CIÉ Group Annual Report and Financial Statements 2017

CIÉ Group Annual Report

Year Ended 31 December 2017

Contents

Financial and Operating Highlights

CIÉ Group Revenue
2017 €1,238.5m
2016 €1,218.4m

CIÉ Group Number of Employees
2017 10,098
2016 10,017

CIÉ Group Customer Journeys
2017 263.5m
2016 251.2m

Iarnród Éireann Customer Journeys
2017 45.5m
2016 42.8m

Bus Éireann (excluding Schools Transport) Customer Journeys
2017 37.8m
2016 39.7m

Bus Átha Cliath Customer Journeys
2017 139.4m
2016 128.2m

Schools Transport Customer Journeys
2017 40.8m
2016 40.5m

Córas Iompair Éireann would like to acknowledge funding on major projects by the Irish Government under the EU and by the Infrastructure and Capital Investment 2012-2016 Medium Term Exchequer framework.

Environment

Carbon Emissions

CIÉ continues to promote the use of sustained public transport through its Operating Subsidiaries. CIÉ supports the use of public transport that benefits the environment through lower carbon emissions. CIÉ estimate that for every car removed from the road and replaced with public transport the fuel emissions improve by over 80%. Ireland continues to have one of the highest usage of the private motor cars within Europe.

Green House Gases (GHG) are classified by how long they stay in the atmosphere. Carbon Dioxide (CO_2) emitted today, stays in the atmosphere for 100 years i.e. its effects impact not only on us, but also on our children's children.

Car Usage in Ireland

Irish citizens drive 30% more than our fellow EU citizens and import 99% of our transport fuels (in 2017 5% of our road fuel was biofuel from wastes).

Other Benefits of Using Public Transport

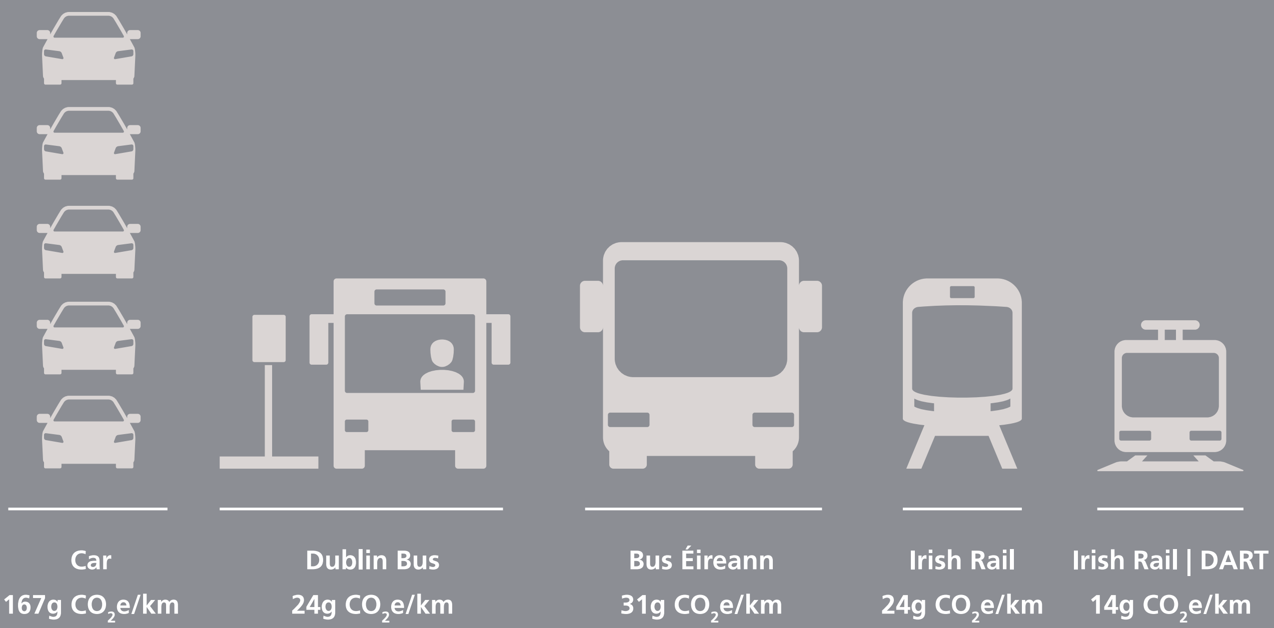
- Reduced stress;
- Reduced traffic congestion;
- More quality time;
- Reduces road accidents;
- Reduces cost of travel;
- Increases social activity;
- Increases general health and fitness.

CIÉ welcomes the commitments contained the NDP 2018-2027 to electrification and the introduction of hybrid bus fleets. CIÉ will align its future fleet acquisition with these commitments.

The more people that choose to travel with public transport, the better it is for the environment and society at large.

Emissions decrease through the use of public transport.

Compare average Irish car vs CIÉ Companies' CO_2e per Passenger km



To reduce CIÉ's environmental impact we work actively in optimising our fleet of vehicles, traffic planning and driving, which has a positive impact on both fuel consumption and emissions.

Board Members' Statement

CIÉ Group's ("the Group") objectives are to deliver reliable, safe, sustainable and accessible public transport services in as efficient a manner as possible, while meeting our customers' needs.

This focus also enables the Group to meet its goals of supporting the growth of the Irish economy and social cohesion through the provision of quality public transport services. In all matters, the Group works in collaboration with its shareholder, the Minister for Transport, Tourism and Sport, with the regulator, the National Transport Authority ("NTA") and with the Commission for Railway Regulation ("CRR").

In 2017 the CIÉ Group delivered 264 million passenger journeys with a primary focus on delivering reliable and efficient public transport safely. CIÉ is justifiably proud of its record in this regard. This level of patronage restores our customer base to a level above that last reached in 2009.

Through its subsidiary companies, the Group operates the most comprehensive public transport network within the State. As such, working with the Department of Transport, Tourism and Sport ("DTTaS"), the NTA and the CRR it has the unique capacity to manage a cost effective delivery of high quality public transport solutions across Ireland.

The Group welcomes the continued improvement in the national economy and in particular, the National Planning Framework (NPF) 2040. The NPF sets out a long-term vision to 2040 and a regionally proportionate growth strategy to cater for a growing population. The NPF has a strategic focus on "Environmentally Sustainable Public Transport" and "Climate Action". These two priorities complements two of the core values of the CIÉ Group.

The Group also welcomes the National Development Plan (NDP), which complements the NPF. The NDP sets a medium investment plan, which is aligned to the priorities within the NPF. The Group can play a significant role in delivering essential aspects of the NDP, CIÉ's collaborative and close working relationship with the Minister, the DTTaS, the NTA and the CRR will be critical enablers to the delivery of transport fleets and infrastructure on time and on budget.

2017 saw the first tendering of public transport bus routes that historically were operated under Direct Award Contracts by Bus Éireann and Bus Átha Cliath. There have been three separate competitive tenders through the Bus Market Opening process that equate to approximately 10% of the Public Service routes operated by both companies. Bus Éireann were successful in their bid for routes within the Waterford area, while Bus Átha Cliath put forward a strong bid, it was unsuccessful in winning the contract for the Outer Dublin Metropolitan Area routes. The result of the third tender (Kildare and surrounding areas) has recently been announced and the Bus Éireann bid was unsuccessful on this occasion despite submitting a very strong proposal.

The Group is pleased to present its 2017 Annual Report, which demonstrates CIÉ's role as an integral component of public transport within the island of Ireland. Customer journeys have increased by 12 million (4.9%), to 264 million leading to a €38 million (4.3%) increase in the Group's revenue before subvention.

Bus Átha Cliath

Bus Átha Cliath is Ireland's largest public transport provider. During 2017, Bus Átha Cliath grew its service offering to deliver a 8.7% increase in passenger journeys. In 2017, Bus Átha Cliath provided an additional 11 million passenger journeys, bringing its total passenger journey numbers to in excess of 139 million passengers. Bus Átha Cliath is at the core of the Dublin transport network, and its effective operation is central to the economy of the Greater Dublin Area.

With the support of the NTA, Bus Átha Cliath continued its investment in a modern fleet.

Bus Átha Cliath was unsuccessful in its tender for Outer Dublin Metropolitan Area routes that account for 10% of the total market size. Bus Átha Cliath is committed to working with the NTA to achieve the smooth transition of some of its existing services to the new operator as a result of Bus Market Opening.

Bus Éireann

During 2017, Bus Éireann delivered 38 million passenger journeys (excluding schools). This represents a fall of 2 million passengers (4.8%) when compared with the prior year. However, the extended period of industrial action represents a fall in 5.8% of the number of service days within the year.

Bus Éireann is core to ensuring public transport connectivity in cities and towns throughout Ireland and it provides a critical management service in managing the safe and efficient delivery of the Schools Transport Service. Bus Éireann delivered over 460 new services under the Schools Transport Scheme in 2017.

2017 was a particularly challenging year for Bus Éireann. Bus Éireann's financial position had declined to the extent that a fundamental and wide-ranging, change to the organisation structure and business model was required to put the business on a sustainable footing.

A Transformation Plan incorporating the changes required to help underpin the businesses survival was developed. The implementation of the Plan was finally agreed following a lengthy dispute. We regret the inconvenience to our customers that arose during that period.

We acknowledge the invaluable assistance of the industrial relations machinery of the State in facilitating the process through which the implementation of the Plan was agreed.

Securing the survival of the business has entailed sacrifices across all staff grades. We thank the staff for their commitment to implementing the agreement. Challenges remain to achieving the full implementation of the Plan. While we remain confident that, with the essential on-going support of staff, all of the necessary changes can be successfully achieved, the risk remains that delay in implementation undermines the long-term sustainability of the business.

The service disruption during the year combined with the cost of the restructuring incurred resulted in a very disappointing financial result. Despite this, Bus Éireann continued its strong focus on the delivery of a safe and efficient network of services for all customers.

Iarnród Éireann

During 2017, Iarnród Éireann grew its service offering to deliver a 6.3% increase in passenger journeys. In 2017, Iarnród Éireann provided an additional 3 million passenger journeys, bringing its total passenger journey numbers to 46 million per annum – a record year for the company.

Ireland's return to economic growth has brought with it the challenges of traffic congestion and achieving sustainable mobility for a growing population. In common with Bus Átha Cliath and Bus Éireann, Iarnród Éireann recognises its responsibility to offer a credible alternative to private transport for large numbers of passengers, particularly in urban areas. Iarnród Éireann also has responsibility to make it attractive to transport bulk goods by rail rather than on the road network and needs to ensure that Rosslare Europort provides an efficient and competitive service for shipping companies and their clients. The Board and Management of Iarnród Éireann are committed to achieving the highest standards of safety and customer service in responding to growing demand for its services. Iarnród Éireann looks forward to continued growth in patronage over coming years.

CIÉ Tours

CIÉ Tours experienced another record year in 2017 with customer numbers significantly higher than in the previous year.

CIÉ Tours is successfully meeting the challenges in the industry, which include accommodation shortages in the Dublin region, and is preparing for any impacts that Brexit may have on the free flow of people between Ireland, Northern Ireland and Great Britain.

CIÉ Property

During the year, CIÉ has actively reviewed its property portfolio to ensure the portfolio fully complements the long-term strategic initiatives of the Group in the provision of public transport.

As development activity increases, CIÉ will continue to secure long-term value from the commercialisation of its property portfolio, which ultimately belongs to the State.

Property income is fully allocated to the subsidiary companies thereby reducing the total cost to the State of providing Public Transport Services.

Pension Schemes

The Group administers the Pension Schemes for all employees of the subsidiary companies.

While strong investment returns continued during the year, the pension deficit increased to €784 million, as the future cost of benefits payable by the Schemes grew substantially. The additional cost of pension provision is driven largely by the very low interest rate environment coupled with the impact of pensionable pay awards.

The Board is concerned that the existing Funding Proposals, which were approved in 2013 and were designed to return the Schemes to solvency by December 2023, have been certified as being Off Track. While the Pension Schemes remain “Off Track” this increases the risk to the security of future pensions for existing employees. A revised funding proposal to the Pension Authority from the Trustees of the two CIÉ pension schemes is required to address the existing deficit with an objective of reducing this completely in line with the “Minimum Funding Standard”.

While CIÉ remains committed to the funding levels set out in the 2013 Proposals, CIÉ’s policy is that changes in the Schemes that are now necessary to recover from the Off Track status should be implemented solely on an agreed basis with the membership of the Schemes.

Environment

The Group continues to support a cleaner environment and supports the use of fuel-efficient vehicles in the provision of public transport. The Group estimates that carbon emissions per person are reduced in excess of 80% when using public transport compared with the use of the private motor vehicle.

Governance

The CIÉ Board would like to express thanks to the Minister for Transport, Tourism and Sport, Mr Shane Ross and officials in the DTTaS. Their support to the Group during the year is recognised and appreciated.

The Group works closely with the DTTaS, the NTA and the CRR. Collaborative engagement enables us to work with the Shareholder, the Authority and the Regulator to deliver solutions that provide real value to customers. We would like to acknowledge the assistance of the officials of these bodies in this active collaborative process.

There are currently two Board vacancies on the Board of CIÉ. The Board is concerned that the role of Chairman of CIÉ has now been vacant since July 2017. This continuing vacancy in particular represents a significant dilution of the governance arrangements at CIÉ Board.

In conclusion, we would also like to thank the Board Members and Directors of all the subsidiary companies for their assistance and support to their respective companies, and to CIÉ. We appreciate their giving of their time to serve on the Boards and on the many vital committees and advisory groups within the Group.

CIÉ Board


Fly into the city
Airlink
airport city
€6 one way
€10
VG32
VG32
PUSH TO OPEN
PUSH TO OPEN

Financial Review

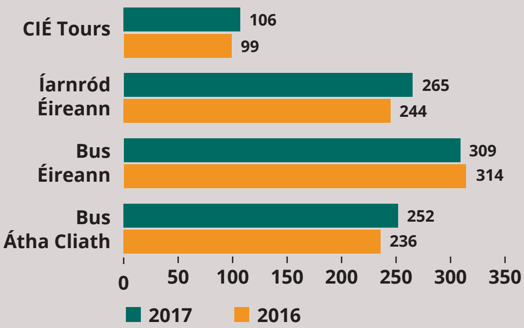
Revenue

The Group grew its fare revenue by 4.3%, driven by an increase in passenger journeys in 2017 of 4.9%, revenue dilution from the better value Leap Card is contributing to a dilution in overall revenue per passenger.

Total revenue including subvention and exchequer funding grew by 1.6%.

Revenue from operations for the Group in 2017 was €932 million and can be broken down by company and business activity as follows:

Fare and Commercial Revenue €m



EBITDA

The operating results for the Group for 2017 show earnings before interest, taxation, depreciation, and amortisation and before exceptional costs and profits on disposal of fixed assets (EBITDA) of €29 million. This is a decrease of €29 million on 2016. Details of twhe movement in EBITDA is shown opposite:

The table shows that the significant increase in fare revenue enabled the CIÉ Group to provide more services, to reduce its infrastructure maintenance deficit and to reduce its operational funding requirement from the Exchequer.

The table also shows that the cost of pension provision under existing arrangements continues to increase and this is the key feature in explaining the year on year significant reduction in EBITDA.

EBITDA Movement 2016 to 2017	€m
EBITDA 2016 actual	**58**
Materials	(40)
Pension FRS 102 adjustment	(28)
PSO/Exchequer Funding	(19)
Payroll increase (1%)	(6)
Other	2
Claims	6
Fuel	18
Revenue from Operations	38
Movement in EBITDA	**(29)**
EBITDA Period 13 2017	**29**

The principal components of the EBITDA development are:

(i) Material and services cost increases are largely volume related, the principal elements being additional infrastructure maintenance investment in Iarnród Éireann, increase in Schools Transport Service contractor costs and maintenance costs across the two bus companies. This has been largely offset by betterments in the purchase cost of fuel for 2017. In 2017, Iarnród Éireann invested an additional €12 million net of funding in railway materials and services through investment in maintenance, operating and other costs within materials and services. Bus Éireann supported the further extension of Schools Transport Services and other bus hire at a net cost of €12 million.

(ii) The increased use of the better value Leap card reduces average fare revenue per customer journey, as a result the increase in total fare revenue of 4.3% is slightly lower than the increase in total passenger journeys of 4.9%.

(iii) Payroll costs increased by approximately 1% compared with 2016, payroll includes significant reductions due to industrial action at both Iarnród Éireann and Bus Éireann in 2017.

(iv) In addition to this expenditure increase, the current service cost of the pension schemes has increased by approximately €28 million. While this increase is not a cash cost in the year, the increase highlights the risk to long-term pension provision for our staff under the current pension provision model.

Surplus for the Year

The Group generated a net deficit in 2017 of €43 million. This was a significant deterioration of €71 million compared with a prior year surplus of €28 million as highlighted below. Details of the movement in Surplus/(Deficit) is shown below:

Movement in Surplus 2017 v 2016	
Movement	**€m**
Surplus per 2016	28
Movement in EBITDA	(29)
VAT Refund in 2016 not in 2017	(27)
Exceptional costs- restructuring	(16)
Interest - FRS 102 adjustment	(6)
Other	1
Depreciation	2
Profit on Disposal	4
2017 Deficit	**(43)**

The table illustrates that the deterioration in the Group's performance is due to:

(i) The cost of pensions that have increased by €6 million, reflecting the impact of falling interest rates.

(ii) The Bus Éireann Transformation Plan provision.

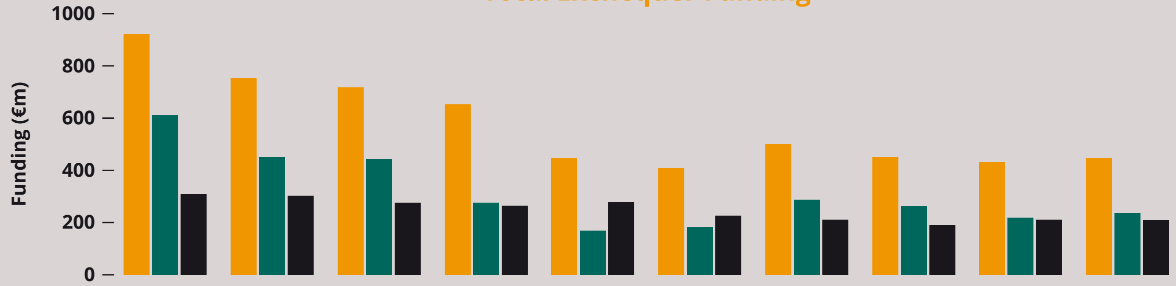
(iii) The non-recurrence of the once off gain, which arose in 2016 relating to a historical VAT refund.

Banking Facilities

The Group manages its treasury requirements through committed bank facilities.

In January 2018 the Group successfully completed negotiations with the Group's banks in relation to re-financing and increasing the banking facilities available to the Group. The facility is a committed facility of €108 million for an initial period of five years with two one-year extension options exercisable with the agreement of both parties at the end of year one and year two of the facility.

Total Exchequer Funding



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXC. FUNDING	922	754	718	652	448	408	500	451	431	446
OTHER FUNDING	613	451	442	277	170	182	288	262	219	236
PSO	309	303	276	265	278	226	212	190	212	210

Total Exchequer Funding Received

Exchequer funding (Capital and Revenue) has stabilised in recent years at levels that are significantly below the levels of funding provided up to 2010 as illustrated in the chart above.

The continued growth in public transport journeys will increasingly become constrained in the absence of additional investment to provide and operate additional public transport services. CIÉ welcomes the recently announced National Development Plan, which outlines significant additional investment in the period 2018-2027.

As shown in the graph opposite – total investment in public transport is not keeping pace with the recovery in customer journeys. The decline in funding, both in absolute terms and relative to demand (customer journeys), has occurred in both capital investment and in the PSO contract income in respect of socially desirable but commercially unviable public transport services.

The graph opposite illustrates strong evidence of a recovery in passenger journeys and identifies the challenge of ensuring appropriate funding to support the provision of comprehensive public transport services to wmeet the increased demand. In addition, Bus Átha Cliath has received the support of the NTA through non-cash payments of approximately €29 million relating to the lease of buses, this is not reflected in the above figures.

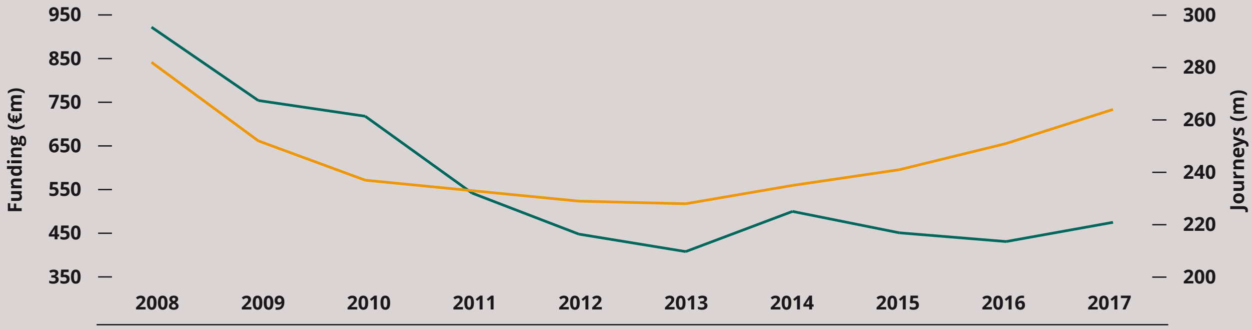
Significant Other Financial Developments

The net pension fund deficit at the year-end has deteriorated significantly during 2017 by €54 million to €784 million.

The Group operates defined benefit pension schemes that are funded by contributions made by the Group and its employees. The retirement benefits, which are provided by these schemes, are funded by significant assets, which are invested in trustee-administered funds.

The annual cost of providing retirement benefits assumes the future rates of returns for pension fund assets and liabilities are aligned based on long-term interest rates. The exposure to fluctuations in long-term interest rates that arises is a significant risk, which the Group is seeking to mitigate by bringing forward proposals for agreement with all stakeholders.

Exchequer Funding v Customer Journeys



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
FUNDING	922	754	718	652	448	408	500	451	431	475
JOURNEYS	282	252	237	233	229	228	235	241	251	264

The key financial assumptions underlying the calculation of the deficit during the year are as follows:

(i) The discount rate reduced slightly, increasing the cost of the annual service cost. The associated interest charge increased significantly owing to the increase in the year on year deficit from 2015 to 2016 that impacts the 2017 interest charge by €12 million.

(ii) Service Charge: The salary growth assumption and the recently agreed pay agreements together with changes in the discount rate have been included to estimate the service cost (one additional year) of the scheme through the profit and loss of approximately an additional €28 million.

(iii) Increases in the performance of the investments throughout the year partially offset the overall increase in the pension liability by €76 million but this is offset by changes in the longer-term liability assumptions of approximately €90 million.

(iv) The net additional cost of the pension deficit is €54 million in total.

During 2017, both of these schemes were required to submit revised proposals to the Pensions Authority that achieves solvency of the schemes by the end of 2023. To date funding proposals have yet to be agreed. The responsibility for the submission of revised funding proposals rests with the Trustees of the Schemes.

Nevertheless, CIÉ's policy, as sponsor, is to assist in the development of proposals that are agreed with staff, which will form the basis for a revised Funding Proposal.

PSO Contract

PSO Contract Income 2008-2017

The Group's PSO contracts did not generate a reasonable return during the year. Generating a reasonable return on PSO activity is an essential driver of financial sustainability for the Group.

Bus Átha Cliath, Bus Éireann and Iarnród Éireann ("operating subsidiaries") operate socially desirable but commercially unviable public transport services under PSO contracts from the NTA.

The operating subsidiaries within the Group work closely with the NTA to maximise the provision of public transport services in terms of frequency and quality across all three companies. However, the Group's PSO contracts did not generate a reasonable return during the year. The cumulative loss on PSO contracts since 2008 can be analysed as shown below:

The Group has continued to absorb these losses while improving the volume, quality and frequency of the public transport services that it provides. The PSO contracts should generate a reasonable return in order to secure the provision of quality services and to restore the capital base of the Group to an appropriate level.

Year	PSO Passenger Journeys millions	Public Service Revenue €m	Public Service Costs €m	Receipts from PSO Contract €m	Deficit on PSO Contract €m	Cumulative Deficit on PSO Contract €m
2008	227.7	469	(817)	309	(39)	(39)
2009	200.8	441	(771)	303	(27)	(66)
2010	186.4	402	(721)	276	(43)	(109)
2011	182.9	389	(700)	265	(46)	(155)
2012	180.5	406	(724)	278	(40)	(196)
2013	179.7	440	(682)	226	(16)	(212)
2014	186.1	465	(669)	212	8	(204)
2015	192.3	489	(683)	190	(5)	(208)
2016	203.1	513	(728)	212	(3)	(211)
2017	215.1	536	(748)	210	(2)	(213)

CIÉ Environment Review

Overview of Energy Usage by the Group in 2017

The Group energy consumption includes:

- Diesel oil for the running of the Bus Átha Cliath and Bus Éireann bus fleets, the Iarnród Éireann Intercity rail cars and the Diesel Multiple Units;
- Electricity for the running of the Iarnród Éireann DART service, automatic level crossings, train and bus stations, equipment rooms, workshops and general office requirements;
- Natural gas and heating oil for space heating of offices and workshops.

The profile of use for 2017/2016 is set out in the table below.

The ongoing reduction in energy consumption per million customer journeys is outlined in the chart below.

	MWhr 2017	MWhr 2016
Diesel oil for traction	989,761	999,544
Electricity for traction	25,240	24,500
Electricity for other	47,539	47,152
Gas	22,778	25,357
Heating oil	447	793
Total energy consumption	**1,085,765**	**1,097,346**

Actions Undertaken to Minimise Energy Costs

The Group maintains an on-going focus on energy cost minimisation. The actions undertaken in 2017 and planned for 2018 include:

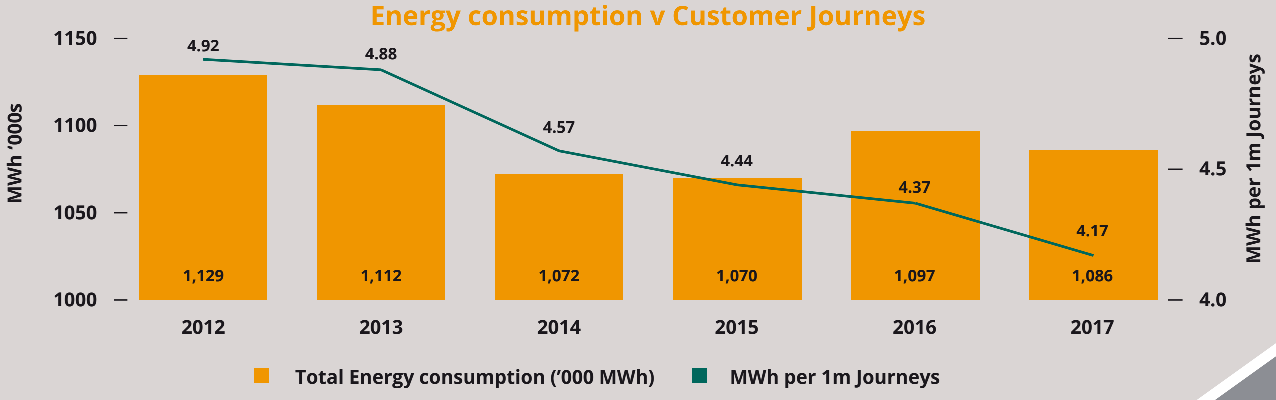
Bus Átha Cliath

Actions undertaken in 2017

In 2017, Bus Átha Cliath undertook a range of initiatives to improve energy performance, including:

- Delivery of 100 new buses which are fitted with Euro 6 standard engines – a smaller and more efficient engine combined with lighter chassis providing reduced fuel consumption;
- Vigil Vanguard training for drivers;
- Eco-driving techniques through driver CPC;
- Retrofit of LED light fittings in offices;
- Trials of high bay LED lighting in workshops and yards; and
- Trials of automated fuel management system.

Energy consumption v Customer Journeys



Actions Planned for 2018

In 2018, Bus Átha Cliath intends to further improve energy performance by undertaking the following initiatives:

- Continued fleet renewal utilising buses fitted with Euro 6 standard engines. The new vehicles will replace less efficient older vehicles;
- Trials of eco-driving technology for the fleet using on-board telematics;
- Installation of an automated fuel management system in each depot;
- Complete LED lighting retrofits;
- Implementation of ISO 50001 – Energy Management System; and
- Enhanced energy monitoring and energy capacity rationalisation.

Bus Átha Cliath will continue to identify further energy saving opportunities through the local energy management teams.

Bus Éireann

Actions undertaken in 2017

During 2017, Bus Éireann implemented the following in order to reduce the company's energy consumption:

- Increased the number of vehicles fitted with automatic engine idle shutdown systems;
- 34% of the service fleet is now running on the new cleaner Euro VI engines;
- With the increasing use of telematics to the service fleet (47%) the monitoring of fuel consumption across a wider variety of vehicles is now possible;
- Monitoring of energy usage across Bus Éireann's depots and bus stations was carried out during 2017;
- Analysis of Broadstone site energy usage also commenced to identify significant energy consumers;
- Engine idle cut-off times have been reduced from seven minutes to five minutes on all new fleet.

Initiatives for 2018

- Rollout of the telematics drivers cab interface, driver performance development and focussed eco-driving training;
- Continued investment in new low emissions fleet;
- Working closely with NTA on new alternative fuel developments and plans;
- Some LED lighting initiatives for 2018.

Iarnród Éireann

Actions undertaken in 2017 and Planned for 2018

In 2017 Iarnród Éireann continued its work on several levels:

- Diesel Fuel for traction;
    - Completed a full site test (Cork Depot) to verify the efficacy of a product (Environ) to reduce fuel consumption (and keeps DP filters clean) in diesel reciprocating engines. The 2600 fleet (Cork commuter) is fuelled exclusively from Cork depot, and the data analysis is indicating potential savings in the region of 6 – 9%. IÉ is moving forward to complete the contract and set-up;
    - Locomotive engine – Replacement;
        - A project to replace the 20 year old 2-stroke engines with smaller, modern efficient engines, with automatic shutdown provided as standard is underway;
        - Tender return is due April 2018, with contract award in Q4 2018;
        - Budget constraints could prevent this project from proceeding;
    - Diesel Multiple Unit Gearbox (Intercity Railcars) – Replacement;
        - A feasibility study was completed and this project could generate savings of 15% on these fleets. This trial also facilitates conversion to a hybrid vehicle in the near future. Fit-out of a 3 x carriage train for trial is due towards the end of 2018;
        - Budget constraints could prevent this project from proceeding;
    - The 2700 DMU fleet is planned for re-introduction in 2020 to meet growing customer demand;
        - The replacement of the traction package with a modern fuel efficient system is included within the tender as an option;
        - The tender process has commenced;
    - The 8200 DART fleet is being considered for potential re-introduction to meet growing customer demand. Feasibility study underway;
    - Locomotive fuel management;
        - A remote monitoring and reporting system was fitted to the 201 Locomotive fleet in 2017, which monitors fuel usage, location and distance. The 071 Locomotive fleet will be fitted out in 2018;
        - Mileage based maintenance has been introduced on the InterCity Railcar fleet in December 2017. This will have the impact of reducing maintenance downtime on the fleet by 15% and consequently probably increasing operational time and mileage in service strengthening;

- Electricity for traction;
    - This situation is unchanged from 2016;
        - Further modifications of the Traction Control Software have been deferred until the "10 minute DART" service is implemented and stable. Modifications to Maximum Import Capacity (MIC) have also been deferred; we will probably have to increase the MICs to account for bigger peak loads;
- Building Energy Consumption;
    - Ongoing replacement of old lighting with newer energy efficient lighting under a continuous Maintenance/ Renewal Programme.

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Operations Review

Passenger Journeys

The Group continues to provide safe, customer focused public transport to an increasing number of customers.

Customer Journeys	2017 m	2016 m	Change m
Bus Átha Cliath	139	128	11
Bus Éireann	38	40	(2)
Iarnród Éireann	46	43	3
Customer journeys, before Schools Transport	**223**	**211**	**12**
Schools Transport	41	41	-
Total customer journeys	**264**	**252**	**12**

Total customer journeys grew by 4.8% during 2017. Total journeys have continued to grow with the upturn in the national economy, but there is still a way to go to get back to the record levels achieved in 2008 when the CIÉ Group ("the Group") provided 282 million journeys.

Customer Engagement and Service Quality Improvement

Highlights of the initiative that have been completed and are underway to improve the Group's services during 2017 include:

Bus Átha Cliath:

- Further growth in use of LEAP, which now accounts for the majority of all Bus Átha Cliath customer journeys. The use of LEAP allows customers to avail of fares that are approximately 20% lower than cash fares;
- Bus Átha Cliath increased the number of passengers per annum by over 11 million passengers (8.6%) on 2017;
- Bus Átha Cliath celebrated 30 years in business and remains the largest public transport operator on the island of Ireland;
- 100 new buses were added to the Bus Átha Cliath bus fleet, which operates a fully accessible bus fleet;
- Bus Átha Cliath launched a new commercial brand and website "DoDublin";
- The company also engaged with its stakeholders during 2017 in relation to "BusConnects", a major review of the PSO network commissioned by the National Transport Authority;
- Continued focus on customer communication through further rollout of Real Time Passenger Information (on bus stop signs, on website and mobile app).

Bus Éireann:

- There were 79 million total passenger journeys in 2017;
- A new Expressway website was successfully launched during 2017;
- During 2017, a new phone management system was successfully implemented to support Bus Éireann School Transport Services;

- The introduction of the new vehicles, which are wheelchair accessible with priority seats for reduced mobility passengers, bring the percentage of our fleet that is wheelchair accessible to 86%;
- Over 115,000 children travel on almost 6,800 dedicated school transport routes;
- School transport serves some 3,000 schools nationally every school day;
- More than 460 new school transport services were approved by the Department of Education and Skills in 2017;
- Almost 12,000 children with special educational needs who are generally provided with door-to-door services.

Iarnród Éireann:

- Marketing campaign activity and new revenue management capabilities resulted in a 16% increase in online revenue to €39 million;
- TaxSaver revenue increased by 10% to €36 million with another record number of companies registered with our business sales team, which also grew usage within existing participating companies;
- Student promotional activity yielded a sixth consecutive year of growth at 9% – delivering €16 million;
- Phase one of the Customer First programme successfully deployed in April 2017 which through technology initiatives is transforming the way Iarnród Éireann interacts with and transacts with its customers;
- The Phoenix Park Tunnel reopened for cross city services in November 2016. Throughout 2017, we saw passenger numbers grow with 700,000 passenger journeys on this route last year;
- Rail freight revenue, including Navigator Freight Forwarding, was €8 million for 2017, with total tonne kilometres of 100 million;
- Iarnród Éireann is the port authority at Rosslare Europort, the second busiest seaport in the State in terms of ship movements, tourist traffic and unitised freight. 2017 operating revenue for Rosslare Europort was €11 million in line with 2016;
- The Ballast Cleaning project, which commenced in 2015 is progressing well. In 2017, 24 miles of track formation was renewed, with a total of 70 miles of track have now been completed;
- The Rail Milling contract, which is a major step forward in the risk reduction programme for the track asset and delivers significant benefits through the optimisation of the life cycle of rails marked its first full year of operation in 2017 with 210 miles of rail treated for defects;
- Limerick Station Upgrade;
    - Signalling - replacement of an almost 100 year old relay system with state of the art Solid State Interlocking (SSI), which is a modern signalling control system and removal of a signal cabin;
    - Platform renewal, lengthening and friction buffer installation;
- The provision of a new underground entrance to Kent Station, which features lifts and staircase and the building of a new road access from Horgan's Quay.

CIÉ Entity ("CIÉ")

CIÉ operates three significant business units - the Commuter Advertising Network (CAN), CIÉ Tours and Group Property and also provides support services to Bus Átha Cliath, Bus Éireann and Iarnród Éireann ("operating subsidiaries"). The revenues generated through CAN and Group Property are allocated to the operating subsidiaries to reduce the cost of operation of PSO services.

Commuter Advertising Network ("CAN")

CAN continued the positive growth trend of recent years, generating 11% growth in revenues to €8 million. This was a strong performance as the Out Of Home ("OOH") advertising market size was flat during 2017.

CAN's performance was driven by a combination of contract performance and return on investment from continued upgrading of advertising assets, particularly digital and roadside plant. In addition to advertising revenues, the operating subsidiaries continued to use CAN's advertising estate in many of their own marketing campaigns in 2017.

The OOH advertising industry is projecting a very modest growth during 2018 with advertising spend forecast to be 0 ~ 2%. CAN's revenue performance is projected to be in line with industry forecasts.

Operations Review (continued)

CIÉ Tours

	2017 €m	2016 €m	Change €m
Tours revenue	107	99	8
Operating surplus	7	5	2

The 2017 revenue and profit financial performance represents the best year in CIÉ Tours company history and exceeds both budget and forecast targets.

The business unit generated revenues of €107 million, which are up 8% over 2016 levels. The number of passengers travelling grew to 47,152 and was up 5% year on year across all land, air and insurance products. The average spend per person also increased by almost 3%. The strong growth in land and insurance revenue more than offset the deterioration in air revenue, due to significantly discounted air prices.

2017 was also a year of significant investment in the business's capability to drive sustainable growth into the future. As part of the business unit's five year strategy for transformational growth, the company strengthened its management team, marketing initiatives, technology enhancements and the use of third party expertise specifically related to strategic initiatives.

Group Property

Rental income for 2017 was €20 million, which was up from €16 million in 2016. This growth is primarily attributable to existing fibre optic licence agreements and new property licencing arrangements with the subsidiary bus companies.

Receipts from property disposals grossed approximately €12 million primarily owing to the sale of CIÉ's interest in a site in Dublin's north inner city.

CIÉ released three major commercial development sites to the market by way of development agreement in 2017, all of which attracted very strong bids and are being considered by the CIÉ Board. A number of further sites with commercial development potential are being considered for marketing in 2018.

Group Employment

The average number of people employed by the Group in 2017 was 10,098, an increase of 81 from 2016.

From 2008 to 2014, the Group was in a sustained period of contraction as it sought to offset the negative impacts of reducing PSO contract income and falling passenger numbers. From 2008 to 2014 staff numbers had reduced by 19.3% through a combination of natural turnover and voluntary severances. The Group funded voluntary severances from its own resources, as a result operating costs were reduced which in turn reduced the cost of provision of public transport to the Exchequer.

As growth has resumed, the Group are recruiting additional front line staff to service the additional demand. The majority of new entrants were recruited into Bus Átha Cliath as it expanded its services.

As the graph opposite illustrates, the number of customer journeys per employee has improved evidencing the on-going focus on maximising the efficiency of the transport services that we provide.

Staff Participation

The Group's main asset is its staff. It is the Group's policy to maximise this resource through a culture of participation and teamwork. All staff are encouraged to participate in the running of the Group through active involvement in project teams, working parties and customer focused initiatives. In 2017, there were four Worker Members on the CIÉ Board.

Equality and Diversity

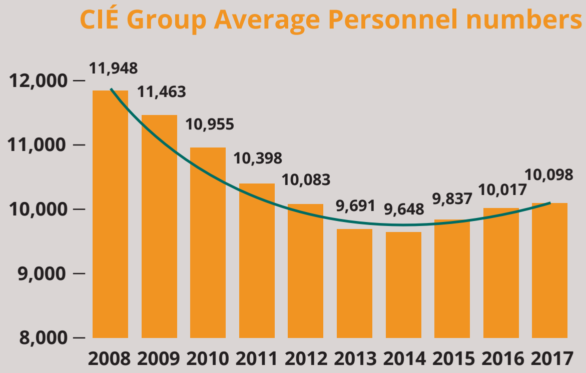
The Group is committed to creating an environment where employees and customers are treated with dignity and respect and where differences are respected, accommodated and valued. We also aim to create an environment in which everyone can achieve their full potential and where a broad range of individual abilities, talents and perspectives are valued and supported.

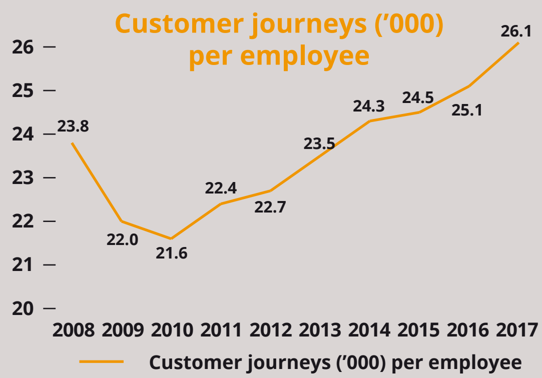
Through its equality officers, the Group's operating subsidiaries continue to enhance equality in the workplace for all groups. The range of Work Life Balance initiatives available to staff in the Group are kept under ongoing review. The Group participates with a variety of external organisations in developing its practices and procedures e.g. by being a member of the Diversity in the Workplace Working Group in IBEC.

Accessibility

There is active engagement with organisations for the mobility-impaired to establish priorities in the provision of accessibility to vehicles, offices and stations.

Bus Átha Cliath now operates a fully low floor accessible fleet





Payment Practices

The Group acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Regulations 2002. The policy throughout the Group in 2016 was to comply with the requirements of the regulation.

Consultancy Costs

The CIÉ Group procures consultancy services in relation to intellectual capital that assist in the effective decision making in complex areas where the skills are not readily available with the organisation. Opposite is a summary of the areas of consultancy expenditure incurred by the Group in 2017.

Procurement Policy

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

Consultancy Costs	€'000
Legal	34
Tac and Financial Advisory	820
Public Relations/Marketing	126
Actuarial	90
Human Resources	330
Other	357
Regulatory	218
Environmental	–
Passenger Systems	222
Safety	8
Strategy and Organisation Design	569
Maintenance and Renewals	288
Customer Charter	99
Industrial Relations	37
Stakeholder Engagement	39
Recruitment	–
Organisational Strategy	193
Business Improvement	86
Total	**3,517**
Capitalised included in the above	438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Operations Review (continued)

Bus Éireann

2017 – A Year of Driving Change

In order to ensure financial stability and improved competitiveness Bus Éireann engaged directly with staff in early 2017 to address the critical financial position. This dialog was subsequently facilitated by the Workplace Relations Commission (WRC) and subsequently escalated to the Labour Court. Following 21 days of industrial action a Labour Court recommendation was issued and this was subsequently voted on and accepted by the various trade unions groups concerned.

Key recommendations voted on, accepted and implemented during 2017:

- Optimised driver duties and rosters to ensure operational efficiency;
- Implementation of a new composite pay rate for driver grades;
- The recommended adjustment of meal and subsistence rates;
- Commencement of a voluntary redundancy programme for many front line and support staff;
- Implementation of new rosters for supervisory staff;
- Pay cuts and increased working hours for non-driver grades.

New Fleet Investment and Funding

PSO Fleet

The first of 38 new Euro VI emissions single deck 53 seat commuter coaches, manufactured by VDL in the Netherlands, entered service in early 2017.

A further 35 new double deck buses entered service on regional, city and commuter routes in the second half of 2017. The vehicles all meet the latest Euro VI emissions standards.

December 2017 saw the start of delivery of the first of 25 new VDL double deck coaches for longer distance commuter routes within the Greater Dublin Area.

Future Plans

Following the announcement in late 2017 of Bus Éireann's successful bid for the tendered Waterford city routes, the NTA confirmed Bus Éireann would receive 17 new citybuses in 2018 to operate new services. The buses are Wrights Streetlites in 10 metre and 12 metre lengths, designed and built in Ballymena.

For the existing Direct Award Contract the NTA will provide 25 new double deck citybuses for Regional cities. These new buses, built by Wrights on a Volvo chassis, will include centre doors for quicker passenger egress and will join the 72 other Euro VI buses delivered into the fleet since 2015.

This ongoing investment in fleet will enable Bus Éireann to further reduce the average age of our buses and coaches and continue to develop the fleet into a more modern, reliable and environmentally friendly fleet.

Expressway Fleet

Tenders were issued in late 2017 for the lease of new buses for Expressway. The tenders include provision for up to eight luxury double deck intercity coaches and up to 18 high-spec single deck two or three axle coaches for frontline Expressway services over the next five year period.

NTA Capital Funding

Funding by the NTA enabled the company invest €27 million in 2017 compared to €15 million in 2016 in funded bus fleet. The company also invested €6 million of its own resources in capital expenditure in 2017.

Contribution to the Exchequer

The company contributed €55 million to the Exchequer in 2017 (2016; €60 million) through a combination of payroll taxes, VAT, irrecoverable VAT, customs and excise duties and other taxes.

Congestion

Congestion increased in all of Ireland's cities during 2017.

Peak journey times have increased in 2017 compared to 2016 with average journey speeds across our City and Commuter network now at 2007 levels.

Bus Éireann continues to actively engage with stakeholders in the pursuit of bus priority measures to improve journey times.

A complete Network review of service reliability commenced in 2017. A number of schedule changes were implemented in 2017 to better reflect the journey speed of services, particularly in the Regional Cities and in the Greater Dublin Area (GDA). This review will continue during 2018.

Real Time Passenger Information (RTPI) systems provide customers with assistance regarding predictability of services. This along with the use of social media channels informs customers of any service reliability issues daily.

Engineering

Technical Training and Updating

2017 saw the continuation of garage staff professional development with the completion of the final year of our three year VDL, Scania and Volvo fleet specific training programme. These programmes continue to improve the overall ability of garages to respond to fleet issues and allow our technical staff keep up to date with advances on our latest fleet introductions.

Safety and Checking

In 2017 more than 9,500 vehicle inspections were completed across our national garage network ensuring that Bus Éireann's fleet is available for service with safety and passenger comfort being the main emphasis across Public Service Obligation, Expressway and Schools services.

Facilities

The LUAS cross city project concluded in Broadstone with the opening of the Broadstone/DIT stop at the foot of Broadstone House. The realignment of site entrance, completion of the boundary wall, revised parking and traffic management layout, surface drainage works, revised site lighting and CCTV have greatly improved site safety and security.

Safety

Governance of safety continues to be overseen by both the senior management team and the board Safety Committee. Both management and the board are agreed that safety remains of paramount importance across all aspects of the business.

Key safety highlights during the year were as follows:

- The overhaul of Bus Éireann's safety statistic compilation continued with increased emphasis on recording of accident and incident details nationally;
- 6% year on year reduction in collisions due to continuous focus on driver training and ongoing route assessments;
- A trial of an automatic mobile cycle detector system is currently underway.

Schools

Background

Bus Éireann worked very closely with the Department of Education and Skills in 2017 to ensure that school transport services provided by Bus Éireann under the Department's School Transport Scheme for primary children, post Primary children, and for children with special educational needs, continues to be delivered in a cost-effective and efficient manner on behalf of the State.

Over 115,000 children travel on almost 6,800 dedicated school transport routes to some 3,000 schools nationally every school day on services by Bus Éireann. This includes almost 12,000 children with special educational needs who are often provided with door-to-door services that are designed to meet their individual needs.

Expanded Services

More than 460 new school transport services were approved by the Department of Education and Skills and introduced by Bus Éireann in 2017, with new services being introduced all year round. This was over 50 more new services than we introduced the year before and represents a record high number of new services introduced under the School Transport Scheme in one year. The vast majority of these new services were for children with special educational needs.

In addition, more than 800 other service improvements involving the extension of routes, upgrading of vehicles, and extra trips were put in place during the year as the scheme continued to expand in size in order to meet demand.

Different Requirements

A large number of schools for children with special educational needs remain open during the traditional school summer holiday period and continue to be served by our school transport services. Almost a quarter of the children with special educational needs carried under the School Transport Scheme avail of these services.

Under the Post Primary Scheme, revised school transport arrangements were made in many post primary centres during the year, arising from changes in school hours related to the revised junior cycle programme.

Safety

The safety of schoolchildren travelling on board our school transport services is our highest priority and the promotion of school bus safety and the communication of key safety messages to schoolchildren continued to receive particular attention in 2017.

The Bus Éireann School Bus Safety Roadshow visited schools and participated in a number of multi-agency events promoting safety around the country, including a visit to the National Ploughing Championships in September.

First National Red Weather Warning

The first ever national Red Weather Warning was issued by Met Éireann during October 2017 for Storm Ophelia. Our policy for school transport services in this event had been communicated widely in advance to all stakeholders (i.e. schools, parents, management bodies, Government Departments, and school transport offices), and proved robust in very challenging circumstances, providing clear and unambiguous communications about the status of school transport services before and during this challenging event.

Operations Review (continued)

Customer Service and support

In 2017, our team dealt with over 50,000 emails, in excess of 210,000 phone calls and approximately 115,000 social media requests. Customer complaints were 0.02% per 100,000 passenger journeys. In 2018 we expect this position to improve as 2017 was exceptional in terms of the scale of change which was introduced onto the M3 corridor, together with facilitating customer refunds on Taxsaver and commuter products as a result of the industrial action held in the early part of the year. The addition of a new website and social media channel for Expressway has been a great addition and this will streamline customer communications for those customers, who are more particularly focused on online purchases.

Thirty Years of Providing Public Transport Services Across Ireland

Formed in February 1987, Bus Éireann celebrated thirty years of safely transporting customers across Ireland during 2017. Despite facing many challenges over the past thirty years, Bus Éireann has always remained focused on safety, customer service and value for money. During 2017 Bus Éireann took the opportunity to engage with our customers to promote our brand and outline the benefits of travelling with Bus Éireann. A number of regional events took place nationwide where Bus Éireann partnered with local radio stations to provide outside broadcasts while staff and brand ambassadors were on the ground to meet with the public and passengers. Events took place in Galway, Limerick Cork.

Corporate Social Responsibility

Go Places with BÉ

To help celebrate fifty years of operating the school transport scheme Bus Éireann launched its Go Places competition. The competition is aimed at transition year students nationwide who are encouraged to become creative and share their stories of the journey to school.

Event Supports

Bus Éireann provided transport for a number of high profile events during 2017. These include carrying both the senior IRFU and FAI sports teams to and from their home matches as well as being the official transport provider for both the All Ireland football (Dublin) and hurling (Galway) champions.

Corporate Reputation

Bus Éireann continues to partake in the RepTrak survey of Ireland's major brands. Despite the challenges faced during 2017, we continue to address all key recommendations to ensure customer satisfaction and increased passenger numbers.

Operations

Bus Market Opening

In November 2017, following a highly competitive tendering process between five bidders that included international companies, the National Transport Authority (NTA) announced Bus Éireann as the preferred bidder for the Waterford City bus service. This announcement was a very proud achievement for our staff and the company.

Optimisation of Driver Duties and Efficiencies

Bus Éireann fully implemented all elements of the Labour Court Recommendation during 2017 and follow up engagement is ongoing with employee representatives. This recommendation followed three weeks of industrial action (strike) and engagement with staff representatives at the Workplace Relations Commission and the Labour Court.

The Operational elements of the recommendation ensure improved duty and roster efficiencies, best use of available resources and restructuring of pay elements for drivers. The key points are summarised as follows:

- Redesign of all drivers rosters, duties and rotations;
- Increased efficiencies with all drivers working five days out of seven on a rotational basis;
- Improved flexibilities on the use of spare drivers and part-time drivers;
- Full implementation of vehicle telematics to improve fuel consumption;
- Rollout of seat reservations for Expressway services;
- Use of new fleet technology;
- Consolidation of all premia and overtime payments into a straightforward composite hourly rate of pay;
- Reduction of allowance and facilitation of up to 120 voluntary severances.

Storm Ophelia

Storm Ophelia hit Ireland during October 2017. The conditions were well flagged in advance by a Met Éireann Red Weather Alert. The alert made for some difficult operational decisions yet with the safety of our staff and customers to the fore, there was only ever one outcome, which was a cancellation of all services for the one day duration.

Through dialog with local authorities to prioritise certain roads, all road passenger services operated the next day, but schools services remained out of operation as the Department of Education and Skills had called for them to remain shut given the ongoing danger of falling/damaged trees on back roads.

Bus Éireann was commended by the National Emergency Coordination Group and a number of other quarters for 'leading from the front' in its responsible decision making and clear communication from the outset.

Technology

Bus Éireann has continued to innovate in 2017 in order to provide an enhanced customer experience.

Initiatives Undertaken

A new Expressway website was successfully launched during 2017, which resulted in a simplified booking process for our customers.

During 2017, a new phone management system was successfully implemented to support our School Transport department. Some of the features included:

- Call routing management and intelligent queuing system for callers on hold.

This system has ensured that calls were managed by a centralised call management system.

Enhancements Undertaken

- In conjunction with the National Transport Authority, Bus Éireann continued to introduce Leap Card enhancements in 2017 offering customers a cheaper, flexible and more convenient way to travel on services.

Specifics of enhancements included:

- The Cork Leap Red Zone was extended into the Green Zone, offering customers greater travel flexibility and value for money;
- New City Child Red Zone 24 hour products were introduced in Galway, Limerick and Waterford;
- New GDA Student, Child 24 hour and 7 Day Yellow Zone products were also introduced;
- Bus Éireann rolled out Leap single ticket fares on Athlone and Sligo Town Services.

Our People

Our people are our most valuable asset in delivering a safe, efficient and quality service to all our customers.

It is recognised by management that it is critical that engagement with staff occurs to ensure that we achieve a long term sustainable business. Various initiatives will be completed in 2018 to deliver on this commitment.

An Duaiscéim

An Duaiscéim is a study scheme, which is open to all staff where a variety of courses are provided to assist them in developing their skills in the workplace.

Clerical Staff Development

A number of training courses were provided to staff throughout 2017 focusing on developing more efficient ways of working, including enhancing computer skills and customer care. Other internal training was performed on in-house IT systems such as CORE, SAP and Trapeze during the year. Statutory training included manual handling and First Aid training.

Management Staff Development

Bus Éireann continued to invest in its managerial team during 2017. Programmes included procurement training and other skills. Seven executives completed the Management CPC Programme in 2017.

Drivers Training and Skills Updating

Induction Training

All drivers are given comprehensive induction training and route familiarisation training before commencing service. Vehicle familiarisation training is provided to allow drivers become accustomed to the handling characteristics of the vehicles they drive. This is provided by fully qualified approved driving instructors.

Regulatory Focused Training

Drivers are required to undertake statutory training, manual handling and Driver CPC, which covers the safe operation of vehicles, defensive/eco driving, legal obligations and care for customers. Drivers have a legal obligation to carry and maintain a Driver Qualification Card confirming they have completed five modules over five years.

Accessibility

Bus Stop Improvements

Bus Éireann works closely with the NTA and local authorities regarding the design of new bus stops, which will facilitate our customers boarding and disembarking from our services at specifically designed bus stops.

Wheelchair Accessibility

The introduction of the new vehicles into our fleet, which are wheelchair accessible with priority seats for reduced mobility passengers, bring the percentage of our fleet that is wheelchair accessible to 86%.

The fleet that operates on city and town services is 100% fully wheelchair accessible, and the coach fleet that operates on commuter and Expressway services is 79% wheelchair accessible.

Bus Éireann remain committed to having accessible coach services in place with wheelchair lift facilities on a route by route basis as soon as the full complement of accessible coaches are available and the appropriate bus stop infrastructure is in place.


8107
DART 25

Operations Review (continued)

Iarnród Éireann

In 2017, a significant milestone was reached as passenger numbers returned to peak levels. A total of 46 million passenger journeys were made across the DART, Commuter and Intercity network, matching the Company's highest ever passenger numbers in 2007.

This represents growth of 6.3%, and can be attributed to improvements in the economy, increasing levels of employment and the growth of new services, such as the Phoenix Park Tunnel Cross City service, which is bringing new customers to the railway. Record numbers at major events such as the Bray Air Show, GAA matches and large outdoor concerts also increased passenger numbers.

This growth is welcome, but it also comes with capacity challenges. While the Government's recently announced National Development Plan will allow us to expand over the coming decade, we will face pressure on capacity in the shorter term.

Our financial situation has improved due to increased fare box revenue, the roll out of the Customer First programme and supplementary funding from the Department of Transport, Tourism and Sport. However, a loss of €1 million (2016 €3 million) was recorded, and underlines the need for continued prudent management of our finances.

Throughout 2018 we will continue to work as one team, and with our stakeholders, to ensure that we develop a rail service and system which is always safe and puts the needs of our customers, communities and the wider economy at the heart of our business.

Our Safety

At Iarnród Éireann, the safety of passengers, members of the public using our network and our employees is of paramount importance. The Company has a strong safety record and this is acknowledged by the European Union Agency for Railways' review of safety performance, and the CRR Safety Performance Report. However, sustainable funding must be addressed to ensure we maintain and improve safety, and the commitments in this regard under the National Development Plan are very welcome.

Safety performance indicators in 2017 saw many improvements, including:

- The number of Signals Passed at Danger (SPADs) reduced from 13 to 9;
- There were 11 level crossings closed on operational lines during 2017, which reduced the risks of incidents on these lines;
- Third party incidents, predominantly slips, trips and falls in stations, showed a 6% reduction on 2016. This is supported by the Platform Train Interface project, which will continue its work in 2018 to further reduce these incidents;
- Positive progress has been made with the Commissioner of Rail Regulation (CRR) in gaining approval to commence installing warning lights at a number of user worked level crossings. Work will continue into 2018 to finalise design and commence installation;
- The process of applying to the CRR for recertification of the Railway Undertaking and reauthorisation of the Infrastructure Manager in conformity with Directive 2004/49/EC and applicable national legislation, commenced during the year and has been successfully concluded in the first quarter of 2018.

Despite the consistent reductions in recent years, reportable Lost Time Accidents amongst employees showed an increase from 43 to 53. A working group was also set up to develop initiatives to reduce employee accidents.

Our focus remains on preventative measures with a series of initiatives launched during the year to measure and enhance safety culture, these include:

- Participation in the PRIME European culture project, with a further culture survey of employees planned for 2018;
- Training in human factors, route information booklets, and possession maps.

Our Finances

The overall result of the year is a deficit of €1 million compared to a deficit of €3 million in 2016. The result is favourable to budget primarily due to continued strong passenger revenues. Revenue has also increased year on year in Rosslare, Property and Advertising, and in third party income.

The economic recovery has continued to increase service demand resulting in increased passenger journeys and continued growth in passenger revenue. Passenger journeys have returned to peak levels last experienced in 2007.

Passenger revenue of €205 million in 2017 surpassed the previously highest recorded passenger revenue of €194 million in 2016. Changes to travel zones and fares along with strike days had a negative impact on passenger revenue of circa €2 million. This has been recovered through continued higher service demand driven from continued marketing activities. Overall revenue from operations at €265 million is favourable to prior year by €20 million. The Rail Freight business saw a reduction in revenue due primarily to lower volumes and the impact of industrial action.

The Department of Transport, Tourism and Sport provided additional Multi-Annual Contract funding of €33 million in 2017, funding ballast cleaning, Automatic Train Protection (ATP) and Global System for Mobile Communications-Railway (GSMR) project. The National Transport Authority allocated €32 million of Public Service Obligation funding to be used for the maintenance of rolling stock. Whilst the additional funding is welcome, it does not meet the annual funding gap identified in the 2016 Rail Review. This must be addressed to ensure safety and service standards are maintained.

Solvency remains a serious issue for the company and the balance sheet cannot sustain any unexpected financial shocks.

Payroll

A new pay deal was recommended by the Labour Court in November 2017. The company and unions accepted the recommendation, which came into effect on 1st December 2017. The additional payroll costs for 2017 were €2 million. This includes the cost of goodwill vouchers provided to staff as part of the Labour Court recommendation.

Our Customer

In 2017, once again we achieved and exceeded our public service obligation targets on all routes, with most routes exceeding 95% punctuality.

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

- Marketing campaign activity and new revenue management capabilities resulted in a 16% increase in online revenue to €39 million;
- TaxSaver revenue increased by 10% to €36 million with another record number of companies registered with our business sales team, which also grew usage within existing participating companies;
- Student promotional activity yielded a sixth consecutive year of growth at 9% – delivering €16 million.

Iarnród Éireann's independent Customer Satisfaction monitor maintained the 2016 overall satisfaction level at 95%, a record high.

Phase one of the Customer First programme successfully deployed in April 2017, which through technology initiatives is transforming the way Iarnród Éireann interacts and transacts with its customers. The new capabilities deployed include online sales, Customer Relationship Management (CRM) and Revenue Management, which will continue to yield benefit to customers throughout 2018. The Customer First programme will conclude in mid-2018 with the roll out of new booking office machines and on-board customer service ticket machines.

Phoenix Park Tunnel Services

The Phoenix Park Tunnel reopened for cross city services in November 2016. Throughout 2017, we saw passenger numbers grow with 700,000 passenger journeys on this route last year. Research undertaken showed that half of those travelling were new to rail as a transport mode and one-third were new to public transport. The introduction of fifteen peak time services into an already congested network was not without its challenges. However, changes to the timetable that were introduced on 10th December has improved punctuality through the city centre. It is our objective to begin providing off-peak services via the Tunnel as soon as possible.

Freight

In 2017 the company's key rail freight traffics included:

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

Rail freight revenue, including Navigator Freight Forwarding, was €8 million for 2017, with total tonne kilometres of 100 million. The Rail Freight business saw a reduction in revenue due, primarily in the bulk market with lower production volumes at Tara Mines and the impact of strike days on services in the year. Unit load Rail Freight and Navigator Freight Forwarding increased in 2017 with extra freight rail services from Ballina to Dublin Port, and increases in the volume of car parts delivered by road within the automotive market in Ireland.

Iarnród Éireann Freight successfully completed the trial of the longest ever freight train during 2016 from a current 36 TEU to a 54 TEU which ran from Dublin to Ballina. Further work is ongoing in this area with longer freight trains commencing during 2017, which will strengthen the commercial competitiveness of rail freight.

Rosslare Europort

Iarnród Éireann is the port authority at Rosslare Europort, the second busiest seaport in the State in terms of ship movements, tourist traffic and unitised freight. 2017 operating revenue for Rosslare Europort was €11 million in line with 2016. Overall, the Port's 2017 Tourist and Freight traffic volumes remained static with 2016 despite increasing competition from Dublin and Cork Ports. Income from advertising and a one off court award provided additional €1 million in revenue. A new customer – Neptune Lines introduced a weekly service in 2017 between Santander, Le Havre, Southampton and Rosslare Europort.

Operations Review (continued)

Our Network

Sources of income for the Infrastructure Manager business for 2017 include; Multi-Annual Contract (MAC) funding and track access charges from all Railway Undertakings that operate on our network, which includes freight and passenger. Total funding for 2017 amounted to €249 million and all requirements and outputs were met. The initial benefits of the third year of ballast cleaning were seen with journey time reductions on the Cork and Limerick services being realised in the new timetable, which came into effect on the 10th December 2017.

Major projects which were progressed during the year included:

Ballast Cleaning

The Ballast Cleaning project, which commenced in 2015, is progressing well. In 2017, 24 miles of track formation was renewed, with a total of 70 miles of track now completed. This project will continue in 2018 and is contributing to improved journey times between Heuston and Cork, Limerick and Kerry.

Rail Milling

The Rail Milling contract (which is a major step forward in the risk reduction programme for the track asset and delivers significant benefits through the optimisation of the life cycle of rails), marked its first full year of operation in 2017 with 210 miles of rail treated for defects.

Limerick Station Upgrade

- Signalling - replacement of an almost 100 year old relay system with state of the art Solid State Interlocking (SSI), which is a modern signalling control system and removal of a signal cabin;
- Platform renewal, lengthening and friction buffer installation.

Opening of Kent Station Second Entrance

The project involved the provision of a new underground entrance to Kent Station in Cork, which features lifts, staircase and the building of a new road access from Horgan's Quay. The development facilitates greater access to Cork City via Horgan's Quay and also provides for greater interchange with other transport modes. Improved car parking facilities have also been provided. This new entrance also provides for future development at Horgan's Quay.

Our People

In Iarnród Éireann, our people play an integral role in realising our vision of 'Building a better future together by improving our services and growing our businesses'. Every day, approximately 3,800 colleagues operating as one team, deliver a quality service to delight our customers and attract new customers to our network. We continue to invest in our people in a number of important ways. These include extensive training and development opportunities, support and equality programmes, family friendly policies and extensive engagement and recognition programmes.

Leadership Development Programme

Our Leadership Development programme continues to build momentum, and following a very successful 2017, will now be extended to a wider group of participants during 2018. This important programme will ensure that the Iarnród Éireann team enjoy the professional development required to ensure we continue to build on our success of providing transport services that continually meet our customers' requirements and help drive Ireland's economic development.

Succession Planning and Talent Management

This important area has developed considerably throughout 2017 with the establishment of a Talent Management Centre. The Talent Management Centre will provide support for colleagues who are interested in further developing their careers and use the latest techniques and practices in ensuring we have robust Succession Planning practices in place.

We have also extended our High Potential Programme in 2017 and we will introduce further High Potential Programmes throughout 2018. These programmes are critical in relation to our Talent Management and Succession Planning Strategy.

Apprentice Programme and Customer Service

As part of our continued development of our Apprentice Programme, Iarnród Éireann welcomed another ten apprentices in 2017. We also officially opened our Apprentice Training Centre in 2017 which will provide our apprentices with the latest equipment available to develop their skills.

Once again in line with customer growth, we increased to forty the number of temporary summer staff to provide frontline assistance and service delivery to our customers over the busy summer months.

Industrial Relations

In 2017 the industrial relations environment continued to be challenging, characterised by a two day strike in November, in pursuit of a pay claim submitted by the Trade Unions. This was ultimately resolved through the intervention by the Workplace Relations Commission (WRC) and the Labour Court. A recommendation was issued which outlined pay increases for 2017, 2018 and 2019, and also included efficiency measures to be implemented/agreed during the course of 2018. Discussions around these efficiencies are ongoing with the support of the WRC.

Bus Átha Cliath

Overview

Bus Átha Cliath experienced very strong growth during 2017 as the company continued to deliver an effective public service, providing efficient, reliable and safe services for our customers. Customer numbers on our PSO routes and Commercial Services grew to 139 million. The company continues to advance measures to enhance services for all customers wherever possible. The continued economic recovery has contributed to increased demand for services and the company was pleased to introduce both new services and increased frequency on existing services in response to this demand. While increased economic activity has also resulted in increased levels of traffic congestion, the company has worked with stakeholders to mitigate the impact of this increased congestion on customers. Over the last 12 months, Bus Átha Cliath has focused on enhancing our customer experience, through securing an increase in bus priority measures and new modern Euro 6 vehicles with multiple USB charging points. Our commitment to constant improvement and innovation is a major contributing factor to the growth in customer numbers.

The company was pleased to introduce an additional 100 buses to its fleet in 2017. The new buses are another significant development in the provision of convenient, comfortable and sustainable public transport for the people of Dublin. Bus Átha Cliath continued to operate a fully low floor accessible fleet.

Real Time Passenger Information (RTPI) remains extremely popular and is now more attractive to customers with the implementation of additional RTPI units across the city.

The company achieved a breakeven position for the operation of PSO services and recorded a surplus of €1 million in respect of Commercial Services. The company remains focused on delivering high quality, safe and efficient services for all customers and this includes a commitment to an ongoing focus on delivering cost efficiencies across all expenditure categories in order to ensure delivery of value for money.

2017 Operating Result and Financial Position

Bus Átha Cliath earned a net surplus of €1 million in 2017 compared to a surplus of €3 million in 2016. This result, as set out below, shows a breakeven position for PSO services and a surplus of €1 million for Commercial Services.

	2017 €m	2016 €m
PSO	0.036	3.208
Commercial Services	0.976	(0.586)
Total	**1.012**	**2.622**

PSO

The net cost of operating PSO services reduced from €56 million in 2016 to €47 million in 2017, a reduction of €9 million. This reflects increased PSO revenue of €13 million offset by increased expenditure of €4 million. This strong financial performance resulted in a reduction in the level of PSO payments required to operate the network of PSO services. The level of PSO subvention reduced from €60 million in 2016 to €48 million in 2017, a reduction of €12 million. PSO services achieved a breakeven position in 2017, after including all operating costs, compared to a recorded surplus of €3 million in 2016.

Bus Átha Cliath continues to work closely with the National Transport Authority (NTA) to deliver an enhanced network of services and to improve the quality of our service offering to customers. It is recognised by all stakeholders that a reasonable surplus on the PSO contract is critical if the company is to continue its progress towards financial stability, which in turn will generate cash for essential investment and provide greater security around provision of transport services. It should be noted that while PSO services achieved breakeven level in 2017, additional capital funding provided by the NTA reduced the requirement for own funded capital expenditure.

Commercial Services

Commercial Services had an ambitious target to return to profitability in 2017 following a difficult trading year in 2016. 2017 saw further growth in the Airlink Services and in particular a growth in revenue on Airlink 757 Services. Commercial Services achieved a surplus of €1 million in 2017 compared to a deficit of €1 million in 2016, an improvement of €2million. This was achieved through a combination of revenue growth and targeted cost management. Revenue increased from €16 million to €18 million, an increase of €2 million. Expenditure increases, primarily associated with expanded services, were held at €1 million. The return to profitability for Commercial Services is providing a basis for further growth in 2018.

The Importance of a Safe Workplace

The health and safety of employees and customers is one of the core values of Bus Átha Cliath. In line with its business strategy, the company's vision is to provide a transport service where people feel safe and to build on the experiences of its customers and employees continuously to improve their working and commuting environments.

Bus Átha Cliath's 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 introduction of Luas Cross City (LCC) in December 2017 marked a huge infrastructural change for the city and presented new challenges for Bus Átha Cliath through the introduction of shared running for buses and trams. In preparation for its implementation on Saturday 9th December 2017, Bus Átha Cliath launched an extensive safety awareness campaign with a view to highlighting the key precautions for drivers when operating on or alongside the new LCC lines. The awareness campaign, which involved the preparation of an information booklet and driver training video, was launched in association with Transdev Ireland Ltd. as part of Bus Átha Cliath's annual Health and Safety week in October. Driver training instructors were also on hand to meet with drivers in all Bus Átha Cliath depots over a two week period from Monday 23rd October to Friday 3rd November.

The awareness campaign is being extended as a key safety initiative for 2018 to ensure that all drivers are fully informed in relation to the changed operating environment.

During 2017 Bus Átha Cliath continued its work in promoting cyclist safety by visiting a number of third level colleges throughout the city. This included visits to UCD, DCU and I.T. Blanchardstown, where students were afforded the opportunity to sit in the driver's cab and engage with Bus Átha Cliath driving instructors on key concepts such as driver blind spots around buses. In December 2017 Bus Átha Cliath was delighted to receive a Road Safety Authority "Leading Lights in Road Safety" award in recognition of its work in this area and its ongoing commitment to promoting road safety.

As part of its ongoing commitment to ensuring a safe, reliable and accessible bus service for all of its customers, the company developed a comprehensive safety awareness strategy for its customers in 2017; this included a particular focus on older customers. An extensive suite of educational material was developed to include a customer safety awareness video which will be released in early 2018. Throughout the year, company representatives attended various events for older people's groups, providing them with on-board safety demonstrations and a useful opportunity to ask questions or raise concerns. Bus Átha Cliath will now extend this very important safety initiative into 2018.

Developments in Commercial Services

2017 has seen strong growth for Bus Átha Cliath's commercial services. The company focused on core products, managing costs and growing customer numbers on Airlink and Sightseeing Tours with considerable success.

Commercial services carried 3 million customers in 2017, which is an increase of 11% on 2016. This was driven by a focus on customer services, increased frequency on the Airlink 747 service and a full year of the new Airlink 757; servicing accommodation providers and businesses on the south side of Dublin.

In 2017 the company's sightseeing tours were successfully re-launched under the '**DoDublin**' brand. This fresh, dynamic and impactful presence and a redeveloped and new look website and e-commerce presence have delivered considerable growth.

It is very pleasing that the commercial products returned to a position of strong profitability in 2017. The challenge for 2018 is sustained profitable growth through continued robust cost management along with aggressive marketing and sales programmes.

Market Opening

Bus Átha Cliath received the news that our tender bid to operate the Bus Market Opening Routes had been unsuccessful. Our bid reflected our years of experience in providing an excellent service with high standards in customer experience. Our focus remains on providing a high quality network of services, which are safe, efficient and reliable for the people of Dublin. We will continue to deliver and exceed on our commitments under our current PSO contract. The company will continue to work pro-actively with all stakeholders to manage the future operation of PSO services.

Public Service Contract

Bus Átha Cliath focused on achieving the performance target obligations under the Direct Award of Public Services Contract 2014 – 2019. The contract outlines the standards of operational performance and customer services that Bus Átha Cliath must maintain. The targets centre on Lost Kilometres, Reliability, Punctuality and Customer Information. Bus Átha Cliath is focused on ensuring a high quality service is provided for all customers and compliance with all performance targets. In 2017, Bus Átha Cliath achieved and exceeded all quarterly and annual targets for Lost Kilometres, Punctuality and Customer Service Quality Performance.

Operations Review (continued)

Accessibility – a Bus Service for All

Bus Átha Cliath continues to provide a fully accessible service. In providing a public transport service we take into account the accessibility needs of all of our customers. We meet with disability groups at least four times a year, listen to their concerns and improve our service accordingly. Our travel assistance scheme provided 1,226 travel assists in 2017, giving customers who may require assistance the confidence to travel independently across all modes of transport in Dublin.

Technological Advancements

RTPI (on bus stop signs, on website and mobile app) continues to provide a key component of service delivery. Independent surveys carried out by the NTA record an accuracy of 97.5% for the RTPI displayed at bus stop signs; RTPI accuracy on our website is even greater. The number of RTPI signs at bus stops reached 607 at the end of 2017 (2016: 574 RTPI signs). Bus Átha Cliath and the NTA plan to increase this further in 2018, with plans for the deployment of up to 80 additional display units in the Dublin area.

All new additions to the fleet in 2017 came equipped with an on-board audio announcement system and audio visual displays. All buses delivered in 2005 and later, approximately 940 buses, are now equipped with electronic displays. All buses have next stop audio announcements.

The statistics produced by the Automated Vehicle Location Control (AVLC) system are now being exported from the AVLC system on a daily basis to the NTA's Bus Data Management System (DMS). Final testing of this interface was concluded in early 2017, with live operation commencing in mid-2017. The NTA is now using the DMS to calculate key performance indicators of the PSO contract.

Leap Card

Leap Card usage continued to grow in 2017. By the end of 2017, more than 3 million Leap cards had been issued; over one million of these were in use during the last six months of 2017. Bus Átha Cliath prepaid tickets (Airlink, Nitelink, Travel 90 (single ticket) and Tours tickets) remain available on disposable smart cards, mainly to serve the tourist market. Leap Cards accounted for approximately 76% of Bus Átha Cliath passenger boarding numbers (cash, e-purse and prepaid) for 2017, having risen from 73% at the start of the year.

Towards the end of 2017, approximately 370,000 Public Service Cards with Free Travel entitlements were used on Bus Átha Cliath services.

The smartphone app for Leap Card, providing facilities both to top-up the stored value purse (e-purse) and also to check card balances, increased in popularity during 2017. By the end of 2017 e-purse top-ups of approx. €3 million per month were being added to Leap Cards using the app. At the end of 2016, the value of top-ups had been approximately €1 million per month.

Market Research

Bus Átha Cliath conducted its annual brand tracker research in May 2017. Fieldwork consisted of face to face interviews conducted with 60 respondents. Overall, the research showed a strong advocacy score with 73% of respondents in the brand advocates category. Satisfaction with Bus Átha Cliath remained high with a score of 69%. From the research it was clear that Bus Átha Cliath's corporate reputation remains strong and performs better than its competitors. Research remains an annual activity and new yearly results will be available in June 2018.

Support of Dublin Pride

In 2017, Bus Átha Cliath ran an information campaign to support route changes and diversions for Dublin Pride. The campaign was also a way to encourage people to use public transport to and from Dublin Pride 2017. Bus Átha Cliath commissioned a full bus wrap which was in service during the month of June. On-board posters were also utilised to drive the campaign.

A full social media content calendar was developed as a support mechanism for the campaign including a range of animated GIFs to direct traffic to www.dublinbus.ie. The campaign was hugely successful with all social media content garnering over 7 million impressions.

30 Year Anniversary Campaign

Bus Átha Cliath celebrated 30 years of service in February 2017. In order to capitalise on this significant milestone a 'recruitment' campaign was created in order to target potential customers in the 30 year age bracket and recruit them back to Bus Átha Cliath. The campaign was rolled out in two phases; the first was a digital phase and the second was a full campaign across social, outdoor, radio and press channels. The campaign was a huge success, exceeding all KPIs set and earning significant exposure in media.

Digital Strategy

The company continues to invest in digital and social media advertising in order to communicate on all levels with our customers. Unlike traditional marketing, social media allow for interaction directly and immediately with our customers.

Downloads of our app amounted to 1,751,934 at 31 December 2017. Android downloads account for 53% of all downloads with iOS at 47%. The volume of customers accessing the website from a mobile device is constantly increasing and makes up 84% of the overall traffic coming to the website.

Bus Átha Cliath continues to use social media as a tool to build brand advocates, promote the community work we currently do and develop partnerships and alliances. To achieve this, we have implemented an engagement plan consisting of a content calendar to promote our services and products (apps, tickets etc.) in line with events taking place in Dublin. We aim to enhance our social media platforms to become the home of customer engagement with a particular focus on Facebook. We have also expanded our presence on social media by developing and implementing an Instagram strategy for 2017.

Another key channel is Electronic Direct Mail (EDM). This channel allows us to send campaigns on a regular basis to update customers on business news and marketing campaigns. Our EDM keeps our loyal customers engaged and informed throughout the year. We have over 418,000 customers signed up to receive EDM communication from us.

Fleet Replacement Programme

During 2017, Bus Átha Cliath took delivery of 100 new double deck buses with Volvo B5TL chassis and Wrightbus (Ballymena) bodywork. These vehicles are designed to the latest Euro 6 emissions standard and will contribute to a significant improvement in nitrogen oxide and particulate emissions. The bodywork on the vehicles is significantly lighter making them more fuel efficient than previous models which will also improve CO_2 emissions. In addition, the new buses are equipped with a number of features, which will enhance the customer experience and improve satisfaction. These include a separate wheelchair and buggy space, next stop passenger information (audio and visual), Wi-Fi capability and for the first time these vehicles also have USB charging sockets for passengers. The vehicles are fitted with centre doors for customer exit, which enhance boarding efficiency and reduce wait times at stops. In addition to the 100 double decks, Bus Átha Cliath also acquired two single deck midi-buses to replace existing WV type buses on Route 44b. All replacement vehicles were funded by the NTA. The Fleet Refurbishment Programme progressed steadily during 2017 on VT/VG and EV type buses and a total of 73 buses were completed.


Expressway
www.buseireann.ie


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Wi Fi on board
IRIZAR i6
SE6
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Expressway
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Bus Éireann
12-D-15102

Members of the Board

The names of the persons who were Board Members at any time during the year ended 31 December 2017 are set out opposite. Except where indicated they served as Board Members from 1 January 2017 up to the date of approval of these financial statements.

Vivienne Jupp	*Non-Executive Chairman (Retired 8 July 2017)*
Frank Allen	*(Appointed 26 September 2017)*
Ultan Courtney	*(Retired 22 September 2017, Reappointed 26 September 2017)*
Phil Gaffney	*(Retired 8 July 2017)*
Stephen Hannan*	*(Appointed 1 December 2017)*
Bill McCamley*	*(Retired 12 February 2017)*
Aebhric McGibney	*(Retired 3 November 2017)*
Christine Moran	
Aidan Murphy	*(Retired 8 July 2017, Reappointed 26 September 2017)*
John Moloney*	*(Reappointed 1 December 2017)*
Tom O'Connor*	*(Reappointed 1 December 2017)*
Ruairi O'Flynn	
Niamh Walsh	
Tommy Wynne*	*(Reappointed 1 December 2017)*

** Worker Member*

Secretary of the Board

Geraldine Finucane
Heuston Station
Dublin 8

Telephone: + 353 1 703 2008

Board Committees

Audit and Risk Committee

Christine Moran	*Chairman*
Phil Gaffney	*(Retired 8 July 2017)*
Aebhric McGibney	*(Retired 3 November 2017)*
Niamh Walsh	

Finance Committee
(Decommissioned 13 December 2017)

Aebhric McGibney	*Chairman (Retired 3 November 2017)*
Ultan Courtney	*(Retired 22 September 2017)*
Christine Moran	
Aidan Murphy	*(Retired 8 July 2017)*

Remuneration Committee

Niamh Walsh	*Chairman*
Frank Allen	*(Appointed 4 October 2017)*
Ultan Courtney	*(Retired 22 September 2017, Reappointed 4 October 2017)*
Phil Gaffney	*(Retired 8 July 2017)*
Vivienne Jupp	*(Retired 8 July 2017)*
Aidan Murphy	*(Retired 8 July 2017, Reappointed 4 October 2017)*

Safety Committee
(Decommissioned 13 December 2017)

Phil Gaffney	*Chairman (Retired 8 July 2017)*
Tom O'Connor	
Niamh Walsh	

Strategy Committee

Ruairi O'Flynn	*Chairman*
Frank Allen	*(Appointed 4 October 2017)*
Ultan Courtney	*(Retired 22 September 2017, Reappointed 4 October 2017)*
Phil Gaffney	*(Retired 8 July 2017)*
Vivienne Jupp	*(Retired 8 July 2017)*
Aidan Murphy	*(Retired 8 July 2017, Reappointed 4 October 2017)*

Group Management

Ray Coyne	*Chief Executive Bus Átha Cliath*
Elizabeth Crabill	*Managing Director CIÉ Tours International*
Cyril Dunne	*Chief Operating Officer CIÉ (Retired 31 December 2017)*
David Franks	*Chief Executive Iarnród Éireann (Retired 16 March 2018)*
Jim Meade	*Acting Chief Executive Iarnród Éireann (Appointed 1 March 2018)*
Ronan Gill	*Acting Chief Operating Officer CIÉ (Appointed 1 December 2017)*
Ray Hernan	*Chief Executive Bus Éireann (Appointed 9 January 2017)*
Martin Nolan	*Chief Executive Bus Éireann (Stepped down 9 January 2017)*

Auditors

Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2

Solicitor

Colm Costello
Bridgewater House
Islandbridge
Dublin 8

Principal Banker

Bank of Ireland
College Green
Dublin 2

About the Board of Córas Iompair Éireann

Vivienne Jupp *Non-Executive Chairman*

Vivienne Jupp was appointed as Non-Executive Chairman of CIÉ in June 2011. She is a management consultant and formerly a Global Managing Director in Accenture. She has had a number of Government appointments, including Chairman of the Information Society Commission and Member of the Broadcasting Commission of Ireland. She was also a member of the Review Body on Higher Remuneration in the Public Sector and a Board Member of the Irish Hospice Foundation. She graduated from University College Dublin (UCD) with BComm and MBS degrees. In 2000 she received the Outstanding Alumnus Award from the Michael Smurfit Graduate School of Business, UCD. She retired from the Board on 8th July 2017.

Frank Allen

Frank Allen is an independent financial consultant and was Chief Executive of the Railway Procurement Agency (RPA) from 2002 to 2012. In this period, the RPA had responsibility for building the Red and Green lines of the Luas light rail system and for extending them to the Docklands, Cherrywood and Citywest. Frank is a graduate of UCC and MIT. He previously worked for the World Bank in Washington DC, arranging finance for infrastructure development in developing countries and in Eastern Europe and he was Head of Infrastructure Finance for KBC Bank in Ireland. He is Chairperson of Depaul Ireland, which provides accommodation and other support to homeless people.

Ultan Courtney

Ultan Courtney was appointed to the Board of CIÉ and as Chairman of Bus Átha Cliath in September 2014. He has wide experience in the Human Resources and Industrial Relations field. He is Managing Director of his own consultancy business and previously held positions in C&C Group Plc, Superquinn, Waterford Foods and IBEC. He holds a Masters Degree in Economics from Trinity College Dublin and numerous qualifications in the areas of employment law, mediation, arbitration and legal governance.

Phil Gaffney

Phil Gaffney was appointed to the Board of CIÉ and as Chairman of Iarnród Éireann in June 2011 having previously served as a Director in Iarnród Éireann since 2006. He is a railway signalling engineer by profession. Before retiring in December 2005, he had spent 28 years with Hong Kong MTR. During that time his positions included Chief Engineer, Operations Director and Managing Director. He is also a member of the board of London's Crossrail and of the Crossrail Health and Safety Committee. He retired from the Board on 8th July 2017.

Stephen Hannan

Stephen Hannan was appointed to the Board in December 2017 under the Worker Participation (State Enterprises) Acts 1977 to 2001. He works as a bus driver based in Ringsend Garage. He is a member of SIPTU and has held a wide variety of positions within the trade union for almost 30 years. He is president of the Bus Drivers Committee, vice-chairman of the Transport Sector Committee, a member of the Divisional committee and a depot representative.

Bill McCamley

Bill McCamley was first appointed to the CIÉ Board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. He joined Bus Átha Cliath in 1974 and worked in Phibsboro Garage as a bus driver. He has held a variety of positions in his trade union, SIPTU, including membership of the Regional, Divisional and Branch committees. He was a member of the Transport Sector and Dublin District committees. He has represented his trade union at a number of European transportation conferences and was a member of the Department of Justice Working Party on Bus Violence (1996). He has written extensively on transportation and trade union issues, including a book on the history of Dublin's tram workers. He retired from the Board on 12th February 2017.

Aebhric McGibney

Aebhric McGibney was appointed to the Board of CIÉ in October 2011. He is the Policy and Communications Director with the Dublin Chamber of Commerce with responsibility for Government and international affairs, public relations and member communications. Previously he worked as a lecturer, economic consultant and as Senior Economist with IBEC. He holds an M.Litt. (Economics) from Trinity College Dublin and was awarded the Dean's List Award from University College Dublin for his MBA in 2001. He retired from the Board on 3rd November 2017.

John Moloney

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

Christine Moran

Christine Moran was appointed to the Board of CIÉ in July 2015. She is a previous executive director of KBC Bank Ireland where she held several senior leadership roles and has extensive experience in the areas of credit, finance and risk management. She is a member of the Board of CIÉ and Chairman of its Audit and Risk Committee. She is a member of the Governing Authority of Maynooth University and a member of its Audit and Risk Committee. She is a director of Darnell DAC (a BNP Paribas Ireland subsidiary) and a member of its Audit and Committees. Ms Moran trained and qualified as a chartered accountant with PwC (Dublin) and completed two international assignments with PwC Belgium and PwC New York and is a Fellow of Chartered Accountants Ireland. She is a graduate of University College Dublin, a Certified Bank Director of The Institute of Bankers in Ireland and is a qualified Chartered Director with the Institute of Directors in Ireland and the UK.

Aidan Murphy

Aidan Murphy was appointed to the CIÉ Board and as Chairman of Bus Éireann in July 2014. He is the Chief Operating Officer of Carlow Precast and has extensive experience as a Supply Chain professional having held positions of CEO Pulse Logistics, Managing Director Supply C&C Group, General Manager Wincanton Ireland and Logistics Director Allegro Ltd. He has been a keynote speaker to several European Supply Chain events including Logicon and the European Supply Chain Summit and is a Fellow and past President of the Chartered Institute of Logistics and Transport Ireland.

Tom O'Connor

Tom O'Connor was appointed to the Board of CIÉ in December 2013 under the Worker Participation (State Enterprises) Acts 1977 to 2001. He works as a bus driver based in Ringsend Garage. He is a member of the National Bus and Rail Union, sits on the National Executive and has served as Dublin Branch Secretary since 2010. He previously worked in the electrical and signage industry.

Ruairi O'Flynn

Ruairi O'Flynn was appointed to the Board in July 2015. He is also on the boards of Canada Life International Reinsurance, Irish Life Investment Managers and MetLife Europe. He was previously CEO at Canada Life Ireland and was also CEO at Setanta Asset Management and at Lifetime Assurance. His early career was at Bank of Ireland Group and he has also been a full time member of faculty at the IMI. Ruairi holds B.B.S. and Msc. (Mgt) degrees from Trinity College. He participated in the 2015 International Directors Programme at Insead Business School.

Niamh Walsh

Niamh Walsh was appointed to the Board in July 2015. She has 25 years' investment banking experience gained in London, Hong Kong and Dublin. Her more recent roles include Chief Risk Officer for JPMorgan Bank Dublin plc and Joint CEO for Bear Stearns Bank plc. She is a member of the Chartered Institute of Management Accountants and the Chartered Institute of Secretaries and Administrators.

Tommy Wynne

Tommy Wynne was appointed to the Board in December 2013 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. He joined Iarnród Éireann as a depot man in 1991 and became a train driver in 1994. He is currently the Chairman of the Transport Sector and Utilities and Construction Division of SIPTU.

Corporate Governance Statement

Overview

Maintaining high standards of corporate governance continues to be a priority of the Board Members of CIÉ. The Board has developed its corporate governance policy so as to give effect to the Code of Practice for the Governance of State Bodies 2016 issued by the Department of Public Expenditure and Reform.

The Board

The Board is comprises of up to twelve Members appointed by the Government. There are two Board vacancies at present. The Board includes four Worker Members, who are appointed by the Government for a four year term, following an election by the staff of the Group.

The Board meets at least seven times a year and on other occasions as necessary. It has a formal schedule of matters specifically reserved for its decision including the approval of the annual financial statements, budgets, the corporate plan, significant acquisitions and disposals, investments, significant capital expenditure, senior management appointments and major Group policies. The Group has a comprehensive process for reporting management information to the Board on a regular basis.

All Board Members have access to the advice and services of the Group Secretary.

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise of an Audit and Risk Committee, Finance Committee, Safety Committee, Remuneration Committee and Strategy Committee. Following a restructuring of the committees, the Finance and Safety Committees were decommissioned on 13th December 2017.

Senior Management Team

The Senior Management Team of the CIÉ Entity (the Entity) is responsible for the day to day management of the Entity 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; Finance, Audit, Company Secretarial, Property, Human Resources, IT, Pensions, Investigations & Claims and Legal. The Entity is also responsible for co-ordinating the activities from a reporting and governance perspective in relation to the CIÉ Group of companies.

Audit and Risk Committee ("ARC")

The ARC has written terms of reference and is composed of up to four non-executive Board Members. The Committee met seven times in 2017.

Among the main duties of the ARC is to oversee the Group's relationship with the external auditor, including consideration of the appointment and performance of the external auditor, audit fees and any question of independence, resignation or dismissal.

The ARC discusses with the external auditor the nature and scope of the audit and the findings and results of the audit. The Committee also monitors the integrity of the financial statements prepared by the Group.

The external auditors, Deloitte, were appointed during the year ended 31 December 2016 following a competitive tender process. The ARC recommended to the Board that they be formally reappointed in respect of the year ended 31 December 2017. There were no contractual commitments that acted to restrict the ARC in making this recommendation. In addition to the audit services provided by Deloitte, following their appointment, the firm also provided non-audit professional services to the Group in 2017 valued at €0.1 million. Having considered all relationships between the Group and the external audit firm, the ARC does not consider that the nature or extent of additional work undertaken in any way impairs the auditor's judgement or independence.

The external auditors and the Head of Group Internal Audit have full and unrestricted access to the ARC. The external auditors attend meetings of the ARC and annually meet the Committee without management being present to ensure the auditors can raise any matters in confidence.

The ARC keeps under review the effectiveness of the Group's internal controls and risk management systems by considering the work undertaken by the Audit and Risk Committees of the CIÉ Group's operating subsidiaries and by meeting periodically with CIÉ's senior management. The ARC approves the internal audit work programmes for the Group, meets regularly with the Head of Internal Audit and considers the results of the various internal audits undertaken and their implications. The ARC also keeps under review the control, procedures and policies relating to compliance, whistleblowing and fraud. The ARC reviews the system of internal controls and makes recommendations in relation to the control activities in accordance with the Code of Practice for the Governance of State Bodies 2016.

Corporate Governance Statement (continued)

Finance Committee

The Finance Committee was composed of four Board Members and had written terms of reference.

The process by which the committee operated included meeting with the Chief Financial Officer and senior management from the subsidiary companies every month to review the funding of the Group's capital programme, the prioritisation of the subsidiary companies' capital expenditure proposals, annual operating and capital budgets and the Group's treasury, procurement and disposal policies. The Committee also reviewed the Group's commercial property, insurance and finance strategies. It was also charged with ensuring that the Group's management information systems enable the effective implementation of the Board's finance strategies.

Following a restructuring of CIÉ's Board committees the role of the Finance Committee since December 2017 has been reallocated to the Audit and Risk Committee, the Strategy Committee and the CIÉ Board.

Statement on Internal Control

Scope of Responsibility

The subsidiaries of CIÉ Group (the Group) have each prepared a Statement of Internal Control that has been approved by their individual boards. In addition, the CIÉ Entity (the Entity) has prepared a Statement of Internal Control. The following statement relates specifically to the Entity and has been approved by the CIÉ Board.

The Entity 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. This statement has been reviewed by the Audit and Risk Committee (ARC) and the Board to ensure it accurately reflects the control system in operation during the reporting period. This statement has also been reviewed by the external auditors to ensure that it is consistent with the information of which they are aware from their audit of the financial statements.

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 and the Department of Finance has been in place in the Entity for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Entity has an ARC. The Charter and Terms of Reference of the ARC provides for up to four Board Members to be appointed to the committee, one of whom is the Chair of the committee. There are currently two vacancies on the committee. The ARC met seven times in 2017.

The Entity has also established an internal audit function, which is adequately resourced and conducts a programme of work agreed with the ARC.

The Entity has developed a risk management policy which delegates responsibility for risk management to the Chief Financial Officer (or suitable management alternative), and they in turn set out a reporting structure, and appoint appropriate personnel, as detailed in the Risk Management Framework. The Board of the Entity has responsibility for and approves the Risk Management Framework, tailored to address their specific strategic objectives, and to manage their specific risk exposures efficiently and effectively, within the context of the policy.

The policy is to ensure that appropriate procedures are in place within the Entity to identify, assess and manage the key risks facing all areas of the business. The key risks are those that can damage its reputation, operational and or financial capability, cause hazards, or prevent it from achieving its objectives in a risk averse manner.

Risk and Control Framework

Risk assurance is provided by way of the three lines of defence. The key differentiating factor between the three lines of defence are their levels of independence from the Entity's operational activities and from the Entity itself.

The three lines of defence governance model distinguishes between risk resources, supervision and oversight as follows:

- Risk Ownership, i.e. functions owning and managing risks as part of their day to day activities (first line of defence);
- Risk Supervision, i.e. functions overseeing risks and providing robust challenge to the management teams (second line of defence); and
- Risk Oversight, i.e. functions providing independent assurance (third line of defence).

Risk Ownership is aligned with business ownership. As the heads of the departments are responsible for achieving business objectives, they are ultimately responsible, as risk owners, for identifying and managing risks associated with their areas of responsibility. They exercise this responsibility by ensuring that risk identification is fully incorporated into the day to day activities of those working within their departments.

Newly identified risks are assigned to a risk owner, that is, head of the department. This individual may delegate the management of the risk to a Risk Manager who will be responsible for the further analysis, evaluation and treatment of the risk in question.

The Entity has implemented a risk management system via an auditable risk software system, OpRiskControl, which has been designed to ensure that Risk Owners and other department resources, adopt a consistent, robust approach at every stage of the risk management process, from risk identification through to escalation. In accordance with ISO 31000, it is policy that risks be defined at a level that can be managed, that is, they are sufficiently articulated so that the possible extent and likelihood of the event can be appraised and mitigating actions put in place.

Risks are evaluated by the responsible Risk Owner using Risk Criteria Tables which have been developed so that risks which are outside of the Entity's Risk Appetite, are assigned the appropriate Risk Rating, and are escalated to the appropriate level of oversight.

Ongoing Monitoring and Review

All newly identified risks and Principal Risks, decisions, and details of any emerging risks are subject to peer review by the Entity Executive Team.

Periodic reports will incorporate the following as standard:

- Principal Risks;
- Changes in Principal Risk;
- Newly Identified Risks;
- Emerging Risks;
- Overview of Entity Risk Universe;
- Risks in breach of risk appetite and mitigating actions.

A report of all Entity Risks, status as against Risk Appetite and performance as against KPI's is thereafter escalated to the ARC, quarterly, with supporting Risk Detail Reports.

In addition to the above, all Top Group Principal Risks and Emerging Risks are escalated to the CIÉ Executive Board for assessment by the CIÉ Executive Board on a Group-wide basis. A report of Top Group Principal Risks, status as against Risk Appetite and performance as against KPI's with supporting Risk Detail Reports is escalated to each sitting of the ARC and to the CIÉ Board quarterly.

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. The Entity confirms that the following ongoing monitoring systems are in place:

- Key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies;
- Reporting arrangements have been established at all levels where responsibility for financial management has been assigned; and
- There are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Corporate Governance Statement (continued)

Procurement

The Entity confirms it has procedures in place to ensure compliance with current procurement rules and guidelines. CIÉ previously advised the DTTaS that it is applying a threshold of €50,000 for procurement non compliances due to the volume of purchases within the CIÉ Group and the additional cost of supplying information at the lower limit. Matters arising regarding controls over procurement are highlighted below.

CIÉ procures its insurances from Insurance Underwriters, with the support of an Insurance Broker. Insurance Broking services are procured under a public procurement compliant procedure. In 2011, CIÉ established a qualification system, which is an approved public procurement process for enabling the insurance broker to engage with insurance underwriters who have been qualified and admitted to the qualification system. This qualification system was not renewed, as required, in 2014. A process is now in place to re-establish a qualification system. Upon completion this process will be fully compliant in 2019. The annual value of insurances underwritten is €3 million.

Legal services provided by external service providers in respect of third party liability claims were not the subject of a formal tender process. A tender process was undertaken in 2017 leading to the finalisation of procurement compliant agreements in February 2018. The annual value of such services is €1.5 million.

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". Mazars were engaged to perform a review of the Entity's Risk Management Framework in May 2017. The Entity's Risk Management Framework was found to be compliant with the Code.

Furthermore, the Entity confirms that it has procedures to monitor the effectiveness of its risk management and control procedures. The Entity'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 ARC, which oversees their work, and the senior management within the Entity responsible for the development and maintenance of the internal financial control framework.

The Entity confirms that the Board conducted an annual review of the effectiveness of the internal controls for 2017 in accordance with the Code of Practice for the Governance of State Bodies 2016.

Internal Control Issues

No material weaknesses in internal control, material losses or frauds were identified in relation to 2017 that require disclosure in the financial statements. While no weaknesses in internal controls that represent a material impact on the financial statements for 2017 or subsequent years were identified in the current year, the Board and Management remain vigilant against control weaknesses and welcome feedback through internal audit, external audit and other areas of ongoing monitoring and review on recommendations and suggestions to enhance the system of control within the Entity. The Entity follow up on all such reports and implement actions to the recommendations in a prompt manner.

Board Members' Remuneration

The remuneration of Board Members, in relation to their duties as Board Members, is determined by the Minister for Transport, Tourism and Sport. They do not receive pensions for their duties as Board Members.

Board Members appointed under the Worker Participation (State Enterprises) Acts, 1977 to 2001 are also remunerated in accordance with their contracts of employment.

Attendance at Board/Committee Meetings

Listed below is Board Members' attendance at Board/Committee meetings held during 2017.

Board Member	CIÉ Board	Finance Committee	Audit Committee	Remuneration Committee	Safety Committee	Strategy Committee
Vivienne Jupp	6/6			3/3		4/4
Ultan Courtney	9/11	6/6		2/4		6/6
Phil Gaffney	6/6		2/4	2/3	1/1	4/4
Bill McCamley	0/0					
Aebhric McGibney	8/9	7/8	6/6			
John Moloney	7/11					
Christine Moran	10/11	6/8	7/7			
Aidan Murphy	7/10	3/5		2/4		5/6
Tom O'Connor	9/11				1/2	
Ruairi O'Flynn	9/11					5/6
Niamh Walsh	10/11		7/7	3/4	2/2	
Tommy Wynne	9/11					
Frank Allen	4/4			1/1		2/2
Stephen Hannan	1/1					

Going Concern

The Board Members are satisfied that CIÉ and the Group will have adequate resources to continue in business for at least 12 months from the date of signing of the financial statements. For this reason, they continue to adopt the 'going concern' basis for the preparation of the financial statements. Your attention is drawn to Note 2 to the financial statements in this regard.

On behalf of the Board

Christine Moran
Board Member

Ruairi O'Flynn
Board Member

4 April 2018

Statement of Board's Responsibilities

The Board Members are responsible for preparing the Annual Report and the financial statements of the CIÉ Entity (the Entity) and for the CIÉ Group ("the Group") in accordance with the Transport Act, 1950 and subsequent amendments.

The law requires the Board Members to prepare financial statements for each financial year that give a true and fair view of the Group's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law, the Board Members have prepared the financial statements in accordance with FRS 102, the financial reporting standard applicable in the UK and the Republic of Ireland.

Under Irish law, the Board Members shall not approve the financial statements unless they are satisfied that they give a true and fair view of CIÉ's and the Group's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Group for the financial year.

In preparing these financial statements, the Board Members are required to:

- select suitable accounting policies 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 and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements;
- notify CIÉ's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Entity and the Group will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Entity and the Group;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Entity and the Group to be determined with reasonable accuracy; and
- enable the Board Members to ensure that the Entity and Group financial statements are prepared in accordance with applicable accounting standards and the Transport Act, 1950 and subsequent amendments.

The Board Members are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board

Christine Moran
Board Member

Ruairi O'Flynn
Board Member

4 April 2018

Independent Auditors' Report

to the Minister for Transport, Tourism and Sport in Respect of Córas Iompair Éireann

Report on the Audit of the Financial Statements

Opinion on the Financial Statements of Córas Iompair Éireann

In our opinion the CIÉ Group (the Group) and the CIÉ Entity (the Entity) financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Entity as at 31 December 2017 and of the loss of the Group 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 Transport Act 1950.

The financial statements we have audited comprise:

The Group financial statements:

- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 32, including a summary of significant accounting policies as set out in note 1.

The Entity financial statements:

- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 32, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Transport Act 1950 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("the relevant financial reporting framework"). The relevant financial reporting framework that has been applied in the preparation of the Entity financial statements is the Transport Act 1950 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 Group and the Entity 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 where:

- 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 Group or the Entity'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 CIÉ Group 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.

Independent Auditors' Report (continued)

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.

Responsibilities of Directors

As explained more fully in the Statement of Board Responsibilities, 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 Transport Act 1950, 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 Group and the Entity'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 Group and the Entity 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 Group and the Entity'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 Group and the Entity'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 or where relevant, the Group 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;
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

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 Minister for Transport, Tourism and Sport in accordance with Section 34 (2)(a) of the Transport Act 1950. Our audit work has been undertaken so that we might state to The Minister 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 entity and The Minister, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Matters on which we are Required to Report by Exception

Based on the knowledge and understanding of the Group and the Entity and its environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's statement.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement does not reflect the Groups compliance with paragraph 1.9(iv) of the 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
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2

4 April 2018

Consolidated Profit and Loss Account

Financial Year Ended 31 December 2017

	Notes	2017 €000	2016 €000
Revenue from operations	*3*	932,330	893,564
Receipts from Public Service Obligations contracts	*12*	209,974	212,071
Other Exchequer funding	*12*	95,988	104,586
Other revenue grants		162	8,140
Total revenue	*3*	**1,238,454**	**1,218,361**
Payroll and related costs	*5*	(609,603)	(576,391)
Materials and services costs	*6*	(599,838)	(583,755)
Total operating costs		**(1,209,441)**	**(1,160,146)**
EBITDA before exceptional costs		**29,013**	**58,215**
Exceptional items	*7*	(19,710)	22,527
Depreciation and amortisation, net of capital grants amortised	*8*	(48,880)	(50,435)
Profit on disposal of tangible assets	*9*	12,204	8,311
Operating surplus/(deficit) before interest and taxation		**(27,373)**	**38,618**
Interest receivable and similar income	*10*	104	436
Interest payable and similar charges	*10*	(14,646)	(9,612)
Net interest expense		**(14,542)**	**(9,176)**
Surplus/(deficit) for the year before taxation		**(41,915)**	**29,442**
Tax on ordinary activities	*11*	(1,114)	(1,255)
Surplus/(deficit) for the year		**(43,029)**	**28,187**

Consolidated Statement of Comprehensive Income

Financial Year Ended 31 December 2017

	Notes	2017 €000	2016 €000
Surplus/(deficit) for the year		(43,029)	28,187
Other comprehensive income:			
Re-measurement of post-retirement benefit liabilities	*25*	(17,354)	(436,480)
Cash flow hedges			
– Reclassification to the profit and loss account		1,145	25,867
– Change in value of hedging instruments		8,481	3,813
	27	**9,626**	**29,680**
Other comprehensive (expense)/income for the year, net of tax		**(7,728)**	**(406,800)**
Total comprehensive (expense)/income for the year		**(50,757)**	**(378,613)**

Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017 €000	2016 €000
Fixed assets			
Intangible fixed assets	*14*	9,379	7,251
Tangible fixed assets	*15*	2,862,326	2,953,817
		2,871,705	**2,961,068**
Current assets			
Inventories	*17*	57,992	59,204
Debtors	*18*	73,405	57,514
Cash at bank and in hand		149,317	114,270
		280,714	**230,988**
Creditors (amounts falling due within one year)	*19*	(480,714)	(463,714)
Net current liabilities		**(200,000)**	**(232,726)**
Total assets less current liabilities		**2,671,705**	**2,728,342**
Creditors (amounts falling due after more than one year)	*20*	(15,485)	(28,043)
Deferred income	*23*	(2,275,718)	(2,331,973)
Provisions for liabilities			
Other provisions for liabilities	*22*	(232,032)	(223,531)
Provision for post employee benefit obligations	*25*	(784,131)	(729,699)
Net liabilities		**(635,661)**	**(584,904)**
Capital and reserves			
Capital reserve		28,556	28,556
Profit and loss account		(676,728)	(625,971)
Non-repayable State advances		12,511	12,511
		(635,661)	**(584,904)**

On behalf of the Board

Christine Moran
Board Member

Ruairi O'Flynn
Board Member

CIÉ Entity Balance Sheet

As at 31 December 2017

	Notes	2017 €000	2016 €000
Fixed assets			
Intangible fixed assets	*14*	1,577	180
Tangible fixed assets	*15*	753,764	765,597
Financial assets	*16*	294,246	294,246
		1,049,587	**1,060,023**
Current assets			
Debtors	*18*	27,399	12,338
Cash at bank and in hand		146,066	108,789
		173,465	**121,127**
Creditors (amounts falling due within one year)	*19*	(304,513)	(269,353)
Net current liabilities		**(131,048)**	**(148,226)**
Total assets less current liabilities		**918,538**	**911,797**
Creditors (amounts falling due after more than one year)	*20*	(15,485)	(28,043)
Deferred income	*23*	(534,401)	(541,491)
Provisions for liabilities			
Other provisions for liabilities	*22*	(1,908)	(2,278)
Provision for post employee benefit obligations	*25*	(784,131)	(729,699)
Net liabilities		**(417,386)**	**(389,714)**
Capital and reserves			
Capital reserve		28,556	28,556
Profit and loss account		(458,453)	(430,781)
Non-repayable State advances		12,511	12,511
		(417,386)	**(389,714)**

On behalf of the Board

Christine Moran
Board Member

Ruairi O'Flynn
Board Member

Consolidated Statement of Changes in Equity

Financial Year Ended 31 December 2017

	Capital reserves €000	Profit and loss account €'000	Non repayable State advances €000	Total equity €000
Balance as at 1 January 2016	28,556	(247,358)	12,511	(206,291)
Profit for the financial year	–	28,187	–	28,187
Other comprehensive income for the financial year	–	(406,800)	–	(406,800)
Total comprehensive expense for the financial year	–	(378,613)	–	(378,613)
Balance as at 31 December 2016	**28,556**	**(625,971)**	**12,511**	**(584,904)**
Balance as at 1 January 2017	28,556	(625,971)	12,511	(584,904)
Loss for the financial year	–	(43,029)	–	(43,029)
Other comprehensive income for the financial year	–	(7,728)	–	(7,728)
Total comprehensive income for the financial year	–	(50,757)	–	(50,757)
Balance as at 31 December 2017	**28,556**	**(676,728)**	**12,511**	**(635,661)**

Included in the profit and loss reserve above is a schools risk reserve of €6.7 million (2016: €6.9 million).

CIÉ Entity Statement of Changes in Equity

Financial Year Ended 31 December 2017

	Capital reserves €000	Profit and loss account €'000	Non repayable State advances €000	Total equity €000
Balance as at 1 January 2016	28,556	(58,825)	12,511	(17,758)
Profit for the financial year	–	64,524	–	64,524
Other comprehensive income for the financial year	–	(436,480)	–	(436,480)
Total comprehensive expense for the financial year	–	(371,956)	–	(371,956)
Balance as at 31 December 2016	**28,556**	**(430,781)**	**12,511**	**(389,714)**
Balance as at 1 January 2017	28,556	(430,781)	12,511	(389,714)
Profit for the financial year	–	(10,318)	–	(10,318)
Other comprehensive income for the financial year	–	(17,354)	–	(17,354)
Total comprehensive income for the financial year	–	(27,672)	–	(27,672)
Balance as at 31 December 2017	**28,556**	**(458,453)**	**12,511**	**(417,386)**

Consolidated Cash Flow Statement

Financial Year Ended 31 December 2017

	Notes	2017 €000	2016 €000
Net cash from operating activities	*24*	67,900	103,589
Income taxes paid		(1,105)	(1,206)
Net cash generated from operating activities		**66,795**	**102,383**
Cash flow from investing activities			
Purchase of tangible fixed assets*		(184,095)	(149,625)
Purchase of intangible fixed assets		(5,802)	(2,446)
Disposal of financial assets		–	–
Proceeds from disposal of tangible fixed assets		3,277	9,300
Proceeds from state and EU grants*		170,033	111,202
Interest received		104	436
Net cash (used in)/generated from investing activities		**(16,483)**	**(31,133)**
Cash flow from financing activities			
Repayment of bank borrowings		(13,000)	(13,000)
Proceeds from issue of bank borrowings		–	–
Finance lease payments		(133)	(123)
Interest paid		(2,132)	(3,000)
Net cash used in financing activities		**(15,265)**	**(16,123)**
Net increase in cash and cash equivalents		**35,047**	**55,127**
Cash and cash equivalents at the beginning of the year		114,270	59,143
Cash and cash equivalents at the end of the year		**149,317**	**114,270**
Cash and cash equivalents consist of:			
Cash at bank and in hand		149,317	114,270
Bank overdrafts		–	–
Cash and cash equivalents at the end of the year		**149,317**	**114,270**

* Purchase of tangible fixed assets and proceeds from state and EU grants above include €29,023,000 recognised under the bus leasing arrangement (note 15 and note 23).

Notes to the Financial Statements

1 Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of Córas Iompair Éireann ("CIÉ") have been prepared on a going concern basis in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ~sport Act, 1950 and subsequent amendments.

CIÉ is Ireland's national statutory authority providing land public transport within Ireland. It is a wholly owned by the Government of Ireland and reports to the Minister for Transport, Tourism and Sport.

Summary of Significant Accounting Policies

The significant accounting policies used 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.

(a) Basis of Preparation

The financial statements have been prepared on a going concern basis, under historical cost convention as modified for the measurement of certain financial assets and liabilities at fair value through the profit and loss account.

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 Board Members to exercise their judgement in the process of applying the Group'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 (w) below.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the entity's shareholders.

CIÉ, the Entity, has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Entity cash flows, to the extent that the entity had cash flows with parties that were external to the Group.

CIÉ has not presented a parent entity profit and loss account (Income Statement) on the basis that it is generally accepted practice in Ireland for groups to take a Company Law exemption from presenting an Income Statement. While there is no specific exemption contained in the Transport Act 1950, the Group has taken this position on the basis that the financial statements are required to be prepared on a basis outlined by the Minister.

(b) Basis of Consolidation

The Group financial statements are a consolidation of the financial statements of CIÉ and its subsidiaries:

- Iarnród Éireann – Irish Rail;
- Bus Éireann – Irish Bus;
- Bus Átha Cliath – Dublin Bus;
- CIÉ Tours International Incorporated.

The subsidiaries' financial period ends are all coterminous with those of CIÉ. Subsidiaries are all entities over which CIÉ has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights.

Notes to the Financial Statements (continued)

(c) Foreign Currency

(i) Functional and presentation currency

The functional currency of CIÉ and each of its subsidiaries is the Euro and the presentation currency of the Group 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.

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'.

(d) 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.

Revenue is recognised in the period in which the service is provided. Each of the key revenue streams is described below, along with a description of the revenue recognition policy for each stream.

Proceeds received for the sale of annual tickets and other future dated products are carried within liabilities and recognised in the profit and loss account over the period of the relevant product. Other public transport revenue is recognised on completion of the customers journey.

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

Rental income is recognised on a straight-line basis over the lease term.

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 incurred have been recognised that are recoverable against this revenue in the period.

CIÉ Tours International Incorporated revenue is derived from the provision of services offered including scheduled Tours, groups and Foreign Independent Travel (FIT). Revenue is measured at fair value of the consideration received for supply of services offered and is recognised when the service is delivered.

(e) Public Service Obligation Payments, European Union and Other Exchequer Grants

The Group recognise government grants in line with the accruals model under FRS 102.

(i) Public Service Obligation (PSO) payments

PSO payments received and receivable during the year are recognised in the profit and loss account in the period they become receivable.

(ii) 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 on the same basis as the related assets are depreciated.

(iii) Revenue grants

Grants in respect of expenditure are recognised in the profit and loss at the same time as the related expenditure for which grant is intended to compensate is incurred.

(iv) Infrastructure Manager Multi-Annual Contract (MAC) grant

Grants are recognised as deferred income or immediately as income in the profit and loss account, by reference to the underlying 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.

(f) Materials and Services Costs

Materials and services costs constitute all costs associated with the day to day running of the operations of the Group, excluding depreciation, amortisation and payroll costs which are disclosed separately in the profit and loss account, and set out in more detail in Note 6 of the financial statements.

(g) Exceptional Costs

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

In this regard the determination of 'significant' as included in the definition is based on qualitative and quantitative judgements used by the Board in assessing the particular items, which by virtue of their scale and nature, are disclosed in the Group profit and loss account and related notes as exceptional items.

(h) Interest

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on hedging instruments that are recognised in profit or loss; and
- the reclassification of amounts related to cash-flow hedges previously recognised in OCI.

Interest income or expense is recognised using the effective interest method. In addition the unwind of discounts on provisions and the net interest cost on defined benefit pensions are charged to finance costs.

(i) Income Tax

Income taxation 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.

Notes to the Financial Statements (continued)

(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.

(j) Related Party Transactions

The CIÉ Group discloses transactions with related parties which are not wholly owned within the Group. It does not disclose transactions with members of the same Group that are wholly owned.

(k) 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 and 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.

(l) Tangible Fixed Assets

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 passenger vehicles

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

(iv) Road freight vehicles

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

(v) Land and buildings

Land and buildings include freehold land and buildings, retail outlets and offices. Land and buildings are carried at cost (or deemed cost for land and buildings previously revalued under GAAP) less accumulated depreciation and accumulated impairment losses.

Certain properties within the Group are mixed use properties as the Group receives incremental revenues from the rental of retail units within its stations to third parties and rental income on certain other properties that are not fully utilised by the Group. However as the fair value of the investment property component cannot be measured reliably without undue cost or effort, the entire properties are accounted for as property, plant and equipment in accordance with Section 17 of FRS 102.

(vi) Bridges, docks, harbours and wharves, signalling, plant and machinery and catering equipment

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

(vii) 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 Passenger Vehicles	Reducing Percentage Method	8 - 14 Years
School Buses	Straight-Line Method	8 - 14 Years
Road Freight Vehicles	Straight-Line Method	1 - 10 Years
Freehold Buildings	Straight-Line Method	Over 50 Years
Plant And Machinery	Straight-Line Method	3 - 30 Years
Signalling	Straight-Line Method	10 Years
Docks, Harbours And Wharves	Straight-Line Method	Over 50 Years
Catering Equipment	Straight-Line Method	5 - 10 Years

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.

(viii) 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 Group 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.

(ix) De-recognition

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 in profit or loss account.

Notes to the Financial Statements (continued)

(m) Heritage Assets

The Group has a number of heritage assets, mainly former fleet vehicles, plates, crests and various artefacts. The assets are not maintained "purely for their contribution to knowledge and culture" and the assets comprise mainly former operational assets.

Given the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. Therefore, these assets have a nil value for financial reporting purposes.

(n) Impairment of Non-financial Assets

At the end of each financial year, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use, pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account.

(o) Financial Assets

CIÉ's investment in subsidiary companies is carried at historical cost less accumulated impairment losses.

(p) Stocks

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

At the balance sheet date, stock which is known to be obsolete is written off and a loss is recorded in respect of stocks which are 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 two 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

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

(i) Financial assets

The Group has a number of basic financial assets which include trade and other debtors and cash and cash equivalents, 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 Group has a number of basic financial liabilities, including trade and other creditors and bank loans and overdrafts, 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 for a similar debt instrument.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is treated as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the Financial Statements (continued)

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 due within one year when the Group does not have the unconditional right to defer settlement for at least 12 months after the reporting date. 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.

(iii) Derivatives financial instruments and hedging activities

Derivatives, including interest rate swaps, forward foreign exchange and commodity swap contracts are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The Group applies hedge accounting for interest rate swaps, forward foreign exchange and commodity swap contracts and these derivatives are designated as cash flow hedges.

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the profit or loss account.

Amounts accumulated in the hedge reserve are recycled in the profit or loss account in the periods when the hedged items will affect profit or loss (for instance when the forecast purchase that is hedged takes place). If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in the hedge reserve are transferred from the reserve and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the profit or loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss account.

(s) Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits 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 CIÉ has a legal or constructive obligation at the end of the financial year to carry out the restructuring. CIÉ has a constructive obligation to carry out a restructuring when there is a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected.

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 Group.

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

Provision is not made for future operating losses.

(t) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the Group 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.

(u) 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 Group 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.

Assets are assessed for impairment at the end of each financial year.

The minimum lease payments are apportioned between the outstanding liability and finance charges, using the effective interest method, to produce a constant periodic rate of interest on the remaining balance of the liability.

(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.

(v) Employee Benefits

The Group provides a number 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 pensions are made for eligible staff to the respective pension schemes.

Post-employment benefits

The Group operates defined benefit plans for permanent 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.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligations at the end of each financial year less the fair value of the plans assets at the same date.

Notes to the Financial Statements (continued)

The defined benefit obligations are calculated annually by an external actuary using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Euro and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of the plans assets out of which the obligations are to be settled are measured in accordance with the Group's accounting policy for financial assets. For most assets of the plans this is the quoted price in an active market. Where quoted prices are not available appropriate valuation techniques are used to estimate the fair value.

The cost of the defined benefit plans, recognised in profit or loss, except where included in the cost of an asset, comprises:

(a) the increase in net defined benefit liabilities arising from employee service during the financial year; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate (both as determined at the start of the financial year, taking account of any changes in the net defined benefit liability during the financial year as a result of contribution and benefit payments). This net interest cost is recognised in profit or loss as 'interest payable and similar charges'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets less the interest income on plan assets included in the net interest cost, are presented as re-measurement of net defined benefit liability' in other comprehensive income.

All of the subsidiaries, as well as CIÉ itself, participate in the CIÉ Pension Schemes. 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. The net defined benefit pension liability for the schemes as a whole is recognised in the CIÉ Entity balance sheet.

(w) Critical Judgements in Applying the Group's Accounting Policies

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 Board Members 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 intangible and tangible fixed assets for each class of assets is set out in Note 14 and Note 15.

(ii) Defined benefit pension schemes

The Group has an obligation to pay pension benefits to certain employees. Valuations of the pensions plans are carried out by the schemes actuaries. The cost of pension benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, the level of increases, if any, awarded to pensioners and the interest rate at which the future pension payments are discounted. The Group uses estimates for all of these factors in determining the pension costs and assets and liabilities reflected in the financial statements.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

There is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. Further detail of the Group's defined benefit pension schemes and the assumptions used in the valuation of pension liabilities are set out in Note 25.

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rate at which future pension liabilities are valued have fluctuated significantly over the last number of years.

(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 Group.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Further details are set out in Note 22 to the financial statements.

(iv) Road passenger vehicles acquired under a bus leasing agreement

Additions to road passenger vehicles received under the bus leasing agreement with the National Transport Authority (NTA) are recognised in line with Significant Accounting Policy (I) above. Similarly, a corresponding grant for capital expenditure is recognised in line with Significant Accounting Policy (e) above.

The Group has applied judgement to the recognition of an asset and corresponding grant in incidences where the NTA provide bus assets to the Group under a lease agreement.

In substance there have been no significant changes to the rights and obligations of the Group and NTA, as prescribed in the Direct Award Contract December 2014 – December 2019. The Group is getting the right to use the asset for what would appear to be the major part of the buses economic life for an annual rental charge that does not reflect the value of the asset under lease. Furthermore, substantially all the risks and rewards of ownership transfer to the Group on receipt of the bus.

The cost of road passenger vehicles received under the bus leasing agreement with the NTA is the open market value of an equivalent bus or the cost of the most recent equivalent bus procured by the Group.

The cost of road passenger vehicles acquired under a bus leasing agreement will be the open market value of an equivalent bus or the cost of the most recent equivalent bus procured by the Group.

The Group will review and consider these estimates and judgements periodically for any contractual changes or a change in circumstance.

Further details are set out in note 15 to the financial statements.

2 Going Concern

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

Background

At 31 December 2017 the Group had net liabilities of €636 million (2016: €585 million) and net current liabilities of €200 million (2016: €233 million). Net current liabilities include non-cash items of €288 million (2016: €289 million) relating to deferred income in respect of capital grants, deferred revenue and amounts repayable to funding agencies in respect of a VAT settlement. Therefore, excluding these non-cash items the Group has net current assets of €88 million (2016: net current assets €56 million). The net liabilities of the Group include liabilities in respect of defined benefit pension obligations of €784 million (2016: €730 million) and deferred income in respect of capital grants received of €2,494 million (2016: €2,555 million).

As of January 2018 the Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108 million for an initial period of five years, with two one year extension options exercisable with the agreement of both parties, at the end of year one and year two of the facility. At 31 December 2017, 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.

Nature of Uncertainties Facing Group

While trading performance improved considerably during 2017, 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:

2.1 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.

In addition, the Department of Employment Affairs and Social Protection are in the process of agreeing an SLA for the operation of the Free Travel Scheme which will provide greater certainty to the Expressway commercial services of Bus Éireann.

2.2 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.

During 2017 Bus Éireann has implemented a range of initiatives in consultation with staff to deliver improvements, efficiencies and reductions in costs which will be sufficient to return Bus Éireann to a financial sustainable position. While there are uncertainties associated with the timing of the achievement of these measures, Bus Éireann has the capacity to fund the costs of transition and the transition period during which these initiatives are being implemented.

These uncertainties are mitigated by monitoring and review of cost performance relative to plan. In respect of Bus Éireann the range of initiatives to be implemented have now been agreed with staff.

2.3 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 2018 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.

The current Public Service Obligation contracts with Bus Átha Cliath and Bus Éireann were signed in December 2014 and are for a period of five years, to 2019. In the case of Iarnród Éireann, the current contract was signed in December 2009 and is for a period of ten years, to 2019.

2.4 Liquidity

In January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108 million for an initial period of five years, with two one year extension options exercisable with the agreement of both parties, at the end of year one and year two of the facility. At 31 December 2017 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 2017. 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.

2.5 Pensions

The Group's pension schemes are in deficit, the liability position of the pension schemes increased significantly in the year. The increase in liability arose mainly as a result of the low interest rate environment prevailing in Ireland and internationally and the inflation assumptions that reflect recent pay agreements across the Group. Financial markets remain volatile, 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.

Managements 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

The ongoing support of the DTTaS has been evidenced in the letter of support dated 3rd April 2018.

The letter states: "the Department of Transport, Tourism and Sport continues to monitor the financial position of CIÉ and is engaging with CIÉ in relation to measures necessary to safeguard CIÉ's financial sustainability" Whilst the letter states that nothing contained in the letter can be construed as a guarantee of the obligations or liabilities of CIÉ, it also states: "It remains Government policy that the business of CIÉ is at all times in a position to meet its liabilities" and that "the State will continue to exercise its shareholder rights with a view to ensuring that CIÉ manages its operations in a manner that will enable it to meet all its obligations in a timely manner. Any action to be considered by the State however would have to be in compliance with EU law, including State Aid rules which may require EU Commission notification and approval".

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. They also have a reasonable expectation that the Government will support measures to ensure financial stability.

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 Revenue By Activity

Revenue represents the amounts derived from the provision of services which fall within the Group's ordinary activities, stated net of tax.

The Group is primarily a transport service provider and operates in the island of Ireland. Each division of the Group's transport service is managed by a separate legal entity. The Group also operates a "Tour" company – CIÉ Tours International Inc.

Revenue is analysed as follows:

	CIÉ €000	CIÉ Tours International €000	Bus Átha Cliath €000	Bus Éireann €000	Iarnród Éireann €000	Total 2017 €000	Total 2016 €000
Railway undertaking	–	–	–	–	220,153	220,153	206,439
Freight division	–	–	–	–	4,868	4,868	5,199
Rosslare Harbour	–	–	–	–	11,100	11,100	10,543
Other rail services	–	–	–	–	28,642	28,642	22,341
Road passenger services							
– Dublin City	–	–	251,674	–	–	251,674	236,195
– Other services	–	–	–	309,289	–	309,289	313,781
Tours		106,602	–	–	–	106,602	99,064
Central business activities	4,363	–	–	–	–	4,363	2,900
Intra-group revenue	(4,361)	–	–	–	–	(4,361)	(2,898)
Public Service Obligation ("PSO") Contracts:							
– PSO income (Note 12)	–	–	47,482	47,713	114,779	209,974	212,071
– Other Exchequer grants (Note 12)	–	–	–	–	95,988	95,988	104,586
– Revenue grant (Note 12)	–	–	162	–	–	162	8,140
Total revenue	**2**	**106,602**	**299,318**	**357,002**	**475,530**	**1,238,454**	**1,218,361**

Notes to the Financial Statements (continued)

4 Railway Infrastructure Costs

In compliance with EU Council Directive 91/440 these costs have been computed as follows:

	2017 €000	2016 €000
Infrastructure Funding		
Multi-Annual Contract	95,988	104,586
Track access charges	79,534	68,020
Other Exchequer grants	–	7,048
Third party revenue	25,476	19,275
Total revenue	200,998	198,929
Payroll and related costs	(105,003)	(104,044)
Materials and services	(92,509)	(90,883)
Depreciation and amortisation, net of capital grants amortised	(5,300)	(5,213)
Total operating costs	(202,812)	(200,140)
EBITDA before exceptional operating costs	(1,814)	(1,211)
Exceptional costs	(926)	(311)
Profit/(loss) on sale of tangible fixed assets	–	3
(Deficit) for the year on ordinary activities before interest	(2,740)	(1,519)
Interest payable and similar charges	(601)	(865)
(Deficit) for the year on ordinary activities	(3,341)	(2,384)

5 Payroll and Related Costs

	2017 €000	2016 €000
Staff costs (excluding restructuring costs) comprise		
Wages and salaries	501,091	495,330
Social insurance costs	47,207	46,541
Other retirement benefit costs	74,497	47,077
	622,795	588,948
Own work capitalised	(13,581)	(13,023)
Net staff costs	**609,214**	**575,925**
Board Members remuneration and emoluments		
– for services as Board Members	188	222
– for executive services	201	244
Total Board Members remuneration and emoluments	389	466
Total payroll and related costs	**609,603**	**576,391**

Of the total staff costs, €13.6 million (2016: €13.0 million) has been capitalised into tangible fixed assets and €609.2 million (2016: €575.9 million) has been treated as an expense in the profit and loss account.

Included in wages and salaries are:

	2017 €000	2016 €000
Salary	389,611	378,310
Overtime	31,389	32,571
Allowances	80,091	84,449
	501,091	**495,330**

The number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards is set out below:

	2017	2016
€50,001 to €75,000	3,580	3,524
€75,001 to €100,000	493	512
€100,001 to €125,000	85	65
€125,001 to €150,000	15	21
€150,001 to €175,000	17	17
€175,001 and above	12	10

Key Management Compensation

The Board Members were paid Directors fees as follows:

	2017 €	2016 €
Board Member		
Vivienne Jupp *(Non-executive Chairman)*	16,354	31,500
Ultan Courtney	20,877	21,600
Frank Allen	13,936	–
Phil Gaffney	11,214	20,970
Bill McCamley	1,916	15,750
Aebhric McGibney	13,306	15,750
Stephen Hannon	1,313	–
John Moloney	15,750	15,750
Christine Moran	15,750	15,750
Aidan Murphy	14,339	21,600
Tom O'Connor	15,750	15,750
Ruairi O'Flynn	15,750	15,750
Niamh Walsh	15,750	15,750
Tommy Wynne	15,750	15,750

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

	2017 €000	2016 €000
Salaries and other short-term benefits	1,150	1,274
Social insurance costs	90	97
Post-retirement benefits	126	153
Termination benefits	171	–
	1,537	**1,524**

Director's Expenses

Included in expenses reimbursed to Board Members are:

	2017 €000	2016 €000
Subsistence, travel, accommodation	2	3
	2	**3**

Fees paid to Ms V. Jupp as Chairman of CIÉ Tours following her retirement date in 2017 amounted to €6,023 in fees plus expenses of €4,725, total €10,748.

The compensation paid or payable to the Chief Operating Officer and Chief Executive Officers of the Group for employee services is shown below:

	2017 €000	2016 €000
Salaries and other short-term benefits	786	847
Post-retirement benefits	118	146
Termination benefits	171	–
	1,075	**993**

Termination and Severance

	2017 €000	2016 €000
Severance	17,866	3,011
	17,866	**3,011**

Staff Numbers

The average number of persons employed by CIÉ during the financial year was:

	2017	2016
CIÉ	259	248
Iarnród Éireann – Irish Rail	3,803	3,806
Bus Éireann – Irish Bus	2,530	2,532
Bus Átha Cliath – Dublin Bus	3,506	3,431
	10,098	**10,017**

Notes to the Financial Statements (continued)

6 Other Operating Expenses

Materials and services costs comprise of:

	2017 €000	2016 €000
Fuel, electricity and lubricants	84,122	101,751
Road tax and licenses	1,368	1,345
Rates	4,083	4,056
Auditors' remuneration	427	1,046
Operating lease rentals	5,281	5,210
School contractors	147,635	136,268
Third party and employer's liability claims	14,919	20,546
Other materials and services	340,450	311,676
Pension operating costs	1,553	1,857
	599,838	**583,755**

Included in other materials and services are:

	2017 €000	2016 €000
National travel and subsistence	1,488	1,472
International travel and subsistence	750	542
Hospitality	113	109
	2,351	**2,123**

Auditors' Remuneration

The following table discloses the fees payable to Deloitte Ireland in respect of the year ended 31 December 2017. All amounts are exclusive of VAT.

	2017 €000	2016 €000
Statutory auditor		
– Statutory audit of Group companies	204	205
– Other assurance services	61	46
– Tax advisory services	47	20
– Other non audit services	115	708
	427	**979**

The following table sets out the amounts payable to PricewaterhouseCoopers up to their date of resignation on 4th October 2016:

	2017 €000	2016 €000
Statutory auditor		
– Statutory audit of Group companies	–	–
– Other assurance services	–	18
– Tax advisory services	–	16
– Other non audit services	–	33
	–	**67**

	2017 €000	2016 €000
Amounts payable to current auditor	427	979
Amounts payable to previous auditor	–	67
	427	**1,046**

The deficit for the year is stated after charging/(crediting):

	2017 €000	2016 €000
Inventory consumed	158,840	172,329
Increase in inventory obsolescence provision	785	89
Foreign exchange differences	(1,520)	552
(Profit) on disposal of fixed assets	(12,204)	(8,311)
Operating leases	5,251	5,210
Business restructuring	19,710	4,148
VAT settlement	–	(29,313)
Depreciation of tangible fixed assets	274,596	284,549
Amortisation of intangible assets	3,654	4,230
Amortisation of grants	(229,370)	(238,344)

7 Exceptional Items

	2017 €000	2016 €000
Business restructuring	19,710	4,148
VAT settlement	–	(50,621)
Amounts repayable to funding agencies in respect of VAT settlement	–	23,946
	19,710	**(22,527)**

The business restructuring costs comprise of amounts arising from restructuring initiatives during the year. Bus Átha Cliath incurred €0.9 million, Bus Éireann incurred €16.4 million and Iarnród Éireann incurred €2.4 million.

8 Depreciation and Amortisation, Net of Capital Grants Amortisation

	2017 €000	2016 €000
Amortisation of intangible fixed assets *(Note 14)*	3,654	4,230
Depreciation of tangible fixed assets *(Note 15)*	274,596	284,549
Amortisation of capital grants *(Note 23)*	(229,370)	(238,344)
	48,880	**50,435**

9 Profit on Disposal of Tangible Assets

	2017 €000	2016 €000
Profit on disposal of land and buildings	11,865	7,349
Profit on disposal of rolling stock, vehicles, plant and machinery	339	962
	12,204	**8,311**

10 Net Interest Expense

(a) Interest Receivable and Similar Charges

	2017 €000	2016 €000
Interest income on short term deposits	104	436

(b) Interest Payable and Similar Charges

	2017 €000	2016 €000
Interest payable on loans and overdrafts	1,981	2,823
Interest payable on finance leases	14	23
Total interest expense on financial liabilities not measured at fair value through the profit or loss	1,995	2,846
Net interest expense on defined benefit pensions plans	12,514	6,612
Unwind of discount provisions	137	154
Total interest payable and similar charges	**14,646**	**9,612**

(c) Net Interest Expense

	2017 €000	2016 €000
Interest receivable and similar charges	104	436
Interest payable and similar charges	(14,646)	(9,612)
Net interest expense	**(14,542)**	**(9,176)**

11 Income tax

(a) Tax Expense Included in Profit and Loss

	2017 €000	2016 €000
Foreign corporation tax charge on profit for the financial year	**1,114**	1,255
Current tax expense for the financial year	*1,114*	*1,255*
Tax on profit on ordinary activities	**1,114**	**1,255**

(b) Tax Expense Relating to Items Recognised in Other Comprehensive Income

	2017 €000	2016 €000
Current tax	–	–
Deferred tax	–	–
– Deferred tax on re-measurement of net defined benefit liability	–	–
Total tax expense relating to items recognised in other comprehensive income	**–**	**–**

Notes to the Financial Statements (continued)

(c) Tax Expense Relating to Items Recognised in Equity

	2017 €000	2016 €000
Current tax	–	–
Deferred tax	–	–
Total tax expense relating to items recognised in equity	**–**	**–**

(d) Reconciliation of Tax Expense

Tax assessed for the financial year differs from that determined by applying the standard rate of corporation tax in the Republic of Ireland for the year ended 31 December 2017 of 12.5% (2016: 12.5%) to the surplus for the year. The differences are explained below:

	2017 €000	2016 €000
Surplus/(deficit) on ordinary activities before tax	(41,915)	29,442
Surplus/(deficit) multiplied by the standard rate of tax in the Republic of Ireland for the financial year ended 31 December 2017 of 12.5% (2016: 12.5%)	(5,239)	3,680
Effects of:		
Income not subject to tax	(62,789)	(67,910)
Higher rate of tax on overseas earnings	1,783	436
Expenses not deductible for tax purposes	623	–
Depreciation in excess of capital allowances	27,501	31,498
Utilisation of tax losses	–	–
Unrelieved tax losses carried forward	32,427	29,229
Income subject to higher rate of tax	6,662	3,298
Other differences	146	1,024
Tax on profits on ordinary activities	**1,114**	**1,255**

A potential deferred tax asset of €917 million (2016: €892 million) in relation to accumulated losses carried forward has not been recognised as their future recovery against taxable profits is uncertain.

12 Public Service Obligations and Other Exchequer Grants

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

	2017 €000	2016 €000
Profit and Loss Account		
Public Service Obligation	209,974	212,071
Other Exchequer grants	95,988	104,586
Other revenue grants	2,330	8,140
	308,292	324,797
Balance Sheet		
Capital grants *(Note 23)*	138,048	106,108
Other capital grants	2,418	–
Total Public Service Obligation and Other Grants	**448,758**	**430,905**
Sub-Head B7 of Vote 31 of Dáil Éireann – Public Service Obligation		
Bus Átha Cliath – Dublin Bus (revenue)	47,482	59,558
Bus Éireann – Irish Bus (revenue)	47,713	41,873
Iarnród Éireann – Irish Rail (revenue)	114,779	110,640
Bus Éireann – Irish Bus (capital)	–	511
Iarnród Éireann – Irish Rail (capital)	32,202	22,420
	242,176	**235,002**
Sub-Head B8 of Vote 31 of Dáil Éireann – Capital Investment		
Infrastructure Manager Multi-Annual Contract (revenue)	95,988	104,586
Infrastructure Manager Multi-Annual Contract (capital)	62,783	21,414
Exchequer grants for infrastructure and capital investment	45,439	61,676
Other Exchequer grants	2,372	8,074
	206,582	**195,750**
Total funding under Vote 31 of Dáil Éireann	**448,758**	**430,752**
Other grants		
Other grants including EU and state grants for non-Public Service Obligation activities	–	153
Total PSO, Exchequer and other grants	**448,758**	**430,905**

Notes to the Financial Statements (continued)

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

CIÉ records grants using the "Accrual Model" allowable under FRS102 section 24.

The amount and term of the capital grants are amortised over the useful lives of the related assets. Revenue grants are included in the consolidated profit and loss account in full in the relevant year.

The prior year comparative has been restated to better reflect the activity of the Group.

	Department of Transport, Tourism & Sport	National Transport Authority	Total	Department of Transport, Tourism & Sport	National Transport Authority	Total
	2017	**2017**	**2017**	**2016**	**2016**	**2016**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**
Vote B8 Capital	158,770	76,259	235,029	134,000	60,949	194,949
Vote B8 Accessibility	–	1,337	1,337	–	801	801
Total	**158,770**	**77,596**	**236,366**	**134,000**	**61,750**	**195,750**

Source of Exchequer fund received during the calendar years 2016 and 2017 are restricted to particular projects.

13 CIÉ Net Result for the Year

CIÉ, the Entity's net loss for the year amounted to €10 million (2016: surplus €65 million).

14 Intangible Fixed Assets

Group

	Computer Software €000	Total €000
Financial year ended 31 December 2016		
Opening carrying amount	9,036	9,036
Additions	2,445	2,445
Disposals	–	–
Amortisation	(4,230)	(4,230)
Carrying amount	**7,251**	**7,251**
At 31 December 2016		
Cost	60,562	60,562
Accumulated amortisation and impairment	(53,311)	(53,311)
Carrying amount	**7,251**	**7,251**
Financial year ended 31 December 2017		
Opening carrying amount	7,251	7,251
Additions	5,802	5,802
Disposals	(20)	(20)
Amortisation	(3,654)	(3,654)
Carrying amount	**9,379**	**9,379**
At 31 December 2017		
Cost	66,344	66,344
Accumulated amortisation and impairment	(56,965)	(56,965)
Carrying amount	**9,379**	**9,379**

CIÉ Entity

	Computer Software €000	Total €000
Financial year ended 31 December 2016		
Opening carrying amount	66	66
Additions	191	191
Disposals	–	–
Amortisation	(77)	(77)
Carrying amount	**180**	**180**
At 31 December 2016		
Cost	15,920	15,920
Accumulated amortisation and impairment	(15,740)	(15,740)
Carrying amount	**180**	**180**
Financial year ended 31 December 2017		
Opening carrying amount	180	180
Additions	1,485	1,485
Disposals	–	–
Amortisation	(88)	(88)
Carrying amount	**1,577**	**1,577**
At 31 December 2017		
Cost	17,405	17,405
Accumulated amortisation and impairment	(15,828)	(15,828)
Carrying amount	**1,577**	**1,577**

Intangible assets comprise computer software. Computer software is measured at cost less accumulated amortisation and impairment losses. No impairment losses were recognised in the year (2016: €nil). Computer software is amortised over its estimated useful life, which is between three and five years.

15 Tangible Fixed Assets

Group

	Railways line and works €000	Railway Rolling Stock €000	Road Passenger Vehicles €000	Road Freight Vehicles €000	Land and Buildings €000	Plant and Machinery €000	Signalling €000	Docks, Harbours and Wharves €000	Total €000
Financial year ended 31 December 2016									
Opening carrying amount	918,245	590,109	211,463	–	773,519	178,733	358,751	32,789	3,063,609
Additions	23,525	35,528	75,405	–	12,924	23,786	9,819	201	181,188
Reclassification	(5,435)	–	–	–	–	–	–	–	(5,435)
Disposals	–	(1)	(435)	–	(552)	(8)	–	–	(996)
Depreciation	(75,356)	(88,086)	(44,850)	–	(16,537)	(37,421)	(20,884)	(1,415)	(284,549)
Carrying amount	**860,979**	**537,550**	**241,583**	**–**	**769,354**	**165,090**	**347,686**	**31,575**	**2,953,817**
At 31 December 2016									
Cost	2,199,981	1,444,691	711,991	–	947,955	658,174	626,869	57,169	6,646,830
Accumulated depreciation and impairment	(1,339,002)	(907,141)	(470,408)	–	(178,601)	(493,084)	(279,183)	(25,594)	(3,693,013)
Carrying amount	**860,979**	**537,550**	**241,583**	**–**	**769,354**	**165,090**	**347,686**	**31,575**	**2,953,817**
Financial year ended 31 December 2017									
Opening carrying amount	860,979	537,550	241,583	–	769,354	165,090	347,686	31,575	2,953,817
Additions	40,174	35,393	65,401	–	7,602	30,629	5,310	204	184,713
Reclassification	5,435	(143)	–	–	(5,435)	122	21	–	–
Disposals	(534)	(161)	(64)	–	(615)	(234)	–	–	(1,608)
Depreciation	(70,083)	(85,409)	(50,580)	–	(16,762)	(29,476)	(21,030)	(1,256)	(274,596)
Carrying amount	**835,971**	**487,230**	**256,340**	**–**	**754,144**	**166,131**	**331,987**	**30,523**	**2,862,326**
At 31 December 2017									
Cost	2,245,056	1,479,780	777,328	–	949,507	688,691	632,200	57,373	6,829,935
Accumulated depreciation and impairment	(1,409,085)	(992,550)	(520,988)	–	(195,363)	(522,560)	(300,213)	(26,850)	(3,967,609)
Carrying amount	**835,971**	**487,230**	**256,340**	**–**	**754,144**	**166,131**	**331,987**	**30,523**	**2,862,326**

During the financial year, the Group disposed of tangible fixed assets with a carrying amount of €1,606,000 The assets have a cost of €1,707,620,000 and accumulated depreciation and impairment of €1,706,014,000 The profit on disposal of these tangible fixed assets is €12,204,000 (2016: €8,311,000).

(a) The Group has elected to use the cost model at the date of transition to FRS 102 in relation to land and buildings;

(b) Road passenger vehicles at a cost of €115,191,000 (2016: €121,630,000) were fully depreciated but still in use at the balance sheet date;

(c) Road passenger vehicles above include the recognition of 83 buses acquired under a bus leasing agreement with the National Transport Authority (NTA). The 83 buses recognised in 2017 at a cost of €29,023,000 came into service in the period from 27 July 2017 to 31 December 2017. A further 17 buses acquired under this bus leasing agreement came into service in January 2018. The 100 buses acquired are restricted for use in public transport services only;

(d) Included in tangible fixed assets are amounts, as stated below, in respect of rail rolling stock and plant and machinery (computer equipment) which are held under finance leases, whereby the Group has substantially all the risks and rewards associated with the ownership of an asset, other than the legal title;

	2017 **€000**	**2016** **€000**
Cost	741	100,784
Accumulated depreciation	(572)	(92,880)
Net book value at 31 December	169	7,904
Depreciation for year	**(149)**	**(2,119)**

(e) Included in the additions above are payments on account in respect of assets as set out below which were not yet in service:

	2017 **€000**	**2016** **€000**
Railway Rolling Stock	–	730
Plant and Machinery	273	138
Road passenger vehicles	4,200	1,630
	4,473	**2,498**

Notes to the Financial Statements (continued)

CIÉ Entity

	Land and Buildings €000	Plant and Machinery €000	Total €000
Financial year ended 31 December 2016			
Opening carrying amount	766,133	3,465	769,598
Additions	12,921	1,703	14,624
Disposals	(552)	–	(552)
Depreciation	(16,437)	(1,636)	(18,073)
Carrying amount	**762,065**	**3,532**	**765,597**
At 31 December 2016			
Cost	939,100	23,110	962,210
Accumulated depreciation and impairment	(177,035)	(19,578)	(196,613)
Carrying amount	**762,065**	**3,532**	**765,597**
Financial year ended 31 December 2017			
Opening carrying amount	762,065	3,532	765,597
Additions	7,449	13	7,462
Disposals	(613)	–	(613)
Depreciation	(16,688)	(1,994)	(18,682)
Carrying amount	**752,213**	**1,551**	**753,764**
At 31 December 2017			
Cost	945,936	23,123	969,059
Accumulated depreciation and impairment	(193,723)	(21,572)	(215,295)
Carrying amount	**752,213**	**1,551**	**753,764**

16 Financial Assets

Group

	Listed Shares		Unlisted Shares		Total	
	2017 €000	2016 €000	2017 €000	2016 €000	2017 €000	2016 €000
Cost at 1 January	34	34	13	13	47	47
Impairment	(34)	(34)	(13)	(13)	(47)	(47)
Disposal	–	–	–	–	–	–
Net Book Amounts at 31 December	**–**	**–**	**–**	**–**	**–**	**–**

Financial assets comprise listed and unlisted shares. The shares relate to transport stocks and war stocks held by the Group.

CIÉ Entity

	Subsidiary companies		Listed Shares		Unlisted Shares		Total	
	2017 €000	2016 €000	2017 €000	2016 €000	2017 €000	2016 €000	2017 €000	2016 €000
Cost at 1 January	294,246	294,246	34	34	13	13	294,293	294,293
Impairment	–	–	(34)	(34)	(13)	(13)	(47)	(47)
Net Book Amounts at 31 December	**294,246**	**294,246**	**–**	**–**	**–**	**–**	**294,246**	**294,246**

Financial assets comprise trade investments and investments in subsidiary companies.

Investment in subsidiary companies comprise of equity shares in Iarnród Éireann, Bus Éireann, Bus Átha Cliath and CIÉ Tours International (US subsidiary). These shares are not publicly traded.

Notes to the Financial Statements (continued)

17 Stocks

Group

	2017 €000	2016 €000
Maintenance materials and spare parts	28,954	29,604
Infrastructure stocks	18,399	18,319
Fuel, lubricants and other sundry stocks	10,639	11,281
	57,992	**59,204**
Stocks consumed during the year:		
Materials and fuel	158,840	172,329

These amounts include parts and components necessarily held to meet long-term operational requirements. The difference between the purchase cost and the replacement cost is not material.

Stock is stated after an allowance for impairment of €19,747,000 (2016: €18,893,000) in relation to obsolete and damaged stocks.

18 Debtors

Group

	2017 €000	2016 €000
Trade debtors	29,014	24,424
Amounts due from Department of Education and Skills	8,360	8,335
Derivative financial instruments	10,723	3,332
Other debtors and accrued income	25,308	21,423
	73,405	**57,514**

Debtors are stated after an allowance for impairment of €1,155,000 (2016: €831,000). Derivative financial instruments includes amounts falling due after one year of €1,907,000 (2016: €416,000).

CIÉ Entity

	2017 €000	2016 €000
Trade debtors	1,875	754
Derivative financial instruments	10,723	3,332
Other debtors and accrued income	14,801	8,252
	27,399	**12,338**

Debtors are stated after an allowance for impairment of €358,000 (2016: €386,000). Derivative financial instruments includes amounts falling due after one year of €1,907,000 (2016: €416,000).

19 Creditors (Amounts Falling Due within One Year)

Group

	2017 €000	2016 €000
Bank overdraft	–	–
Bank loans *(Note 21)*	13,000	13,000
Finance lease obligations *(Note 21)*	139	132
Trade creditors	74,527	73,810
Income tax deducted under PAYE	9,459	12,023
Pay related social insurance	5,901	7,085
Value added tax and other taxes	7,261	5,092
Other creditors	44,834	41,083
Accruals	60,698	42,171
Derivative financial instruments	1,341	4,060
Deferred grant income *(Note 23)*	218,501	222,539
Deferred revenue	45,053	42,719
	480,714	**463,714**
Creditors for taxation and social welfare included above	22,621	24,200

CIÉ Entity

	2017 €000	2016 €000
Bank overdraft	–	–
Bank loans *(Note 21)*	13,000	13,000
Finance lease obligations *(Note 21)*	139	132
Trade creditors	1,195	835
Amounts owed to subsidiary companies	242,160	209,868
Income tax deducted under PAYE	839	848
Pay related social insurance	110	107
Value added tax and other taxes	479	827
Other creditors	27,866	27,151
Accruals	6,478	1,475
Derivative financial instruments	1,341	4,060
Deferred grant income *(Note 23)*	10,906	11,050
	304,513	**269,353**
Creditors for taxation and social welfare included above	1,428	1,782

Amounts owed to subsidiary companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Although the amounts owed to subsidiary companies are repayable on demand, the Board Members do not expect CIÉ to be required to repay the amounts due in the near future.

Notes to the Financial Statements (continued)

20 Creditors (Amounts Falling Due After more than One Year)

Group and CIÉ Entity

	2017 €000	2016 €000
Bank loans *(Note 21)*	15,000	27,877
Finance leases *(Note 21)*	–	140
Irrecoverable value added tax on finance leases *(Note 21)*	–	26
Derivative financial instruments	485	–
	15,485	**28,043**

21 Loans and Other Borrowings

Group and CIÉ Entity – Bank Loans

These bank loans are included within creditors and are repayable as follows:

	2017 €000	2016 €000
Not later than one year *(Note 19)*	13,000	13,000
Later than one year and not later than five years *(Note 20)*	15,000	27,877
	28,000	**40,877**

The bank loans represent a term loan, which will be fully repaid by July 2018. The interest on the term loan is the percentage rate per annum, which is the aggregate of EURIBOR plus a margin. A margin of 2.25% was applied throughout 2017 driven by the Group's net debt to EBITDA ratio being less than 2 for the year.

The Group has borrowings of €28.0 million (2016: €40.9 million) at the balance sheet date. These borrowings are cross-guaranteed by Bus Átha Cliath, Bus Éireann, CIÉ and Iarnród Éireann.

Group and CIÉ Entity – Finance Leases

The finance leases are included within creditors and are repayable as follows:

	2017 €000	2016 €000
Not later than one year *(Note 19)*	139	132
Later than one year and not later than five years *(Note 20)*	–	140
	139	**272**

The finance lease relates to computer hardware assets (Storage Area Network), which are leased from a specialist leasing company, which represents the security given by CIÉ in respect of the finance lease liability.

This lease is subject to a rate of 5.78% and is repayable in quarterly instalments over the next year.

22 Provisions for Liabilities and Charges

Group

	3rd Party and Employers Liability €000	Restructuring €000	Environmental €000	Operational/ Other €000	Legal and related matters €'000	Total €000
Balance at 1 January 2016	176,262	6,691	4,066	23,964	4,999	215,982
Utilised during year	(13,428)	(3,869)	(66)	(6,152)	298	(23,217)
Transfer from profit and loss account	20,562	4,721	1,563	3,689	231	30,766
Balance carried forward 31 December 2016	**183,396**	**7,543**	**5,563**	**21,501**	**5,528**	**223,531**
Balance at 1 January 2017	183,396	7,543	5,563	21,501	5,528	223,531
Utilised during year	(13,666)	(12,499)	(786)	(954)	(4,089)	(31,944)
Transfer from profit and loss account	14,801	18,787	628	5,126	1,153	40,495
Balance carried forward 31 December 2017	**184,531**	**13,831**	**5,405**	**25,673**	**2,592**	**232,032**

The disclosure above in relation to 3rd Party and Employers Liability and Legal and related matters provide details as required under the Code of Practice for the Governance of State Bodies 2016, the number of cases has not been shown due to commercial sensitivity.

CIÉ Entity

	Restructuring €000	Environmental €000	Operational/ Other €000	Legal and related matters €'000	Total €000
Balance at 1 January 2016	978	1,500	332	184	2,994
Utilised during year	(715)	–	(14)	(10)	(739)
Transfer from profit and loss account	3	5	15	–	23
Balance carried forward 31 December 2016	**266**	**1,505**	**333**	**174**	**2,278**
Balance at 1 January 2017	266	1,505	333	174	2,278
Utilised during year	–	–	(9)	(1)	(10)
Transfer from profit and loss account	(14)	(346)	–	–	(360)
Balance carried forward 31 December 2017	**252**	**1,159**	**324**	**173**	**1,908**

Notes to the Financial Statements (continued)

Group Restructuring

The restructuring provision relates to amounts payable arising from the implementation of continuing cost saving initiatives. This provision is expected to be utilised in 2018.

Environmental

The land and buildings occupied by Group companies are of varying age. The environmental provision relates to substantial building works that are currently required to be performed to meet the Group's obligations under Environment and Health and Safety legislation.

Operational/Other

At 31 December 2017, the Group held €25.7 million (2016: €21.5 million) of other provisions. €25.6 million (2016: €21.3 million) related to operational provisions and €0.1 million (2016: €0.1 million) related to other claims and nil related to deferred tax (2016: €0.1 million).

Legal and Related Matters

At 31 December 2017, the Group held €2.6 million (2016: €5.5 million) of legal and related matters provisions.

Third Party and Employers Liability

CIÉ as a self-regulated body operates a self-insurance model whereby the operating subsidiaries 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.

Any losses, not covered by external insurance, are charged to the profit and loss account.

Provision is made at the year-end for the (undiscounted) estimated cost of future payments required to discharge liabilities incurred but not finalised at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) and incurred but not enough reported (IBNER).

The provisions that have been recorded represent the directors' best estimate of the expenditure required to settle the obligations, with the benefit of experienced in-house claims handlers and external actuarial and legal advice. The best estimate includes estimates of externally procured services in managing claims but excludes the internal overhead of the Investigations Department.

In calculating the estimated cost of outstanding potential liabilities case estimates are set by skilled claims handlers and are subject to established policies and procedures. Claims handlers apply their experience and knowledge to the specific circumstances of individual claims. Quantum is set taking into account all available information and correspondence regarding the specific circumstances of the claim, such as inspection reports, medical reports, legal and/or other expert advices, Book of Quantum and/or court precedents on liabilities with similar characteristics. Claims above certain limits are referred to senior claims handlers.

The ultimate cost of outstanding claims is then estimated with the assistance of external actuarial advice. The actuaries use a range of standard actuarial claims projection techniques, such as the Average Cost per Claim Method, Chain Ladder Method, Credibility Method and Large Claims Method. The actuary's mathematical modelling is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the potential liabilities to increase or reduce when compared with the cost of previously finalised claims including, for example, changes in the legal environment, the effects of inflation, changes in operational activity and the impact of large losses. Provisions are calculated separately for each of the Group's operating subsidiaries for each class of business.

Exceptionally serious accidents are assessed separately from the averages indicated by actuarial modelling.

While the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures it is inherent in the nature of estimating liability that the ultimate liabilities may differ to initial valuations as investigations ensue and particulars are disclosed. If the outcomes of the claims are different to the assumptions underpinning the directors' best estimates then a further liability may arise.

Provisions for claims are calculated gross of any reinsurance recoveries. Reinsurance recoveries are recognised in the profit and loss account as they are received.

23 Deferred Income

This account comprises of non-repayable EU and Exchequer grants which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated:

Group

	1 Jan 2016 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss Account €000	31 Dec 2016 €000
Capital grants					
Railway lines and works	905,163	23,850	–	(74,712)	854,301
Railway rolling stock	544,519	22,420	–	(71,734)	495,205
Plant and machinery	146,774	17,685	–	(29,683)	134,776
Signalling	324,130	9,731	–	(18,513)	315,348
Docks, Harbours and Wharves	8,976	–	–	(310)	8,666
Land and Buildings	559,713	5,855	–	(11,717)	553,851
Road Passenger Vehicles	197,481	26,567	(16)	(31,675)	192,357
	2,686,756	**106,108**	**(16)**	**(238,344)**	**2,554,504**
Other deferred income	10	–	–	(2)	8
Total deferred income	**2,686,766**	**106,108**	**(16)**	**(238,346)**	**2,554,512**

	01 Jan 2017 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss Account €000	31 Dec 2017 €000
Capital grants					
Railway lines and works	854,301	40,442	(536)	(69,448)	824,759
Railway rolling stock	495,205	32,212	(220)	(71,256)	455,941
Plant and machinery	134,776	29,171	(184)	(20,497)	143,266
Signalling	315,348	5,341	(10)	(18,622)	302,057
Docks, Harbours and Wharves	8,666	–	–	(310)	8,356
Land and Buildings	553,851	4,868	–	(12,148)	546,571
Road Passenger Vehicles	192,357	57,999	(4)	(37,089)	213,263
	2,554,504	**170,033**	**(954)**	**(229,370)**	**2,494,213**
Other deferred income	8	–	–	(2)	6
Total deferred income	**2,554,512**	**170,033**	**(954)**	**(229,372)**	**2,494,219**

Total capital grants recognised in 2017 were €170,033,000 (2016: €106,108,000), including €29,023,000 recognised under the bus leasing arrangement (note 15).

Notes to the Financial Statements (continued)

Apportioned as follows:	2017 €000	2016 €000
Deferred income – amounts falling due within one year *(Note 19)*	218,501	222,539
Deferred income – amounts falling due after one year	2,275,718	2,331,973
	2,494,219	2,554,512

CIÉ Entity

	1 Jan 2016 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss Account €000	31 Dec 2016 €000
Capital grants					
Land and buildings	553,329	10,865	–	(11,661)	552,533
Other deferred income	10	–	–	(2)	8
Total	**553,339**	**10,865**	**–**	**(11,663)**	**552,541**

	01 Jan 2017 €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss Account €000	31 Dec 2017 €000
Capital grants					
Land and buildings	552,533	4,870	–	(12,102)	545,301
Other deferred income	8	–	–	(2)	6
Total	**552,541**	**4,870**	**–**	**(12,104)**	**545,307**

Apportioned as follows:	2017 €000	2016 €000
Deferred income – amounts falling due within one year *(Note 19)*	10,906	11,050
Deferred income – amounts falling due after one year	534,401	541,491
	545,307	**552,541**

Deferred income represents grants received/receivable to fund capital investment. Refer to Note 12 for additional disclosure on grants received/receivable.

24 Cash Flow Statement

Notes to the Statement of Cash Flows

	2017 €000	2016 €000
Year ended 31 December		
Surplus/(deficit) for the year	(43,029)	28,187
Tax on deficit on ordinary activities	1,114	1,255
Net interest expense	14,542	9,176
Operating surplus/(deficit)	**(27,373)**	**38,618**
Depreciation of tangible fixed assets	274,596	284,549
Amortisation of intangible fixed assets	3,654	4,230
Amortisation of deferred grant income	(229,370)	(238,344)
(Decrease)/increase in post-retirement benefits liability	24,564	(1,796)
Profit on disposal of tangible asset	(12,204)	(8,311)
Working capital movement		
– (Increase) in stocks	1,212	(1,835)
– (Increase)/decease in debtors	(6,172)	(11,997)
– Increase in creditors and provisions	38,993	38,475
Cash flow from operating activities	**67,900**	**103,589**

Notes to the Financial Statements (continued)

25 Post Retirement Benefits

Group and CIÉ Entity

CIÉ operates defined benefit plans for the majority of employees. The amounts recognised in the financial statements in respect of the defined benefit plans are as follows:

	2017 €000	2016 €000
Fair value of scheme assets	2,093,106	1,987,413
Present value of scheme liabilities	(2,877,237)	(2,717,112)
Pension deficit	**(784,131)**	**(729,699)**

The amount recognised in the profit and loss account is as follows:

	2017 €000	2016 €000
Charged to operating profit		
Current service cost	(73,459)	(45,646)
Administration and other operating expenses	(1,553)	(1,857)
Past service cost	–	(326)
Total operating charge	**(75,012)**	**(47,829)**
Net interest expense	(12,514)	(6,612)
Total charge	**(87,526)**	**(54,441)**

The amount recognised in the statement of other comprehensive income is as follows:

	2017 €000	2016 €000
Actual return less interest income on pension scheme assets	78,555	109,996
Experience (losses) arising on the scheme liabilities	2,016	(15,363)
Changes in assumptions underlying the present value of the scheme liabilities	(97,925)	(531,113)
Actuarial (loss)/gain recognised in statement of other comprehensive income	**(17,354)**	**(436,480)**

No deferred tax asset has been recognised in respect of the above pension deficit as it is unlikely that the Group will have taxable profits in the foreseeable future.

Defined Benefit Scheme

CIÉ operates defined benefit pension schemes with assets held in separately administered funds. The schemes provide retirement benefits on the basis of members' final salary. The schemes are administered by independent trustees, who are responsible for ensuring that the schemes are sufficiently funded to meet current and future obligations. CIÉ has agreed a funding plan with the trustees, whereby ordinary contributions are made into the schemes based on a percentage of active employees' salary.

Full actuarial reviews are completed every three years. The most recent actuarial review was carried out as at 31 December 2014. The market value of the assets of the schemes at that date was €1.76 billion, which amounted to 86.0% of the benefits which had accrued to members based on service to and pensionable pay at the review date. Actuarial reports are available to scheme members but are not provided for public inspection.

The principal actuarial assumptions used in the valuations were:

	31 Dec 2017 % p.a.	31 Dec 2016 % p.a.
Discount Rate	1.75	1.80
Rate of inflation	1.75	1.60
Expected rate of increase of pensions in payment*	1.75	1.60
Expected rate of salary increases**	1.75***	1.60

* pause to pensions in payment to 2024

** pause to pensionable pay to 2024, 1.6% thereafter

*** 1.75% increase in pensionable pay other than in cases where awards of future pay increases are known

The mortality assumptions, in years, of a member retiring at age 65 were as follows:

	31 Dec 2017 Male	31 Dec 2017 Female	31 Dec 2016 Male	31 Dec 2016 Female
Currently aged 45 years	23.8	25.9	23.7	25.8
Currently aged 65 years	21.4	23.9	21.2	23.7

The assets in the scheme were:

	2017 €000	2017 %	2016 €000	2017 %
Equities	689,086	32.9	874,591	44.0
Property	188,936	9.0	140,651	7.1
Bonds	1,027,186	49.1	759,871	38.2
Cash/Alternatives	187,898	9.0	212,300	10.7
Total	**2,093,106**	**100**	**1,987,413**	**100**

Notes to the Financial Statements (continued)

Change in present value of the liabilities during the year:

	2017 €000	2016 €000
Opening present value of liabilities	2,717,112	2,124,241
Current service cost	73,459	45,646
Administration and other operating expenses	1,553	1,857
Interest cost	48,207	54,269
Member contributions	18,541	17,979
Net benefits paid	(77,544)	(74,488)
Actuarial (gains)/losses on liabilities due to changes in assumptions	97,925	531,430
Actuarial losses/(gains) on liabilities due to scheme experience	(2,016)	15,852
Past service cost	–	326
Closing present value of liabilities	**2,877,237**	**2,717,112**

All of the schemes' liabilities above arise from schemes that are wholly funded.

Change in fair value of assets during the year:

	2017 €000	2016 €000
Opening fair value of assets	1,987,413	1,835,838
Interest income on pension scheme assets	35,693	47,658
Employer contributions (funded schemes)	49,128	48,286
Employer contributions (unfunded arrangements)	1,320	1,339
Members contributions	18,541	17,979
Net benefits paid	(77,544)	(74,488)
Actuarial gains on assets	78,555	110,801
Closing fair value of assets	**2,093,106**	**1,987,413**

Actual returns on assets:

	2017 €000	2016 €000
Interest income on assets	35,693	47,642
Actuarial gains on assets	78,555	110,801
Actual return on assets	**114,248**	**158,443**

26 Capital and Other Commitments

	2017 €000	2016 €000
Contracted for	38,571	69,551
Authorised by Board but not contracted for	125,654	153,430
	164,225	**222,981**

Capital grants totalling €157 million have been approved in respect of the above expenditure (2016: €211 million).

Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:

	On plant & equipment/ motor vehicles 2017 €000	On plant & equipment/ motor vehicles 2016 €000
Within one year	3,121	3,074
Between one and five years	5,493	7,574
	8,614	**10,648**

27 Financial Instruments

The Group has the following financial instruments:

	2017 €000	2016 €000
Financial assets at fair value through other comprehensive income		
– Derivative financial instruments	10,723	3,331
Financial assets that are debt instruments measured at amortised cost		
– Trade receivables	29,014	24,424
– Department of Education and Skills	8,360	8,335
– Other receivables	25,308	21,423
Cash and bank in hand	149,317	114,270
Financial assets that are equity instruments measured at cost less impairment	–	–
Financial liabilities at fair value through other comprehensive income		
– Derivative financial instruments	1,826	4,060
Financial liabilities measured at amortised cost		
– Bank loans and overdrafts	28,000	40,877
– Trade creditors	74,527	73,810
– Other creditors	44,834	37,725
– Finance leases	139	272

The CIÉ Entity has the following financial instruments:

	2017 €000	2016 €000
Financial assets at fair value through the profit and loss account		
– Derivative financial instruments	10,723	3,331
Financial assets that are debt instruments measured at amortised cost		
– Trade receivables	1,875	754
– Other receivables	14,801	8,252
Cash and bank in hand	146,065	108,789
Financial assets that are equity instruments measured at cost less impairment	–	–
Financial liabilities at fair value through the profit and loss account		
– Derivative financial instruments	1,826	4,060
Financial liabilities measured at amortised cost		
– Bank loans and overdrafts	28,000	40,877
– Trade creditors	1,195	835
– Amounts owed to subsidiary companies	242,160	209,868
– Other creditors	27,866	2,568
– Finance leases	139	272

Derivative Financial Instruments – Forward Contracts

The Group enters into foreign currency forward contracts to mitigate exchange risk that exists when financial transactions are denominated in a currency other than euros.

At 31 December 2017, CIÉ was committed to buying STG£15.9 million, buying US$33.6 million, selling US$36.3 million, selling AUS $4.5 million and selling CAD $3.4 million under forward currency contracts expiring during 2018 and 2019. The fair value of these contracts at 31 December 2017 is an asset of €0.69 million (2016: liability of €1.55 million).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for EUR:USD, EUR:GBP, EUR:AUD and EUR:CAD.

Derivative Financial Instruments – Interest Rate Swaps

At 31 December 2017, CIÉ had no interest rate hedge contracts in place.

Derivative Financial Instruments – Commodity Swap Contracts

At 31 December 2017, CIÉ was also committed to buying oil under commodity swap contracts to the value of US$61.7 million expiring during 2018 and 2019. The fair value of these contracts at 31 December 2017 was an asset of €8.2 million (2016: €1.1 million).

Notes to the Financial Statements (continued)

28 Contingent Liabilities

Pending Litigation

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

Grants Receivable

The Group's capital expenditure in respect of PSO bus fleet is funded through Capital Grants from the National Transport Authority. This funding is provided in line with the provisions of the Direct Award Contract, signed on 1 December 2014 and certain contingent liabilities arise under these agreements. The Board Members believe that the risk of the National Transport Authority exercising their rights under the related agreements is remote.

Details of PSO and other exchequer grants are included in note 12.

29 Related Party Transactions

In the ordinary course of business the Group purchases goods and services from entities controlled by the Irish Government, the principal 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 Group's business.

The Group is exempt from the disclosure requirements of paragraph 33.9 of FRS 102 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.

Note 5 to the financial statements includes the disclosure of the compensation paid or payable to key management of the Group.

30 Group Membership

Name	Principal Activity
Holding company:	
Córas Iompair Éireann	– Public transport services
Subsidiary companies (all wholly owned)	
Bus Átha Cliath – Dublin Bus	– Public bus passenger services
Bus Éireann – Irish Bus	– Public bus passenger services
CIÉ Tours International Incorporated	– Tours
Iarnród Éireann – Irish Rail	– Public rail (passenger and freight) services

Iarnród Éireann – Irish Rail, Bus Éireann – Irish Bus and Bus Átha Cliath – Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Act, 2014, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

CIÉ Tours International is incorporated in New York and operates in North America. Its principal activity is the sale and promotion of Ireland coach tour holidays and ancillary activities in certain markets outside Ireland. It purchases the tour packages from CIÉ.

CIÉ has provided a letter of support to each of its subsidiary companies, covering the period of at least 12 months from the date of approval of their respective financial statements.

The registered offices of the subsidiary companies are as follows:

Bus Átha Cliath – Dublin Bus	59 Upper O'Connell Street, Dublin 1
Bus Éireann – Irish Bus	Broadstone, Dublin 7
CIÉ Tours International Incorporated	10 Park Place, Suite 510, P.O. Box 1965, Morristown NJ 07962-1965
Iarnród Éireann – Irish Rail	Connolly Station, Amiens Street, Dublin 1

31 Events since the end of the Financial Year

In January 2018 the CIÉ Group has secured an amendment and extension of its banking facility. The facility is a committed facility of €108 million for an initial period of five years, with two one year extension options exercisable with the agreement of both parties, at the end of year one and year two of the facility.

The Board Members are not aware of any other events since the end of the financial year which require adjustment to or disclosure in the financial statements.

32 Approval of Financial Statements

The Board approved the financial statements on 4th April 2018.

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