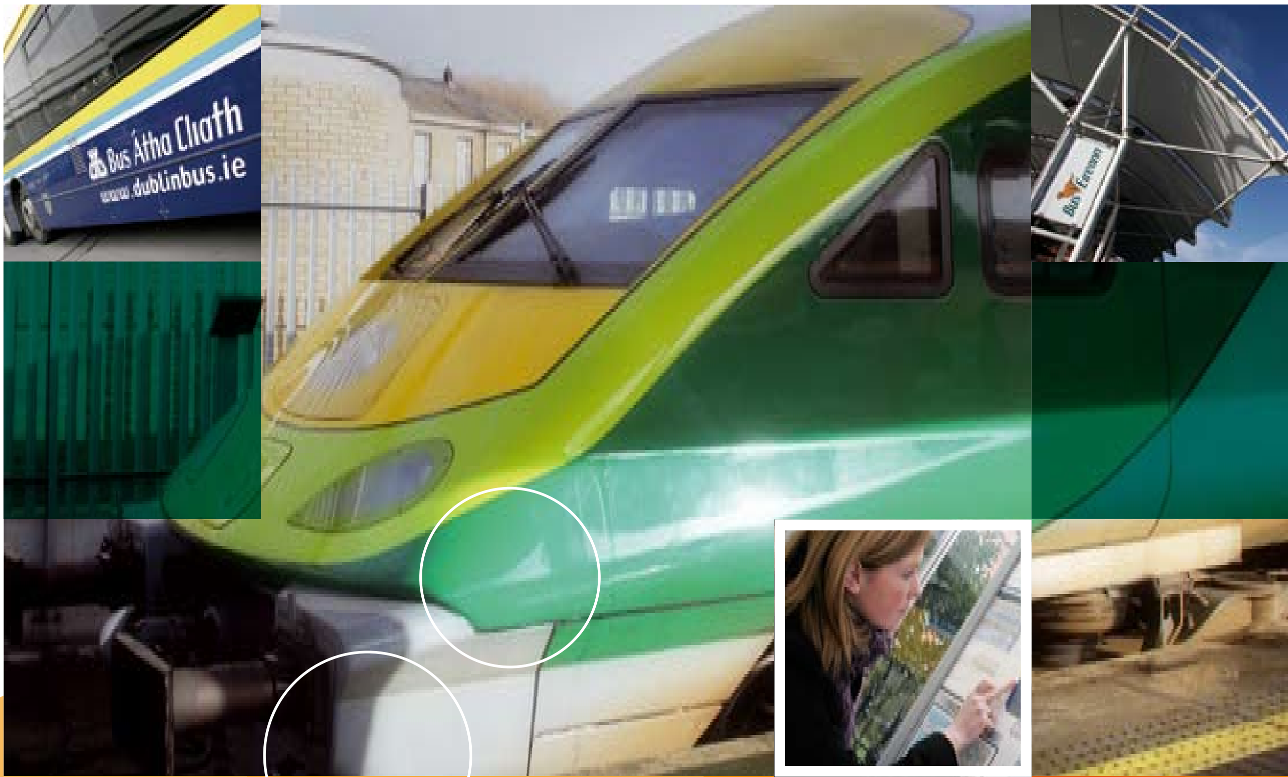
Córas Iompair Éireann

Annual Report and Financial Statements 2005



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Córas Iompair Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2000-2006 and Transport 21 as well as co-funding by the European Union.

Photographer: Mark McCall

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Chairman's Statement

The year 2005 was a milestone year for the CIÉ Group as customers received the tangible benefits of the €1.4 billion investment in new and more frequent trains, modernised track, with improved and extended stations as well as the upgrading of the DART with double capacity.

This badly needed pay-back for our customers has also given the Group a boost and placed Iarnród Éireann at the top of the European league as the fastest growing railway in Europe. The most recent European statistics just released (see figure 1 below) show Iarnród Éireann with a 41.8% increase in passenger numbers over a decade, well ahead of our EU partners.

The upward trend continued in 2005 with 38 million passengers travelling on our rail services, an increase of 9% on the preceding year. This represents serious progress in fulfilling our core duty to shift more people out of cars and on to public transport and restore to our cities a sustainable level of mobility.

In completing these key National Development Plan investments on time and on budget, the company has maintained its pole position in the State for cost-effective project delivery among recipients of large capital investment funding.

I would like at this stage to pay tribute to our customers for their patience and support during the five-year construction phase, particularly on the DART and also to thank our workforce around the country for their commitment.

The overall result for the CIÉ Group for 2005 is a surplus of €25.8 million compared to €19.5 million in 2004. These results are after taking into account the requirements of Accounting Standard FRS 17- Accounting for Retirement Benefits. Excluding the impact of FRS 17 the operating result for 2005 is a surplus of €15.1 million compared to a surplus of €20.5 million in 2004.

The CIÉ Group's finances are also in a healthy state and in 2005 the Group returned an operating surplus before FRS 17 of €15.1 million, with increases in revenue and services provided by the rail and bus companies. These results were achieved despite the temporary weekend curtailment of services to facilitate the DART Upgrade Project and the introduction of full Luas operations in Dublin.

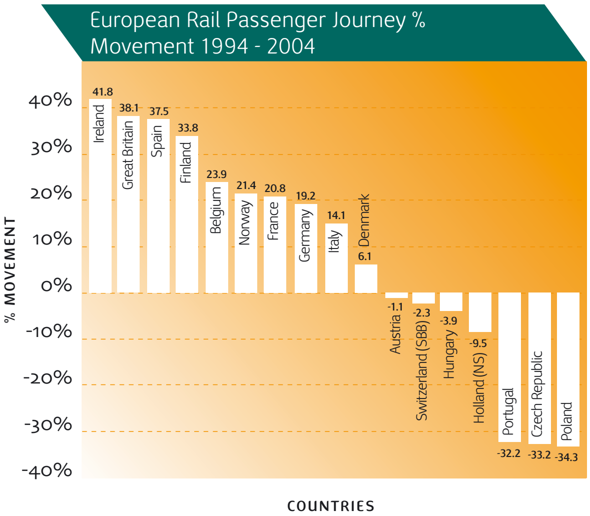
For our bus companies, traffic gridlock continues to be the single biggest bottleneck to progress for the companies and their customers. Last year traffic congestion is estimated to have cost both CIÉ bus companies more than €80 million and needs to be tackled through the provision of more bus priority measures.

Bus Átha Cliath during 2005 rose to the significant challenges it faced, including the effects of Luas operations to which it provides a backup service. It has displayed responsiveness in difficult operating conditions by being flexible and innovative with new services and products. The company's buses have again been shown to provide a real transport solution with immediate, measurable results and without doubt value for money for both the Government and commuters.

Bus Éireann too has performed very strongly in the provision of commuter services, both in the Greater Dublin Area and in the provincial cities. During the year the company invested €14.6 million purchasing service and school buses and on major refurbishments of bus stations including Busáras and Cork.

Iarnród Éireann completed a number of very intensive upgrading programmes that allowed it to make significant improvements to track and station facilities for the introduction of the new trains. As much of the essential investment in track is complete, customers are now experiencing the full benefits of this investment in state of the art trains and new improved timetables.

Figure 1. European rail passenger journey increases over 1994 to 2004 were as follows:



Source: International Union of Railways: (UIC) European Rail Statistics 1994 - 2004

The major railway investment programme has substantially improved both the capacity and the quality of the Suburban and Intercity railway network. The key features of the programme are as set out below:

Suburban:

- Additional commuter services for Drogheda and Athlone, with Maynooth Line peak capacity boosted by 40%.
- 8-carriage DARTs operating at peak times, with more DARTs serving Malahide and Portmarnock.
- Railcar commuter fleet increased by 36 carriages to 180, with 150 Intercity railcars now on order for future expansion.
- DART Upgrade project delivered on time and on budget.
- Longer more accessible platforms at all DART stations.
- Kildare Route investment project launched.

Intercity:

- 35 new Cork-Dublin carriages delivered (32 more on the way). New carriages meet best accessibility standards.
- New trains for Sligo Line with additional 6 daily services for Tralee.
- More Sunday services between Dublin and Galway, Limerick, Tralee and Cork.
- Sligo and Tralee Lines upgraded with state of the art signalling systems.
- Modern high-speed continuous welded rail on all major routes.
- Major upgrading of Heuston Station.
- Platforms lengthened and upgraded across the Intercity network.
- Online reservation facilities expanded – www.irishrail.ie.
- Automatic ticket vending machines now operational in 80 stations.

The company also welcomed the adoption by the Government of long-term multi-annual planning for transport systems, an approach which ensures that it can plan effectively for the needs of commuters into the future.

The Government's Transport 21 Plan, launched during the year under review, represents an enormous vote of confidence in public transport. The major rail developments included in this plan will give a huge boost to existing rail commuter business as well as benefiting the new communities that will be served by re-opened lines.

Chairman's Statement continued

Projects in the Transport 21 Plan on which major progress is envisaged in 2006 include:

- Dublin city centre re-signalling
- Docklands station
- Kildare Route project
- Cork-Midleton Line reopening
- Intercity fleet investment
- Continued safety investment

Other projects include:

- Interconnector
- Electrification of commuter lines
- Navan Line reopening

I and my Board look forward to delivering these projects which will give Ireland a truly world class rail system. Iarnród Éireann will bring the highest standards of project management to this task. The company has an unmatched record in delivering most major capital investment projects on time and on budget.

Bus Átha Cliath is in the final stages of completing an in-depth network review. Consideration has been given during the network review to the demographic changes expected, Transport 21 Plan developments, the programmes of the local authorities for Quality Bus Corridors and infrastructure development plus other critical issues such as the city centre management and the need for integration.

Despite the slow pace, buses remain the major form of public transport in Dublin with 146 million passenger journeys on Bus Átha Cliath in 2005.

Dublin is now considered by transport experts to have some of the worst congestion and gridlock situations for a city of its size. This results in peak-hour services running 36% slower than the international average.

During 2005, Bus Átha Cliath expended €20.4 million on 66 new buses, of which 16 were additional new triaxle vehicles and €2.8 million on CCTV and accessibility projects.

There is ongoing development in the capacity and quality of the company's services. The new triaxel bus has a 20% increased capacity. Use of bio-fuel to supplement diesel is currently undergoing testing. In 2005 the company received an O_2 Ability Award for Leadership and in 2006 received an O_2 Ability Award for "Retention and Well-Being".

Bus Éireann too has been very active in the Greater Dublin Area where commuters on its services are now at an all-time high in excess of 75,000 passenger journeys per week.

During 2005 Bus Éireann also established new and expanded routes and the frequencies of other services were increased, covering Cork, Limerick, the West of Ireland and Donegal.

To accommodate the growing demand in the expanding Dublin Commuter Area the frequency, range and number of services have been increased. Earlier morning and later night services are also being introduced to meet the demand. Alternative termini in city centres are being used to connect densely populated areas such as Ashbourne via Ratoath to Blanchardstown.

As with Bus Átha Cliath gridlock continues to plague Bus Éireann's schedules and the figures for 2005, updated by consultants BDO Simpson Xavier, reveal that:

- Congestion in Dublin is estimated to have cost Bus Átha Cliath €60 million during 2005.
- Bus Éireann is estimated to have lost out on €20 million because of traffic jams in Cork, Limerick, Galway and Waterford cities.

Chairman's Statement continued

CIÉ Holding Company

The commercial activities carried out by the CIÉ holding company, including CIE Tours, the Property Division and Commuter Advertising Network, all contributed to the Group's positive return during the year under review.

CIE Tours International, with gross revenues of €51 million, was voted by the Travel and Leisure Magazine, for the second time, into the "Top 15 Tour Operators" in the world in the annual "World's Best Awards". In January 2006 the Irish Travel Agents Association again voted CIE Tours "Best Coach Tour Company" in 2005.

Group Property realised €6.0 million from the sale of surplus properties in 2005. This division is involved in developments at Cork, Galway, Dublin and Kilkenny.

Commuter Advertising Network (CAN) made a net profit of €6.8 million from outdoor advertising sales during the year. An extensive campaign is ongoing to increase sites and introduce tri-vision.

Navan school bus accident

The Navan school bus tragedy occurred on 23rd May, 2005, claiming the lives of 5 young schoolgirls. I would again like to take this opportunity to express the sympathy of the Board, the management and all of the staff of the CIÉ Group to the families and friends of all those who died, were injured or affected by this terrible tragedy.

Acknowledgements

Mr. Justin Baily and Mr. Norman Wilkinson retired from the Board on 1st March, 2005. I would like to thank them for their contribution to CIÉ during their tenure as Board members. Mr. Paul Kiely and Mr. John Sorohan were re-appointed to the Board on 2nd March, 2005. Ms. Mary Canniffe, Mr. Neil Ormond and Prof. Yvonne Scannell were also appointed to the Board on that date. In addition, I was re-appointed as Chairman of the Board on 28th March, 2005. Mr. Kevin Cronin resigned from the Board on 19th April, 2005. Even though his time on the Board was relatively short, I would like to thank Mr. Cronin for his contribution.

Mr. Gerry Charles and Ms. Anne Marie Mannix, who did not seek re-election in the Worker Director Elections held in October 2005, retired from the Board on 30th November, 2005. I would like to thank both of them for their hard work on the CIÉ Board, various subsidiary boards and board committees over the past number of years. Following these elections Mr. Paul Cullen and Mr. Bill McCamley were re-elected and subsequently re-appointed to the Board on 1st December, 2005. In addition, Ms. Mary Johnston and Mr. John Moloney were elected and were also appointed to the Board on 1st December, 2005.

On behalf of the Board, I would like to express our thanks to the Minister for Transport, Mr. Martin Cullen 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 and for the commitment given under the new Transport 21 Plan, 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.

John J. Lynch
Chairman

Operations Review

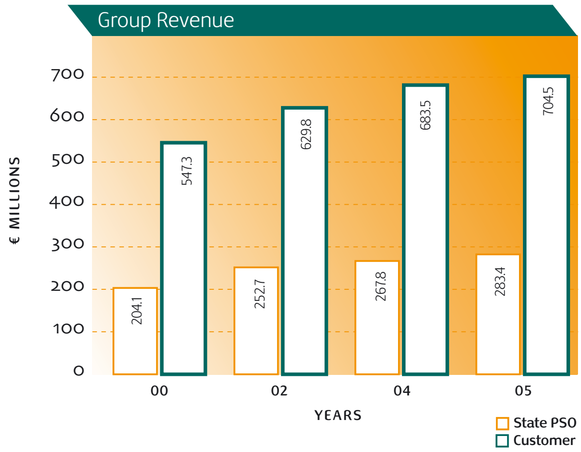
Group Results

The overall result for CIÉ Group operations for 2005 was an operating surplus of €15.1 million as compared to an operating surplus of €20.5 million in 2004. When you take into account the effects of FRS 17, "Retirement Benefits" the surplus is €25.8 million for 2005 and €19.5 million for 2004:

	2005 **€M**	2004 Restated €M
Revenue	**704.5**	683.5
Public Service Obligation grant payment and Rail Safety Grant	**283.4**	267.8
Total	**987.9**	951.3
Payroll and related costs	**(534.0)**	(511.9)
Other operating costs	**(440.6)**	(443.9)
Financial costs	**6.8**	(1.3)
Profit on disposal of tangible assets	**5.7**	25.3
Total	**(962.1)**	(931.8)
Surplus including FRS 17 pension cost adjustments	**25.8**	19.5
FRS 17 pension cost adjustments	**(10.7)**	1.0
Operating surplus excluding FRS 17 pension cost adjustments	**15.1**	20.5

Revenue

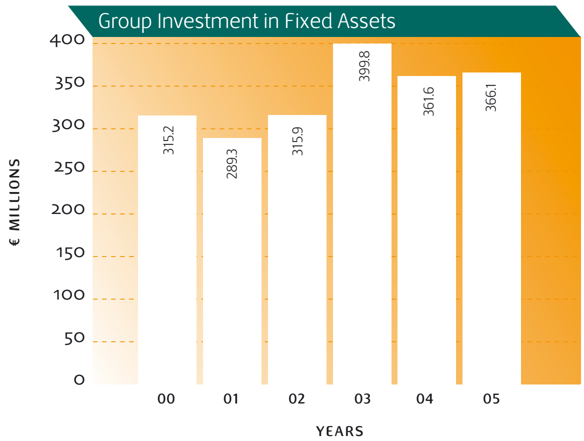
Customer revenue increased by €21.0 million, with Bus Éireann showing the biggest increase at €14.8 million followed by Iarnród Éireann €6.8 million, Bus Átha Cliath at €3.9 million, and the holding company a decrease of €4.5 million. The increase in revenue arises from increased service levels being provided by the operating companies and price increases.



The Public Service Obligation grant payments for the provision of public transport services increased to €270.1 million, an increase of €12.9 million for the year. Iarnród Éireann also received €13.3 million for the Railway Safety Investment Programme (2004 - €10.6 million).

In addition, the Group received Exchequer funding of €289 million for capital expenditure and also €3.7 million in revenue support grants that were credited to the consolidated profit and loss account.

Group investment for 2005 amounted to €366.1 million (2004- €361.6 million).



Operations Review continued

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

Payroll costs increased by €22.1 million, due mainly to pay awards under the Programme for Sustaining Progress and increased pension costs.

Other operating costs of €440.6 million include €7.9 million for exceptional operating costs in Iarnród Éireann.

Group companies

The detailed operations reviews for Iarnród Éireann, Bus Átha Cliath and Bus Éireann are contained in each company's separate Annual Report included in this CD with the CIÉ Group Annual Report.

Iarnród Éireann

In 2005 customers saw the tangible benefits of new trains, major capacity increases (doubling the size of DART and Commuter services in greater Dublin and Cork) as well as major station improvements and matching customer initiatives.

Financial results

The surplus before exceptional items in 2005 amounted to €15.4 million compared to a surplus of €2.4 million in 2004, an improvement of €13 million.

Included in the operating results are revenue losses estimated at €3.4 million arising from the closure of DART services on many weekends during the year to facilitate the earliest completion of the DART Upgrade project.

An overall surplus of €7.5 million, after exceptional items of €7.9 million, was earned in 2005, compared to a net deficit of €16.7 million in 2004, a betterment of €24.2 million.

Major investment projects - on time and on budget

Iarnród Éireann's strong record of delivering most major projects on time and on or better than budget continued in 2005. Of a total investment projects programme totalling €1.4 billion commenced, underway or concluded in 2005, the company is currently €37 million better than budget for these schemes.

Following the completion of track renewal on the core national network in 2004, a signalling modernisation project was completed in 2005 for the Tralee-Mallow and Sligo-Dublin lines, yielding safety and efficiency benefits.

Iarnród Éireann has invested over €1.4 billion in rebuilding the railways since 2000, with Government and EU support. This investment programme is delivering improvements in new trains, upgraded infrastructure and customer facilities.

Greater Dublin commuter lines

In 2005, commuter customers again benefited from new fleet, with 36 commuter railcars currently being delivered, in addition to 80 railcar carriages which entered service in 2003 and 2004.

On the Maynooth line alone the capacity grew by 40% with service improvements introduced in January 2006. The route, which runs through some of the fastest growing communities in the country such as Leixlip, Clonsilla and Castleknock, will now have capacity for over one million additional peak journeys each year.

Operations Review continued

Drogheda, Athlone and Kildare also benefited from additional peak commuter services. Plans were announced to expand peak commuter services from Carlow and introduce a new commuter service from Kilkenny.

DART

DART completed a five-year development process which facilitated doubling the carrying capacity of a peak DART train to 1,500 commuters with eight-carriage trains. Up to the year 2000, peak DART services operated as four-carriage trains. A major fleet investment programme together with the DART Upgrade (which resulted in longer platforms, overhead line renewal and enhanced facilities for the mobility-impaired) was substantially completed in 2005. The DART Upgrade project is being completed on time and on budget. Iarnród Éireann particularly thanks weekend commuters for their patience and understanding during the DART Upgrade.

Intercity

The Intercity investment programme for track and infrastructure has been completed. The new trains are arriving for Intercity, with the first 67 new carriages dedicated to the Cork-Dublin route undergoing testing at present.

These trains began entering service in Spring 2006, and an hourly service on the Cork-Dublin route will be introduced in 2007.

In 2005, the order for an additional 120 Intercity railcars was increased to 150 units. These trains will operate on the remainder of the Intercity network, delivering quality, comfort and frequency benefits. With these two major orders, Iarnród Éireann will have transformed the Intercity fleet from what is currently the oldest fleet in Europe to the most modern fleet by 2008.

Bus Átha Cliath

During 2005, Bus Átha Cliath's efforts were concentrated on maximizing the return on Government investment, reaching operational and cost efficiency targets.

In 2005, revenue increased to over €181 million and the company achieved a net operating surplus of €2 million.

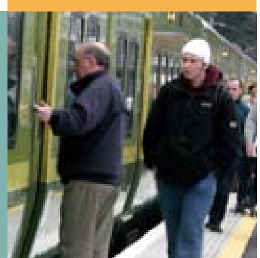
In financial terms, Bus Átha Cliath received, like all public transport companies in Europe, a Public Service Obligation (PSO) payment. In 2005 this PSO, amounting to €65 million, accounted for 26% of the expenditure. This is one of the lowest subsidy levels given to a European public transport bus company.

Passenger journeys

Bus Átha Cliath passenger journeys totalled 146 million during the year. Notwithstanding the significant investment in the construction and introduction of the Luas in 2004/2005, Bus Átha Cliath has remained the largest public transport provider in Dublin, with 93% of the population therein having access to its services. An analysis of the distribution of carryings demonstrates a growth across many geographic areas, in particular Quality Bus Corridor (QBC) route alignments. The company is also the largest passenger transport provider in Ireland.

€60 Million gridlock cost

The estimated cost of traffic congestion to Bus Átha Cliath rose by 21.7% in 2005 to €60.05 million from €49.36 million in 2004. Peak and off-peak speeds have again decreased, placing it further down the list when compared to public transport in other international cities, according to a report for the company by consultants BDO Simpson Xavier.



Operations Review continued

Peak morning speeds have dropped from 14.6km/h in 2001 to 12.9km/h in 2005, according to the report.

Bus Átha Cliath – top European performer

Bus Átha Cliath continues to rank at the higher end of bus transport performance in Europe. This is an exceptional outcome as the company has one of the lowest levels of PSO payment and a gridlocked operating environment.

In a most recent study, Bus Átha Cliath ranked higher than many better funded European operators. Independent analysis now places 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, frequency of service and staff behaviour.

New ticketing system

Bus Átha Cliath is working closely with the Railway Procurement Agency (RPA) to ensure the smooth migration to smart card ticketing. The RPA has been mandated by Government to develop the national integrated ticketing system.

Bus Éireann

In 2005, Bus Éireann achieved record passenger numbers of 93 million including 43.6 million passengers under the School Transport Scheme. The company performed very strongly in the provision of commuter services, both in the Greater Dublin Area and in the provincial cities. However, congestion continues to cost both the company and the customer and this needs tackling through the provision of more bus priority measures.

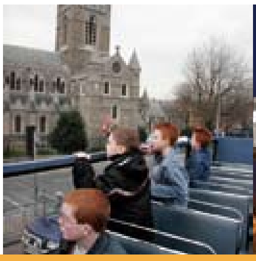
Commuters in Cork faced the second-worst congestion conditions in the country, with the speed of rush hour bus journeys in the city averaging 24.4km/h, Limerick is somewhat better with speeds of 39km/h and Galway averaging 35km/h.

The growth in customer demand was experienced in all areas right across the business, with increased passenger numbers on Expressway, Commuter and Provincial City services.

Provincial City services accounted for 21.6 million passengers and 18 million passengers travelled on commuter services.

Key developments in 2005

- The company invested €7.3 million in new vehicles to provide customers with more modern and comfortable coaches.
- Major refurbishment programmes in bus stations at Cork, Ballina and Sligo were completed in 2005, and several others such as Tralee were begun. A milestone was reached in mid 2005 with the completion of the first phase of the multi-million euro redevelopment of Busáras, with the second phase commencing in 2006.
- A major upgrade to the School Transport fleet commenced, and important improvements to enhance safety and comfort for pupils were introduced.



Operations Review continued

- New services were introduced in Cork and frequencies were improved in Limerick to cater for demand on both the commuter and city services.

- A significant expansion of services in the West and North-West took place in 2005, concentrated in Donegal and on the West of Ireland bus corridor, providing a well-received boost for tourism and transport links in those regions.

Dublin: Record passenger numbers

In 2005, passenger numbers on Bus Éireann commuter services in the Greater Dublin Area grew by 10%. Dublin city commuters on Bus Éireann services have doubled since 1999 to 15,000 passenger journeys per day and in excess of 75,000 per week.

Growth in passenger numbers – expansion in services

In 2005, the Dublin Commuter Area continued to extend further out and now stretches to a 110 kilometre radius of the capital, from Dundalk and Cavan to the North, Mullingar and Edenderry to the West and Gorey to the South.

Bus Éireann continued to respond to the needs of the growing Dublin Commuter Area in 2005 by:

- Increasing the number of vehicles serving commuter routes.

- Increasing the frequency, range and number of services.

In excess of 150 vehicles were operated by Bus Éireann daily to cater for the vast volume of commuters. Bus Éireann used 105 service vehicles on a daily basis, supplemented with 45 sub-contracted additional vehicles.

In order to cater for the increasing passenger numbers over the past five years, Bus Éireann has enhanced the frequency on all key commuter routes. Frequency was particularly enhanced on routes from Meath into Dublin.

Earlier morning and later night services

A growing trend is the rising demand for ever earlier morning services and increasingly later evening return services. Bus Éireann has responded by placing earlier and later services in operation. Commuters are increasingly opting for earlier morning departures in an effort to avoid delays arising from traffic congestion.

Alternative termini in city centres

Recognising the shifting demand for transport to destinations other than Dublin city centre, Bus Éireann commenced a range of new services in 2005 serving industrial estates and zones on the outskirts of Dublin. A new service was introduced from densely populated Ashbourne via Ratoath to Blanchardstown to serve the needs of shoppers and workers.

The first dedicated service operated by Bus Éireann to link with Luas was introduced, serving the needs of passengers going from Wicklow via Bray to Sandyford Industrial Estate, and linking with the Luas line. To meet with increased demand for termini beyond the city centre, there has also been a move towards the provision of cross-city services to popular destinations such as Belfield.

Operations Review continued

Traffic congestion

Despite the substantial progress in delivering new services and growing customer numbers in 2005, traffic congestion continues to adversely affect journey times and operational speeds on commuter routes – to the detriment of the customer and the company.

BDO Simpson Xavier has estimated the cost of congestion to Bus Éireann annually since 2000 when it was estimated at €10.49 million to €20.53 million for 2005.

Bus priority measures, where they have been introduced, have succeeded in attracting thousands of new passengers to public transport by improving journey times and reliability. They demonstrate that when bus journey times are shorter than journey times in a private car, motorists will make the switch.

The provision of bus lanes on certain routes has led to improved journey times for some Bus Éireann commuter routes. Commuter services from Mullingar, Edenderry and Clane, for example, have benefited significantly from the Lucan Quality Bus Corridor on the N4.

By contrast, services on the Navan road, where there is only a partial bus lane, experience severe delays. The worst hit services are those from Ashbourne and Kells which can run forty minutes over schedule in the morning peak, such is the extent of the congestion.

Outside of Dublin, the 'Green Route' bus lanes in Cork are proving very successful at reducing journey times on Bus Éireann services. Two Green Routes from Grange and Bishopstown to the city have been created and two additional routes from Mayfield to the city and from Cork Airport to the city are coming on stream in 2006.

In Galway the bus lane from Galway Mayo Institute of Technology to the city has also cut journey times and improved the reliability of the service.

Bus Éireann has long supported the introduction of bus priority measures, which are vital if the congestion is to be alleviated. However, while there has been progress in certain areas, a more extensive rollout of bus priority measures is required.

The following measures have the potential to alleviate congestion:

- Priority at traffic signals should be enhanced to improve commuter traffic travel times, so making public transport more attractive.
- Creation of continuous bus lanes where at present sections thereon without the bus lane are causing pinch points.
- Extension of existing bus lanes where road space is available, to facilitate commuter services all the way to city centre.
- Conversion of hard shoulders to bus use would create more road space for other road users while improving bus traffic flow.
- Bus access to Luas Lines, particularly at peak periods, would result in major time savings where a continuous bus lane is not in place.

CIÉ Group Services

CIE Tours International

CIE Tours International in 2005 continued to manage its business both successfully and profitably. In a climate where tourism business generally found trading conditions difficult, CIE Tours with 47,000 passengers generated gross revenues of €51 million, down 8% on the preceding year.

A very pleasing aspect, however, of the 2005 performance was that again the core business of coach touring in Ireland remained particularly strong. This was good news not only for CIE Tours but also the many hundreds of rural tourism attractions and accommodation providers. Profitability was good and coach loadings were at costed levels.

The revenue decrease was most notable in business generated out of the USA where the decrease overall and the uncertainty in mid year in Dollar values created spending power dilemmas for intending travellers.

During 2005, CIE Tours invested heavily in internet technology systems and have moved into the 2006 season with fully integrated booking, operating and accounting systems.

Throughout the year a continuous programme of rationalisation of business process and market/product involvement was necessary, to maintain overall profitability and to ensure that the business is both relevant to and required by the targeted customer.

Group property

CIÉ Property Division realised €6.0 million from the sale of surplus property.

Rental income amounted to €13.1 million, an increase of 2.3% on 2004, when exceptional wayleave and additional payments for earlier years from Esat BT Ireland, which were received in 2004, are excluded.

The Division is presently working on major projects in Dublin (Spencer Dock, Barrow Street and Upper Abbey Street/Great Strand Street), Cork (Kent Station), Eyre Square in Galway, Kilkenny and Portlaoise on behalf of the subsidiary companies.

The Property Division continues to provide professional advice to the various infrastructural projects of Iarnród Éireann, e.g. DART extension, level crossing closures, Kildare Line Upgrade, Middleton and Pace (Dunboyne) etc.

Revaluation of the Railway for rating purposes, which was carried out in 2005, was finally agreed with the Valuation Office and a Global Valuation established.

Commuter Advertising Network (CAN)

CAN returned a net profit of €6.8 million for 2005 from the sale of bus and rail advertising formats. It is continuing its strategy of developing new commercial opportunities, including maximising the advertising revenue potential on its property. In December 2005, Titan Outdoor was successful in tendering for the outdoor business and was awarded a five year contract to market and sell the advertising plant, with particular emphasis on both companies working in partnership.

Corporate Issues

Employment

The number of people employed by the CIÉ Group at the end of 2005 was 11,823, a decrease of 149 as compared with 2004.

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. Employees 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. The range of Work Life Balance initiatives available to staff in the Group are kept under ongoing review. The Group participates with a variety of external organisations in developing its practices and procedures e.g. by being a member of the Diversity in the Workplace Working Group in IBEC. It also has regular consultation with representatives from organisations for the mobility-impaired to establish priorities for investments in facilities for such groups.

Safety, health and welfare

The board safety committee in each of the operating companies continue to actively support the safety programmes of each company and encourages the widest possible involvement in safety promotion and accident prevention.

Employee Well-Being Programmes are also operated by the group companies.

Payment practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment) Regulation 2002. The payment policy throughout the Group in 2005 was to comply with the requirements of the Regulation.

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.

Principal risks

The CIÉ Group deal with the principal risks to the businesses in a number of ways including health and safety described above. A risk register is maintained by each of the companies and updated periodically with the various risks and the action plans for addressing these.

Iarnród Éireann, on behalf of itself, Bus Átha Cliath and Bus Éireann, enters into Commodity Swap contracts for fuel. Córas Iompair Éireann (CIÉ) undertakes currency forward purchasing where it deems there is value and reduced risk to the Group.

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, inter-city, rural and school bus travel
- Road freight haulage
- Harbour management
- Event/holiday tours
- Ancillary services:
  Project management; Property; Legal; Insurance/ Liability management; IT and Telecom services.

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.

CIE

Córas Iompair Éireann

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

Iarnród Éireann

Intercity
Long Distance Commuter
Road Freight
Network Catering (Dubel Ltd.)
Suburban
Rail Freight
Rosslare Harbour

Bus Éireann

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

Bus Átha Cliath

City services
Nitelink
City tours
Xpresso
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, 2005, or since appointed, are set out here. Except where indicated they served as Board members for the whole year.

Dr. J. J. Lynch	Executive Chairman (Re-appointed 28th March, 2005)
Ms. M. Canniffe	(Appointed 2nd March, 2005)
Mr. P. Cullen*	(Re-appointed 1st December, 2005)
Ms. M. Johnston*	(Appointed 1st December, 2005)
Mr. P. Kiely	(Re-appointed 2nd March, 2005)
Mr. B. McCamley*	(Re-appointed 1st December, 2005)
Mr. J. Moloney*	(Appointed 1st December, 2005)
Mr. N. Ormond	(Appointed 2nd March, 2005)
Prof. Y. Scannell	(Appointed 2nd March, 2005)
Mr. J. Sorohan	(Re-appointed 2nd March, 2005)
Ms. M. Walsh	

Mr. J. Baily	(Retired 1st March, 2005)
Mr. G. Charles*	(Retired 30th November, 2005)
Mr. K. Cronin	(Resigned 19th April, 2005)
Ms. A. M. Mannix*	(Retired 30th November, 2005)
Mr. N. Wilkinson	(Retired 1st March, 2005)

* Worker member

1 vacancy

Secretary of the Board

Ms. G. Finucane,
Heuston Station,
Dublin 8.
Telephone + 353 1 703 2008
Facsimile + 353 1 703 2276

Board Committees at 5th April, 2006

Audit Committee

Mr. P. Kiely	Chairman (Re-appointed 2nd March, 2005)
Mr. J. Baily	(Retired 1st March, 2005)
Ms. M. Canniffe	(Appointed 1st June, 2005)
Mr. N. Ormond	(Appointed 7th December, 2005)
Mr. J. Sorohan	(Re-appointed 2nd March, 2005)
Mr. N. Wilkinson	(Retired 1st March, 2005)

Finance Committee

Mr. P. Kiely	Chairman (Re-appointed 2nd March, 2005)
Mr. J. Baily	(Retired 1st March, 2005)
Mr. J. Sorohan	(Re-appointed 2nd March, 2005)
Ms. M. Walsh	

1 vacancy

Remuneration Committee

Mr. P. Kiely	Chairman (Re-appointed 2nd March, 2005)
Dr. J. J. Lynch	(Re-appointed 2nd March, 2005)
Mr. J. Sorohan	(Appointed 4th May, 2005)
Mr. N. Wilkinson	(Retired 1st March, 2005)

Members of the Board and Group Management continued

Property Committee

Ms. M. Walsh	Chairperson
Mr. G. Charles	(Retired 30th November, 2005)
Ms. A. M. Mannix	(Retired 30th November, 2005)
Mr. N. Ormond	(Appointed 1st June, 2005)
2 vacancies	

Group Management

Mr. J. Cullen	Chief Financial Officer
Mr. B. Dowling	Managing Director, CIE Tours International
Mr. D. Fearn	Chief Executive, Iarnród Éireann
Mr. T. Hayes	Chief Executive, Bus Éireann
Mr. J. Meagher	Chief Executive, 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 with one vacancy at present. The Government appoints the Chairman and seven other non-executive members to the Board. The Minister for Transport 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 and a Remuneration Committee. Their members are listed on pages 16 and 17.

Audit Committee

The Audit Committee has written terms of reference, and is composed of four 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 four Board members and has written terms of reference. There is one vacancy on this committee at present. 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 that 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 New Works 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.

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 the internal audit department 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 (EWRM) process is in place to address the implications of major business risks including financial, operational, strategic, hazard and compliance risks. This process would provide the assurance that material risks will be identified and appropriate actions undertaken. Documented Risk Registers are in place.

Corporate Governance Statement continued

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 that, 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 Córas Iompair Éireann) 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 24 to 61 that have been prepared under the historical cost convention, and the accounting policies set out on pages 24 to 26.

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 issued by the Accounting Standards Board published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practices in Ireland) are set out on page 21 in the Statement of Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the 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 in accordance with Generally Accepted Accounting Practices in Ireland. 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 and, where practicable, include such information in our report.

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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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.

Auditors' Report to the Minister For Transport continued

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, 2005 and of the surplus 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,

5th April, 2006.

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 2005. 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 costs spread over a fifty-year life. The book value of land and buildings which are available for sale and likely to be disposed of in the next twelve months is 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.

(F) Stocks

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

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

(G) European Union and Public Service Obligations and other Exchequer 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

Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability. The defined pension charge to operating profit comprises the current service cost and past service costs. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the profit and loss account as other finance income. Actuarial gains and losses arising from the changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

In previous years, the defined benefit pension charge to the profit and loss account comprised the regular cost calculated by the actuary, as adjusted by the effect of allocating any variations from that regular cost over the expected remaining service lives of employees in the scheme. Such variations from regular cost arose from changes in actuarial assumptions and from experience surpluses and deficits.

(J) Changes in Accounting Policies

The financial statements have been prepared using the same accounting policies as set in the financial statements for the year ended 31st December, 2004 with the exception of the accounting policy on retirement benefits following the adoption of FRS 17 “Retirement Benefits”. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

(K) 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	2005 €000	2004 €000 Restated
Revenue		1	**704,520**	683,547
Costs				
Payroll and related costs		3	**(534,023)**	(511,952)
Materials and services		4	**(380,110)**	(368,314)
Depreciation		5	**(52,589)**	(56,375)
Exceptional operating costs		6	**(7,887)**	(19,174)
Total operating costs			**(974,609)**	(955,815)
Deficit before profit on disposal of tangible assets, interest and Public Service Obligations			**(270,089)**	(272,268)
Profit on disposal of tangible assets		7	**5,675**	25,265
Deficit before interest and Public Service Obligations			**(264,414)**	(247,003)
Interest receivable			**302**	119
Interest payable	- Operational	8	**(889)**	(1,939)
	- Railway infrastructure	8	**(1,545)**	(2,212)
Other finance income		24	**8,900**	2,700
Deficit for the year before Public Service Obligations			**(257,646)**	(248,335)
Public Service Obligation and grants		9	**283,427**	267,786
Surplus for the year			**25,781**	19,451

Movements in reserves are shown in Notes 20, 21 and 22 to the financial statements.

All figures relate to the continuing activities of the Group.

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Statement of Total Recognised Gains and Losses

	Notes	Year ended 31st December 2005 €000	2004 €000
Surplus for the year		**25,781**	19,451
Actuarial loss in respect of pension scheme	24	**(8,100)**	(94,100)
Total recognised gains and losses relating to the year		**17,681**	(74,649)
Prior year adjustment	20	**(287,000)**	
Total recognised gains and losses since last financial statements		**(269,319)**	

Consolidated Balance Sheet

As at 31st December	Notes	2005	2004
		€000	€000
			Restated
Fixed assets			
Tangible assets	11	1,628,195	1,459,124
Financial assets	12	20	20
		1,628,215	1,459,144
Current assets			
Stocks	13	49,022	39,678
Debtors	14	211,285	93,669
Cash at bank and in hand		4,851	2,535
		265,158	135,882
Creditors (amounts falling due within one year)	15	(397,769)	(378,703)
Net current liabilities		(132,611)	(242,821)
Total assets less current liabilities		1,495,604	1,216,323
Creditors (amounts falling due after more than one year)	16	(40,076)	(45,495)
Provisions for liabilities and charges	18	(186,152)	(176,320)
Retirement benefits obligations	24	(284,400)	(287,000)
Deferred income	19	(1,045,686)	(785,899)
		(60,710)	(78,391)
Financed by:			
Reserves			
Asset replacement reserve	22	237,310	237,310
Capital reserve		28,556	28,556
Profit and loss account deficit	20	(339,087)	(356,768)
Non-repayable State advances		12,511	12,511
	21	(60,710)	(78,391)

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Company Balance Sheet

As at 31st December	Notes	2005	2004
		€000	€000
Fixed assets			
Tangible assets	11	394,660	341,160
Financial assets	12	300,959	306,074
		695,619	647,234
Current assets			
Debtors	14	90,437	99,736
Cash at bank and in hand		3,264	2,225
		93,701	101,961
Creditors (amounts falling due within one year)	15	(325,397)	(340,625)
Net current liabilities		(231,696)	(238,664)
Total assets less current liabilities		463,923	408,570
Creditors (amounts falling due after more than one year)	16	(40,076)	(45,495)
Deferred income	19	(222,076)	(163,337)
		201,771	199,738
Financed by:			
Reserves			
Asset replacement reserve	22	108,643	108,643
Capital reserve		28,556	28,556
Profit and loss account	20	52,061	50,028
Non-repayable State advances		12,511	12,511
	21	201,771	199,738

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Consolidated Cash Flow Statement

Year ended 31st December	Notes	2005	2004
		€000	€000
Net cash inflow from operating activities	23(A)	**56,066**	102,723
Return on investments and servicing of finance and other financial income	23(B)	**(1,990)**	(3,953)
Capital expenditure and financial investment and other financial income	23(B)	**(39,743)**	(160,365)
Cash inflow/(outflow) before use of liquid resources and financing		**14,333**	(61,595)
Financing – decrease in debt	23(B)	**(3,997)**	(6,401)
Increase/(decrease) in cash in the year		**10,336**	(67,996)
Reconciliation of net cash flow to movement in net debt *(note 23(C))*			
Increase/(decrease) in cash in the year		**10,336**	(67,996)
Cash movement from decrease in debt and lease financing		**3,997**	6,401
Change in net debt resulting from cash flows		**14,333**	(61,595)
Movement in net debt in the year		**14,333**	(61,595)
Net debt at 1st January		**(149,928)**	(88,333)
Net debt at 31st December	23(C)	**(135,595)**	(149,928)

Notes to the Financial Statements

1. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER

	Consolidation FRS 17 €000	CIÉ €000	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2005 €000	Total 2004 €000
Revenue							
Railway							
- Suburban rail division			42,019			42,019	37,554
- Mainline rail division			139,841			139,841	135,761
			181,860			181,860	173,315
Road freight			29,845			29,845	31,896
Rosslare Harbour			10,579			10,579	10,270
Road passenger services							
- Dublin city					181,453	181,453	177,553
- Provincial cities				23,373		23,373	22,709
- Other services				217,917		217,917	203,828
Tours		46,220				46,220	50,830
Central business activities		13,273				13,273	13,146
Total revenue		59,493	222,284	241,290	181,453	704,520	683,547
Expenditure							
Railway							
- Suburban rail division							
Operational costs			61,435			61,435	60,764
Infrastructure costs			18,668			18,668	17,474
- Mainline rail division							
Operational costs			195,745			195,745	190,476
Infrastructure costs			170,937			170,937	137,722
			446,785			446,785	406,436
Road freight			29,486			29,486	30,701
Rosslare Harbour			7,339			7,339	7,622
Road passenger services							
- Dublin city					245,778	245,778	239,944
- Provincial cities				33,391		33,391	33,353
- Other services				229,921		229,921	211,888
Tours		45,292				45,292	49,944
Central business activities	(1,800)	18,131				16,331	12,449
Total expenditure	(1,800)	63,423	483,610	263,312	245,778	1,054,323	992,337

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

	Consolidation FRS 17 €000	CIÉ €000	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2005 €000	Total 2004 €000 Restated
(Deficit)/surplus							
Railway							
- Suburban rail division			(38,084)			(38,084)	(40,684)
- Mainline rail division			(226,841)			(226,841)	(192,437)
			(264,925)			(264,925)	(233,121)
Road freight			359			359	1,195
Rosslare Harbour			3,240			3,240	2,648
Road passenger services							
- Dublin city					(64,325)	(64,325)	(62,391)
- Provincial cities				(10,018)		(10,018)	(10,644)
- Other services				(12,004)		(12,004)	(8,060)
Tours		928				928	886
Central business activities	1,800	(4,858)				(3,058)	697
Operating deficit before exceptionals	1,800	(3,930)	(261,326)	(22,022)	(64,325)	(349,803)	(308,790)
Interest (payable)/receivable		8	(4,297)	691	1,466	(2,132)	(4,032)
Other finance income *(note 24)*	8,900					8,900	2,700
Profit/(loss) on disposal of tangible assets *(note 7)*		5,955	109	(344)	(45)	5,675	25,265
Surplus/(deficit) before Public Service Obligations and grants	10,700	2,033	(265,514)	(21,675)	(62,904)	(337,360)	(284,857)
State grants							
- operational		-	97,948	25,200	64,900	188,048	164,985
- infrastructure (*note 9)*		-	181,432	-	-	181,432	150,092
EU grant –infrastructure		-	1,548	-	-	1,548	8,405
Surplus for the year before exceptionals	10,700	2,033	15,414	3,525	1,996	33,668	38,625
Exceptional operating cost *(note 6)*		-	(7,887)	-	-	(7,887)	(19,174)
Net surplus for the year	10,700	2,033	7,527	3,525	1,996	25,781	19,451

		2005 €000		2004 €000 Restated

2. RAILWAY INFRASTRUCTURE COSTS

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

		2005 €000		2004 €000 Restated
Maintenance of railway lines and works		**66,800**		62,980
Renewal of railway lines and works		**87,601**		55,696
Operating (signalling) and other expenses		**26,733**		27,125
Depreciation *(note 11 [f])*		**17,328**		17,745
Amortisation of capital grants		**(8,857)**		(8,350)
Total railway infrastructure costs		**189,605**		155,196
Infrastructure subvention	**(110,080)**		(100,148)	
Exchequer safety funding	**(4,337)**		(2,653)	
Renewals funding *(note 11 [a])*	**(87,601)**		(55,696)	
		(202,018)		(158,497)
Surplus for the year		**(12,413)**		(3,301)
Apportionment of costs:				
Mainline rail division		**170,937**		137,722
Suburban rail division		**18,668**		17,474
		189,605		155,196

3. PAYROLL AND RELATED COSTS

	2005 €000	2004 €000 Restated
Staff costs		
Wages and salaries	**501,096**	481,274
Social welfare costs	**42,492**	40,874
Other pension costs	**39,759**	34,184
	583,347	556,332
Own work capitalised	**(49,870)**	(44,934)
Net staff costs	**533,477**	511,398
Board members' remuneration		
Emoluments		
- for services as Board members	**148**	135
- for other services	**398**	419
Total Board members' remuneration and emoluments	**546**	554
Total payroll and related costs	**534,023**	511,952

Included in Board members remuneration is €220,627 (2004 - €224,234) paid to Dr. J. .J. Lynch, Executive Chairman, being €201,581 (2004 - €205,188) for other services plus €19,046 (2004 - €19,046) for Board member's fees.

3. PAYROLL AND RELATED COSTS (continued)

	Staff Numbers	
	2005	2004
The average number of persons employed by company was as follows:-		
CIÉ	**298**	303
Iarnród Éireann - Irish Rail	**5,463**	5,590
Bus Éireann - Irish Bus	**2,758**	2,736
Bus Átha Cliath - Dublin Bus	**3,407**	3,408
	11,926	12,037

	2005	2004
	€000	€000

4. MATERIALS AND SERVICES

Included in materials and services are:-

Auditors' remuneration	**200**	199
Operating lease rentals	**5,754**	7,573
Revenue grants *(note 19)*	**(1,687)**	(2,756)

5. DEPRECIATION

Depreciation *(note 11)*	**108,998**	110,652
Amortisation of capital grants *(note 19)*	**(56,409)**	(52,550)
Exceptional operating cost *(note 6)*	-	(1,727)
	52,589	56,375

6. EXCEPTIONAL OPERATING COSTS

Business restructuring	**(7,887)**	(17,447)
Depreciation charge	-	(1,727)
	(7,887)	(19,174)

As part of their Financial Plan Iarnród Éireann Introduced a voluntary severance and early retirement programme. The estimated cost in 2005 including severance payments and other costs associated with the programme is €7.9 million.

	2005	2004
	€000	€000

7. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	2005 €000	2004 €000
Net proceeds on sale of surplus land and buildings	**5,955**	24,154
(Loss)/profit on disposal of rolling stock, vehicles, plant and machinery	**(280)**	1,111
	5,675	25,265

8. INTEREST PAYABLE

	2005 €000	2004 €000
On loans and leases repayable wholly within five years:		
Loans	**262**	1,660
Leases	**-**	-
On loans and leases not wholly repayable within five years:		
Loans	**-**	-
Leases	**2,172**	2,491
	2,434	4,151

	2005 €000	2004 €000
Interest apportioned:		
Group operational costs	**889**	1,939
Railway infrastructure costs	**1,545**	2,212
	2,434	4,151

9. PUBLIC SERVICE OBLIGATIONS AND OTHER EXCHEQUER GRANTS

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

Particulars of the State grants of €283.427 million received in 2005 - €270.090 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €13.337 million under Railway Safety Investment Programme are given in the following table.

State grants relating to 2005 activities		**Total**
		€000
Iarnród Eireann - Irish Rail		
Public Service Obligation		179,990
Railway Safety Investment Programme		13,337
Total rail		193,327
Bus Átha Cliath - Dublin Bus		64,900
Bus Éireann - Irish Bus		25,200
		283,427
Add State grant for National Development Plan (NDP)		289,016
Other Exchequer grants		3,738
Total State funding		576,181
The total State funding was applied as follows:		
Consolidated profit and loss account		283,427
Less: infrastructure		(114,417)
Subvention and railway safety grants – operational		169,010
Infrastructure in subvention and railway safety grants	114,417	
NDP – credit against renewals of railway lines and works	67,015	
Infrastructure subvention *(note 1)*		181,432
Deferred income – capital grants		222,582
Other Exchequer revenue grants		3,157
Total		576,181

10. HOLDING COMPANY NET SURPLUS FOR THE YEAR

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

The holding company's operating surplus for the year, after profit on disposal of tangible assets, amounted to €2,033,000.

11. TANGIBLE FIXED ASSETS

Group

	1st Jan.	Reclass-ifications	Additions	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000	€000
Cost					
Railway lines and works	901,506	-	75,997	-	977,503
Funding received for railway lines and works	(644,608)	-	(87,601)	-	(732,209)
Railway rolling stock	750,613	-	108,209	(937)	857,885
Road passenger vehicles	435,663	-	32,835	(10,875)	457,623
Road freight vehicles	6,828	-	8	-	6,836
Land and buildings	351,941	-	62,675	-	414,616
Plant and machinery	518,500	8,170	83,686	(2,146)	608,210
Docks, harbours and wharves	43,937		2,684	-	46,621
Capital work in progress	8,170	(8,170)	-	-	-
Total 2005	2,372,550	-	278,493	(13,958)	2,637,085

	1st Jan.	Reclass-ifications	Charge For Year	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000	€000
Depreciation					
Railway lines and works	821,666	-	90,844	-	912,510
Funding received for railway lines and works	(644,608)	-	(87,601)	-	(732,209)
Railway rolling stock	245,614	-	29,981	(937)	274,658
Road passenger vehicles	253,035	-	37,520	(10,518)	280,037
Road freight vehicles	6,259	-	236	-	6,495
Land and buildings	18,226	-	6,708	-	24,934
Plant and machinery	201,959	-	30,397	(2,079)	230,277
Docks, harbours and wharves	11,275	-	913	-	12,188
Total 2005	913,426	-	108,998	(13,534)	1,008,890

	31st Dec. 2005 €000	31st Dec. 2004 €000

11. TANGIBLE FIXED ASSETS (continued)

Group

Net book amounts	**31st Dec. 2005 €000**	31st Dec. 2004 €000
Railway lines and works	**64,993**	79,840
Railway rolling stock	**583,227**	504,999
Road passenger vehicles	**177,586**	182,628
Road freight vehicles	**341**	569
Land and buildings	**389,682**	333,715
Plant and machinery	**377,933**	316,541
Docks, harbours and wharves	**34,433**	32,662
Capital work in progress	**-**	8,170
Total	**1,628,195**	1,459,124

Company

	1st Jan. €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
Cost				
Land and buildings	351,233	62,105	-	413,338
Plant and machinery	29,190	1,333	(56)	30,467
Total 2005	380,423	63,438	(56)	443,805

	1st Jan. €000	Charge for year €000	Scrappings and Disposals €000	31st Dec. €000
Depreciation				
Land and buildings	18,226	6,705	-	24,931
Plant and Machinery	21,037	3,214	(37)	24,214
Total 2005	39,263	9,919	(37)	49,145

11. TANGIBLE FIXED ASSETS (continued)

Company

	31st Dec. 2005 €000	31st Dec. 2004 €000
Net book amounts		
Land and buildings	**388,407**	333,007
Plant and machinery	**6,253**	8,153
Total	**394,660**	341,160

(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.

	2005 €000	2004 €000
Renewals expenditure and related grants were as follows:		
Renewals expenditure	**87,601**	78,670
State grants	**67,015**	47,291
EU grants	**1,548**	8,405
Deferred grants	**19,038**	-
	87,601	55,696

(b) Road passenger vehicles at a cost of €51,710,000 (2004 - €13,968,000) 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

11. TANGIBLE FIXED ASSETS (continued)

(d) Included in tangible fixed assets are amounts, as stated below, in respect of rail locomotives 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:

	2005	2004
	€000	€000
Cost	**88,573**	88,270
Accumulated depreciation	**(42,118)**	(37,138)
Net book value at 31st December	**46,455**	51,132
Depreciation for year	**(4,980)**	(4,958)

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

	2005	2004
	€000	€000
Railway rolling stock	**177,816**	158,147
Road passenger vehicles	**5,197**	16
	183,013	158,163

(f) Tangible fixed assets include railway infrastructure assets as follows:

	2005	2004
	€000	€000
Cost	**641,004**	606,970
Accumulated depreciation	**(304,120)**	(286,792)
Net book value at 31st December	**336,884**	320,178
Depreciation for year *(note 2)*	**(17,328)**	(17,745)

12. FINANCIAL ASSETS

Group

	Trade investments					
	Listed shares		Unlisted shares		Total	
	2005	2004	**2005**	2004	**2005**	2004
	€000	€000	**€000**	€000	**€000**	€000
Cost or valuation	**97**	97	**13**	13	**110**	110
Provision for permanent diminution in value	**(77)**	(77)	**(13)**	(13)	**(90)**	(90)
Net book amounts						
At 31st December	**20**	20	**-**	-	**20**	20

Company

	Subsidiary companies			Trade investments		
	Unlisted Shares	Loans	Finance Leases	Listed Shares	Unlisted Shares	Total
	€000	€000	€000	€000	€000	€000
Cost or valuation						
At 1st January, 2005	90,151	166,566	49,357	34	13	306,121
Less: Reduction in						
- finance leases			(4,615)			(4,615)
- Loan		(500)				(500)
At 31st December, 2005	90,151	166,066	44,742	34	13	301,006
Provision for permanent diminution in value						
At 31st December, 2005	-			(34)	(13)	(47)
Net book amounts						
At 31st December, 2005	90,151	166,066	44,742	-	-	300,959

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.

	2005 €000	2004 €000

13. STOCKS

Group		
Maintenance materials and spare parts	**24,394**	22,220
Infrastructure stocks	**14,736**	11,319
Fuel, lubricants and other sundry stocks	**9,892**	6,139
	49,022	39,678

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

14. DEBTORS

Group		
Trade debtors	**26,577**	17,498
Department of Education and Science	**6,329**	5,200
NDP Iarnród Éireann investment projects funded by CIÉ	**85,200**	-
EU grants receivable	**77,613**	51,401
Other debtors and accrued income	**15,566**	19,570
	211,285	93,669

Company		
Trade debtors	**1,332**	1,270
NDP Iarnród Éireann investment projects funded by CIÉ	**85,200**	94,667
Other debtors and accrued income	**3,905**	3,799
	90,437	99,736

15. CREDITORS (amounts falling due within one year)

	2005 €000	2004 €000
Group		
Bank overdraft	**16,738**	24,758
Bank loans *(note 17)*	**84,200**	83,436
Finance lease obligations *(note 27)*	**4,504**	4,262
Trade creditors	**83,366**	79,531
Income tax deducted under PAYE	**7,744**	8,624
Pay related social insurance	**6,488**	7,928
Value added tax and other taxes	**13,412**	3,183
Other creditors	**23,241**	19,991
Restructuring provisions *(note 18)*	**19,138**	24,968
Third party and employer's liability claims *(note 18)*	**23,584**	22,973
Deferred income *(note 19)*	**81,881**	64,602
Accruals	**33,473**	34,447
	397,769	378,703
Creditors for taxation and social welfare included above	**27,644**	19,735
Company		
Bank overdraft	**2,190**	436
Bank loans *(note 17)*	**84,200**	83,436
Finance lease obligations *(note 27)*	**4,504**	4,262
Trade creditors	**3,473**	2,578
Amounts owed to subsidiary companies	**189,367**	212,792
Income tax deducted under PAYE	**488**	315
Pay related social insurance	**251**	231
Value added tax and other taxes	**2,685**	2,065
Other creditors	**15,079**	13,600
Restructuring provisions *(note 18)*	**228**	672
Deferred income *(note 19)*	**5,937**	3,333
Accruals	**16,995**	16,905
	325,397	340,625
Creditors for taxation and social welfare included above	**3,424**	2,611

	2005	2004
	€000	€000

16. CREDITORS (amounts falling due after more than one year)

Group and Company		
Bank loans *(note 17)*	**500**	1,000
Finance lease obligations *(note 27)*	**34,504**	39,007
Irrecoverable value added tax on finance leases	**5,072**	5,488
	40,076	45,495

17. BANK LOANS

	2005 €000	2004 €000
Group and Company		
These loans are repayable as follows:		
Within one year *(note 15)*	**84,200**	83,436
Between one and two years	**500**	500
Between two and five years	-	500
	500	1,000
Total	**84,700**	84,436

The presentation of the maturity analysis of loans and other debt above complies with the provisions of FRS 25, 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 €83,700,000 (2004 - €76,588,000) 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 €83,700,000 of the above loans.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provisions €000	Third Party and Employer's Liability Claims €000	TOTAL €000
Group			
Balance at 1st January, 2005	24,968	199,293	224,261
Utilised during year	(13,717)	(19,389)	(33,106)
Transfer from profit and loss account	7,887	29,832	37,719
Balance carried forward 31st December, 2005	19,138	209,736	228,874
Apportioned:			
Current liabilities *(note 15)*	19,138	23,584	42,722
Amounts falling due after more than one year	-	186,152	186,152
	19,138	209,736	228,874
Company			
Balance at 1st January, 2005	672	-	672
Utilised during year	(444)	-	(444)
Transfer from profit and loss account	-	-	-
Balance carried forward 31st December, 2005	228	-	228
Current liabilities *(note 15)*	228	-	228

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.

(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

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(A) External Insurance Cover (continued)

(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) Tours Operators' Liability for the Group with an indemnity of €2,000,000 on any one incident and in the aggregate , subject to an excess 0f €250,000.

(v) 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.

(vi) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2005 to March 2006, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail	€11,000,000
Bus Átha Cliath – Dublin Bus	€15,000,000
Bus Éireann – Irish Bus	€11,000,000

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

(vii) Terrorism Public Liability cover for the Group of €10,000,000, subject to excesses appropriate to the incident category.

(viii) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2005 to March 2006, for rail and road transport Third Party and Other Risks liabilities.

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(A) External Insurance Cover (continued)

(ix) Fire and Special Perils, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate.

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

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

19. DEFERRED INCOME

Group

	1st Jan. 2005 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2005 €000
Capital grants				
Railway lines and works	25,776	11,523	(1,251)	36,048
Railway rolling stock	331,978	165,691	(16,490)	481,179
Plant and machinery	206,132	84,851	(13,329)	277,654
Docks, harbours and wharves	14,573	-	(284)	14,289
Land and buildings	165,003	62,187	(3,198)	223,992
Road passenger vehicles	74,335	9,223	(13,958)	69,600
	817,797	333,475	(48,510)	1,102,762
State grant for Railway Safety Investment Programme	31,451	-	(7,862)	23,589
Other deferred income	1,253	-	(37)	1,216
	850,501	333,475	(56,409)	1,127,567
Revenue grants		1,687	(1,687)	-
Total	850,501	335,162	(58,096)	1,127,567

	2005 €000
Apportioned:	
Deferred income – amounts falling due within one year	81,881
Deferred income – amounts falling due after one year	1,045,686
	1,127,567

19. DEFERRED INCOME (continued)

Company	1st Jan. 2005 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2005 €000
Capital grant				
Land and buildings	164,764	61,774	(3,198)	223,340
NDP infrastructure (I.T.) grant	1,878	4,139	(1,370)	4,647
Other deferred income	28	-	(2)	26
Total	166,670	65,913	(4,570)	228,013

	2005 €000
Apportioned:	
Deferred income – amounts falling due within one year	5,937
Deferred income – amounts falling due after one year	222,076
	228,013

20. PROFIT AND LOSS ACCOUNT

	2005 €000
Group	
1st January, 2005, as previously stated	(69,768)
Prior year adjustment: FRS 17-Retirement Benefits	(287,000)
At 1st January, 2005, as restated	(356,768)
Total recognised gains and losses relating to the year	17,681
At 31st December, 2005	(339,087)
Company	
At 1st January, 2005	50,028
Surplus for the year	2,033
At 31st December, 2005	52,061

21. RECONCILIATION OF MOVEMENTS IN RESERVES

	2005 €000	2004 €000 Restated
Group		
Group surplus for the year after Public Service Obligations and grants	**25,781**	19,451
Other recognised gains and losses relating to the year	**(8,100)**	(94,100)
Total recognised gains and losses relating to the year	**17,681**	(74,649)
Reserves at 1st January as previously stated	**208,609**	188,158
Prior year adjustment *(note 24)*	**(287,000)**	(191,900)
Closing reserves	**(60,710)**	(78,391)
Company		
Surplus for the year	**2,033**	29,381
Opening reserves	**199,738**	170,357
Closing reserves	**201,771**	199,738

22. ASSET REPLACEMENT RESERVE

	Railway Rolling Stock €000	Road Passenger Vehicles €000	Total €000
Group			
Balance at 31st December, 2005 and 2004	**135,806**	**101,504**	**237,310**
Company			
Balance at 31st December, 2005 and 2004	**35,120**	**73,523**	**108,643**

23. CASH FLOW STATEMENT

	2005	2004
	€000	€000
Year ended 31st December		
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before Public Service Obligations and grants	**(270,089)**	(272,268)
Public Service Obligations and grants	**282,527**	266,886
	12,438	(5,382)
Depreciation	**108,998**	110,652
Amortisation of capital grants	**(56,409)**	(52,548)
(Increase)/decrease in stocks	**(9,344)**	5,080
Decrease in debtors for EU revenue grants	**-**	8,848
Increase in debtors	**(8,234)**	(368)
Increase in creditors and provisions	**8,617**	36,441
Net cash inflow from operating activities	**56,066**	102,723
(B) Analysis of cash flows for headings netted in the cash flow statement		
Returns on investments and servicing of finance		
Interest received	**302**	123
Interest paid	**(948)**	(1,844)
Interest element of finance lease rental payments	**(2,244)**	(3,132)
State grant – DART interest	**900**	900
Net cash outflow for returns on investments and servicing of finance	**(1,990)**	(3,953)
Capital expenditure and financial investment		
Purchase of tangible assets	**(359,998)**	(367,405)
Disposal of tangible assets	**9,053**	31,742
State and EU capital grants	**311,202**	175,298
Net cash outflow for capital expenditure and financial investment	**(39,743)**	(160,365)
Financing		
Repayment of debt due within one year	**(83,436)**	(78,461)
New loans	**83,700**	76,588
Capital element of finance lease rental payments	**(4,261)**	(4,528)
Net cash outflow from financing	**(3,997)**	(6,401)

23. CASH FLOW STATEMENT (continued)

(C) Analysis of net debt

	At 1st Jan. 2005 €000	Cash Flow €000	At 31st Dec. 2005 €000
Cash at bank and in hand	2,535	2,316	4,851
Bank overdrafts	(24,758)	8,020	(16,738)
		10,336	
Debt due after one year	(1,000)	500	(500)
Debt due within one year	(83,436)	(764)	(84,200)
Finance leases	(43,269)	4,261	(39,008)
		3,997	
Total	(149,928)	14,333	(135,595)

24. 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.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations 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 actuarial valuations as at 31st December, 2002 were updated at 31st December, 2005 , 31st December, 2004 and 31st December, 2003 for Financial Reporting Standard 17 purposed by a qualified independent actuary. The main financial assumptions used in the valuations were:

	31st Dec. 2005	31st Dec. 2004	31st Dec. 2003
	% p.a.	% p.a.	% p.a.
Discount rate	**4.00**	4.50	5.20
Inflation	**2.25**	2.25	2.25
Pension increases	**3.50**	3.50	3.75
Salary increases	**3.50**	3.50	3.75

24. PENSIONS (continued)

The assets of the schemes and the expected rate of return were:

	Long-term rate of return expected at 31st Dec. 2005 % p.a.	**Value at 31st Dec. 2005 €000**	Long-term rate of return expected at 31st Dec 2004 % p.a.	Value at 31st Dec. 2004 €000	Long-term rate of return expected at 31st Dec 2003 % p.a.	Value at 31st Dec. 2003 €000
Equities	**6.60**	**895,000**	7.26	766,000	7.50	708,200
Property	**5.60**	**154,600**	6.26	130,500	6.50	120,600
Bonds	**3.60**	**337,400**	4.26	270,900	4.50	250,500
Cash	**2.00**	**28,200**	2.00	19,800	2.00	15,500
Total market value of assets		**1,415,200**		1,187,200		1,094,800
Present value of schemes liabilities		**(1,699,600)**		(1,474,200)		(1,286,700)
Deficit in schemes		**(284,400)**		(287,000)		(191,900)

Analysis of movement in deficit during the year

	2005 €000	2004 €000	2003 €000
Deficit in scheme at beginning of the year	**(287,000)**	(191,900)	(220,400)
Current service cost	**(34,700)**	(29,200)	(30,000)
Employer contributions	**41,500**	27,600	23,800
Past service costs	**(5,000)**	(2,100)	(2,400)
Other finance income	**8,900**	2,700	(2,700)
Actuarial gain loss	**(8,100)**	(94,100)	39,800
Deficit in scheme at end of the year	**(284,400)**	(287,000)	(191,900)

24. PENSIONS (continued)

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

	2005	2004	2003
	€000	€000	€000
Charged to operating profit			
Current service cost	**34,700**	29,200	30,000
Past service cost	**5,000**	2,100	2,400
Total operating charge	**39,700**	31,300	32,400
Credited to other finance income			
Expected rate of return on pension scheme assets	**75,700**	71,900	63,700
Interest on pension scheme liabilities	**(66,800)**	(69,200)	(66,400)
Net return	**8,900**	2,700	(2,700)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2005	2004
	€000	€000
Actual return less expected return on pension scheme assets	**151,900**	30,700
Experience gains and losses arising on the scheme liabilities	**(20,500)**	(20,700)
Changes in assumptions underlying the present value of the scheme liabilties	**(139,500)**	(104,100)
Actuarial loss recognised in STRGL	**(8,100)**	(94,100)

24. PENSIONS (continued)

History of experience gains and losses

for the year ended 31st December

	2005	2004	2003	2002
Difference between expected and actual return on scheme assets				
■ Amount (€000)	**151,900**	30,700	56,600	(328,300)
■ Percentage of scheme assets	**10.7%**	2.6%	5.2%	(33.3%)
Experience losses on scheme liabilities:				
■ Amount (€000)	**(20,500)**	(20,700)	(47,900)	(49,200)
■ Percentage of the present value of the scheme liabilities	**(1.2%)**	(1.4%)	(3.7%)	(4.1%)
Total amount recognised in STRGL:				
■ Amount (€000)	**(8,100)**	(94,100)	39,800	(300,800)
■ Percentage of the present value of the scheme liabilities	**0.5%**	6.4%	3.1%	24.9%

The effect of the change in accounting policy on retirement benefits was to increase this surplus for the year by €10.7 million (2004: decrease of €1.0 million) and to decrease the pension liability by €2.6 million (2004: increase of €287.0 million) with a corresponding increase/reduction in reserves.

25. CAPITAL COMMITMENTS

	2005	2004
	€000	€000
Contracted for	424,185	427,403
Authorised by Board but not contracted for	183,808	237,367
	607,993	664,770

Capital grants totalling €531.8 million have been approved in respect of the above expenditure (2004 - €538.8 million).

26. CONTINGENT LIABILITIES

Pending litigation

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

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.

Grants receivable

All grant applications made to the EU are subject to a stringent audit process. As part of the process, an Audit Report in respect of one project, has raised some queries which were not resolved at the balance sheet date and are not expected to be finally resolved before mid 2006.

The Group is confident it is compliant with EU procedures and conditions but until the final report is available there exists a possibility that some elements of expenditure due to be claimed or claimed to date may be deemed ineligible. Under these circumstances some or all of the funding for certain projects may not be receivable and some grants received to date could become repayable.

27. LEASE OBLIGATIONS

	2005	2004
	€000	€000
(A) Finance leases		
Net obligations under finance leases fall due as follows:		
Within one year *(note 15)*	**4,504**	4,262
Between one and five years	**17,251**	18,474
After five years	**17,253**	20,533
	34,504	39,007
Total	**39,008**	43,269

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 and Buildings €000
Within one year	**2,552**
Between one and five years	**3,778**
	6,330

28. 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 and the Department of Social and Family Affairs, Coillte, Aer Lingus and An Post. Revenue from these services amounted to €167.6 million in 2005 and amounts due from these entities to the Group at 31st December, 2005 for these services totalled €10.7 million.

28. RELATED PARTY TRANSACTIONS (continued)

(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 €8.7 million in 2005 and amounts due to these entities by the Group at 31st December, 2005 for these services totalled €0.2 million.

29. GROUP MEMBERSHIP

Name	**Principal activity**
Holding Company:	
Córas Iompair Éireann	- Public transport services
Subsidiary Companies (all wholly owned)	
Iarnród Éireann - Irish Rail	- Public rail (passenger and freight) and road freight services
Bus Éireann - Irish Bus	- Public bus passenger services
Bus Átha Cliath - Dublin Bus	- Public bus passenger services
CIE Tours International Incorporated	- Tours
Dubel Limited.	- Catering services

Iarnród Éireann - Irish Rail, Bus Éireann - Irish Bus and Bus Átha Cliath - Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Acts, 1963 to 2005, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

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.

29. GROUP MEMBERSHIP (continued)

The registered offices of the subsidiary companies are as follows:

Iarnród Éireann - Irish Rail	Connolly Station, Dublin 1.
Bus Éireann - Irish Bus	Broadstone, Dublin 7.
Bus Átha Cliath - Dublin Bus	59 Upper O'Connell Street, Dublin 1.
CIE Tours International Incorporated	10 Park Place, Suite 510, P.O. Box 1965, Morristown NJ 07962-1965.
Dubel Limited	Central Station, East Bridge Street, Belfast.

30. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 5th April, 2006.