Córas Iompair Éireann

Annual Report and Financial Statements 2008

Driving Investment

PRN.A9/0114

Contents

Coras 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.

Design: firstimpression

Chairman's Statement 2008

Córas Iompair Éireann

CIÉ and its subsidiaries cannot be insulated from the effects of economic recession. In 2008 we witnessed the significant downturn in world economic growth which had a consequential impact on the performance of the Irish economy. This in turn had a negative influence on the performance of our operating companies.

As a result of these negative influences domestic economic growth in terms of real GNP fell by an estimated 2.8%. Ireland therefore fell into recession in 2008, and as such the demand for goods and services (including public transport) throughout the economy declined.

Passenger Numbers

The companies continue to play a role in the provision of public transport. Annual numbers travelling by bus increased by 18.9 million between 2000 to 2008, whilst rail passenger numbers have increased by 11.6 million over the same period. Overall passenger journeys in the CIÉ group have risen by 30.5 million in the last eight years.

These increases were delivered in a more competitive environment, and reflect the success of quality bus corridor development, enhanced commuter services in our cities and regions, and the improved quality of our overall bus and train fleet.

Investment in new Buses and Trains

In the past decade there has been unprecedented investment in new fleet and infrastructure under the various National Development Plans. With a continuation of this investment under Transport 21 CIÉ rail and bus services are in a position to cater for increased passenger demand when the economy eventually recovers.

While the sudden decline in the Irish economy has directly impacted on demand for our services, vigorous action has been taken by each of our companies during 2008 to tailor our resources to meet the new levels of demand. This process will continue into the near future as we continuously monitor the various markets and deploy our services accordingly.

Financial Stability for the Future

As a commercial State enterprise, we provide services in accordance with the public service obligation payments which the State allocate, and we have a statutory responsibility to ensure that the company is financially stable, while ensuring we deliver the best possible service to our customers.

This is why early in 2009 we announced our cost-saving plans, which reflect directly the changes in demand in our marketplace, and are aimed at minimising the impact on the travelling public.

We will, with sensitivity to all sections of the community, balance reductions in the size of the bus fleet across the national and Dublin fleets, ensuring we deliver a quality service as efficiently as possible.

Nonetheless, these measures are vital to ensure that when economic recovery begins, our bus companies are in a strong financial position to ensure we can respond quickly to increased demand, expanding communities, and the transport needs of citizens across the State.

It should be emphasised, moreover, that when our rail and bus companies are benchmarked against other European operators we are consistently shown to deliver efficient, safe and high quality services with what are regarded by international standards as modest levels of subvention and comparatively low fares.

Cost and Efficiency Review

A cost and efficiency review of Dublin Bus and Bus Éireann by Deloitte, TAS and Buchanan was conducted during the year and while complimentary towards Dublin Bus and Bus Éireann it identified a number of potential improvements which are currently being addressed. The report summarised: "Benchmarking of the cost base of each company indicates that they are generally as efficient as comparable organisations". CIÉ welcomes this report and will act on its recommendations.

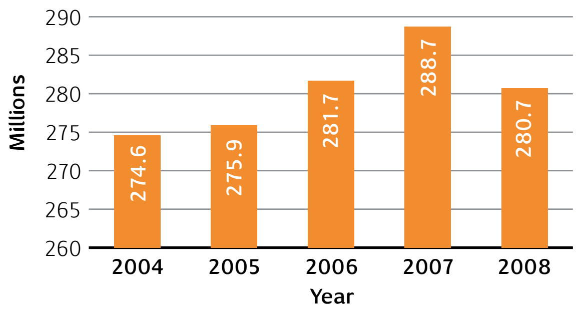
Surplus recorded for the Group

The demand for public transport is dependent upon economic growth but more specifically has been found to be highly correlated with the volume of retail sales. As early as February 2008 there were indications that the demand for our rail and bus services was not as buoyant as in the corresponding period in 2007. Management in our operating subsidiaries quickly recognised that the economy was going into decline. As the year progressed the severity of the recession deepened, the index of retail sales fell rapidly, and as a consequence the demand for public transport declined.

For the year as a whole the volume of retail sales decreased by 4.5% compared to 2007, which according to the Central Statistics Office was the largest year-on-year decline since 1982. During the year passenger journeys in the CIÉ Group fell by 2.8% reflecting the fact that there were less people at work, less shoppers and fewer people making discretionary journeys.

However, notwithstanding the drop in passenger volumes we are pleased that the Group as a whole recorded a surplus of €10.2 million in 2008.

CIÉ Group Passenger Journeys 2004-2008



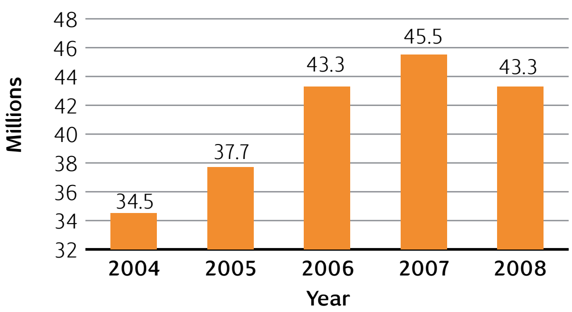
Iarnród Éireann returned a deficit of €0.2 million (after exceptional costs a deficit of €19.1 million); Bus Átha Cliath returned a deficit of €14.9 million; and Bus Éireann returned a deficit of €6.1 million (after exceptional costs a deficit of €8.1 million). The performance of Bus Átha Cliath and Bus Éireann should be set in the context of the impact of traffic gridlock which, an independent report shows, continues to cost the bus companies in excess of €80 million a year.

Iarnród Éireann

Customer numbers on the railway held up better than other sectors of the economy with a decrease of 4.8% in passenger numbers, 43.3 million in 2008 as compared to 45.5 million in 2007. The unprecedented investment made under the Government's Transport 21 programme in new trains and track continues to keep Iarnród Éireann's revenue and customer numbers at satisfactory levels despite the economic downturn.

This was the year when the result of the greatest investment in Irish Railways for 100 years became a reality for rail customers. New trains, increased frequency and much improved timekeeping helped to maintain the progress following a decade which has seen passenger numbers on the Iarnród Éireann network grow by 36%.

Iarnród Éireann Passenger Journeys 2004-2008



During the year Iarnród Éireann continued the roll-out of a brand new fleet of 183 InterCity railcars (ICRs) which have totally modernised train services between Dublin and Sligo, Westport, Galway, Limerick, Waterford as well as between Cork and Tralee. These new InterCity railcars have also been introduced on the outer commuter lines in the Dublin area.

In addition, new stations were opened at Phoenix Park, Clondalkin Fonthill and Parkwest, and major works commenced on the Dunboyne, Midleton and Western Rail Corridor routes.

The second Railway Safety Programme (2004 – 2008) was completed during the year bringing improvements to the physical infrastructure, such as the elimination of potentially hazardous level crossings, development of safety management systems, safety training and initiatives for the continuing development of a strong safety culture in Iarnród Éireann. The audit report carried out by consultants commissioned by the Department of Transport, concluded that the programme was good value for money and had delivered the investment projects and achieved the objectives set for the programme and recommended that a further 5-year programme from 2009 – 2013 should be undertaken.

Rosslare Europort, the fourth biggest port in the State, and the second biggest in the key RORO sector, had another good year despite lower levels of traffic being recorded. Two new weekly shipping services from Rosslare have commenced recently; to Zeebrugge/Rotterdam and to LeHarve. Work commenced towards the end of 2008 to replace the Berth 2 Linkspan in the port.

There was continued consolidation in the freight function during 2008. The cost savings and business rationalisation programmes implemented over the last 4 years have resulted in Freight returning a loss of €0.8 million in 2008 compared to a loss of €13.9 million in 2003.

Bus Átha Cliath

Bus Átha Cliath remains the main public transport provider in the Greater Dublin Area, with over 93% of the population having access to its services and 70% of public transport users choosing the bus as their mode of transport. Total passenger journeys for the year at 143.5 million, were down 4.0 million (2.7%) compared to 2007, reflecting the downturn in the economy.

The financial result for the year for Bus Átha Cliath is a net loss of €14.9m. Revenues for the year of €203.7 million showed an increase of €3.3 million (1.6%) on 2007.

The upgrading of the bus fleet in Dublin continued during the year with an order for 100 buses, most of which were delivered by year end.

During the year Bus Átha Cliath and the Quality Bus Network Office worked together to increase bus priority across the city with new Quality Bus Corridors (QBCs) and the upgrading of existing ones in the Greater Dublin Area.

Bus Átha Cliath is also committed to improving accessibility and all new buses which are purchased are low floor wheelchair accessible. Currently 78% of the fleet is low floor wheelchair accessible and the aim of having a fully accessible fleet by 2012 will be achieved.

In the summer of 2008 Bus Átha Cliath introduced smartcard ticketing, the entire fleet is now fitted with reader machines and the process of introducing prepaid smartcards to replace the old magnetic strip technology is well under way.

Bus Éireann

Bus Éireann returned an operating deficit of €6.1 million and after exceptional costs a deficit of €8.1 million for 2008, compared with a surplus of €6.9 million in 2007 as a result of factors including, the under funding of PSO services, the downturn in the economy leading to a decline in passenger numbers, as well as increasing fuel costs and the loss of fuel rebate.

While the current economic environment has led to a fall in passenger numbers, Bus Éireann still carried 93.9 million passengers in 2008 compared with 95.7 million in 2007, with customer satisfaction increasing from 90% in 2007 to 95% in 2008

In 2008 potential expenditure savings were rigorously examined and revised targets were continuously reviewed in light of the declining economic environment.

CIE Tours International

CIE Tours International operated profitably during 2008, despite the extremely difficult trading conditions in the tourism industry. During the year CIE Tours International carried 46,350 passengers, who generated total revenues of €49.4 million, a reduction of 13.5% on 2007 levels. A cost saving plan has been put in place by CIE Tours to achieve savings in 2009 and beyond.

Group Property

CIÉ Property Division had its best year ever in 2008 with sales of surplus property yielding €66.7 million, generated primarily from apartment sales in Spencer Dock in Dublin as well as revenue from sites in Abbey Street and O'Connell Street. Profit on rental income at €14 million was up 20% on the previous year.

Commuter Advertising Network (CAN)

CIÉ's Outdoor Advertising business including all bus and rail fixed and transit sites recorded a revenue increase of 6.4% compared to 2007.

Acknowledgements

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

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

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

I would like to extend a thank you to the staff of the CIÉ Group of companies for their sustained efforts throughout the year.

Mr. John Sorohan retired from the Board on 1st March, 2008. I would like to thank him for his contribution to CIÉ during his tenure as a Board member. It was good to welcome back Ms. Mary Canniffe, Mr. Paul Kiely, Mr. Neil Ormond, and Prof. Yvonne Scannell who were all reappointed to the Board on 29th April, 2008. I would like to welcome Mr. Graham Lightfoot and Mr. Seamus Sheerin who were also appointed to the Board on that date, and our most recent member, Mr. Dermot Killen who was appointed on the 19th May, 2009.

In conclusion, I would also like to thank the remaining 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 of 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

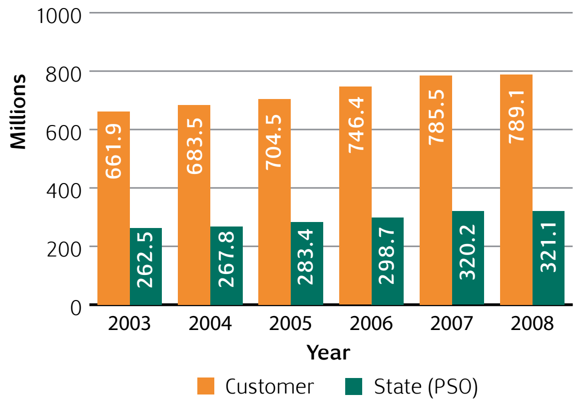
Group Results

The operating results for the CIÉ group for 2008 show a Deficit of €7.6 million before the adjustment for FRS 17. After taking into account the requirements of Accounting Standard FRS 17 – Accounting for Retirement Benefits the surplus for 2008 is €10.2 million compared to €28.2 million in 2007. The following table sets out the operating results for 2008:

	2008 €M	2007 €M
Revenue	**789.1**	785.5
Public Service Obligation Grant payments and Rail Safety Grant	**321.1**	320.2
Total	**1,110.2**	**1,105.7**
Payroll related costs	**(624.1)**	(573.5)
Other operating costs	**(521.0)**	(485.3)
Financial costs	**1.1**	(0.1)
Profit on disposal of tangible assets	**69.5**	8.1
Total	**(1,074.5)**	**(1,050.8)**
Surplus before Exceptional Costs and FRS 17 adjustments	**35.7**	54.9
Exceptional Costs	**(43.3)**	(19.5)
Surplus before FRS 17 pension cost adjustments	**(7.6)**	35.4
FRS 17 pension cost adjustments	**17.8**	(7.2)
Operating surplus including FRS 17 pension cost adjustments	**10.2**	**28.2**

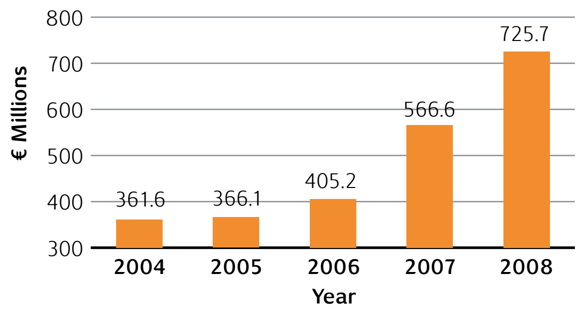
The main cause of the deterioration in the outturn is the fall off in revenue (passenger numbers) during the year as a result of the general downturn in the economy (higher unemployment, departure of non-nationals, slowdown in construction and a reduction in discretionary spending). Subvention from the Exchequer was €12 million less than expected and the abolition of the Excise Duty Rebate from 1st November, 2008 cost €4 million.

Group Revenue 2003-2008



The Public Service Obligation (PSO) and the Rail Safety grant payments of €321.1 million represent an increase of 0.3% on 2007 of which the Rail Safety grant totalled €12.5 million (2007 - €13.6 million). In addition, the Group received Exchequer funding of €599.3 million for capital expenditure under the National Development Plan (NDP) and also €1.5 million in revenue support grants that were credited to the consolidated profit and loss account for the year. Group investment in fixed assets in 2008 amounted to €725.7 million (2007 - €566.6 million).

Group Investment in Fixed Assets 2004-2008



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

Iarnród Éireann returned a deficit of €0.2 million before exceptional items for the year ending 31st December, 2008. After exceptional costs of €18.9 million in voluntary severance payments the result is a deficit of €19.1 million compared with a surplus of €13.4 million in 2007.

There was a reduction of 5% in passenger numbers, 43.3 million in 2008 as compared to 45.5 million in 2007. However, the continuing unprecedented investment made under the government's Transport 21 scheme in new trains and infrastructure continues to keep Iarnród Éireann's revenue and customer numbers at satisfactory levels despite the economic downturn. In the last decade passenger numbers travelling on the Iarnród Éireann network increased by 36%.

The year was also marked by the progressive introduction of a brand new fleet of 183 interCity railcars (ICRs), which will completely replace all remaining aged rolling stock on its completion and give 21st century luxury and punctuality to rail customers on the Sligo, Westport, Galway, Limerick, Waterford routes to and from Dublin as well as between Cork and Tralee. These new interCity railcars have also been introduced on the outer commuter lines in the Dublin area.

The punctuality of passenger train services on all routes achieved target in 2008 with the average punctuality target on interCity being exceeded by 3.4%.

InterCity (Target 90% 0-10 minutes)

Route	Annual Average % 2008
Cork	93.5
Limerick	94.9
Galway	92.3
Waterford	95.2
Sligo	95.6
Westport	94.1
Tralee	91.2
Rosslare	93.9
Belfast	89.7

New/Improved Services

A new daily Gorey evening commuter service was introduced on 6th May, 2008 as well as a new daily service between Nenagh and Limerick on 1st September and a new late evening service to Portlaoise on 3rd November, 2008.

A €15.8 million resignalling of the Wexford line was completed during the year bringing the investment in the Rosslare route to over €85 million since 2000. The government and the EU funded these programmes through Transport 21 and the European Regional Development Fund.

Major improvement works took place during the year on the Cork Cobh commuter line including the upgrading of 11 platforms at 6 stations along the route, coastal defence work, landslip protection, the installation of a water main for Cork County Council and signalling adjustments to facilitate the re-opening of the Cork-Midleton railway line.

During the year on–train Quiet Zones were trialled on the Dublin – Cork interCity trains where one carriage was designated a mobile/audio equipment free zone. Feedback from customers reveals high levels of customer support for this initiative.

Ticketing

On line ticket sales have grown significantly in 2008 with tax saver commuter ticketing sales yielding €17 million in the year. Also web based seat reservations grew by 40% over the previous year.

Sales of tickets from the automatic ticket vending machine (ATVM) continue to grow as a proportion of total ticket sales with proportional sales at DART stations increasing from 31% in 2006 to 41% in 2008.

Car Parks

Good progress was achieved with the network wide station car park improvement programme. To help fund the improvement to parking facilities, and discourage their use by the non-travelling public, rollout of car park charges at stations commenced from 15th September, 2008.

Accessibility

The Disability act 2005 includes a Sectoral Plan for Accessible Transport. All new rolling stock and all new station buildings are being designed to be fully accessible and all station buildings undergoing refurbishment include accessibility in the designs. Accessibility works have been completed at various Dublin suburban stations as well as at Portlaoise, Thurles, Ballybrophy, Limerick junction, Portarlington, Templemore and Mallow in 2008.

Developments

The major projects under the Government's Transport 21 programme continued to be implemented on time and on budget during the year as we put in place the building blocks for a 21st century railway which will increase the number of rail users from the current 43 million a year to 100 million passenger journeys a year on completion. The main developments are:

- The Kildare Route Project: Here over 90% of the twin tracks between Inchicore and Hazlehatch were laid by the end of 2008. When completed in 2010 the four track system will see capacity on the line boosted from today's 11,000 passengers per day to a total of over 36,000 per day in each direction.
- Two new stations were opened in Dublin south west during the year; at Clondalkin/Fonthill and at Park West/Cherry Orchard.
- A third new station serving the new Phoenix Park Racecourse development was opened in January 2008.
- Good progress was also made on the Cork Middleton Commuter Rail Project: with in excess of 30% of the total track on the route being laid in 2008.
- The Dunboyne Commuter Line was granted planning permission during the year and construction of the line began in December 2008. This line between Dunboyne and Clonsilla linking with the Maynooth-Dublin Line will open for services in 2010.
- Western Rail Corridor: At the end of 2008, 43km of new track was in place on the current phase of this project to link Ennis to Athenry and permit the re-introduction of train services between Galway and Limerick. Services over the route between Galway and Limerick will commence in 2009.
- An additional order for 51 extra interCity railcar vehicles was approved by the Minister for Transport in December 2008. The order will provide trains for the Kildare and Dunboyne commuter routes in 2011.

- Plans for the key DART Underground Interconnector which will provide a link up with all lines into Dublin went on public display in August 2008. The line will be an underground DART with up to five stations along its 5.2 km length.

The government and the EU are funding these programmes through Transport 21 and the European Regional Development Fund.

Bus Átha Cliath

The result for the year is a net deficit of €14.9m. Revenues for the year of €203.7 million were €3.3 million (1.6%) up on the previous year. Passenger journeys in 2008 of 143.5 million were 4 million (2.7%) less than 2007.

Fleet Upgrade

As part of its continuing fleet replacement programme, a further 74 low floor double deck buses were delivered and introduced into service during 2008, with a further 26 delivered in early 2009 which ensures that the average age of the Bus Átha Cliath fleet continues to remain at six years. These purchases are funded with the help of the Government's Transport 21 Investment Programme.

Increased Priority

Bus Átha Cliath and the Quality Bus Network office have been working together to achieve increased prioritisation across the city through the continuous introduction of new Quality Bus Corridors (QBCs) and the upgrading of existing ones in the Greater Dublin Area. QBCs have been completed at Pearse Street, South Clondalkin, the Naas Road, Kilmacud Road Upper, the North Quays and the Rock Road. These QBCs allow buses to bypass congestion, which leads to a reduction in journey times and increased reliability of the bus services.

Access for All

Bus Átha Cliath is committed to improving accessibility and all new buses which are purchased for city routes are low floor wheelchair accessible. Currently 78% of the fleet is low floor wheelchair accessible and the aim of having a fully accessible fleet by 2012 will be achieved. Currently 39% of all bus stops have been made wheelchair accessible with the installation of an accessibility kerb which raises the level of the pavement making boarding the bus much easier.

A Safe Workplace

For Bus Átha Cliath the Health and Safety of the public and staff remains a top priority and is a key part of the company's commitment to providing the staff and community with a safe and reliable public transport service. The entire fleet is fitted with the most modern digital CCTV technology available including an on-board digital recording system, one of the measures undertaken to ensure Bus Átha Cliath continues to meet this commitment.

New legislation which came into force in September 2008 makes it mandatory for all Bus Átha Cliath staff involved in driving buses to obtain a Certificate of Professional Competency. The certificates are issued by the Road Safety Authority and qualification requires a minimum of 35 hours refresher safety training for all PSV and HGV drivers over a five year period. Road traffic accidents in 2008 were 7% lower than 2007, despite an increase in mileage covered.

New Look Service Information

In 2008 Bus Átha Cliath began the overhaul of the structure of bus stops, displaying redesigned timetables and linear route maps showing direction and areas served by all routes serving that stop allowing customers to calculate the minimum length of waiting time. A new mapping structure is also being developed which has the potential to present the entire public transport network as a linear or 'spider map', showing key interchange points (with bus, rail and LUAS). The draft of the final design will be completed in early 2009. Bus stop visibility has also been improved with larger signage designed to fit in with new bus shelter designs which complies with the highest accessibility standards.

New Website

During 2008 work continued on the development of the new Bus Átha Cliath web site (**www.dublinbus.ie**) which went live in March 2009 and provides an extremely customer friendly means of understanding the Bus Átha Cliath network and selecting the right route and ticket. In tandem with the new website, a timetable publishing system was developed to allow instant updating of timetables across all information carriers.

A Greener Alternative

The ongoing fleet replacement at Bus Átha Cliath has brought about significant reductions in emissions from the fleet as older vehicles with higher emission levels are replaced. All vehicles introduced to the fleet during 2008 were to the Euro 4 standard and incorporate Selective Catalytic Reduction technology which significantly reduces NO_X and other pollutants.

Bus Átha Cliath took delivery in December 2008 of its first hybrid bus. The bus which is double deck and low floor wheelchair accessible entered service for a trial period of 3 years. The vehicle has a range of advantages over traditional bus models including; reduced fuel consumption, a reduction in pollutant emissions and a reduction in engine noise.

Bus Átha Cliath is committed to reducing emissions through continuing to keep pace with new technologies both in the area of bio fuel and alternative drivelines.

Smartcard

The entire Bus Átha Cliath fleet is now fitted with smartcard reader machines, and the process of introducing the prepaid smartcard to replace the old magnetic strip technology is well under way. The new style tickets offer increased efficiency, reliability and quicker boarding times. A wide range of ticket types have now been converted to smartcard format which will integrate fully with the Integrated Ticketing Scheme when it is launched.

Corporate Social Responsibility

As the largest public transport provider in The Greater Dublin Area, Bus Átha Cliath plays an integral part in the various communities that make up its customer base. This years Community Support Programme (CSP) was the biggest and most successful in the history of the programme. Now in its fifth 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 900 groups from communities across Dublin have benefited from the receipt of grants from the programme.

Bus Éireann

Bus Éireann returned an operating deficit of €6.1 million for 2008 before exceptional costs of €2.0 million being the court fine paid relating to the Kentstown accident. After exceptional costs the result is a deficit of €8.1 million, compared with a surplus of €6.9 million in 2007.

A number of factors have contributed to the deterioration in the finances of the company during 2008, including the underfunding of PSO services, the downturn in the economy leading to a decline in passenger numbers, increasing fuel costs and the loss of the fuel rebate.

Integrated Network:

Bus Éireann's integrated network of Expressway, commuter, rural and city services continued to be one of the company's key strengths in 2008 allowing customers to use Bus Éireann services to travel to and from rural areas to town and cities around the country and onwards to many other locations.

Customer Satisfaction:

While the current economic environment has led to a fall in passenger numbers; Bus Éireann still carried 93.9 million passengers in 2008 down 1.9% on 2007, with customer satisfaction increasing from 90% in 2007 to 95% in 2008.

The Bus Éireann website **www.buseireann.ie** continued to be a highly popular resource for the travelling public with the site receiving on average over 200,000 individual visits a month during 2008, an increase of 30% on 2007 which means the Bus Éireann site remains one of the top ten visited Irish websites. Results of an independent audit indicated that 43% of Bus Éireann customers accessed information online with many people using the service to purchase tickets and access the journey planner which shows how onward connections can be made using the Bus Éireann integrated network.

€71 million Fleet Modernisation

During the year the fleet modernisation programme continued under Transport 21 which saw the following enhancements:

- Over 150 new accessible buses introduced into service in 2008 with a further 65 launched in early 2009. Over the last 18 months, Bus Éireann has taken delivery of 239 new buses and coaches in an investment of approximately €71 million.
- A further 60 Expressway coaches were also added to the fleet during the year, which were funded from the company's own resources.

- These enhancements mean that 40% of Bus Éireann's fleet adhere to the highest EU engine emission standards, which has led to a major reduction in the company's carbon emissions.
- The year saw the first accessible double deck commuter coaches in the Republic of Ireland, additional wheelchair accessible buses for city and commuter fleets, double deck buses for Cork city services, and upgrades to the fleets in Waterford, Galway, Limerick and the north west of the country.

Bus Éireann has recently begun operating the first of its new high capacity, high-specification double deck commuter coaches on the 109A Dublin-Navan-Cavan and the 111 Dublin-Athboy-Granard routes. Funded under Transport 21, the coaches feature semi-leather passenger seats with head-rests, air conditioning, multi-camera CCTV and wheelchair accessibility.

Increased Demand

Despite the economic downturn there was increased demand for services to the north and northwest and Bus Éireann introduced six additional departures on the Dublin-Donegal Expressway route also serving Dublin Airport which yielded a 35% increase in passenger numbers. New services introduced during the year include the 109A high frequency service from DCU to Navan via Dublin Airport and in Cork city the 10A servicing Mahon and the 16 servicing Clarkes Hill. Additional services have also been introduced on Dublin-Derry, Waterford-Limerick and Ballina-Galway routes.

Technology

Bus Éireann conducted its initial trial of the Automatic Vehicle Location System (AVL) technology during late 2008. The technology will allow customers to access real time information on arrivals and departures for routes via the Bus Éireann website, by SMS and at the arrivals display at Busaras. In addition all road passenger vehicles have now been fitted with the AVL system, which includes improved on-board communications technology and alarms with direct communication between driver and the depot to improve driver and customer security.

Accessibility

Under Transport 21 and Bus Éireann's fleet upgrade programme, during 2008 with the introduction of new vehicles into the fleet, all of Bus Éireann's city buses became low floor wheelchair accessible, which was ahead of the Department of Transport target. Piloting began on accessible coaches with wheelchair lifts on two routes, Navan to DCU and Waterford to Cork. These trials will continue in 2009. Drivers operating these routes underwent specialist training in order to operate the service.

The main challenge is to ensure there are adequate facilities and space at bus stops to ensure the safe use of the wheelchair lift on coaches, which local authorities are making every effort to progress. A Bus Stop Working Group, which included Bus Éireann, began work in 2008 on a template for the design of wheelchair accessible bus stops.

Bus Priority Measures

Traffic congestion continues to have a significant adverse effect on Bus Éireann's cost and reliability of service. Measures such as Green Routes and Quality Bus Corridors are vital for separating the bus from traffic jams thus improving the reliability and attractiveness of public transport. During 2008 further progress was made in the development of bus priority measures in all main cities.

Garage Upgrades

The building of a new bus garage for the Bus Éireann fleet in Galway commenced in 2008 and will be completed in 2009.

School Transport

With 210 new services introduced in 2008, the number of vehicles used to transport children under the Department of Education & Science School Transport Scheme has increased by 60% since 2000 with almost 4,000 vehicles used each school day. More than 45 million journeys are undertaken by children travelling under the School Transport Scheme each year.

Festivals & Events

Bus Éireann operated coaches to and from some of the countries biggest festivals and events during 2008, including; Oxegen at Punchestown, Electric Picnic in Stradbally, Westlife in Galway, the National Ploughing Championships in Kilkenny and the Cork Jazz Festival.

Bus Éireann also trialled Park & Ride services to Croke Park from Naas GAA grounds during the All-Ireland Football and Hurling Championships which proved very successful in 2008.

Bus Éireann again transported a record number to and from the Galway Races.

CIE Tours International

CIE Tours International continued to generate profit during 2008, despite the extremely difficult trading conditions experienced within the tourism industry. During the year CIE Tours International carried 46,350 passengers, who generated total revenues of €49.4 million, a reduction of 13.5% on 2007 levels. The tourism sector like many other sectors has been greatly affected by the global economic downturn.

Group Property

CIÉ Group Property had its best year ever in 2008 having the highest returns in respect of sales and rental income. Sales of property amounted to €66.7 million, generated primarily from Spencer Dock (apartment sales), Abbey Street site (development agreement) and O'Connell Street (option agreement). Rental income was also at a record high of €17.4 million, an increase of 16.3% on 2007.

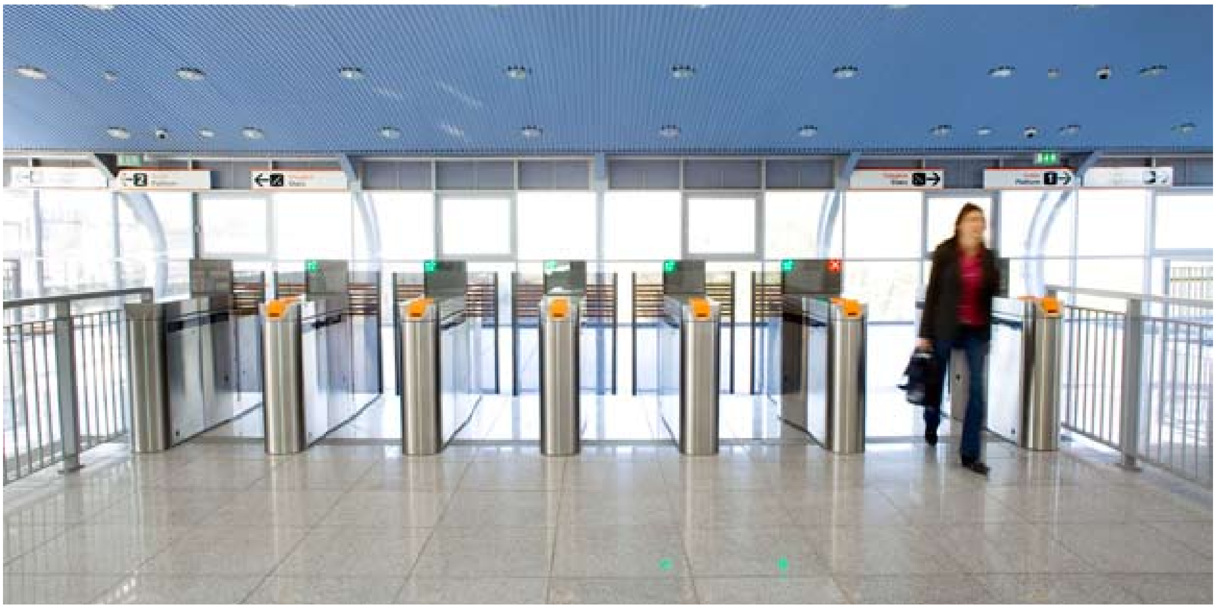
Commuter Advertising Network (CAN)

Commuter Advertising Network (CAN) which is responsible for managing and growing CIÉ's Outdoor Advertising business including all bus and rail fixed and transit sites recorded an increase in revenue of 6.4% compared to 2007.

Corporate Issues

Employment

The average number of people employed by the CIÉ Group at the end of 2008 was 11,848 - an increase of 147 on 2007.



Staff Participation

CIÉ regards its main asset to be its staff. It is Group policy to maximise this asset through a participative culture and encouraging teamwork. Employees are encouraged to participate in the running of the Group through active involvement in project teams, working parties and customer focussed initiatives. There are four worker directors 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 2008 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 described above. A risk register is maintained by each of the companies and updated periodically with the various risks and the action plans for addressing these. Iarnród Éireann, on behalf of itself, Bus Átha Cliath and Bus Éireann, enters into Commodity Swap contracts for fuel. CIÉ undertakes currency forward purchasing where it deems there is value and reduced risk to the Group.

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

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

- Rail passenger travel
- Rail freight haulage
- City, inter-city, rural and school bus travel
- Road freight haulage
- Harbour management
- Event/holiday tours
- Property
- Ancillary services: Project management; 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
Road 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

The names of the persons, who were Board members at any time during the year ended 31st December, 2008 are set out here. Except where indicated they served as Board members for the whole year.

Dr. J. J. Lynch	Executive Chairman
Ms. M. Canniffe	(Re-appointed 29th April, 2008)
Mr. P. Cullen*	
Mr. D. Killen	(Appointed 19th May, 2009)
Ms. M. Johnston*	
Mr. P. Kiely	(Re-appointed 29th April, 2008)
Mr. G. Lightfoot	(Appointed 29th April, 2008)
Mr. B. McCamley*	
Mr. J. Moloney*	
Mr. N. Ormond	(Re-appointed 29th April, 2008)
Prof. Y. Scannell	(Re-appointed 29th April, 2008)
Mr. S. Sheerin	(Appointed 29th April, 2008)
Mr. J. Sorohan	(Retired 1st March, 2008)

* Worker member

Secretary of the Board

Ms. G. Finucane,
Heuston Station,
Dublin 8.

Telephone	+ 353 1 703 2008
Facsimile	+ 353 1 703 2276

Board Committees at 2nd September, 2009

Audit Committee

Paul Kiely	Chairman (Re-appointed 29th April, 2008)
Mary Canniffe	(Re-appointed 29th April, 2008, Resigned 5th February, 2009)
Neil Ormond	(Re-appointed 29th April, 2008)
John Sorohan	(Retired 1st March, 2008)

2 vacancies

Finance Committee

Paul Kiely	Chairman (Re-appointed 29th April, 2008)
Neil Ormond	(Appointed 4th June, 2008)
Seamus Sheerin	(Appointed 4th June, 2008)
John Sorohan	(Retired 1st March, 2008)

1 vacancy

Remuneration Committee

Paul Kiely	Chairman (Re-appointed 29th April, 2008)
Mary Canniffe	(Appointed 1st October, 2008, Resigned 5th February, 2009)
Dr. J. J. Lynch	
John Sorohan	(Retired 1st March, 2008)

1 vacancy

Property Committee

Neil Ormond	Chairman (Re-appointed 29th April, 2008)
Mary Johnston	
Graham Lightfoot	(Appointed 3rd June, 2009)
Yvonne Scannell	(Re-appointed 29th April, 2008)

Córas Iompair Éireann

Group Management

Mr. R. Connolly	Chief Financial Officer
Mr. D. Fearn	Chief Executive, Iarnród Éireann
Mr. T. Hayes	Chief Executive, Bus Éireann
Mr. J. Meagher	Chief Executive, Bus Átha Cliath
Mr. B. Stack	Managing Director, CIE Tours International

Auditors

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

Solicitor

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

Principal Banker

Bank of Ireland,
College Green,
Dublin 2.

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

The Board

The Board is comprised of twelve members. The Government appoints the Chairman and seven other non-executive members. The Minister for Transport appoints four worker members for a four-year term following elections by the staff of the Group.

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

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

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise of an Audit Committee (see below), a Finance Committee (see below), a Property Committee and a Remuneration Committee. Their members are listed on page 18.

Audit Committee

The Audit Committee has written terms of reference and is composed of four non-executive Board members. There are two vacancies at present. 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. There is one vacancy on this committee at present. 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.

- 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.

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

2nd September, 2009

Statement of the Board's Responsibilities

Córas Iompair Éireann

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.

As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 25 to 56 that have been prepared under the historical cost convention, and the accounting policies set out on pages 25 to 27.

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 22 in the Statement of Board's Responsibilities.

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

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

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

We read the other information contained in the Annual Report. 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.

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, 2008 and of the surplus and cash flows of the Group for the year then ended.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of 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.

2nd September, 2009.

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 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 included in 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

Córas Iompair Éireann

Year ended 31st December	Notes	2008 €000	2007 €000
Revenue	1	**789,121**	785,512
Costs			
Payroll and related costs	3	**(616,023)**	(588,513)
Materials and services	4	**(464,959)**	(455,220)
Depreciation	5	**(56,062)**	(59,630)
Exceptional operating costs	6	**(43,318)**	(19,524)
Total operating costs		**(1,180,362)**	(1,122,887)
Deficit before profit on disposal of tangible assets, interest, Public Service Obligations/grants and release of provision		**(391,241)**	(337,375)
Profit on disposal of tangible assets	7	**69,500**	8,074
Deficit before interest and Public Service Obligations/grants and release of provision		**(321,741)**	(329,301)
Interest receivable		**5,356**	4,897
Interest payable – Operational	8	**(2,707)**	(3,219)
– Railway infrastructure	8	**(1,508)**	(1,817)
Other finance income	22	**9,700**	7,800
Deficit for the year before Public Service Obligations/grants and release of provision		**(310,900)**	(321,640)
Public Service Obligations and other Exchequer grants	9	**321,093**	320,163
Surplus/(Deficit) for the year before release of provision		**10,193**	(1,477)
Release of provisions for liabilities and charges		**-**	29,721
Surplus for the year		**10,193**	28,244

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

Córas Iompair Éireann

Year ended 31st December	Notes	2008 €000	2007 €000
Surplus for the year		**10,193**	28,244
Actuarial (loss)/gain in respect of pension schemes	22	**(422,600)**	69,100
Total recognised (loss)/gain relating to the year		**(412,407)**	97,344

Consolidated Balance Sheet

Córas Iompair Éireann

As at 31st December	Notes	2008 €000	2007 €000
Fixed assets			
Tangible assets	*11*	**2,624,676**	2,176,896
Financial assets	*12*	**20**	20
		2,624,696	2,176,916
Current assets			
Stocks	*13*	**54,172**	44,889
Debtors	*14*	**178,486**	199,775
Cash at bank and in hand		**59,632**	49,625
		292,290	294,289
Creditors *(amounts falling due within one year)*	*15*	**(495,477)**	(400,641)
Net current liabilities		**(203,187)**	(106,352)
Total assets less current liabilities		**2,421,509**	2,070,564
Creditors *(amounts falling due after more than one year)*	*16*	**(74,085)**	(87,498)
Provisions for liabilities and charges	*18*	**(190,202)**	(172,095)
Retirement benefits obligation	*22*	**(567,600)**	(162,800)
Deferred income	*19*	**(1,881,306)**	(1,527,448)
		(291,684)	120,723
Financed by:			
Reserves			
Capital reserve		**28,556**	28,556
Profit and loss account	*20*	**(332,751)**	79,656
Non-repayable State advances		**12,511**	12,511
	20	**(291,684)**	120,723

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Company Balance Sheet

Córas Iompair Éireann

As at 31st December	Notes	2008 €000	2007 €000
Fixed assets			
Tangible assets	*11*	**722,496**	583,428
Financial assets	*12*	**284,177**	289,583
		1,006,673	873,011
Current assets			
Debtors	*14*	**64,303**	77,378
Cash at bank and in hand		**58,859**	47,765
		123,162	125,143
Creditors *(amounts falling due within one year)*	*15*	**(311,132)**	(291,459)
Net current liabilities		**(187,970)**	(166,316)
Total assets less current liabilities		**818,703**	706,695
Creditors *(amounts falling due after more than one year)*	*16*	**(74,085)**	(87,498)
Deferred income	*19*	**(476,128)**	(385,197)
		268,490	234,000
Financed by:			
Reserves			
Capital reserve		**28,556**	28,556
Profit and loss account	*20*	**227,423**	192,933
Non-repayable State advances		**12,511**	12,511
	20	**268,490**	234,000

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Consolidated Cash Flow Statement

Córas Iompair Éireann

Year ended 31st December	*Notes*	**2008 €000**	2007 €000
Net cash inflow from operating activities	*21(A)*	**97,563**	109,826
Return on investments, servicing of finance and other finance income	*21(B)*	**1,141**	114
Capital expenditure and financial investment	*21(B)*	**(78,231)**	(84,674)
Cash inflow before use of liquid resources and financing		**20,473**	25,266
Financing – decrease in debt	*21(B)*	**(13,596)**	(13,503)
Increase in cash in the year		**6,877**	11,763

Reconciliation of net cash flow to movement in net debt *(note 21c)*		
Increase in cash in the year	**6,877**	11,763
Cash movement from decrease in debt and lease financing	**13,596**	13,503
Change in net debt resulting from cash flows	**20,473**	25,266
Movement in net debt in the year	**20,473**	25,266
Net debt at 1st January	**(68,751)**	(94,017)
Net debt at 31st December	**(48,278)**	(68,751)

1. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER

	Consol-idation FRS 17 €000	CIÉ €000	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2008 €000	Total 2007 €000
Revenue:							
Railway							
– Suburban rail division			57,221			57,221	55,833
– Mainline rail division			150,799			150,799	143,031
			208,020			208,020	198,864
Road freight			1,594			1,594	19,269
Rosslare Harbour			11,862			11,862	12,117
Road passenger services							
– Dublin city					203,668	203,668	200,364
– Provincial cities				25,042		25,042	24,500
– Other services				274,634		274,634	258,448
Tours		49,416				49,416	57,135
Central business activities		14,885				14,885	14,815
Total revenue		64,301	221,476	299,676	203,668	789,121	785,512
Expenditure:							
Railway							
– Suburban rail division:							
Operational costs			77,718			77,718	74,002
Infrastructure costs			47,093			47,093	39,288
– Mainline rail division:							
Operational costs			221,590			221,590	209,342
Infrastructure costs			171,620			171,620	158,141
			518,021			518,021	480,773
Road freight			1,503			1,503	19,390
Rosslare Harbour			8,708			8,708	8,178
Road passenger services							
– Dublin city					307,285	307,285	286,428
– Provincial cities				47,809		47,809	40,945
– Other services				300,416		300,416	277,472
Tours		49,286				49,286	56,125
Central business activities	(8,100)	17,856				9,756	22,827
Total expenditure	(8,100)	67,142	528,232	348,225	307,285	1,242,784	1,192,138

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 2008 €000	Total 2007 €000
Surplus/(deficit) by activity:							
Railway							
– Suburban rail division			(67,590)			(67,590)	(57,457)
– Mainline rail division			(242,411)			(242,411)	(224,452)
			(310,001)			(310,001)	(281,909)
Road freight			91			91	(121)
Rosslare Harbour			3,154			3,154	3,939
Road passenger services							
– Dublin city					(103,617)	(103,617)	(86,064)
– Provincial cities				(22,767)		(22,767)	(16,445)
– Other services				(25,782)		(25,782)	(19,024)
Tours		130				130	1,010
Central business activities	8,100	(2,971)				5,129	(8,012)
Operating surplus/(deficit) before interest, profit on disposals, State grants and exceptional items	8,100	(2,841)	(306,756)	(48,549)	(103,617)	(453,663)	(406,626)
Interest receivable/(payable)		761	(4,194)	1,840	2,734	1,141	(139)
Other finance income *(note 22)*	9,700					9,700	7,800
Release of provision for liabilities and charges		-	-	-	-	-	29,721
Profit /(loss) on disposal of tangible assets *(note 7)*		66,721	1,441	(149)	1,487	69,500	8,074
Surplus/(deficit) before State grants, contribution from parent company and exceptional items	17,800	64,641	(309,509)	(46,858)	(99,396)	(373,322)	(361,170)
State grants							
– operational			83,826	41,846	85,629	211,301	207,017
– infrastructure *(note 9)*			215,532			215,532	201,921
Contribution from parent company		(10,000)	10,000	-	-	-	-
Surplus/(deficit) for the year before exceptional items	17,800	54,641	(151)	(5,012)	(13,767)	53,511	47,768
Exceptional operating costs *(note 6)*		(20,151)	(18,910)	(3,080)	(1,177)	(43,318)	(19,524)
Net surplus/(deficit) for the year	17,800	34,490	(19,061)	(8,092)	(14,944)	10,193	28,244

2. RAILWAY INFRASTRUCTURE COSTS

		2008 €000		2007 €000
In compliance with EU Council Directive 91/440 these costs have been computed as follows:				
Maintenance of railway lines and works		**78,891**		74,099
Renewal of railway lines and works		**105,740**		88,775
Operating (signalling) and other expenses		**25,181**		26,289
Depreciation *(note 11 [f])*		**25,885**		19,946
Amortisation of capital grants		**(16,984)**		(11,680)
Total railway infrastructure costs		**218,713**		197,429
Infrastructure subvention	**(107,098)**		(109,203)	
Exchequer safety funding	**(2,694)**		(3,943)	
Renewals funding *(note 11 [a])*	**(105,740)**		(88,775)	
		(215,532)		(201,921)
Surplus/(deficit) for the year		**3,181**		(4,492)
Apportionment of costs:				
Mainline rail division		**171,620**		158,141
Suburban rail division		**47,093**		39,288
		218,713		197,429

3. PAYROLL AND RELATED COSTS

	2008 €000	2007 €000
Staff costs		
Wages and salaries	**581,818**	545,563
Social welfare costs	**49,753**	46,583
Other pension costs	**44,971**	53,005
	676,542	645,151
Own work capitalised	**(61,160)**	(57,295)
Net staff costs	**615,382**	587,856
Board members' remuneration and emoluments		
– for services as Board members	**155**	200
– for other services	**486**	457
Total Board members' remuneration and emoluments	**641**	657
Total payroll and related costs	**616,023**	588,513

Included in Board members' remuneration is €239,602 (2007 – €237,950) paid to Dr. J.J. Lynch, Executive Chairman for other services. The 2007 amount being €202,950 for other services plus €35,000 for Board members' fees.

	Staff Numbers 2008	2007
The average number of persons employed by company was as follows:		
CIÉ	**280**	282
Iarnród Éireann – Irish Rail	**4,906**	4,985
Bus Éireann – Irish Bus	**2,837**	2,784
Bus Átha Cliath – Dublin Bus	**3,825**	3,650
	11,848	11,701

4. MATERIALS AND SERVICES

	2008 €000	2007 €000
Included in materials and services are:		
Auditors' remuneration	**259**	247
Operating lease rentals	**5,499**	5,292
Revenue grants *(note 19)*	**(2,782)**	(4.363)

5. DEPRECIATION

	2008 €000	2007 €000
Depreciation *(note 11)*	**171,907**	146,182
Amortisation of capital grants *(note 19)*	**(115,845)**	(86,552)
	56,062	59,630

6. EXCEPTIONAL OPERATING COSTS

	2008 €000	2007 €000
Business restructuring	**(43,318)**	(19,524)

As part of their Financial Plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The estimated cost in 2008 including severance payments and other costs associated with the programme is €18.9 million. Bus Éireann also incurred €1.1 million, Bus Átha Cliath €1.2 million and CIÉ €20.1 million in business restructuring.

Also included in Exceptional Items is €2.0 million for court fines paid by Bus Éireann in connection with the Kentstown accident.

7. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	2008 €000	2007 €000
Net gain on sale of land and buildings	**66,721**	6,791
Profit on disposal of rolling stock, vehicles, plant and machinery	**2,779**	1,283
	69,500	8,074

8. INTEREST PAYABLE

	2008 €000	2007 €000
On loans and leases repayable wholly within five years	**2,844**	3,427
On loans and leases not wholly repayable within five years	**1,371**	1,609
	4,215	5,036
Interest apportioned:		
Group operational costs	**2,707**	3,219
Railway infrastructure costs	**1,508**	1,817
	4,215	5,036

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 €321.093 million received in 2008 – €308.627 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €12.466 million under the Railway Safety Investment Programme are given in the following table:

State grants relating to 2008 activities		Total €000
Iarnród Eireann – Irish Rail		
Public Service Obligation		181,152
Railway Safety Investment Programme		12,466
Total Iarnród Eireann – Irish Rail		193,618
Bus Átha Cliath – Dublin Bus		85,629
Bus Éireann – Irish Bus		41,846
		321,093
Add State grant for National Development Plan (NDP)		599,331
Other Exchequer grants		1,526
Total State funding		921,950
The total State funding was applied as follows:		
Consolidated profit and loss account		321,093
Less: infrastructure		(109,792)
Subvention and railway safety grants – operational		211,301
Infrastructure subvention and railway safety grants	109,792	
NDP – credit against renewals of railway lines and works	105,740	
Infrastructure subvention *(note 1)*		215,532
Deferred income – capital grants		483,769
Other Exchequer revenue grants		11,348
Total		921,950

10. HOLDING COMPANY NET SURPLUS FOR THE YEAR

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

The holding company's operating surplus for the year, after profit on disposal of tangible assets, amounted to €34.490 million, (2007 - €10.309 million).

11. TANGIBLE FIXED ASSETS

Group

	1st Jan. €000	Reclassification €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
Cost					
Railway lines and works	1,174,899	230	175,325	-	1,350,454
Funding received for railway lines and works	(889,646)		(105,740)	-	(995,386)
Railway rolling stock	1,074,722		197,851	(5,297)	1,267,276
Road passenger vehicles	554,053		82,372	(21,441)	614,984
Road freight vehicles	4,939		-	(1,263)	3,676
Land and buildings	624,539	(236)	151,336	-	775,639
Plant and machinery	795,008		118,356	(5,717)	907,647
Docks, harbours and wharves	48,269		429	-	48,698
Total 2008	3,386,783	(6)	619,929	(33,718)	3,972,988

	1st Jan. €000	Reclassification €000	Charge For Year €000	Scrappings and Disposals €000	31st Dec. €000
Depreciation					
Railway lines and works	1,077,303	6	110,644	-	1,187,953
Funding received for railway lines and works	(889,646)		(105,740)	-	(995,386)
Railway rolling stock	349,099		51,779	(5,297)	395,581
Road passenger vehicles	303,361		49,598	(21,197)	331,762
Road freight vehicles	4,938		-	(1,263)	3,675
Land and buildings	42,205	(6)	11,716	-	53,915
Plant and machinery	308,552		52,795	(5,725)	355,622
Docks, harbours and wharves	14,075		1,115	-	15,190
Total 2008	1,209,887	-	171,907	(33,482)	1,348,312

	2008 €000	2007 €000
Net book amounts		
Railway lines and works	162,501	97,596
Railway rolling stock	871,695	725,623
Road passenger vehicles	283,222	250,692
Road freight vehicles	1	1
Land and buildings	721,724	582,334
Plant and machinery	552,025	486,456
Docks, harbours and wharves	33,508	34,194
Total	2,624,676	2,176,896

11. TANGIBLE FIXED ASSETS *(continued)*

Company

	1st Jan. €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
Cost				
Land and buildings	622,929	151,242	-	774,171
Plant and machinery	31,777	821	(574)	32,024
Total 2008	654,706	152,063	(574)	806,195

	1st Jan. €000	Charge for year €000	Scrappings and Disposals €000	31st Dec. €000
Depreciation				
Land and buildings	42,078	11,524	-	53,602
Plant and machinery	29,200	1,471	(574)	30,097
Total 2008	71,278	12,995	(574)	83,699

	2008 €000	2007 €000
Net book amounts		
Land and buildings	720,569	580,851
Plant and machinery	1,927	2,577
Total	722,496	583,428

(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.

	2008 €000	2007 €000
Renewals expenditure and related grants were as follows:		
Renewals expenditure	106,835	90,876
State grants	105,740	88,775
	105,740	88,775

(b) Road passenger vehicles at a cost of €59.463 million (2007 – €55.583 million) were fully depreciated but still in use at the balance sheet date.

11. TANGIBLE FIXED ASSETS *(continued)*

(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

(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:

	2008 €000	2007 €000
Cost	**89,030**	88,917
Accumulated depreciation	**(62,893)**	(52,349)
Net book value at 31st December	**26,137**	36,568
Depreciation for year	**(6,851)**	(5,122)

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

	2008 €000	2007 €000
Railway rolling stock	**180,321**	152,501
Road passenger vehicles	**18,009**	24,026
	198,330	176,527

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

	2008 €000	2007 €000
Cost	**877,151**	741,998
Accumulated depreciation	**(369,301)**	(343,416)
Net book value at 31st December	**507,850**	398,582
Depreciation for year *(note 2)*	**(25,885)**	(19,946)

12. FINANCIAL ASSETS

Group	Trade investments					
	Listed shares		Unlisted shares		Total	
	2008 €000	2007 €000	**2008 €000**	2007 €000	**2008 €000**	2007 €000
Cost or valuation	**97**	97	**13**	13	**110**	110
Provision for permanent diminution in value	**(77)**	(77)	**(13)**	(13)	**(90)**	(90)
Net book amounts at 31st December	**20**	**20**	**-**	**-**	**20**	**20**

Company	Subsidiary companies			Trade investments		
	Unlisted shares €000	**Loans €000**	**Finance leases €000**	**Listed shares €000**	**Unlisted shares €000**	**Total €000**
Cost or valuation						
At 1st January, 2008	**90,151**	**165,066**	**34,366**	**34**	**13**	**289,630**
Less: Reduction in						
– finance leases	**-**	**-**	**(5,406)**	**-**	**-**	**(5,406)**
At 31st December, 2008	**90,151**	**165,066**	**28,960**	**34**	**13**	**284,224**
Provision for permanent diminution in value at 31st December, 2008	**-**	**-**	**-**	**(34)**	**(13)**	**(47)**
Net book amounts at 31st December, 2008	**90,151**	**165,066**	**28,960**	**-**	**-**	**284,177**

Loans to the subsidiary companies represents the net assets assigned to Iarnród Éireann – Irish Rail by Córas Iompair Éireann less share capital issued on its establishment following the re-organisation of Córas Iompair Éireann in 1987.

13. STOCKS

Group	**2008 €000**	2007 €000
Maintenance materials and spare parts	**23,294**	21,209
Infrastructure stocks	**17,671**	12,462
Fuel, lubricants and other sundry stocks	**13,207**	11,218
	54,172	44,889

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

14. DEBTORS

Group	2008 €000	2007 €000
Trade debtors	**23,796**	27,345
Department of Education and Science	**9,439**	12,207
NDP Iarnród Éireann investment projects funded by CIÉ	**58,924**	67,490
EU grants receivable	**72,639**	73,851
Other debtors and accrued income	**13,688**	18,882
	178,486	199,775
Company		
Trade debtors	**283**	310
NDP Iarnród Éireann investment projects funded by CIÉ	**58,924**	67,490
Other debtors and accrued income	**5,096**	9,578
	64,303	77,378

15. CREDITORS *(amounts falling due within one year)*

Group	2008 €000	2007 €000
Bank overdraft	**24,272**	21,142
Bank loans *(note 17)*	**8,902**	8,566
Finance lease obligations *(note 26)*	**4,182**	5,030
Trade creditors	**139,743**	118,204
Income tax deducted under PAYE	**7,400**	7,777
Pay related social insurance	**6,963**	7,446
Value added tax and other taxes	**19,052**	7,623
Other creditors	**16,921**	37,133
Restructuring provisions *(note 18)*	**40,821**	20,298
Third party and employer's liability claims *(note 18)*	**21,110**	22,430
Deferred income *(note 19)*	**122,273**	101,892
Accruals	**83,838**	43,100
	495,477	400,641
Creditors for taxation and social welfare included above	**33,415**	22,846

15. CREDITORS *(amounts falling due within one year) (continued)*

Company	**2008 €000**	2007 €000
Bank overdraft	**6,993**	8,144
Bank loans *(note 17)*	**8,902**	8,566
Finance lease obligations *(note 26)*	**4,182**	5,030
Trade creditors	**5,213**	4,810
Amounts owed to subsidiary companies	**219,570**	220,988
Income tax deducted under PAYE	**433**	560
Pay related social insurance	**148**	236
Value added tax and other taxes	**3,835**	3,957
Other creditors	**1,772**	22,252
Restructuring provision	**20,099**	221
Deferred income *(note 19)*	**9,716**	7,861
Accruals	**30,269**	8,834
	311,132	291,459
Creditors for taxation and social welfare included above	**4,416**	4,753

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

Group and Company	**2008 €000**	2007 €000
Bank loans *(note 17)*	**50,022**	58,924
Finance lease obligations *(note 26)*	**20,532**	24,714
Irrecoverable value added tax on finance leases	**3,531**	3,860
	74,085	87,498

17. BANK LOANS

Group and Company	2008 €000	2007 €000
These loans are repayable as follows:		
Within one year *(note 15)*	**8,902**	8,566
Between one and two years	**9,251**	8,902
Between two and five years	**29,984**	28,853
After five years	**10,787**	21,169
	50,022	58,924
Total	**58,924**	67,490

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.

The Minister for Finance has guaranteed €58,924,000 of the above loans.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provisions €000	Third Party and Employer's Liability Claims €000	Total €000
Group			
Balance at 1st January, 2008	20,298	194,525	214,823
Utilised during year	(18,732)	(14,503)	(33,235)
Transfer from profit and loss account	39,255	31,290	70,545
Balance carried forward 31st December, 2008	40,821	211,312	252,133
Apportioned:			
Current liabilities *(note 15)*	40,821	21,110	61,931
Amounts falling due after more than one year	-	190,202	190,202
	40,821	211,312	252,133
Company			
Balance at 1st January, 2008	221		221
Utilised during year	(467)		(467)
Transfer from profit and loss account	20,345		20,345
Balance carried forward 31st December, 2008	20,099		20,099
Apportioned:			
Current liabilities *(note 15)*	(20,099)		(20,099)
Amounts falling due after more than one year	-		-

18. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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.

(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) Tours Operators' Liability for the Group with an indemnity of €2,000,000 on any one incident and in the aggregate, subject to an excess of €250,000 each and every claim, inclusive of costs and expenses.

(v) Group

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

(a) at Ossory Road, Dublin in the case of flood damage, where the excess is a non-ranking €1,000,000, and

(b) any other flood damage where the excess is €250,000.

(c) Any claims subject to United States of America jurisdiction where the excess is US$150,000.

(vi) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2008 to March 2009, 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.

18. PROVISIONS FOR LIABILITIES AND CHARGES *(continued)*

(vii) Group Combined Liability Insurance, which does not exclude Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2008 to March 2009, for all rail and road transport, Third Party and Other Risks liabilities.

(viii) 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.

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

(B) Third party and employer liability claims provisions and related recoveries

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

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

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

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

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

19. DEFERRED INCOME

Group	1st Jan. 2008 €000	Transfers/ Retirements €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2008 €000
Capital grants					
Railway lines and works	66,310		67,551	(2,686)	131,175
Railway rolling stock	638,492		181,037	(37,937)	781,592
Plant and machinery	373,466	(2)	81,252	(34,463)	420,253
Docks, harbours and wharves	13,727		-	(355)	13,372
Land and buildings	392,248		101,299	(8,092)	485,455
Road passenger vehicles	136,087		58,947	(24,407)	170,627
	1,620,330	(2)	490,086	(107,940)	2,002,474
State grant for Railway Safety Investment Programme	7,866		-	(7,866)	-
	1,628,196	(2)	490,086	(115,806)	2,002,474
Other deferred income	1,144		-	(39)	1,105
	1,629,340	(2)	490,086	(115,845)	2,003,579
Revenue grants			2,782	(2,782)	-
Total	1,629,340	(2)	492,868	(118,627)	2,003,579

	2008 €000	2007 €000
Apportioned:		
Deferred income – amounts falling due within one year (note 15)	122,273	101,892
Deferred income – amounts falling due after one year	1,881,306	1,527,448
	2,003,579	1,629,340

Company	1st Jan. 2008 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2008 €000
Capital grants				
Land and buildings	391,491	101,529	(7,996)	485,024
NDP infrastructure (I.T.) grant	1,542	-	(743)	799
Other deferred income	25	-	(4)	21
Total	393,058	101,529	(8,743)	485,844

	2008 €000	2007 €000
Apportioned:		
Deferred income – amounts falling due within one year (note 15)	9,716	7,861
Deferred income – amounts falling due after one year	476,128	385,197
	485,844	393,058

20. RECONCILIATION OF MOVEMENTS IN RESERVES

Group

	Capital Reserve €'000	Profit & Loss Account €'000	Non-repayable State Advances €'000	2008 Total Reserves €'000	2007 Total Reserves €'000
Balance at 1st January	28,556	79,656	12,511	120,723	23,379
Surplus for the year		10,193		10,193	28,244
Actuarial (loss)/gain in respect of pension schemes		(422,600)		(422,600)	69,100
Balance at 31st December	28,556	(332,751)	12,511	(291,684)	120,723

Company

	Capital Reserve €'000	Profit & Loss Account €'000	Non-repayable State Advances €'000	Total Reserves €'000	Total Reserves €'000
Balance at 1st January	28,556	192,933	12,511	234,000	223,691
Surplus for the year		34,490		34,490	10,309
Balance at 31st December	28,556	227,423	12,511	268,490	234,000

21. CASH FLOW STATEMENT

(A) Reconciliation of operating deficit to operating cash flows

Year ended 31st December	2008 €000	2007 €000
Operating deficit before Public Service Obligations and grants	(391,241)	(337,375)
Public Service Obligation and grants other than that applied to DART interest and renewals	321,093	319,910
	(70,148)	(17,465)
Depreciation	171,907	146,182
Amortisation of capital grants	(115,845)	(86,552)
(Increase)/reduction in stocks	(9,283)	9,242
Release of provision for liabilities and charges	-	29,721
Decrease in debtors	20,296	1,464
Increase in creditors and provisions	100,636	27,234
Net cash inflow from operating activities	97,563	109,826

21. CASH FLOW STATEMENT *(continued)*

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

Year ended 31st December	2008 €000	2007 €000
Returns on investments and servicing of finance		
Interest received	5,356	4,897
Interest paid	(2,790)	(2,726)
Interest element of finance lease rental payments	(1,425)	(2,310)
State grant – DART interest	-	253
Net cash inflow for returns on investments and servicing of finance	1,141	114
Capital expenditure and financial investment		
Purchase of tangible assets	(724,948)	(564,028)
Disposal of tangible assets	49,896	8,169
State and EU capital grants	596,821	471,185
Net cash outflow for capital expenditure and financial investment	(78,231)	(84,674)
Financing		
Repayment of debt	(8,566)	(8,743)
Capital element of finance lease rental payments	(5,030)	(4,760)
Net cash outflow from financing	(13,596)	(13,503)

(C) Analysis of net debt

	At 1st Jan. 2008 €000	Cash Flow €000	At 31st Dec. 2008 €000
Cash at bank and in hand	49,625	10,007	59,632
Bank overdrafts	(21,142)	(3,130)	(24,272)
		6,877	
Debt due after one year	(58,924)	8,902	(50,022)
Debt due within one year	(8,566)	(336)	(8,902)
Finance leases	(29,744)	5,030	(24,714)
		13,596	
Total	(68,751)	20,473	(48,278)

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 results of which have not been published as yet. The previous review was carried out as at 31st December, 2005 and the market value of the assets of the schemes at that date was €1,410,939,000, this exceeded 100% 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, 2008 by a qualified independent actuary.

The amounts recognised in the Balance Sheet are as follows:

	2008 €000	2007 €000
Fair value of scheme assets	**1,160,200**	1,549,000
Present value of scheme liabilities	**(1,727,800)**	(1,711,800)
Pension deficit	**(567,600)**	(162,800)

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:

	2008 €000	2007 €000
Charged to operating profit		
Current service cost	**35,200**	41,100
Past service cost	**8,800**	13,100
Total operating charge	**44,000**	54,200
Credited to other finance income		
Expected rate of return on pension scheme assets	**103,400**	90,800
Interest on pension scheme liabilities	**(93,700)**	(83,000)
Net return	**9,700**	7,800

22. PENSIONS *(continued)*

Actual return on schemes' assets

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

	2008 €000	2007 €000
Actual return less expected return on pension scheme assets	**(491,700)**	(77,600)
Experience losses arising on the scheme liabilities	**(51,400)**	(62,000)
Changes in assumptions underlying the present value of the scheme liabilities	**120,500**	208,700
Actuarial (loss)/gain recognised in STRGL	**(422,600)**	69,100

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 December, 2008 is €654.620 million (2007: €232.020 million)

Based on current contribution ratios the expected members and employer contributions for the year ended 31 December, 2009 are €74.500 million.

Movement in schemes' assets and liabilities

	Schemes' Assets €000	Schemes' Liabilities €000	Schemes' Deficit €000
At 1 January 2007	1,545,400	(1,770,100)	(224,700)
Current service cost	0	(41,100)	(41,100)
Interest costs	0	(83,000)	(83,000)
Expected return on scheme assets	90,800	0	90,800
Actual less expected return on scheme assets	(77,600)	0	(77,600)
Experience gain on liabilities	0	146,700	146,700
Past service costs	0	(13,100)	(13,100)
Net benefit paid out	(66,800)	66,800	0
Members contributions	18,000	(18,000)	0
Employer contributions paid	39,200	0	39,200
At 31 December 2007	1,549,000	(1,711,800)	(162,800)
Current service cost	0	(35,200)	(35,200)
Interest costs	0	(93,700)	(93,700)
Expected return on scheme assets	103,400	0	103,400
Actual less expected return on scheme assets	(491,700)	0	(491,700)
Experience gain on liabilities	0	69,100	69,100
Past service costs	0	(8,800)	(8,800)
Net benefit paid out	(72,000)	72,000	0
Members contributions	19,400	(19,400)	0
Employer contributions paid	52,100	0	52,100
At 31 December 2008	1,160,200	(1,727,800)	(567,600)

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

22. PENSIONS *(continued)*

Risks and rewards arising from the assets

At 31 December, 2008 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 €1,160,200,000. The fair value of the asset categories as a percentage of total schemes' assets were as follows:

	2008	2007
	%	%
Equities	**41.8**	59.7
Property	**15.1**	17.6
Bonds	**36.9**	18.2
Other	**6.2**	4.5
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 7.75% and is expected to exceed that of bonds by on average 3.5%. The expected rate of return for property assets is 6.75% and for other assets is 3%. Thus the overall expected rate of return on schemes' assets at 31 December, 2008 is 6.1% (2007: 6.67%).

Financial Assumptions

The principal actuarial assumptions used in the valuations were:

	31st Dec. 2008	31st Dec. 2007
	% p.a.	% p.a.
Discount rate	**5.50**	5.50
Inflation	**2.00**	2.40
Pension increases **	**3.25**	3.65
Salary increases **	**3.25**	3.65

** Pay Pause i.e. 0% increases for 2009-2010

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. The average life expectancy, in years, of a member retiring at age 65 is as follows:

	31st Dec. 2008 Male	31st Dec. 2008 Female	31st Dec. 2007 Male	31st Dec. 2007 Female
Currently aged 45 years	21.7	24.7	19.8	22.8
Currently aged 65 years	21.0	24.1	19.8	22.8

22. PENSIONS *(continued)*

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

	2008 €000	2007 €000	2006 €000	2005 €000	2004 €000
Fair value of scheme assets	**1,160,200**	1,549,000	1,545,400	1,415,200	1,187,200
Present value of funded liabilities	**(1,727,800)**	(1,711,800)	(1,770,100)	(1,699,600)	(1,474,200)
Deficit in scheme	**(567,600)**	(162,800)	(224,700)	(284,400)	(287,000)
Experience (losses)/gains on scheme assets:	**(491,700)**	(77,600)	62,900	151,900	30,700
Percentage of the present value of the scheme assets	**(42.4%)**	(5.0%)	4.1%	10.7%	2.6%
Experience gains/(losses) on scheme liabilities:**	**59,600**	(62,000)	(21,700)	(20,500)	(20,700)
Percentage of the present value of the scheme liabilities	**3.4%**	(3.6%)	(1.2%)	(1.2%)	(1.4%)

** 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.

23. CAPITAL COMMITMENTS

	2008 €000	2007 €000
Contracted for	**260,522**	315,387
Authorised by Board but not contracted for	**746,360**	722,949
	1,006,882	1,038,336

Capital grants totalling €909.5 million have been approved in respect of the above expenditure (2007 – €841.0 million).

24. FOREIGN EXCHANGE AND OIL COMMITMENTS

At 31st December, 2008 Córas Iompair Éireann was committed to buying STG£2.0 million and selling US$10.0 million under forward currency contracts expiring during 2009. The fair value of these contracts at 31st December, 2008 was a loss of €1.2 million.

At 31st December, 2008 Córas Iompair Éireann was also committed to buying oil under commodity swap contracts to the value of US$129.8 million expiring during 2009 and 2010. The fair value of these contracts at 31st December, 2008 was a loss of €41.8 million.

25. CONTINGENT LIABILITIES

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

26. LEASE OBLIGATIONS

(A) Finance leases

Net obligations under finance leases fall due as follows:	**2008 €000**	2007 €000
Within one year *(note 15)*	**4,182**	5,030
Between one and five years	**14,397**	14,649
After five years	**6,135**	10,065
	20,532	24,714
Total	**24,714**	29,744

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	**3,162**
Between one and five years	**3,046**
	6,208

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 and the Department of Social and Family Affairs, Coillte and An Post. Revenue from these services amounted to €228.0 million in 2008 and amounts due from these entities to the Group at 31st December, 2008 for these services totalled €17.4 million.

(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 the ESB and an Bord Gáis. Expenditure on these services amounted to €4.4 million in 2008 and amounts due to these entities by the Group at 31st December, 2008 for these services totalled €0.3 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) and road freight services
Bus Éireann – Irish Bus	Public bus passenger services
Bus Átha Cliath – Dublin Bus	Public bus passenger services
CIE Tours International Incorporated	Tours

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 2nd September, 2009.