received on buildings was passed back to the Holding Company.

EU Regulation Number	**1370/2007**	**1192/69**	**Total**
	€000	**€000**	**€000**
Revenue related	125,729	–	**125,729**
Expenditure related			
Mainline rail			
Normalisation of accounts			
Class III (pensions)	–	16,376	**16,376**
Class IV (level crossings)	–	3,161	**3,161**
Subtotal Mainline rail	–	19,537	**19,537**
Suburban services			
Normalisation of accounts			
Class III (pensions)	–	3,142	**3,142**
Class IV (level crossings)	–	275	**275**
Subtotal Suburban services	–	3,417	**3,417**
Subtotal Expenditure related	–	22,954	**22,954**
Total	125,729	22,954	**148,683**
Total Public Service Obligation *(note 21A)*			**148,683**
State grant for NDP			**251,489**
Total State grants received			**400,172**

The total funding received was applied as follows:

Profit & loss account		
Public Service Obligation		148,683
Railway Safety Revenue Grant (note 21A)	14,598	
Credit against the renewals of railway lines and works (note10(a))	103,039	
Deferred income (note 18)	101,312	
Transferred to CIÉ for Land & Buildings	32,540	
State grant for NDP		251,489
Total		**400,172**

Source of NDP Funds received during the calendar year 2011 which are restricted to particular projects	**Grant Making Agency**		
	Department of Transport, Tourism & Sport	**National Transport Authority**	**Total** €
National Development Plan	26,516,590	98,083,791	124,600,381
Railway Safety Programme	119,083,410	-	119,083,410
Accessibility Programme	7,805,342	-	7,805,342
Total grants received	**153,405,342**	**98,083,791**	**251,489,133**

10. Tangible fixed assets

	1st Jan 2011 €000	Reclassi-fications €000	Transfers Intercom-pany €000	Additions €000	Scrap-pings & Disposals €000	31st Dec 2011 €000
Railway lines and works	1,631,320	-	117,662	122,801	-	1,871,783
Railway rolling stock	1,396,990	(6)	-	31,678	(131)	1,428,531
Road freight vehicles	3,075	-	-	-	(167)	2,908
Plant and machinery	966,735	6	-	79,129	(492)	1,045,378
Catering equipment	1,130	-	-	-	(205)	925
Docks, harbours and wharves	55,562	-	-	383	-	55,945
Land and buildings	2,875	-	-	47	-	2,922
Sub total	**4,057,687**	**-**	**117,662**	**234,038**	**(995)**	**4,408,392**
Funding received for railway lines and works	(1,159,026)	-	-	(103,039)	-	(1,262,065)
Total	**2,898,661**	**-**	**117,662**	**130,999**	**(995)**	**3,146,327**
Depreciation						
Railway lines and works	1,363,517	-	9,533	112,516	-	1,485,566
Railway rolling stock	513,005	(1)	-	96,434	(131)	609,307
Road freight vehicles	3,075	-	-	-	(167)	2,908
Plant and machinery	372,045	1	-	51,887	(489)	423,444
Catering equipment	1,130	-	-	-	(205)	925
Docks, harbours and wharves	17,684	-	-	1,160	-	18,844
Land and buildings	786	-	-	112	-	898
Sub total	**2,271,242**	**-**	**9,533**	**262,109**	**(992)**	**2,541,892**
Funding received for railway lines and works	(1,159,026)	-	-	(103,039)	-	(1,262,065)
Total	**1,112,216**	**-**	**9,533**	**159,070**	**(992)**	**1,279,827**

10. Tangible fixed assets (continued)

Net book amounts	**2011 €000**	2010 €000
Railway lines and works	**386,217**	267,803
Railway rolling stock	**819,224**	883,985
Road freight vehicles	**–**	–
Plant and machinery	**621,934**	594,690
Catering Equipment	**–**	–
Docks, harbours and wharves	**37,101**	37,878
Land and buildings	**2,024**	2,089
Total	**1,866,500**	**1,786,445**

(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 renewals to the railway network.

Renewals expenditure and related grants were as follows	**2011 €000**	2010 €000
Renewals expenditure	**103,039**	89,545
Funding received		
State Grants	**103,039**	74,306
EU Grants	**–**	20,581
	103,039	94,887
Funding applied		
Current year expenditure	**103,039**	89,545
Grant received for pre 2010 expenditure	**–**	5,342
	103,039	**94,887**

10. Tangible fixed assets (continued)

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

	Lives (Years)
Railway lines and works	10-40
Railway rolling stock	4-20
Road freight vehicles	1-10
Plant and machinery	3-30
Docks, harbours and wharves	50
Catering equipment	5-10
Buildings	50

(c) The amounts included in the original cost of various tangible assets include €34,463,231 in capitalised interest charges relating to the Bray-Howth suburban railway electrification scheme which was completed in 1984.

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

	2011	2010
	€000	€000
Cost	**1,215,929**	1,108,064
Accumulated depreciation	**(465,968)**	(426,492)
Net book value	**749,961**	681,572

(e) Included in additions above are payments on account in respect of railway rolling stock which were not yet in service:

	2011	2010
	€000	€000
Railway rolling stock	**112,183**	109,441

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

	2011	2010
	€000	€000
Cost	**93,341**	92,005
Accumulated depreciation	**(78,957)**	(75,782)
Net book value	**14,384**	16,223
Depreciation for year	**(3,175)**	(2,826)

11. Financial Assets

Trade investments listed shares	**2011 €000**	2010 €000
Cost or valuation at 1st January	**63**	63
Provision for impairment in value at 31st December	**(43)**	(43)
Net book amounts at 31st December	**20**	20
Market value at 31st December	**49**	49

12. Stocks

	2011 €000	2010 €000
Rolling stock, spare parts and maintenance materials	**22,725**	21,533
Infrastructure stocks	**15,604**	12,638
Fuel, lubricants and other sundry stocks	**11,612**	6,810
	49,941	40,981

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

13. Debtors

	2011 €000	2010 €000
Trade debtors	**11,656**	14,784
Amounts owed by Holding and fellow subsidiary Companies	**22,774**	57,892
Grants receivable	**0**	10,043
Other debtors and accrued income	**9,009**	5,399
	43,439	88,118

14. Creditors (amounts falling due within one year)

	2011 €000	2010 €000
Bank overdraft	**410**	4,252
Trade creditors	**107,567**	95,120
Finance lease obligations *(note 16)*	**4,382**	4,092
Income tax deducted under PAYE	**3,601**	4,955
Pay related social insurance	**2,473**	3,937
Universal social charge	**1,201**	638
Value added tax and other taxes	**8,451**	10,943
Other creditors	**12,124**	9,992
Accruals	**2,252**	3,087
Restructuring provision *(note 17)*	**6,525**	16,512
Third party and employer's liability claims *(note 17)*	**4,035**	4,454
Deferred income *(note 18)*	**135,527**	125,292
	288,548	283,274
Creditors for taxation and social welfare included above	**15,726**	20,473

15. Creditors (amounts falling due after more than one year)

	2011 €000	2010 €000
Finance lease obligations *(note 16)*	**11,917**	16,165
	11,917	16,165

16. Lease Obligations

(A) Finance leases	**2011 €000**	2010 €000
Net obligations under finance leases fall due as follows:		
Within one year *(note 14)*	**4,382**	4,092
Between one and five years *(note 15)*	**11,917**	16,165
	16,299	20,257

(B) Operating leases	**2011 €000**	2010 €000
Commitments under non-cancellable operating leases payable, expire as follows:		
Within one year	**2,073**	1,048
Between one and five years	**4,454**	1,026
	6,527	2,074

17. Provisions for liabilities and charges

	Restructuring Provision €000	**Third Party and Employer's Liability Claims €000**	**Total €000**
Balance at 1st January, 2011	**16,512**	**60,184**	**76,696**
Utilised during the year	**(11,802)**	**(1,818)**	**(13,620)**
Transfer from profit and loss account	**1,815**	**1,940**	**3,755**
Balance carried forward	**6,525**	**60,306**	**66,831**
Less amount classified as current liability *(note 14)*	**(6,525)**	**(4,035)**	**(10,560)**
Balance at 31st December, 2011	**–**	**56,271**	**56,271**

Any losses not covered by external insurance are charged to the profit and loss account and unsettled amounts are included in the provision for liabilities and charges. Provisions coming forward from previous years have been transferred to the Profit & Loss Account to the extent they have been deemed overprovided based on recent claims history.

17. Provisions for liabilities and charges (continued)

(A) External Insurance Cover

The Board has the following external insurance cover:

(i) Iarnród Éireann – Irish Rail

Third Party Liability in excess of

(a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and

(b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US$3,300,000.

(ii) Group

Third Party Liability in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except

(a) Water damage where excess is €2,000,000

(b) Any claims subject to United States of America jurisdiction where the excess is US$150,000.

(iii) In addition, each of the subsidiary Companies within the Group has aggregate cover in the twelve month period, April 2011 to March 2012, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail €11,000,000

Subject to an overall Group self insured retention of €27,000,000 in the annual aggregate after which the any individual self insured retention in that annual period will be €50,000.

(iv) Group Combined Liability Insurance, which does include Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2011 to March 2012, for rail and road transport Third Party and Other Risks liabilities.

(v) All Risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which any individual self insured excess in that annual period will be €100,000.

(vi) Terrorism indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.

(vii) Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:

(a) Marine Third Party Liability cover of €12,500,000 any one incident but unlimited during the currency of the policy, subject to an excess of €150,000 per incident.

(b) Removal of Wreck cover of €5,000,000 any one incident, subject to an excess of €12,500 any one incident and 3 days excess in respect of Loss of Revenue claims any one incident.

(c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.

(d) Marine Impact cover for itemised structures totalling €38,575,000 subject to an excess of €25,000 for each and every loss.

(e) Excess Marine Third Party Liability cover of €25,600,000 any one incident in excess of €12,500,000 any one incident.

(f) Unaccompanied Trailers cover of €5,000,000 any one location, subject to an excess of €25,000 each and every loss.

17. Provisions for liabilities and charges (continued)

(g) Unaccompanied Motor vehicles of €635,000 any one vessel or conveyance, €4,450,000 any one incident, and €127,500 any one vehicle, subject to an excess of €625 each and every loss.

(h) Unaccompanied mechanically propelled vehicles not owned by CIÉ/ Iarnród Éireann being driven by Iarnród Éireann personnel within the Europort area, subject to third party property damage limits of €2,600,000 in respect of commercial vehicles and €30,000,000 in respect of private cars.

(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 Company. The estimated cost of claims includes expenses to be incurred externally in managing claims but excludes the internal overhead of claims management fees. The Company 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 Company 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 Company 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 Company, 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 Company's brokers of any re-insurers in run off.

18. Deferred Income

This account, comprising non-repayable EU grants, State grants, and other deferred income which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated (accounting policy F), is as follows:

	1st Jan 2011 €000	**Transfers and Intercom-pany €000**	**Received & Receivable €000**	**Amortised to Profit & Loss Account €000**	**31st Dec 2011 €000**
Capital grants					
Land & buildings	1,179	-	4	(41)	1,142
Railway lines & works	242,946	117,662	21,175	(16,906)	364,877
Railway rolling stock	803,892	-	9,400	(76,928)	736,364
Plant & machinery	502,201	-	62,052	(41,252)	523,001
Docks harbours and wharves	12,662	-	-	(275)	12,387
Total capital grants	1,562,880	117,662	92,631	(135,402)	1,637,771
Other deferred income	1,015	-	-	(35)	980
Total capital grants	1,563,895	117,662	92,631	(135,437)	1,638,751

Shown as:	**2011 €000**	2010 €000
Deferred income - amounts falling due within one year *(note 14)*	**135,527**	125,292
Deferred income - amounts falling due after more than one year	**1,503,224**	1,438,603
	1,638,751	1,563,895

The grants received under the Railway Safety Investment Programmes, NDP and Transport 21 will be released to the profit and loss in accordance with the Railway Safety Investment Programmes.

19. Share capital

	2011 €000	2010 €000
Authorised:		
Ordinary shares of €1.2697 each	**194,270**	194,270
Allotted, called up and fully paid		
At start of Year	**194,270**	95,230
Shares Issued	–	99,040
Ordinary shares of €1.2697 each at end of Year	**194,270**	194,270

20. Reconciliation of movement in equity shareholders' funds

	Called Up Share Capital €000	Profit and Loss Account €000	Total Equity Shareholders' Funds €000
Opening Balance	194,270	(72,158)	122,112
Deficit for Year	-	(21,859)	(21,859)
Closing Balance	**194,270**	**(94,017)**	**100,253**

21. Cash flow statement

(A) Reconciliation of deficit to net cash inflow from operating activities	**2011 €000**	2010 €000
Deficit before State grants		
and servicing of finance and after and release of provisions etc.	**(181,981)**	(200,878)
State grants other than that applied to renewals	**163,281**	167,515
Deficit for the year before servicing of finance	**(18,700)**	(33,363)
(Loss)/profit on disposal of tangible assets	**130**	(179)
Depreciation	**168,603**	142,646
Amortisation of capital grants *(Note 18)*	**(135,437)**	(113,485)
(Increase)/decrease in stocks	**(8,960)**	14,690
(Increase)/decrease in debtors	**(482)**	3,668
Increase/(decrease) in creditors and provisions	**167**	(2,922)
Net cash inflow from operating activities	**5,321**	11,055

(B) Analysis of net debt	**At 1st Jan 2011 €000**	**Cash Flow €000**	**At 31st Dec. 2011 €000**
Cash in hand	**320**	**(7)**	**313**
Bank overdraft	**(4,252)**	**3,842**	**(410)**
Finance leases	**(20,257)**	**3,958**	**(16,299)**
Intergroup balance	**57,892**	**(35,118)**	**22,774**
	33,703	**(27,325)**	**6,378**

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

22. Pensions

The employees of Iarnród Éireann are members of the Corás Iompair Éireann Group pension schemes. The Corás Iompair Éireann Group operates two defined benefit pension schemes covering the majority of employees, each of which is funded by contributions from the Group and the members.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. It is not possible to identify the individual members' shares of the Corás Iompair Éireann Group pension scheme assets and liabilities, on a consistent and reasonable basis as even if it were possible to allocate non-active members across subsidiaries based on last day of employment, members may have worked for more than one subsidiary. Therefore, it is not possible to identify to whom the liability (and corresponding asset) for successive periods of employment belongs. The contributions to these schemes have been accounted for, as if it were a defined contribution scheme as permitted by FRS 17 – 'Retirement Benefits' by the Corás Iompair Éireann Group Companies.

The most recent actuarial valuations of the schemes for the provisions of FRS17 showed that at 31 December, 2011 there was a deficit of €159.2 million on the schemes.

The pension cost for the year on the defined benefit schemes was €24.8 million these costs are also included in note 3.

23. Capital commitments

	2011 €000 Contracted for	**2011 €000 Authorised by the Directors but not contracted for**
2011		
Within one year	24,605	86,688
From two to five years	4,788	165,393
	29,393	252,081
Of which funding amounts to:	28,725	99,341
2010		
Total capital commitments	42,637	396,340

24. Contingent Liabilities

(A) Pending Litigation

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

(B) Finance Leases

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

25. Related party transactions

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

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

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

26. Membership of Córas Iompair Éireann Group

Iarnród Éireann - Irish Rail is a member of the Córas Iompair Éireann Group of Companies (the Group) and the financial statements reflect the effects of Group membership.

27. Approval of financial statements

The Directors approved the financial statements on 26th October, 2012.

The outlook for the future of Iarnród Éireann remains cautiously optimistic in the longer term but is dependent on the business successfully implementing its 5-year plan for the recovery of financial stability.

Iarnród Éireann