Iarnród Éireann Annual Report
Financial Year Ended 31 December 2018

Iarnród Éireann
Irish Rail

Contents

Financial and Operating Highlights

Revenue
€280.9m +6.1%

Rosslare Europort Revenue
€10.6m -4.5%

EBITDA
€19.3m -23.1%

MAC
€160m +0.8%

PSO
€89.3m -22.3%
(excludes heavy maintenance €35m)

Contribution to exchequer
€115.9m -1.9%

Deficit
(€1.1m) increased 6.7%

Employees
3,782 -21

Journeys
47.9m +5.3%

Freight Tonne Km
88.6m -11.8%

EBITDA is defined as Earnings before Interest, Tax, Depreciation Amortisation and Exceptional Items

Chairman's Statement

Delivery of capacity is essential to allowing us to meet sustainability and climate change mitigation targets

Iarnród Éireann carried record numbers of passengers on our network in 2018, confirming the essential role that rail transport plays in urban mobility and for intercity travel. We are committed to building on this success to ensure that rail will continue to provide a credible alternative to private cars for more people. During 2018, we were also encouraged by the strong commitment to rail transport expressed in the Government's National Development Plan (NDP). This has allowed Iarnród Éireann to begin mobilising for major investment in our railway infrastructure and rolling stock.

The challenge of meeting the future mobility needs of communities and businesses rests on providing robust infrastructure and attractive services, allowing public transport access to employment, education and housing. Delivery of this mass transit capacity is essential to allowing us to meet the sustainability and climate change mitigation targets that we have committed to as a community. Iarnród Éireann's plans, in support of those targets include:

- Greater frequency and capacity on all our routes, both urban and national
- Major expansion of electrification in the Greater Dublin Area, to enhance further the environmental benefit of rail transport
- Expansion of our fleet, with electric and hybrid trains, and conversion of our existing diesel intercity railcar fleet to hybrid operations
- Improved accessibility for all customers, with particular focus on the requirements of mobility- and sensory-impaired customers
- Improved journey times across the network
- Expansion of commuter services in regional cities
- Promotion of rail freight to relieve road congestion.

With investment of over €2 billion in Iarnród Éireann planned over the coming decade, there must be public confidence that those charged with such investment do so in planned, prudent and cost-effective manner. We are committed to earning that confidence through excellence in project management and governance.

The Board of Iarnród Éireann is very aware of our obligations in relation to Rosslare Europort and in late 2018 we approved a Strategic Plan for the port, which will target investment of €25 million in port facilities, capacity and technology over the next five years. This investment is intended to secure the future of the port by attracting new shipping companies, partnering with new ports internationally and modernising facilities.

The strategic importance of Rosslare Europort has been reinforced through our preparations for Brexit. Iarnród Éireann has engaged with other national and regional agencies to ensure easy movement of goods and passengers through the port under any Brexit scenario. Similarly, we have worked with other agencies in Dublin and Belfast to ensure that our Dublin/Belfast Enterprise service will meet the needs of rail passengers North and South, with minimum disruption.

As we look forward to 2019, the Board and Management of Iarnród Éireann are committed to rigorous oversight of the ambitious investment programme that we are mandated to deliver. Our highest investment priority is to address the capacity constraints on Commuter and DART services, which result from passenger growth. We are pleased that the Department of Transport, Tourism and Sport has committed to ensuring that "steady state" funding will be provided to the Infrastructure Manager division of Iarnród Éireann, two years earlier than scheduled under the NDP. From the depths of the economic crisis, when Iarnród Éireann was underfunded by €100 million a year, this recovery to full funding will ensure that we can appropriately maintain the vital state asset that is our infrastructure and over time address the impact of legacy underfunding. As we reach this important milestone, I want to pay tribute to those who maintained our railway and our fleet safely during the years of underfunding.

I thank the Minister for Transport, Tourism and Sport Shane Ross TD and his department officials, and the Chief Executive of the National Transport Authority Anne Graham and her team who are committed to enhancing public transport generally and rail transport specifically under the NDP and our Public Service Obligation contracts. I would also like to thank the Commission for Rail Regulation for its collegial approach in working with us to maintain the highest safety standards on the railway.

Finally, I am grateful for the support of the Board, and the Chief Executive Jim Meade and his team of over 3,800 colleagues who deliver our service and maintain our network.

It is through their efforts and commitment in delivering on the opportunities and addressing the challenges ahead that we will deliver for the country, and for the communities we serve.

Frank Allen
Chairman


Keep Behind


Heuston Station
22 302

Chief Executive's Report

*Iarnród Éireann recorded its highest ever number of passenger journeys in 2018, up **5.3%** to **47.9 million***

Iarnród Éireann recorded its highest ever number of passenger journeys in 2018, with over 47.9 million passenger journeys made across DART, Commuter and Intercity services. This represents a 5.3% growth on the previous year.

More frequent DART services, as well as strong economic growth have contributed to this increase in passenger journeys. Major events such as the Papal visit to Ireland, a series of outdoor concerts during the summer and the busy GAA season also contributed to this passenger growth.

The introduction in December 2018 of a greatly improved weekend service for Northern and Maynooth commuters and the introduction of week day off-peak services on the Phoenix Park Tunnel cross city services will facilitate continued growth in the year ahead.

However, challenges surrounding capacity also increased in 2018 and these challenges will continue into 2019 and beyond. The National Development Plan does provide for significant fleet investment, but the first additional fleet will not be available until 2021, meaning we must maximise the availability of our existing fleet in the interim.

Operationally, 2018 saw some of the most extreme weather experienced in decades from the "Beast from the East" snow storms in March, to a prolonged hot summer, which also presented infrastructural challenges. Throughout these events, colleagues from right across the organisation worked tirelessly to ensure that as far as was safe and practicable, continuity of services were maintained, truly personifying our values of Always Safe, Customers at the Heart of our Business and One Team.

The ongoing uncertainty surrounding Brexit has been a focus of our Rosslare Europort business, and our Enterprise service between Dublin and Belfast, jointly operated with Translink. While the final Brexit model is awaited, we have engaged with Translink in 2018 on the implications of all scenarios, including issues around Driver Licencing for non EU drivers. We are confident that a seamless service will continue for customers in any Brexit scenario.

Rosslare Europort, as the fastest connection to mainland Europe in the post-Brexit era will see its strategic importance increase. Iarnród Éireann as Port Authority has worked with the Office of Public Works, Government departments and other stakeholders to ensure that facilities required to cater for the increased Customs, Revenue Commissioners and Immigration services activities are ready for all Brexit scenarios, both on an interim and permanent basis. Furthermore, new business opportunities will be sought to avail of the capacity in the Port and the needs of both existing and potential port customers.

Our financial position continues to improve due to increased fare box revenue and additional funding from the exchequer. The company incurred a loss of €1.1m in 2018 which is in line with the 2017 result with the need for prudent financial management remaining. 2019 will see significant capital investment in the railway under the National Development Plan.

Our Safety

At Iarnród Éireann, we are committed to providing a safe environment for our passengers, employees and members of the public using our network. Our values: Customers at the heart of our Business and Always Safe are there to provide a transport service, where our employees and customers feel safe and to continuously improve working and travelling environments.

The Safety Management System provides the framework for addressing hazards and risks in the workplace and sets out the structures, responsibilities and arrangements for the effective management of health and safety. Underpinning this framework is a comprehensive range of safety policies, systems and procedures to help minimise the risk of accident or injury to employees, customers and anyone affected by the company's activities.

The welcome confirmation in Budget 2019 that steady state funding will be provided in 2019 – two years ahead of commitments under the National Development Plan – is hugely significant, and will allow us to begin to address the underfunding of the past decade.

Chief Executive's Report (continued)

Safety performance indicators in 2018 saw many improvements, including:

- There were eight level crossings closed on operational lines during 2018, which reduced the risks of incidents on these lines.
- No Derailments or collisions on running lines occurred.
- A reduction in lost time accidents of 9% for employees and 13% for contractors.
- 10% reduction in customer accidents, predominantly slips, trips and falls in stations.
- Increase of 17% in the reporting of close calls.

A number of initiatives in relation to lost time accidents, platform train interface, and level crossing safety were commenced during the year, which supported these reductions. However, some challenges still remain.

The number of high risk SPADs (signals passed at danger) reduced but the number of lower risk SPADs doubled from 6 to 12. 2018 also saw an increase in the number of bridge strikes from 85 to 95. We are committed to continuing improvement in safety performance and will strive during 2019 to achieve improved performance in these areas.

Recertification of the Railway undertaking and reauthorisation of the Infrastructure Manager in conformity with Directive 2004/49/EC and applicable national legislation concluded successfully during the year.

Our focus remains on preventative measures with a series of initiatives detailed in the 2019 safety plan which will be actioned during the year to measure and enhance safety performance, safety culture, risk and employee health and wellbeing. We will continue to work with the relevant authorities to minimise the effect of anti-social behaviour on our network.

Our Finances

The overall result for the year is a net deficit of €1.1m compared to a budgeted surplus of €6.5m, an adverse variance of €7.6m.

Total revenue from activities of €281.6m for the year was €22.5m favourable to budget with passenger revenue accounting for €15.3m of the favourable variance. The growth in passenger revenue and journeys reflects the increased demand for rail services. 2018 saw increases in Intercity, Commuter and DART revenues.

Passenger journeys increased to an all-time high of 47.9 million in 2018, an increase of 5.3% on 2017.

Passenger revenue of €220.9m in 2018 is a 7.8% increase on passenger revenue of €204.9m in 2017. Revenue lost from cancelled services and lower passenger journeys during the adverse weather conditions in the first quarter of the year amounted to €1.2m.

Infrastructure Multi Annual Contract funding received from the Department of Transport Tourism and Sport was €160m in 2018 (2017, €158.8m). The National Transport Authority provided Public Service Obligation funding of €97.8m (2017, €114.8m) for the operation of passenger services and capital funding of €36.8m (2017, €32.2m) for rolling stock heavy maintenance and other passenger related capital projects.

Cash generated for the year was €40.6m. The favourable cash variance arises from improved result, deferred PSO, additional levies received, reductions in working capital requirements together with lower own funded capital expenditure. The net assets of the company remain low at €47.4m. The balance sheet remains vulnerable to an economic downturn or a reduction in exchequer funding

Consultancy costs

In line with the 2016 Code of Practice for Governance of State Bodies, consultancy costs incurred in 2018 by the company included in Operating and other costs (see Note 6) are set out in the table below.

	2018 €'000	2017 €'000
Maintenance & Renewals	463	288
Operational & Other	298	131
Passenger Systems	250	222
Strategy and Organisation Design	52	386
Gross Consultancy costs	**1,063**	**1,027**
Capitalised costs	(382)	(438)
Net Consultancy costs	**681**	**589**

Our Customers

In 2018, once again we achieved and exceeded our public service obligation punctuality targets on all routes, with Intercity, DART and Commuter at 97% levels.

Revenues and passenger numbers achieved record highs across Intercity, Commuter and DART services, growing by 8% to €221 million and 5.3% to 47.9million journeys respectively.

The company's commercial activity continued to generate growth in key market segments.

- Marketing campaign activity and revenue management capabilities resulted in a 38% increase in online revenue to €54 million, its highest ever.
- TaxSaver revenue increased by 7% to a record €39 million due to new company registrations and growth in the existing base.
- Student promotional activity yielded another year of strong growth at 13% delivering all time high revenues of €20 million.

Iarnród Éireann's independent Customer Satisfaction monitor maintained the high overall satisfaction level at 94%, satisfaction levels also confirmed by the National Transport Authority's independent research.

Initiatives to improve our service to customers with mobility or sensory impairments included the piloting of DART Accessibility structure to ensure swifter assistance and reduce advised notice periods for travel. This will be extended to the Commuter network in early 2019, and an Accessibility app will be launched.

Recruitment and training commenced for on-board Customer Service Officers, who will also enhance assistance for mobility and sensory impaired customers. These officers will be deployed to the majority of our Inter City services through 2019.

The Customer First programme, deployed in April 2017, continues to transform the way Iarnród Éireann interacts with and transacts with its customers. The new capabilities deployed include online sales, customer relationship management (CRM) and revenue management all of which contributed to the strong revenue performance and customer satisfaction achievements in the year.

Chief Executive's Report (continued)

Freight

In 2018 the Company's key rail freight traffics included:

- Zinc ore from Tara Mines to Dublin Port
- Container trains from Ballina to Dublin Port
- Timber trains from Co. Mayo to Waterford.

Rail freight revenue, including Navigator Freight Forwarding, decreased from €8.0 million to €7.5 million, with total tonne kilometres decreasing from 100.3 million to 88.6 million, primarily due to the cessation of the DFDS container traffic to Waterford Port, and lower production volumes at Tara mines.

Freight is currently engaging with a number of parties regarding emerging rail freight opportunities within the Bulk and Container market and will focus on the commercial, environmental and wider economic value that rail freight offers within these markets.

The Iarnród Éireann Freight Navigator business, which specialises in the collection and distribution of automotive car parts, had another good performance in 2018. Navigator also performed amongst the best in Europe in this sector with 99.6% of all deliveries arriving on time throughout the island of Ireland.

Rosslare Europort

Rosslare Europort is the fourth largest port in Ireland in terms of overall tonnage handled, and the State's second largest Ro-Ro traffic and passenger port. The port is operated as a division of Iarnród Éireann, who are the Port Authority for Rosslare Europort. Revenue in 2018 for Rosslare Europort was €10.6million

Following a strategic review of Rosslare Europort, Iarnród Éireann is committed to invest significantly in the development of the port over the next 10 years. Iarnród Éireann has identified opportunities for the port to make better use of available capacity, improve efficiencies and target specific sectors while promoting the benefits of congestion free access to both European and United Kingdom markets. A €25 million investment plan is proposed over five years to grow business and enhance port facilities. We are working with stakeholders to ensure the port is equipped to address opportunities and challenges arising from Brexit, with the port's capacity and strategic location crucial in a post-Brexit environment.

Our Network

Sources of income for the Infrastructure Manager business for 2018 were; the Multi Annual Contract (MAC) funding from the Department of Transport, Tourism & Sport (DTTAS) and track access charges from all Railway Undertakings that operated on our network which includes all passenger and freight services. The total funding for 2018 was €248.0m and all forecast outputs were delivered. Some of the benefits of this work were realised by journey time improvements, achievement of passenger services performance targets and the introduction of a more frequent DART service from 9 September 2018.

Progress during 2018

Safety Authorisation: In March 2018 the Infrastructure Manager successfully renewed its Safety Authorisation for a further four years.

Ballast cleaning: A further 22.7 miles of track formation was renewed in 2018 during the 4th year of this programme bringing the total completed to date to 92.7 miles. This has contributed greatly to improved passenger service reliability and journey time improvements on the Cork line.

Resignalling works: Over the Easter weekend 2018 signalling upgrade works at Kilkenny were completed and commissioned, which removed an obsolescence issue and provide for increased reliability on the Waterford line.

Construction works: Work commenced in Q3 2018 on the construction of a new second platform at Limerick Junction, which is scheduled to be brought into service in Q3 2019, delivering major journey time improvements to Cork, Limerick and Tralee services. A major underbridge was installed over the Easter weekend 2018 to facilitate the construction of the new Sallins bypass dual carriageway.

Development: In conjunction with Waterford City and County Council an application was made to the Urban Development Regeneration Fund (UDRF), which if approved will result in a new station being constructed as part of an integrated transport hub for Waterford City.

Worked commenced on the replacement of Pearse Station Roof in Q3 of 2018. The roof structure, which dates from the 1880s, is in poor condition, and protective mesh netting has been in place in the station below roof level in recent years to protect customers and rail services, due to the corrosion which has occurred. Its replacement has been identified by Iarnród Éireann as a crucial safety project. The construction process is challenging due to the fact that the Station must remain open for the majority of the works and that adjacent residents are badly impacted by night time works.

Multi Annual Contract (MAC): In conjunction with the DTTAS the development of the new MAC 2019 – 2024 was essentially completed, which sets the funding levels and work programmes for the next five years.

Our People

Iarnród Éireann prides itself in the role our people play in the delivery of our ever improving service offering. Each day, circa 3,800 colleagues work together to ensure a quality service for our customers in accordance with our vision of Building a Better Future Together. As a company, we strive to continuously develop our colleagues through new and innovative development opportunities in all areas of our business.

Leadership Development

Our Leadership Development programme was extended to include our front line leadership colleagues in 2018. IÉ also commenced our High Potential and Graduate Programmes in key areas of our business as part of our succession planning strategy. The Talent Management Centre was established in 2018 with the objective of achieving talent development across all departments. The Talent Management strategy supports the long-term business priorities and objectives by fostering employee growth and development and promoting leadership at all levels. IÉ is committed to supporting the 30% Club to make real change in the representation of Women in leadership roles by 2020.

Industrial Relations

Following on from the collective bargaining agreement with our Trade Unions in late 2017, IÉ commenced negotiations on key tenets of the agreement to deliver efficiencies required under the agreement with the support of the WRC. Whilst always a challenging environment, IÉ continuously works with our Trade Unions to ensure a safe and reliable service for our customers.

Organisational Development

A new approach towards the delivery of on-board customer service in tandem with the introduction of new technology has facilitated a new direction in customer service. IÉ has been working towards the development of a new payroll system for our colleagues that will provide greater access to information for all. Continuing developments in organisational approaches will continue into 2019 with the involvement of our colleagues.

Chief Executive's Report (continued)

Our environment

The Energy consumption profile of Iarnród Éireann (MWhr) is shown below: (all figures rounded to '00)

Year	Y 2006	Y 2010	Y 2016	Y 2017	Y 2018	Notes	
Diesel oil for traction	670,300	465,900	429,000	438,600	445,500	*Note 1*	1.6%
Electricity for traction	35,400	26,700	24,458	25,240	26,222	*Note 2*	3.9%
Road Fuel	13,400	16,600	15,700	15,527	15,005	*Note 3*	(3.4%)
Electricity other	31,000	39,000	36,889	36,816	37,031	*Note 4*	0.6%
Gas for heating	18,500	16,300	8,700	8,600	9,032	*Note 5*	5.0%
Total Energy use MWhr	**768,600**	**564,500**	**514,747**	**524,783**	**532,789**	*Note 6*	1.5%
	100%	**73%**	**67%**	**68.3%**	**69.3%**		
Passenger M km	1,872	1,678	1,990	2,121	2,281	*Note 7*	7.5%
	100%	90%	106%	113%	122%		
Total Energy use MWhr per 10,000 Passenger km	4.03	3.27	2.59	2.47	2.34	*Note 7*	(5.6%)
	100%	**81%**	**64%**	**61%**	**58%**		
Train M km	18.2	17.7	18.4	18.63	18.88	*Note 8*	1.3%
	100%	97%	101%	102%	104%		
Total Energy use MWhr per 100 Train km	4.14	3.10	2.80	2.82	2.82	*Note 8*	0.2%
	100%	**75%**	**68%**	**68%**	**68%**		
Number of Electricity Accounts (MPRN)	390	571	614	616	617	*Note 4*	
	100%	**146%**	**157%**	**158%**	**158%**		
Cost of Energy based on Diesel Oil	0.34	0.54	0.74	0.55	0.56	*Note 9*	
	100%	**159%**	**218%**	**162%**	**163%**		

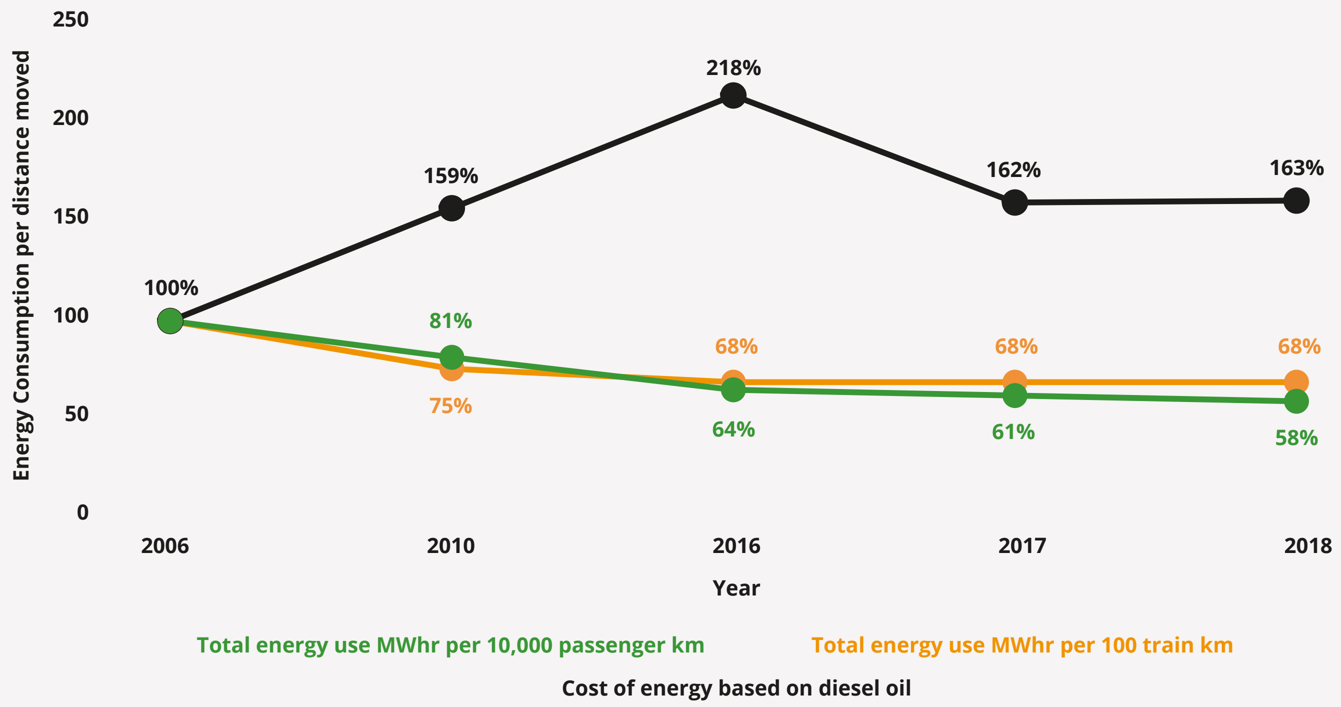
Explanatory notes:

The increases in energy consumption for traction are a result of increased services for DART and DMU commuter services in Dublin and Corks areas.

Increases in train length show up as reducing efficiency measured in "**Energy use MWh per 100 Train km**" as trains run the same distance but use more fuel (while carrying more passengers).

Extra services are neutral and have no effect on this efficiency measurement.

Increases in passenger journeys show as efficiency improvements measured as "**Energy use MWh per 10,000 passenger km**"; It is evident that there has been an overall increase in efficiency per passenger km in 2018 because the increase in energy used is less than the increase in passenger kms.



Note 1: Traction Diesel

Diesel consumption in 2018 rose by 1.6% while Passenger kilometres for diesel services rose by 8% on the 2017 figure in line with an overall 8% increase across all services. This improved the efficiency measured by Energy use MWh per 10,000 passenger km.

There was an increase in Train km of 1.3%, resulting from an increase in scheduled services to meet ever-increasing demand. Iarnród Éireann are retro-fitting "telematics" to older rolling stock which will increase the accuracy of the data, as we will have online data of distance travelled and fuel consumption.

Efficiency as measured by Energy use MWh per 100 Train km decreased by 0.2%.

DMU in-service train km increased by 3% due to the introduction of the following additional services, effective from December 2018:

Half hourly off-peak Maynooth Commuter services all week

Six extra Drogheda – Dublin services Mon-Fri

Increase from two-hourly to hourly Drogheda – Dublin services on Sundays

Off-peak hourly service Mon-Fri on Phoenix Park Tunnel

Additional DMU services to serve passengers from cruise ship docking in Cobh (from June 2018)

Increases of in-service km were partially offset by rationalising the "links" operated to reduce empty train movements. For example, a DMU (Diesel Multiple Unit) set is now stabled overnight at Gorey, eliminating the evening empty run back to Drogheda and the morning empty run to Gorey.

Locomotives provide traction for Dublin – Cork and Dublin Belfast passenger services, for Freight, and for engineering trains.

Locomotive use in Freight decreased by 11% because of reductions in demand for freight transport.

Locomotive power is also provided for infrastructure works and in 2018, major track works on the Dublin-Cork line increased the consumption of diesel.

Note 2

There was an increase of 6.3% on the 2018 annual figure in Dart Train km due to the introduction of the 10 min timetable from September 2018, with a corresponding increase in the consumption of energy of 3.9%. The full effects will be seen in 2019.

Passenger kilometres on the DART rose by a further 4.3% in 2018.

Chief Executive's Report (continued)

Note 3

Road fuel usage has shown a decrease of 1.1%. This is primarily due to fleet replacement with more efficient vehicles and the limited introduction of telematics.

Note 4

Electricity consumption, for fixed assets (Buildings, Signalling system, telecoms system) increased by 0.6% in 2018. The number of supply (metering) points increased from 610 to 618.

There are continuing programmes to reduce consumption of heating and lighting and other service.

In parallel with this, there are increases in consumption due to increasing automation – Train vending machines, Train Radio, Automatic Level Crossings and increased activity.

Note 5

Gas usage has shown an increase of 5% on 2017. This was primarily caused by the unseasonal harsh weather conditions in March 2018 and a predicted "bounce" in demand as reduction programmes bedded in.

Note 6

The overall use of energy has increased by 1.8%; this is split 83% Traction Diesel, 12% Traction Electricity, 5% gas.

Note 7

There was an increase in Passenger kilometres of 7.5% compared to an increase in overall energy use of 1.6%. This led to an improvement in efficiency, with specific consumption reducing from 61% to 58% of the baseline.

Note 8

There was an increase in Train km of 1.3%, compared to an increase in overall energy use of 1.6%, leading to a decrease in efficiency of 0.2%. It should be noted that this provided an increase in services and passengers carried, and it includes the capacity to carry even more passengers in 2019.

Note 9

The cost of energy increased for Gas (3%) and Electricity (11%) but remained static for Diesel.

Diesel purchases are hedged forward so the prices reflect the hedged price, not the "Prompt price".

Actions Undertaken in 2018 and planned for 2019

In 2018 Iarnród Éireann continued its work on several levels:

- Diesel Fuel for traction
  - Envirox Fuel Additive (to reduce fuel consumption and keeps DP filters clean in diesel engines)
    - Completed installation of an automated fuel loading system (Accuload) at Alexandra Road Depot. This project is being partially funded by the Energy Credits Scheme.
    - Completed installation of additive dosing system at Alexandra Road for the purposes of treating the entire IÉ fleet; this project is being partially funded by the Energy Credits Scheme.
    - Data analysis from Cork Depot trial is indicating potential savings in the region of 6% and treatment of the full fleet is scheduled for March 2019
  - Diesel Multiple Unit Gearbox (Intercity Railcars) – Replacement
    - Fit-out of a 3 x carriage 22000 train was completed in 2018 and a bench test indicated savings of >20% on this fleet.
    - This trial also facilitates conversion to a hybrid vehicle in the near future (details below)
  - Iarnród Éireann: Hybrid Drive for Inter City Railcar fleet
    - The Diesel/Electric Hybrid will deliver Electric only running in urban areas and lead to reductions in Fuel and Emissions.
    - €15 million of government funding (Climate Action Fund) has been approved for the design and implementation of new hybrid power-packs for intercity railcars to reduce diesel use and greenhouse gas emissions. Following the proof of concept in three, three-car trains, the hybrid power-packs will be implemented across the wider fleet.
  - Locomotive engine – Replacement
    - A project to replace the 20 year old 2-stroke engines with smaller modern efficient engines, with automatic shutdown was undertaken in 2018 but the results did not provide a viable business case. This project is now not being progressed.

- Train position monitoring system
  - A remote monitoring and reporting system is currently in operation on the Locomotive fleet, and most of the Commuter DMU fleet.
  - This is enabling the accurate measurement of distance travelled in a real time system and this is enabling the transition of train exams from time-based to distance-based, which will lead to economies.
  - This project is ongoing and is being partially funded by the Energy Credits Scheme.
- Train fuel monitoring system
  - A remote monitoring and reporting system is currently in operation on the 201 fleet to measure fuel tank level which will allow reporting on train fuel consumption efficiency.
  - Prototyping of different sensors is in progress on the Locomotive fleet and the DMU fleet.
  - This project is ongoing and is being partially funded by the Energy Credits Scheme.
- Mileage based maintenance has been introduced on the InterCity Railcar fleet. This will have the impact of reducing maintenance downtime on the fleet by 15% and as a consequence probably increasing operational time and mileage in service strengthening.

- Diesel Storage Tank and fuel Dispensing
  - A remote monitoring and reporting system for fuelling locations (Depots, Platform support etc.) is under consideration for implementation in 2019/2020. The objective is to track the fuel issues to each individual train fuel tank. This will allow reconciliation of oil volumes and enable system leak detection.
- Electricity for traction
  - The "10-minute DART" service is implemented. MIC (Maximum Import Capacity) levels are being reviewed and there are no significant impacts on the MIC.
- Building Energy Consumption
  - Ongoing replacement of old lighting with newer energy efficient lighting under a continuous Maintenance/Renewal Programme.

Our Community

Iarnród Éireann and our services are integral to communities' right around the country. As a good corporate citizen we continue to support a wide range of initiatives that benefit our customers and the wider community these include:

- Support of Mental Health and wellness remains to the core of our Corporate Social Responsibility strategy. During 2018, we continued our support of the Green Ribbon initiative in the month of May, our partnership with the Samaritans continues, offering support to colleagues and customers. Staff from right across the network once again participated in the Cycle against Suicide. We partnered with Cork Film Festival's Illuminate programme, which showcased films that dealt with mental health issues.
- Our roll out of Public pianos continued throughout 2018 with Pianos being placed in Heuston, Connolly and Waterford. More pianos are planned for 2019. The feedback on the pianos has been overwhelmingly positive with customers commenting on the lovely atmosphere that piano music creates at the stations. The public pianos were shortlisted for a Business to Arts Award in September.
- In 2018, we formed a partnership with the Fishamble Theatre Company. We are their travel partner for their two-year initiative called Play for Ireland, which sees playwrights, both new and existing from around the country create a play that will personify Ireland. It is due to have its premiere in 2019.
- Our ongoing partnership with the Ireland under 16 Basketball squad continues, which involves providing transport to the team for attendance at training weekends and matches.
- In Christmas 2018, we continued to support Focus Ireland in their work helping the homeless. Fundraising in stations through carol singing events, provision of station and on-board media poster sites, and giving customers the option to donate €2 to Focus Ireland when booking tickets online raised funds and awareness, with a total of €72,000 amount raised.

Jim Meade
Chief Executive

Iarnród Éireann and our services are integral to communities right around the country. We continued to support Mental Health and wellness, partnering with Green Ribbon, The Samaritans and Cycle against Suicide during 2018.

Directors and Other Information

Directors

Mr. F. Allen (Chairman)
Ms. S. Byrne
Ms. C. Griffiths
Ms. D. Guinan
Ms. V Little
Mr. M. McGreevy
Dr. P. Mulholland
Mr. T. Wynne

Chief Executive

Mr. J. Meade

Secretary Ms. G. Finucane

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Auditors

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Board of Directors

Frank Allen

Frank Allen is an independent financial consultant, advising on infrastructure investment and operations, mostly in developing and transition economies. He was Chief Executive of the Railway Procurement Agency from 2002 to 2012 and prior to that he was Head of Infrastructure Finance at KBC Bank and worked for the World Bank in Washington DC. He is a graduate of University College Cork and the Massachusetts Institute of Technology. He chairs the board of Depaul Housing Association.

Suzy Byrne

Suzy Byrne is Regional Manager in the National Advocacy Service for People with Disabilities and is Co-chair, Disabled People of Ireland. Suzy is also a writer and broadcaster and holds a BA in Sociology and Social Policy.

Carolyn Griffiths

Carolyn Griffiths is a Fellow of both the Royal Academy of Engineers and the Institution of Mechanical Engineers. She is President of the Institution and a Trustee of the Institution and Engineering Council. She has extensive experience of the railway industry having worked in various sectors in the UK, Singapore, Germany and Sweden. Her two most recent positions were Senior Vice President of a multinational company and the founding Chief Inspector of the Rail Accident Investigation Branch in the UK. She was awarded an Honorary Doctorate by Cranfield University in 2013 for her achievements in and contributions to the rail industry.

Denise Guinan

Denise Guinan was appointed to the Board of CIÉ in July 2018 under the Worker Participation (State Enterprises) Acts, 1977 to 2001, and to the Iarnród Éireann board at the same time. She joined the clerical grade in Bus Átha Cliath in 1989 and works in Ringsend Bus Garage. She is a member of the Transport & Salaried Staff Association.

Valerie Little

Valerie Little retired from ESB having held a number of senior management positions including Human Resource Manager for major Business Units, Head of Internal Audit and Head of Group Treasury. Valerie holds MSc in Management Practice and is a qualified accountant. She has served as a trustee of a large pension fund and served on a number of audit committees.

Mal McGreevy

Mal McGreevy, joined the board in 2015 following his retirement from the position of General Manager, Rail Services, Translink, Northern Ireland Railways Ltd. He has extensive experience in the transport sector. A Mechanical Engineer by profession, Mal has held senior engineering and operations positions in both bus and rail companies since joining Ulsterbus Ltd in 1988. Mal was appointed to the position of General Manager, Rail Services in 2004. He has been instrumental in the renewal of the Northern Ireland Railways fleet of trains, the upgrading of customer service levels and the more than doubling of passenger numbers during his tenure as General Manager. In 2012 Mal was awarded an MBE in recognition of his contribution to Public Transport Services in Northern Ireland.

Dr. Peter Mulholland

Peter Mulholland has over thirty years' experience in Human Resources (HR) covering both the private and public sectors. He retired from RTE in 2016 as Group Head of HR after twelve years, having previously held positions in the hotel, insurance and banking sectors and with the Institute of Public Administration. Peter holds a PhD from Trinity College and is a Chartered Fellow of the Chartered Institute of Personnel and Development (CIPD) He was also a former National Chairman and National Treasurer of the CIPD in Ireland and a Fellow of the Irish Institute of Training and Development. He is also a member of the British Psychological Society and is qualified in psychometric profiling. He is a former member of the Dublin Regional Committee of IBEC and the IBEC Foresight HR Committee. He is a qualified executive and business/personal coach.

Tommy Wynne

Tommy Wynne was appointed to the CIÉ Board in December 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001 and to the Iarnród Éireann board at the same time. Tommy joined Iarnród Éireann as a depot man in 1991 and became a train driver in 1994 Tommy holds a Higher Diploma in International Railway Operations from Glasgow Caledonia University. He is currently President of the SIPTU TEAC Division and Chairman of the Transport Sector in SIPTU.

Directors' Report

The directors present their annual report in accordance with their obligations under the Irish Companies Act 2014 and the Transport (Re-organisation of Córas Iompair Éireann) Act 1986 for the financial year ended 31 December 2018.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify the standards in question, and note the effect and the reasons for any material departures from those standards;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The board of directors are satisfied 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 financial statements. Further details are set out in Note 2 to the financial statements.

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 (CIÉ), a statutory body wholly owned by the Government of Ireland and reporting to the Minister for Transport, Tourism and Sport, holds 100% of the issued share capital of the Company.

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 saving initiatives which has successfully reduced the cost base and improved the quality and efficiency of its services for all customers. The 2018 results show the revenue generated from operations increased by €16.1m over 2017. The amount of the Public Service Obligation ("PSO") subvention received in 2018 was €141.3m down €5.7m on 2017. The PSO payment includes heavy maintenance funding of €35.0m (2017 €32.2m). Other exchequer funding for safety and maintenance increased by €29.8m from 2017.

The operating costs, before exceptional costs, increased by €27.0m over the 2017 level due to the increase in maintenance activities.

The Company recorded a deficit of €1.5m, before an exceptional credit of €0.4m. The credit relates lower than expected costs associated with rationalising the cost base. The overall deficit for the year was €1.1m in line with the deficit of €1.1m in 2017.

The directors are pleased to report that the targets agreed annually between the Company and the National Transport Authority ("NTA") were met in full for the year ended 31st December 2018.

There were no dividends paid or declared in 2018 or 2017.

Principal Risks and Uncertainties

The Company is committed to managing risk in a systematic and disciplined manner. Through the risk management framework, the principal risks facing the Company are identified and action plans to mitigate the risks are developed. The principal risks together with the risk mitigation are presented to the board on a quarterly basis. An external audit of the risk management system and processes is carried out on an annual basis.

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include liquidity risk, price risk and credit risk. The CIÉ Group, of which the Company is a member, has financial risk management processes and procedures in place to manage these financial exposures of the Company and other CIÉ Group financial risks.

In order to ensure stability of cash outflows and manage financial risk, CIÉ, the parent entity, uses derivative financial instruments in accordance with the specification to the Financial Transactions of Certain Companies Act 1992 which authorises CIÉ's use of financial instruments including commodity swap contracts.

The CIÉ Group's Treasury Policy, which documents the CIÉ Group's policies with regard to financial risk management, is approved by CIÉ Board and implemented by the CIÉ Group Treasury department.

Price risk

The Company is exposed to commodity price risk as a result of its operations, in particular the price of oil. CIÉ enters in to commodity swap contracts to mitigate the CIÉ Group's exposure to oil price movements. The Company is not a party to these contracts.

Foreign Exchange Risk

The CIÉ Group, and the Company, are exposed to foreign exchange risk in the normal course of business, in particular purchases and sales denominated in sterling and US dollars. The CIÉ Group uses a combination of intra group netting of cash flows, which are denominated in foreign currencies, and forward exchange contracts to mitigate the CIÉ Group and the Company's exposure to exchange rate movements. CIÉ enters in to foreign currency forward contracts to mitigate the risk that exists when material financial transactions are denominated in a currency other than Euros. The Company is not a party to these contracts.

Liquidity Risk

The CIÉ Group, actively maintains a mix of long-term and short-term debt finance that is designed to ensure the Group, including the Company, has sufficient available funds for day-to-day operations.

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 seven times each year, has a schedule of matters reserved for its approval.

Senior Management Team

The Senior Management Team of the company is responsible for the day to day management of the company's activities as delegated by the Board. The Senior Management Team are governed by an organisation structure designed to suit the needs of the organisation in areas including; Railway Undertaking, Infrastructure Manager Finance, Commercial, Risk Management, Human Resources, Information Technology, and Corporate Communications. The senior management team are also responsible for co-ordinating the activities from a reporting and governance perspective in relation to the company.

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 Group policies and procedures implemented by the Company following publication of the Code of Practice for the Governance of State Bodies (2016) are set out in the annual report of the Córas Iompair Éireann Group. This can be found on the CIÉ website at www.CIE.ie.

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.

Statement on Internal Control

Scope of Responsibility

Iarnród Éireann (IÉ) acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in IÉ for the year ended 31 December 2018 and up to the date of approval of the financial statements.

IÉ has an Audit and Risk Committee (ARC), the Charter and Terms of Reference of the ARC provides for three Board members to be appointed to the committee, one of whom is the Chair. The ARC met 4 times in 2018.

CIÉ has an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC.

The board has an Infrastructure Advisory Group to monitor infrastructure renewal, project manage large infrastructure, signalling, electrical and telecoms projects and performance. The Train Advisory Group assists the board in matters relating to customer experience and perception, commercial strategies, train engineering, regulatory changes and business risks. The Board Safety Committee advises the Board on mattes of safety across the business.

Capacity to Handle Risk

IÉ has put in place a Risk Management Framework which provides for all resources, governance and assurance systems necessary to ensure that all risks with the potential to affect the company achieving its objectives are identified, managed, and reported in accordance with the company's risk appetite. This Framework has been approved by the IÉ Executive Management Team and the IÉ Board.

Risk and Control Framework

The approved Framework sets out IÉ's objectives, risk appetite, and criteria for the evaluation of risks, which have been established by the Executive. IÉ's risk appetite is expressed as a graduated management and reporting policy for different types of risks.

Responsibility for the identification of risk lies with the individual members of the Executive relying upon the resources of their respective departments. Each member of the Executive is responsible for ensuring that risk identification is fully incorporated into the day to day activities of those working within their areas of responsibility, to the extent that all risks originating within, or impacting upon, these areas are identified. A single individual is then assigned as Risk Owner for each identified risk. It is this individual who is responsible for the further analysis, evaluation, treatment, and reporting of the risk in question, in accordance with the Framework.

For the purpose of recording the day to day activities undertaken as part of this process IÉ have put in place a Risk Management Information System. This software system has been designed in line with the principles set out in ISO 31000, with the effect that Risk Owners, and other actors, are required to adopt a consistent, robust approach at every stage of the risk management process.

Ongoing Monitoring and Review

The members of the Executive are responsible for using the Risk Management Information System to monitor and review the performance of the entire risk management process on a day-to-day basis.

To coordinate the risk management process, to manage areas of overlapping responsibility, and to ensure that the Principal Risks facing the company have been identified, the IÉ Chief Executive includes a review of risk management at each monthly meeting of the Executive. A list of the Principal Risks facing IÉ, which includes all risks that could threaten the company's business model, future performance, solvency or liquidity, is agreed and peer reviewed at each monthly meeting.

On a quarterly basis the IÉ Chief Risk Officer furnishes the IÉ Audit and Risk Committee and IÉ Board with a report setting out all information necessary to establish clearly the nature and extent of these Principal Risks, the likelihood of their materialising, and the extent to which they are to be managed or mitigated. Principal Risks are also reported to the relevant IÉ Board Advisory Group in the form of individual Risk Details Reports, which set out all information recorded on the Risk Management Information System relevant to the risk in question.

To provide further assurance that all foreseeable risks with the potential to affect IÉ achieving its objectives are identified and managed, and that the IÉ Board are adequately appraised of the Principal Risks facing the company, on an annual basis IÉ engage the services of a Risk Assurance Body to undertake a review of the company's risk management processes. This body is required to undertake an assessment of the adequacy and effectiveness of the processes by which risks are identified, prioritised, managed and reported. The findings of this assessment are documented in a report which is submitted to the IÉ Audit and Risk Committee and IÉ Board.

Procurement

It is company policy to adhere to public procurement legislation. The company had no reportable non-compliance in the year.

Review of Effectiveness

The Code of Practice for the Governance of State Bodies 2016 published by the Department of Public Expenditure and Reform requires an external review of effectiveness of risk management framework of each State Body be completed "on a periodic basis". BDO were engaged to perform a review of the Company's Risk Management Framework in September 2018.

IÉ was found to be compliant with the Code.

Furthermore, IÉ confirms that it has procedures to monitor the effectiveness of its risk management and control procedures. IÉ's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within IÉ responsible for the development and maintenance of the internal financial control framework.

IÉ confirms that the Board conducted an annual review of the effectiveness of the internal controls for 2018.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2018 that require disclosure in the financial statements.

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 enable them to scrutinise the Company's and management's performance against agreed objectives.

Directors' Report (continued)

Accounting Records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and the employment of suitably qualified personnel. The accounting records are kept at the Company's head office at Connolly Station, Amiens Street, Dublin 1.

Events Since the end of the Financial Year

The directors have evaluated events since the end of the financial year and concluded that no events occurred that would require recognition or disclosure in the Company financial statements.

Health and Safety

The Company is fully committed to complying with the provisions of the Safety, Health and Welfare at Work Act, 2005 and all other national and EU Regulations. The Safety Management System is kept under review and is updated on an ongoing basis.

Railway Safety Act 2005

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

Late Payment in Commercial Transactions Regulations 2013

The directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Amendment Regulations 2013. 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. During 2018 a total of €32,000 (2017:€36,000) was paid to third party suppliers under the regulations.

Directors

The directors of the Company are appointed by the Minister for Transport, Tourism and Sport. The names of persons who were directors during the year ended 31 December 2018 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Frank Allen	
Suzy Byrne	*appointed on 3rd August 2018*
Carolyn Griffiths	*re-appointed on 5th November 2018*
Denise Guinan	*appointed on 25th July 2018*
Valerie Little	
Mal McGreevy	*re-appointed on 29th October 2018*
John Moloney	*retired on 31st May 2018*
Dr. Peter Mulholland	
Thomas Wynne	

Listed Below is the board director's attendance at board meetings during 2018:

	Attendance
Frank Allen	9/9
Suzy Byrne	3/3
Carolyn Griffiths	9/9
Denise Guinan	3/3
Valerie Little	7/9
Mal McGreevy	8/9
John Moloney	4/5
Peter Mulholland	9/9
Tommy Wynne	9/9

None of the directors or secretary held any interest or any shares or debentures of the Company, its Holding Company or its fellow subsidiaries at any time during the year. There were no material contracts or arrangements entered into during the year in which a director was interested in relation to the Company's business.

Iarnród Éireann Advisory Groups

The following committees and advisory groups have been set up within Iarnród Éireann to advise the board on strategic and technical matters and to provide a peer review of management proposals. Details of the advisory groups to the Iarnród Éireann board and their non-executive members are as follows.

Board Safety Committee ('BSC)

The Iarnród Éireann board BSC was established to advise the Iarnród Éireann board and executive on issues relating to safety of passengers, worker, contractors, neighbours and the public more generally. The Group comprise of:

		Attendance
Carolyn Griffiths *(Chair)*	*Iarnród Éireann Director*	4/4
Mal McGreevy	*Iarnród Éireann Director*	4/4
Tommy Wynne	*Worker Director*	3/4

Audit & Risk Committee ('ARC')

The Iarnród Éireann ARC provides an avenue of communication between Internal Audit, the external auditors and the Iarnród Éireann board and to review, report on and make recommendations to the Iarnród Éireann board on annual financial statements, internal controls, risk management and governance processes within Iarnród Éireann. It also considers major findings of internal investigations, reports of the internal auditors and management's response. The Group comprise of:

		Attendance
Valerie Little *(Chair)*	*Iarnród Éireann Director*	4/4
Carolyn Griffiths	*Iarnród Éireann Director*	3/4
Mal McGreevy	*Iarnród Éireann Director*	4/4

Infrastructure Advisory Group ('IAG')

The IAG advises the Iarnród Éireann board on asset stewardship discharged by the Infrastructure Manager team, the strategic asset management plans developed and inputs into the Multi Annual Contract. The Group comprise of:

		Attendance
Mike Sowden *(Chair)*	*Independent Advisor*	5/5
David Wilkinson	*Independent Advisor*	5/5

Trains Advisory Group ('TAG')

The TAG was established to advise the Iarnród Éireann board and executive on issues relating to the Railway Undertaking, including the customer experience, commercial strategies, service offering and timetable, and train fleet engineering issues. There is one director on the TAG:

		Attendance
Mal McGreevy	*Iarnród Éireann Director (Chair)*	5/5

Human Resources Advisory Group ('HRAG')

The Human Resources Advisory Group was established to ensure that there is strategic oversight across all of the Human Resource enterprise in the delivery of positive change in Iarnród Éireann. The Group comprise of:

		Attendance
Peter Mulholland *(Chair)*	*Iarnród Éireann Director*	3/3
Valerie Little	*Iarnród Éireann Director*	2/3
Mal McGreevy	*Iarnród Éireann Director*	1/3

Directors' Report (continued)

Board Remuneration Committee ('BRC')

The Iarnród Éireann BRC is mandated on behalf of the Iarnród Éireann board to ensure implementation of Government policy with regard to the remuneration of Directors and the Chief Executive. It is also mandated to approve the remuneration package and the appointment of the CEO and all senior managers who report directly to the CEO. The Committee comprises:

		Attendance
Valerie Little *(Chair)*	*Iarnród Éireann Director*	1/1
Frank Allen	*Iarnród Éireann Chairman*	1/1
Mal McGreevy	*Iarnród Éireann Director*	1/1

Strategy Advisory Group ('StAG')

The Strategy Advisory Group was established in 2018 to review strategy for the company as a whole, and bring focus to specific areas of the business in partnership with key stakeholders. The Group comprise of:

		Attendance
Stephen Murphy *(Chair)*	*Independent Advisor*	1/1
Frank Allen	*Iarnród Éireann Chairman*	1/1
Valerie Little	*Iarnród Éireann Director*	1/1
Mal McGreevy	*Iarnród Éireann Director*	1/1

Directors Compliance Statement

As required by Section 225 of the Companies Act 2014, the directors acknowledge that the directors are responsible for securing the company's compliance with its relevant obligations; and

The directors confirm that the directors completed the following three procedures in order to comply with the directors' obligations during the financial year:

(a) the drawing up of a "compliance policy statement" setting out the company's policies that, in the directors' opinion, are appropriate to the company, and respecting compliance by the company with its relevant obligations;

(b) the putting in place of appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the company's relevant obligations; and

(c) the conducting of a review, during the financial year of any arrangements or structures that have been put in place.

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 Constitution provides that the appointment and removal of the Company Secretary is a matter for the directors.

Chief Executive Officer

On 16 March 2018, Mr David Franks retired from the position of Chief Executive Officer.

Disclosure of Information to Auditors

In the case of each of the persons who are directors at the time the directors' report and financial statements are approved: So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all steps that ought to have been taken by the director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The statutory auditors, Deloitte LLP, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the board

Mr. Frank Allen
Chairman

Ms. Valerie Little
Director

3 April 2019

Independent Auditor's Report

to the Members of Iarnród Éireann

Report on the Audit of the Financial Statements

Opinion on the Financial Statements of Iarnród Éireann (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2018 and of the loss for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 27, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("the relevant financial reporting framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you were:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report (continued)

Responsibilities of Directors

As explained more fully in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Opinion on Other Matters Prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are Required to Report by Exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal financial control required under the Code of Practice as included in the Corporate Governance Statement in the Directors' Report does not reflect the companies compliance with paragraph 1.9(iv) of the 2016 Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Ciarán O'Brien

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2

3 April 2019

Statement of Comprehensive Income

For the Financial Year Ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Revenue from operations		280,891	264,763
Receipts from Public Service Obligation contracts		89,327	114,779
Other exchequer funding		126,525	95,988
Total revenue	*3*	**496,743**	**475,530**
Costs			
Payroll and related costs	*5*	(254,023)	(246,309)
Materials and services costs	*6*	(223,413)	(204,121)
Total operating costs		**(477,436)**	**(450,430)**
EBITDA before exceptional items		**19,307**	**25,100**
Exceptional items	*7*	369	(2,412)
Depreciation net of capital grants amortised	*8*	(19,881)	(22,230)
Profit on disposal of tangible assets		74	64
(Deficit)/surplus before interest and taxation		**(131)**	**522**
Interest payable and similar charges	*9*	(1,003)	(1,587)
Deficit for the year on ordinary activities before taxation		**(1,134)**	**(1,065)**
Taxation on ordinary activities	*10*	–	–
Deficit for the financial year		**(1,134)**	**(1,065)**

Balance Sheet

As at 31 December 2018

	Notes	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	*12*	9,220	4,838
Tangible assets	*13*	1,715,460	1,823,425
		1,724,680	**1,828,263**
Current assets			
Stocks	*14*	44,372	49,561
Debtors	*15*	84,496	47,463
Cash at bank and in hand		1,372	954
		130,240	**97,978**
Creditors (amounts falling due within one year)	*16*	**(284,630)**	**(269,582)**
Net current liabilities		**(154,390)**	**(171,604)**
Total assets less current liabilities		**1,570,290**	**1,656,659**
Deferred income	*18*	(1,463,970)	(1,547,833)
Provisions for liabilities	*19*	(67,398)	(68,770)
		38,922	**40,056**
Capital and reserves			
Called up share capital	*20*	194,270	194,270
Profit and loss account – deficit		(155,348)	(154,214)
Total Equity		**38,922**	**40,056**

On behalf of the board

Mr. F. Allen
Chairman

Ms. V. Little
Director

3 April 2019

Statement of Changes in Equity

Financial year ended 31 December 2018

	Called up Share Capital €'000	Profit & Loss €'000	Total Equity €'000
Balance at 1 January 2017	**194,270**	**(153,149)**	**41,121**
Deficit for the financial year	–	(1,065)	(1,065)
Total comprehensive income for the financial year	–	(1,065)	(1,065)
Balance at 31 December 2017	**194,270**	**(154,214)**	**40,056**
Deficit for the financial year	–	(1,134)	(1,134)
Total comprehensive income for the financial year	–	(1,134)	(1,134)
Balance at 31 December 2018	**194,270**	**(155,348)**	**38,922**

Statement of Cash Flow

Financial year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Net cash generated from operating activities	*21*	**45,387**	**23,687**
Cash flow from investing activities			
Purchase of tangible fixed assets		(79,861)	(108,888)
Purchase of intangible fixed assets		(5,433)	(3,652)
Proceeds from disposal of tangible fixed assets		74	64
Proceeds from state and EU grants		81,454	105,109
Net cash used in investing activities		**(3,766)**	**(7,367)**
Cash flow from financing activities			
Interest paid		(1,003)	(1,587)
Intercompany financing		(40,200)	(15,801)
Total cash used in financing activities		**(41,203)**	**(17,388)**
Net increase/(decrease) in cash and cash equivalents		**418**	**(1,068)**
Cash and cash equivalents at 1 January		954	2,022
Cash and cash equivalents at 31 December		**1,372**	**954**
Cash and cash equivalents consist of :			
Cash at bank		360	358
Bank		1,012	596
		1,372	**954**

Notes to the Financial Statements

1 Statement of Compliance, Activities and Ownership

(a) Statement of Compliance

The financial statements of Iarnród Éireann, registered number 119571, Connolly Station, Amiens Street, Dublin 1, have been prepared on a going concern basis in accordance with Financial Reporting Standard 102 (Accounting standards issued by the Financial Reporting Council of the UK) and the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

(b) Activities and Ownership

Córas Iompair Éireann (CIÉ), of which Iarnród Éireann is a subsidiary, is Ireland's national statutory authority providing land public transport within Ireland. CIÉ is wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

Iarnród Éireann is Ireland's leading provider of rail transport.

The financial statements of the Company relate solely to the activities of Iarnród Éireann.

Summary of Significant Accounting Policies

The significant accounting policies and estimations techniques adopted in the preparation of these financial statements are set out on the following pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

As permitted by the Companies Act 2014, the directors have adapted the prescribed format of the profit and loss account in a manner appropriate to the nature of the Company's business.

Córas Iompair Éireann owns 100% of the equity share capital of Iarnród Éireann, ('IÉ').

Córas Iompair Éireann prepare group financial statements, of which Iarnród Éireann is a member. Copies of the Córas Iompair Éireann group financial statements are available from the Company Secretary at Córas Iompair Éireann, Heuston Station, Dublin 8 and on the company's website at IrishRail.ie.

(a) Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, refer to Note 2 in the Financial Statements for further details.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out at (u) below.

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of exemption for disclosing related party transactions with other subsidiaries within the CIÉ Group.

(b) Revenue

Revenue comprises the gross value of services provided. Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered.

Iarnród Éireann recognises revenue in the period in which the service is provided.

Rail Operations revenue is recognised in the period the service is provided on completion of the customer's journey. Proceeds received for the sale of annual tickets and other future dated products is carried within liabilities and recognised in the profit and loss account over the period of the relevant service.

Freight revenue is recognised in the period in which the service is provided.

Rosslare Europort revenue is recognised in the period in which the service is provided.

Revenue from advertising and other sundry activities is recognised over the period of the relevant contract. Revenue from advertising is earned from bi-monthly and quarterly contracts with the associated revenue receipt received in arrears.

Income from commissions is recognised when the service is provided to the customer.

Other third party revenues are recognised as they are earned, or at the point of service, to the extent that relevant expenses have been recognised that are recoverable against this revenue in the period.

(c) Material and Services Costs

Materials and Services costs, constitute all costs associated with the day to day running of the operations of Iarnród Éireann, excluding depreciation and amortisation and payroll costs which are disclosed separately in the profit and loss account, and are disclosed separately in the notes to the financial statements.

(d) Exceptional Costs

Iarnród Éireann's profit and loss account separately identifies operational results before specific items. Specific items are those that in the directors' judgement need to be disclosed separately by virtue of their size, nature or incidence. The Company believes that this presentation provides additional analysis as it highlights exceptional costs. Such costs include significant business restructuring costs.

In this regard the determination of 'significant', uses qualitative and quantitative judgement by the directors' in assessing the particular costs, which by virtue of their scale and nature, are disclosed in the profit and loss account and related notes as exceptional costs.

(e) Foreign Currency

(i) Functional and presentation currency

The functional currency and presentation currency of the Company is the Euro, denominated by the symbol "€" and unless otherwise stated, the financial statements have been presented in thousands (€'000).

(ii) Transactions and balances

Transactions denominated in the foreign currency are translated into the functional currency using the spot exchange rates at the date of the transactions.

At the end of each financial year foreign currency monetary items are translated to Euro using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Notes to the Financial Statements (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within material and service costs.

(f) European Union and State Grants

Iarnród Éireann recognises government grants in line with the accruals model under FRS 102.

(i) Grants for capital expenditure

Grants for capital expenditure are credited to deferred income as they become receivable. They are amortised to the profit and loss account and recognised in income over the useful economic life of the related assets.

(ii) Revenue grants

Revenue grants are recognised as income in the profit and loss account in the period in which the related costs for which the grant is intended to compensate are incurred.

(iii) Infrastructure Manager Multi Annual Contract grant

Infrastructure Manager Multi Annual Contract (MAC) grants are recognised as deferred income or immediately as income in the profit and loss account, by reference to the underlining activity for which the grant is intended to compensate. MAC capital grants credited to deferred income in the balance sheet are amortised over the useful economic life of the related assets.

(g) Segmental Reporting Note

Operating segments are reported in a manner consistent with the internal management structure of Iarnród Éireann and the internal financial information provided to the company's Chief Operating Decision Makers (the executive directors) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. The operating result reported internally by segment is the key measure utilised in assessing the performance of operating segments within the company.

Iarnród Éireann has determined it has five reportable segments: Railway Undertaking, Railway Infrastructure Manager, Rail Freight, Rosslare Europort and Central and Other Activities. The Railway Undertaking segment operates the passenger business under the Public Service Obligation contract awarded by the National Transport Authority. The Railway Infrastructure Manager segment manages, maintains and renews the infrastructure asset which is funded by the Multi Annual Contract and Access charges. The Rail Freight segment provides transport services for the movement of goods by rail. The Rosslare Europort segment operates the second busiest port in the state for ship movements of tourist traffic and unitised freight. The Central and Other Activities segment provide shared services to the organisation and contains the navigator business which provides road transport facilities for the motor industry primarily.

(h) Employee Benefits

The Company provides a numbers of employee benefits to staff depending on their grade, seniority and statutory obligations. Benefits include the payment of salary or wages and the payment of premia for additional work undertaken. In addition, employer contributions in respect of pension are made for eligible staff to the respective pension schemes.

Post-employment benefits

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group.

A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

These schemes have been accounted for in the CIÉ Group financial statements. The defined benefit pension scheme assets are measured at fair value. Defined benefit pension schemes liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet of CIÉ as a liability.

All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan. The scheme rules do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit cost for the schemes as a whole are recognised in the separate financial statements of CIÉ, as in the absence of a formal contractual arrangement the directors believe that this is the entity that is legally responsible for the schemes. The other participating entities, including Iarnród Éireann recognise a cost equal to their contribution for the period. Further details of these schemes are set out in note 23.

(i) Interest

(i) Interest receivable

Interest earned is credited to the profit and loss account in the period in which it was earned.

(ii) Interest payable

Borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(j) Related parties

Iarnród Éireann is a subsidiary of CIÉ Group. Iarnród Éireann does not disclose transactions with related parties which are not wholly owned within the group (see Note 25). The Company is exempt from disclosing transactions with members of the same group that are wholly owned.

(k) Taxation

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

(ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements (continued)

(l) EBITDA

EBITDA is company earnings before adjustment for interest and taxation charged, depreciation of fixed assets and amortisation of capital grants received.

(m) Intangible Fixed Assets

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three to five years, on a straight-line basis. Software is not considered to have a residual value. Where factors, such as technological advancement or changes in market prices, indicate that the software's useful life has changed, the useful life is amended prospectively to reflect the new circumstances. Intangible fixed assets are reviewed for impairment if there is an indication that the intangible fixed asset may be impaired.

(n) Tangible Fixed Assets and Depreciation

Tangible fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use and applicable dismantling, removal and restoration costs.

(i) Railway lines and works

Railway lines and works comprise a network of systems.

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

Tangible fixed assets include capitalised employee and other costs that are directly attributable to the asset.

Expenditure on the existing network, which maintains the operating capability in accordance with defined standards of service is treated as maintenance and expensed to the profit and loss account. Any related grant is treated similarly and presented in the profit and loss account.

(ii) Railway rolling stock

Locomotives other than those fully depreciated or acquired at no cost railcars, coaching stock and wagons are depreciated on the basis of their historical cost spread over their estimated economic useful lives using the straight line method.

(iii) Road freight vehicles

These assets are depreciated on the basis of historical cost spread over their estimated economic useful lives using the straight line method.

(iv) Docks, harbours and wharves; plant and machinery

These assets are depreciated based on the historical cost spread over their estimated economic useful lives using the straight line method.

(v) Land and buildings

Land is not depreciated. Buildings are depreciated, on the based on the historical cost spread over their estimated economic useful lives using the straight line method.

(vi) Depreciation and residual values

Depreciation on assets except land is calculated, using the depreciation methods and estimated useful lives, as follows:

Railway lines and works	straight-line method	10-40 years
Bridges	straight-line method	120 years
Railway rolling stock	straight-line method	4-20 years
Road freight vehicles	straight-line method	1-10 years
Freehold buildings	straight-line method	50 years
Plant and machinery	straight-line method	3-30 years
Signalling	straight-line method	10 years
Docks, harbours and wharves	straight-line method	50 years
Catering equipment	straight-line method	5-10 years

The range of years is designed to indicate the different economic lives of components within a class of assets. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(vii) Subsequent additions and major components

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is recognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs and maintenance are expensed as incurred to the profit and loss account.

(viii) Derecognition

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss.

(o) Heritage Assets

Iarnród Éireann has a number of heritage assets, mainly former fleet vehicles, plates, crests and various artefacts. The assets are maintained "purely for their contribution to knowledge and culture" and the assets comprise mainly former operational assets.

Given the nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of Iarnród Éireann heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements.

Notes to the Financial Statements (continued)

(p) Stocks

Stocks consist of maintenance materials, spare parts, fuel and other sundry stock items. Fuel stock is valued at the lower of weighted average cost and net realisable value. Non fuel stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

At the end of each financial year, stocks are assessed for impairment and a provision is made for stocks considered to be impaired.

Civil Engineering (CCE) and Signalling (SET) stock is categorised into moving and unmoving stock. A provision is applied to unmoving stock, based on the length of time since the stock last moved. An excess provision is applied to the excess portion of "moving stock" depending on the level of stock with excess of 2 years usage on hand.

Mechanical Engineering (CME) stock is categorised as strategic, program and consumable stocks. A provision is applied to each category depending on the age of the stock.

Stand by equipment or specialised major spare parts which are held for replacement purposes and are expected to be used during more than one period are held as tangible fixed assets in accordance with FRS 102.

(q) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

(r) Financial Instruments

(i) Financial assets

The Company has chosen to adopt the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

The Company has a number of basic financial assets which include trade and other debtors, amounts owed from group companies and cash and cash equivalents and which are recorded in current assets as due in less than one year.

Basic financial assets are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Similarly, the Company has a number of basic financial liabilities, including trade and other creditors, bank loans and overdrafts, and loans from fellow group companies, which are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the financial liability is measured at the present value of the future payments discounted at a market rate of interest of a similar debt instrument.

Trade and other creditors, bank loans and overdrafts, loans from fellow group companies and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(s) Provisions and Contingencies

(i) Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefit will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Restructuring provisions are recognised when the Company has a legal or constructive obligation at the end of the financial year to carry out the restructuring. The Company has a constructive obligation to carry out a restructuring when there is a detailed, formal plan for the restructuring and the Company has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected.

Notes to the Financial Statements (continued)

Provision is made for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Company.

Other provisions consist of provisions related to the operation of rail services, pay related provisions, legal claims and pension related provisions.

Provision is not made for future operating losses.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the Company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(t) Leased Assets

(i) Finance leases

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessor. At the commencement of the finance lease term, the Company recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. 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

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease. Rental payments under operating leases are charged to the profit and loss account as they accrue.

(u) Equity

The Company's equity shares are wholly owned by CIÉ. Ordinary called up share capital and revenue reserves are classified as equity and set out in the notes to the financial statements.

(v) Critical Accounting Estimates and Assumptions

Estimates and judgements made in the process of preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors make estimates and assumptions concerning the future in the process of preparing the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement and complexity and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible and intangible fixed assets

The annual amortisation charge for intangible fixed assets and the depreciation charge for tangible fixed assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The useful economic lives for each class of intangible fixed and tangible fixed assets are set out above. The carrying amount of tangible and intangible fixed assets for each class of assets is set out in notes 12 and 13.

(ii) Defined benefit pension scheme

The CIÉ group, of which the Company is a member, has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including assumptions in respect of; life expectancy, salary increases, and the discount rate on corporate bonds. Further details are set out in note 23.

(iii) Third party and employer liability claims provisions

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to the Company.

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.

Further details are set out in note 19 to the financial statements.

2 Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company and the CIÉ Group ("the Group"), of which the Company is a member, will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements.

Background

Company

At 31 December 2018, the Iarnród Éireann had net assets of €39million (2017: €40million) and net current liabilities of €154million (2017: €172million).

Net current liabilities include non-cash items of €187 million (2017: €191 million) relating to deferred income in respect of capital grants and revenue. Therefore, excluding these non-cash items the Company has net current assets of €33 million (2017: net current assets €19 million).

The net assets of the Company include non-cash liabilities of €1,651 million (2017: €1,738 million) relating to deferred income in respect of capital grants and revenue, capital grants do not involve a cash commitment and are utilised in line with the depreciation of the asset. Therefore, excluding these items the Company has net assets of €1,690 million (2017: €1,778 million).

The Group operates a pooled treasury system. The Company relies on the Group's banking facilities to enable it to manage its operations in accordance with its approved business plan. The Group's financial position is set out in the following section.

Notes to the Financial Statements (continued)

Letter of Support

The ongoing support of CIÉ Group is evidenced in the letter of support dated 3rd April 2019.

The letter states "It remains CIÉ policy that the Company is at all times in a position to meet its liabilities. CIÉ shall continue to exercise its shareholder rights and statutory obligations with a view to ensuring that the Company manages its operations, in accordance with its approved business plans, and in a manner which will enable it to meet all its obligations in a timely fashion. CIÉ will provide the financial support necessary to permit the Company to continue operating and liquidating its liabilities in the normal course of business for at least a period of twelve months after the date of signing the financial statements. In the event of default by any CIÉ subsidiary undertaking who owe amounts to the Company, the Parent will compensate for losses incurred."

Group

At 31 December 2018, the Group had net liabilities of €410 million (2017: €636 million) and net current liabilities of €184 million (2017: €200 million). Net current liabilities include non-cash items of €261 million (2017: €264 million) relating to deferred income in respect of capital grants and deferred revenue. Therefore, excluding these non-cash items the Group has net current assets of €77 million (2017: €64 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €547 million (2017: €784 million) and deferred income in respect of capital grants received of €2,421 million (2017: €2,494 million).

As of January 2018, the CIÉ Group secured an amendment and extension of its banking facility. The facility is a committed facility of €108m for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2018, the Group had drawn down €28m under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80m.

Nature of Uncertainties Facing Group

While trading performance improved considerably during 2018, the Group continues to face a challenging business environment which gives rise to uncertainties.

While management are confident that overall financial levels including those required for the Group to meet its financial covenants will continue to be met in the forthcoming year, the Group's future performance is based on a number of challenging targets and assumptions which require constant monitoring and oversight by management.

The principal uncertainties affecting the future outlook can be summarised under the following headings:

1 Revenue

The achievement of the revenue growth targets set out for the year are based on a combination of assumptions related to increases in nominal fares, increases in passenger journeys and the mix of fares between cash and other fares.

2 Operating Costs

Maintaining operating costs at appropriate levels as set out in the Group's plans remains critical. Assumptions used in preparing the plans are by their nature subjective and it is imperative that performance against plan is monitored closely, so that mitigating actions, which have already been identified by management can be put in place if necessary.

3 Investment Costs

Achieving the appropriate level of investment in the maintenance, renewal and enhancement of public transport infrastructure is critical to underpinning the provision of safe, effective and reliable public transport services. Ensuring that necessary investment is appropriately funded is a continuing challenge for management so that the investment demand of the Group's operations does not undermine the financial sustainability of the Group. The Group's plans for 2019 are subject to additional capital expenditure funding support from the Department of Transport, Tourism and Sport ("DTTaS") and the NTA, and also envisage funding investment from operating cash flows.

The Group's sustainability in the longer term is dependent on an appropriate level of government funding being in place to fund the public transport services that are required under the Group's Public Service Obligation contracts.

The Group's sustainability is particularly sensitive to uncertainty associated with funding future investment.

Funding of investment requirements in the longer term remains a significant challenge for all stakeholders. Should there be a shortfall in levels of funding; the risk that the Group may not generate sufficient cash flows to protect its financial stability during the life of the current 5-year business plan arises. In that event, working capital will become constrained requiring constant monitoring. Mitigating actions would be required to ensure that the overall financial covenant, to which the Group is committed, are not breached and that sufficient cash-flow is generated after investment to meet obligations as they fall due.

As mitigation, the Group manages the authorization of material investments and seeks confirmation of appropriate funding being in place prior to the commencement of those investments.

In November 2018, the National Transport Authority decided to:

- Directly award a new contract for the provision of public bus services currently operated by Bus Átha Cliath in the Dublin Area from December 2019 to Bus Átha Cliath for a period of five years. Directly award a new contract for the provision of public bus services outside the Dublin Area to Bus Éireann for a period of five year, with the exception of a selection of services, approximately 5%, where the direct award contract shall be for a period of no longer than two years, expiring in 2021.
- The NTA is proposing to directly award a public service contract to Iarnród Éireann for the provision of public passenger transport services by rail with a commencement date of 1 December 2019, following the expiry of the current direct award contract on 30 November 2019. It is envisaged that the direct award contract will be for ten years.

4 Liquidity

In January 2018, the CIÉ Group secured an amendment and extension of its banking facility. The facility is a committed facility of €108m for an initial period of 5 years with two one year extension options exercisable at the end of year 1 and year 2 of the facility. At 31 December 2018 the Group had drawn down €28 million under the term loan facilities. The undrawn amount available to the Group under the Group's revolving credit facilities was €80 million.

These facilities contain a number of financial covenants, all of which have been met by the Group in 2018. Management expect that the Group will continue to meet the covenants set out in the new facility agreement for the period of at least 12 months from the date of approval of these financial statements. The Group continuously monitors the actual and forecast use of its banking facilities and adherence to the financial covenants within its facilities. The Group currently holds a net cash balance of €221 million as at 31 December 2018.

5 Pensions

The Group's pension schemes are in deficit, the liability position of the pension schemes reduced significantly in the year. The decrease in liability arose mainly due to an increase in the discount rate applied to calculate the present value of the scheme and a reduction in Inflation rate assumptions. The Schemes continue to be exposed to significant movements in the underlying interest rates under which liabilities are measured and the valuation of assets held by the schemes. The ongoing volatility in the valuation of the schemes require careful monitoring and the identification of measures which can be implemented, on an agreed basis, to reduce the risk in relation to the schemes.

The Group considers that the appropriate long–term mitigation for this risk is to de-risk the schemes in consultation with staff, the Group is engaging with its staff to identify and agree on measures which are designed to de-risk the schemes. The Group manages its budgets to ensure that, in the short-term, the cash implications of its pension obligations are accounted for appropriately.

Notes to the Financial Statements (continued)

Management's Actions

In addition to the mitigations outlined above the Group and CIÉ management have taken and are continuing to take a number of actions, including:

- Continuous review of risks and opportunities affecting the Group's business plan.
- Discussions with the NTA and Department of Transport, Tourism and Sport on the appropriate funding structure/net financial effect for Iarnród Éireann, Bus Éireann and Bus Átha Cliath.
- Discussion with staff representatives to agree measures to address the financial position of the Group's pension funds.
- Continued implementation and rigorous monitoring of cost saving initiatives.
- Close monitoring by management of the daily, weekly and monthly cash position across the Group.
- Implementation of revenue protection initiatives and seeking new revenue generating activities

Letter of Support – Group

In compliance with the requirements of the Code of Practice for the Governance of State Bodies CIÉ has approved a rolling five year plan which reflects the objectives of the shareholder, the Minister for Transport, Tourism and Sport, and the strategic and legal mandate of CIÉ.

As outlined above, during 2018, the Board agreed an extension of its banking facilities, on a committed basis, for a further five years. The Board also notes and welcomes the proposals of the National Transport Authority to award contracts to Bus Átha Cliath, Bus Éireann and to Iarnród Éireann for the provision of public transport services which extend beyond 12 months of the date of approval of these financial statements.

In 2017, CIÉ received a Letter of Support from the DTTaS, in finalizing the 2018 financial statements CIÉ and the DTTaS discussed whether, in light of the considerations outlined above, there was an ongoing requirement for a Letter of Support. It was agreed that, in the context of the Group's approved five year plans and of its current financial position, that such a Letter of Support is not required.

Conclusion

Having made due enquiries, and considering the uncertainties and mitigations described above, the Board Members have a reasonable expectation that the cash flow generating from the Group's trading activities and its existing banking facilities will be sufficient to fund the ongoing cash flow needs of the Group and CIÉ, and to meet the Group's financial covenants under the Group's banking facilities agreements for the period of at least 12 months from the date of approval of these financial statements.

Taking account of all of the above, the Board Members have concluded that the risks described above do not represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern.

The Board Members, having regard to above, have a reasonable expectation that the Group and CIÉ will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements and consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

3 Divisional Analysis of Profit and Loss Account

Iarnród Éireann has determined it has five reportable segments: Railway Undertaking, Railway Infrastructure Manager, Rail Freight, Rosslare Europort and Central and Other Activities. The Railway Undertaking segment operates the passenger business under the Public Service Obligation contract awarded by the National Transport Authority. The Railway Infrastructure Manager segment manages, maintains and renews the infrastructure asset which is funded by the Multi Annual Contract and Access charges. The Rail Freight segment provides transport services for the movement of goods by rail. The Rosslare Europort segment operates the second busiest port in the state for ship movements of tourist traffic and unitised freight. The Central and Other Activities segment provide shared services to the organisation and contains the navigator business which provides road transport facilities for the motor industry primarily.

(a) Railway Undertaking

	2018 €'000	2017 €'000
Sources of revenue		
Revenue	235,742	220,153
Public Service Obligation	89,327	114,779
Other exchequer funding	711	–
Total revenue	**325,780**	**334,932**
Operating costs		
Payroll and related costs	(129,614)	(128,106)
Materials and services	(84,401)	(84,690)
Fuel	(27,674)	(28,372)
Total operating costs	**(241,689)**	**(241,168)**
Operating surplus before track access charges	**84,091**	**93,764**
Track access charge	(69,012)	(77,306)
EBITDA before exceptional items	**15,079**	**16,458**
Exceptional items	1,454	(1,465)
Depreciation and amortisation, net of capital grants amortised	(12,505)	(15,722)
Surplus/(deficit) before interest and taxation	**4,028**	**(729)**
Interest payable and similar charges	(529)	(909)
Surplus/(deficit) for the year on ordinary activities before taxation	**3,499**	**(1,638)**
Taxation on deficit on ordinary activities	–	–
Surplus/(deficit) for the year on ordinary activities after taxation	**3,499**	**(1,638)**

Notes to the Financial Statements (continued)

(b) Railway Infrastructure Manager

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

	2018 €'000	2017 €'000
Sources of revenue		
Multi Annual Contract	125,814	95,988
Track access charges	70,902	79,534
Third party revenue	26,994	25,476
Total revenue	**223,710**	**200,998**
Operating costs revenue		
Payroll and related costs	(110,699)	(105,003)
Materials and services	(113,276)	(92,464)
Fuel	(48)	(45)
Total operating costs	**(224,023)**	**(197,512)**
EBITDA before exceptional items	**(313)**	**3,486**
Exceptional items	(978)	(926)
Depreciation and amortisation, net of capital grants amortised	(5,145)	(5,300)
Profit/ on sale of tangible fixed assets	13	–
Deficit before interest and taxation	**(6,423)**	**(2,740)**
Interest payable and similar charges	(405)	(601)
Deficit for the year on ordinary activities before taxation	**(6,828)**	**(3,341)**
Taxation on deficit on ordinary activities	–	–
Deficit for the year on ordinary activities after taxation	**(6,828)**	**(3,341)**

(c) Rail Freight Division

	2018 €'000	2017 €'000
Revenue	4,420	4,868
Total revenue	**4,420**	**4,868**
Operating costs		
Payroll and related costs	(927)	(958)
Materials and services	(1,778)	(1,854)
Fuel	(459)	(530)
Total operating costs	**(3,164)**	**(3,342)**
Operating surplus for the financial year before track access charges	**1,256**	**1,526**
Track access charges	(1,890)	(2,228)
EBITDA	**(634)**	**(702)**
Deficit before interest and taxation	**(634)**	**(702)**
Interest payable and similar charges	(12)	(20)
Deficit for the year on ordinary activities before taxation	**(646)**	**(722)**
Taxation on deficit on ordinary activities	–	–
Deficit for the year on ordinary activities after taxation	**(646)**	**(722)**

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Notes to the Financial Statements (continued)

(d) Rosslare Europort Division

	2018 €'000	2017 €'000
Revenue	10,620	11,100
Total revenue	**10,620**	**11,100**
Operating costs		
Payroll and related costs	(4,286)	(4,571)
Materials and services	(3,041)	(1,924)
Total operating costs	**(7,327)**	**(6,495)**
EBITDA	**3,293**	**4,605**
Depreciation net of capital grants amortised	(1,092)	(1,131)
Profit on sale of tangible fixed assets	61	64
Surplus before interest and taxation	**2,262**	**3,538**
Interest payable and similar charges	(58)	(57)
Surplus for the year on ordinary activities before taxation	**2,204**	**3,481**
Taxation on surplus on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	**2,204**	**3,481**

(e) Central and Other Activities

	2018 €'000	2017 €'000
Sources of revenue		
Third party revenue	3,115	3,166
Total revenue	**3,115**	**3,166**
Operating costs		
Payroll and related costs	(8,497)	(7,671)
Materials and services	7,265	5,758
Total operating costs	**(1,232)**	**(1,913)**
EBITDA before exceptional items	**1,883**	**1,253**
Exceptional items	(107)	(21)
Depreciation	(1,139)	(77)
Surplus before interest and taxation	**637**	**1,155**
Taxation on surplus on ordinary activities	–	–
Surplus for the year on ordinary activities after taxation	**637**	**1,155**

Notes to the Financial Statements (continued)

(f) State and EU Funding

Public Service Obligation (PSO)

Each year funding is provided for socially necessary but financially unviable public transport services in Ireland, known as Public Service Obligation (PSO) services, under contract to the National Transport Authority ("NTA", "the Authority").

The funding of PSO services is governed by Public Transport Contracts between the Authority and the Company. The current contracts with Iarnród Éireann were signed in December 2009 and are for a period of 10 years, to 2019.

The contents of the contracts and the basis for maintaining them may be reviewed at any time by the NTA in consultation with the relevant Company, however, a full review of the contract must occur at the end of each 5 or 10 year period (as appropriate).

The contracts meet the current criteria set down in EU law, setting strict standards of operational performance and customer service and contain penalties for non-performance. The NTA monitors the contracted performance of each PSO operator on a quarterly basis.

Multi Annual Contract (MAC)

Iarnród Éireann's management of infrastructure is funded under EU regulation by a 5 year, Multi-Annual Contract from the Department of Transport, Tourism and Sport and track and station access charges from passenger and freight rail services.

The current contract commenced on 1 January 2014 and was due to expire on 31 December 2018. The contract has been extended to 31st December 2019.

This contract between Iarnród Éireann and the Minister is pursuant to Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012, Directive 2001/14/EC of the European Parliament and of the Council of 26 February 2001, Section 45 of the Public Transport Regulation Act 2009, and the European Communities (Railway Infrastructure) Regulations (SI No. 55 of 2010).

Charges in connection with the provision of the railway infrastructure by the Infrastructure Manager are payable by the Minister to the Infrastructure Manager in advance on a monthly basis.

Details of funding received in the year is set out below.

	PSO 2018	Infrastructure MAC 2018	Other 2018	Total 2018
Allocated in the profit and loss account to:				
Rail Operations	89,327	–	711	90,038
Infrastructure	–	125,814	–	125,814
	89,327	**125,814**	**711**	**215,852**
Sources				
State grants -- PSO	89,327	–	–	89,327
State grants -- multi annual contract	–	125,814	–	125,814
State grants -- other	–	–	711	711
	89,327	**125,814**	**711**	**215,852**

	PSO 2017	Infrastructure MAC 2017	Other 2017	Total 2017
Allocated in the profit and loss account to:				
Rail Operations	114,779	–	–	114,779
Infrastructure	–	95,988	–	95,988
	114,779	**95,988**	**–**	**210,767**
Sources				
State grants -- PSO	114,779	–	–	114,779
State grants -- multi annual contract	–	95,988	–	95,988
	114,779	**95,988**	**–**	**210,767**

Notes to the Financial Statements (continued)

(g) Net Surplus/(Deficit) by Activity

	Railway Under-taking €'000	Infra-structure Manager €'000	Rail Freight €'000	Other Commer-cial Activities €'000	Total €'000
2018					
Revenue	235,742	97,896	4,420	13,735	351,793
Receipts from PSO	89,327	–	–	–	89,327
Other exchequer	711	125,814	–	–	126,525
Costs	(322,281)	(230,538)	(5,066)	(10,894)	(568,779)
(Deficit)/surplus for the year	**3,499**	**(6,828)**	**(646)**	**2,841**	**(1,134)**
2017					
Revenue	220,153	105,010	4,868	14,266	344,297
Receipts from PSO	114,779	–	–	–	114,779
Other exchequer	–	95,988	–	–	95,988
Costs	(336,570)	(204,339)	(5,590)	(9,630)	(556,129)
(Deficit)/surplus for the year	**(1,638)**	**(3,341)**	**(722)**	**4,636**	**(1,065)**

4 Balance Sheet by Business

The following sets out the balance sheet of each division as at 31st December 2018. The Intra IÉ business balances represent the amounts payable and receivable between each division. The intercompany balance with the CIÉ holding company is reported in the debtors balance in the Central and other activities balance sheet.

(a) Railway Undertaking

	2018 €'000	2017 €'000
Fixed Assets		
Intangible assets	7,752	3,601
Tangible assets	478,821	531,295
	486,573	**534,896**
Current Assets		
Stocks	27,361	31,115
Debtors	10,130	13,085
Intra IÉ business	14,757	–
Cash at bank and in hand	547	1,159
	52,795	**45,359**
Creditors (amounts falling due within one year)		
Intra IÉ business	–	(18,728)
Deferred income	(77,915)	(72,119)
Other creditors	(64,746)	(48,410)
	(142,661)	**(139,257)**
Net Current Liabilities	**(89,866)**	**(93,898)**
Total Assets less Current Liabilities	**396,707**	**440,998**
Deferred income	(379,744)	(424,669)
Provisions for liabilities and charges	(30,942)	(33,807)
Net Liabilities	**(13,979)**	**(17,478)**
Reserves		
Profit and loss account -	(13,979)	(17,478)
Total reserves	**(13,979)**	**(17,478)**

Notes to the Financial Statements (continued)

(b) Railway Infrastructure Manager

	2018 €'000	2017 €'000
Fixed Assets		
Intangible assets	1,141	761
Tangible assets	1,204,392	1,259,819
	1,205,533	**1,260,580**
Current Assets		
Stocks	17,011	18,446
Debtors	4,512	4,186
	21,523	**22,632**
Creditors (amounts falling due within one year)		
Intra IÉ business	(28,936)	(35,637)
Deferred income	(84,168)	(95,458)
Other creditors	(41,445)	(36,088)
	(154,549)	**(167,183)**
Net Current Liabilities	**(133,026)**	**(144,551)**
Total Assets less Current Liabilities	**1,072,507**	**1,116,029**
Deferred income	(1,076,259)	(1,115,105)
Provisions for liabilities and charges	(27,472)	(25,320)
Net Liabilities	**(31,224)**	**(24,396)**
Reserves		
Profit and loss account	(31,224)	(24,396)
Total reserves	**(31,224)**	**(24,396)**

(c) Rail Freight Division

	2018 €'000	2017 €'000
Current Assets		
Debtors	668	898
	668	**898**
Creditors (amounts falling due within one year)		
Intra IÉ business	(6,180)	(5,684)
Other creditors	(162)	(232)
	(6,342)	**(5,916)**
Total Assets less Current Liabilities	**(5,674)**	**(5,018)**
Provisions for liabilities and charges	(155)	(165)
Net Liabilities	**(5,829)**	**(5,183)**
Reserves		
Profit and loss account	(5,829)	(5,183)
Total reserves	**(5,829)**	**(5,183)**

Notes to the Financial Statements (continued)

(d) Europort Division

	2018 €'000	2017 €'000
Fixed Assets		
Tangible assets	31,733	31,727
	31,733	**31,727**
Current Assets		
Debtors	1,682	1,843
Intra IÉ business	62,460	59,917
	64,142	**61,760**
Creditors (amounts falling due within one year)		
Deferred income	(310)	(310)
Other creditors	(1,165)	(855)
	(1,475)	**(1,165)**
Net Current Assets	**62,667**	**60,595**
Total Assets less Current Liabilities	**94,400**	**92,322**
Deferred income	(7,732)	(8,044)
Provisions for liabilities and charges	(606)	(420)
Net Assets	**86,062**	**83,858**
Reserves		
Profit and loss account	86,062	83,858
Total reserves	**86,062**	**83,858**

Comparative information has been reclassified where necessary to conform to current year presentation

(e) Central and Other Activities

	2018 €'000	2017 €'000
Fixed Assets		
Intangible assets	326	476
Tangible assets	514	584
	840	**1,060**
Current Assets		
Debtors	67,504	27,451
Cash at bank and in hand	824	–
Intra IÉ business	–	132
	68,328	**27,583**
Creditors (amounts falling due within one year)		
Intra IÉ business	(42,101)	–
Bank overdraft	–	(203)
Deferred income	(109)	–
Other creditors	(14,609)	(16,110)
	(56,819)	**(16,313)**
Net Current Assets	**11,509**	**11,270**
Total Assets less Current Liabilities	**12,349**	**12,330**
Creditors: (amounts falling due after more than one year)		
Provisions for liabilities and charges	(8,224)	(9,058)
Deferred income	(234)	(16)
Net Assets	**3,891**	**3,256**
Capital and Reserves		
Called up share capital	194,270	194,270
Profit and loss account	(190,379)	(191,014)
Total equity	**3,891**	**3,256**

Notes to the Financial Statements (continued)

5 Payroll and Related Costs

(i) Employees

	2018 €'000	2017 €'000
Staff costs (excluding restructuring costs)		
Wages and salaries	199,932	195,420
Allowances	11,790	11,676
Overtime	7,386	7,089
Social insurance costs	20,583	19,707
Other retirement benefit costs	25,340	25,809
Gross Staff costs	**265,031**	**259,701**
Less: own work capitalised	(11,154)	(13,525)
Net Staff costs	**253,877**	**246,176**

(ii) Directors' Emoluments

	2018 €'000	2017 €'000
– for services as director	77	60
– for executive services	69	73
	146	**133**
Total payroll and related costs	**254,023**	**246,309**

Of the total staff costs €11.2m (2017: €13.5m) has been capitalised into tangible fixed assets and €253.9m (2017: €246.2m) has been treated as an expense in the profit and loss account.

There are retirement benefits accruing to one director under a defined benefit scheme and the charge for the year in respect of the Company's contributions was €3,140 (2017: €3,019).

The payroll and related costs for the role of the Chief Executive Officer, include gross salary of €225,000, (2017: €225,000) employer pension contribution of 25%. (2017: 25%) and a company car (2017: car allowance €15,005).

The directors' fees paid and payable for services as directors were as follows:

Director	2018 €	2017 €
Mr. F. Allen	21,600	13,088
Mr. P. Gaffney	–	11,214
Ms. S. Byrne	5,215	–
Ms. C. Griffiths	12,600	12,600
Mr. M. McGreevy	12,600	12,600
Ms. V. Little	12,600	3,440
Dr. P. Mulholland	12,600	7,025
Total	**77,215**	**59,967**

The directors were paid the following expenses:

	2018 €	2017 €
Subsistence and Accommodation	1,331	861
Other	2,225	8,085
Total	**3,556**	**8,946**

(iii) Key Management Compensation

Key management includes the directors and members of senior management. The compensation paid and payable to key management for employee services is shown below:

	2018 €'000	2017 €'000
Salaries and other short term benefits	1,652	1,730
Post-employment benefits	262	287
Total key management compensation	**1,914**	**2,017**

Notes to the Financial Statements (continued)

(iv) Staff Members

The average number of persons employed during the year and at the year-end by activity, were as follows:

	Staff Numbers		Staff Numbers	
	2018 Average	2017 Average	as at 31 Dec 2018	as at 31 Dec 2017
Railway Operations	1,996	2,015	2,006	1,980
Infrastructure	1,618	1,621	1,651	1,612
Central Services	91	89	97	91
Rail Freight	4	6	4	6
Rosslare Europort	73	72	73	72
Total	**3,782**	**3,803**	**3,831**	**3,761**

(v) Termination and Severance Payments

	2018 €'000	2017 €'000
Amounts paid and payable to employees	(414)	2,232

(vi) Employee Payroll

The amounts paid to persons employed during the year is analysed into payroll bands of €25,000 and the number of employees in each band, were as follows:

	2018	2017
<€50,000	1,399	1,442
€50,001 to €75,000	2,117	2,099
€75,001 to €100,000	368	302
€100,001 to €125,000	54	45
€125,001 to €150,000	13	9
>€150,001	11	10
Total	**3,962**	**3,907**

6 Materials and Services

	2018 €'000	2017 €'000
Operating and other costs	185,341	166,848
Fuel and electricity	28,181	28,947
Third party and employer's liability claims	4,100	3,003
Rates	2,792	2,200
Operating lease rentals	2,999	3,123
Total materials and services	**223,413**	**204,121**

Operating and other costs includes expenditure on Travel, subsistence and hospitality, analysed below:

	2018 €'000	2017 €'000
National Travel and Subsistence	432	809
International Travel and Subsistence	188	95
Hospitality	–	7
Total	**620**	**911**

7 Exceptional Items – Restructuring

	2018 €'000	2017 €'000
Amounts relating to employees	(369)	2,412

The exceptional costs comprise of amounts paid and payable to employees arising from restructuring initiatives during the current and previous financial year. In 2018 there is a credit to income statement.

8 Depreciation and Amortisation (Net)

	2018 €'000	2017 €'000
Amortisation of intangible fixed assets (note 12)	1,051	403
Depreciation of tangible fixed assets (note 13)	187,901	198,478
Amortisation of capital grants (note 18)	(169,071)	(176,651)
Total depreciation and amortisation (net)	**19,881**	**22,230**

Notes to the Financial Statements (continued)

9 Interest Payable and Similar Charges

	2018 €'000	2017 €'000
Interest payable on loan from holding Company	829	1,450
Other interest payable	174	137
	1,003	**1,587**
Interest apportioned:		
Railway undertaking	528	909
Railway infrastructure costs	405	601
Rail freight	12	20
Commercial operations	58	57
	1,003	**1,587**

10 Taxation

(a) Tax Expense Included in Profit or Loss

	2018 €'000	2017 €'000
Current tax:		
Irish corporation tax on profit for the financial year	–	–
Adjustments in respect of prior financial years	–	–
Current tax expense for the financial year	–	–
Deferred tax:		
Origination and reversal of timing differences	–	–
Deferred tax expense for the financial year	–	–
Tax on deficit on ordinary activities	**–**	**–**

(b) Reconciliation of Tax Expense

Tax assessed for the financial year differs than that determined by applying the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 December 2018 of 12.5% (2017: 12.5%) to the deficit for the year. The differences are explained below:

	2018 €'000	2017 €'000
(Deficit) on ordinary activities before taxation	(1,134)	(1,065)
Deficit multiplied by the standard rate of tax in the Republic of Ireland of 12.5% (2017: 12.5%)	(142)	(133)
Effects of:		
– Income not subject to tax	(48,115)	(48,435)
– Income subject to higher rate of tax	1,452	1,818
– Expenses not deductible for tax purposes	923	240
– Depreciation in excess of capital allowances	21,812	21,677
– Unrelieved tax losses brought forward not recognised	21,129	19,685
– Losses surrendered to group undertakings	2,941	5,148
Tax on deficit on ordinary activities	**–**	**–**

Deferred Taxation

A potential deferred tax asset of €615m (2017: €591m) has not been recognised as the future recovery against taxable profits is uncertain.

11 Government Grants

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

The National Transport Authority provided €141.3m subvention to the Railway Undertaking in 2018, €36.8m was recognised as deferred income in the balance sheet and will be amortised over the useful economic life of the related assets.

Particulars of the Government grants of €316.5 million (including the €141.3m above) received in 2018 are given in the following table, including the relevant provision of EU regulations. Grants received in respect of buildings of €4.0million was transferred to the CIÉ Holding Company in 2018.

Amounts disclosed under Regulation Number 1370/2007 analyse the Public Service Obligation recognised in the year in the profit and loss account. Public passenger transport service by rail and road regulation defines the conditions in which the competent authorities can intervene in the area of public passenger transport to guarantee the provision of service of general economic interest and guarantee safe, efficient, attractive and high quality passenger transport.

Notes to the Financial Statements (continued)

The reporting requirements under Circular 13/14 issued by the Department of Public Expenditure and Reform are included in this note.

	€'000	€'000	2018 Total €'000
Total Public Service Obligation			89,327
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			227,137
Total State grants received			**316,464**
The total funding received was applied as follows :			
Profit and loss account			**89,327**
– Public Service Obligation			
– Infrastructure Manager Multi-Annual Contract (Revenue)	125,814		
– Other Exchequer funding	711		
– Technical Assistance	–	126,525	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	34,186		
Deferred Capital Grants	10,488		
Public Service Obligation – Heavy Maintenance	35,000		
Public Service Obligation – Deferred funding NTA creditor	15,171		
Public Service Obligation – IT projects	1,754		
Transferred to CIÉ	4,013	100,612	
Building on Recovery: Infrastructure and Capital Investment 2016-2021 Exchequer Framework			**227,137**
Total State grants received			**316,464**

There are no unfulfilled conditions and other contingencies attached to grants recognised as income.

Name of Grantor

National Transport Authority, sponsored by the Department of Transport, Tourism, & Sport.

Name of Grant

The following grants were received in 2018

- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Capital Investment
- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Accessibility
- Sub-Head B8 of Vote 31 of Dáil Éireann – Infrastructure Manager Multi-Annual Contract
- Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation
- Sub-Head B7 of Vote 31 of Dáil Éireann – Papal Visit Costs

Purpose of Grant

The purpose for which the funds are applied are set out in the table below:

	Pay and Admin. €'000	**Service Provision €'000**	**Construc-tion €'000**	**Total €'000**
Accessibility Project 2018	181	–	908	1,089
Capital Enhancement	5,493	–	7,452	12,945
Papal Visit costs	–	517	–	517
Multi Annual Contract	–	160,000	–	160,000
Public Service Obligation	–	141,252	–	141,252
Total	**5,674**	**301,769**	**8,360**	**315,803**

Notes to the Financial Statements (continued)

Accounting for Grants

The amount of the grants awarded are listed below. The term for the grant spend is calendar year 2018

- Sub-Head B8 of Vote 31– Heavy Rail Capital Investment: €12.945 million
- Sub-Head B8 of Vote 31– Heavy Rail Accessibility: €1.089 million
- Sub-Head B8 of Vote 31– IMMAC: €160.000 million
- Sub-Head B7 of Vote 31– Papal Visit Costs: €0.517 million
- Sub-Head B7 of Vote 31– Public Service Obligation: €141.252 million

The amount of the grant taken to income and capitalised in the current financial statements is set out in the table below.

	Cash Received €'000	Income Statement €'000	Capital €'000	2019 c/f €'000
Accessibility Project 2018	1,089	194	895	–
Capital Enhancement	12,945	–	12,945	–
Papal Visit costs	517	517	–	–
Multi Annual Contract	160,000	125,814	34,186	–
Public Service Obligation	141,252	89,327	36,754	15,171
Total	**315,803**	**215,852**	**84,780**	**15,171**

All Grants received are used for the purposes for which approval has been sought and obtained from the Funding source. Iarnród Éireann undertakes to protect the State's investment and will not use said investment as security for any other activity without prior consultation with the Department of Transport, Tourism, & Sport, and sanction of Department of Public Expenditure and Reform.

Restrictions

Grants received relate to the Multi Annual Contract, Capital Enhancement, Accessibility and Public Service Obligations.

Within the Public Service Obligation, €35 million has been allocated to the Rolling Stock Heavy Maintenance Programme.

Tax Clearance

Iarnród Éireann is compliant with the relevant circulars including Circular 44/2006. IÉ has a Tax Clearance Cert which is able to be verified online.

			2017 Total
	€'000	€'000	€'000
Total Public Service Obligation			114,779
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			202,943
Total State grants received			**317,722**
The total funding received was applied as follows :			
Profit and loss account			**114,779**
– Public Service Obligation			
– Infrastructure Manager Multi-Annual Contract (Revenue)	95,988		
– Other Exchequer funding	–		
– Technical Assistance	–	95,988	
Balance Sheet			
Infrastructure Manager Multi-Annual Contract (Capital)	62,783		
Deferred Capital Grants	9,287		
Public Service Obligation – Heavy maintenance funding	32,202		
Transferred to CIÉ	2,683	106,955	
State Grant for Infrastructure and Capital Investment 2012-2016 Medium-Term Exchequer Framework			**202,943**
Total State grants received			**317,722**

There are no unfulfilled conditions and other contingencies attached to grants recognised as income.

Notes to the Financial Statements (continued)

Name of Grantor

National Transport Authority, sponsored by the Department of Transport, Tourism, & Sport.

Name of Grant

The following grants were received in 2017

- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Capital Investment
- Sub-Head B8 of Vote 31 of Dáil Éireann – Heavy Rail Accessibility
- Sub-Head B8 of Vote 31 of Dáil Éireann – Infrastructure Manager Multi-Annual Contract
- Sub-Head B8 of Vote 31 of Dáil Éireann – Severe Weather Funding
- Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation

Purpose of Grant

The purpose for which the funds are applied are set out in the table below:

	Pay and Admin. €'000	Service Provision €'000	Construc-tion €'000	Total €'000
Accessibility Project 2017	342	–	995	1,337
Capital Enhancement	2,995	–	7,476	10,471
Multi Annual Contract	–	158,770	–	158,770
Public Service Obligation	–	146,981	–	146,981
Total	**3,337**	**305,751**	**8,471**	**317,559**

Accounting for Grants

The amount of the grants awarded are listed below. The term for the grant spend is calendar year 2017

- Sub-Head B8 of Vote 31– Heavy Rail Capital Investment: €10.471 million
- Sub-Head B8 of Vote 31– Heavy Rail Accessibility: €1.337 million
- Sub-Head B8 of Vote 31– IMMAC: €158.770 million
- Sub-Head B7 of Vote 31– Public Service Obligation: €146.981 million

The amount of the grant taken to income and capitalised in the current financial statements is set out in the table below.

	Cash Received €'000	Income Statement €'000	Capital €'000	2018 c/f €'000
Accessibility Project 2017	1,337	–	1,337	–
Capital Enhancement	10,471	–	10,471	–
Multi Annual Contract	158,770	95,988	62,782	–
Public Service Obligation	146,981	114,779	32,202	–
Total	**317,559**	**210,767**	**106,792**	**–**

All Grants received are used for the purposes for which approval has been sought and obtained from the Funding source. Iarnród Éireann undertakes to protect the State's investment and will not use said investment as security for any other activity without prior consultation with the Department of Transport, Tourism, & Sport, and sanction of Department of Public Expenditure and Reform.

Restrictions

Grants received relate to the Multi Annual Contract, Capital Enhancement, Accessibility and Public Service Obligations. Within the MAC, three projects have been specifically identified for expenditure.

- Track Maintenance €10.0 million
- ATP CAWS €9.6 million
- GSMR €9.0 million

Within the Public Service Obligation, €32.202 million has been allocated to the Rolling Stock Heavy Maintenance Programme. Funding for Severe Weather effects on the rail network was made available for repairs and remedial work identified by the company.

Tax Clearance

Iarnród Éireann is compliant with the relevant circulars including Circular 44/2006. IÉ has a Tax Clearance Cert which is able to be verified online.

12 Intangible Fixed Assets

	1 Jan 2018 €'000	Write down €'000	Additions €'000	31 Dec 2018 €'000
Cost				
Computer software	6,061	(764)	5,433	10,730
Amortisation				
Computer software	1,223	(764)	1,051	1,510
Net Book Value at 31 December 2018				**9,220**
Net Book Value at 31 December 2017				**4,838**

Notes to the Financial Statements (continued)

13 Tangible Fixed Assets

	1 Jan 2018 €'000	Transfer & Reclass €'000	Additions €'000	Write down €'000	31 Dec 2018 €'000
Cost					
Railway lines and works	1,276,870	–	19,226	(75,296)	1,220,800
Railway rolling stock	1,118,173	–	34,343	(83,446)	1,069,070
Plant and machinery	249,669	–	20,242	(21,793)	248,118
Signalling	543,813	–	6,352	–	550,165
Docks, harbours and wharves	55,946	–	823	(540)	56,229
Catering equipment	–	–	507	–	507
Land and Buildings	2,369	(226)	77	(1,082)	1,138
Total	**3,246,840**	**(226)**	**81,570**	**(182,157)**	**3,146,027**

	1 Jan 2018 €'000	Transfer & Reclass €'000	Additions €'000	Write down €'000	31 Dec 2018 €'000
Depreciation					
Railway lines and works	440,899	–	65,135	(74,717)	431,317
Railway rolling stock	630,942	–	81,788	(83,446)	629,284
Plant and machinery	113,888	–	18,780	(21,792)	110,876
Signalling	211,826	–	20,911	–	232,737
Docks, harbours and wharves	25,422	–	1,238	(540)	26,120
Catering equipment	–	–	–	–	–
Land and Buildings	438	–	49	(254)	233
Total	**1,423,415**	**–**	**187,901**	**(180,749)**	**1,430,567**

	31 Dec 2018 €'000	31 Dec 2017 €'000
Net Book Amounts		
Railway lines and works	789,483	835,971
Railway rolling stock	439,786	487,231
Plant and machinery	137,242	135,781
Signalling	317,428	331,987
Docks, harbours and wharves	30,109	30,524
Catering equipment	507	–
Land and Buildings	905	1,931
Total	**1,715,460**	**1,823,425**

Of the total staff costs €11.2m (2017: €13.5m) has been capitalised into tangible fixed assets

Write-down relates to fully depreciated assets and are updated in the asset register during the year.

14 Stocks

	2018 €'000	2017 €'000
Rolling stock, spare parts and maintenance materials	19,545	23,163
Infrastructure stocks	16,969	18,399
Fuel, lubricants and other sundry stocks	7,858	7,999
Total	**44,372**	**49,561**
Stocks utilised in the reporting period		
Materials	46,722	51,204
Fuel	23,888	25,169
Total	**70,610**	**76,373**

Amounts included in stocks include parts and components necessarily held to meet long-term operational requirements. There is no significant difference between the replacement cost of stock and their carrying amounts.

An impairment loss of €139,000 (2017: €70,000) has been recognised in profit and loss in relation to obsolete and damaged stocks.

15 Debtors

	2018 €'000	2017 €'000
Trade debtors	10,960	14,985
Amounts owed by parent undertaking	66,360	26,158
Prepayments and accrued income	7,176	6,320
Total	**84,496**	**47,463**

The amounts owed by the parent undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand

Notes to the Financial Statements (continued)

16 Creditors Amounts Falling due Within One Year

	2018 €'000	2017 €'000
Creditors (Amounts falling due within one year)		
Trade creditors	64,212	39,951
Income tax deducted under PAYE	3,753	3,012
Pay related social insurance	2,732	2,151
Universal social charge	763	645
Value added tax	2,952	5,257
Withholding tax	329	316
Deferred revenue	24,302	23,211
Other creditors	10,588	6,801
Accruals	12,496	20,350
Deferred income (note 18)	162,503	167,888
	284,630	**269,582**

Trade and other creditors are payable at various dates in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

17 Lease Obligations

	2018 €'000	2017 €'000
Operating leases		
Road vehicles		
Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:		
Within one year	2,099	1,889
Between one and five years	2,217	2,779
Total	**4,316**	**4,668**

18 Deferred Income

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

	1 Jan 2018 €'000	Transfers and disposals €'000	Received and receivable €'000	Profit and loss account €'000	31 Dec 2018 €'000
Capital Grants					
Land and buildings	1,270	(1,055)	–	(21)	194
Railway lines and works	824,759	(576)	19,068	(64,514)	778,737
Railway rolling stock	455,941	–	35,000	(70,735)	420,206
Plant and machinery	123,338	–	21,422	(14,953)	129,807
Signalling	302,057	–	5,964	(18,538)	289,483
Docks, harbours and wharves	8,356	–	–	(310)	8,046
Total	**1,715,721**	**(1,631)**	**81,454**	**(169,071)**	**1,626,473**

	1 Jan 2017 €'000	Transfers and disposals €'000	Received and receivable €'000	Profit and loss account €'000	31 Dec 2017 €'000
Capital Grants					
Land and buildings	1,317	–	–	(47)	1,270
Railway lines and works	854,301	(536)	40,442	(69,448)	824,759
Railway rolling stock	495,205	(220)	32,212	(71,256)	455,941
Plant and machinery	113,375	(184)	27,116	(16,969)	123,338
Signalling	315,349	(10)	5,339	(18,621)	302,057
Docks, harbours and wharves	8,666	–	–	(310)	8,356
Total	**1,788,213**	**(950)**	**105,109**	**(176,651)**	**1,715,721**

	2018 €'000	2017 €'000
Deferred Income		
– amounts falling due within one year	162,503	167,888
– amounts falling due after more than one year	1,463,970	1,547,833
	1,626,473	**1,715,721**

Notes to the Financial Statements (continued)

19 Provisions for Liabilities

	Restructuring Provision €'000	Third party and Employer's claims €'000	Legal related €'000	Other Provisions €'000	Total €'000
Balance at 1 January 2018	2,271	48,188	1,425	16,886	68,770
Utilised during the financial year	(1,200)	(3,024)	(559)	(1,055)	(5,838)
Reclassified as creditors	–	–	–	–	–
Profit and loss account	(369)	4,101	(183)	917	4,466
Balance at 31 December 2018	**702**	**49,265**	**683**	**16,748**	**67,398**
Balance at 1 January 2017	2,751	47,816	4,023	16,684	71,274
Utilised during the financial year	(2,804)	(2,632)	(7)	(103)	(5,546)
Reclassified as creditors	–	–	(3,000)	–	(3,000)
Profit and loss account	2,324	3,004	409	305	6,042
Balance at 31 December 2017	**2,271**	**48,188**	**1,425**	**16,886**	**68,770**

Restructuring Provision

The restructuring provision relates to the implementation of continuing cost saving initiatives.

Other Provision

At 31 December 2018, there was €16.7m (2017: €16.9m) of other provisions, €5.9m (2017:€3.0m) related to unresolved third party disputes, €10.5m (2017:€13.2m) related to post-retirement benefit costs and €0.3m (2017: €0.7m) relate to other pay related disputes.

Third Party and Employer's Liability Claims and Related Recoveries

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

The provisions that have been recorded represent the directors' best estimate of the expenditure required to settle the obligations, with the benefit of legal advice.

The nature of these claims means that there is some uncertainty with regard to the value that they will be settled at. If the outcomes of the claims are different to the assumptions underpinning the directors' best estimates then a further liability may arise.

CIÉ as a self-regulated body operates a self-insurance model whereby the Operating Company's bear the financial risk associated with the costs of claims, subject to any-one incident and annual insurance caps in the case of Third Party claims.

Provision is made at the year-end for the estimated cost of claims incurred but not settled 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 in settling claims. 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 unpaid claims the Company uses a variety of estimation techniques, including 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 cause distortion in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including, for example, changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims, changes in the legal environment, the effect of inflation, changes in mix of claims 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 are recognised where such recoveries can be reasonably estimated. 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 having regard to notification from the Company's brokers of any re-insurers in run off.

20 Share Capital and Reserves

	2018 €'000	2017 €'000
Authorised:		
153,000,000 Ordinary shares of €1.27* each	194,270	194,270
Allotted, called up and fully paid- presented as equity		
At 1 January and 31 December, 153,000,000 Ordinary shares of €1.27* each	194,270	194,270

*(£1 IEP = €1.269738 EUR)

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

Notes to the Financial Statements (continued)

21 Notes to the Statement of Cash Flow

	2018 €'000	2017 €'000
(Deficit)/surplus before interest and taxation	(131)	522
Profit on disposal of tangible fixed assets	(74)	(64)
Depreciation on tangible fixed assets	187,901	198,478
Amortisation for intangible fixed assets	1,052	403
Amortisation of capital grants	(169,071)	(176,651)
Decrease in stocks	5,189	1,775
Decrease/(increase) in debtors	3,169	(5,799)
Increase in creditors and provisions	17,352	5,023
Net cash generated from operating activities	**45,387**	**23,687**

22 Capital Commitments

	2018 €'000	2017 €'000
At 31 December, the Company has the following capital commitments:		
Contractual commitments for the acquisition of tangible fixed assets	39,308	16,629
Capital expenditure on tangible fixed assets authorised by the directors but not contracted for	108,485	125,654

A significant element of the capital commitments listed above are subject to state funding being made available

23 Post-Employment Benefits

The CIÉ Group operates two defined benefit plans (the CIÉ Pension Scheme for Regular Wages Staff and CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000 defined benefit plan) for employees of the CIÉ group. The employees of Iarnród Éireann are members of Córas Iompair Éireann Group pension schemes. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The rules of the schemes do not specify how any surplus or deficit should be allocated among participating employers and there is no contractual agreement or stated policy for allocating the net defined benefit cost to the individual group entities. Accordingly, the net defined benefit cost for the schemes as a whole are recognised in the separate financial statements of CIÉ as in the absence of a formal contractual arrangement the directors believe that this is the entity that is legally responsible for the schemes. The other participating entities, including Iarnród Éireann recognise a cost equal to their contribution for the period.

The valuations of the schemes under FRS 102 as at 31 December 2018 showed a deficit of €547million, (2017: €786 million). The disclosures required under FRS 102 in respect of the group's defined benefit schemes, in which the Company participates, are set out in the financial statements of CIÉ for the year ended 31 December 2018 which are publicly available from CIÉ, Heuston Station, Dublin 8.

The Company's pension cost for the year under the defined benefit schemes was €25.3 million (2017: €25.8 million) and these costs are included in note 5. The Company cost comprises of contribution payable for the year.

24 Guarantees and Contingent Liabilities

Pending Litigation

The Company, from time to time, is party to various legal proceedings relating to commercial matters which are being handled and defended in the ordinary course of business. The status of pending or threatened proceedings is reviewed with CIÉ's group legal counsel on a regular basis. 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.

25 Related Party Transactions

In the ordinary course of business the Company purchases goods and services from entities controlled by the Irish Government, the principle of these being An Post, Bank of Ireland and National Transport Authority. The directors are of the opinion that the quantum of these purchases is not material in relation to the Company's business.

The Company has transactions in relation to goods and services with other companies within the CIÉ Group.

The Company is exempt from the disclosure requirements of paragraph 33.9 in relation to transactions with those entities that are a related party by virtue of the fact that the same state has control, joint control or significant influence over both the reporting entity and the other entity.

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.

Some group wide functions such as Treasury, Legal, Property and Pensions are carried out by the Holding Company on a shared services basis. Copies of the CIÉ consolidated financial statements can be obtained from the Company Secretary at Heuston Station, Dublin 8, Ireland.

27 Approval of Financial Statements

The directors approved the financial statements on 3rd April 2019.

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