



Córas Iompair Éireann

**ANNUAL REPORT
AND FINANCIAL
STATEMENTS**

2003

Contents

Chairman's Statement	1
Operations Review	6
Group Structure	16
Members of the Board and Group Management	17
Corporate Governance Statement	18
Statement of the Board's Responsibilities	20
Auditors' Report	21
Principal Accounting Policies	22
Consolidated Profit and Loss Account	24
Consolidated Balance Sheet	25
Company Balance Sheet	26
Consolidated Cash Flow Statement	27
Notes to the Financial Statements	28



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

Chairman's Statement

Prudent investment leads to fundamental shift in attitude to public transport

The prudent use, by the Córas Iompair Éireann group, of investment resources under the Government's National Development Plan 2000 - 2006 yielded significant benefits during 2003.

Investment made in new trains, buses and infrastructure has led to a fundamental shift in people's attitude to public transport. More people are now using public transport than at any time over the past 25 years.

The Group's continued strategic use of investment resources during the year resulted in very tangible signs of improved performance and increased capacity in its rail and bus services. It is not an overstatement to say that, as a consequence, the foundations of a new era in public transport in Ireland have been well and truly laid.

It is critical, for Ireland's long-term economic growth and sustainable society lifestyle, that more people move to use public transport. There is now clear evidence of this happening. In this regard, the CIÉ group will be working hard to further consolidate, over the coming years, the positive effects of its strategic investment programme for the public and for the country as a whole.

The investment approach adopted by the Group received strong endorsement recently in the Mid-Term Evaluation of the National Development Plan 2000-2006. In a report compiled by consultants Indecon and the Economic and Social Research Institute, the performance of Bus Átha Cliath - Dublin Bus, in particular, is positively highlighted. It says that Bus Átha Cliath's contribution over the past three years to the Dublin transportation system represents good value for the investment involved. It stresses also that, in the short to medium term, the company's service is the most cost effective way of improving public transport.

44 million rail passengers by 2007

The past year saw major investments in the rail network and in new trains, which will deliver a forecast record growth to over 44 million passengers by 2007.

Much needed new trains have been added to the fleet, providing greater comfort and capacity across all services.

The main features of new train investment include:

- 80 commuter railcars, at a cost of €115 million, 64 into service during 2003,
- 40 new DART carriages being built in Japan for delivery in 2004,
- 67 new InterCity carriages being built in Spain for delivery in 2005 and
- An additional 36 suburban railcars ordered for delivery in 2005.

The 64 new commuter railcars which went into service during 2003 have resulted in:

- A 25% - 43% increase in capacity on peak commuter services on the Drogheda, Maynooth and Kildare lines,
- Extra train services on the Waterford, Galway and Limerick lines,
- More frequent local services in Cork and
- A very significant increase on the Ennis/Limerick commuter service.

The 40 new DART carriages will enable the Group to achieve by late 2005 the 30% capacity increase which is planned as part of the DART Upgrade Project. This will complete the process of doubling the size of the DART fleet over a four-year period.

The 67 new InterCity carriages, to be delivered in 2005, will allow further frequency and journey time improvements on key InterCity services.

€650 million investment in safety

CIÉ has two main objectives in mind as it implements the Government funded Railway Safety Investment Programme in rail track and signalling. Through the strategic use of the €650 million funding over five years under the National Development Plan, it aims to maximise the use and appeal of public transport while also providing a safer rail-operating environment.

This investment programme continued during 2003 and resulted in the modernisation of much of Iarnród Éireann - Irish Rail's network.

The following milestones have been achieved:

- Approximately 400 miles of track modernised, including the complete renewal of the following mainlines:
 - Dublin/Galway
 - Dublin/Sligo
 - Dublin/Waterford
 - Dublin/Westport/Ballina
 - Dublin/Tralee
 - Dublin/Gorey
 - Limerick/Ennis
- Over 100 bridges upgraded,
- A similar number of level crossings closed or improved,
- Modern electronic signalling extended and
- Coastal defence works and improved fencing of lines undertaken.

Major improvements to facilities

Significant investments by the CIÉ group in key facilities were either completed or commenced in 2003.

The €117 million Heuston Station Redevelopment Project was completed during the year, on time and below budget. The new

Chairman's Statement

track work and extended platforms give a much-improved service to commuter and InterCity customers alike.

A €41 million Drogheda Railcar Servicing Centre, for the now 144 strong commuter railcar fleet, was also completed in 2003. This was finished on time and also under budget.

To cater for the expanded fleet, work commenced in 2003 on the construction of a new Bus Átha Cliath Depot at Harristown. This will accommodate over 240 buses and some 700 staff. The purchase of the 4.45 hectare site and the construction of the garage is on schedule for completion at a cost of less than €43 million – over €10 million better than budget.

Other capital investments

Capital expenditure for Bus Átha Cliath for the Dublin services during 2003 included:

- 90 new double-deck buses and
- A new trunked radio system across the fleet, giving direct contact between supervisors and drivers. This will give better control and flexibility of fleet in dealing with gridlock disruption.

Capital investment in Bus Éireann - Irish Bus during the year included:

- 78 new vehicles added to the fleet,
- 10 new city buses into service in Cork (92% of the total Bus Éireann city bus fleet is now fully accessible to people who are mobility impaired, including wheelchair users),
- 30 new coaches were delivered to upgrade the Expressway coach fleet,
- 38 new vehicles added to commuter routes,
- 24 commuter coaches provided for routes in the Cork, Galway and Limerick areas and
- 14 fully accessible double-deck vehicles for routes in the greater Dublin hinterland area delivered at the year end.

Investment prompts improved capacity/services – and more passengers

The ClÉ group investments outlined above, and the consequent improvements in capacity and services, have led to real advances in the numbers of people using the rail and bus services.

Progress on this front is most evident on Iarnród Éireann's commuter and InterCity services. For the eighth time in the last nine years, the all-time record for numbers of people travelling by rail in Ireland has been broken.

During 2003, some 35.5 million passenger journeys were made on the company's InterCity, DART and commuter services, compared to a baseline 27 million before the present investment programme began. As the investment programme

progresses, Iarnród Éireann has forecast that passenger numbers will grow to over 44 million by 2007.

Bus Átha Cliath carried in excess of 149 million passengers in 2003, an increase of 2.3% over the preceding year. To put this achievement in context, it represents a very significant market share when compared with other Irish transport companies, e.g. Aer Lingus (6.6 million passengers per annum) and the predicted Luas throughput of 20 million per year.

Bus Éireann has also continued to make progress, with passenger journeys growing at higher rates than elsewhere in Europe. The number of customers using commuter/local routes in 2003 was 17.8 million while 21.4 million passenger journeys were made on city routes and 9.2 million passenger journeys on the inter-urban Expressway services.

Customer numbers on both Expressway and commuter routes have increased by over 40% since 1998, as a result of more frequent buses and the continued upgrading of the fleet.

ClÉ's key role in tackling gridlock...

ClÉ group services are in the frontline of the Government's drive to combat urban gridlock in the country. By wisely investing funds in extending and improving public rail and bus services, the company is offering the public an increasingly attractive alternative to private transport. With a growing population and workforce, the only practical long-term solution to traffic congestion is to get as many people as possible to use efficient public services, thereby creating more sustainable mobility and a better society.

The scale of the Bus Átha Cliath operation makes it the major player in the battle against gridlock in Dublin, and it is vital that it continues to grow market share if the Government's public transport policy is to succeed.

Currently, the company operates a fleet of 1,100 buses and employs over 3,300 people, most of whom are drivers. Scheduled services cover a 20-hour day on 150 routes for 364 days a year. This results in 50 million kilometers and almost 500,000 passenger journeys per day, servicing both the city of Dublin and the Greater Dublin Area.

This is the equivalent of one third of the population of the Greater Dublin Area using buses every day. Despite existing gridlock problems, the company's flexibility has ensured that service levels have been maintained.

... but it cost the Group €68.6 million last year

Despite the hard-won improvements in public transport's overall market share, traffic congestion continues to severely impact on the daily viability of Bus Átha Cliath and Bus Éireann. It gets worse, in fact, every year.

Chairman's Statement

BDO Simpson Xavier Consulting has calculated that the congestion cost to Bus Átha Cliath for 2003 was €49.4 million, up 42% since 2001 when the congestion cost was calculated at €34.9 million. The cost of gridlock to Bus Éireann operations last year was estimated at €19.2 million.

It is not merely a question of cost, however; gridlock also affects the reliability of existing bus services, which is the fundamental issue that impacts most on our customers.

Despite a number of management initiatives by the CIÉ bus companies, including the Quality Bus Corridor (QBC) network, consolidation of routes, increased monitoring and ongoing review and analysis of existing routes, congestion continues to have a pernicious impact on bus operation in urban areas.

Solving gridlock would represent the single most effective cost-saving method possible in the provision of public transport in Ireland.

Traffic flows in Ireland are markedly worse than those experienced by our European partners, and impose additional costs leading to a less effective and less efficient service.

The average bus speed in Irish cities is well below the international average of 23.1 kilometres per hour (kph). The comparative figures for Ireland are: Dublin 13.5 kph, Cork, 11.9 kph; Galway, 13.7 kph; Limerick, 14.4 kph; Waterford, 14.5 kph.

Bus Átha Cliath – continued strong performance in 2003

Bus Átha Cliath maintained its reputation as one of Europe's better performing city bus companies during 2003. It reported increased passenger numbers; improvements in the level of company operations and increased efficiencies.

The company recorded a surplus of €7.4 million in 2003. Revenue amounted to €173 million, an increase of 8.5% over the previous year. This was brought about by good customer service and the progressive development of the network, resulting in a 2.3% growth in passenger numbers.

The numbers using bus services on the city's Quality Bus Corridor (QBC) network continued to grow during the year. The performance of the QBCs has been impressive and has attracted much international interest. Overall customer numbers on QBCs have grown by 40% during peak periods since their implementation.

Pre-paid ticket sales, particularly 'Ramblers', have been the other major contributory factor to growth – pre-paid sales grew by 15% over 2002. Customers now have a choice to purchase tickets either at a greater number of agents, via Ticketmaster, through the TaxSaver scheme or online at www.dublinbus.ie

There were further applications of new technology during the year, with the BUSTXT facility being introduced in July. This

service gives access to timetable information through the customers' mobile phones. This has been a tremendous success, with 100,000 calls being made monthly.

The delivery of more replacement low-floor buses during the year helped the company to phase out older buses. At the moment, 41% of the bus fleet is of the fully accessible low-floor type. This major improvement in the quality of service to our customers was achieved in a relatively short time.

Earlier in the year, the Equality Authority publicly recognised the development work that Bus Átha Cliath continues to do in this sphere when it praised the company for putting in place an Equality Action Plan. The importance of this can be fully appreciated when one realises that people from 45 countries are now employed in the organisation.

Iarnród Éireann – capacity increase leads to good performance

The company improved its net trading position during 2003. It reported an operating surplus of €0.7 million but, when once-off costs of €20.1 million for company restructuring were factored in, an overall deficit of €19.4 million was recorded. This compares with the deficit of €22.5 million in 2002.

During the year, the company maintained the upward trend in passenger numbers. This increase followed additional and enhanced commuter, InterCity and local services, as outlined earlier in my statement, which were very well received by customers.

When assessing Iarnród Éireann's performance, it is important to bear in mind the unique context in which it operates at present, as it undertakes a major upgrading of its infrastructure. The company continues to operate a successful railway while, at the same time, it is building the future railway on top of the very same track and stations it must use for its daily business. It is no mean feat for the company to successfully accomplish this task, with minimum disruption, and simultaneously hold, and increase, its market share.

In addition, it is also important to note that Iarnród Éireann is implementing its major capital investment projects on time and, in most cases, below budget.

A major restructuring of the company took place in 2003 with the appointment of a new Chief Operating Officer. His area of responsibility covers all operational areas, including passenger and freight businesses, and day-to-day maintenance of infrastructure.

The company's freight business also saw a major reorganisation during the year, with a concentration on the most profitable existing traffic flows and the development of new, profitable services.

Chairman's Statement

Bus Éireann – financial position improves

The year under review was a very successful one for Bus Éireann, both in financial terms and in increased market share. There was a very strong turnaround in the company's financial position, from losses of €9.4 million in 2002 to a surplus of €1.5 million in 2003. This positive outcome followed the implementation of the company's current business plan.

A notable feature of this improved trading position was that it was achieved without the withdrawal of existing services or a reduction in customer service quality. It coincided, in fact, with the introduction of new services.

Bus Éireann has continued to build, innovate and continuously improve its integrated network of services provided for customers. It has done so with low subvention rates and low fares by European standards.

Customer numbers have continued to grow over the last five years and at significantly higher rates than elsewhere in Europe. Since 1998, passenger numbers on both Expressway and commuter routes have increased by over 40%.

On Bus Éireann city services, the higher frequencies offered and the continued upgrading of the fleet has resulted in a growth of 13% in the number of customers carried over the last five years.

The national integrated network of Inter-city, commuter, city and rural services is a major factor in this continued growth. Integrated bus networks are critical in Ireland, due to our dispersed development. The country has the highest rural-based population and the second highest customer kilometres on buses in the EU. Against this background, the Bus Éireann network delivers a wide choice of services to an unparalleled range of destinations in rural Ireland.

Customer satisfaction has also improved. An independent audit of Bus Éireann's Customer Charter, undertaken during the year, showed that general customer satisfaction was up by 3% on 2002 and 9% on 2000. Separate market research on the company's overall performance revealed an extremely high customer satisfaction rating of 91%.

School Transport – new measures

During the year, Bus Éireann and the Department of Education and Science worked closely together to introduce cost effective measures in the provision of school services.

Some 77 new school transport services were introduced in 2003, mainly in the area of transport for special needs children, where 162 vehicles are now wheelchair accessible. In addition, a total of 83 replacement buses were also introduced over the last year. This is part of an ongoing fleet replacement programme.

CIÉ Holding Company – strong performance by businesses

The commercial activities carried out by the CIÉ holding company, including CIÉ Tours, the Property Division and Commuter Advertising Network, all performed strongly during 2003.

CIÉ Tours recorded revenues of €45 million after bookings recovered, in a difficult year for world tourism when the market was affected by the SARS outbreak and the War in Iraq. The company had earlier increased its promotional spending in the USA to generate increased enquiries and business.

By efficiently matching supply to customer demand and maintaining tight cost control, CIÉ Tours generated a net profit of €0.7 million in 2003.

The CIÉ Property Division also had an excellent year in 2003, with an increase of 16.8% on rental income, to €11.4 million.

In the course of the year, the consideration for the €25 million sale of the Tallaght site was received. Property projects are being developed at Cork, Dublin (Barrow Street), Galway and Kilkenny, and work at Spencer Dock has got under way.

Commuter Advertising Network (CAN) the outdoor advertising division of CIÉ, recorded another successful year, with a net profit of €5.8 million, or 8% more than the 2002 return of €5.3 million.

Service levels and targets

Iarnród Éireann, Bus Átha Cliath and Bus Éireann – together with the Department of Transport – agreed a Memorandum of Understanding on Service Levels and Targets for the year. The companies have all performed well and, in many cases, surpassed the performance targets set out in this Memorandum.

Institutional reform

The Minister for Transport, Seamus Brennan, T.D., has indicated that he intends to give effect to the establishment of three CIÉ operating companies, Bus Átha Cliath, Bus Éireann and Iarnród Éireann as independent commercial State companies.

Safety

Safety is a primary concern across the bus and rail companies. The major €650 million Railway Safety Investment Programme now nearing completion is bringing significant improvements to safety on our trains. Bus safety too has been further augmented, with the introduction of the Advanced Driver Programme.

We are continuously reviewing safety throughout the organisation to ensure that there is a fully accountable and

Chairman's Statement

adequate response should an accident occur. Tragically, such a response was necessary for the accident which occurred in February this year at Wellington Quay in Dublin, in which five people died, and many more were injured. I wish to take this opportunity, once more, to extend the sympathy of the Board, the management and all of the staff of CIÉ to those affected by this terrible accident, the worst ever to occur on Bus Átha Cliath services.

Acknowledgements

Mrs. Tras Honan retired from the Board on 27th November, 2003. Mr. Gerry Duggan and Mr. David Egan retired from the Board on 8th December, 2003. I would like to thank them for their valued contribution to CIÉ during their term on the Board. I am happy not to have lost their services altogether, as each was re-appointed to a subsidiary company board.

Mr. Paul Kiely also retired from the Board on 8th December, 2003 and was re-appointed on 2nd March, 2004.

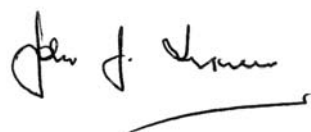
Mr. Justin Baily, Mr. John Sorohan and Mr. Norman Wilkinson were also appointed to the Board on 2nd March, 2004.

On behalf of the Board, I would like to express our thanks to the Minister for Transport, Mr. Seamus Brennan, T.D., for his continued support during the year, as well as to officials of the Department of Transport for their assistance.

We are also grateful to the Government, and particularly the Taoiseach and the Minister for Finance, for the major investment programmes currently being undertaken under the National Development Plan 2000 – 2006, which are so vital to the renaissance of public transport in Ireland.

The Board also gratefully acknowledges the EU Structural Fund co-financing which has been received.

Finally, and by no means least, I would like to thank the staff of the CIÉ group of companies for their sustained efforts throughout the year.



Dr. J. J. Lynch
Chairman

Operations Review

Group Results

The overall result for the Group operations for 2003 was a deficit of €4.0 million as compared to a deficit of €3.6 million in 2002:

	2003	2002
	€M	Re-stated €M
Revenue	661.9	629.8
State grants	262.5	252.7
Total	924.4	882.5
Payroll related costs	493.0	478.5
Other operating costs	430.2	418.7
Financial costs	6.2	10.0
Profit on disposal of tangible assets	(0.8)	(20.8)
Gain on foreign currency	(0.2)	(0.3)
Total	928.4	886.1
Deficit	(4.0)	(3.6)

Revenue

Customer revenue increased by €32.1 million, with Bus Éireann showing the biggest increase at €16.0 million followed by Bus Átha Cliath at €13.7 million, Iarnród Éireann €7.9 million and the holding company a decrease of €5.5 million. The increase in revenue arises from the increased service levels being provided by the operating companies and a price increase.

State Grants

The State grants payable for the provision of public transport services increased to €262.5 million, an increase of €9.8 million. These grants include €17.5 million for the Railway Safety Investment Programme (2002 - €19.4 million).

In addition, the Group received Exchequer funding of €280.6 million for capital expenditure and also €1.2 million in revenue support grants which were credited to the consolidated profit and loss account.

The three operating companies, Iarnród Éireann, Bus Éireann and Bus Átha Cliath have included in the notes to their financial statements a note analysing their total revenue and expenditure over social and commercial activities in line with the principles of EU Commission Directive 2000/52/EC.

Other Operating Costs

The increase in these costs is attributable to the exceptional operating costs of €20.1 million in Iarnród Éireann, increased infrastructural maintenance and work under the Railway Safety Investment Programme.

Payroll costs increased by €14.5 million due mainly to pay awards under the Programme for Sustaining Progress.

Operations Review

IARNRÓD ÉIREANN

Iarnród Éireann made significant progress in developing the company during 2003. New rolling stock was introduced into service which resulted in an increase of up to 43% on commuter capacity on suburban routes. Heuston Station was redeveloped and the resignalling and renewal of the InterCity route to Galway, as part of the Railway Safety Investment Programme, were key achievements.

Iarnród Éireann's financial result for 2003 was an operating surplus of €0.7 million. However, once-off costs of €20.1 million were incurred for company restructuring to give an overall deficit of €19.4 million. This compares with the deficit of €22.5 million in 2002.

The National Rail Investment Programme, which is part of the Government's National Development Plan 2000 - 2006, is continuing to show positive results, with passenger carryings in Iarnród Éireann for 2003 rising to a record 35.5 million passenger journeys.

This level of passenger journeys in 2003 represents the eighth time in nine years that the record for the number of journeys has been broken. This is all the more impressive as it was achieved despite the estimated 0.6 million passenger journeys lost due to the suspension of weekend DART services on the Dublin southside for the DART Upgrade Project.

Iarnród Éireann has forecast that passenger numbers will grow to over 44 million by 2007 based on continuing investment in key projects.

InterCity

On the company's InterCity routes, passenger numbers equalled the record 11.3 million of 2002. Additional services on the Galway, Limerick, Waterford and Ennis-Limerick routes in the December 2003 timetable will offer further choice for customers.

Many InterCity routes now transport more than a million passengers including Dublin/Cork, Dublin/Belfast, Dublin/Galway and in 2003 for the first time, Dublin/Waterford.

A project to provide a new booking system for ticket sales and seat reservations over the Iarnród Éireann website is progressing. Phase 1 of the implementation will focus on premium services and special trains and will go live in 2004.

An order was placed in late 2002 for 67 new InterCity coaches. Delivery of these coaches will commence in late 2005.

DART and Commuter

In the Greater Dublin Area, the frequency of DART and commuter services continues to grow rapidly, despite the impact of weekend and post-Christmas works on the DART Upgrade Project. Major increases in commuter capacity, through the addition of the 80 new railcars, will see increased growth throughout 2004. Also more automated vending machines will be brought into service in 2004.

Exit validation is seen as a key element in securing the revenue potential of the DART network and will be implemented at all the busy central area stations during 2004 and 2005.

Capacity up by 25% - 43%

With the addition of the new commuter trains, the December 2003 timetable reflects the significant increase in capacity on peak commuter services on the Drogheda, Maynooth and Kildare lines.

In addition to the 80 new commuter railcars which provide extra commuter train departures, the construction of four new platforms at Heuston Station, as part of the €117 million redevelopment of the station, is enabling more efficient train operation.

To maintain and service the 144 strong commuter railcar fleet, a new state of the art maintenance depot has been constructed in Drogheda. This depot has the capacity to maintain an additional 36 railcars, which will be delivered in 2005.

Service Levels

Iarnród Éireann and the Department of Transport agreed a Memorandum of Understanding in July 2003 on service levels and targets for 2003/2004. Performance against these targets was reviewed for the six months July to December 2003 and good achievements were recorded in all key areas. Target levels will be reviewed in July 2004.

Safety

The highest priority continued to be given to Safety Management within the organization. Together with the investment in higher safety specification for new rolling stock and infrastructure, greater emphasis was placed on safety training and employee safety awareness. There was no passenger or staff fatality during 2003.

Operations Review

New Organisation Structure

A major restructuring of the company took place with the appointment of a new Chief Operating Officer. His area of responsibility covers all operational areas including passenger and freight businesses and day-to-day maintenance of infrastructure. The new organisation will be fully in place in May 2004.

Strategic Rail Review

The Strategic Rail Review Report published in 2003 presents a rigorous analysis of the potential of the railway in Ireland and is a valuable framework for future development.

Iarnród Éireann has prepared a Passenger Development Plan, which ties in closely with the recommendations of the Strategic Rail Review. Iarnród Éireann and the Department of Transport are working closely to ensure that funding is available for the key rail projects which the company has prioritised.

Freight Services

The financial performance of the rail freight business has deteriorated in recent years and a recovery plan was formulated to concentrate on the most profitable traffics.

The implementation of the plan started during 2003 with the withdrawal from the carriage of palletised cement, the closure of the Adelaide Road Depot in Belfast and the rationalisation of operations at other unit load depots throughout the country.

New and more profitable traffics were entered into with the introduction of the freight of pulpwood and the carriage of Coca Cola concentrate in conjunction with Norfolkline. Both of these new traffic flows operate from the north west of Ireland to Waterford.

Rosslare Europort

Progress on the €6.2 million project to refurbish the piers at Rosslare Europort continued with physical construction work now planned to commence in 2004.

Network Catering

The network catering business was refocused in 2003 to concentrate on on-board catering geared more closely to customer needs.

Infrastructure

The first phase of the DART Upgrade Project commenced in 2003. This phase, costing €176.2 million, will boost peak passenger carrying capacity on existing DART and commuter services from 11,800 to 16,000 passengers carried per hour per direction by the end of 2005.

This capacity increase will be achieved through longer trains while improved access for mobility impaired customers and additional sidings for the expanded DART fleet will also be delivered. 40 new DART units will be delivered later this year to enable the operation of longer trains in 2005.

The extension of the Tara Street northbound platform and the construction of the new booking office have been completed. The main construction phase of the project on southside stations is underway at present. Southside services are suspended at weekends and special arrangements have been made with additional buses on adjacent routes provided by Bus Átha Cliath.

Heuston Station Redevelopment Project

The €117 million redevelopment of Heuston Station was substantially completed in 2003 including:

- Platforms increased from five to nine,
- Lengthening of all existing platforms,
- Heuston Station completely resignalled – a critical safety project,
- All track work remodelled,
- Extended waiting area for customers,
- Improved public information displays and
- Help points for the mobility impaired.

Kildare Route Improvements

Improved capacity for Kildare line commuters was put in place during the year with upgrades at three stations on the line. These improvements included:

- Platform extension at Hazelhatch and Sallins to accommodate 8 piece railcar trains and
- Turnback facilities at Newbridge including the construction of a new bay platform and track.

A Railway Works Order application is in preparation as Iarnród Éireann wishes to provide four tracks, rather than two, on the line from Park West to Hazelhatch. Details of the scope of this project have yet to be finalised and a phased approach is being considered.

Operations Review

Resignalling Project

This project will see the installation of modern electronic signalling systems on the Galway, Waterford, Tralee and Sligo lines. The Galway line was commissioned 3 months ahead of schedule in June 2003, with work on the Waterford line currently underway and also ahead of schedule. This project is scheduled for completion in December 2005.

Railway Safety Investment Programme

Implementation of the Railway Safety Investment Programme continued during 2003. This was the final year of the current five year Railway Safety Investment Programme 1999 - 2003. The 2003 programme had an authorised expenditure of €136.6 million and was largely completed on target. Major works included:

- **Track Relaying:** Close to 67 miles of track were relayed. This included the completion of relaying works on the Ennis Branch line, and work on the Dublin/Rosslare and the Manulla Junction/Ballina Branch lines. The upgrading of track to continuous welded rail will reduce journey times and also improve the reliability and comfort on these routes.
- **Level Crossing Programme:** A total of 130 non-public road level crossings were closed or upgraded during the year at a total cost of €13.5 million.
- **Coastal Defence Works:** Works on Greystones to Wicklow are progressing as projected. Works at Malahide, Ballygannon, Kilcoole and Killiney have been completed. Work on Bray Head Phase 2 is 90% complete. However, due to unseasonable sea conditions the contractor has been unable to progress the works in recent weeks and the final 10% of the work has been put on hold.
- **Structures:** Bridge renewals, bridge painting, fencing renewals and other safety related work continue as programmed.

A new Railway Safety Task Force, chaired by Mr. Pat Mangan of the Department of Transport, including members from the Department of Finance and Iarnród Éireann, has been meeting to agree a new Safety Investment Programme for the period 2004-2008.

A new Asset Management System is being developed for the Infrastructure Division. In addition, work is progressing on a Risk Model for the Railway Safety Investment Programme 2004 - 2008. The Risk Model will assist in the decision making process in relation to the allocation of those funds. In addition, work is progressing on the development and expansion of Safety Management Systems.

Interconnector Tunnel

A study was commissioned by Iarnród Éireann to develop an alignment for a proposed interconnector tunnel to link the Kildare line through to Spencer Dock and providing connection back to the Maynooth line and to the northern routes from the East Wall Road Junction. A preferred alignment has been proposed and preliminary costs and a business case produced.

Spencer Dock

A feasibility study has been commissioned to verify and cost a preferred location for a terminal station at Spencer Dock.

Staff Numbers

Staff numbers at the end of the year were 5,606. This represents a reduction of 327 since the beginning of 2003.

Operations Review

BUS ÁTHA CLIATH

2003 proved to be another good year for Bus Átha Cliath with increased passenger numbers, enhanced revenue and increased efficiencies in company operations.

Bus Átha Cliath recorded a trading surplus in 2003. Revenue for the company, which is regulated by the Department of Transport, amounted to €173 million in 2003, an impressive growth of 8.5% over 2002. This growth was predicated on the provision of a good customer service coupled with progressive development of the network.

The Public Service Obligation (PSO), or subvention, for the year was €54 million and represents 25% of the company's operating costs and it is one of the lowest subsidy levels given to a European public transport bus company.

Passenger Numbers

Bus Átha Cliath passenger numbers in 2003 increased by 2.3% as compared to 2002. The significance of this is very important as it now means Bus Átha Cliath carried over 149 million passengers in 2003.

The company currently operates a fleet of almost 1,100 buses, employs over 3,300 people (of which 2,400 are drivers), offers a 20 hour day service over 150 routes for 364 days a year. This results in 50 million bus kilometres and almost 500,000 passenger journeys per day, servicing both the city of Dublin and the Greater Dublin Area.

This is the equivalent of one third of the population of the Greater Dublin Area traveling on its buses every day. Hence, despite the congestion levels in Dublin, the company's flexibility has ensured that service levels have been maintained.

Bus Átha Cliath has also shown that, as a company, it can rise to the challenge of delivering a quality product to the customer not only on the day-to-day bus service provision but also at one-off large special events such as major concerts. The company received praise of the highest order for the bus service it provided during the Special Olympics. Such events bring together all of the skills and experience of the organisation and clearly demonstrate the benefits of having a company which plans, manages and operates transport as a unified package.

Congestion

It continues to be a challenge to operate the bus service through the streets of Dublin city with the continuous change in the arrangement of civil engineering works on O'Connell Street and Beresford Place, to mention just two key pinch points in the city, with other challenges at other locations, including the areas around and impacted by the LUAS and Port Tunnel works. Traffic congestion continues to be a major challenge for Bus Átha Cliath.

Consultants have identified the cost of congestion to the company as €49.4 million per annum. Everyone involved in operating these services through such difficult environmental circumstances continues to do a good job. Once these works are completed an improvement in the movement of bus services through the city should be seen.

The range of further bus priority projects continues to be discussed with the City Council's new Quality Bus Network (QBN) team which has been established to focus its entire work on designing schemes to ease pinch points and on introducing further bus priority and quality bus measures to improve the performance of bus services. The QBN team will be implementing an increased number of substantial schemes in 2004 and Bus Átha Cliath is positioned to play its part in the success of these by putting more buses and services on the road. This matter is with the Department of Transport for decision.

The bus has, therefore, demonstrated its ability to attract additional customers when part of the Quality Bus Corridor package. Customer research also shows that a good percentage of new bus users actually own a car but choose to travel by bus where the QBCs exist and optimum journey time is achieved. In the Dublin area the bus will therefore continue to be the workhorse for many years to come carrying a significant share of the commuter journeys. Bus Átha Cliath looks forward to building upon its achievements to date as it moves forward.

Sales and Services

A major success story has been the increase in pre-paid ticket sales, which have risen by 75% since 1999, with revenue up 15% for 2003 alone. At present pre-paid tickets represent over 28% of all sales – this is a further 2% shift in 2003 from cash to pre-paid tickets. The ease of use and flexibility, as well as considerable discounts, are the main reasons behind their popularity. To capitalise on this, Bus Átha Cliath has simplified the range of tickets and the number of sales outlets has been increased by over 100 during 2003 to bring it to 350.

TaxSaver ticket sales have also grown, from €3.4 million in 2002 to €5.5 million in 2003, with over 1,000 companies availing of the system. The TaxSaver incentive allows both employees and employers to avail of significant tax savings on monthly and annual bus and rail tickets.

Bus Átha Cliath has initiated route extensions across the city centre; both to give relief at congested termini and to improve customer service by giving more interchange and access opportunities. A substantial and successful operation to replace DART services at weekends has been running since 3rd October, 2003 and will continue throughout 2004.

Operations Review

Internet and SMS Initiatives

The Bus Átha Cliath website – www.dublinbus.ie - is used by over 100,000 people per month to purchase tickets online as well as to search maps, timetables and route planning. BUSTXT, a new SMS initiative, was launched in July 2003 and users receive a mobile phone text timetable information on any bus route. This text service received 102,000 hits in December.

Accessibility

Bus Átha Cliath is fulfilling its commitment to the mobility impaired by ensuring that every new bus purchased for the fleet is fully accessible. In 2003 the company reached 41% of its fleet being fully accessible with a number of new fully accessible routes to be launched in early 2004.

ISO 9001

During the year Bus Átha Cliath received accreditation for the ISO 9001 award in its Quality and Commercial Department. The results of this ISO 9001 work have been helpful in identifying where further incremental improvement can be achieved in the management of systems and procedures and in providing better information to the customer.

Equality and Diversity Action Plan (2003 – 2005)

Bus Átha Cliath launched its Equality and Diversity Action Plan for the company. This action plan is to ensure full compliance with all legislative requirements and is seen as a reflection of the multicultural society that we now live in. At present we have 200 drivers from 45 different countries of origin.

Accidents

There was a significant reduction in accidents and claims during the year. Accidents in 2003 were down 9% relative to 2002, and the claims/accident ratio was also reduced. This has been as a result of increased investment in training, driving incentives, staff awareness programmes, proactive management and a positive response from staff. Despite these positive trends, a tragic accident occurred on Wellington Quay on 21st February, 2004 involving two buses, which resulted in five fatalities and a number of serious injuries.

Capital Projects

The National Development Plan (NDP) enabled a range of projects to be pursued. In August 2003 Bus Átha Cliath began the construction of a new garage at Harristown, near Dublin Airport. When completed in October 2004 it will cater for over 240 buses and total staff numbers of around 700. The purchase of the 4.45 hectare site and construction of the garage will cost €42.8 million.

Additional Buses

A total of 90 new double deck buses were delivered during the year.

New Trunked Radio System

A new trunked radio system was introduced across the fleet that allows direct contact between supervisors and drivers and will contribute to improved communications and service quality.

International Benchmarking

Independent measurement of the quality of Bus Átha Cliath ranks Dublin's buses higher than most European operators who are much better funded than Bus Átha Cliath. The company's success comes despite having one of the lowest levels of PSO payment and in the face of some of the most chronic gridlock levels in Europe.

Independent analysis now ranks Bus Átha Cliath in the top quarter of all bus companies across Europe when measured in terms of customer satisfaction, comfort and safety, service reliability, fleet quality, and frequency of service and staff behaviour.

The latest report from consultants Indecon and the Economic and Social Research Institute of the Mid-Term Evaluation of the National Development Plan 2000-2006 has highlighted that the contribution of the bus during the past three years within the Dublin transportation system is good value for the investment involved and in the short to medium term is the most cost effective way of improving public transport.

Bus Átha Cliath Community Support Programme

The company also launched the Bus Átha Cliath Community Support Programme at which over 30 organisations were in attendance representing youth work, health, hospitals and local communities. All this work comes under the umbrella of 'Dublin Bus serving the entire community'. This Programme will also unfold in the coming year.

Operations Review

BUS ÉIREANN

For Bus Éireann the year under review shows a dramatic improvement in the company's financial position, from a deficit of €9.4 million in 2002 to a surplus of €1.5 million in 2003.

The year showed a continuing rise in customer numbers as well as higher levels of customer satisfaction. This is the result of continuing innovation in such areas as website journey planning and e-ticketing (Buyonline@buseireann.ie).

There were also improvements in service frequency, continued investment in new buses, including fully accessible city buses, as well as further improvements in customer facilities at a number of locations throughout the country.

Bus Éireann has continued to build, innovate and continuously improve its integrated network of services provided for customers and has done so at comparatively low subvention rates and comparatively low fares

During the year, Bus Éireann and the Department of Transport agreed a Memorandum of Understanding on Service Levels and Targets for 2003. The company surpassed all the performance targets set out in this memorandum.

Customer Growth

Bus Éireann's passenger numbers have continued to grow over the last five years and at significantly higher rates than elsewhere in Europe. The national integrated network of Expressway, commuter, city and rural services is a major factor in this continued growth, and delivers a wide choice of services to a wide range of destinations in rural Ireland.

Since 1998, passenger numbers on both Expressway and commuter routes have increased by over 40%. On Bus Éireann city services, the higher frequencies offered and the continued upgrading of the fleet has resulted in a growth of 13% in the number of passengers carried during the last five years.

The passenger numbers for 2003 are: commuter/local routes, 17.8 million; city routes, 21.4 million; Expressway/Other, 9.2 million.

School Transport passenger numbers increased for the first time in a number of years with 43.6 million schoolchild journeys in the scheme.

Buy On-Line

Bus Éireann was the first bus company in Europe to develop e-ticketing through an innovative system which enables the customer to print a confirmation and exchange it for a ticket on boarding the bus. The on-line ticket purchasing facility has now been extended to include on-line booking, seat reservation and ticket purchasing for Eurolines services to Britain.

On-line ticket purchasing is available between 600 different locations; for example, it is possible to buy one ticket for a journey from Dingle to Killybegs, travelling by a seamless combination of Expressway and local services, at a significant discount on the sum of the single journey fares.

Customer Charter

The fourth independent audit of performance in meeting commitments given in the Customer Charter was undertaken during the year. The overall customer satisfaction rating with performance measured against Customer Charter targets was up by 3% on 2002 and 9% on 2000.

Separate market research on Bus Éireann's overall performance revealed an extremely high customer satisfaction rating of 91%.

Service Development

Expressway service improvements during 2003 included four direct services daily between Galway and Shannon Airport, as well as additional services on the Dublin/Clonmel, Dublin/Ballina, Dublin/Sligo and Cork/Kilkenny routes.

A high frequency commuter service was introduced on the Dublin/Ashbourne route. New commuter services were introduced between Athlone and Dublin, and between Athlone and Galway, for the first time. Late night services were introduced on the Dublin/Drogheda route, with new late night services for the pre-Christmas period on the Dublin/Newbridge, Dublin/Navan and Waterford/Tramore routes.

In Cork the service from the city centre to Wilton was extended into the grounds of the Regional Hospital and the frequency improved. Service frequencies on routes to Carrigaline and Middleton were also increased.

The company won a three-year contract from Cork City Council to operate a "Park & Ride" shuttle bus service linking a new car park at Black Ash with the city centre. This contract was tendered in an open competition and the service, using accessible double deck vehicles, will commence early in 2004.

Traffic Congestion and Infrastructure

The reliability of Bus Éireann services continues to be adversely affected by worsening levels of traffic congestion. This is a feature, not alone of city services, but also of longer distance commuter routes and Expressway routes.

A further study by independent consultants - BDO Simpson Xavier - estimated that traffic congestion imposed additional costs over comparable European costs of €19.2 million on the company's operations during the year, up from an estimated €17.8 million in 2002.

Operations Review

While the rate of increase in these additional costs is less than previously – the 2001 figure was €12.6 million – the extent of these extra costs emphasises the need to implement a much wider range of infrastructure improvements and bus priority measures so that customers can benefit fully from the substantial investment Bus Éireann makes in fleet and facilities.

The State support to Bus Éireann of €22.9 million has to be taken in the context that traffic flows in Ireland are not comparable with those prevailing generally in Europe, and impose additional costs leading to a less effective and less efficient service.

For example, the average operating speeds achieved by buses in Irish cities are well below the international average of 23.1 kilometres per hour. The comparative figures for Bus Éireann city services are: Cork, 11.9 kph; Galway, 13.7 kph; Limerick, 14.4 kph; Waterford, 14.5 kph.

In this context, the company welcomes and fully supports the programme of road improvements committed to by Government. In particular, the allocation of funding for development of ten "green routes" in Cork city is especially welcome in the context of building on the fleet upgrading and service frequency improvements which Bus Éireann has put in place during the last five years.

Fleet Upgrading

The company continued to invest in fleet upgrading, with 40 new vehicles delivered during 2003 and a further 38 vehicles delivered at the year end.

10 new city buses went into service in Cork during the year, of low-floor design and fully accessible in line with company policy of purchasing only fully accessible buses for urban services. Following acquisition of these vehicles, 92% of the Bus Éireann city bus fleet is now fully accessible to people who are mobility impaired, including wheelchair users. The Expressway coach fleet was upgraded through the delivery of 30 new coaches.

38 new replacement vehicles for commuter routes – 24 commuter coaches for routes in the Cork, Galway and Limerick areas and 14 fully accessible double decks for routes in the greater Dublin hinterland area – were delivered at the year end. These entered service in 2004.

Advanced Driver training

The benefits of the company's association with the Institute of Advanced Motorists (IAM) were evident throughout 2003 in that the reduction in the number of preventable accidents continued. The next phase in the Safety and Defensive Driving Programme will be the implementation of Defensive Driving courses for which a custom designed CD rom is being finalised as well as on road training.

In addition, the Passenger Management and Customer Care course for all drivers commenced in 2003 and is continuing. Each course, which is of one day's duration, includes modules on customer care, disability issues, vehicle safety checks etc.

The Disability Awareness Programme for all staff continued throughout 2003. In addition, the programme has been extended to include contractors' drivers and school bus drivers who operate services for children with special needs.

Safety

The safety of our customers and staff is of paramount importance to Bus Éireann. The investment in advanced driver training continued to pay dividends in 2003 with both vehicle and customer accident rates declining, by over 4% and 10% respectively. There were no fatal road traffic accidents involving Bus Éireann scheduled service or school transport service vehicles during the year.

Accessibility

With the assistance of funding from the accessibility element of the National Development Plan, work was carried out during the year for mobility impaired customers at a number of bus stations in order to facilitate and improve access. The stations which benefited from these accessibility improvement projects were Dublin (Busáras), Galway, Drogheda, Dundalk, Monaghan and Sligo.

The total amount spent on accessibility projects was €3 million. Further refurbishment work at Busáras and modernisation of the bus station in Cork are planned to commence during 2004.

School Transport

During the course of 2003, Bus Éireann and the Department of Education and Science worked closely together to introduce cost effective measures in the provision of school services. This was aided by the introduction of a standard school year, which has improved the co-ordination of services, resulting in tangible savings.

Some 77 new school transport services were introduced during 2003, mainly in the area of transport for special needs children.

The school services now being provided by Bus Éireann in this specialised area has greatly improved with 162 vehicles which are wheelchair accessible.

Safe Driving Awards were made to school bus drivers for the first time in 2003 and 80% of all school bus drivers received an award. Almost 140,000 children were transported every school day in 2003, by the company and contracted private buses. The combined Bus Éireann and contracted school transport fleet comprises just under 3,000 vehicles.

Since January 2003, 71 more modern buses have been sourced to replace older school buses in the Bus Éireann school bus fleet. In addition, 12 buses were cascaded from the Bus Éireann service fleet, resulting in a total of 83 replacement buses being introduced to the school bus fleet over the last year. This is part of an ongoing fleet replacement programme.

Operations Review

OTHER SERVICES

CIE Tours International

The world market for tourism continued to be difficult in 2003. International events such as the War in Iraq and the SARS outbreak had a major impact on world tourism. Bookings during the months of March and April 2003 were very slow. In addition, the strengthening of the euro resulted in some increases in prices in 2003.

However, in the latter part of the 2003, aided by increased promotional spending in the USA, bookings recovered sufficiently for CIE Tours to record revenues of €45 million. The promotional spending in the USA highlighted the safe haven aspect of Ireland and the high quality of CIE Tours products. The American market tourist is predominately in the high spend category and they make a valuable contribution to CIE Tours International business and the Irish economy generally.

The efficient management of matching supply to offered demand, coupled with tight cost control, was a key element in 2003 and so ensured that, overall, CIE Tours continued its profitable performances of recent years by generating a net profit of €0.7 million in 2003.

Group Property

The ClÉ Property Division had an excellent year in 2003 with an increase of 16.8% on rental income to €11.37 million.

Rental income on new lettings was particularly strong and our prime sites are attracting strong interest when they become available for re-letting.

The importance of vending machines was underlined by the implementation of a new contract with Coca-Cola.

In the course of the year, the consideration for the €25 million sale of the Tallaght site was received. Property projects are being developed at Cork, Dublin (Barrow Street), Galway and Kilkenny.

Work at Spencer Dock has finally got under way on the first phase of the development. The relevant areas were handed over to Spencer Dock Development Company Ltd. and the licence fee incomes have commenced. Planning approval is now in place for 32,500 square metres of office space, 900 apartments and the National Conference Centre.

The Property Division continues to provide professional advice to the various infrastructural projects of Iarnród Éireann, e.g. DART Upgrade, level crossing closures and Kildare line upgrade etc. In particular, a rolling programme of disposals of surplus lands acquired for the Level Crossings Project has begun, with approximately 16.2 hectares sold in 2003.

Commuter Advertising Network (CAN)

Demand for new media and fixed advertising formats has resulted in another successful year for CAN, the outdoor advertising division of ClÉ. The business recorded a net profit of €5.8 million in 2003, a growth of 8% on the 2002 profit return of €5.3 million.

During 2003 the business continued its investment in developing new and innovative display products on both fixed (property) and transit (bus and rail) sites, increased the ratio of site illuminations and completed a review of safety procedures, all of which contributed to the overall performance of the business.

Operations Review

CORPORATE ISSUES

Employment

The number of people employed by the CIÉ group at the end of 2003 was 11,997 – a decrease of 314 as compared with 2002. The reduction was mainly due to the completion of some upgrading work in Iarnród Éireann.

Staff Participation

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

Equal Opportunities

The Group continues to keep under review opportunities for enhancing equality in the workplace for all groups covered by Equality legislation. During the year it extended its range of Work Life Balance initiatives. It 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. It also has regular consultation with representatives of organisations for the mobility impaired to establish priorities for investments in facilities for such groups.

Safety, Health and Welfare

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

Payment Practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the Late Payment in Commercial Transactions Regulations 2002. Procedures have been implemented to identify the dates upon which invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the Regulations. The payment policy throughout the group in 2003 was to comply with the requirements of the Regulations.

Procurement Policy

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

Group Structure

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

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

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

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



Córas Iompair Éireann

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

***IE* Iarnród Éireann**

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



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

***Bus* Bus Átha Cliath**

City Services
Cityswift
City Speed
City Imp
Nitelink
Airlink
Private Hire

Members of the Board and Group Management

Members of the Board

The names of the persons who were Board members at any time during the year ended 31st December, 2003 or subsequently appointed, are set out here. Except where indicated they served as Board members for the whole year.

Dr. J. J. Lynch	Executive Chairman
Mr. J. Baily	(Appointed 2nd March, 2004)
• Mr. P. Cullen	
• Mr. G. Charles	
Mr. G. Duggan	(Retired 8th December, 2003)
Mr. D. Egan	(Retired 8th December, 2003)
Mr. P. Ellis	
Mrs. T. Honan	Deputy Chairperson
	(Retired 27th November, 2003)
Mr. P. Kiely	(Retired 8th December, 2003, re-appointed 2nd March, 2004)
• Ms. A. M. Mannix	
• Mr. B. McCamley	
Mr. J. Sorohan	(Appointed 2nd March, 2004)
Ms. M. Walsh	
Mr. N. Wilkinson	(Appointed 2nd March, 2004)

• Worker member

Secretary of the Board

Ms. G. Finucane, Heuston Station, Dublin 8. Telephone + 353 1 703 2008 Facsimile + 353 1 703 2276
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Board Committees as at 5th May, 2004

Audit Committee

Mr. P. Kiely	Chairman
Mr. J. Sorohan	
Mr. N. Wilkinson	

Finance Committee

Mr. P. Kiely	Chairman
Mr. P. Ellis	
Ms. M. Walsh	

Remuneration Committee

Mr. P. Kiely	Chairman
Dr. J. J. Lynch	

Safety Committee

Dr. J. J. Lynch	Chairman
Mr. P. Cullen	
Mr. B. McCamley	

Property Committee

Ms. M. Walsh	Chairperson
Mr. G. Charles	
Ms. A. M. Mannix	

Group Management

Mr. J. Cullen	Chief Financial Officer
Mr. B. Dowling	Managing Director, CIÉ Tours International
Mr. B. Lilley	Managing Director, Bus Éireann
Mr. J. Meagher	Managing Director, Iarnród Éireann
Dr. A. R. Westwell (UK)	Managing Director, Bus Átha Cliath

Auditors

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

Solicitor

Mr. M. Carroll,
Bridgewater House,
Islandbridge,
Dublin 8.

Principal Banker

Bank of Ireland,
College Green,
Dublin 2.

Corporate Governance Statement

The Code of Practice for the Governance of State Bodies sets out principles of corporate governance which State bodies are required to adopt. Córas Iompair Éireann group supports the principles and provisions of the Code of Practice

The Board

The Board is comprised of twelve members. However, there is one vacancy at present. The Minister for Transport appoints the Chairman and seven other non-executive members to the Board. The Minister also appoints four worker members for a four-year term following elections by the staff of the Group.

The Board meets monthly and on other occasions as necessary. It has a formal schedule of matters specifically reserved for its review 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 monthly 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 an Audit Committee (see below), a Finance Committee (see below), a Property Committee, a Remuneration Committee and a Safety Committee. Their members are listed on page 17.

Audit Committee

The Audit Committee has written terms of reference, and is composed of three non-executive Board members. It meets periodically with the Group's senior management, the external auditors and the Head of Internal Audit to review the Group's internal controls, the internal and external audit plans and subsequent findings, the selection of accounting policies, the statutory audit report, financial reporting including the annual audited accounts, and other related matters. The Audit Committee is also charged with the responsibility of reviewing the independence and objectivity of the external auditors and reviewing the nature and extent of non-audit work carried out by them to ensure a proper balance between objectivity and cost effectiveness. The external auditors and the Head of Internal Audit have full and unrestricted access to the Audit Committee. The external auditors attend meetings of the Audit Committee and annually meet with the Committee without management present to ensure that there are no outstanding issues of concern.

Finance Committee

The Finance Committee is composed of three Board members and has written terms of reference. It meets 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 reviews the Group's insurance and finance strategies. It is also charged with ensuring that the Group's management information systems enable the effective implementation of the Board's finance strategies.

Internal Financial Controls

The Board has overall responsibility for the Group's systems of internal financial control. These systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's overall control systems include:

- A clearly defined organisational structure with written authority limits, appropriate segregation of duties and reporting mechanisms to higher levels of management, the boards of the subsidiary companies, Board Committees and to the Board. Detailed policies on key areas of financial risk including treasury risk are maintained.
- A comprehensive budgeting and planning system whereby actual performance is compared to the pre-approved budget at the end of each financial period and any significant trends or variances are investigated. These reports are circulated to the Board on a monthly basis for review.
- The establishment of clear guidelines for the approval and control of capital expenditure. These include the preparation of annual capital budgets which are approved by the Board in consultation with the Department of Transport, and detailed feasibility studies and appraisals of individually significant capital projects prior to approval by the appropriate level of authority (including the Department of Transport for larger projects). For major capital projects, regular progress reports to management and the relevant subsidiary board are prepared and all significant capital projects require the completion of a formal close-out paper.
- Within Iarnród Éireann, the Infrastructure Advisory Group, which is composed of both Iarnród Éireann directors and senior management, reviews on a monthly basis project proposals, tendering and evaluation processes adopted and progress of major capital projects against project timetables and budgets.

Corporate Governance Statement

Internal controls are reviewed systematically by Group Internal Audit, which has a Group wide role. In these reviews, internal audit place emphasis on areas of greater risk as identified by their risk analysis framework. The role and responsibilities of internal audit are defined by a Board approved charter. The Group Internal Auditor formally reports to the Audit Committee.

The Board through the Audit Committee has reviewed the effectiveness of the systems of internal financial control by:

- A review of the programme of internal audit (prepared following their audit risk assessment process) and consideration of their major findings.
- A consideration of the major findings of any internal investigations.
- A review of the report of the external auditor, which contains details of any material control issues identified as a result of their audit of the financial statements.

An Enterprise Wide Risk Management Project was undertaken with the assistance of outside consultants. This process enabled a prioritised Risk List to be generated which can be updated on an ongoing basis. When the project is complete it will provide the assurance that material risk issues will be identified and actions will be undertaken to reinforce the control environment. A draft Risk Policy and Procedures Manual has also been produced.

Executive Board Members' Remuneration

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

Other Members' Remuneration

The remuneration of all other Board members in relation to their duties as Board members is determined by the Minister for Transport. They do not receive pensions for their duties as Board members.

Board members appointed under the Worker Participation (State Enterprises) Act, 1977 are also remunerated in accordance with their contracts of employment

Going Concern

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

Statement of the Board's Responsibilities

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

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

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

The members of the Board are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Transport Act, 1950, and all Regulations to be construed as one with the Act.

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

The measures taken by the Board to secure compliance with its obligations to keep proper books of account are the use of appropriate systems and procedures and the employment of competent persons. The books of account are kept in Heuston Station, Dublin 8.

The responsibilities of the directors of the subsidiaries of the Group are determined by the Transport (Re-organisation of Coras Iompair Eireann) Act, 1986 and applicable company law.

Auditors' Report to the Minister for Transport

As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 22 to 50, which have been prepared under the historical cost convention, and the accounting policies set out on pages 22 and 23.

Respective Responsibilities of the Members of the Board and the Auditors

The responsibilities of the Board for preparing the annual report and the financial statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 20 in the statement of Board's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the Minister for Transport in accordance with Section 34 (2)(a) of the Transport Act, 1950 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of Córas Iompair Éireann and of the Group as at 31st December, 2003 and of the deficit and cash flows of the Group for the year then ended.

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

PricewaterhouseCoopers,

Chartered Accountants and Registered Auditors,
Dublin.

5th May, 2004.

- (a) The maintenance and integrity of the Córas Iompair Éireann website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Principal Accounting Policies

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

(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2003. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements have been prepared under the historical cost convention.

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

(B) BASIS OF CONSOLIDATION

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

Iarnród Éireann - Irish Rail and its subsidiary Dubel Limited

Bus Éireann - Irish Bus

Bus Átha Cliath - Dublin Bus

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

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

(C) REVENUE

Revenue comprises the gross value of services provided.

(D) TANGIBLE ASSETS AND DEPRECIATION

The bases of calculation of depreciation are as follows:

(i) Railway lines and works

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

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

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

(ii) Railway rolling stock

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

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

(iii) Road passenger vehicles

The historical costs of road passenger vehicles other than school buses are depreciated over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical costs 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 costs spread over their expected useful lives using the sum of the digits method.

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

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

(vi) Land and buildings

Buildings are depreciated, by equal annual instalments, on the basis of historical cost spread over a fifty year life. The book values of land and buildings that are treated as trading stock are included in current assets as appropriate.

(E) LEASED ASSETS

(i) Finance leases

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

(ii) Operating leases

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

Principal Accounting Policies

(F) STOCKS

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

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

(G) EUROPEAN UNION AND STATE GRANTS

(i) Grants for existing railway lines and works

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

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

(ii) Grants for other capital expenditure

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

(iii) Revenue grants

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

(iv) Safety investment grants

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

(H) FOREIGN CURRENCY

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

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

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

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

(I) PENSIONS

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

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

(J) RAILWAY INFRASTRUCTURE COSTS

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

Consolidated Profit and Loss Account

Year ended 31st December

	Notes	2003 €000	2002 €000
Revenue	1	661,936	629,788
Costs			
Payroll and related costs	3	(492,957)	(478,507)
Materials and services	4	(349,347)	(361,472)
Depreciation	5	(60,753)	(57,226)
Exceptional operating costs	6	(20,099)	-
Total operating costs		(923,156)	(897,205)
Deficit before profit on disposal of tangible assets, interest and State grants		(261,220)	(267,417)
Profit on disposal of tangible assets	7	784	20,755
Deficit before interest and State grants		(260,436)	(246,662)
Interest receivable		120	140
Interest payable - Operational	8	(3,363)	(6,074)
- Railway infrastructure	8	(3,016)	(4,048)
Gain on foreign currency loans		207	350
Deficit for the year before State grants		(266,488)	(256,294)
State grants	9	262,476	252,724
Deficit for the year		(4,012)	(3,570)
Accumulated deficit at beginning of the year		(86,207)	(82,637)
Accumulated deficit at end of the year		(90,219)	(86,207)

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

All figures relate to the continuing activities of the Group.

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

On behalf of the Board

Dr. J. J. Lynch Chairman
Mr. P. Kiely Board Member

Consolidated Balance Sheet

As at 31st December

	Notes	2003 €000	2002 €000
Fixed assets			
Tangible assets	11	1,264,533	1,082,317
Financial assets	12	20	21
		<u>1,264,553</u>	<u>1,082,338</u>
Current assets			
Stocks	13	44,758	48,974
Debtors	14	92,172	177,142
Cash at bank and in hand		58,191	6,142
		<u>195,121</u>	<u>232,258</u>
Creditors (amounts falling due within one year)	15	<u>(336,016)</u>	<u>(382,892)</u>
Net current liabilities		<u>(140,895)</u>	<u>(150,634)</u>
Total assets less current liabilities		<u>1,123,658</u>	<u>931,704</u>
Creditors (amounts falling due after more than one year)	16	(56,933)	(63,709)
Provisions for liabilities and charges	18	(158,719)	(146,577)
Deferred income	19	<u>(719,848)</u>	<u>(529,248)</u>
		<u>188,158</u>	<u>192,170</u>
Financed by:			
Reserves			
Asset replacement reserve	21	237,310	237,310
Capital reserve		28,556	28,556
Profit and loss account deficit		(90,219)	(86,207)
Non-repayable State advances		12,511	12,511
	20	<u>188,158</u>	<u>192,170</u>

On behalf of the Board

Dr. J. J. Lynch Chairman
Mr. P. Kiely Board Member

Company Balance Sheet

As at 31st December

	Notes	2003 €000	2002 €000
Fixed assets			
Tangible assets	11	281,280	241,048
Financial assets	12	311,476	317,284
		<u>592,756</u>	<u>558,332</u>
Current assets			
Debtors	14	7,460	33,716
Cash at bank and in hand		53,161	3,331
		<u>60,621</u>	<u>37,047</u>
Creditors (amounts falling due within one year)	15	(297,136)	(281,864)
Net current liabilities		<u>(236,515)</u>	<u>(244,817)</u>
Total assets less current liabilities		356,241	313,515
Creditors (amounts falling due after more than one year)	16	(56,933)	(63,709)
Deferred income	19	(128,951)	(85,923)
		<u>170,357</u>	<u>163,883</u>
Financed by:			
Reserves			
Asset replacement reserve		108,643	108,643
Capital reserve		28,556	28,556
Profit and loss account		20,647	14,173
Non-repayable State advances		12,511	12,511
	20	<u>170,357</u>	<u>163,883</u>

On behalf of the Board

Dr. J. J. Lynch Chairman
Mr. P. Kiely Board Member

Consolidated Cash Flow Statement

Year ended 31st December

	Notes	2003 €000	2002 €000
Net cash inflow from operating activities	22(A)	118,738	109,688
Return on investments and servicing of finance	22(B)	(5,776)	(6,638)
Capital expenditure and financial investment	22(B)	20,490	(80,293)
Cash inflow before use of liquid resources and financing		133,452	22,757
Financing - decrease in debt	22(B)	(67,574)	(22,018)
Increase in cash in the year		65,878	739
Reconciliation of net cash flow to movement in net debt (note 22(C))			
Increase in cash in the year		65,878	739
Cash movement from decrease in debt and lease financing		67,574	22,018
Change in net debt resulting from cash flows		133,452	22,757
Translation difference		373	778
Movement in net debt in the year		133,825	23,535
Net debt at 1st January		(222,158)	(245,693)
Net debt at 31st December		(88,333)	(222,158)

Notes to the Financial Statements

1. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER

	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2003 €000	Total 2002 €000
Revenue					
Railway					
- Suburban rail division	37,294			37,294	34,074
- Mainline rail division	121,437			121,437	115,662
	158,731			158,731	149,736
Road freight	32,371			32,371	32,460
Rosslare Europort	10,080			10,080	9,783
Catering services	12,045			12,045	13,316
Road passenger services					
- Dublin city			172,937	172,937	159,288
- Provincial cities		20,694		20,694	18,551
- Other services		197,991		197,991	184,094
Tours	44,749			44,749	52,370
Central business activities	12,338			12,338	10,190
Total revenue	57,087	213,227	218,685	172,937	661,936
Expenditure					
Railway					
- Suburban rail division					
Operational costs	62,637			62,637	64,988
Infrastructure costs	29,170			29,170	41,385
- Mainline rail division					
Operational costs	180,273			180,273	178,171
Infrastructure costs	188,515			188,515	204,318
	460,595			460,595	488,862
Road freight	31,241			31,241	30,926
Rosslare Europort	7,579			7,579	7,252
Catering services	12,722			12,722	13,094
Road passenger services					
- Dublin city			219,765	219,765	213,255
- Provincial cities		30,318		30,318	30,559
- Other services		209,429		209,429	201,791
Tours	44,032			44,032	51,853
Central business activities	7,257			7,257	7,087
Total expenditure	51,289	512,137	239,747	219,765	1,022,938

Notes to the Financial Statements

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

	Iarnród Éireann	Bus Éireann	Bus Átha Cliath	Total 2003	Total 2002
CIÉ	- Irish Rail	- Irish Bus	- Dublin Bus		
€000	€000	€000	€000	€000	€000
(Deficit)/surplus					
Railway					
- Suburban rail division	(54,513)			(54,513)	(72,299)
- Mainline rail division	(247,351)			(247,351)	(266,827)
	(301,864)			(301,864)	(339,126)
Road freight	1,130			1,130	1,534
Rosslare Europort	2,501			2,501	2,531
Catering services	(677)			(677)	222
Road passenger services					
- Dublin city			(46,828)	(46,828)	(53,967)
- Provincial cities		(9,624)		(9,624)	(12,008)
- Other services		(11,438)		(11,438)	(17,697)
Tours	717			717	517
Central business activities	5,081			5,081	3,103
Operating surplus/(deficit)	5,798	(298,910)	(21,062)	(46,828)	(361,002)
Gain on foreign currency loans	207	-	-	-	207
Profit /(loss) on disposal of tangible assets (note 7)	469	207	(247)	355	784
Surplus/(deficit) before State grants	6,474	(298,703)	(21,309)	(46,473)	(360,011)
State grants - operational (note 9)	-	79,870	22,856	53,867	151,240
- infrastructure (notes 2 and 9)	-	197,756	-	-	197,756
EU grant - infrastructure (note 2)	-	21,749	-	-	21,749
Surplus/(deficit) for the year after State grants	6,474	672	1,547	7,394	16,087
Exceptional operating cost (note 6)	-	(20,099)	-	-	(20,099)
Net surplus/(deficit) for the year	6,474	(19,427)	1,547	7,394	(4,012)

Notes to the Financial Statements

	2003	2002
	€000	€000
2. RAILWAY INFRASTRUCTURE COSTS		
In compliance with EU Council Directive 91/440 these costs have been computed as follows:		
Maintenance of railway lines and works	69,119	72,773
Renewal of railway lines and works	113,622	137,492
Operating (signalling) and other expenses	25,008	24,537
Depreciation (<i>note 11 [g]</i>)	12,902	10,622
Amortisation of capital grants	(5,982)	(3,769)
Total railway infrastructure costs before interest	214,669	241,655
Interest payable (<i>note 8</i>)	3,016	4,048
	217,685	245,703
Exceptional operating costs	5,186	-
Total railway infrastructure costs before grants	222,871	245,703
State grants, EU and Exchequer funding	(219,505)	(238,976)
Deficit for year	3,366	6,727
Apportionment of costs (before exceptional costs):		
Mainline rail division	188,515	204,318
Suburban rail division	29,170	41,385
	217,685	245,703
3. PAYROLL AND RELATED COSTS		
Staff costs		
Wages and salaries	467,576	453,733
Social welfare costs	39,263	39,108
Other pension costs	24,411	19,109
	531,250	511,950
Own work capitalised	(38,797)	(33,922)
Net staff costs	492,453	478,028
Board members' remuneration		
Emoluments		
- for services as Board members	146	143
- for other services	358	336
Total Board members' remuneration and emoluments	504	479
Total payroll and related costs	492,957	478,507

Included in Board members remuneration is €165,627 (2002 - €154,144) paid to Dr. J.J. Lynch, Executive Chairman, being €146,581 (2002 - €135,098) for other services plus €19,046 (2002 - €19,046) for Board member's fees.

Notes to the Financial Statements

3. PAYROLL AND RELATED COSTS (continued)

	Staff Numbers	
	2003	2002
The average number of persons employed by company was as follows:-		
CIÉ	302	315
Iarnród Éireann - Irish Rail	5,833	5,976
Bus Éireann - Irish Bus	2,721	2,701
Bus Átha Cliath - Dublin Bus	3,367	3,319
	12,223	12,311

4. MATERIALS AND SERVICES

	2003	2002
	€000	€000
Fuel and electric traction	33,565	36,739
Road tax and licences	836	824
Rates	4,195	3,896
Auditors' remuneration	191	196
Operating lease rentals	8,186	8,573
School contractors	69,170	65,118
Third party and employer's liability claims	32,640	31,201
Materials and other services	201,924	215,688
Revenue grants (<i>note 19</i>)	(1,360)	(763)
	349,347	361,472

5. DEPRECIATION

Depreciation (<i>note 11</i>)	103,317	91,877
Amortisation of capital grants	(41,723)	(34,651)
Exceptional operating cost (<i>note 6</i>)	(841)	-
	60,753	57,226

Above figures for 2003 include €1.193 million for depreciation and €0.352 million for amortization of capital grants treated as an exceptional item.

6. EXCEPTIONAL OPERATING COSTS

Business restructuring	(19,258)	-
Depreciation charge	(841)	-
	(20,099)	-

As part of its 2003 Financial Plan Iarnród Éireann introduced a voluntary severance and early retirement programme. The estimated cost in 2003, including severance payments and other costs associated with the programme, is €20.1 million.

7. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

Net proceeds on sale of surplus land and buildings	469	20,921
Profit/(loss) on disposal of rolling stock, vehicles, plant and machinery	315	(166)
	784	20,755

Notes to the Financial Statements

	2003	2002
	€000	€000
8. INTEREST PAYABLE		
On loans and leases repayable wholly within five years:		
Loans	2,997	6,302
Leases	62	114
On loans and leases not wholly repayable within five years:		
Loans	-	-
Leases	3,320	3,706
	6,379	10,122
Interest apportioned:		
Group operational costs	3,363	6,074
Railway infrastructure costs (note 2)	3,016	4,048
	6,379	10,122

9. STATE GRANTS

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

Particulars of the State grants of €262.476 million received in 2003 - €244.980 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €17.496 million under Railway Safety Investment Programme - are given in the following table.

State grants relating to 2003 activities	€000	Total €000
Iarnród Éireann - Irish Rail		
Subvention		168,257
Railway Safety Investment Programme (1999 - 2003)		17,496
Total rail		185,753
Bus Átha Cliath - Dublin Bus		53,867
Bus Éireann - Irish Bus		22,856
		262,476
Add State grant for National Development Plan		280,604
Other Exchequer grants		1,261
Total State funding		544,341

The total State funding was applied as follows:

Consolidated profit and loss account		262,476
Less: infrastructure		(105,883)
Subvention and railway safety grants - operational (note 1)		156,593
Infrastructure in subvention and railway safety grants	105,883	
NDP - credit against renewals of railway lines and works	91,873	
Infrastructure subvention (note 1)		197,756
Deferred income - capital grants		188,060
Other Exchequer grants		1,932
Total		544,341

Notes to the Financial Statements

10. HOLDING COMPANY NET SURPLUS FOR YEAR

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

The holding company's surplus for the year, after profit on disposal of tangible assets, amounted to €6,474,000.

11. TANGIBLE FIXED ASSETS

Group	1st Jan.	Reclass-	Additions	Scrappings and Disposals	31st Dec.
	€000	ifications €000	€000	€000	€000
Cost					
Railway lines and works	697,687	-	119,739	-	817,426
Funding received for railway lines and works	(475,290)	-	(113,622)	-	(588,912)
Railway rolling stock	526,381	-	126,959	(2,282)	651,058
Road passenger vehicles	401,989	-	38,195	(4,975)	435,209
Road freight vehicles	7,249	-	15	(229)	7,035
Land and buildings	237,952	-	46,134	-	284,086
Plant and machinery	383,587	461	67,867	(64)	451,851
Docks, harbours and wharves	42,466	-	649	-	43,115
Capital work in progress	461	(461)	199	-	199
Total 2003	1,822,482	-	286,135	(7,550)	2,101,067

Group	1st Jan.	Reclass-	Charge For	Scrappings and Disposals	31st Dec.
	€000	ifications €000	Year €000	€000	€000
Depreciation					
Railway lines and works	646,251	-	116,511	-	762,762
Funding received for railway lines and works	(475,290)	-	(113,622)	-	(588,912)
Railway rolling stock	184,096	-	30,613	(2,200)	212,509
Road passenger vehicles	207,244	-	39,799	(4,468)	242,575
Road freight vehicles	6,003	-	391	(216)	6,178
Land and buildings	8,408	-	4,448	-	12,856
Plant and machinery	153,913	-	24,315	(64)	178,164
Docks, harbours and wharves	9,540	-	862	-	10,402
Total 2003	740,165	-	103,317	(6,948)	836,534

Notes to the Financial Statements

	31st Dec. 2003 €000	31st Dec. 2002 €000
11. TANGIBLE FIXED ASSETS (continued)		
Group		
Net book amounts		
Railway lines and works	54,664	51,436
Railway rolling stock	438,549	342,285
Road passenger vehicles	192,634	194,745
Road freight vehicles	857	1,246
Land and buildings	271,230	229,544
Plant and machinery	273,687	229,674
Docks, harbours and wharves	32,713	32,926
Capital work in progress	199	461
Total	1,264,533	1,082,317

	1st Jan. €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
Company				
Cost				
Land and buildings	237,952	46,134	-	284,086
Plant and machinery	26,402	1,524	-	27,926
Total 2003	264,354	47,658	-	312,012

	1st Jan. €000	Charge For Year €000	Scrappings and Disposals €000	31st Dec. €000
Depreciation				
Land and buildings	8,408	4,448	-	12,856
Plant and Machinery	14,898	2,978	-	17,876
Total 2003	23,306	7,426	-	30,732

	31st Dec. 2003 €000	31st Dec. 2002 €000
Net book amounts		
Land and buildings	271,230	229,544
Plant and machinery	10,050	11,504
Total	281,280	241,048

Notes to the Financial Statements

	2003	2002
	€000	€000

11. TANGIBLE FIXED ASSETS (continued)

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

Renewals expenditure and related grants were as follows:

Renewals expenditure	116,016	145,562
State grants	91,873	107,571
EU grants	21,749	29,921
	113,622	137,492

- (b) Road passenger vehicles at a cost of €21,782,000 (2002 - €21,983,000) were fully depreciated but still in use at the balance sheet date.

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

	Lives (Years)
Buildings	50
Railway lines and works	40
Railway rolling stock	15 to 20
Road passenger vehicles	8 to 14
Road freight vehicles	6 to 10
Plant and machinery	3 to 35
Docks, harbours and wharves	50
Catering equipment	4

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

	Rail	Road Passenger	Total
	Locomotives	Vehicles	Total
	€000	€000	€000
2003			
Cost	87,924	10,095	98,019
Accumulated depreciation	(32,180)	(9,846)	(42,026)
Net book value at 31st December, 2003	55,744	249	55,993
Depreciation for 2003	(4,944)	(951)	(5,895)

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

Notes to the Financial Statements

	2003	2002
	€000	€000
11. TANGIBLE FIXED ASSETS (continued)		
(f) Included in the additions above are payments on account in respect of assets as set out below which were not yet in service.		
Railway rolling stock	113,327	87,548
Road passenger vehicles	55	1,871
	113,382	89,419
(g) Tangible fixed assets include railway infrastructure assets as follows:		
Cost	523,980	471,452
Accumulated depreciation	(269,047)	(256,145)
Net book value at 31st December	254,933	215,307
Depreciation for year (note 2)	(12,902)	(10,622)

12 FINANCIAL ASSETS

	Trade Investments				Total	
	Listed Shares		Unlisted Shares		2003	2002
	2003	2002	2003	2002	2003	2002
	€000	€000	€000	€000	€000	€000
Group						
Cost or valuation	97	97	13	13	110	110
Provision for permanent diminution in value	(77)	(76)	(13)	(13)	(90)	(89)
Net book amounts at 31st December	20	21	-	-	20	21

	Subsidiary Companies			Trade Investments		Total
	Unlisted	Finance	Trade Investments	Unlisted	Total	
	Shares	Loans	listed	Shares		
	€000	€000	€000	€000	€000	€000
Company						
Cost or valuation at 1st January, 2003	90,151	167,566	59,566	34	13	317,330
Less: Reduction in						
- finance leases			(5,307)			(5,307)
- Loans		(500)				(500)
At 31st December, 2003	90,151	167,066	54,259	34	13	311,523
Provision for permanent diminution in value at 31st December, 2003	-			(34)	(13)	(47)
Net book amounts at 31st December, 2003	90,151	167,066	54,259	-	-	311,476

Loans to the subsidiary companies represents the net assets assigned to Iarnród Éireann - Irish Rail by Córas Iompair Éireann less share capital issued on its establishment following the re-organisation of Córas Iompair Éireann in 1987 and the term loan for school buses for Bus Éireann - Irish Bus.

Notes to the Financial Statements

	2003	2002
	€000	€000
13. STOCKS		
Maintenance materials and spare parts	20,993	21,296
Infrastructure stocks	17,511	22,683
Fuel, lubricants and other sundry stocks	6,254	4,995
	44,758	48,974

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

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

14. DEBTORS

Group

Trade debtors	17,236	19,374
Department of Education and Science	6,071	11,182
Property sales	-	25,623
LRT project	501	1,524
EU grants receivable	50,273	103,335
Other debtors and accrued income	18,091	16,104
	92,172	177,142

Company

Trade debtors	827	1,246
Property sales	-	25,623
LRT project	501	1,524
Other debtors and accrued income	6,132	5,323
	7,460	33,716

Notes to the Financial Statements

	2003	2002
	€000	€000
15. CREDITORS (amounts falling due within one year)		
Group		
Bank overdraft	12,418	26,247
Bank loans (note 17)	78,460	139,832
Finance lease obligations (note 26)	4,528	4,778
Trade creditors	72,377	62,674
Income tax deducted under PAYE	6,051	7,245
Pay related social insurance	6,164	6,173
Value added tax and other taxes	6,863	9,511
Other creditors	14,864	15,404
Restructuring provisions (note 18)	22,948	10,225
Fire insurance	-	1,762
Deferred income (note 19)	53,620	41,832
Accruals	36,032	36,614
Third party and employer's liability claims (note 18)	21,691	20,595
	336,016	382,892
Creditors for taxation and social welfare included above	19,078	22,929
Company		
Bank overdraft	2,195	2,574
Bank loans (note 17)	78,460	139,832
Finance lease obligations (note 26)	4,528	4,778
Trade creditors	2,879	3,987
Amounts owed to subsidiary companies	181,107	100,309
Income tax deducted under PAYE	(248)	640
Pay related social insurance	(62)	111
Value added tax and other taxes	1,446	1,601
Other creditors	7,859	7,836
Restructuring provisions (note 18)	991	1,275
Fire insurance	-	1,762
Deferred income (note 19)	2,594	1,570
Accruals	15,387	15,589
	297,136	281,864
Creditors for taxation and social welfare included above	1,136	2,352
16. CREDITORS (amounts falling due after more than one year)		
Group and Company		
Bank loans (note 17)	7,849	9,619
Finance lease obligations (note 26)	43,269	47,824
Irrecoverable value added tax on finance leases	5,815	6,266
	56,933	63,709

Notes to the Financial Statements

	2003	2002
	€000	€000

17. BANK LOANS

Group and Company

These loans are repayable as follows:

Within one year (<i>note 15</i>)	78,460	139,832
Between one and two years	6,849	1,770
Between two and five years	1,000	7,849
	<u>7,849</u>	<u>9,619</u>
Total	<u>86,309</u>	<u>149,451</u>

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 €76,689,000 (2002 - €132,140,000) relating to Irish commercial paper which are backed by committed medium term facilities which effectively extends the maturity of these instruments.

The Minister for Finance has guaranteed €84,309,000 of the above loans.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provisions	Third Party & Employer's Liability Claims	TOTAL
	€000	€000	€000
Group			
Balance at 1st January, 2003	10,225	167,172	177,397
Utilised during year	(11,839)	(18,828)	(30,667)
Transfer from profit and loss account			
Exceptional item	19,258	-	19,258
Other	5,304	32,066	37,370
	<u>24,562</u>	<u>32,066</u>	<u>56,628</u>
Balance carried forward at 31st December, 2003	<u>22,948</u>	<u>180,410</u>	<u>203,358</u>
Apportioned:			
Current liabilities (<i>note 15</i>)	22,948	21,691	44,639
Amounts falling due after more than one year	-	158,719	158,719
	<u>22,948</u>	<u>180,410</u>	<u>203,358</u>
Company			
Balance at 1st January, 2003	1,275	-	1,275
Utilised during year	(284)	-	(284)
Transfer from profit and loss account	-	-	-
Balance carried forward at 31st December, 2003	<u>991</u>	<u>-</u>	<u>991</u>
Apportioned:			
Current liabilities (<i>note 15</i>)	991	-	991
Amounts falling due after more than one year	-	-	-
	<u>991</u>	<u>-</u>	<u>991</u>

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

Notes to the Financial Statements

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(A) EXTERNAL INSURANCE COVER

The Board has the following external insurance cover:

- (i) Iarnród Éireann - Irish Rail
Third Party Liability in excess of
 - (a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event, and
 - (b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (ii) Bus Átha Cliath - Dublin Bus
Third Party Liability in excess of €2,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (iii) Bus Éireann - Irish Bus
Third Party Liability in excess of
 - (a) €1,680,000 for school buses, and
 - (b) €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (iv) Group
Third Party Liability in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except
 - (a) at Ossory Road, Dublin, in the case of flood damage, where the excess is a non-ranking €1,000,000, and
 - (b) any other flood damage where the excess is €250,000.
- (v) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2003 to March 2004, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann - Irish Rail	€10,000,000
Bus Átha Cliath - Dublin Bus	€15,000,000
Bus Éireann - Irish Bus	€10,000,000

subject to an overall Group self insured retention of €27,000,000.

- (vi) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2003 to March 2004, for rail and road transport Third Party and Other Risks liabilities

Notes to the Financial Statements

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(A) EXTERNAL INSURANCE COVER (continued)

(vii) Fire and Special Perils, including storm damage, to the Group's property in excess of €1,000,000 and an indemnity of €150,000,000 on any one loss or series of losses.

(viii) Terrorism indemnity cover for the Group is €100,000,000 with an excess of €150,000 in respect of property damage, increased to €500,000 in respect of rail and road rolling stock, for each and every loss.

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

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

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

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

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

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

Notes to the Financial Statements

19. DEFERRED INCOME

Group	1st Jan. 2003 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2003 €000
Capital grants				
Railway lines and works	14,304	9,559	(1,182)	22,681
Railway rolling stock	191,954	123,433	(7,736)	307,651
Plant and machinery	118,973	53,215	(8,636)	163,552
Docks, harbours and wharves	14,967	-	(110)	14,857
Land and buildings	87,462	43,678	(1,633)	129,507
Road passenger vehicles	94,745	14,346	(14,355)	94,736
	<u>522,405</u>	<u>244,231</u>	<u>(33,652)</u>	<u>732,984</u>
State grant for Railway Safety Investment Programme (1999 – 2003)	47,175	-	(7,862)	39,313
Write-off grant aided asset			(119)	(119)
Other deferred income	1,500	-	(210)	1,290
Revenue grants		1,360	(1,360)	-
Total	<u>571,080</u>	<u>245,591</u>	<u>(43,203)</u>	<u>773,468</u>

2003

€000

Apportioned:

Deferred income – amounts falling due within one year

53,620

Deferred income – amounts falling due after one year

719,848

773,468

Company	1st Jan. 2003 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2003 €000
European Union grant				
Capital grant				
Land and buildings	87,462	43,678	(1,633)	129,507
NDP infrastructure (I.T.) grant	-	2,896	(888)	2,008
Other deferred income	31	-	(1)	30
Total	<u>87,493</u>	<u>46,574</u>	<u>(2,522)</u>	<u>131,545</u>

2003

€000

Apportioned:

Deferred income – amounts falling due within one year

2,594

Deferred income – amounts falling due after one year

128,951

131,545

Notes to the Financial Statements

	2003	2002
	€000	€000
20. RECONCILIATION OF MOVEMENTS IN RESERVES		
Group		
Deficit for the year after State grants	(4,012)	(3,570)
Opening reserves	192,170	195,740
Closing reserves	<u>188,158</u>	<u>192,170</u>
Company		
Surplus for the year	6,474	24,891
Opening reserves	163,883	138,992
Closing reserves	<u>170,357</u>	<u>163,883</u>

21. ASSET REPLACEMENT RESERVE

	Railway Rolling Stock €000	Road Passenger Vehicles €000	Total €000
Group			
Balance at 31st December, 2003 and 2002	<u>135,806</u>	<u>101,504</u>	<u>237,310</u>

22. CASH FLOW STATEMENT

	Year ended 31st December	
	2003	2002
	€000	€000
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before State grants	(261,220)	(267,417)
State grants	<u>260,895</u>	<u>249,169</u>
	(325)	(18,248)
Depreciation	103,317	91,877
Write off of capital wip – feasibility studies	-	421
Amortisation of capital grants	(41,723)	(34,651)
Decrease in stocks	4,216	11,067
Decrease in debtors for EU revenue grants	15,371	1,016
Decrease in debtors	6,261	31,644
Increase in creditors and provisions	<u>31,621</u>	<u>26,562</u>
Net cash inflow from operating activities	<u>118,738</u>	<u>109,688</u>

Notes to the Financial Statements

	2003	2002
	€000	€000
22. CASH FLOW STATEMENT (continued)		
(B) Analysis of cash flows for headings netted in the cash flow statement		
Returns on investments and servicing of finance		
Interest received	117	114
Interest paid	(4,092)	(6,487)
Interest element of finance lease rental payments	(3,382)	(3,820)
State grant – DART interest	1,581	3,555
Net cash outflow for returns on investments and servicing of finance	(5,776)	(6,638)
Capital expenditure and financial investment		
Purchase of tangible assets	(400,685)	(371,800)
Disposal of tangible assets	25,806	8,465
State and EU capital grants	395,369	283,042
Net cash inflow/(outflow) for capital expenditure and financial investment	20,490	(80,293)
Financing		
Repayment of debt due within one year	(139,459)	(152,064)
New loans	76,689	134,640
Capital element of finance lease rental payments	(4,804)	(4,594)
Net cash outflow from financing	(67,574)	(22,018)

(C) Analysis of net debt

	At 1st Jan. 2003 €000	Cash Flow €000	Exchange movement €000	At 31st Dec. 2003 €000
Cash at bank and in hand	6,142	52,049	-	58,191
Bank overdrafts	(26,247)	13,829	-	(12,418)
		65,878		
Debt due after one year	(9,619)	1,397	373	(7,849)
Debt due within one year	(139,832)	61,372		(78,460)
Finance leases	(52,602)	4,805	-	(47,797)
		67,574		
Total	(222,158)	133,452	373	(88,333)

Notes to the Financial Statements

23. PENSIONS

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

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

An actuarial review was carried out as at 31st December 2002. The market value of the assets of the schemes at that date was €1,094,800,000 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 100% in respect of the Regular Wages Staff Scheme and 90% in respect of the Superannuation Scheme 1951.

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

The pensions cost for 2003 was €24, 419,000. (2002 - €19,302,000).

FRS 17 Pension disclosures

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

FINANCIAL ASSUMPTIONS

Major assumptions:

Date	31st Dec. 2003 % p.a.	31st Dec. 2002 % p.a.
Discount rate	5.20	5.40
Inflation	2.25	2.50
Pension increases	3.75	4.00
Salary increases	3.75	4.00

Notes to the Financial Statements

23. PENSIONS (continued)

SCHEME ASSETS

The expected long term rate of return of the assets of the defined benefit plans were:

	Long-term Rate of Return		Long-term Rate of Return	
	Expected at 31st Dec. 2003 % p.a.	Value at 31st Dec. 2003 €million	Expected at 31st Dec. 2002 % p.a.	Value at 31st Dec. 2002 €million
Equities	7.50	708	7.50	607
Property	6.50	121	5.00	114
Bonds	4.50	250	5.00	252
Cash	2.00	16	3.00	14
Total market value of assets		<u>1,095</u>		<u>987</u>

The following amounts at 31st December, 2003 and 31st December, 2002 were measured in accordance with the requirements of FRS 17.

	2003 €000	2002 €000
Total market value of assets	1,094,800	986,500
Present value of scheme liabilities	<u>(1,286,700)</u>	<u>(1,206,900)</u>
Deficit in scheme	(191,900)	(220,400)
Related deferred tax	-	-
Net pension liability at 31st December	<u>(191,900)</u>	<u>(220,400)</u>

If the above amounts had been recognised in the financial statements, the net assets and profit and loss reserve at 31st December, 2003 and 2002 would be as follows:

	2003 €million	2002 €million
Net assets excluding pension asset	188.16	192.17
Pension liability	<u>(191.90)</u>	<u>(220.40)</u>
Net liability including pension liability	<u>(3.74)</u>	<u>(28.23)</u>
Profit and loss reserve excluding pension asset	(90.22)	(86.21)
Pension reserve	<u>(191.90)</u>	<u>(220.40)</u>
Profit and loss reserve including pension liability	<u>(282.12)</u>	<u>(306.61)</u>

Notes to the Financial Statements

23. PENSIONS (continued)

The following amounts would have been recognised in the performance statements for the years ended 31st December under the requirements of FRS 17.

	2003	2002
	€000	€000
Operating profit		
Current service cost	30,000	21,100
Past service cost	2,400	4,700
Total operating charge	32,400	25,800
Other finance income		
Expected rate of return on pension scheme assets	63,700	85,300
Interest on pension scheme liabilities	(66,400)	(65,800)
	(2,700)	19,500
Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	56,600	(328,300)
Experience losses arising on the scheme liabilities	(47,900)	(49,200)
Changes in assumptions underlying the present value of the scheme liabilities	31,100	76,700
Actuarial gain/(loss) recognised in STRGL	39,800	(300,800)
Analysis of movement in (deficit)/surplus during the year		
Surplus in scheme at beginning of the year	(220,400)	69,200
Current service cost	(30,000)	(21,100)
Employer contributions	23,800	17,500
Past service costs	(2,400)	(4,700)
Other finance income	(2,700)	19,500
Actuarial gain/(loss)	39,800	(300,800)
Deficit in scheme at end of year	(191,900)	(220,400)
	2003	2002
Experience of gains and losses for the year ended 31st December		
Difference between expected and actual return on scheme assets:		
· Amount (€000)	56,600	(328,300)
· Percentage of scheme assets	5.2%	(33.3%)
Experience losses on scheme liabilities:		
· Amount (€000)	(47,900)	(49,200)
· Percentage of the present value of the scheme liabilities	(3.7%)	(4.1%)
Total amount recognised in STRGL:		
· Amount (€000)	39,800	(300,800)
· Percentage of the present value of the scheme liabilities	3.1%	(24.9%)

Notes to the Financial Statements

	2003	2002
	€000	€000
24. CAPITAL COMMITMENTS		
Contracted for	215,637	303,018
Authorised by Board but not contracted for	217,411	273,704
	433,048	576,722

Capital grants totalling €271.7 million have been approved in respect of €379.6 million of the above expenditure (2002 - €461.1 million on €538.8 million).

25. CONTINGENT LIABILITIES

Pending litigation

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

Finance Leases

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

Letters of credit

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

26 LEASE OBLIGATIONS

(A) Finance leases

Net obligations under finance leases fall due as follows:

Within one year (<i>note 15</i>)	4,528	4,778
Between one and five years	18,554	18,068
After five years	24,715	29,756
Total	47,997	52,602

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

(B) Operating leases

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

	On other than Land & Buildings
	€000
Within one year	2,538
Between one and five years	2,708
	5,246

Notes to the Financial Statements

27. RELATED PARTY TRANSACTIONS

(A) The ownership of the company

CIÉ is a statutory body set up under the Transport Act, 1950.
The members of the Board are appointed by the Minister for Transport.

(B) Provision of services to entities owned by the Irish Government

The Group provides rail and road transport services in the ordinary course of its business to Government departments and to entities controlled by the Irish Government, the principal of these being the Department of Education and Science, Department of Social and Family Affairs, Coillte, Aer Lingus and An Post. Revenue from these services amounted to €149.0 million in 2003 and amounts due from these entities to the Group at 31st December, 2003 for these services totalled €10.7 million. In addition the Group in 2003 provided management and other administrative services to the Railway Procurement Agency amounting to €0.3 million which was outstanding at the year end.

(C) Purchase of services from entities owned by the Irish Government

In the ordinary course of its business the Group purchases services from entities controlled by the Irish Government, the principal of these being Aer Lingus, the ESB and Great Southern Hotels. Expenditure on these services amounted to €15.2 million in 2003 and amounts due to these entities by the Group at 31st December, 2003 for these services totalled €0.5 million.

Notes to the Financial Statements

28. GROUP MEMBERSHIP

Name	Principal activity
Holding Company: C�oras Iompair �ireann	Public transport services
Subsidiary Companies (all wholly owned)	
Iarnr�d �ireann - Irish Rail	Public rail (passenger and freight) and road freight services
Bus �ireann - Irish Bus	Public bus passenger services
Bus �atha Cliath - Dublin Bus	Public bus passenger services
CIE Tours International Incorporated	Tours
Dubel Limited.	Catering services

Iarnr d  ireann - Irish Rail, Bus  ireann - Irish Bus and Bus  atha Cliath - Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Acts 1963 - 2003, as wholly owned subsidiaries of C oras Iompair  ireann in accordance with Section 6 of the Transport (Re-organisation of C oras Iompair  ireann) Act 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

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

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

The registered offices of the subsidiary companies are as follows:

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

29. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 5th May, 2004.