



Córas Iompair Éireann

Annual Report & Financial Statements **2010**



Serving the community in
a changing world

Contents

Chairman's Statement	2
Operations Review	8
Group Structure	21
Members of the Board and Group Management	22
Corporate Governance Statement	26
Statement of the Board's Responsibilities	29
Auditors Report to the Minister for Transport	30
Principal Accounting Policies	32
Consolidated Profit and Loss Account	34
Statement of Total Recognised Gain and Losses	35
Consolidated Balance Sheet	36
Company Balance Sheet	37
Consolidated Cash Flow Statement	38
Notes to the Financial Statements	39

Córas Iompair Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2007-2013 as well as co-funding by the European Union.



Chairman's Statement 2010

Serving the community in a changing world

As with all organisations in the Irish economy at present, the CIÉ Group of Companies is faced with the challenge of providing its services while dealing with an extremely challenging financial environment.

Such a challenge remains difficult – however, it would have been insurmountable had the Group not prudently managed the business during the Celtic Tiger era, instituting changes that generated significant savings at a time when services were expanding, and leaving it better prepared for the downturn.

CIÉ Group savings and improvements over the past decade

With the benefits of investment, expanded services are being delivered with greater efficiency, and cost control has been prioritised.

During the period of growth, the CIÉ Group delivered:

- Major renewal of bus and rail fleet.
- Investment in infrastructure, customer facilities and maintenance operations, to improve the overall travel experience.
- New services and new routes, in our cities and nationwide, to meet the changing needs of the communities we serve.
- An unrivalled record in on time and on budget delivery of the Exchequer funded capital programme totalling €4.1 billion.

We have also seen strong performance of internal controls during the year and we continue to review and enhance the control environment. Our auditors have reported that no internal control matters were identified during the course of their audit that would have a material

impact on their audit opinion. They noted improvements in the control environment during the year.

Public transport demand is closely correlated with Gross Domestic Product, and in response to demand reduction associated with the recession, there has been a specific focus on reducing costs while ensuring we maintain a strong public transport service.

Annual costs (2010 prices) across the Group are €243 million lower now than would have been the case had the Group not taken a range of measures since 2001, with staff numbers of over 1,900 in Iarnród Éireann exiting during that time with a further reduction in excess of 600 in Bus Éireann and Bus Átha Cliath since mid 2008 as technology developed, efficiencies were delivered and services grew.

Operating performance during the recession

Iarnród Éireann:

Looking at the operating companies individually during the past number of years, in Iarnród Éireann, the company has seen:

- Staff numbers reduce by over 31% from 2001 to 2010, from over 6,170 to 4,254.
- Costs at 2010 prices reduced by almost 26%.
- An increase in passenger service train miles by over 77%.
- Total operating costs per train mile reduced by 58%.

Specifically since the recession hit in 2008, a focused

ANNUAL COSTS (2010 prices) ACROSS THE GROUP ARE €243 MILLION LOWER NOW THAN WOULD HAVE BEEN THE CASE HAD THE GROUP NOT TAKEN A RANGE OF MEASURES SINCE 2001, WITH STAFF NUMBERS OF OVER 1,900 IN IARNRÓD ÉIREANN EXITING DURING THAT TIME, WITH A FURTHER REDUCTION IN EXCESS OF 600 IN BUS ÉIREANN AND BUS ÁTHA CLIATH SINCE MID 2008. AS TECHNOLOGY DEVELOPED, EFFICIENCIES WERE DELIVERED AND SERVICES GREW.



Chairman's Statement 2010 (continued)

cost reduction programme has enabled Iarnród Éireann to generate significant savings, even when faced with reductions in subvention and revenue, while at the same time maintaining the vast majority of services, and increasing service frequency on some routes.

Since 2008:

- Subvention to Iarnród Éireann has been reduced by €26.1 million, or almost 13.5%, with revenue reduced by €31.3 million due to a slowdown in economic activity.
- The company has responded by generating operating cost savings of €53 million in the same period, while continuing to operate expanded and enhanced services.
- New services have been introduced with the opening of Limerick to Galway direct services, the Cork-Midleton commuter line, and the Dunboyne (M3) to Dublin commuter service, as well as new stations such as Clongriffin and Phoenix Park.
- Improved frequency on routes including Westport-Dublin and Waterford-Dublin, and improved journey times, specifically focused on key peak InterCity services.

Bus Átha Cliath

Bus Átha Cliath generated profits of €24 million between 2002 and 2007, which were reinvested in the business to further develop the company's services to customers. The recession-led reduction in demand has necessitated a cost reduction programme which has seen:

- An operating cost saving of €34.7 million or 11.3% over the past two years, with a reduction of €16.7 million in payroll.
- Staff numbers reduced by over 400 since mid-2008 to end 2010, with an additional reduction of 200 in the first quarter of 2011.

This has been achieved whilst maintaining focus on customer service and demand. In 2010, Bus Átha Cliath began the phased introduction of Network Direct. Network Direct has involved an intensive process of route examination, public consultation and research of all routes and services in the Bus Átha Cliath network, and is delivering:

- **More direct routes:** Bus routes will be streamlined with fewer diversions off Quality Bus Corridors (QBCs). Buses will operate on the most direct routes from the suburbs to the city centre.
- **Regular frequent services:** An increase in the number of routes with an average waiting time of just 5 minutes between services.
- **Even departure timetables:** More routes will have timetables with consistent intervals between departures throughout the day.



- **More frequent buses:** A simpler network with some routes combined, will make for more frequent buses.
- **Increased cross city connections:** More options for customers to travel across the city without having to change buses.
- **Improved punctuality:** More direct services operating on QBCs with better bus priority to ensure reliable, punctual journey times.
- **Simpler network:** A simpler network combining some routes will make it easier to understand the Bus Átha Cliath routes, to the benefit of customers.

Bus Éireann:

Bus Éireann also reinvested profits in the business of €20 million during the period of high growth, but has seen passenger numbers fall as economic activity contracted. To address this, and reductions in subvention, a cost reduction programme has been implemented, which has included:

- Operating cost savings of €16.9 million since 2008.
- Reduction in staff numbers of close to 200 since mid-2008.
- Energy saving initiatives.

Bus Éireann is, according to the Department of Transport's commissioned Deloitte report, an efficient and effective public transport operator compared to European standards, and is operating on a low subvention compared to other similar operators in Europe. The company continues to focus on efficient delivery of a quality service, including:

- Network review of scheduled services.
- A reorganisation of school bus services which reduced the number of buses used while at the same time introducing additional services.
- A negotiated cost reduction programme with staff.
- Maximisation of revenue with targeted marketing campaign.

This has been achieved while maintaining high customer satisfaction ratings in independent research, and meeting the National Transport Authority performance targets.

Chairman's Statement 2010 (continued)

Capital investment programmes

As well as managing services and finances, the CIÉ Group of Companies has also had an unrivalled record in delivery of capital programmes on budget under Transport 21, which will equip our transport networks into the future.

Investment has included:

- The introduction of low floor buses to all Bus Éireann city services since 2000.
- The introduction of wheelchair accessible coaches on inter-urban and commuter services since 2007.
- The introduction of low floor buses to the Bus Átha Cliath fleet since 2000 giving improved accessibility. Currently 88% of the Bus Átha Cliath fleet is low floor wheelchair accessible.
- New bus station facilities for customers, and maintenance facilities to ensure reliability of services.
- A transformed InterCity, commuter and DART rail carriage fleet, with InterCity now the newest long-distance fleet in Europe.
- Expanded infrastructure capacity for future growth, including station capacity, resignalling and four-tracking, platform lengthening and the development of Docklands Station.
- New lines, such as Midleton, Dunboyne and the first phase of the Western Rail Corridor; and new stations with more to come.

It is crucial for the country's future economic growth that we continue to invest in public transport. Iarnród Éireann is currently seeking a Railway Order for DART Underground. Notwithstanding the straightened circumstances faced by the Exchequer, there is no doubt that this project remains the most crucial programme in expanding the capacity of public transport and effecting change from the private car to more sustainable modes. Taken together with associated projects, DART Underground allows for trebling of capacity on the Greater Dublin Area network to over 100 million passenger journeys annually.

THIS COUNTRY WILL EMERGE FROM RECESSION, AND PUBLIC TRANSPORT MUST BE EQUIPPED TO PLAY A CENTRAL ROLE IN THE FUTURE GROWTH OF OUR ECONOMY, DEVELOPMENT OF OUR SOCIETY AND STRENGTHENING OF OUR COMMUNITIES.

Other key projects include:

- Phased investment in the InterCity network to enhance speeds on rail lines.
- Increased capacity of the network, including resignalling and the elimination of level crossings.
- Electrification of rail lines around the Dublin area, to bring the DART to Maynooth, Drogheda and Hazelhatch.
- The examination of a DART rail link to the airport, to deliver a low cost high capacity connection to the Dublin and national rail network.
- Continued roll-out of Automatic Vehicle Location systems for urban and national bus services.
- Ongoing development of bus priority measures in all urban areas, to ensure reliable and efficient delivery of bus services.
- Utilisation of developing technology to enhance customer service, efficiency and environment.

This country will emerge from recession, and public transport must be equipped to play a central role in the future growth of our economy, development of our society and strengthening of our communities. The CIÉ Group of Companies will in a changing world continue to ensure that we commit ourselves to that task in the best traditions of public service.

That tradition of public service was exemplified by bus and rail staff during the extreme weather conditions experienced in January and November/December 2010, when public transport workers ensured that our services continued to operate, in very difficult conditions. We commend them for their dedication and hard work, and appreciate the customer feedback received during that time.

Chairman's Statement 2010 (continued)

Group operating results

The operating result for the CIÉ Group for 2010 before exceptional items is a deficit of €22.5 million (2009, €36.9 million) with a further decline of 5.9% in passenger numbers compared to 2009 levels.

Exceptional costs made up of voluntary severance costs across the Group of €31.1 million were incurred during the year. After exceptional items are taken into account, the net result for the CIÉ Group is a deficit of €53.6 million (2009, €77.7million).

A brief summary of the operating results for the Group show:

Iarnród Éireann returned an operating deficit of €36 million in 2010. Passenger journeys fell by 0.6 million from 38.8 million in 2009 to 38.2 million in 2010, a 1.5% reduction in passenger volume over the year.

Bus Átha Cliath returned a deficit of €22.1 million for the year. Total passenger journeys amounted to 119 million in 2010 compared to 128.3 million in 2009, a reduction of 9.3 million (7.2%).

Bus Éireann returned a deficit of €2.2 million in 2010. Bus Éireann passenger numbers for the year was down by 11.8% with passenger journeys of 37.2 million recorded in 2010 against 42.2 million in 2009.



Iarnród Éireann

Savings generated

Iarnród Éireann continued its cost reduction programmes to offset the effect of the economic downturn. Operational costs savings of €12.8 million in 2010 were achieved on 2009 expenditure levels. These savings were achieved through rigorous control of costs and staff numbers, with contributions from across all aspects of the company's business while maintaining practically all services to customers and expanding in some areas.

Customer self-service

InterCity ticket sales via the website www.irishrail.ie continued to grow with over €30 million in passenger revenue earned via the website in 2010.

In the DART and Commuter area, the further deployment of automatic ticket vending machines and the introduction of the Rail Smartcard reduced Iarnród Éireann's dependency on manned booking offices.

Operations

Iarnród Éireann, by way of extraordinary effort, ensured all rail services remained operational during the severe weather conditions of January and December 2010. Other modes of transport suffered intense disruption and this resulted in a modal shift to rail with positive financial implications for the company. The company also strengthened its use of social media during this time, to assist customers in planning travel.

Freight

A modest surplus of €0.8 million was recorded in freight operations in 2010. This completes a successful programme to return the freight division to profitability and was aided by new business, particularly the expansion of activity from Ballina from a number of freight customers.

Rosslare Europort

Rosslare Europort enjoyed another profitable year recording a surplus of €1.6 million for 2010 although the business suffered from the continuing general downturn in the economy with revenue down 7.6% on 2009 levels.

Chairman's Statement 2010 (continued)

Bus Átha Cliath

Bus Átha Cliath recognises the important role technological advancement plays in ensuring a modern bus service. Customers' expectations have evolved to expect easy and prompt access to current service information. Bus Átha Cliath is progressing the implementation of its Automatic Vehicle Location and Control (AVLC) programme which will facilitate the provision of Real Time Passenger Information (RTPI) for customers through a variety of mediums including; mobile phones, the Bus Átha Cliath website www.dublinbus.ie and on street displays provided by the National Transport Authority (NTA) and Dublin City Council.

Coupled with this in August 2010 Bus Átha Cliath launched an online Route Planner service on its website www.dublinbus.ie. The Route Planner facility incorporates the Global Positioning System (GPS) locations of all Bus Átha Cliath bus stops as well as all the Bus Átha Cliath routes serving each stop. The Route Planner allows the customer to enter a 'from' and 'to' point using bus stop addresses or bus stop numbers.

Bus Éireann

The continuing downturn in the economy resulting in increased unemployment and a fall in retail sales has had a severe impact on passenger numbers in 2010. Through the escalation of its ongoing cost reduction plans during 2010 significant cost savings were made in payroll and operating costs, while still providing a comprehensive integrated transport network of services.

Maintaining services

During the extreme weather conditions that hit the country in January and December 2010 which resulted in very difficult operating conditions, Bus Éireann with the assistance of the Departments of Transport and Education, the Gardai, the National Roads Authority and local authorities maintained the vast majority of its services and operated special services on Christmas Day for passengers delayed coming into the country due to the air travel disruption. Also during early 2010 when volcanic ash closed many airports Bus Éireann's Eurolines service provided a crucial transport link between Ireland, the UK and continental Europe.

Developments in technology

During the year Bus Éireann introduced a nationwide real time passenger information system becoming one of the first public transport operators in Europe to implement such an extensive system providing customers with up-to-the-second information on arrivals and departures at stops across the company's network.

Group Property

Group Property are presently working on major projects in Dublin (Spencer Dock, Connolly Station, Tara Street and Abbey Street) and Eyre Square Galway as well as providing professional services to various Iarnród Éireann infrastructural projects.

CIE Tours International

CIE Tours International achieved growth in passenger numbers and revenues during 2010, reversing the downward trends experienced during 2008 and 2009. Revenues of €38 million were generated, up €5.6 million or 17% on the prior year. The company provided coach touring and independent vacation packages to 36,000 people in 2010, an increase of almost 4,000 people or 12% on 2009 levels. This has been an impressive performance despite the disruption caused to international travel by the volcanic ash cloud in the spring of 2010.

The main market that the company sells in is the North American Market which accounted for 76% of passenger numbers and 89% of revenues in 2010. The remainder of the passengers came from across Europe, in particular the Scandinavian countries and also Australia and New Zealand.

Commuter Advertising Network (CAN)

Considering the dramatic contraction in the outdoor advertising market, Commuter Advertising Network (CAN), responsible for managing CIE's outdoor advertising portfolio including bus and rail sites has reported a solid result for the year.

In December 2010 the Board of CíÉ awarded a private company a three year licence agreement to manage its outdoor business in return for a guaranteed fee and a percentage share of net revenues. In partnership, both companies are now positioned to compete successfully in the market place and maximize profits for the Group.

Chairman's Statement 2010 (continued)

Acknowledgements

On behalf of the Board, I would like to express my thanks to the former Ministers for Transport, Mr. Noel Dempsey T.D. and Mr. Pat Carey T.D., for their support, as well as to officials of the Department of Transport and the National Transport Authority for their assistance. I look forward to working with the new Government and the new Minister for Transport, Tourism and Sport, Mr. Leo Varadkar T.D., in relation to the future of public transport in Ireland.

I am also grateful to the former Government and particularly the former Taoiseach and the former Minister for Finance, for the major investment programmes which were undertaken under the National Development Plan 2007-2013 and for the commitment given under the Transport 21 Plan announced in November 2005, which was so vital to the improvement of public transport in Ireland.

The Board also gratefully acknowledges the support from the EU Structural Fund co-financing.

I would like to extend a thank you to the staff of the CIÉ Group of Companies for their sustained efforts throughout the year, especially the Chief Executives of Bus Átha Cliath and Bus Éireann, Mr. Joe Meagher and Mr. Tim Hayes, who retired during 2010 after many years of valuable service to the Group.

In conclusion, I would also like to thank the Board members and the directors of all of the Board's subsidiary companies for their constant help and support to me personally and for giving their time to serve on the Boards and on the many vital committees and advisory groups within the CIÉ Group.

Dr. J. J. Lynch
Chairman



Operations Review

The operating results for the CIÉ Group for 2010 records a deficit of €52.5 million before the adjustment for FRS 17- Accounting for Retirement Benefits. After taking into account the requirements of FRS 17 the deficit is €53.6 million compared to a deficit of €77.7 million in 2009. The following table sets out the operating results for 2010.

While continued recessionary conditions existed throughout 2010 each company within the Group implemented its own extensive cost reduction programmes resulting in savings of €53.9 million

in operating costs and €21.5 million in payroll costs compared to 2009. These reductions offset the €30.7 million fall in revenue and €27.8 million reduction in Public Service Obligation payments received from the Government in 2010.

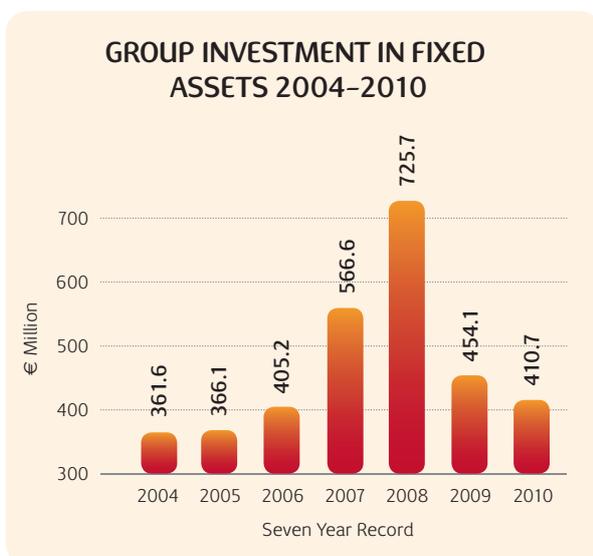
Exceptional items made up of voluntary severance costs of €31.1 million were incurred throughout the Group during the year, a reduction of €9.7 million on the previous year.

	2010 €M	2009 €M
Revenue	711.3	742.0
Public Service Obligation grant payments and Rail Safety grant	288.2	316.0
Total Revenue	999.5	1,058.0
Payroll related costs	(580.7)	(602.2)
Other operating costs	(438.9)	(492.8)
Financial costs	(2.0)	(0.8)
Profit on disposal of tangible assets	0.7	3.5
Total Costs	(1020.9)	(1092.3)
Deficit before Exceptional Costs and FRS 17 adjustments	(21.4)	(34.3)
Exceptional Costs	(31.1)	(40.8)
Deficit before FRS 17 pension cost adjustments	(52.5)	(75.1)
FRS 17 pension cost adjustments	(1.1)	(2.6)
Operating deficit including FRS 17 pension cost adjustments	(53.6)	(77.7)

Operations Review (continued)



The Public Service Obligation (PSO) and the Rail Safety grant payments of €288.2 million represent a decrease of €27.8 million on 2009. In addition, the Group received Exchequer funding of €429.4 million for capital expenditure under the National Development Plan (NDP). Group investment in fixed assets in 2010 amounted to €410.7 million (2009 - €454.1 million)



Operations Review (continued)

Group Companies

The detailed operations reviews for Iarnród Éireann, Bus Átha Cliath and Bus Éireann are contained in each company's separate Annual Report.

Iarnród Éireann

The operating result for 2010 is a deficit of €14.2 million (€4 million 2009), however the overall result is a deficit of €36 million (€32 million 2009) after exceptional items. Subvention from the Exchequer was reduced by €15.5 million (9.1%) in 2010.

While the general economic climate remained extremely challenging during 2010, passenger numbers stabilised somewhat following the significant falls in 2009. A total of 38.2 million passenger journeys were made on the network in 2010, down 0.6 million, or 1.5%. Revenue at €190.2 million for the year fell by €7.4 million (3.7%) on 2009 levels.

Savings Generated

Iarnród Éireann continued its cost reduction programmes to offset the effect of the economic downturn. Total costs savings of €19.5 million in 2010 were achieved on 2009 expenditure levels.

- ➔ Headcount numbers have been reduced consistently since 2001 from over 6,170 to 4,254 in 2010. Staff numbers reduced by 245 last year.
- ➔ Payroll costs reduced from €247.6 million in 2008 to €234.9 million in 2010.
- ➔ Other operating costs reduced from €174.9 million to €134.5 million over the same period.

These savings were achieved through rigorous control of costs and staff numbers, with contributions from across all aspects of the company's business while maintaining practically all services to customers, and expanding in some areas.

The savings in 2010 were achieved despite fuel cost increases of €4 million and additional PRSI charges of €1.2 million.

**IARNRÓD ÉIREANN
CONTINUED ITS COST
REDUCTION PROGRAMMES
TO OFFSET THE EFFECT
OF THE ECONOMIC
DOWNTURN. TOTAL COSTS
SAVINGS OF €19.5 MILLION
IN 2010 WERE ACHIEVED
ON 2009 EXPENDITURE
LEVELS.**

Passenger Train Punctuality 2010

The full year results for passenger train punctuality show continued strong performance over the full year. The individual monthly results for the later periods of the year were affected by adverse weather conditions and, on InterCity, by temporary speed restrictions. The overall results for the year ending 31st December, 2010 shows on target achievement for punctuality on the vast majority of routes (on time or within 10 minutes of schedule on all services; excluding DART measured to on time or within 5 minutes of schedule on all services).

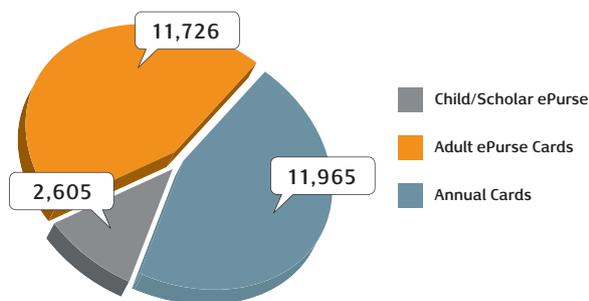
InterCity services on time or within 10 minutes of schedule		
Route	Target %	Result
Waterford	90	96.8
Galway	90	94.4
Sligo	90	94.3
Tralee	90	94.3
Rosslare	90	93.9
Limerick	90	93.5
Belfast	90	92.5
Cork	90	92.0
Westport	90	88.7

Operations Review (continued)

Commuter and DART services on time or within 5 minutes of schedule		
Route	Target %	Result
Northern	90	97.5
Maynooth	90	98.0
Kildare	90	97.3
DART	87	93.6

DART/Commuter Smartcard

The Rail Smartcard has been successfully introduced, as an interim measure prior to the full integrated ticketing system, for use on DART and Commuter services within the 'short hop zone' (the area bounded by Balbriggan in the north, Maynooth and Hazelhatch in the west, and Greystones/Kilcoole to the south). All stations in the area of implementation now have the necessary tag on/tag off gates and poles installed. Over 26,000 Rail Smartcards are now in use and the breakdown is as follows:



Operations

The network was expanded in 2010, with the opening of two new routes as a result of Transport 21 investment. The line from Dunboyne/M3 Parkway to Clonsilla, and the Western Rail Corridor between Limerick and Galway were both opened during the year.

Clongriffin, a developer built DART station, was opened and Lansdowne Road DART station has benefited from the enhancements made for access to the new Aviva stadium.

Although Iarnród Éireann has endeavoured to ensure that DART, commuter and InterCity service levels on most routes are maintained during the recession, the National

Transport Authority approved the company's application to suspend services on the heavy loss making and very lightly used Rosslare to Waterford line.

Schedules were improved on a number of routes in 2010, and a trial of Wi-Fi technology on Dublin-Cork services proved successful. Wi-Fi is to be rolled out to the full Dublin-Cork fleet in 2011.

Express morning and evening services were introduced in 2010 from Cork to Dublin with a journey time of 2hrs 30mins, and from Galway to Dublin with a journey time of 2hrs 15mins. Both provide more attractive pre 9am arrival times in Dublin.

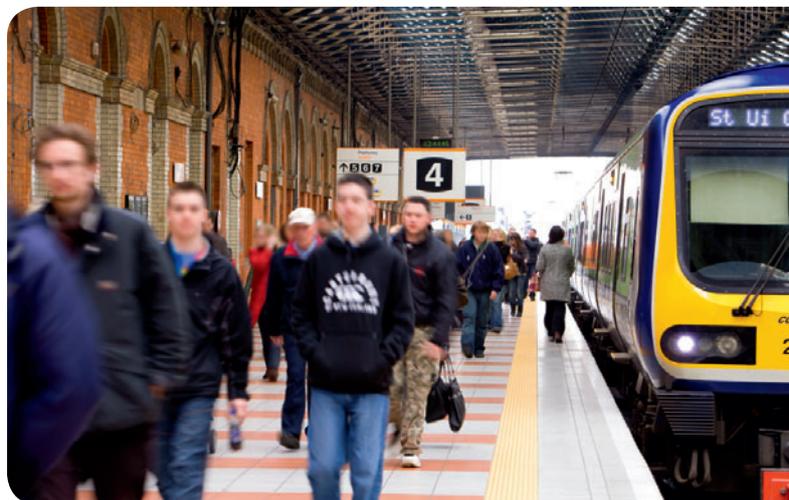
Public Service Contract (PSC)

Iarnród Éireann has signed a formal Public Service Contract with the National Transport Authority (NTA). This contract replaces the previous Memorandum of Understanding with the Department of Transport.

The PSC sets out the level of services expected to be carried out by Iarnród Éireann in return for subvention received. There is a risk to 10% of the subvention value if all targets are not met.

Malahide Viaduct

On the 16th August 2010 the independent Rail Accident Investigation Unit (RAIU) published its report into the Malahide Viaduct accident of August 2009. The report set out thirteen recommendations for action by Iarnród Éireann, one recommendation for the Railway Safety Commission (RSC), and one joint recommendation for both Iarnród Éireann and the RSC.



Operations Review (continued)

Iarnród Éireann's plan of action was presented at the July 2010 Iarnród Éireann Board meeting prior to publication of the RAIU report, and was noted by the RAIU. A detailed statement of progress was included in sections 43 and 44 of the RAIU's final report.

Iarnród Éireann has made significant progress with the agreed action plan to implement the recommendations of the report, and this work continues.

Safety and Security

Significant progress was made in many of the key safety action plans during 2010 and the year end results showed progress being maintained in a range of key indicators with particular improvement for staff lost time accidents.

DART Underground

The DART Underground project is currently in phase III – detailed design and Railway Order application.

The Railway Order application was submitted to An Bord Pleanála (ABP) on 30th June, 2010. The oral hearing commenced on the 22nd November and continued until adjourned on 17th December, 2010. It was reconvened on 10th January, 2011.

ABP has announced that a determination on the Railway Order application will be made in the first half of 2011. Iarnród Éireann expects to receive an effective Railway Order in Q3, 2011.

Bus Átha Cliath

Bus Átha Cliath experienced a deficit of €22.1 million for 2010 compared to a deficit of €12.9 million in 2009. As the effects of the economic recession continues to effect consumer confidence and hence spending, Bus Átha Cliath has seen passenger numbers fall by 9.3 million on 2009 journeys to 119 million and in turn a 7.2% fall in revenue from €196.3 million in 2009 to €182.1 million in 2010. Savings in operating costs achieved through the cost reduction programmes implemented throughout the company and the introduction of Network Direct during the year have helped to negate this fall in revenue and the fall in Public Service Obligation payments received from the State.

Bus Átha Cliath has responded vigorously to the extremely challenging economic environment. The redesign of the Network has resulted in a fleet reduction

of 180 buses to date which has enabled staff numbers to be reduced and generated expenditure savings on fleet maintenance and fuel.

Operating Costs were reduced by €21.3 million in 2010, while fuel costs increased by €3.4 million and staff numbers were reduced by 172 (5%) during the year.

The service changes are resulting in limited impact on customers with the majority enjoying an improved quality of service through increased frequency on more direct routes.

The Bus Átha Cliath overall strategy for dealing with the financial difficulties arising from the recession is to:

- (i) Reconstruct and modernise the route network through the Network Direct project to provide more direct routes on all corridors with regular, frequent services. Bus Átha Cliath will also promote the benefits of the new network to non-users to attract additional customers;
- (ii) Adjust service timetables in line with running time improvements, bus priority measures and change in demand;
- (iii) Achieve fleet reductions through (i) and (ii) above to significantly reduce the need for fleet replacement during the difficult years of the recession. This enables us to minimise the effects on the company's cash position during this period;
- (iv) Continue the drive to reduce staff costs and expenditure across all areas of the Company;
- (v) Implement the following key strategic projects and promote the benefits of these developments for customers and also to attract non-users of the service:
 - (a) Automatic Vehicle Location System and improved service quality management;
 - (b) Real Time Passenger Information in all formats;
 - (c) Reloadable Smartcard System; and
 - (d) Improvements in bus stop and website information;
- (vi) Strong marketing campaigns to complement Network Direct implementation and the other improvements for customers outlined above.

Operations Review (continued)

As a result of the strategy set out above, Bus Átha Cliath will be providing a more efficient modernised network of services which is more easily understood and more accessible to customers. This will enhance the company's capability to attract traditional non-bus users and to increase the modal share for public transport in the city.

Network Direct

In 2010, Bus Átha Cliath commenced the implementation of Network Direct, a project that will deliver a better bus service for the Greater Dublin Area (GDA). This project is the outcome of a review of the Bus Átha Cliath network which is the widest ranging in the history of the company and will bring significant benefits to customers. The aim of the Network Direct project is to deliver:

- A simpler network that is easier to understand
- More frequent services
- More direct services
- Improved punctuality and reliability

These changes and improvements are being rolled out across the service network on a phased basis which will be completed this year. Through a combination of the above elements, Bus Átha Cliath aims to meet the changing needs of its customers.

Technological Developments

Bus Átha Cliath also recognises the important role technological advancement plays in ensuring a modern bus service. An Automatic Vehicle Location and Control (AVLC) system is currently functioning in all seven Bus Átha Cliath depots. The programme, funded by the Department of Transport, is part of an overall plan to ensure a greater predictability of service. The AVLC technology is fitted onto Bus Átha Cliath vehicles and feeds data back to the Bus Átha Cliath Centralised Control Centre where services are monitored. The technology allows staff to view the exact location of buses on each route which results in a more reliable and efficient service. AVLC is the platform for Real Time Passenger Information (RTPI). Bus Átha Cliath has been working with the National Transport Authority and Dublin City Council on the roll out of RTPI and, display screens are currently in a live testing phase at various locations across the city. These display screens allow customers to ascertain the predicted arrival time of buses at their stop. Bus users will also be able to receive predicted arrival time of buses at stops on the internet and via text message to their mobile phone.



Public Service Contract - Bus Átha Cliath Continues to Meet its Goals

The Public Service Contract signed between the National Transport Authority (NTA) and Bus Átha Cliath on 1st December, 2009 sets out the network and range of services to be provided by Bus Átha Cliath, the performance levels to be achieved under the Public Service Obligation and the compensation to be paid by the NTA for the provision of these services. Bus Átha Cliath report quarterly to the NTA on the performance measurements and to date all of the agreed targets have been met by Bus Átha Cliath.

Fleet Accessibility

In 2010, Bus Átha Cliath continued to focus on enhancing the accessibility of services for customers. A new bus number identification system was erected on Bus Átha Cliath bus stops across the GDA to help visually impaired customers to fully identify a Bus Átha Cliath bus stop. The bus stop number is printed in both large font and in Braille on a plate which is fixed to the stop. Bus Átha Cliath also provides a free Travel Assistance Scheme to individuals with reduced mobility, sensory impairments and learning disabilities. With the help of a full-time Bus Átha Cliath travel assistant, customers design a tailor-made travel plan, to suit his or her needs, ultimately leading to independent travel for the customer. Customers can access more information on Travel Assistance by contacting Bus Átha Cliath's Accessibility Officer on (01) 7033204 or by e-mailing travelassist@dublinbus.ie. To date, 88% of the Bus Átha Cliath fleet is low floor wheelchair accessible and it is expected that the total fleet will be accessible by 2012.

Operations Review (continued)

Severe Weather 2010

During the severe weather experienced in late 2010, Bus Átha Cliath drivers operated vehicles in the harshest conditions that some had ever experienced in their careers. Despite the at times treacherous road conditions, 95% of the Bus Átha Cliath network was covered by services each day and this was due to the concerted effort of staff, across all sections of the company who worked around the clock and closely with the Local Authorities and An Garda Síochána. As a result service disruptions throughout the period were kept to a minimum and the most up to date information on services was communicated to customers at all times.

The Bus Átha Cliath website was key in communicating any diversions or service curtailments to the customer. This was updated frequently and during this time www.dublinbus.ie experienced an unprecedented volume of traffic. In addition, the Customer Information Bureau dealt with thousands of customer calls daily over the course of the severe weather period. The media were also updated continuously and Bus Átha Cliath spokespeople were available at all times for interview or comment.

The Importance of a Safe Workplace

The Board of Bus Átha Cliath and the executive management team are committed to protecting the safety, health and welfare of employees, customers and those affected by the company's activities, such as other road users, visitors to Bus Átha Cliath premises or contractors employed by the company.

The company's safety management system document provides a detailed framework for the management of health and safety risks associated with the company's operations. The methods described in this document form an integral part of the responsibilities of senior managers, middle managers and supervisors who, in turn, must ensure that their employees fully understand and comply with the requirements contained therein.

In relation to accidents, 2010 saw a reduction, by 5%, in the number of collision accidents per million vehicle kilometres involving Bus Átha Cliath vehicles. Furthermore, a reduction of just over 9% in the number of employee lost time accidents further highlights the benefits of maintaining a consistent approach to continuous audit and risk assessment. The extension of vehicle pre-service checking to four further depot locations during 2010 was seen as a significant development which will ultimately serve to further protect the safety, health and welfare of customers and employees.

Corporate Social Responsibility (CSR) — Our Work in the Community

Bus Átha Cliath services play a central role in the various communities that make up the company's customer base across the Greater Dublin Area (GDA). Therefore the different corporate and social responsibility programmes that are at the heart of the company's business provide an excellent way of building links with the communities served.

The 2010 Bus Átha Cliath Community Support Programme (CSP) was the biggest and most successful event in the history of the programme. Now in its seventh year, the CSP was established to help groups and organisations in the Greater Dublin Area whose work, for the most part, goes unrecognised outside the circle of people they help. To date over 1,000 small groups and organisations from communities across the GDA have benefited from the funding received from this programme. The cost of the programme is funded through unclaimed change as a means of returning it to the community.

Community Support Programmes allow Bus Átha Cliath to get to know some of its younger customers and impress upon them the importance of the role of the bus in the community and the respect due to it.

Bus Éireann

Bus Éireann incurred a loss of €2.2million in 2010 compared to a loss of €4.7million before exceptional items in 2009.

Bus Éireann continued to face serious challenges during 2010. Factors such as the continuing downturn in the economy and fall in retail sales had a severe impact on passenger numbers. Core road passenger products recorded a drop in passenger numbers of 11.8% against 2009 levels.

Total revenue earned in 2010 amounted to €285.9 million compared to €302.7million in 2009.

The company continued the successful introduction of its cost reduction plans during 2010. There are two main elements to the plans which assisted in significantly reducing the deficit in 2010. These elements involved both reductions in the core cost base of the company and the reorganisation and restructuring of certain bus services. The service changes were necessary due to the drop in revenue demand and the reduction in funding for PSO services. The network review also included looking at innovative ways of maintaining certain services. The

Operations Review (continued)

service changes are agreed in advance with the National Transport Authority (NTA) and the company has ensured that customers receive adequate notice of the planned service changes.

Significant cost savings were achieved during 2010 while still providing a comprehensive integrated transport network of services. Road passenger expenditure reduced by €19 million (10%) compared to 2009 levels. Staff numbers have also reduced across all grades of staff during 2010. These savings required implementation of a range of challenging actions. In addition to in-house efficiencies significant reductions have been realised from external suppliers.

In light of the economic environment, Bus Éireann escalated its ongoing cost reduction programme, which had reduced costs by 4% in both 2008 and 2009. In 2010, savings in payroll, materials and service costs of approximately €22 million or 6.3% year-on-year were achieved through measures such as:

- Changes in terms and conditions to reduce payroll costs.
- Network changes to bring service levels in line with passenger demand, which saw services with low demand altered or curtailed.
- Company-wide efficiencies in areas such as overtime, absenteeism, fuel efficiency, vehicle accident damage, maintenance and bus hire costs.
- Operational savings including use of higher capacity vehicles, on-street ticket vending machines, increasing on-line ticket sales, and integration with rural transport and HSE transport services.
- Network planning in the School Transport Scheme to fully utilise resources, as well as the amalgamation of routes, and the renegotiation of contractor rates.
- Reducing external supplier costs.

Major Employer & Contributor to Local Economies

Bus Éireann is a large national employer with a workforce of 2,704 at 18 locations throughout the country.

Bus Éireann works with a further 1,490 suppliers who are contracted to provide services, mainly to the School Transport Scheme. Our business activities also create employment for people in many other sectors who supply Bus Éireann with goods and services at local and national level.

Focus on Communities & Customers

The results of an independent audit show that Bus Éireann continued to have a high level of customer satisfaction with a rating of 88% in 2010 and more than 95% of respondents saying they would recommend Bus Éireann to a friend. The company also scored highly (96%) in terms of bus safety.

Public Service Contract

The funding of PSO services is governed by Public Transport Contracts between the National Transport Authority and Bus Éireann. The current contract is for five years until 2014. The contract outlines standards of operational performance and customer service that Bus Éireann must maintain. In 2010, the company met the performance targets set out in the contract.

Service Enhancements

A number of service enhancements were introduced during the year in line with customer demand. These included:

- Utilising existing resources to extend and/or increase departure levels on a number of services. For example, additional daily departures on Route 111 Dublin-Trim-Athboy-Cavan and integrating the service with the new Dunboyne-Dublin rail line.
- Revamping Expressway services to make best use of the new motorway infrastructure and link to the country's airport network where commercially feasible. For example, the introduction of additional services to Ireland West Airport in Knock from Sligo and Galway.



Operations Review (continued)

- An association between Bus Éireann and a Galway-based transport provider brought increased benefits to both that provider and Bus Éireann customers by providing them with a greater choice of services between Galway-Dublin city-Dublin Airport.
- Over 50 bus shelters erected as part of the company's bus shelter investor programme

Rail Replacement Service

Following the closure of the Rosslare-Waterford rail line, Bus Éireann, in conjunction with the NTA, introduced a local transport plan for South Wexford that saw an expansion of coach and bus services for the area with greater frequency of services from rural locations in the region and enhanced direct links to Waterford city, Wexford town, New Ross, WIT, and regional hospitals and health centres.

Enhanced Customer Service Through Technology

Bus Éireann introduced a nationwide real-time passenger information system in 2010 becoming one of the first public transport operators in Europe to implement such an extensive system.

The system uses GPS tracking systems and Automatic Vehicle Location System (AVL) technology to provide customers with up-to-the-second information on arrivals and departures at stops across the company's network via SMS and the web. It has been very popular with customers.

Further customer initiatives progressed during the year include the trial of Wi-Fi across inter-city services, making School Transport tickets available to purchase on-line, and working on the Real Time Passenger Information (RTPI) project for the introduction of RTPI bus shelter displays in the Greater Dublin Area and Cork city by the end of 2011.

Promoting Public Transport Usage

The company implemented a wide range of initiatives across a range of different media to help promote services, retain customers and improve under-performing routes. These included:

- Special fares on local and national routes to encourage travel at key periods such as school holidays and in the run-up to Christmas. Promotional fares were also used on specific local routes that had not been performing well.

- Joint promotions with a range of third-parties including, Dublin Zoo, Dublin Airport and local retailers and shopping centres.
- A highly focused student campaign was also activated that saw student passenger numbers increase.
- Passport to Summer campaign encouraged family travel within Ireland during the summer months.
- Development of digital media initiatives to encourage on-line purchasing and interaction with key target audiences through the company's website and its Facebook and Twitter sites. This activity led to a significant rise in website users and on-line ticket purchasing.
- The company also supported a range of cultural, sporting, community and environmental events and initiatives at national and local level throughout the year.

Environment

The company engaged in a number of initiatives during the year that were designed to reduce the company's environmental impact.

For instance, it introduced an eco-driving programme in association with the Sustainable Energy Association Ireland that, it is projected will reduce fuel costs by at least 5% per annum through training drivers to make adjustments to their driving style.

In addition, savings in lighting and heating costs were achieved by retro-fitting induction lights in some garages, which have seen electricity consumption significantly reduced and lighting levels improved.

Accessibility

Bus Éireann continued to make progress in relation to the provision of accessible services with all city services fully accessible, as well as major town services such as Athlone, Sligo, Dundalk and Drogheda.

Bus Éireann has also introduced wheelchair accessible services on its Waterford-Cork, Galway-Ballina and Galway-Athlone inter-city services, as well as its Navan-DCU-Dublin Airport 109A service.

The main challenge in delivering accessible services outside of cities and towns remains the provision of adequate space and facilities at bus stops to ensure the safe use of the wheelchair lift on coaches. Under the Sectoral Plan, accessibility at bus stops is the responsibility of local authorities.

Operations Review (continued)

Bus Éireann will continue to work with the relevant authorities and its own Disability User Group to enhance accessibility to its services.

School Transport

In the region of 125,000 children were transported twice daily during the school year by the School Transport Scheme in 2010.

Bus Éireann worked very closely with the Department of Education & Skills to achieve significant efficiencies by using network management skills to revamp a range of services and to provide better and more effective utilisation of vehicle resources.

The quality and range of school transport services being provided under the School Transport Scheme continues to improve, with 95 new services introduced in 2010. However, the total number of contractors vehicles increased by only 19. The number of Bus Éireann school buses did not increase.

There are now 369 wheelchair accessible vehicles providing school transport services every school day under the scheme.

In line with Government policy and the Deloitte report, potential synergies between school transport, rural transport, and HSE services were further explored and developed in 2010.

Bus Priority Measures

Bus Éireann has long supported the introduction of bus lanes and bus priority measures. Green Routes and Quality Bus Corridors are vital for improving the reliability and attractiveness of public transport, which helps increase operating efficiencies and has environmental benefits from reducing the number of private cars on our roads.

Bus Éireann management at national and local level continue to work closely with national and local authorities to progress Green Routes and Quality Bus Corridors.

Market Trends

Bus Éireann's passenger numbers during 2010 reflected the economic downturn, which has seen a significant drop in demand for public transport because of the fall in the number of people in work, the drop in the number

of non-Irish nationals in the country, the significant slowdown in retailing, and a substantial reduction in the number of tourists visiting Ireland.

CIE Tours International

CIE Tours International achieved growth in passenger numbers and revenues during 2010, reversing the downward trends experienced during 2008 and 2009. Revenues of €38 million were generated, up €5.6 million or 17% on the prior year. The company provided coach touring and independent vacation packages to 36,000 people in 2010, an increase of almost 4,000 people or 12% on 2009 levels. This has been an impressive performance despite the disruption caused to international travel by the volcanic ash cloud in the spring of 2010.

The main market that the company sells in is the North American market which accounted for 76% of passenger numbers and 89% of revenues in 2010. The remainder of the passengers came from across Europe, in particular the Scandinavian countries and also Australia and New Zealand.

The company achieved its profit targets for 2010 and has continued to reduce overheads in both the Dublin and USA office, through the implementation of new technology and new work practices. This has resulted in the company maintaining its position as the leading coach tour operator from the USA into Ireland.

Group Property

The Group Property department achieved sales of non operational property yielding €0.8 million and net rental income amounting to €13.3 million in 2010 compared to €10.1 in 2009 an increase of 31.7%, and are presently working on major projects such as Spencer Dock, Connolly Station, Tara Street, Abbey Street and Eyre Square Galway.

Group Property also provides professional services to various infrastructural projects of Iarnród Éireann in particular Dart Underground, Level Crossings, Kildare Route, Cork/Midleton and Pace/Dunboyne/Navan projects.

Commuter Advertising Network (CAN)

Considering the dramatic contraction in the outdoor advertising market, Commuter Advertising Network (CAN), responsible for managing CIE's outdoor advertising portfolio including bus and rail sites has reported a solid result for the year.

Operations Review (continued)

The fall in demand for outdoor advertising is expected to continue during 2011, with an anticipated decline of 6% in spend by advertising agencies. However, the opportunity arising from this situation is that outdoor advertising is now perceived as good value and more flexible in terms of its offering.

In December 2010 the Board of CIÉ awarded a private company a three year licence agreement to manage its outdoor business in return for a guaranteed fee and a percentage share of net revenues. In partnership, both companies are now positioned to compete successfully in the market place and maximize profits for the Group.

Overview of Energy Usage by the Group in 2010

The Group energy consumption includes diesel oil for the running of the Bus Átha Cliath, Bus Éireann bus fleets, the Iarnród Éireann Intercity rail cars and the Diesel Multiple Units. Electricity for the running of the Iarnród Éireann DART service, automatic level crossings, train and bus stations, equipment rooms, workshops and general office requirements. Natural gas and heating oil are used for space heating of offices and workshops. The profile of use for 2010 is listed in the table below.

Group energy consumption profile	MWhr
2010	
Diesel oil for traction	1,081,700
Electricity for traction	26,700
Electricity for other	52,000
Gas	33,900
Heating oil	1,400

Actions Undertaken to Reduce Energy Costs

Savings have been made throughout the Group in energy costs during 2010 which include:

Iarnród Éireann

Diesel Fuel for traction:

→ Initiated a test programme on a product to verify a

process that claims to reduce fuel consumption in diesel reciprocating engines.

- Measurement equipment has been purchased and fitted to 4 rail vehicles (commuter Diesel Multiple Units (DMUs).
- Implementation of automatic shut-off of traction engines on Diesel Multiple Units, on both commuter and InterCity vehicles.
- Savings estimated at 25,000 MWhr per annum.

Lighting and Fan control in Depots:

- Programmes implemented in depots of lighting and fan control.
- Savings per annum of 800 MWhr per annum are being achieved.

Bus Éireann

In 2010, Bus Éireann completed a number of programmes to formalise energy management within the organisation and to improve its energy efficiencies, including:

- Bus Éireann's central energy team completed the first stage of SEAI's Energy MAP training course in August.
- Arrangement of web access to utilities bills for Bus Éireann personnel. This facilitates drill-down analysis and management of electricity and gas energy consumption data for individual sites across the organisation.
- Development and implementation of procedures for evaluation and consideration of energy efficiency during the procurement process.

As the vast majority of Bus Éireann's annual energy consumption is used by its vehicle fleet, fuel consumption in this area has been prioritised for a number of initiatives including;

- Ecodriving training programme for 250 Drivers in September / October.
- Implementation of a Fuel Dispensing Monitoring Project to supply electronic data on vehicle fuel consumption for the company's fleet.

Operations Review (continued)

Bus Átha Cliath

Measures implemented:

- Engine idle speed was reduced in 2010 on 200 B9 type buses to reduce fuel consumption.
- Rationalisation of the fleet resulted in the fleet covering 3 million kilometres less in 2010.
- Heating controls were installed.
- Daylight sensors were installed for external yard lights.

Actions Planned for 2011

Iarnród Éireann

Diesel Fuel for traction:

Product to improve performance of diesel reciprocating engines:

- Test programme will be implemented and concluded.
- Subject to satisfactory test results, the implementation programme will commence.
- Potential saving of 25,000 MWhr per annum.

Auto Shut-down / Re-start for Locomotives:

- Subject to satisfactory test results, the implementation programme will commence.
- Potential saving of 6,000 MWhr per annum.

Auto Shut-down of Auxiliary engines in commuter DMUs:

- Potential saving of 6,000 MWhr per annum.

Lighting:

- Commence a programme to implement induction fluorescent lighting with occupancy controls in car parks.
- Potential saving in a full year of 120 MWhr.
- Implement new T8 tube in “Switch Start” fittings throughout the organisation.
- Potential saving in a full year of 70 MWhr.

Heating control:

- Implement temperature control programming of buildings.

- Reduce need for additional “Plug-in heaters”.
- Implement temperature control programming of “Plug-in heaters” where they are required.
- Potential saving in a full year of 200 MWhr.

Bus Éireann

- Prepare an energy policy based on the Company's Energy Management Strategy.
- Complete a trial of onboard vehicle fleet (Telematics) management systems which facilitate improved driving technique leading to improved energy efficiency.
- Implementation of a vehicle fleet engine idling measurement system to allow quantification and so improve management of the issue.
- Identify and assess significant energy consumers at individual sites.
- Assess performance / efficiency of gas and oil heating systems at Bus Éireann sites.
- Formalise a process for internal identification of opportunities for energy savings on an ongoing basis.
- Promote energy efficiency and develop an energy efficiency culture within the company through an internal company awareness campaign.

Bus Átha Cliath

- Further fleet reductions will be implemented under the Network Direct project as the rationalisation of bus routes and resultant efficiencies are rolled out across the entire network.
- Lifetime fuel consumption has been established as an award criteria for vehicle purchases in 2011 using the UITP standardised Sort 1 urban cycle fuel consumption tests.
- Investigate the application of new vehicle gearbox software (ZF Topodyn) suitable for B9 buses with potential for fuel savings.
- Start trials of eco-driving for fleet using on board technology.
- Introduce new refresher training for drivers with video and computer based feedback to achieve smoother driving techniques which will also help to reduce fuel consumption.

Operations Review (continued)

- ➔ Energy efficient lighting upgrade for maintenance facility workshops and parking yards.
- ➔ Upgrade and replace fuel pumps with high efficient motors.
- ➔ Install gas pulse meters and link to the Building Management System (BMS) as part of ongoing monitoring of gas consumption in the maintenance facilities.
- ➔ Continue to promote energy awareness among staff.
- ➔ Identify further energy saving opportunities through the local energy management teams.

Employment

The average number of people employed by the CIÉ Group at the end of 2010 was 10,955 a reduction of 508 on 2009.

Staff Participation

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

Equal Opportunities

The Group through its equality officers continue to enhance 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.

Accessibility

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

Payment Practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions)

Regulations 2002. The payment policy throughout the Group in 2010 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 deals with the principal risks to the businesses in a number of ways including health and safety. A risk register is maintained by each of the companies and updated periodically with the various risks and the action plans for addressing these. Iarród Éireann, on behalf of itself, Bus Átha Cliath and Bus Éireann, enters into commodity swap contracts for fuel. 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 four subsidiary operating companies, two business units and ancillary service providers. Between them they provide services for:

- Rail passenger travel
- Rail freight haulage
- City, inter-city, rural and school bus travel
- 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.

Córas Iompair Éireann



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

Iarnród Éireann



- InterCity
- Suburban
- Long Distance Commuter
- Rail Freight
- Rosslare Harbour

Bus Éireann



- Expressway
- Rural Services
- Provincial City Services
- School Bus Services
- Private Hire

Bus Átha Cliath



- City Services
- Xpresso
- Nitelink
- Airlink
- City Tours
- 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, 2010 are set out here. Except where indicated they served as Board members for the whole year.

John. J. Lynch	Executive Chairman (Re-appointed 29th March, 2010 and 29th March, 2011) Resigned 31st May, 2010
Mary Canniffe	
Mick Cullen ●	
Paul Kiely	
Dermot Killen	
Graham Lightfoot	
Bill McCamley ●	
Willie McDermott ●	
John Moloney ●	
Neil Ormond	
Yvonne Scannell	
Seamus Sheerin	
1 Vacancy	
● Worker member	

Secretary of the Board

Geraldine Finucane,
Heuston Station,
Dublin 8.
Telephone: + 353 1 703 2008
Facsimile: + 353 1 703 2276

Board Committees at 31st December, 2010

Audit Committee

Paul Kiely	Chairman
Dermot Killen	
Graham Lightfoot	
Neil Ormond	

Finance Committee

Paul Kiely	Chairman
Dermot Killen	
Neil Ormond	
Seamus Sheerin	

Remuneration Committee

Paul Kiely	Chairman
John J. Lynch	
Seamus Sheerin	

Property Committee

Neil Ormond	Chairman
Graham Lightfoot	
Yvonne Scannell	
1 vacancy	

Safety Committee

Dermot Killen	Chairman (Appointed 3rd March, 2010)
Graham Lightfoot	(Appointed 3rd March, 2010)
2 vacancies	

Group Management

Roddy Connolly	Chief Financial Officer
Paddy Doherty	Chief Executive, Bus Átha Cliath
Dick Fearn	Chief Executive, Iarnród Éireann
Martin Nolan	Chief Executive, Bus Éireann
Brian Stack	Managing Director, CIE Tours International

Members of the Board and Group Management (continued)

Auditors

PricewaterhouseCoopers,
Chartered Accountants and
Registered Auditors,
One Spencer Dock,
North Wall Quay,
Dublin 1.

Solicitor

Colm Costello,
Bridgewater House,
Islandbridge,
Dublin 8.

Principal Banker

Bank of Ireland,
College Green,
Dublin 2.



Members of the Board and Group Management (continued)

The Board of Córas Iompair Éireann

John Lynch Executive Chairman

John Lynch was first appointed as Chairman of CIÉ and its subsidiary companies in March 2000. Prior to his appointment to the CIÉ Group of companies he was Chairman and Director General of FÁS. Previously he was Chief Executive of Bord Gáis and the Irish Productivity Centre. He has also been a director of a number of private companies. John qualified as an engineer at Dublin Institute of Technology. He is also a graduate of University College Dublin receiving a BComm in 1971 and an MBA in 1974. In addition, he earned a doctorate from Trinity College Dublin.

Mick Cullen

Mick Cullen was appointed to the CIÉ Board in December 2009 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Mick joined Iarnród Éireann in 1972 and works in Wexford as a Signalman. He is a member of SIPTU and represents rail workers.

Paul Kiely

Paul Kiely studied Cost and Management Accountancy in the College of Commerce in Rathmines before joining the Central Remedial Clinic (CRC) in January 1977. He was appointed Chief Executive of the CRC in January 1988, a position he still holds today. Paul also served as a director of Great Southern Hotels from 1988 to 1995 and has been involved, at director level, with numerous companies in the healthcare/disability sector. He joined the CIÉ Board in December 1998.

Dermot Killen

Dermot Killen is a business advisor. He is a partner in McGuinness Killen Partnership Ltd. In addition, he lectures in Human Resource Management at undergraduate and postgraduate levels in NCI and in Human Resource Management and Operations Management at undergraduate level in IT Carlow. Previously, he worked as HR Director in the Smurfit Group in Ireland and in the UK. Dermot has experience in policy and strategy

development in business terms across the full range of HR and IR issues. He is an engineering graduate of Trinity College, Dublin. In addition, he has a Masters in Organisation Behaviour (TCD), a further Masters in Business Research (Durham, UK) and is a Fellow of the Chartered Institute of Personnel and Development. Dermot joined the CIÉ Board in May 2009.

Graham Lightfoot

Graham Lightfoot joined the CIÉ Board in April 2008. He is a sustainable transport consultant and is Managing Director of Mendes Ltd. and of GoCar CarSharing Ltd. He has experience of working with community based and public passenger schemes in Ireland, Britain and Australia. He has also been involved in local community development projects. Graham is a Chartered Member of the Chartered Institute of Logistics and Transport Ireland and has a BSc in Transport Management and Planning.

Bill McCamley

Bill McCamley was first appointed to the CIÉ Board in December 1997 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Bill joined Bus Átha Cliath in 1974 and works in Phibsboro Garage as a bus driver. He is a member of SIPTU and has represented bus workers at local and branch level over many years.

Willie Mc Dermott

Willie McDermott was appointed to the CIÉ Board in December 2009 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Willie joined Bus Átha Cliath in 1978 and works in Phibsboro Garage as a bus driver. He is a member of the NBRU and represents bus workers.

John Moloney

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

Members of the Board and Group Management (continued)

The Board of Córas Iompair Éireann (continued)

Neil Ormond

Neil Ormond is an employer nominated member of the Employment Appeals Tribunal. He was formerly a director in Irish Biscuits Ltd. and in Trent Yeast Ltd. (UK). He was also Head of Production in the Bovril Group (UK). Neil joined the CIÉ Board in March 2005.

Yvonne Scannell

Yvonne Scannell was first appointed to the CIÉ Board in March 2005. She is a professor in Trinity College Dublin where she lectures on Environmental, Planning and Land Use Law and on Regulatory Law. She practices as a consultant in Environmental, Planning and Climate Change Law with Arthur Cox, Solicitors. She has been consistently nominated as one of Ireland's leading environmental lawyers and is the author of six books on the subject. She has extensive corporate experience having served on several boards including Tara Mines, Coillte, EBS, and the Irish National Petroleum Corporation. She is a member of the European Council on Environmental Law and of the International Council on Environmental Law.

Seamus Sheerin

Seamus Sheerin was appointed to the CIÉ Board in April 2008. He is Managing Director of Capital Securities Corporation, a midlands based private equity firm. Established with fellow colleagues in 2005, Capital Securities pursues a sectoral and economic strategy with interests in retail food and healthcare in Germany, together with indigenous interests within the service sectors in Ireland and the UK. Seamus is a graduate of the Institute of Bankers with qualifications in accounting, economics, law, and marketing and holds an M.B.A. from Henley Business School at the University of Reading in the U.K.



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. C oras Iompair  ireann supports the principles and provisions of the Code of Practice.

The Board

The Board is comprised of twelve members appointed by the Government. Included in the twelve are four worker members who are appointed by the Government for a four year term following elections by the staff of the Group. There is one vacancy at present.

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 of an Audit Committee (see below), a Finance Committee (see below), a Property Committee, a Safety Committee and a Remuneration Committee. Their members are listed on page 22.

Audit Committee

The Audit Committee has written terms of reference and is composed of four non-executive Board members. The process by which the committee operates includes meeting 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. The process by which the committee operates includes meeting with the Chief Financial Officer and senior management from the subsidiary companies every month to review the funding of the Group's capital programme, the prioritisation of the subsidiary companies' capital expenditure proposals, annual operating and capital budgets and the Group's treasury, procurement and disposal policies. The committee also 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.

Corporate Governance Statement (continued)

- 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 Infrastructure Advisory Group, which is composed of both Iarnród Éireann directors and senior management, reviews on a monthly basis project proposals, tendering and evaluation processes adopted and progress of major capital projects against project timetables and budgets.

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.

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.

Attendance at Board/Committee Meetings

Listed below is Board members' attendance at Board/Committee meetings held during 2010.

Corporate Governance Statement (continued)

Attendance at CIÉ Board/ Committee Meetings 2010

Board Member	CIÉ Board	Finance Committee	Audit Committee	Property Committee	Remuneration Committee	Safety Committee
John Lynch	11/11				4/4	
Mary Canniffe	3/4					
Mick Cullen	11/11					
Paul Kiely	10/11	14/14	8/8		4/4	
Dermot Killen	11/11	13/14	7/8			4/4
Graham Lightfoot	10/11		7/8	3/5		4/4
Bill McCamley	6/11					
Willie McDermott	10/11					
John Moloney	9/11					
Neil Ormond	9/11	9/14	7/8	5/5		
Yvonne Scannell	7/11			4/5		
Seamus Sheerin	8/11	7/14			2/4	

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.

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

6th April, 2011

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.



Auditor's Report to the Minister for Transport

As auditors appointed by C oras Iompair  ireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 32 to 69 that have been prepared under the historical cost convention, and the accounting policies set out on pages 32 to 33.

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 and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out on page 29 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 C oras Iompair  ireann balance sheet is in agreement with the books of account. We also report to you our opinion as to whether C oras Iompair  ireann 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 review whether the statement regarding the system of internal financial control required by the Code of Practice for the Governance of State Bodies made in the Corporate Governance Statement on pages 26 to 28 reflects the group's compliance with the paragraph 13.1 (iii) of the Code and is consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not. We are not required to consider whether the Board's statements on internal financial control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report. This other information comprises of only the Chairman's Statement and the Operations Review. We consider for our report whether it is consistent with the audited financial statements and the implications if we become aware of any apparent misstatements or material inconsistencies. Our responsibilities do not extend to any other information.

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.

Auditor's Report to the Minister for Transport (continued)

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of Córas Iompair Éireann and of the Group as at 31st December, 2010 and of the deficit and cash flows of the Group for the year then ended.

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

PricewaterhouseCoopers,

Chartered Accountants and Registered Auditors,
Dublin.
6th April, 2011

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 Transport Act, 1950 and the Companies Acts, 1963 to 2009. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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

(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

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.

(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 that 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

Principal Accounting Policies (continued)

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 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.

(J) RAILWAY INFRASTRUCTURE COSTS

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

Consolidated Profit and Loss Account

Year ended 31st December	Notes	2010	2009
		€000	€000
Revenue	1	711,328	742,045
Costs			
Payroll and related costs	3	(563,155)	(579,879)
Materials and services	4	(381,106)	(432,319)
Depreciation	5	(57,890)	(60,487)
Exceptional operating costs	6	(31,067)	(40,792)
Total operating costs		(1,033,218)	(1,113,477)
Deficit before profit on disposal of tangible assets, interest and Public Service Obligations/grants		(321,890)	(371,432)
Profit on disposal of tangible assets	7	682	3,510
Deficit before interest and Public Service Obligations/grants		(321,208)	(367,922)
Interest receivable		648	2,400
Interest payable - Operational	8	(1,722)	(2,058)
- Railway infrastructure	8	(951)	(1,133)
Other finance cost	22	(18,600)	(24,900)
Deficit for the year before Public Service Obligations/grants		(341,833)	(393,613)
Public Service Obligations and other Exchequer grants	9	288,236	315,960
Deficit for the year		(53,597)	(77,653)

Movements in reserves are shown in Note 20 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

Year ended 31st December

	Notes	2010 €000	2009 €000
Deficit for the year		(53,597)	(77,653)
Actuarial gain in respect of pension schemes	22	199,400	23,200
Total recognised gain/(loss) relating to the year		145,803	(54,453)

Consolidated Balance Sheet

As at 31st December	Notes	2010 €000	2009 €000
Fixed assets			
Tangible assets	11	2,919,366	2,818,246
Financial assets	12	20	20
		2,919,386	2,818,266
Current assets			
Stocks	13	48,066	63,805
Debtors	14	54,870	163,828
Cash at bank and in hand		14,565	1,532
		117,501	229,165
Creditors (amounts falling due within one year)	15	(479,248)	(500,451)
		(361,747)	(271,286)
Net current liabilities		(361,747)	(271,286)
Total assets less current liabilities		2,557,639	2,546,980
Creditors (amounts falling due after more than one year)	16	(16,165)	(60,988)
Provisions for liabilities and charges	18	(182,458)	(190,239)
Retirement benefits obligation	22	(348,700)	(547,000)
Deferred income	19	(2,210,650)	(2,094,890)
		(200,334)	(346,137)
Financed by:			
Reserves			
Capital reserve		28,556	28,556
Profit and loss account	20	(241,401)	(387,204)
Non-repayable State advances		12,511	12,511
	20	(200,334)	(346,137)

On behalf of the Board

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

Company Balance Sheet

As at 31st December	Notes	2010 €000	2009 €000
Fixed assets			
Tangible assets	11	889,602	827,950
Financial assets	12	275,474	279,280
		1,165,076	1,107,230
Current assets			
Debtors	14	9,715	54,404
Cash at bank and in hand		13,970	809
		23,685	55,213
Creditors (amounts falling due within one year)	15	(257,088)	(274,613)
Net current liabilities		(233,403)	(219,400)
Total assets less current liabilities		931,673	887,830
Creditors (amounts falling due after more than one year)	16	(16,165)	(60,988)
Deferred income	19	(658,141)	(577,311)
		257,367	249,531
Financed by:			
Reserves			
Capital reserve		28,556	28,556
Profit and loss account	20	216,300	208,464
Non-repayable State advances		12,511	12,511
	20	257,367	249,531

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Consolidated Cash Flow Statement

Year ended 31st December	Notes	2010 €000	2009 €000
Net cash Inflow/(outflow) from operating activities	21(A)	73,447	(66,341)
Return on investments, servicing of finance and other finance income	21(B)	(2,025)	(791)
Capital expenditure and financial investment	21(B)	29,861	(2,975)
Cash inflow/(outflow) before use of liquid resources and financing		101,283	(70,107)
Financing (decrease)/increase in debt	21(B)	(87,303)	27,915
Increase/(decrease) in cash in the year		13,980	(42,192)
Reconciliation of net cash flow to movement in net debt (note 21c)			
Increase/(decrease) in cash in the year		13,980	(42,192)
Cash movement from (increase)/decrease in debt and lease financing		87,303	(27,915)
Change in net debt resulting from cash flows		101,283	(70,107)
Movement in net debt in the year		101,283	(70,107)
Net debt at 1st January		(118,385)	(48,278)
Net debt at 31st December		(17,102)	(118,385)

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 2010 €000	Total 2009 €000
Revenue:							
Railway							
- Suburban rail division			50,592			50,592	51,687
- Mainline rail division			113,018			113,018	117,778
			163,610			163,610	169,465
Freight division			5,079			5,079	4,977
Rosslare Harbour			10,123			10,123	10,957
Other Rail services			11,373			11,373	12,176
Road passenger services							
- Dublin city					182,121	182,121	196,307
- Provincial cities				22,524		22,524	24,640
- Other services				263,346		263,346	278,023
Tours		37,982				37,982	32,432
Central business activities		15,170				15,170	13,068
Total revenue		53,152	190,185	285,870	182,121	711,328	742,045
Expenditure:							
Railway							
- Suburban rail division:							
Operational costs			72,988			72,988	71,897
Infrastructure costs			33,489			33,489	26,516
- Mainline rail division:							
Operational costs			186,993			186,993	187,692
Infrastructure costs			148,613			148,613	145,378
			442,083			442,083	431,483
Freight division			4,397			4,397	6,555
Rosslare Harbour			8,430			8,430	8,667
Other Rail services			4,093			4,093	4,376
Road passenger services							
- Dublin city					272,648	272,648	290,450
- Provincial cities				37,525		37,525	46,209
- Other services				294,907		294,907	310,254
Tours		37,733				37,733	32,370
Central business Activities	(17,500)	7,380				(10,120)	11,074
Total expenditure	(17,500)	45,113	459,003	332,432	272,648	1,091,696	1,141,438

Notes to the Financial Statements (continued)

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

	Consol- idation FRS 17 €000	CIÉ €000	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2010 €000	Total 2009 €000
Surplus/(deficit) by activity:							
Railway							
- Suburban rail division			(55,885)			(55,885)	(46,726)
- Mainline rail division			(222,588)			(222,588)	(215,292)
			(278,473)			(278,473)	(262,018)
Freight division			682			682	(1,578)
Rosslare Harbour			1,693			1,693	2,290
Other Rail services			7,280			7,280	7,800
Road passenger services							
- Dublin city					(90,527)	(90,527)	(94,143)
- Provincial cities				(15,001)		(15,001)	(21,569)
- Other services				(31,561)		(31,561)	(32,231)
Tours		249				249	62
Central business activities	17,500	7,790				25,290	1,994
Operating surplus/(deficit) before interest, profit on disposals, State grants and exceptional items	17,500	8,039	(268,818)	(46,562)	(90,527)	(380,368)	(399,393)
Interest receivable/ (payable)		144	(2,668)	256	243	(2,025)	(791)
Other finance cost (note 22)	(18,600)					(18,600)	(24,900)
Profit/(loss) on disposal of tangible assets (note 7)		826	179	(976)	653	682	3,510
(Deficit)/surplus before State grants, and exceptional items	(1,100)	9,009	(271,307)	(47,282)	(89,631)	(400,311)	(421,574)
State grants							
- operational (note 9)		-	67,687	45,039	75,682	188,408	208,907
- infrastructure (note 9)		-	174,134	-	-	174,134	175,806
EU grant infrastructure		-	15,239	-	-	15,239	-
(Deficit)/surplus for the year before exceptional items	(1,100)	9,009	(14,247)	(2,243)	(13,949)	(22,530)	(36,861)
Exceptional operating costs (note 6)		(1,173)	(21,784)	-	(8,110)	(31,067)	(40,792)
Net (deficit)/surplus for the year	(1,100)	7,836	(36,031)	(2,243)	(22,059)	(53,597)	(77,653)

Notes to the Financial Statements (continued)

2. RAILWAY INFRASTRUCTURE COSTS

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

	2010 €000	2009 €000
Maintenance of railway lines and works	65,012	71,029
Renewal of railway lines and works	89,545	68,753
Operating (signalling) and other expenses	19,946	23,923
Depreciation	32,899	26,464
Amortisation of capital grants	(25,300)	(18,275)
Total railway infrastructure costs	182,102	171,894
Infrastructure subvention	(97,718)	(104,700)
Exchequer safety funding	(2,110)	(2,353)
Renewals funding (note 11 [a])	(89,545)	(68,753)
Total railway infrastructure funding	(189,373)	(175,806)
Surplus for the year	(7,271)	(3,912)
Apportionment of costs:		
Mainline rail division	144,024	141,646
Freight division	4,589	3,732
Suburban rail division	33,489	26,516
	182,102	171,894

Notes to the Financial Statements (continued)

3. PAYROLL AND RELATED COSTS

	2010	2009
	€000	€000
Staff costs		
Wages and salaries	538,094	563,056
Social welfare costs	46,668	48,690
Other pension costs	35,869	31,719
	620,631	643,465
Own work capitalised	(58,106)	(64,251)
Net staff costs	562,525	579,214
Board members' remuneration and emoluments		
- for services as Board members	164	173
- for executive services	466	492
Total Board members' remuneration and emoluments	630	665
Total payroll and related costs	563,155	579,879

Included in Board members' remuneration is €235,145 (2009 - €235,215) paid to Dr. J.J. Lynch, Executive Chairman for executive services. The taxable benefit of the Chairman's company car is €15,945 (2009 - €15,945) and Employer's PRSI paid was €1,256 (2009 - €1,256)

The Board members excluding the Chairman were paid €15,750 re Directors fees in 2010 except for Ms. M. Canniffe who was paid €6,562.

The average number of persons employed by company was as follows:

	2010	2009
	€000	€000
CIÉ	258	265
Iarnród Éireann - Irish Rail	4,431	4,679
Bus Éireann - Irish Bus	2,704	2,820
Bus Átha Cliath - Dublin Bus	3,562	3,699
	10,955	11,463

Notes to the Financial Statements (continued)

4. MATERIALS AND SERVICES

	2010	2009
	€000	€000
Included in materials and services are:		
Auditors' remuneration	433	600
Operating lease rentals	4,775	5,346
Expenses reimbursed to Directors	5	13
Revenue grants (<i>note 19</i>)	(3,372)	(2,468)
	3,831	6,481

(A) Included in auditors' remuneration is:

	2010	2009
	€000	€000
Statutory audit services	187	210
Other assurance services	21	23
Tax advisory services	191	322
Other non audit services	34	45
	433	600

(B) Included in expenses reimbursed to Directors are:

	2010	2009
	€000	€000
Subsistence / accomodation	4	4
Foreign travel	1	8
Other	-	1
	5	13

5. DEPRECIATION

	2010	2009
	€000	€000
Depreciation (<i>note 11</i>)	213,502	191,131
Amortisation of capital grants (<i>note 19</i>)	(155,612)	(130,644)
	57,890	60,487

Notes to the Financial Statements (continued)

6. EXCEPTIONAL OPERATING COSTS

	2010	2009
	€000	€000
Business restructuring	(31,067)	(40,792)

As part of the Group Financial Plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The estimated cost in 2010 including severance payments and other costs associated with the programme is €21.8 million. In addition Bus Átha Cliath incurred €8.1 million and the Córás Iompair Éireann (the holding company) incurred €1.2 million in business restructuring during the year.

7. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	2010	2009
	€000	€000
Net gain on sale of land and buildings	826	878
(Loss)/profit on disposal of rolling stock, vehicles, plant and machinery	(144)	2,632
	682	3,510

8. INTEREST PAYABLE

	2010	2009
	€000	€000
On loans and leases wholly repayable within five years	1,945	2,081
On loans and leases not wholly repayable within five years	728	1,110
	2,673	3,191
Interest apportioned:		
Group operational costs	1,722	2,058
Railway infrastructure costs	951	1,133
	2,673	3,191

Notes to the Financial Statements (continued)

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 €288.236 million received in 2010 - €275.858 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €12.378 million under the Railway Safety Investment Programme are given in the following table:

State grants relating to 2010 activities	Total €000
Iarnród Éireann - Irish Rail	
Public Service Obligation	155,137
Railway Safety Investment Programme	12,378
Total Iarnród Éireann - Irish Rail	167,515
Bus Átha Cliath - Dublin Bus	75,682
Bus Éireann - Irish Bus	45,039
	288,236
Add State grant for National Development Plan (NDP)	429,343
Other Exchequer grants	-
Total State funding	<u>717,579</u>

The total State funding was applied as follows:

Consolidated profit and loss account	288,236
Less: infrastructure	(99,828)
Subvention and railway safety grants - operational	188,408
Infrastructure subvention and railway safety grants	99,828
NDP - credit against renewals of railway lines and works	74,306
Infrastructure subvention (note 1)	174,134
Deferred income - capital grants	301,643
Other Exchequer revenue grants	53,394
Total	<u>717,579</u>

Notes to the Financial Statements (continued)

10. HOLDING COMPANY NET RESULT 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 net surplus for the year, after profit on disposal of tangible assets, amounted to €7.836 million.

11. TANGIBLE FIXED ASSETS

	1st Jan. €000	Reclassifi- cation €000	Additions €000	Group Scrappings and Disposals €000	31st Dec. €000
Cost					
Railway lines and works	1,496,416	-	134,904	-	1,631,320
Funding received for railway lines and works	(1,064,139)	-	(94,887)	-	(1,159,026)
Railway rolling stock	1,316,822	236	91,640	(11,708)	1,396,990
Road passenger vehicles	586,831	-	37	(37,978)	548,890
Road freight vehicles	3,347	-	-	(272)	3,075
Land and buildings	896,901	-	78,935	-	975,836
Plant and machinery	1,002,157	(236)	104,821	(3,632)	1,103,110
Docks, harbours and wharves	55,192	-	370	-	55,562
Total	4,293,527	-	315,820	(53,590)	4,555,757

Notes to the Financial Statements (continued)

11. TANGIBLE FIXED ASSETS (continued)

	1st Jan. €000	Reclassifi- cation €000	Charge for Year €000	Group Scrappings and Disposals €000	31st Dec. €000
Depreciation					
Railway lines and works	1,262,044	-	101,473	-	1,363,517
Funding received for railway lines and works	(1,064,139)	-	(94,887)	-	(1,159,026)
Railway rolling stock	440,838	-	83,876	(11,709)	513,005
Road passenger vehicles	345,763	-	46,862	(36,829)	355,796
Road freight vehicles	3,347	-	-	(272)	3,075
Land and buildings	68,229	-	16,571	-	84,800
Plant and machinery	402,834	-	58,288	(3,582)	457,540
Docks, harbours and wharves	16,365	-	1,319	-	17,684
Total	1,475,281	-	213,502	(52,392)	1,636,391

	2010 €000	2009 €000
Net book amounts		
Railway lines and works	267,803	234,372
Railway rolling stock	883,985	875,984
Road passenger vehicles	193,094	241,068
Land and buildings	891,036	828,672
Plant and machinery	645,570	599,323
Docks, harbours and wharves	37,878	38,827
Total	2,919,366	2,818,246

Notes to the Financial Statements (continued)

11. TANGIBLE FIXED ASSETS (continued)

Company	1st Jan. €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
Cost				
Land and buildings	894,368	78,593	-	972,961
Plant and machinery	32,024	226	(406)	31,844
Total	926,392	78,819	(406)	1,004,805

	1st Jan. €000	Charge for year €000	Scrappings and Disposals €000	31st Dec. €000
Depreciation				
Land and buildings	67,669	16,345	-	84,014
Plant and machinery	30,773	822	(406)	31,189
Total	98,442	17,167	(406)	115,203

	2010 €000	2009 €000
Net book amounts		
Land and buildings	888,947	826,699
Plant and machinery	655	1,251
Total	889,602	827,950

(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.

Notes to the Financial Statements (continued)

11. TANGIBLE FIXED ASSETS (continued)

2010
€000

2009
€000

Renewals expenditure and related grants were as follows:

Renewals expenditure	89,545	68,753
State grants	74,306	68,753
EU grants	20,581	-
	94,887	68,753

(b) Road passenger vehicles at a cost of €89,446,000 (2009 - €69,997,000) 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
Bus Shelters	3 to 15
Catering equipment	5 to 10
Railway lines and works	10 to 40
Railway rolling stock	4 to 20
Road passenger vehicles	7 to 14
Road freight vehicles	1 to 10
Plant and machinery	3 to 30
Docks, harbours and wharves	50

Notes to the Financial Statements (continued)

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:

	2010	2009
	€000	€000
Cost	92,005	91,244
Accumulated depreciation	(75,782)	(72,956)
Net book value at 31st December	16,223	18,288
Depreciation for year	(2,826)	(10,063)

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

	2010	2009
	€000	€000
Railway rolling stock	109,441	75,599
Road passenger vehicles	-	-
	109,441	75,599

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

	2010	2009
	€000	€000
Cost	1,108,064	998,899
Accumulated depreciation	(426,492)	(395,822)
Net book value at 31st December	681,572	603,077

Notes to the Financial Statements (continued)

12. FINANCIAL ASSETS

Group	Trade investments				Total	
	Listed shares		Unlisted shares			
	2010	2009	2010	2009	2010	2009
	€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		Total €000
	Unlisted shares €000	Loans €000	Finance leases €000	Listed shares €000	Unlisted shares €000	
Cost or valuation						
At 1st January, 2010	156,178	99,039	24,063	34	13	279,327
Share additions Irish Rail	99,039	-	-	-	-	99,039
Less: Reduction in						
- finance leases	-	-	(3,806)	-	-	(3,806)
- Irish Rail Loan	-	(99,039)	-	-	-	(99,039)
At 31st December, 2010	255,217	-	20,257	34	13	275,521
Provision for permanent diminution in value at 31st December, 2010	-	-	-	(34)	(13)	(47)
Net book amounts at 31st December, 2010	255,217	-	20,257	-	-	275,474

Loans to the subsidiary companies represent 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. These loans were fully paid during the year by a further €99,039 million in shares issued by Iarnród Éireann – Irish Rail to Córas Iompair Éireann.

Notes to the Financial Statements (continued)

13. STOCKS

Group	2010	2009
	€000	€000
Maintenance materials and spare parts	26,376	25,815
Infrastructure stocks	12,638	26,933
Fuel, lubricants and other sundry stocks	9,052	11,057
	48,066	63,805

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

14. DEBTORS

Group	2010	2009
	€000	€000
Trade debtors	26,024	27,237
Department of Education and Science	2,838	10,616
NDP Iarnród Éireann investment projects funded by CIÉ	-	50,022
EU grants receivable	10,043	61,619
Other debtors and accrued income	15,965	14,334
	54,870	163,828

Company

Trade debtors	1,823	83
NDP Iarnród Éireann investment projects funded by CIÉ	-	50,022
Other debtors and accrued income	7,892	4,299
	9,715	54,404

Notes to the Financial Statements (continued)

15. CREDITORS (amounts falling due within one year)

	2010	2009
	€000	€000
Group		
Bank overdraft	7,417	8,364
Bank loans (note 17)	7,000	50,251
Finance lease obligations (note 26)	3,484	3,281
Trade creditors	121,195	120,670
Income tax deducted under PAYE	9,066	7,520
Pay related social insurance	7,426	7,967
Value added tax and other taxes	13,024	11,016
Other creditors	18,264	18,661
Restructuring provisions (note 18)	41,082	49,749
Third party and employer's liability claims (note 18)	21,954	21,195
Deferred income (note 19)	165,496	140,066
Accruals	63,840	61,711
	479,248	500,451
Creditors for taxation and social welfare included above	29,516	26,503
Company		
Bank overdraft	3,165	3,097
Bank loans (note 17)	7,000	50,251
Finance lease obligations (note 26)	3,484	3,281
Trade creditors	6,875	4,386
Amounts owed to subsidiary companies	199,933	180,388
Income tax deducted under PAYE	637	265
Pay related social insurance	171	150
Value added tax and other taxes	1,132	646
Other creditors	4,513	2,485
Restructuring provision (note 18)	-	10,000
Deferred income (note 19)	13,431	11,781
Accruals	16,747	7,883
	257,088	274,613
Creditors for taxation and social welfare included above	1,940	1,061

Notes to the Financial Statements (continued)

16. CREDITORS (amounts falling due after more than one year)**Group and Company**

	2010	2009
	€000	€000
Bank loans (<i>note 17</i>)	-	40,771
Finance lease obligations (<i>note 26</i>)	13,766	17,250
Irrecoverable value added tax on finance leases	2,399	2,967
	16,165	60,988

17. BANK LOANS**Group and Company**

	2010	2009
	€000	€000
These loans are repayable as follows:		
Within one year (<i>note 15</i>)	7,000	50,251
Between one and two years	-	9,613
Between two and five years	-	31,158
	-	40,771
Total	7,000	91,022

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.

Notes to the Financial Statements (continued)

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provisions €000	Third Party & Employer's Liability Claims €000	Total €000
Group			
Balance at 1st January, 2010	49,749	211,434	261,183
Utilised during year	(38,558)	(18,319)	(56,877)
Transfer from profit and loss account	29,891	11,297	41,188
	41,082	204,412	245,494
Balance carried forward 31st December, 2010			
Apportioned:			
Current liabilities (note 15)	41,082	21,954	63,036
Amounts falling due after more than one year	-	182,458	182,458
	41,082	204,412	245,494
Company			
Balance at 1st January, 2010	10,000	-	10,000
Utilised during year	(10,000)	-	(10,000)
Balance carried forward 31st December, 2010	-	-	-

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.

Provisions coming forward from previous years have been transferred to the consolidated profit and loss account based on recent claims history.

(A) EXTERNAL INSURANCE COVER

The Board has the following external insurance cover:

(i) Iarnród Éireann – Irish Rail

Third Party Liability in excess of

- (a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and
- (b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.

Notes to the Financial Statements (continued)

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**(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) €2,000,000 for school buses and
- (b) €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.

(iv) Group

Third Party Liability in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except

- (a) at Ossory Road, Dublin in the case of flood damage, where the excess is a non-ranking €1,000,000, and
- (b) any other flood damage where the excess is €250,000.
- (c) Any claims subject to United States of America jurisdiction where the excess is US\$150,000.
- (v) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2010 to March 2011, 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 in the annual aggregate after which any individual self insured retention in that annual period will be €50,000.

- (vi) Group Combined Liability Insurance, which does not exclude Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2010 to March 2011, for all rail and road transport, Third Party and Other Risks liabilities.
- (vii) All Risks, 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 after which any individual self insured excess in that annual period will be €100,000.
- (viii) 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.
- (ix) Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:
 - (a) Marine Third Party Liability cover of €12,500,000 any one incident but unlimited during the currency of the policy, subject to an excess of €150,000 per incident.
 - (b) Removal of Wreck cover of €5,000,000 any one incident, subject to an excess of €12,500 any one incident and 3 days excess in respect of Loss of Revenue claims any one incident.

Notes to the Financial Statements (continued)

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

- (c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.
- (d) Marine Impact cover for itemised structures totalling €38,575,000, subject to an excess of €25,000 for each and every loss.
- (e) Excess Marine Third Party Liability cover of €25,600,000 any one incident in excess of €12,500,000 any one incident.
- (f) Unaccompanied Trailers cover of €5,000,000 any one location, subject to an excess of €25,000 each and every loss.
- (g) Unaccompanied motor vehicles of €635,000 any one vessel or conveyance, €4,450,000 any one incident, and €127,500 any one vehicle, subject to an excess of €625 each and every loss.
- (h) Unaccompanied mechanically propelled vehicles not owned by CIÉ/Iarnród Éireann being driven by Iarnród Éireann personnel within the Europort area, subject to third party property damage limits of €2,600,000 in respect of commercial vehicles and €30,000,000 in respect of private cars.

(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.

Notes to the Financial Statements (continued)

19. DEFERRED INCOME

Group	1st Jan. 2010 €000	Transfers/ Retire- ments €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit & Loss A/C €000	31st Dec. 2010 €000
Capital grants						
Railway lines and works	203,693	-	45,503	-	(6,250)	242,946
Railway rolling stock	806,956	-	65,929	-	(68,993)	803,892
Plant and machinery	479,391	-	89,912	-	(40,849)	528,454
Docks, harbours and wharves	13,017	-	-	-	(355)	12,662
Land and buildings	589,001	-	95,494	-	(11,821)	672,674
Road passenger vehicles	141,830	-	-	(36)	(27,309)	114,485
	2,233,888	-	296,838	(36)	(155,577)	2,375,113
Other deferred income	1,068	-	-	-	(35)	1,033
	2,234,956	-	296,838	(36)	(155,612)	2,376,146
Revenue grants	-	-	3,372	-	(3,372)	-
Total	2,234,956	-	300,210	(36)	(158,984)	2,376,146

Notes to the Financial Statements (continued)

19. DEFERRED INCOME (continued)

Group	2010 €000	2009 €000
Apportioned:		
Deferred income – amounts falling due within one year	165,496	140,066
Deferred income – amounts falling due after one year	2,210,650	2,094,890
	2,376,146	2,234,956

Company	1st Jan. 2010 €000	Received and Receivable €000	Profit and Loss A/C €000	31st Dec. 2010 €000
Capital grants				
Land and buildings	588,705	94,494	(11,704)	671,495
NDP infrastructure (I.T.) grant	368	–	(309)	59
Other deferred income	19	–	(1)	18
Total	589,092	94,494	(12,014)	671,572

	2010 €000	2009 €000
Apportioned:		
Deferred income – amounts falling due within one year	13,431	11,781
Deferred income – amounts falling due after one year	658,141	577,311
	671,572	589,092

Notes to the Financial Statements (continued)

20. RECONCILIATION OF MOVEMENTS IN RESERVES

	Capital Reserve €000	Profit and Loss Account €000	Non-repeyable State Advances €000	2010 Total Reserves €000	2009 Total Reserves €000
Group					
Balance at 1st January	28,556	(387,204)	12,511	(346,137)	(291,684)
Deficit for the year	-	(53,597)	-	(53,597)	(77,653)
Actuarial gain in respect of pension schemes	-	199,400	-	199,400	23,200
Balance at 31st December	28,556	(241,401)	12,511	(200,334)	(346,137)
Company					
Balance at 1st January	28,556	208,464	12,511	249,531	268,490
Surplus/(deficit) for the year	-	7,836	-	7,836	(18,959)
Balance at 31st December	28,556	216,300	12,511	257,367	249,531

21. CASH FLOW STATEMENT

	Year ended 31st December	
	2010 €000	2009 €000
(A) Reconciliation of operating deficit to operating cash flows		
Operating deficit before Public Service Obligations and grants	(321,890)	(371,432)
Public Service Obligation and grants other than that applied to renewals	288,236	315,960
	(33,654)	(55,472)
Depreciation	213,502	191,131
Amortisation of capital grants	(155,612)	(130,644)
Reduction/(increase) in stocks	15,739	(9,633)
Decrease in debtors	57,383	3,639
Decrease in creditors and provisions	(23,911)	(65,362)
Net cash inflow/(outflow) from operating activities	73,447	(66,341)

Notes to the Financial Statements (continued)

21. CASH FLOW STATEMENT (continued)

(B) Analysis of cash flows for headings netted in the cash flow statement

	Year ended 31st December	
	2010 €000	2009 €000
Returns on investments and servicing of finance		
Interest received	648	2,400
Interest paid	(1,945)	(2,081)
Interest element of finance lease rental payments	(728)	(1,110)
Net cash outflow for returns on investments and servicing of finance	(2,025)	(791)
Capital expenditure and financial investment		
Purchase of tangible assets	(415,290)	(448,951)
Disposal of tangible assets	1,850	4,164
State and EU capital grants	443,301	441,812
Net cash inflow/(outflow) for capital expenditure and financial investment	29,861	(2,975)
Financing		
Repayment of debt	(91,022)	(8,902)
Short Term Note Issuance Facility	7,000	41,000
Capital element of finance lease rental payments	(3,281)	(4,183)
Net cash (outflow)/inflow from financing	(87,303)	27,915

Notes to the Financial Statements (continued)

21. CASH FLOW STATEMENT (continued)

	At 1st Jan. 2010 €000	Cash Flow €000	31st Dec. 2010 €000
(C) Analysis of net debt			
Cash at bank and in hand	1,532	13,033	14,565
Bank overdrafts	(8,364)	947	(7,417)
		13,980	
Debt due after one year	(40,771)	40,771	-
Debt due within one year	(50,251)	43,251	(7,000)
Finance leases	(20,531)	3,281	(17,250)
		87,303	
Total	(118,385)	101,283	(17,102)

22. 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, 2008. The market value of the assets of the schemes at that date was €1,160,200,000 which amounted to 67.3% of the benefits which had accrued to members based on service to and pensionable pay at the review date. Actuarial reports are available to scheme members but are not provided for public inspection.

Composition of the Scheme

The Group operates two defined benefit schemes in Ireland. Actuarial valuations were carried out at 31st December, 2010 by a qualified independent actuary.

The amounts recognised in the Balance Sheet are as follows:

	2010 €000	2009 €000
Fair value of scheme assets	1,344,300	1,247,700
Present value of scheme liabilities	(1,693,000)	(1,794,700)
Pension deficit	(348,700)	(547,000)

Notes to the Financial Statements (continued)

22. PENSIONS (continued)

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

The amounts recognised in the Profit and Loss account are as follows:

	2010 €000	2009 €000
Charged to operating profit		
Current service cost	33,400	29,900
Past service cost	3,900	3,100
Total operating charge	37,300	33,000
Credited to other finance income		
Expected rate of return on pension scheme assets	74,900	69,300
Interest on pension scheme liabilities	(94,300)	(94,200)
Curtailment gain	800	-
Net return	(18,600)	(24,900)

Actual return on schemes' assets

The amounts recognised in the Statement of Total Recognised Gains and Losses are as follows:

	2010 €000	2009 €000
Actual return less expected return on pension scheme assets	30,600	24,200
Experience gains arising on the scheme liabilities	32,300	25,900
Changes in assumptions underlying the present value of the scheme liabilities	136,500	(26,900)
Actuarial gain recognised in STRGL	199,400	23,200

Notes to the Financial Statements (continued)

22. PENSIONS (continued)

The cumulative actuarial loss recognised in the Statement of Total Recognised Gains and Losses up to and including the financial year ended 31st December, 2010 is €432.073 million (2009: €631.464 million)

Based on current contribution ratios, the expected members and employer contributions for the year ended 31st December, 2011 are €70 million.

Movement in schemes' assets and liabilities

	Schemes' Assets €000	Schemes' Liabilities €000	Schemes' Deficit €000
At 1st January 2009	1,160,200	(1,727,800)	(567,600)
Current service cost	-	(29,900)	(29,900)
Interest costs	-	(94,200)	(94,200)
Expected return on scheme assets	69,300	-	69,300
Actual less expected return on scheme assets	24,200	-	24,200
Experience losses on liabilities	-	(1,100)	(1,100)
Past service costs	-	(3,100)	(3,100)
Net benefit paid out	(81,400)	81,400	-
Members contributions	20,000	(20,000)	-
Employer contributions paid	55,400	-	55,400
At 31st December 2009	1,247,700	(1,794,700)	(547,000)
Current service cost	-	(33,400)	(33,400)
Interest costs	-	(94,300)	(94,300)
Expected return on scheme assets	74,900	-	74,900
Actual less expected return on scheme assets	30,600	-	30,600
Experience gains on liabilities	-	168,800	168,800
Past service costs	-	(3,900)	(3,900)
Curtailement gain	-	800	800
Net benefit paid out	(83,700)	83,700	-
Members contributions	20,000	(20,000)	-
Employer contributions paid	54,800	-	54,800
At 31st December 2010	1,344,300	(1,693,000)	(348,700)

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

Notes to the Financial Statements (continued)

22. PENSIONS (continued)

Risks and rewards arising from the assets

At 31st December, 2010 the assets were invested in a diversified portfolio that consisted primarily of equity and debt securities and properties. The fair value of the assets at year end was €1,344,359. The fair value of the asset categories as a percentage of total schemes' assets were as follows:

	2010	2009
	%	%
Equities	48.9	48.2
Property	8.7	9.6
Bonds	32.5	37.2
Other	9.9	5.0
Total	100	100

The schemes' assets do not include any ordinary shares issued by the Group. In addition, schemes' assets do not include property occupied by, or other assets used by the Group.

Basis of expected rate of return on scheme assets

The Group employs a building block approach in determining the rate of return on pension scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. For equities the expected return is 7.4% and is expected to exceed that of bonds by on average 3%. The expected rate of return for property assets is 6.4% and for other assets is 4.2%. Thus the overall expected rate of return on schemes' assets at 31st December, 2010 is 6% (2009: 6%).

Financial Assumptions

The principal actuarial assumptions used in the valuations were:

	31st Dec	31st Dec
	2010	2009
	% p.a.	% p.a.
Discount rate	5.30	5.30
Inflation	2.00	2.25
Pension increases**	3.00	3.25
Salary increases**	3.00	3.25

** Pay Pause i.e. 0% increase for 2011-2013 and increases of 2.5%p.a. for 2014-2015 reverting to long term assumptions thereafter.

Notes to the Financial Statements (continued)

22. PENSIONS (continued)**Mortality assumptions**

Assumptions regarding future mortality experience are set based on information from published statistics and are selected to reflect the characteristics and experience of the membership of the relevant schemes. The mortality rates used are based on standard mortality tables derived from UK experience adjusted with effect from 31st December, 2010 to allow for future improvements in mortality consistent with the approach adopted by the CSO in carrying out population projections. The average life expectancy, in years, of a member retiring at age 65 is as follows:

	31st Dec. 2010	31st Dec. 2010	31st Dec. 2009	31st Dec. 2009
	Male	Female	Male	Female
Currently aged 45 years	24.8	25.9	21.8	24.8
Currently aged 65 years	22.3	23.7	21.1	24.2

History of asset values, present value of liabilities, deficit in the Schemes and experience gains and losses for year ended 31st December

	2010 €000	2009 €000	2008 €000	2007 €000	2006 €000
Fair value of scheme assets	1,344,300	1,247,700	1,160,200	1,549,000	1,545,300
Present value of funded liabilities	(1,693,000)	(1,794,700)	(1,727,800)	(1,711,800)	(1,770,000)
Deficit in scheme	(348,700)	(547,000)	(567,600)	(162,800)	(224,700)
Experience gains/(losses) on scheme assets:	30,600	24,200	(491,700)	(77,600)	62,900
Percentage of the present value of the scheme assets	2.3%	1.9%	(42.4)%	(5.0)%	4.1%
Experience gains/(losses) on scheme liabilities:**	32,300	25,900	(59,600)	(62,000)	(21,700)
Percentage of the present value of the scheme liabilities	1.9%	1.4%	(3.4)%	(3.6)%	(1.2)%

** This item consists of gains/(losses) in respect of liability experience only and excludes any changes in liabilities in respect of changes to the actuarial assumptions used.

Notes to the Financial Statements (continued)

23. CAPITAL COMMITMENTS

	2010	2009
	€000	€000
Contracted for	50,288	179,920
Authorised by Board but not contracted for	396,340	455,298
	446,628	635,218

Capital grants totalling €395.2 million have been approved in respect of the above expenditure (2009 - €614.5 million).

24. FOREIGN EXCHANGE AND OIL COMMITMENTS

At 31st December, 2010 Córas Iompair Éireann was committed to buying STG£1.8 million, selling US \$15 million and buying US\$41.0 million under forward currency contracts expiring during 2011. The fair value of these contracts at 31st December, 2010 was a loss of €1.4 million.

At 31st December, 2010 Córas Iompair Éireann was also committed to buying oil under commodity swap contracts to the value of US\$ 78.2 million expiring during 2011 and 2012. The fair value of these contracts at 31st December, 2010 was a profit of €9.9 million.

25. CONTINGENT LIABILITIES

Pending litigation

The Group, from time to time, is party to various legal proceedings. It is the opinion of the Board that losses, if any, arising in connection with these matters will not be materially in excess of provisions in the financial 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 that could arise in the event of early termination of the agreements. These obligations are covered by letters of credit that are indemnified by the Board of Córas Iompair Éireann. 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. 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.

Notes to the Financial Statements (continued)

26. LEASE OBLIGATIONS

(A) Finance leases

Net obligations under finance leases fall due as follows:

	2010 €000	2009 €000
Within one year (note 15)	3,484	3,281
Between one and five years	13,766	15,289
After five years	-	1,961
Total	17,250	20,531

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

(B) Operating leases

Commitments under non-cancellable operating leases payable expire as follows:

	On plant & equipment/ motor vehicles €000
Within one year	1,466
Between one and five years	1,263
	2,729

27. RELATED PARTY TRANSACTIONS

(A) The ownership of the company

CIÉ is a statutory body set up under the Transport Act, 1950.

The members of the Board are appointed by the Minister for Transport.

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

The Group provides rail and road transport services in the ordinary course of its business to Government departments and to entities controlled by the Irish Government, the principal of these being the Department of Education and Science, the Department of Social and Family Affairs, Coillte, An Post, the various county councils and Allied Irish Bank. Revenue from these services amounted to €252.6 million in 2010 and amounts due from these entities to the Group at 31st December, 2010 for these services totalled €19.9 million.

Notes to the Financial Statements (continued)

27. 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 ESB, Bord Gáis, the various county councils and Allied Irish Bank. Expenditure on these services amounted to €15.0 million in 2010 and amounts due to these entities by the Group at 31st December, 2010 for these services totalled €0.4 million.

28. 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) services
Bus Éireann - Irish Bus	- Public bus passenger services
Bus Átha Cliath - Dublin Bus	- Public bus passenger services
CIE Tours International Incorporated	- Tours

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 2009, 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.

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.

29. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 6th April, 2011.



Córas Iompair Éireann