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Directors
at 1st May, 2001

Managing Director
Mr. J. Meagher

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

Secretary and Registered Office
Mr. R. O'Farrell
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Auditors
PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
Wilton Place
Dublin 2

The directors present their annual report together with the audited financial statements for the year ended 31st December, 2000.

Principal activities and business review

The principal activities of the company are the provision of national rail passenger services, freight services, catering services and the management of Rosslare Harbour.

The financial performance for the year was adversely affected by a number of industrial relations disputes. The net cost of the disputes is estimated at approximately IRE15 million, with up to 1.5 million passenger journeys cancelled and considerable volumes of freight carriage lost to competitors.

During 2000 the company's services carried 31.7 million passengers – a 3.2% decrease on the previous year. Total customer revenue amounted to IRE143 million, of which the mainline rail and suburban rail businesses accounted for IRE105.5 million. Year on year revenue growth was static. Passenger journey growth of 2% and actual revenue increase of 7% were being achieved on InterCity services prior to the prolonged locomotive drivers' dispute. Passenger journeys were not increasing on suburban services due to rolling stock, track and signalling capacity constraints at critical high-demand periods of operation.

Total operating costs of IRE246.7 million were IRE40.4 million higher than the previous year. IRE17.9 million of this increase is attributable to an increased depreciation charge as a result of a fundamental revision of the economic useful life of the rolling stock fleet. Increases in payroll costs and material costs are responsible for the balance. The average number of persons employed increased by 2.4%, mainly to resource the Infrastructure Safety Investment Programme.

The State grant for the maintenance of the rail infrastructure system and the provision of socially necessary but non-commercial services increased from IRE94 million to IRE105 million. This annual State grant was supplemented by a further payment of IRE120.9 million, for the Safety and Public Transport Investment Programmes. A total of IRE115.9 million was allocated to the profit and loss account and the balance of IRE110 million to capital and deferred income. Overall, there was a surplus in 2000 amounting to IRE2.2 million. The accumulated deficit at 31st December, 2000 amounted to IRE29 million.

Results and reserves

The financial statements for the year ended 31st December, 2000 are set out in detail on pages 8 to 28. The results for the year ended 31st December, 2000 show a surplus of IRE2,164,000.

Introduction of the euro

The directors recognise the importance of euro compliance. A programme manager has been appointed and the issue has been established as a major component of normal management processes. The directors believe that robust plans, resources and processes are in place to achieve euro compliance for all business areas and business critical systems and that work is well advanced towards achieving this objective.

Change Process negotiations

Change Process negotiations continued during the year, culminating in radically new agreements covering permanent way operatives in the Infrastructure Division, and DART drivers in the suburban rail business. The process, designed to build a new foundation for improved performance based on restructured earnings and hours at work on the one hand, and greater efficiency and productivity on the other, is on course to be completed during 2001.

Employee participation

Following an extensive examination, the Advisory Service of the Labour Relations Commission issued a report and recommendations to management and trade unions pointing the way forward to new participative structures and relationships. This report has been accepted by all parties and implementation of the associated recommendations will be initiated jointly by management and trade unions, during 2001. Implementation will involve election of staff representatives to ten joint Participation Councils (rationalised from the existing thirteen). Each Council will be allocated a budget and will be supported in taking initiatives in pursuit of business goals and better work relations.

Equal opportunities

The Equality Programme within the Human Resources Department has been further resourced and is actively engaged in a systematic education and support programme covering the statute-defined areas where inequality and discrimination can occur. During 2000 a new anti-bullying and harassment policy was drafted, and was launched by the Minister for Public Enterprise. A review of the Equality Initiative was undertaken by an independent expert, whose progress report will be published in 2001.

Health and safety

The schedule of work for 2000 set out in the Railway Safety Investment Programme (1999 - 2003) and arising from the A.D. Little and IRMS reports was achieved. This was the second year of a IRE430 million 5-year programme which provides for the renewal and up-grading of the infrastructure on a prioritised basis over that period. Approximately 84 miles of old jointed track was replaced by modern continuous welded rail in 2000. Considerable progress was also made in 2000 in developing more to bring our Safety Management System into line with best practice worldwide. Staff at all levels has been involved in developing these and other general safety initiatives. In the year 2000, there were 32,000 person-days of training, an increase of 23% over the previous year.

Directors

The directors of the company are appointed by the chairman of Córas Iompair Éireann with the consent of the Minister for Public Enterprise. The names of the persons who were directors at any time during the year ended 31st December, 2000 are as set out below. Except where indicated they served as directors for the whole year.

Mr. M.P. McDonnell	Chairman <i>(retired 13th February 2001)</i>
Mr. J. Meagher	Managing Director
Mr. P. Cullen	
Mr. G. Duggan	
Mrs. T. Honan	
Ms. A.M. Mannix	

None of the directors or the secretary held any interest or any shares or debentures of the company, its holding company or its fellow subsidiaries at any time during the year.

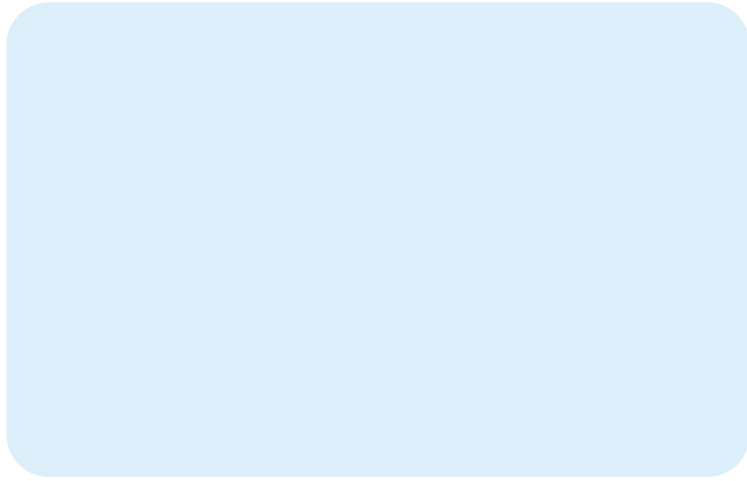
Auditors

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

On behalf of the Board

J. Meagher	Managing Director
G. Duggan	Director

1st May, 2001



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

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 1999. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the members of Iarnród Éireann – Irish Rail

We have audited the financial statements on pages 8 to 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and our profession's ethical guidance.

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

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

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st December, 2000 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1999.

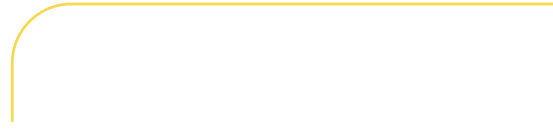
We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, the company has kept proper books of account. The financial statements are in agreement with the books of account.

In our opinion, the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 11, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31st December, 2000, a financial situation which under section 40 (1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

**PricewaterhouseCoopers,
Chartered Accountants and
Registered Auditors,
Dublin.**

1st May, 2001.



(A) Basis of accounting

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

The financial statements are prepared under the historical cost convention and are expressed in Irish pounds, denoted by the symbol IRE. The profit and loss account, balance sheet and cash flow have been displayed in euros (denoted by the symbol €) as well as Irish pounds.

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

(B) Tangible assets and depreciation

The bases of calculation of depreciation is as follows:

(i) Railway lines and works

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

The depreciation charge for railway lines and works is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the company's asset management plan.

This represents a change in accounting policy as previously the cost of renewals necessary to maintain the rail network was charged to the profit and loss account in the year in which it was incurred.

This change in accounting policy has had no effect on the results for 1999 or 2000, as there has been no net cost of renewals to the company as this expenditure has been fully grant aided.

(ii) Railway rolling stock

Locomotives (other than those fully depreciated or acquired at no cost) are depreciated, by equal annual instalments, on the basis of their historical cost spread over their expected useful lives.

Railcars, coaching stock and wagons are also depreciated, by equal annual instalments, on the basis of historical cost spread over their expected useful lives.

(iii) Road freight vehicles

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

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

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

(C) Leased assets**(i) Finance Leases**

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

(ii) Operating Leases

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

(D) Stocks

Stocks of materials and spare parts are valued at the lower of average cost and net realisable value.

Stocks, which are known to be obsolete at the balance sheet date are written off and provision is made in respect of stocks which may become obsolete in the future.

(E) European Union and State grants**(i) Grants for railway lines and works**

Grants received for railway lines and works are deducted from the cost of the related assets. This represents a change to accounting policy. Previously, grants in respect of additions to railway lines and works were treated as deferred income and grants for renewals of railway lines and works were taken to the profit and loss account in the same year as the related renewals expenditure was charged to the profit and loss account.

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

(ii) Grants for other capital expenditure

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

(iii) Revenue grants

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

(iv) Safety investment grants

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

(F) Foreign currency

Transactions denominated in foreign currency are translated into Irish pounds at the rate ruling at the date of the transaction, or at contract rates where the amounts payable or receivable are covered by forward contracts.

Realised exchange gains or losses on transactions settled during the year are treated as part of the surplus or deficit for the year from ordinary activities.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at contract rates where applicable.

(G) Pensions

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

(H) Railway infrastructure costs

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

Year ended 31st December	Notes	2000 IR€000	1999 IR€000 (Restated)	2000 €000	1999 €000 (Restated)
Revenue		143,019	142,283	181,597	180,662
Costs					
Payroll and related costs	2	(122,593)	(111,606)	(155,661)	(141,710)
Materials and services	3	(95,050)	(82,409)	(120,689)	(104,638)
Depreciation	4	(30,195)	(12,273)	(38,340)	(15,583)
Exceptional operating income	5	1,100	-	1,397	-
Total operating costs		(246,738)	(206,288)	(313,293)	(261,931)
Deficit before interest and State grants		(103,719)	(64,005)	(131,696)	(81,269)
Interest payable – operational	6	(6,695)	(6,473)	(8,501)	(8,219)
– railway infrastructure	6	(3,297)	(3,514)	(4,186)	(4,462)
Total interest		(9,992)	(9,987)	(12,687)	(12,681)
Deficit for the year before State grants		(113,711)	(73,992)	(144,383)	(93,950)
State grants	7	115,875	96,466	147,131	122,487
Surplus for the year after State grants		2,164	22,474	2,748	28,537
Transfer to reserve	19	-	(12,110)	-	(15,377)
Change in the profit and loss account for the year	1(G)	2,164	10,364	2,748	13,160
Accumulated deficit at beginning of the year		(31,125)	(41,489)	(39,520)	(52,680)
Accumulated deficit at end of the year		(28,961)	(31,125)	(36,772)	(39,520)

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

On behalf of the board

J. Meagher Managing Director

G. Duggan Director

As at 31st December	Notes	2000 IR€000	1999 IR€000 (Restated)	2000 €000	1999 €000 (Restated)
Fixed assets					
Tangible fixed assets	8	389,040	355,694	493,979	451,638
Financial assets	9	16	16	20	20
		389,056	355,710	493,999	451,658
Current assets					
Stocks	10	30,667	23,079	38,939	29,304
Debtors	11	144,310	138,297	183,235	175,601
Cash at bank and in hand		74	78	94	99
		175,051	161,454	222,268	205,004
Creditors (amounts falling due within one year)	12	(170,107)	(149,225)	(215,991)	(189,477)
Net current assets		4,944	12,229	6,277	15,527
Total assets less current liabilities		394,000	367,939	500,276	467,185
Financed by:					
Creditors (amounts falling due after more than one year)	13	72,252	84,660	91,741	107,496
Provisions for liabilities and charges	16	44,684	54,369	56,737	69,034
Deferred income	17	203,728	157,738	258,680	200,285
		320,664	296,767	407,158	376,815
Capital and reserves					
Called up share capital	18	23,000	23,000	29,204	29,204
Asset replacement reserve	19	79,297	79,297	100,686	100,686
Profit and loss account		(28,961)	(31,125)	(36,772)	(39,520)
Shareholders' funds	20	73,336	71,172	93,118	90,370
		394,000	367,939	500,276	467,185

On behalf of the board

J. Meagher Managing Director
G. Duggan Director

Year ended 31st December	Notes	2000 IR€000	1999 IR€000 (Restated)	2000 €000	1999 €000 (Restated)
Net cash inflow from operating activities	21(A)	32,446	11,011	41,198	13,981
Servicing of finance					
Interest paid	6	(7,010)	(6,593)	(8,901)	(8,371)
Interest element of finance lease rentals	6	(2,982)	(3,394)	(3,786)	(4,309)
State grant: DART interest	7	4,581	4,500	5,817	5,714
Net cash outflow from servicing of finance		(5,411)	(5,487)	(6,870)	(6,966)
Investing Activities					
Purchase of tangible assets		(157,462)	(101,027)	(199,935)	(128,278)
Sale of tangible assets		39	45	50	57
Capital grants		157,026	101,092	199,382	128,360
Net cash (outflow)/inflow from investing activities		(397)	110	(503)	139
Net cash Inflow before management of liquid resources and financing	21(B)	26,638	5,634	33,825	7,154
Management of liquid resources	21(B)	(30,415)	(2,881)	(38,619)	(3,658)
Financing					
Capital element of finance lease rentals		(3,012)	(2,748)	(3,824)	(3,489)
Net cash (outflow) from financing	21(B)	(3,012)	(2,748)	(3,824)	(3,489)
(Decrease)/increase in cash in the year	21(B)	(6,789)	5	(8,618)	7
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the year		(6,789)	5	(8,618)	7
Cash outflow from holding company balance and lease financing		33,427	5,629	42,443	7,147
Movement in net debt in the year		26,638	5,634	33,825	7,154
Net debt at 1st January		(122,210)	(127,844)	(155,174)	(162,328)
Net debt at 31st December		(95,572)	(122,210)	(121,349)	(155,174)

	2000 IR€000	1999 IR€000 <i>(Restated)</i>
1 DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT		
(A) Mainline rail division		
Revenue	81,720	83,411
Expenditure		
Maintenance of rolling stock	(30,643)	(27,568)
Fuel	(5,574)	(5,351)
Operating and other expenses	(67,816)	(60,972)
Operating depreciation	(18,146)	(14,864)
Amortisation of capital grants	2,853	1,196
Total expenditure	(119,326)	(107,559)
Operating deficit before operating interest payable and State grants	(37,606)	(24,148)
Interest payable	(4,052)	(4,432)
Deficit for the year before State grants	(41,658)	(28,580)
(B) Suburban rail division		
Revenue	23,732	23,152
Expenditure		
Maintenance of rolling stock	(6,257)	(6,627)
Fuel (including electricity for traction)	(2,011)	(1,934)
Operating and other expenses	(14,563)	(14,552)
Operating depreciation	(10,034)	(6,197)
Amortisation of capital grants	903	339
Total Expenditure	(31,962)	(28,971)
Operating deficit before operating interest payable and State grants	(8,230)	(5,819)
Interest payable	(2,595)	(1,980)
Deficit for the year before State grants	(10,825)	(7,799)

	2000 IR€000	1999 IR€000 (Restated)
1 DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)		
(C) Railway infrastructure		
In compliance with EU Council Directive 91/440 the costs of the railway infrastructure division have been computed as follows:		
Maintenance of railway lines and works	(45,358)	(36,650)
Renewal of railway lines and works (<i>note 8 (a)</i>)	(79,289)	(45,922)
Operating (signalling) and other expenses	(14,159)	(11,105)
Depreciation (<i>note 8 (e)</i>)	(4,361)	(3,546)
Amortisation of capital grants	631	390
Total expenditure	(142,536)	(96,833)
Operating deficit before operating interest payable and grants	(142,536)	(96,833)
Interest payable (<i>note 6</i>)	(3,297)	(3,514)
Deficit for year before grants	(145,833)	(100,347)
State grants, EU and Exchequer funding	145,833	100,347
Deficit for the year	-	-
Apportionment of Costs;		
Mainline rail division	123,567	85,295
Suburban rail division	22,266	15,052
Total costs infrastructure	145,833	100,347
	2000 IR€000	1999 IR€000
(D) Road freight division		
Revenue		
Goods services	19,984	18,692
Miscellaneous	67	49
Total revenue	20,051	18,741
Operating costs		
Maintenance of vehicles and equipment	(1,188)	(1,208)
Fuel	(450)	(498)
Road tax and licences	(80)	(81)
Operating and other expenses	(16,266)	(15,264)
Operating depreciation	(428)	(322)
Total expenditure	(18,412)	(17,373)
Net surplus for the year	1,639	1,368

	2000	1999
	IR€000	IR€000
1 DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)		
(E) Rosslare Harbour division		
Revenue		
Harbour services	7,901	7,316
Operating costs		
Maintenance, operating and other expenses	(4,034)	(3,646)
Operating depreciation	(1,325)	(1,317)
Amortisation of capital grants	529	548
Total expenditure	(4,830)	(4,415)
Operating surplus before interest payable	3,071	2,901
Interest payable	(48)	(61)
Net surplus for the year	3,023	2,840
(F) Catering services division		
Revenue		
Ground and train catering	9,615	9,663
Operating Costs		
Maintenance of buildings, cars and equipment	(106)	(59)
Provisions	(3,762)	(3,808)
Other direct expenses	(4,030)	(3,594)
Other expenditure	(2,202)	(1,735)
Total expenditure	(10,100)	(9,196)
Net (deficit)/surplus for the year	(485)	467
	2000	1999
	IR€000	IR€000
		(Restated)
(G) Company Result		
Mainline rail	(41,658)	(28,580)
Suburban rail	(10,825)	(7,799)
Infrastructure	-	-
Road freight	1,639	1,368
Rosslare Harbour	3,023	2,840
Catering services	(485)	467
	(48,306)	(31,704)
Profit on disposal of tangible assets	39	27
Exceptional operating income	1,100	-
Deficit for the year before grants	(47,167)	(31,677)
Grants	49,331	42,041
Change in the profit and loss account for the year	2,164	10,364

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

	2000	1999
	IR£000	IR£000
2 PAYROLL AND RELATED COSTS		
Staff costs		
Wages and salaries	126,087	113,672
Social welfare costs	11,862	10,182
Other pension costs	5,135	6,807
	143,084	130,661
Own work capitalised, renewals and engineering work for group companies	(20,655)	(19,210)
Net staff costs	122,429	111,451
Directors' remuneration		
Emoluments		
- for services as directors	4	-
- for other services	160	155
Total directors' remuneration and emoluments	164	155
Total payroll and related costs	122,593	111,606
	Staff Numbers	
	2000	1999
The average number of employees by activity, was:		
Railway Operations	2,773	2,788
Infrastructure	2,013	1,879
Road Freight	189	192
Rosslare Harbour	84	79
Catering	299	296
Total	5,358	5,234
	2000	1999
	IR£000	IR£000 (Restated)
3 MATERIALS AND SERVICES		
Operating and other costs	39,980	36,531
Maintenance - railway rolling stock	18,415	15,489
Maintenance - railway lines and work	19,839	15,033
Fuel and electric traction	7,243	7,039
Third party and employer's liability claims	5,314	5,125
Rates	1,679	1,624
Operating lease rentals	2,422	1,429
Road tax and licences	80	81
Auditors remuneration	78	58
Total materials and services	95,050	82,409

	2000	1999
	IR€000	IR€000 (Restated)
4 DEPRECIATION		
Depreciation	35,170	14,745
Amortisation of capital grants (<i>note 17</i>)	(4,975)	(2,472)
Total depreciation	30,195	12,273
	2000	1999
	IR€000	IR€000
5 EXCEPTIONAL OPERATING INCOME		
Insurance proceeds	(1,100)	-
Total exceptional operating income	(1,100)	-
6 INTEREST PAYABLE		
On loan from holding company	7,010	6,593
On finance leases	2,982	3,394
	9,992	9,987
Interest apportioned:		
Operational costs	6,695	6,473
Railway infrastructure costs (<i>note 1 (c)</i>)	3,297	3,514
	9,992	9,987

7 STATE GRANTS

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

Particulars of the State grants of IR€226 million received in 2000 are given in the following table, showing the relevant provision of EU regulations.

	EU Regulation Number		
	1191/69	1107/70	
		(Article 4)	Total
	IR€000	IR€000	IR€000
Revenue related			
MainLine rail			
Operation of passenger services	69,295	-	69,295
Residual deficit - State grants	-	15,543	15,543
	69,295	15,543	84,838
Suburban rail			
Operation of passenger services	6,546	-	6,546
Sub total	75,841	15,543	91,384

7 STATE GRANTS (continued)

	EU Regulation Number		
	1192/69	1107/70	
	(Article 3.1 [b])		
	IR€000	IR€000	Total IR€000
Expenditure related			
Mainline rail			
Normalisation of accounts			
- Class III (pensions)	3,274	-	3,274
- Class IV (level crossings)	4,483	-	4,483
- Infrastructure grant (freight)	-	827	827
	7,757	827	8,584
Suburban rail			
Normalisation of accounts			
- Class III (pensions)	355	-	355
- Class IV (level crossings)	28	-	28
	383	-	383
Sub total	8,140	827	8,967
Total			100,351
Add State grant for DART interest - EU regulation. 1191/69			4,581
Sub total State subvention			104,932
Add State grant for NDP			120,902
Total State grants received			225,834
The total funding received was applied as follows:			
Profit and loss account			115,875
Capital expenditure credit (note 8 (a))			79,289
Deferred income			30,670
Total			225,834

State grants for 1999 of IR€123.091 million have been restated at IR€96.466 million. This arises from the transfer of IR€26.625 million of the State grant for the Railway Safety Investment Programme of IR€29.141 million to the credit of the 1999 expenditure before capitalisation for Railway Lines and Works in accordance with the adoption of FRS 15. See also note 8 (a).

8 TANGIBLE FIXED ASSETS**Cost**

	1st Jan 2000 IR€000	Prior Year Adjustments IR€000	1st Jan 2000 (Restated) IR€000	Additions IR€000	Scrappings & Disposals IR€000	31st Dec 2000 IR€000
Railway lines and works	15,958	216,365	232,323	84,409	-	316,732
Railway rolling stock	295,469	-	295,469	35,293	-	330,762
Road freight vehicles	5,771	-	5,771	265	-	6,036
Plant and machinery	156,149	-	156,149	26,494	-	182,643
Catering equipment	884	-	884	6	-	890
Docks, harbours and wharves	33,294	-	33,294	185	-	33,479
Capital work in progress	-	-	-	5,994	-	5,994
Sub total	507,525	216,365	723,890	152,646	-	876,536
Funding received for railway lines and works	-	(85,929)	(85,929)	(84,130)	-	(170,059)
Total	507,525	130,436	637,961	68,516	-	706,477

	1st Jan 2000 IR€000	Prior Year Adjustments IR€000	1st Jan 2000 (Restated) IR€000	Charge for year IR€000	Scrappings & Disposals IR€000	31st Dec 2000 IR€000
Depreciation						
Railway Lines and works	-	218,834	218,834	84,130	-	302,964
Railway rolling stock	76,178	-	76,178	26,814	-	102,992
Road freight vehicles	3,955	-	3,955	412	-	4,367
Plant and machinery	63,150	-	63,150	7,224	-	70,374
Catering equipment	559	-	559	64	-	623
Docks, harbours and wharves	5,520	-	5,520	656	-	6,176
Sub total	149,362	218,834	368,196	119,300	-	487,496
Funding received for railway lines and works	-	(85,929)	(85,929)	(84,130)	-	(170,059)
Total	149,362	132,905	282,267	35,170	-	317,437

	31st Dec 2000 IR€000	31st Dec 1999 IR€000
Net book amounts		
Railway lines and works	13,768	13,489
Railway rolling stock	227,770	219,291
Road freight vehicles	1,669	1,816
Plant and machinery	112,269	92,999
Catering equipment	267	325
Docks, harbours and wharves	27,303	27,774
Capital work in progress	5,994	-
Total	389,040	355,694

8 TANGIBLE FIXED ASSETS (continued)

- (a) The company's adoption of FRS 15, tangible fixed assets, has necessitated two changes in the basis of accounting for additions to and renewals of railway lines and works.

Under the previously applied accounting policy the grants received for additions to the railway network were credited to deferred income. Under the new accounting policy they are credited against the cost of additions to the railway network. As a result of the change in accounting policy, grants of IR£4.841 million have been credited in arriving at additions to railway lines and works in 2000 and grants accounted for in previous years of IR£2.469 million have been credited against the opening cost of railway lines and works as a prior year adjustment. The profit and loss account for 1999 has been restated so that grants for railway lines and works renewals of IR£26.625 million have been credited in arriving at a restated depreciation figure.

Previously the cost of renewals necessary to maintain the railway network was charged to the profit and loss account in the year in which it was incurred. Under the new accounting policy such expenditure is included in tangible fixed assets after deducting grants. As this expenditure was fully grant aided in 1999 and 2000 no depreciation charge arises.

The cost and accumulated depreciation of railway lines and works at 31st December, 1999 have been restated in accordance with the accounting policy now adopted. As a result both cost and accumulated depreciation have been increased by IR£132.905 million, being gross expenditure from 1987 to 1998 of IR£218.834 million less grants of IR£85.929 million.

These changes in accounting policy have no effect on the profit and loss for the year or on shareholders' funds.

	2000	1999
	IR£000	IR£000
Renewals expenditure and related grants were as follows		
Renewals expenditure	79,289	45,922
State grants	79,289	45,922

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

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

During the year the company performed a review of the economic useful lives of all assets, which resulted in the reduction of the life of certain assets. The depreciation charge to the profit and loss in the year for the revision of the economic useful lives amounted to IR£18.8 million which includes an amount of IR£4.9 million in relation to the impairment of certain categories of railway rolling stock.

8 TANGIBLE FIXED ASSETS (continued)

(c) The amounts included in the original cost of various tangible assets include IR£27,142,000 in capitalised interest charges relating to the Bray-Howth suburban railway electrification scheme, which was completed in 1984.

(d) Included in tangible assets above are payments on account and for assets in the course of construction for the following:

	2000	1999
	IR£000	IR£000
Railway rolling stock	49,946	30,848

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

	2000	1999
	IR£000	IR£000 (Restated)
Cost	292,801	264,830
Accumulated depreciation	(185,884)	(181,523)
Net book value	106,917	83,307
Depreciation for year (<i>note 1 (c)</i>)	(4,361)	(3,546)

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

	2000	1999
	IR£000	IR£000
Cost	67,240	67,010
Accumulated depreciation	(13,860)	(10,079)
Net book value	53,380	56,931
Depreciation for year (<i>note 1 (c)</i>)	(3,781)	(2,111)

9 FINANCIAL ASSETS**Trade investments-listed shares**

Cost or valuation at 1st January	50	50
Provision for permanent diminution in value at 31st December	(34)	(34)
Net book amounts at 31st December	16	16
Market value at 31st December	39	39

10 STOCKS

Rolling stock, spare parts and maintenance materials	8,622	6,231
Infrastructure stocks	19,612	15,286
Fuel, lubricants and other sundry stocks	2,433	1,562
	30,667	23,079

These amounts include parts and components necessarily held to meet long-term operational requirements. The replacement value of stocks is not materially different from their book value.

	2000	1999
	IR€000	IR€000
11 DEBTORS		
Trade debtors	7,696	9,659
Amounts owed by holding and fellow subsidiary companies	94,241	63,826
EU and state grants receivable	35,921	54,746
Other debtors and accrued income	6,452	10,066
	144,310	138,297
12 CREDITORS (amounts falling due within one year)		
Bank overdraft	9,547	2,762
Trade creditors	30,525	29,852
Loan from holding company (<i>note 14</i>)	105,010	95,680
Finance lease obligations (<i>note 15</i>)	3,078	3,012
Income tax deducted under PAVE	272	727
Pay related social insurance	239	209
Value added tax and other taxes	1,454	768
Other creditors	141	816
Accruals	4,497	5,024
Restructuring provision (<i>note 16</i>)	12,000	5,575
Third party and employer's liability claims (<i>note 16</i>)	3,344	4,800
	170,107	149,225
Creditors for taxation and social welfare included above	5,895	4,848
13 CREDITORS (amounts falling due after more than one year)		
Loan from holding company (<i>note 14</i>)	24,990	34,320
Finance lease obligations (<i>note 15</i>)	47,262	50,340
	72,252	84,660

	2000	1999
	IR€000	IR€000
14 LOAN FROM HOLDING COMPANY		
This loan is repayable as follows:		
Within one year (<i>note 12</i>)	105,010	95,680
Between one and two years (<i>note 13</i>)	7,712	9,100
Between two and five years (<i>note 13</i>)	17,278	11,830
After five years	-	13,390
	24,990	34,320
	130,000	130,000

This loan represents the net assets less issued share capital assigned to the company on its establishment following the re-organisation of Córas Iompair Éireann in 1987. Each year the amount outstanding is aged by reference to the bank loans held and managed by Córas Iompair Éireann on behalf of the operating companies.

The presentation of the maturity analysis of loans and other debt above complies with the provisions of FRS 4, Capital Instruments. The standard requires that the maturity of debt should be determined by reference to the earliest date on which the lender can require repayment. Included in amounts repayable within one year are amounts of IR€63,500,000 (1999 - IR€65,500,000) relating to Irish Commercial Paper, which are backed by committed medium term facilities that effectively extend the maturity of these instruments.

15 LEASE OBLIGATIONS

(A) Finance Leases

Net obligations under finance leases fall due as follows:

Within one year (<i>note 12</i>)	3,078	3,012
Between one and five years (<i>note 13</i>)	13,646	13,041
After five years (<i>note 13</i>)	33,616	37,299
	47,262	50,340
	50,340	53,352

(B) Operating Leases

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

Within one year	1,353	889
Between one and five years	2,318	1,628
	3,671	2,517

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision	Third Party & Employer's Liability Claims	Total
	IR€000	IR€000	IR€000
Balance at 1st January, 2000	25,802	38,942	64,744
Utilised during the year	(7,659)	(2,371)	(10,030)
Transfer from profit and loss account	-	5,314	5,314
Balance carried forward	18,143	41,885	60,028
Less amount classified as current liability (<i>note 12</i>)	(12,000)	(3,344)	(15,344)
Balance at 31st December, 2000	6,143	38,541	44,684

(A) **Restructuring provision**

The directors consider that Iarnród Éireann has a constructive obligation in respect of the costs of staff restructuring. Substantial progress was made with certain categories of staff during 2000 and the company is at an advanced stage of negotiation with staff representatives for other categories. The amount of the provision is based on agreements reached and on discussions to date with staff and their representative unions.

(B) **Third party and employer's liability claims**

Provision is made for the estimated ultimate cost of all third party and employer's liability claims which are not covered by external insurance policies. In arriving at the amount of the total provision required for the third party liability claims, the company has had regard to the results of an independent actuarial review.

Córas Iompair Éireann has on behalf of the company the following external insurance cover:

- (i) third party liability in excess of IR€3,000,000 and up to IR€113,000,000 on any one occurrence or series of occurrences arising out of any one rail event;
- (ii) third party liability in excess of IR€1,000,000 and up to IR€111,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of actions taken for road claims subject to United States jurisdiction where the excess is US\$3,000,000;
- (iii) third party liability in excess of IR€50,000 and up to IR€110,500,000 on any one occurrence or series of occurrences arising out of all other risks events, except in the case of actions taken for all other risks claims subject to United States jurisdiction where the excess is US\$100,000;
- (iv) rail and road transport liabilities in excess of a self insured retention of IR€6,615,000 in aggregate in a twelve month period, April 2000 to March 2001; and
- (v) fire and special perils, including storm damage, to property in excess of IR€200,000 on any one loss.

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

17 DEFERRED INCOME

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

	1st Jan 2000 IR€000	Prior Year Adjustments IR€000	1st Jan 2000 (Restated) IR€000	Received and Receivable IR€000	Profit and Loss A/c IR€000	31st Dec 2000 IR€000
Capital grants						
Railway lines & works	2,469	(2,469)	-	-	-	-
Railway rolling stock	64,173	-	64,173	29,678	(2,162)	91,689
Plant and machinery	33,011	-	33,011	21,287	(1,395)	52,903
Docks, harbours and wharves	12,537	-	12,537	-	(247)	12,290
Total capital grants	112,190	(2,469)	109,721	50,965	(3,804)	156,882
State grants – Railway Safety						
Investment Programme (1999-2003)	46,859	-	46,859	-	(1,171)	45,688
Other deferred income	1,158	-	1,158	-	-	1,158
Total	160,207	(2,469)	157,738	50,965	(4,975)	203,728

The grants received under the Railway Safety Investment Programme (1999-2003) will be released to the profit and loss in accordance with the Railway Safety Investment Programme. In accordance with the change in accounting policy for infrastructure renewals, grants for additions to railway lines and works and for renewals of the infrastructure are deducted from the related expenditure. Under the old accounting policy, grants for additions to the railway lines and works were credited to deferred income.

18 SHARE CAPITAL

	2000 IR€000	1999 IR€000
Authorised:		
Ordinary shares of IR€1 each	75,000	75,000
Allotted, called up and fully paid:		
Ordinary shares of IR€1 each	23,000	23,000

19 ASSET REPLACEMENT RESERVE

Balance at 1st January	79,297	67,187
Transfer from profit and loss account	-	12,110
Balance at 31st December	79,297	79,297

Following the review of the economic useful lives of all assets as carried out during 2000 the directors now consider that a transfer to this reserve is no longer appropriate.

	2000	1999
	IR€000	IR€000
20 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		
Surplus for the year after State grants	2,164	22,474
Opening equity shareholders' funds	71,172	48,698
Closing equity shareholders' funds	73,336	71,172

21 CASH FLOW STATEMENT

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

	2000	1999
	IR€000	IR€000 (Restated)
Deficit before State grants and servicing of finance	(103,719)	(64,005)
State grants other than that applied to DART interest and renewals (<i>note 7</i>)	111,294	91,966
Surplus for year before servicing of finance	7,575	27,961
Profit on disposal of tangible assets	(39)	(27)
Depreciation	35,170	14,745
Amortisation of capital grants (<i>note 17</i>)	(4,975)	(2,472)
Increase in stocks	(7,588)	(4,824)
Increase in EU revenue grants	(3,106)	(15,098)
Decrease/(increase) in debtors	5,577	(8,625)
Decrease in creditors and provisions	(168)	(649)
Net cash inflow from operating activities	32,446	11,011

(B) **Analysis of net debt**

	At 1st Jan 2000 IR€000	Cash Flow IR€000	At 31st Dec 2000 IR€000
Cash in hand	78	(4)	74
Bank overdraft	(2,762)	(6,785)	(9,547)
Loans	(130,000)	0	(130,000)
Finance leases	(53,352)	3,012	(50,340)
Holding company balance	63,826	30,415	94,241
	(122,210)	26,638	(95,572)

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

22 PENSIONS

The majority of the groups' employees participate in defined benefit pension schemes based on final pensionable pay. Contributions by the board, its subsidiaries and the employees are invested in trustee-administered funds.

Amalgamation of the CIÉ Group's six pension schemes into two schemes has been completed. Statutory Instrument No. 115 of 1996 confirmed the CIÉ Pension Scheme for Regular Wages Staff (Amendment) Scheme 1996, and Statutory Instrument 323 of 2000 confirmed the CIÉ Superannuation Scheme 1951 (Amendment) Scheme 2000.

Contributions to the schemes are charged to the consolidated profit and loss account so as to spread the cost of pensions as incurred over employees' working lives with the group as a stable percentage of expected future pay. Contributions to the amalgamated schemes are determined by independent actuaries on the basis of annual reviews using the projected unit method.

The market value of the Group Pension Schemes Assets at 31st December, 2000 was IR£1,063,368,000.

An actuarial review of the amalgamated schemes was carried out as at 31st December 1999. The market value of the assets of the schemes at that date was IR£1,067,371,000 and this exceeded 100% of the benefits which had accrued to members based on service to and pensionable pay at the review date. After allowing for future pay and pension increases the level of funding was 108% in respect of the Regular Wages Staff Scheme and 115% in respect of the Superannuation Scheme 1951.

The principal assumption in this review was that investment returns would exceed the rate of increase in pensionable remuneration and of pensions in payment by 2.5% per annum. Actuarial reports are available to scheme members but are not provided for public inspection.

The pension cost for the year was IR£5,135,000 (1999 - IR£6,807,000).

23 CAPITAL COMMITMENTS

	2000	1999
	IR£000	IR£000
Contracted for	136,968	79,919
Authorised by the directors but not contracted for	31,417	9,719
	168,385	89,638

24 CONTINGENT LIABILITIES**(A) Pending Litigation**

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

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

(B) Finance Leases

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

25 RELATED PARTY TRANSACTIONS

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

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

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

26 MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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

Reference in these financial statements to the Board means the Board of Córas Iompair Éireann.

Dubel Limited, a wholly owned subsidiary of Iarnród Éireann - Irish Rail, is incorporated in Northern Ireland with registered offices at Central Station, East Bridge Street, Belfast.

27 APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 1st May, 2001.

