



Córas Iompair Éireann

DRIVING EFFICIENCY



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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.

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## CHAIRMAN'S STATEMENT 2009

### A decade of transformation

Notwithstanding the difficulties all organisations face in the current national economic environment, it is worth taking stock of the developments in the CIÉ Group following a transformative decade for public transport in Ireland.

Across the bus and rail services of the Group, service and fleet improvements were delivered on a sustained basis. We have been greatly assisted in this process by current and capital funding from the Exchequer. It represented a change in focus from our policy-makers: from the discredited view that Exchequer support for public transport services is somehow a waste or a financial loss, to the progressive approach common amongst the great public transport systems in Europe, that funding public transport is a crucial element to sustaining our economy and our society.

In **Iarnród Éireann**, the railway is, in many respects, unrecognisable from the start of the decade, as our management team have successfully overseen a massive investment programme, improvements in efficiency and productivity, and crucially, service expansion to meet the needs of the customers and communities we serve.

Our infrastructure investment programme has encompassed safety-critical renewal of existing infrastructure, and development of new infrastructure, and has been complemented by a record programme of fleet investment and station improvements.

This programme of investment, totalling over €2.7 billion, has been delivered by our project teams cumulatively €40 million under budget, and Iarnród Éireann has consistently been the strongest performer in terms of on budget delivery amongst major recipients of Exchequer capital funding. Investment examined under Government Value-for-Money and Policy Review Initiative identifies that programme objectives were met, and safety and value-for-money goals delivered.

Furthermore, passenger journey increases were achieved while reducing staffing, with passengers per staff member increasing by 55% in the period from 2002 to 2008.

From 2000, **Bus Éireann** expanded its network of services in line with customer demand, increased passenger numbers and was profitable. During that time, Bus Éireann had the second highest growth in Europe in journeys made and grew passenger numbers by over 15%. Through the NDP, Transport 21 and its own resources, there was a significant investment in the company's fleet with nearly 300 accessible vehicles added, which resulted in an expansion of existing services and the addition of new routes.

External consultants' reports during that time found that Bus Éireann was operating efficiently compared to European peers and was providing a value for money service throughout the country. External independent surveys also showed a high level of customer satisfaction with Bus Éireann carrying over 90 million passenger journeys per annum.

Throughout the past decade **Bus Átha Cliath** has introduced a number of innovations to maintain its position as Dublin's largest public transport provider whilst meeting the changing needs of public transport users. Bus Átha Cliath has introduced new bus services, developed new routes and committed itself to dealing with congestion.



## CHAIRMAN'S STATEMENT 2009 (CONTINUED)

There is now an agreed programme of bus priority measures in place between Bus Átha Cliath, the Quality Bus Network (QBN) Office and Local Authorities to improve bus speeds on all of the key corridors.

These policies support the conclusions made by the Deloitte led Cost and Efficiency Review of Bus Átha Cliath, which found that Bus Átha Cliath is generally as efficient as comparable organisations in similar sized cities. The benefits of this will now be maximized through the company's Network Direct programme, which will deliver more reliable, faster, and more direct services.

The company has ensured that it serves the entire community by ensuring since 2000 that all new buses would be low floor wheelchair accessible currently 88% of the fleet is now low floor wheelchair accessible and is on target to be fully accessible by 2012. Service initiatives have also included the development of smartcard technology across the fleet, the forthcoming introduction of Real Time Passenger Information, and measures to reduce emissions on all services.

### Facing the recession

As noted in last year's Annual Report the economic recession had a negative impact on the demand for all of CIÉ's services. Unfortunately in 2009 the recession deepened and widened such that all areas of the general economy were adversely affected. In 2008 real GNP fell by 2.8% but in 2009 that decline accelerated and a fall of 11.3% in the output of the economy is now evident.

With economic activity declining the demand for public transport services has reduced as real wages have been cut, unemployment has increased and consumer expenditure has dampened. With Government finances under pressure the subvention to CIÉ has also been reduced. As a consequence in 2009 CIÉ has had to operate within a more stringent set of financial conditions.

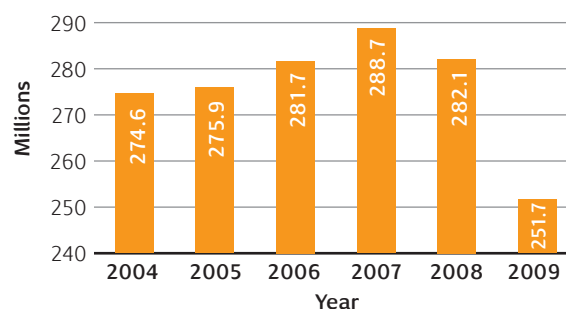
Throughout 2009 CIÉ continued a process of maximising operating efficiencies whilst trying to maintain service levels. All of the routes across the business were stress tested in order to secure a balance between customer needs and subvention targets.

Efficiencies were introduced *inter alia* through a pay pause, less overtime, a freeze on recruitment, continuation of the voluntary severance scheme, staff reductions, and reductions in material costs.

### Group Operating Results

The operating result for the CIÉ Group for 2009 before exceptional items is a deficit of €36.9 million. The main feature of the year was a decline in passenger numbers of almost 11% on 2008 levels, directly related to the general economic climate.

#### CIÉ Group Passenger Journeys 2004-2009



The end of the fuel rebate, the increased cost of fuel and higher excise duty contributed to the deficit for 2009. Exceptional costs of €40.8 million were incurred during the year, predominantly through voluntary severance costs. After exceptional items are taken into account, the net result for the CIÉ Group is a deficit of €77.7 million.

Iarnród Éireann returned an operating deficit of €4.0 million. Passenger journeys fell by 5.9 million from 44.7 million in 2008 to 38.8 million in 2009, a 13% reduction in passenger volume over the year.

Bus Átha Cliath returned a deficit of €7.0 million. Total passenger journeys amounted to 128.3 million in 2009 compared to 143.5 million in 2008, a reduction of 15.2 million (10.6%).

Bus Éireann returned a deficit of €4.3 million. Bus Éireann passenger numbers for the year was down by 11% across the range of city, local services and expressway services.



## CHAIRMAN'S STATEMENT 2009 (CONTINUED)

### Public Transport Regulation Act

The Public Transport Regulation Act became law in December 2009. The primary focus of the Act is to transform the national bus licensing regime and to replace the current system that has been in existence since 1932. All bus operators will for the first time be licensed to operate services under the same rules. Responsibility for the administration and issuance of bus licenses has been transferred from the Department of Transport to the Dublin Transport Authority (DTA) which will now have a national remit. To reflect this expanded remit the DTA has been renamed as the National Transport Authority (NTA).

The funding of Public Service Obligation (PSO) services is now governed by Public Service Contracts between the NTA and each of the CIÉ subsidiaries, Iarnród Éireann, Bus Átha Cliath and Bus Éireann. The current contracts, which were agreed in December, 2009, are for five years in the case of bus services and ten years in the case of rail services.

### Iarnród Éireann

Iarnród Éireann reduced staff by 346 during the year through a programme of voluntary severance and efficiencies, while further savings were achieved in fuel and energy. Diesel trains on InterCity and commuter routes cut their fuel use by 6% through more efficient schedules and automatic train engine shutdowns.

While passenger numbers have fallen by 13% in 2009 this comes in the context of an increase from 34.5 million in 2002 to 44.7 million in 2008. Passenger journeys were also impacted by the Malahide Viaduct collapse.

Despite the downturn and falling revenues Iarnród Éireann maintained the full range of services and with some timetable adjustments made in December a highly efficient use of rolling stock and resources was put in place.

Voluntary severance payments of €28.0 million were made in 2009 to enable early retirements.

### Malahide Viaduct

The collapse of one of the piers of the Malahide viaduct on 21st August, 2009, represented the most serious accident on the network in many years. The collapse was caused by tidal scouring of the supporting causeway and the results of the internal investigation have been provided to the Rail Accident Investigation Unit (RAIU) which will publish its report in 2010.

The repair works were carried out safely and swiftly and trains were running over the viaduct again by 16th November, 2009. Key to the rapid restoration was the "real time" safety certification by the Railway Safety Commission (RSC).

The accident presented customers and the company with a major challenge during the period of disruption. The management team in Iarnród Éireann together with Bus Átha Cliath and Bus Éireann put an effective alternative bus substitution in place to cater for the disrupted rail passengers. The company much appreciates the patience, understanding and co-operation of customers during the disruption. Iarnród Éireann's freight division also arranged for a replacement road service for the transport of ore from Tara Mines to Dublin Port during this time.

### Cost Efficiency in Iarnród Éireann

Total costs savings of €30.3 million were made during 2009 on payroll, fuel, materials, services and operations while at the same time keeping the full level of train services in place.



## CHAIRMAN'S STATEMENT 2009 (CONTINUED)

### Freight

A new point to point trainload freight traffic contract between Ballina and Dublin Port was secured during the year. Additional revenue of €0.7m per annum will be earned and this new flow helps improve the financial viability of the freight business for Iarnród Éireann.

### Rosslare Europort

Rosslare Europort enjoyed another profitable year although the business suffered from the general downturn in the economy and traffic volumes were down on 2008 levels.

### Passenger Train Punctuality 2009

The full year results for passenger train punctuality show a marked improvement primarily as a result of the full introduction of the new InterCity railcars (ICRs). While the individual monthly results for the later periods of the year were affected by adverse weather conditions and on InterCity, by temporary speed restrictions, the overall results for the year ending 31st December 2009 shows on-target achievement on most routes.

### Bus Átha Cliath

In common with the rest of the Group, Bus Átha Cliath was affected by the economic downturn, which resulted in a significant reduction in passenger numbers directly attributable to the sharp increase in the number of unemployed, and a reduction in leisure activity.

Bus Átha Cliath implemented a major cost reduction plan including the curtailment and rationalisation of services to counteract the downturn in the economy. A fuel efficiency programme was also implemented. Trials were conducted using hybrid electric vehicles in order to increase fuel efficiency and reduce carbon emissions.

### Bus Gate

Since its introduction in July the new College Green "Bus Gate" has had an enormous positive impact on bus services, and has significantly reduced the average time taken to travel from O'Connell Street to Dame Street.

Bus Átha Cliath has given Dublin City Council a significant amount of data on the benefits of the priority. The company has shown that bus journey times through Dublin city centre were cut in half once the bus gate was introduced and thousands of customers each day are now benefiting as a result of the "Bus Gate".

### Quality Bus Corridors

The most recent survey conducted by the Dublin Transportation Office has shown that bus journey times in the morning peak were better than the journey times for cars on 12 of the 16 corridors monitored. The survey also showed that customer numbers increased by 45% since the introduction of the Quality Bus Corridors.



## CHAIRMAN'S STATEMENT 2009 (CONTINUED)

### Bus Éireann

The Deloitte Cost and Efficiency Review carried out for the Department of Transport was published in 2009 and found that Bus Éireann's integrated network is as efficient as European peers; that passenger numbers had risen by 15% from 2001 to 2007 and that subvention PSO funding, as a percentage of total revenue, is low compared to European counterparts

Deloitte also found that administration and back office expenses are in line with benchmarks and that scheduling of services and driver duties is efficient.

### Group Property

The Group Property Department achieved sales of non operational property yielding €0.9 million and net rental income amounting to €10.1million in 2009.

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

### CIÉ Tours International

CIÉ Tours International continued to generate profit in 2009, despite the extremely difficult trading conditions in the tourism industry worldwide. During the year the company provided coach touring vacations to 32,500 passengers, a reduction of 22% on 2008 levels. Total revenues amounted to €32.4 million.

The main difficulty experienced by the company during 2009 was the rapid decline in consumer confidence in the US market, in addition to a weak US dollar. However, the company managed to reduce overhead costs sufficiently in order to remain profitable.

### Commuter Advertising Network (CAN)

This division is responsible for managing CIÉ's outdoor advertising business including bus and rail advertising sites. The division had a difficult year in 2009 as advertising spends were curtailed.

### 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. Paul Cullen and Ms. Mary Johnston retired from the Board on 30th November, 2009 having served almost 13 years and 4 years respectively on the Board. I would like to thank them for their contribution to CIÉ during their tenure as Board members. It was good to welcome back to the Board Mr. Bill McCamley and Mr. John Moloney following elections held under the Worker Participation (State Enterprises) Acts, 1977 and 1988. Also elected were Mr. Mick Cullen and Mr. Willie McDermott who were appointed to the Board on 1st December, 2009. I would also like to welcome 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*



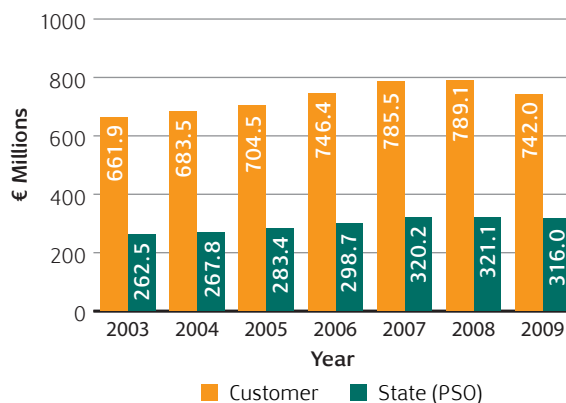
## OPERATIONS REVIEW

The operating results for the CIÉ Group for 2009 recorded a deficit of €75.1 million before the adjustment for FRS 17- Accounting for Retirement benefits. After taking into account the requirements of FRS 17 the deficit is €77.7 million compared to a surplus of €10.2 million in 2008. The following table sets out the operating results for 2009.

	2009 €M	2008 €M
Revenue	742.0	789.1
Public Service Obligation Grant payments and Rail Safety Grant	316.0	321.1
<b>Total Revenue</b>	<b>1,058.0</b>	<b>1,110.2</b>
Payroll related costs	(602.2)	(624.1)
Other operating costs	(492.8)	(521.0)
Financial (expense)/income	(0.8)	1.1
Profit on disposal of tangible assets	3.5	69.5
<b>Total Costs</b>	<b>(1,092.3)</b>	<b>(1,074.5)</b>
(Deficit)/Surplus before Exceptional Costs and FRS 17 adjustments	(34.3)	35.7
Exceptional Costs	(40.8)	(43.3)
Deficit before FRS 17 pension cost adjustments	(75.1)	(7.6)
FRS 17 pension cost adjustments	(2.6)	17.8
Operating (deficit)/surplus including FRS 17 pension cost adjustments	<b>(77.7)</b>	10.2

The decline in passenger numbers of almost 11% on 2008 levels, was a major factor in the reduction in revenue of €47.1 million, and was attributable to recessionary conditions including rising unemployment, emigration and a reduction in discretionary spending. The loss of the excise duty rebate of €22 million together with the reduction of €10 million in the 2009 subvention as announced in the April budget was also a major contributory factor to the results for 2009.

### Group Revenue 2003-2009

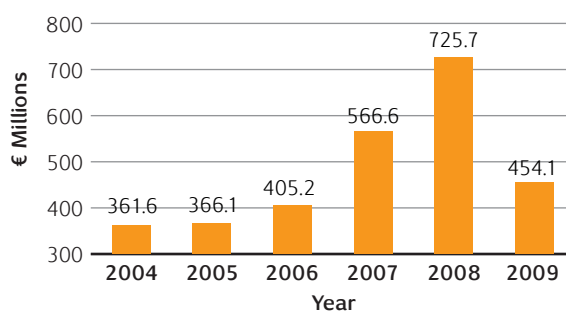


A range of cost saving measures has been put in place in each of the companies to mitigate the revenue shortfall. Measures included are the deferment of the National Wage Agreement, service rationalisation and efficiencies generated in fuel, materials and services.

Exceptional items of €40.8 million were incurred during the year, predominantly voluntary severance costs.

The Public Service Obligation (PSO) and the Rail Safety grant payments of €316.0 million represent a decrease of €5.1 million on 2008. In addition, the Group received Exchequer funding of €438.5 million for capital expenditure under the National Development Plan (NDP). Group investment in fixed assets in 2009 amounted to €454.1 million (2008 - €725.7 million).

### Group Investment in Fixed Assets 2004-2009





## OPERATIONS REVIEW (CONTINUED)

### Group Companies

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

### Iarnród Éireann

The operating result for 2009 is a deficit of €4.0 million (€0.2 million 2008), however the overall result is a deficit of €32.0 million (€19.1 million 2008) after exceptional items.

The general economic climate continued to deteriorate throughout 2009. The impact was felt across all aspects of Iarnród Éireann's business. Passenger revenues at €169.4 million for the year fell by €17 million (9%) on 2008 levels. Passenger journeys fell on both Commuter and InterCity services with fewer customers making discretionary journeys, and the affect of increased unemployment. Passenger traffic on the Northern line was also hit by the impact of the collapse of the Malahide viaduct in late August. Services were restored in mid November. Alternative bus transfer arrangements were put in place to mitigate the impact of the line closure. In total passenger journeys fell by 5.9 million from 44.7 million in 2008 to 38.8 million in 2009, representing a 13% reduction in passenger volume over the year.

Freight revenue was down €8.1 million on 2008 as volumes were down significantly for cement and shale traffics as a result of the general economic downturn.

On a more positive front, a new point to point trainload freight traffic contract between Ballina and Dublin Port was secured during the year. Additional revenue of €0.7m per annum will be earned and this new cash flow helps improve the financial viability of the freight business for Iarnród Éireann.

### Rosslare Europort

Rosslare Europort enjoyed another profitable year although the business suffered from the general downturn in the economy and traffic volumes were down on 2008 levels.

### Savings Generated

A series of cost reduction programmes were put in place in response to the change in economic conditions. Total costs savings of €30.3 million were achieved on 2008 expenditure levels. These savings were achieved on payroll, fuel, materials, services and insurances with contributions from across all aspects of the company's business while maintaining the full range of services.

Significant savings were achieved through reductions in levels of overtime and staff reductions through voluntary severance. Iarnród Éireann reduced Staff numbers by 346 in 2009. DART energy costs were reduced by €3.7 million following a renegotiation of the company's electricity contract and new technology to allow trains to perform with less energy requirement.

### Passenger Train Punctuality 2009

The full year results for passenger train punctuality show a marked improvement over the full year in particular as a result of the full introduction of the new InterCity railcars (ICRs). The individual monthly results for the later periods of the year were affected by adverse weather conditions and, on InterCity, by temporary speed restrictions. The overall results for the year ending 31st December 2009 shows on target achievement for punctuality on most routes.

InterCity services on time or within 10 minutes of schedule		
Route	Target %	Result
Waterford	90	96.3
Rosslare	90	94.8
Galway	90	93.9
Belfast	90	92.1
Tralee	90	91.2
Limerick	90	91
Westport	90	90.8
Sligo	90	89.2
Cork	90	86.9



## OPERATIONS REVIEW (CONTINUED)

### Commuter and DART services on time or within 5 minutes of schedule

Route	Target %	Result
Northern	90	93.9
Maynooth	90	90.6
Kildare	90	89.7
DART	87	89.9

Despite the high level of achievement across the network, the poorest performance was on the Dublin-Cork InterCity services with the year end average for 2009 falling 3.1% below target.

Iarnród Éireann has prepared a plan of action to systematically tackle and remove the speed restrictions to restore punctual mainline operations. Crucial to the achievement of this plan is the removal of the 75mph permanent speed restriction over the 25 mile section between Newbridge and Portlaoise applied in March 2009. 19 miles of this restriction has been removed to date.

### Marketing Strategies

More intensive marketing strategies are being deployed to generate new business, particularly in the on-line budget fare area. Significant savings were made by customers during 2009 using on-line budget web fares. During the year €10 each way fares was on offer on a range of InterCity services. To improve customer communication the company pioneered the use of Twitter for travel alerts, general news updates and special fares.

### DART/Commuter Smartcard

The interim smartcard scheme, as a precursor to integrated ticketing, is progressing well. All physical hardware has been installed and live trials to test the software with a limited number of card holders are taking place.

The system features an electronic 'purse' system for fare payment which will replace the magnetic cards currently used for monthly and annual TaxSaver season ticket holders. Smartcards will be available through automatic ticketing vending machines or purchased on-line. A helpdesk will deal with all enquiries on-line or via the telephone.

### Operations

The year 2009 also saw the continued rollout of the new 6-Car InterCity railcars on the Dublin to Sligo, Westport, Limerick, Galway, Tralee and Waterford routes. These state of the art trains provide a much improved performance and are fitted with one of the most energy efficient train engines in the world.

The new Cork-Midleton commuter line was officially opened by the Minister for Transport, Noel Dempsey TD on 30th July. Work on the new line was completed, following a €75 million investment in the infrastructure under the Government's Transport 21 programme, part of the National Development Plan 2007-2013.

The section of the Western Rail Corridor between Ennis and Athenry was completed in November including the construction of 4 new stations. The Limerick to Ennis section of the line was commissioned in December and driver training is in progress with the service due to commence in Spring 2010.



## OPERATIONS REVIEW (CONTINUED)

Track laying, station and car park works are continuing on the new Dunboyne line. The project is on target to enable commuter services from the M3 Parkway station to commence in September 2010, with intermediate stations at Hansfield and Dunboyne.

### Public Service Contract (PSC)

Iarnród Éireann entered into a formal Public Service Contract with the newly formed National Transport Authority (NTA) on 1st December, 2009. This contract replaces the previous Memorandum of Understanding with the Department of Transport.

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

### Kildare Route Project

The Kildare Route Project 4-track railway is now fully operational. As the current scheduled train service can be operated over two tracks, the opportunity will now be taken to renew the original main line tracks between Cherry Orchard and Hazelhatch and to temporarily operate the services over the two new tracks through the section while this work is carried out.

### Malahide Viaduct

Dublin-Belfast Enterprise trains as well as Northern line rail commuter services recommenced running over the Malahide viaduct on 16th November after a three month closure following the collapse of one of its piers caused as a result of sea erosion to the causeway on which the viaduct stands.

Following test movements on 13th November, the line was certified for operations immediately by the Railway Safety Commission (RSC).

A special programme of detailed structural and under-water inspections of all bridges over water with recognised scour susceptibility on the Iarnród Éireann network is now substantially complete.

### Safety and Security

Significant progress was made in many of the key safety action plans during 2009 and the year end results showed progress being maintained in the key indicators for signalling, level crossings, fires, derailments and collisions as well as bridge strikes by road vehicles.

### Bus Átha Cliath

2009 was a very difficult and challenging year for Bus Átha Cliath due to the depth of the economic downturn which resulted in a significant reduction in sales. A major increase in the number unemployed and a sizable reduction in the level of leisure activity undertaken were contributory factors to the reduction.

The operational result for the year was a deficit of €7.0 million (after exceptional costs the result was a deficit of €12.9 million) despite implementation of cost reduction plans, including staff reductions of 6% and the implementation of a pay pause. Customer journeys fell by 10.6% on 2008 levels and other factors also contributing to the deficit included a reduction in subvention paid for social services and an increase in fuel costs.

A plan for fuel efficiency and reduced carbon emissions was also undertaken in a trial using hybrid electric vehicles. If the trial proves successful, it could help protect the company from future fluctuations in the global oil market.



## OPERATIONS REVIEW (CONTINUED)

Total journeys by customers amounted to 128.3 million in 2009 compared to 143.5 million in 2008 and 147.5 million in 2007. This represents a reduction of 15.2 million (10.6%) on 2008 and 19.2 million (13.0%) customer journeys on 2007.

### Network Review

A radical review of the Bus Átha Cliath route network in line with the Deloitte Report recommendations took place during the year. A special working group was set up with external expertise supervised by an Advisory Group which was established to oversee the project.

The Network Review is in many ways similar to the LUAS development process, involving the creation of design options across the network of radial and orbital corridors and the creation of a city centre strategy, to include cross city developments and alignments through the city.

Stakeholder consultation was undertaken and comments were taken into account in the review. Briefings also took place during the year with Customer Focus Groups. Communications will continue to take place with political and business interests on a structured basis.

### Public Service Contract

The Public Service Contract with the National Transport Authority (NTA) was signed in early December. The contract sets out in detail the network and range of services to be provided by Bus Átha Cliath, the performance levels to be achieved and the compensation to be paid by the NTA for the provision of these services. Under the contract for the provision of services on the Bus Átha Cliath network 10% of funding will be dependent on meeting the performance criteria in the contract.

### Bus Gate at College Green

On 28th July 2009, Dublin City Council commenced operation of the College Green Bus Corridor which removes all general traffic from the Dame St./Westmoreland St. axis northbound and D'Olier St./Lower Grafton St./Dame St. southbound during morning and evening peak hours only (07.00 to 10.00 and 16.00 to 19.00) on weekdays.

Bus Átha Cliath has given Dublin City Council a significant amount of data on the benefits of the priority. Bus journey times through Dublin city centre were significantly reduced once the bus gate was introduced and thousands of customers each day are now benefiting as a result of it.

### Substitute Rail Service

Bus Átha Cliath provided additional services to the Skerries, Rush, Lusk and Donabate areas at the request of Iarnród Éireann while rail services were suspended due to the collapse of the Malahide Rail Viaduct. Feedback from customers and public representatives was very favourable and reflected well on the ability of both CIÉ companies to respond to crisis situations. Rail services were restored in mid November and normal bus services on the North Dublin routes resumed.

## Energy Efficiency

Bus Átha Cliath has been trialling a hybrid electric bus in a bid to ever increase fuel efficiency and reduce carbon emissions. The results of the trial will bring the company closer to the objective of protecting Dublin's public transport from future carbon tax as well as fluctuations in the global oil market.



## OPERATIONS REVIEW (CONTINUED)

### Cost Effectiveness Plan

In order to address the factors which are adversely impacting on financial performance, Bus Átha Cliath implemented a major cost reduction plan during the year. Following acceptance of terms set out by the Labour Court, the company fully implemented the planned cost reductions between end of April and May 2009. The service changes made were chosen with a view to minimising the effect on customers and as a result there has been minimal customer reaction.

### Driver Training

Following the introduction of the driver Certificate of Professional Competence (CPC) in September 2008, professional bus and coach drivers are required to hold a Certificate of Professional Competence and undertake a programme of continuous training. The Bus Átha Cliath Training Centre is approved by the Road Safety Authority (RSA) to deliver the appropriate training programmes and 2,714 Bus Átha Cliath employees completed the year 1 training module over the past year.

### Integrated Ticketing (ITS)

The Bus Átha Cliath smartcard continues to operate well and is available on 90% of prepaid products. Work is continuing on the development of the Bus Átha Cliath element of the ITS card which will hold electronic money (an e-Purse), which users add to the card and then only spend as they travel on any of the participating transport modes. The first ITS card which will be delivered is an annual ticket for travel on bus and LUAS and is due for testing shortly.

### Automatic Vehicle Location

Work is continuing on this project and Bus Átha Cliath are on target to have it implemented across the network in 2010. When fully implemented, real time passenger information will be available via mobile phones and the website [www.dublinbus.ie](http://www.dublinbus.ie). Dublin City Council will also put displays in place at selected bus stops.

### Hybrid Bus Trial

The Exchequer agreed to provide funding to assist Bus Átha Cliath with an in-service trial of a hybrid double deck low floor wheelchair accessible bus during the year.

Hybrid vehicles combine an electric motor with an internal combustion engine and are a developing technology in the bus industry. Although they are currently significantly more expensive than standard vehicles the manufacturers claim a range of advantages over traditional bus models including:

- Reduced fuel consumption
- A reduction in pollutant emissions including Carbon Dioxide, Hydrocarbons, Carbon Monoxide and Nitrous Oxides.



## OPERATIONS REVIEW (CONTINUED)

- Smaller engines which produce less noise
- Regenerative braking, which uses the energy dissipated during braking to charge its battery.

A review of the operational results of the hybrid bus will take place in 2010.

### Accessibility

Bus Átha Cliath is committed to improving accessibility to its services and all new buses purchased for city routes will be low floor, wheelchair accessible. Currently 88% of the fleet is low floor, wheelchair accessible and the goal is to have a fully accessible fleet by 2012. To facilitate those people with sensory impairments, all new buses purchased have colour contrasting interior poles, improved interior lighting, improved grip bars and palm activated bell pushes.

### Bus Éireann

Bus Éireann incurred a deficit of €11.2 million after exceptional items of €6.9 million for the year 2009. The company faced considerable challenges during the year with passenger journeys down from 93.9 million in 2008 to 84.6 million in 2009. Also the loss of the excise duty rebate in respect of fuel used on road transport operations has added €10 million to the cost base of the company.

Fuel costs increased by approximately 65% over 2008 levels. Included in the make up of this is the loss of the excise duty rebate and the increase in excise duty announced in the April 2009 budget. In light of the economic environment the company escalated its ongoing cost reduction programme in 2009 saving approximately €6.0 million through a wide range of measures without any negative impact to services.

Measures introduced included:

- Reduction of payroll costs as part of the company's cost recovery programme.
- Significant cost reductions achieved during a comprehensive reorganisation of school transport services conducted during summer 2009.
- A review of the vendor cost base and all other areas of cost.
- Operational savings including use of on street ticket vending machines, utilisation of higher capacity vehicles and integration with the Rural Transport Programme and HSE transport services.

With the exception of fuel, road passenger expenditure was below 2008 levels in total. This has been achieved while continuing to maintain service levels in 2009.

### Promotions

The continued issuing of licences and the operation of unlicensed services is also impacting on Bus Éireann passenger numbers. Severe weather conditions, including flooding and snow, during the months of November and December also contributed to lower revenue for the company. The company offered a range of price promotions to maximise revenue during the year and to curb the effect of the economic environment which included:

- Special fares introduced on local and national routes to encourage travel, particularly at key travel times such as school holidays and Christmas.

### Operating Efficiency in Bus Éireann

A comprehensive reorganisation of school transport has led to a reduction in contractors as a result of double tripping, network planning and the amalgamation of routes to save vehicles.



## OPERATIONS REVIEW (CONTINUED)

- Promotional fares on routes that have not been performing well.
- Introduction of a range of marketing initiatives to maximise revenue in a difficult environment. Specific groups such as students were targeted with focused campaigns.
- Encouragement of further on-line purchases and interaction with key target audiences through the revamping of the company website **www.buseireann.ie** which received over 240,000 visits a month in 2009, and the establishment of a presence on Facebook and Twitter.

### Service Enhancements

Under Transport 21 and the ongoing support of the Minister of Transport and his department, a number of improvements were made to existing services during the year, including:

- The introduction of double deck coaches on key commuter routes in the east of the country increasing capacity on these routes by up to 50% which alleviated the need for additional vehicles to be used to cover overloads at peak times.

- The revamp of a number of routes to make better use of existing resources and extend the number of services operating to key locations such as Dublin Airport.
- The initiation of a bus shelter investment programme with over 50 new shelters erected during the year.

### Passenger Numbers

Bus Éireann's passenger numbers during 2009 reflected the declining trend in retail sales in Ireland, and are also in line with the experience in public transport in other European countries. Passenger numbers fell from 93.9 million in 2008 to 84.6 million in 2009.

### Customer Satisfaction

The results of an audit by an independent research company indicate that Bus Éireann continues to have a high level of customer satisfaction with a rating of 86% recorded in 2009. The company also scored 96% with regard to bus safety.

### Public Service Contract (PSC)

The direct award Public Service Contract for PSO services has been agreed by the National Transport Authority, the Department of Transport and Bus Éireann, and was officially signed on 1st December, 2009. The company's objective through the negotiation process was to ensure the contract supports the effective operation and maintenance of an integrated network of services, the provision of a good customer service and adequate financial compensation, covering both operating subvention and capital funding, for the services to be provided under the contract.

### Replacement Service Malahide Viaduct

Bus Éireann, in conjunction with the Department of Transport and Iarnród Éireann put in place a significant number of replacement and additional services to cater for rail commuters travelling along the northern corridor during the repairs to the viaduct for which excellent feedback from both commuters and public representatives was received.



## OPERATIONS REVIEW (CONTINUED)

### Festivals & Events

Bus Éireann operated services to and from some of the largest events during 2009 including Oxegen in Punchestown, Electric Picnic in Stradbally, the National Ploughing Championships, Summerfest in Killarney, the Cork Jazz Festival, Tall Ships in Belfast and the Volvo Ocean Race in Galway.

Some of the main sporting events during the year were also serviced by Bus Éireann including the All-Ireland Football and Hurling Championship Finals, the Galway races at Ballybrit, the Irish Open and the FAI Cup Final.

### Bus Priority Measures

Traffic flows and average speeds are considerably worse in Ireland than in comparable cities and towns in other European countries. Bus Éireann has long supported the introduction of bus lanes and bus priority measures in cities and towns across Ireland to tackle this problem. The freeing up of road space for public transport results in shorter journey times, increasing the appeal of public transport which in turn reduces the number of private cars on the road, improving traffic conditions and lowering emissions.

### Technology

Bus Éireann implemented its public trial phase of the Automatic Vehicle Location System (AVL) technology during 2009. The trial enabled customers to access real-time information on arrivals and departures for routes via the company's website, using SMS and at information displays at a number of bus stations across the country.

It is expected that the system will be fully operational during 2010 and customers will be able to access information via the company's website and SMS on when individual buses will arrive and depart at Bus Éireann stops around the country.

### Accessibility

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

The main challenge in delivering wheelchair accessible services outside of town and city services remains the provision of 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 make progress on. The Bus Stop Working Group, which includes Bus Éireann, has developed a template for the design of wheelchair accessible bus stops. The template has been circulated to all local authorities for their use when developing bus stop infrastructure.

### Schools Transport

In the region of 125,000 children were transported twice daily under the School Transport Scheme in 2009.

Considerable progress was made during the year by Bus Éireann in delivering services under the School Transport Scheme in the most cost effective and efficient manner with significant efficiencies achieved through using network management skills to revamp a range of services and to provide better and more effective utilisation of vehicle resources

The quality and range of school transport services being provided under the School Transport Scheme continued to improve with 107 new services introduced in 2009. A significant number of the new services were provided to serve an increasing number of Gael Scoileanna and Educate-Together schools nationally.





## OPERATIONS REVIEW (CONTINUED)

To ensure standards are consistent with best industry practice across the wide range of School Transport Scheme services, an independent expert group has been established to conduct spot checks on contractors buses used to provide School Transport Scheme services, and also advise on internal fleet maintenance procedures.

### CIÉ Tours International

CIÉ Tours International continued to generate profit in 2009, despite the extremely difficult trading conditions in the tourism industry worldwide. During the year the company provided coach touring vacations to 32,500 passengers, a reduction of 22% on 2008 levels. Total revenues amounted to €32.4 million.

The main difficulty experienced during 2009 was the rapid decline in consumer confidence in the US market, in addition to a weak US dollar. However, CIÉ Tours International managed to reduce overhead costs sufficiently in order to remain profitable.

### Group Property

Group Property are presently working on major projects such as Spencer Dock, Connolly Station, Barrow Street, Tara Street, Abbey Street and Eyre Square Galway.

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

### Commuter Advertising Network (CAN)

Notwithstanding the current economic climate and market conditions CAN performed well. The outdoor advertising market was also subjected to the effects of the economic downturn.

## Corporate Issues

### Employment

The average number of people employed by the CIÉ Group at the end of 2009 was 11,463 a reduction of 385 on 2008.

### Staff Participation

The CIÉ Group's main asset is its staff. It is CIÉ Group policy to maximise this asset resource through a participative culture and encouraging teamwork. All staff are

encouraged to participate in the running of the CIÉ Group through active involvement in project teams, working parties and customer focussed initiatives. There are four worker members on the CIÉ Board.

### Equal Opportunities

The Group through its Equality Officers continue to enhance equality in the workplace for all groups covered by equality legislation. The range of Work Life Balance initiatives available to staff in the Group are kept under ongoing review. The Group participates with a variety of external organisations in developing its practices and procedures e.g. by being a member of the Diversity in the Workplace Working Group in IBEC.

### Accessibility

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

### Payment Practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Regulations 2002. The payment policy throughout the Group in 2009 was to comply with the requirements of the regulation.

### Procurement Policy

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

### Principal Risks

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



## GROUP STRUCTURE

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

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

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

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



### Córas Iompair Éireann

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

### Iarnród Éireann

InterCity  
Suburban  
Long Distance Commuter  
Rail Freight  
Rosslare Harbour

### Bus Éireann

Expressway  
Rural Services  
Provincial City Services  
School Bus Services  
Private Hire

### Bus Átha Cliath

City Services  
Xpresso  
Nitelink  
Airlink  
City Tours  
Private Hire



## MEMBERS OF THE BOARD AND GROUP MANAGEMENT

### Members of the Board

The names of the persons, who were Board members at any time during the year ended 31st December, 2009 are set out here. Except where indicated they served as Board members for the whole year.

<b>Dr. J.J. Lynch</b>	Executive Chairman (Retired 27th March, 2010, Re-appointed 29th March, 2010)
<b>Ms. M. Canniffe</b>	
<b>Mr. M. Cullen*</b>	(Appointed 1st December, 2009)
<b>Mr. P. Cullen*</b>	(Retired 30th November, 2009)
<b>Ms. M. Johnston*</b>	(Retired 30th November, 2009)
<b>Mr. P. Kiely</b>	
<b>Mr. D. Killen</b>	(Appointed 19th May, 2009)
<b>Mr. G. Lightfoot</b>	
<b>Mr. B. McCamley*</b>	(Re-appointed 1st December, 2009)
<b>Mr. W. McDermott*</b>	(Appointed 1st December, 2009)
<b>Mr. J. Moloney*</b>	(Re-appointed 1st December, 2009)
<b>Mr. N. Ormond</b>	
<b>Prof. Y. Scannell</b>	
<b>Mr. S. Sheerin</b>	

\* 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 31st December, 2009

#### Audit Committee

<b>Paul Kiely</b>	Chairman
<b>Mary Canniffe</b>	(Resigned 5th February, 2009)
<b>Dermot Killen</b>	(Appointed 7th October, 2009)
<b>Graham Lightfoot</b>	(Appointed 2nd December, 2009)
<b>Neil Ormond</b>	

#### Finance Committee

<b>Paul Kiely</b>	Chairman
<b>Dermot Killen</b>	(Appointed 7th October, 2009)
<b>Neil Ormond</b>	
<b>Seamus Sheerin</b>	

#### Remuneration Committee

<b>Paul Kiely</b>	Chairman
<b>Mary Canniffe</b>	(Resigned 5th February, 2009)
<b>Dr. J.J. Lynch</b>	(Retired 27th March, 2010, Reappointed 29th March, 2010)
<b>Seamus Sheerin</b>	(Appointed 7th October, 2009)

#### Property Committee

<b>Neil Ormond</b>	Chairman
<b>Mary Johnston</b>	(Retired 30th November, 2009)
<b>Graham Lightfoot</b>	(Appointed 3rd June, 2009)
<b>Yvonne Scannell</b>	

1 vacancy



## MEMBERS OF THE BOARD AND GROUP MANAGEMENT (CONTINUED)

### Group Management

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

### Auditors

**PricewaterhouseCoopers,**  
Chartered Accountants and  
Registered Auditors,  
Spencer Dock,  
Dublin 1.

### Solicitor

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

### Principal Banker

**Bank of Ireland,**  
College Green,  
Dublin 2.



## CORPORATE GOVERNANCE STATEMENT

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

### The Board

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

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 pages 19 and 20.

### Audit Committee

The Audit Committee has written terms of reference and is composed of four non-executive Board members. The process by which the committee operates includes meeting periodically with the Group's senior management, the external auditors and the Head of Internal Audit to review the Group's internal controls, the internal and external audit plans and subsequent findings, the selection of accounting policies, the statutory audit report, financial reporting including the annual audited accounts, and other related matters.

The Audit Committee is also charged with the responsibility of reviewing the independence and objectivity of the external auditors and reviewing the nature and extent of non-audit work carried out by them to ensure a proper balance between objectivity and cost effectiveness. The external auditors and the Head of Internal Audit have full and unrestricted access to the Audit Committee. The external auditors attend meetings of the Audit Committee and annually meet with the Committee without management present to ensure that there are no outstanding issues of concern.

### Finance Committee

The Finance Committee is composed of four Board members and has written terms of reference. The process by which the committee operates includes meeting with the Chief Financial Officer and senior management from the subsidiary companies every month to review the funding of the Group's capital programme, the prioritisation of the subsidiary companies' capital expenditure proposals, annual operating and capital budgets and the Group's treasury, procurement and disposal policies. The committee also reviews the Group's insurance and finance strategies. It is also charged with ensuring that the Group's management information systems enable the effective implementation of the Board's finance strategies.

### Internal Financial Controls

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

The Group's overall control systems include:

- A clearly defined organisational structure with written authority limits, appropriate segregation of duties and reporting mechanisms to higher levels of management, the boards of the subsidiary companies, Board Committees and to the Board. Detailed policies on key areas of financial risk including treasury risk are maintained.



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

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

- A review of the programme of internal audit (prepared following their audit risk assessment process) and consideration of their major findings.

- A consideration of the major findings of any internal investigations.
- A review of the report of the external auditor, which contains details of any material control issues identified as a result of their audit of the financial statements.

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

### Executive Board Members' Remuneration

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

### Other Members' Remuneration

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

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



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

**Attendance at Board/Committee Meetings**

Listed below is Board members' attendance at Board/Committee meetings held during 2009.

Attendance at CIÉ Board/Committee Meetings 2009					
Board Member	CIÉ Board	Finance Committee	Audit Committee	Property Committee	Remuneration Committee
John Lynch	11/11				6/7
Paul Cullen	4/10				
Mary Johnston	10/10			2/3	
Bill McCamley	7/11				
John Moloney	8/11				
Mary Canniffe	9/11		1/1		2/2
Paul Kiely	11/11	10/11	8/8		7/7
Graham Lightfoot	11/11		2/2	3/3	
Neil Ormond	11/11	10/11	8/8	2/3	
Yvonne Scannell	9/11			3/3	
Seamus Sheerin	9/11	8/11			1/1
Dermot Killen	6/6	2/2	3/5		
William McDermott	1/1				
Michael Cullen	1/1				

**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

7th April, 2010



## STATEMENT OF THE BOARD'S RESPONSIBILITIES

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

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

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

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

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

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

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





## INDEPENDENT AUDITORS' REPORT TO THE MINISTER FOR TRANSPORT

As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 27 to 63 that have been prepared under the historical cost convention, and the accounting policies set out on pages 27 to 29.

### 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 24 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 review whether the statement regarding the system of internal financial control required by the Code of Practice for the Governance of State Bodies made in the Corporate Governance Statement on pages 21 to 23 reflects the group's compliance with the paragraph 13.1 (iii) of the Code and is consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not. We are not required to consider whether the board's statements on internal financial control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

### Basis of Audit Opinion

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

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



## INDEPENDENT AUDITORS' REPORT TO THE MINISTER FOR TRANSPORT (CONTINUED)

### Opinion

In our opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of Córas Iompair Éireann and of the Group as at 31st December, 2009 and of the deficit and cash flows of the Group for the year then ended.

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

**PricewaterhouseCoopers,**

Chartered Accountants and Registered Auditors,

Dublin. 7th April, 2010



## PRINCIPAL ACCOUNTING POLICIES

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

### (A) Basis of Preparation

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

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

### (B) Basis of Consolidation

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

Iarnród Éireann - Irish Rail  
 Bus Éireann - Irish Bus  
 Bus Átha Cliath - Dublin Bus

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

### (C) Revenue

Revenue comprises the gross value of services provided.

### (D) Tangible Assets and Depreciation

The bases of calculation of depreciation are as follows:

#### (i) Railway lines and works

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

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

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

#### (ii) Railway rolling stock

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

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

#### (iii) Road passenger vehicles

The historical costs of road passenger vehicles other than school buses are depreciated over their expected useful lives on a reducing percentage basis which reflects the vehicles' usage throughout their lives. The historical costs of school buses are depreciated in equal annual instalments over their expected useful lives.

#### (iv) Road freight vehicles

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

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

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

#### (vi) Land and buildings

Buildings are depreciated, by equal annual instalments, on the basis of historical costs spread over a fifty-year life. The book value of land and buildings that are available for sale and likely to be disposed of in the next twelve months is included in current assets as appropriate.



## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (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.



## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (I) Pensions

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

### (J) Railway Infrastructure Costs

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



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st December	Notes	2009 €000	2008 €000
<b>Revenue</b>	1	<b>742,045</b>	789,121
<b>Costs</b>			
Payroll and related costs	3	(579,879)	(616,023)
Materials and services	4	(432,319)	(464,959)
Depreciation	5	(60,487)	(56,062)
Exceptional operating costs	6	(40,792)	(43,318)
<b>Total operating costs</b>		<b>(1,113,477)</b>	(1,180,362)
<b>Deficit before profit on disposal of tangible assets, interest, and Public Service Obligations/grants</b>		<b>(371,432)</b>	(391,241)
Profit on disposal of tangible assets	7	3,510	69,500
<b>Deficit before interest and Public Service Obligations/grants</b>		<b>(367,922)</b>	(321,741)
Interest receivable		2,400	5,356
Interest payable - Operational	8	(2,058)	(2,707)
- Railway infrastructure	8	(1,133)	(1,508)
Other finance (cost)/income	22	(24,900)	9,700
<b>Deficit for the year before Public Service Obligations/grants</b>		<b>(393,613)</b>	(310,900)
Public Service Obligations and other Exchequer grants	9	315,960	321,093
<b>(Deficit)/surplus for the year</b>		<b>(77,653)</b>	10,193

Movements in reserves are shown in Note 20 to the financial statements.

All figures relate to the continuing activities of the Group.

On behalf of the Board

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



## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31st December	Notes	2009 €000	2008 €000
(Deficit)/surplus for the year		(77,653)	10,193
Actuarial gain/(loss) in respect of pension schemes	22	23,200	(422,600)
Total recognised loss relating to the year		<b>(54,453)</b>	<b>(412,407)</b>



## CONSOLIDATED BALANCE SHEET

As at 31st December	Notes	2009 €000	2008 €000
<b>Fixed assets</b>			
Tangible assets	11	2,818,246	2,624,676
Financial assets	12	20	20
		<b>2,818,266</b>	<b>2,624,696</b>
<b>Current assets</b>			
Stocks	13	63,805	54,172
Debtors	14	163,828	178,486
Cash at bank and in hand		1,532	59,632
		<b>229,165</b>	<b>292,290</b>
<b>Creditors</b> (amounts falling due within one year)	15	<b>(500,451)</b>	<b>(495,477)</b>
<b>Net current liabilities</b>		<b>(271,286)</b>	<b>(203,187)</b>
<b>Total assets less current liabilities</b>		<b>2,546,980</b>	<b>2,421,509</b>
<b>Creditors</b> (amounts falling due after more than one year)	16	<b>(60,988)</b>	<b>(74,085)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(190,239)</b>	<b>(190,202)</b>
<b>Retirement benefits obligation</b>	22	<b>(547,000)</b>	<b>(567,600)</b>
<b>Deferred income</b>	19	<b>(2,094,890)</b>	<b>(1,881,306)</b>
		<b>(346,137)</b>	<b>(291,684)</b>
<b>Financed by:</b>			
<b>Reserves</b>			
Capital reserve		28,556	28,556
Profit and loss account	20	<b>(387,204)</b>	<b>(332,751)</b>
Non-repayable State advances		12,511	12,511
	20	<b>(346,137)</b>	<b>(291,684)</b>

On behalf of the Board

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





## COMPANY BALANCE SHEET

As at 31st December	Notes	2009 €000	2008 €000
<b>Fixed assets</b>			
Tangible assets	11	827,950	722,496
Financial assets	12	279,280	284,177
		<b>1,107,230</b>	<b>1,006,673</b>
<b>Current assets</b>			
Debtors	14	54,404	64,303
Cash at bank and in hand		809	58,859
		<b>55,213</b>	<b>123,162</b>
<b>Creditors</b> (amounts falling due within one year)	15	<b>(274,613)</b>	<b>(311,132)</b>
<b>Net current liabilities</b>		<b>(219,400)</b>	<b>(187,970)</b>
<b>Total assets less current liabilities</b>		<b>887,830</b>	<b>818,703</b>
<b>Creditors</b> (amounts falling due after more than one year)	16	<b>(60,988)</b>	<b>(74,085)</b>
<b>Deferred income</b>	19	<b>(577,311)</b>	<b>(476,128)</b>
		<b>249,531</b>	<b>268,490</b>
<b>Financed by:</b>			
<b>Reserves</b>			
Capital reserve		28,556	28,556
Profit and loss account	20	208,464	227,423
Non-repayable State advances		12,511	12,511
	20	<b>249,531</b>	<b>268,490</b>

On behalf of the Board

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



## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31st December	Notes	2009 €000	2008 €000
Net cash (outflow)/inflow from operating activities	21(A)	(66,341)	97,563
Return on investments, servicing of finance and other finance income	21(B)	(791)	1141
Capital expenditure and financial investment	21(B)	(2,975)	(78,231)
Cash (outflow)/inflow before use of liquid resources and financing		(70,107)	20,473
Financing - increase/(decrease) in debt	21(B)	27,915	(13,596)
(Decrease)/increase in cash in the year		(42,192)	6,877
<b>Reconciliation of net cash flow to movement in net debt (note 21c)</b>			
(Decrease)/increase in cash in the year		(42,192)	6,877
Cash movement from (increase)/decrease in debt and lease financing		(27,915)	13,596
Change in net debt resulting from cash flows		(70,107)	20,473
Movement in net debt in the year		(70,107)	20,473
Net debt at 1st January		(48,278)	(68,751)
Net debt at 31st December		(118,385)	(48,278)



## NOTES TO THE FINANCIAL STATEMENTS

### 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 2009 €000	Total 2008 €000
<b>Revenue:</b>							
<b>Railway</b>							
- Suburban rail division			53,765			53,765	57,221
- Mainline rail division			132,398			132,398	150,799
			<b>186,163</b>			<b>186,163</b>	208,020
<b>Road freight</b>			-			-	1,594
<b>Rosslare Harbour</b>			11,412			11,412	11,862
<b>Road passenger services</b>							
- Dublin city					196,307	196,307	203,668
- Provincial cities				24,640		24,640	25,042
- Other services				278,023		278,023	274,634
<b>Tours</b>		32,432				32,432	49,416
<b>Central business activities</b>		13,068				13,068	14,885
<b>Total revenue</b>		<b>45,500</b>	<b>197,575</b>	<b>302,663</b>	<b>196,307</b>	<b>742,045</b>	<b>789,121</b>
<b>Expenditure:</b>							
<b>Railway</b>							
- Suburban rail division:							
Operational costs			72,027			72,027	77,718
Infrastructure costs			26,516			26,516	47,093
- Mainline rail division:							
Operational costs			198,401			198,401	221,590
Infrastructure costs			145,378			145,378	171,620
			<b>442,322</b>			<b>442,322</b>	518,021
<b>Road freight</b>			-			-	1,503
<b>Rosslare Harbour</b>			8,759			8,759	8,708
<b>Road passenger services</b>							
- Dublin city					290,450	290,450	307,285
- Provincial cities				46,209		46,209	47,809
- Other services				310,254		310,254	300,416
<b>Tours</b>		32,370				32,370	49,286
<b>Central business Activities</b>	(22,300)	33,374				11,074	9,756
<b>Total expenditure</b>	<b>(22,300)</b>	<b>65,744</b>	<b>451,081</b>	<b>356,463</b>	<b>290,450</b>	<b>1,141,438</b>	<b>1,242,784</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Consol- Idation FRS 17 €000	CIÉ €000	Iarnród Éireann - Irish Rail €000	Bus Éireann - Irish Bus €000	Bus Átha Cliath - Dublin Bus €000	Total 2009 €000	Total 2008 €000
<b>Surplus/(deficit) by activity:</b>							
<b>Railway</b>							
- Suburban rail division			(44,778)			(44,778)	(67,590)
- Mainline rail division			(211,381)			(211,381)	(242,411)
			(256,159)			(256,159)	(310,001)
<b>Road freight</b>			-			-	91
<b>Rosslare Harbour</b>			2,653			2,653	3,154
<b>Road passenger services</b>							
- Dublin city					(94,143)	(94,143)	(103,617)
- Provincial cities				(21,569)		(21,569)	(22,767)
- Other services				(32,231)		(32,231)	(25,782)
<b>Tours</b>		62				62	130
<b>Central business activities</b>	22,300	(20,306)				1,994	5,129
<b>Operating surplus/(deficit) before interest, profit on disposals, State grants and exceptional items</b>	22,300	(20,244)	(253,506)	(53,800)	(94,143)	(399,393)	(453,663)
Interest receivable/(payable)		435	(3,180)	635	1,319	(791)	1,141
Other finance (cost)/income (note 22)	(24,900)					(24,900)	9,700
Profit/(loss) on disposal of tangible assets (note 7)		876	523	(514)	2,625	3,510	69,500
<b>Deficit before State grants and exceptional items</b>	(2,600)	(18,933)	(256,163)	(53,679)	(90,199)	(421,574)	(373,322)
<b>State grants</b>							
- operational (note 9)		-	76,343	49,365	83,199	208,907	211,301
- infrastructure (note 9)		-	175,806	-	-	175,806	215,532
<b>(Deficit)/surplus for the year before exceptional items</b>	(2,600)	(18,933)	(4,014)	(4,314)	(7,000)	(36,861)	53,511
Exceptional operating costs (note 6)		(26)	(27,989)	(6,852)	(5,925)	(40,792)	(43,318)
<b>Net (deficit)/surplus for the year</b>	(2,600)	(18,959)	(32,003)	(11,166)	(12,925)	(77,653)	10,193



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. RAILWAY INFRASTRUCTURE COSTS

In compliance with EU Council Directive 91/440 these costs have been computed as follows:	2009 €000	2008 €000
Maintenance of railway lines and works	71,029	78,891
Renewal of railway lines and works	68,753	105,740
Operating (signalling) and other expenses	23,923	25,181
Depreciation	26,464	25,885
Amortisation of capital grants	(18,275)	(16,984)
<b>Total railway infrastructure costs</b>	<b>171,894</b>	<b>218,713</b>
Infrastructure subvention	(104,700)	(107,098)
Exchequer safety funding	(2,353)	(2,694)
Renewals funding ( <i>note 11 [a]</i> )	(68,753)	(105,740)
	(175,806)	(215,532)
<b>(Surplus)/deficit for the year</b>	<b>(3,912)</b>	<b>3,181</b>
Apportionment of costs:		
<b>Mainline rail division</b>	<b>145,378</b>	<b>171,620</b>
<b>Suburban rail division</b>	<b>26,516</b>	<b>47,093</b>
	<b>171,894</b>	<b>218,713</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. PAYROLL AND RELATED COSTS

	2009 €000	2008 €000
<b>Staff costs</b>		
Wages and salaries	563,056	581,818
Social welfare costs	48,690	49,753
Other pension costs	31,719	44,971
	<b>643,465</b>	<b>676,542</b>
Own work capitalised	(64,251)	(61,160)
<b>Net staff costs</b>	<b>579,214</b>	<b>615,382</b>
<b>Board members' remuneration and emoluments</b>		
- for services as Board members	173	155
- for executive services	492	486
<b>Total Board members' remuneration and emoluments</b>	<b>665</b>	<b>641</b>
<b>Total payroll and related costs</b>	<b>579,879</b>	<b>616,023</b>

Included in Board members' remuneration is €235,215 (2008 - €239,602) paid to Dr. J.J. Lynch, Executive Chairman for executive services. The taxable benefit of the Chairman's company car is €15,945 (2008 - €15,945) and Employer's PRSI paid was €1,256 (2008 - €1,227)

The Board members excluding the Chairman were paid €16,333 re Directors fees in 2009 except for Ms. M. Johnston and Mr. P. Cullen who were paid €15,020, Mr. D. Killen who was paid €9,745 and Mr. M. Cullen and Mr. W. McDermott who were paid €1,313.

	<b>Staff Numbers</b>	
	2009	2008
The average number of persons employed by company was as follows:		
CIÉ	265	280
Iarnród Éireann - Irish Rail	4,679	4,906
Bus Éireann - Irish Bus	2,820	2,837
Bus Átha Cliath - Dublin Bus	3,699	3,825
	<b>11,463</b>	<b>11,848</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. MATERIALS AND SERVICES

	2009 €000	2008 €000
Included in materials and services are:		
Auditors' remuneration	233	259
Operating lease rentals	5,346	5,499
Expenses reimbursed to Directors	13	13
Revenue grants ( <i>note 19</i> )	(2,468)	(2,782)

(a) Included in expenses reimbursed to Directors are:

	2009 €000	2008 €000
Subsistence/Accommodation	4	4
Foreign Travel	8	7
Other	1	2
	<b>13</b>	<b>13</b>

## 5. DEPRECIATION

	2009 €000	2008 €000
Depreciation ( <i>note 11</i> )	191,131	171,907
Amortisation of capital grants ( <i>note 19</i> )	(130,644)	(115,845)
	<b>60,487</b>	<b>56,062</b>

## 6. EXCEPTIONAL OPERATING COSTS

	2009 €000	2008 €000
Business restructuring	(40,792)	(43,318)

As part of the Group Financial Plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The estimated cost in 2009 including severance payments and other costs associated with the programme is €28.0 million. In addition Bus Átha Cliath incurred €5.9 million and Bus Éireann incurred €6.9 million in business restructuring during the year.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**7. PROFIT ON DISPOSAL OF TANGIBLE ASSETS**

	2009 €000	2008 €000
Net gain on sale of land and buildings	878	66,721
Profit on disposal of rolling stock, vehicles, plant and machinery	2,632	2,779
	<b>3,510</b>	<b>69,500</b>

**8. INTEREST PAYABLE**

	2009 €000	2008 €000
On loans and leases wholly repayable within five years	2,081	2,844
On loans and leases not wholly repayable within five years	1,110	1,371
	<b>3,191</b>	<b>4,215</b>

**Interest apportioned:**

Group operational costs	2,058	2,707
Railway infrastructure costs	1,133	1,508
	<b>3,191</b>	<b>4,215</b>





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9. PUBLIC SERVICE OBLIGATIONS AND OTHER EXCHEQUER GRANTS**

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

Particulars of the State grants of €315.960 million received in 2009 - €303.188 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €12.772 million under the Railway Safety Investment Programme are given in the following table:

<b>State grants relating to 2009 activities</b>	Total €000
<b>Iarnród Éireann - Irish Rail</b>	
Public Service Obligation	170,624
Railway Safety Investment Programme	12,772
<b>Total Iarnród Éireann - Irish Rail</b>	<u>183,396</u>
<b>Bus Átha Cliath - Dublin Bus</b>	83,199
<b>Bus Éireann - Irish Bus</b>	<u>49,365</u>
	315,960
<b>Add State grant for National Development Plan (NDP)</b>	438,533
<b>Other Exchequer grants</b>	-
<b>Total State funding</b>	<u><u>754,493</u></u>
<b>The total State funding was applied as follows:</b>	
<b>Consolidated profit and loss account</b>	315,960
<b>Less: infrastructure</b>	<u>(107,053)</u>
<b>Subvention and railway safety grants - operational</b>	208,907
<b>Infrastructure subvention and railway safety grants</b>	107,053
<b>NDP - credit against renewals of railway lines and works</b>	<u>68,753</u>
<b>Infrastructure subvention (note 1)</b>	175,806
<b>Deferred income - capital grants</b>	358,476
<b>Other Exchequer revenue grants</b>	<u>11,304</u>
<b>Total</b>	<u><u>754,493</u></u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. HOLDING COMPANY NET RESULT FOR THE YEAR

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

The holding company's net deficit for the year, after profit on disposal of tangible assets, amounted to €18.959 million.

### 11. TANGIBLE FIXED ASSETS

Group	1st Jan. €000	Reclassification €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
<b>Cost</b>					
Railway lines and works	1,350,454	-	145,962	-	1,496,416
Funding received for railway lines and works	(995,386)	-	(68,753)	-	(1,064,139)
Railway rolling stock	1,265,069	6,767	63,179	(18,193)	1,316,822
Road passenger vehicles	614,984	-	10,209	(38,362)	586,831
Road freight vehicles	3,676	-	-	(329)	3,347
Land and buildings	775,639	-	121,262	-	896,901
Plant and machinery	907,647	(6,767)	106,970	(5,693)	1,002,157
Docks, harbours and wharves	48,698	-	6,494	-	55,192
<b>Total 2009</b>	<b>3,970,781</b>	<b>-</b>	<b>385,323</b>	<b>(62,577)</b>	<b>4,293,527</b>

	1st Jan. €000	Reclassification €000	Charge For Year €000	Scrappings and Disposals €000	31st Dec. €000
<b>Depreciation</b>					
Railway lines and works	1,187,953	-	74,091	-	1,262,044
Funding received for railway lines and works	(995,386)	-	(68,753)	-	(1,064,139)
Railway rolling stock	393,374	1,256	64,364	(18,156)	440,838
Road passenger vehicles	331,762	-	51,814	(37,813)	345,763
Road freight vehicles	3,675	-	1	(329)	3,347
Land and buildings	53,915	-	14,314	-	68,229
Plant and machinery	355,622	(1,256)	54,125	(5,657)	402,834
Docks, harbours and wharves	15,190	-	1,175	-	16,365
<b>Total 2009</b>	<b>1,346,105</b>	<b>-</b>	<b>191,131</b>	<b>(61,955)</b>	<b>1,475,281</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11. TANGIBLE FIXED ASSETS (continued)

	2009 €000	2008 €000
<b>Net book amounts</b>		
Railway lines and works	234,372	162,501
Railway rolling stock	875,984	871,695
Road passenger vehicles	241,068	283,222
Road freight vehicles	-	1
Land and buildings	828,672	721,724
Plant and machinery	599,323	552,025
Docks, harbours and wharves	38,827	33,508
<b>Total</b>	<b>2,818,246</b>	<b>2,624,676</b>

Company	1st Jan. €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
<b>Cost</b>				
Land and buildings	774,171	120,197	-	894,368
Plant and machinery	32,024	353	(353)	32,024
<b>Total 2009</b>	<b>806,195</b>	<b>120,550</b>	<b>(353)</b>	<b>926,392</b>

Company	1st Jan. €000	Charge for year €000	Scrappings and Disposals €000	31st Dec. €000
<b>Depreciation</b>				
Land and buildings	53,602	14,067	-	67,669
Plant and machinery	30,097	1,026	(350)	30,773
<b>Total 2009</b>	<b>83,699</b>	<b>15,093</b>	<b>(350)</b>	<b>98,442</b>

	2009 €000	2008 €000
<b>Net book amounts</b>		
Land and buildings	826,699	720,569
Plant and machinery	1,251	1,927
<b>Total</b>	<b>827,950</b>	<b>722,496</b>

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11. TANGIBLE FIXED ASSETS (continued)

	2009 €000	2008 €000
<b>Renewals expenditure and related grants were as follows:</b>		
Renewals expenditure	<u>68,753</u>	106,835
State grants	68,753	105,740
EU grants	-	-
Deferred grants	-	-
	<u>68,753</u>	105,740

(b) Road passenger vehicles at a cost of €69,997,000 (2008 - €59,463,000) were fully depreciated but still in use at the balance sheet date.

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

	<b>Lives (Years)</b>
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:

	2009 €000	2008 €000
<b>Cost</b>	<b>91,244</b>	89,030
Accumulated depreciation	(72,956)	(62,893)
<b>Net book value at 31st December</b>	<u><b>18,288</b></u>	26,137
<b>Depreciation for year</b>	<u><b>(10,063)</b></u>	(6,851)



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**11. TANGIBLE FIXED ASSETS (continued)**

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

	2009 €000	2008 €000
Railway rolling stock	75,599	180,321
Road passenger vehicles	-	18,009
	<u>75,599</u>	<u>198,330</u>

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

	2009 €000	2008 €000
<b>Cost</b>	<b>998,899</b>	<b>877,151</b>
Accumulated depreciation	(395,822)	(369,301)
<b>Net book value at 31st December</b>	<b><u>603,077</u></b>	<b><u>507,850</u></b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12. FINANCIAL ASSETS

Group	Trade investments					
	Listed shares		Unlisted shares		Total	
	2009 €000	2008 €000	2009 €000	2008 €000	2009 €000	2008 €000
Cost or valuation	97	97	13	13	110	110
Provision for permanent diminution in value	(77)	(77)	(13)	(13)	(90)	(90)
<b>Net book amounts at 31st December</b>	<b>20</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>

## Company

	Subsidiary companies			Trade investments		
	Unlisted shares €000	Loans €000	Finance leases €000	Listed shares €000	Unlisted shares €000	Total €000
<b>Cost or valuation</b>						
<b>At 1st January, 2009</b>	90,151	165,066	28,960	34	13	284,224
Share additions Irish Rail	66,027	-	-	-	-	66,027
Less:						
Reduction in						
- finance leases	-	-	(4,897)	-	-	(4,897)
- Irish Rail Loan	-	(66,027)	-	-	-	(66,027)
<b>At 31st December, 2009</b>	<b>156,178</b>	<b>99,039</b>	<b>24,063</b>	<b>34</b>	<b>13</b>	<b>279,327</b>
Provision for permanent diminution in value at 31st December, 2009	-	-	-	(34)	(13)	(47)
<b>Net book amounts at 31st December, 2009</b>	<b>156,178</b>	<b>99,039</b>	<b>24,063</b>	<b>-</b>	<b>-</b>	<b>279,280</b>

Loans to the subsidiary companies represent the net assets assigned to Iarnród Éireann – Irish Rail by Córas Iompair Éireann less share capital issued on its establishment following the re-organisation of Córas Iompair Éireann in 1987. A further €66.027 million in shares was issued by Iarnród Éireann – Irish Rail to Córas Iompair Éireann during the year.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**13. STOCKS**

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
Maintenance materials and spare parts	25,815	23,294
Infrastructure stocks	26,933	17,671
Fuel, lubricants and other sundry stocks	11,057	13,207
	<b>63,805</b>	<b>54,172</b>

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

**14. DEBTORS**

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
Trade debtors	27,237	23,796
Department of Education and Science	10,616	9,439
NDP Iarnród Éireann investment projects funded by CIÉ	50,022	58,924
EU grants receivable	61,619	72,639
Other debtors and accrued income	14,334	13,688
	<b>163,828</b>	<b>178,486</b>
<b>Company</b>		
Trade debtors	83	283
NDP Iarnród Éireann investment projects funded by CIÉ	50,022	58,924
Other debtors and accrued income	4,299	5,096
	<b>54,404</b>	<b>64,303</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Group	2009 €000	2008 €000
Bank overdraft	8,364	24,272
Bank loans (note 17)	50,251	8,902
Finance lease obligations (note 26)	3,281	4,182
Trade creditors	120,670	139,743
Income tax deducted under PAYE	7,520	7,400
Pay related social insurance	7,967	6,963
Value added tax and other taxes	11,016	19,052
Other creditors	18,661	16,921
Restructuring provisions (note 18)	49,749	40,821
Third party and employer's liability claims (note 18)	21,195	21,110
Deferred income (note 19)	140,066	122,273
Accruals	61,711	83,838
	<b>500,451</b>	<b>495,477</b>
Creditors for taxation and social welfare included above	<b>26,503</b>	<b>33,415</b>
<b>Company</b>		
Bank overdraft	3,097	6,993
Bank loans (note 17)	50,251	8,902
Finance lease obligations (note 26)	3,281	4,182
Trade creditors	4,386	5,213
Amounts owed to subsidiary companies	180,388	219,570
Income tax deducted under PAYE	265	433
Pay related social insurance	150	148
Value added tax and other taxes	646	3,835
Other creditors	2,485	1,772
Restructuring provision (note 18)	10,000	20,099
Deferred income (note 19)	11,781	9,716
Accruals	7,883	30,269
	<b>274,613</b>	<b>311,132</b>
Creditors for taxation and social welfare included above	<b>1,061</b>	<b>4,416</b>





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

<b>Group and Company</b>	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
Bank loans ( <i>note 17</i> )	40,771	50,022
Finance lease obligations ( <i>note 26</i> )	17,250	20,532
Irrecoverable value added tax on finance leases	2,967	3,531
	<b>60,988</b>	<b>74,085</b>

**17. BANK LOANS**

<b>Group and Company</b>	<b>2009</b>	<b>2008</b>
	<b>€000</b>	<b>€000</b>
These loans are repayable as follows:		
Within one year ( <i>note 15</i> )	50,251	8,902
Between one and two years	9,613	9,251
Between two and five years	31,158	29,984
After five years	-	10,787
	<b>40,771</b>	<b>50,022</b>
<b>Total</b>	<b>91,022</b>	<b>58,924</b>

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 €91.022 million of the above loans.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provisions €000	Third Party and Employer's Liability Claims €000	Total €000
<b>Group</b>			
Balance at 1st January, 2009	40,821	211,312	252,133
Utilised during year	(31,486)	(16,703)	(48,189)
Transfer from profit and loss account	40,414	16,825	57,239
Balance carried forward 31st December, 2009	49,749	211,434	261,183
<b>Apportioned:</b>			
Current liabilities (note 15)	49,749	21,195	70,944
Amounts falling due after more than one year	-	190,239	190,239
	49,749	211,434	261,183
<b>Company</b>			
Balance at 1st January, 2009	20,099	-	20,099
Utilised during year	(10,099)	-	(10,099)
Transfer from profit and loss account	-	-	-
Balance carried forward 31st December, 2009	10,000	-	10,000
<b>Apportioned:</b>			
Current liabilities (note 15)	10,000	-	10,000
Amounts falling due after more than one year	-	-	-
	10,000	-	10,000

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

#### (A) External Insurance Cover

The Board has the following external insurance cover:

- (i) Iarnród Éireann – Irish Rail  
Third Party Liability in excess of
- (a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and
  - (b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (ii) Bus Átha Cliath – Dublin Bus  
Third Party Liability in excess of €2,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (iii) Bus Éireann – Irish Bus  
Third Party Liability in excess of
- (a) €2,000,000 for school buses and
  - (b) €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (iv) Group  
Third Party Liability in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except
- (a) at Ossory Road, Dublin in the case of flood damage, where the excess is a non-ranking €1,000,000, and
  - (b) any other flood damage where the excess is €250,000.
  - (c) Any claims subject to United States of America jurisdiction where the excess is US\$150,000.
- (v) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2009 to March 2010, for rail and road transport third party liabilities in excess of a self insured retention of:
- |                              |             |
|------------------------------|-------------|
| Iarnród Éireann – Irish Rail | €11,000,000 |
| Bus Átha Cliath – Dublin Bus | €15,000,000 |
| Bus Éireann – Irish Bus      | €11,000,000 |
- subject to an overall Group self insured retention of €27,000,000 in the annual aggregate after which any individual self insured retention in that annual period will be €50,000.
- (vi) Group Combined Liability Insurance, which does not exclude Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2009 to March 2010, for all rail and road transport, Third Party and Other Risks liabilities.
- (vii) All Risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which any individual self insured excess in that annual period will be €100,000.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- (viii) Terrorism indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.
- (ix) Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:
- (a) Marine Third Party Liability cover of €12,500,000 any one incident but unlimited during the currency of the policy, subject to an excess of €150,000 per incident.
  - (b) Removal of Wreck cover of €5,000,000 any one incident, subject to an excess of €12,500 any one incident and 3 days excess in respect of Loss of Revenue claims any one incident.
  - (c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.
  - (d) Marine Impact cover for itemised structures totalling €43,600,000, subject to an excess of €25,000 for each and every loss.
  - (e) Excess Marine Third Party Liability cover of €25,600,000 any one incident in excess of €12,500,000 any one incident.
  - (f) Unaccompanied Trailers cover of €5,000,000 any one location, subject to an excess of €25,000 each and every loss.
  - (g) Unaccompanied motor vehicles of €635,000 any one vessel or conveyance, €4,450,000 any one incident, and €127,500 any one vehicle, subject to an excess of €625 each and every loss.
  - (h) Unaccompanied mechanically propelled vehicles not owned by CIÉ/Iarnród Éireann being driven by Iarnród Éireann personnel within the Europort area, subject to third party property damage limits of €1,300,000 in respect of commercial vehicles and €30,000,000 in respect of private cars.

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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. 2009 €000	Transfers/ Retirements €000	Received and Receivable €000	Grant Aided Asset Disposals €000	Profit and Loss A/c €000	31st Dec. 2009 €000
<b>Capital grants</b>						
Railway lines and works	131,175	-	75,412	-	(2,894)	203,693
Railway rolling stock	781,592	5,434	72,905	-	(52,975)	806,956
Plant and machinery	420,253	(5,434)	100,488	-	(35,916)	479,391
Docks, harbours and wharves	13,372	-	-	-	(355)	13,017
Land and buildings	485,455	-	113,144	-	(9,598)	589,001
Road passenger vehicles	170,627	-	92	(20)	(28,869)	141,830
	2,002,474	-	362,041	(20)	(130,607)	2,233,888
<b>Other deferred income</b>	1,105	-	-	-	(37)	1,068
	2,003,579	-	362,041	(20)	(130,644)	2,234,956
<b>Revenue grants</b>			2,468		(2,468)	-
<b>Total</b>	2,003,579	-	364,509	(20)	(133,112)	2,234,956

	2009 €000	2008 €000
<b>Apportioned:</b>		
Deferred income – amounts falling due within one year	140,066	122,273
Deferred income – amounts falling due after one year	2,094,890	1,881,306
	<b>2,234,956</b>	<b>2,003,579</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. DEFERRED INCOME (continued)

Company	1st Jan. 2009 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2009 €000
<b>Capital grants</b>				
Land and buildings	485,024	113,137	(9,456)	588,705
NDP infrastructure (I.T.) grant	799	-	(431)	368
Other deferred income	21	-	(2)	19
<b>Total</b>	<b>485,844</b>	<b>113,137</b>	<b>(9,889)</b>	<b>589,092</b>
			2009 €000	2008 €000
<b>Apportioned:</b>				
Deferred income – amounts falling due within one year			11,781	9,716
Deferred income – amounts falling due after one year			577,311	476,128
			<b>589,092</b>	<b>485,844</b>

### 20. RECONCILIATION OF MOVEMENTS IN RESERVES

Group	Capital Reserve €'000	Profit & Loss Account €'000	Non- repayable State Advances €'000	2009 Total Reserves €'000	2008 Total Reserves €'000
Balance at 1st January	28,556	(332,751)	12,511	(291,684)	120,723
Deficit for the year	-	(77,653)	-	(77,653)	10,193
Actuarial gain in respect of pension schemes	-	23,200	-	23,200	(422,600)
<b>Balance at 31st December</b>	<b>28,556</b>	<b>(387,204)</b>	<b>12,511</b>	<b>(346,137)</b>	<b>(291,684)</b>
<b>Company</b>	<b>Capital Reserve €'000</b>	<b>Profit &amp; Loss Account €'000</b>	<b>Non- repayable State Advances €'000</b>	<b>Total Reserves €'000</b>	<b>Total Reserves €'000</b>
Balance at 1st January	28,556	227,423	12,511	268,490	234,000
Deficit for the year	-	(18,959)	-	(18,959)	34,490
<b>Balance at 31st December</b>	<b>28,556</b>	<b>208,464</b>	<b>12,511</b>	<b>249,531</b>	<b>268,490</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21. CASH FLOW STATEMENT

#### (A) Reconciliation of operating deficit to operating cash flows

	2009 €000	2008 €000
Operating deficit before Public Service Obligations and grants	(371,432)	(391,241)
Public Service Obligation and grants	315,960	321,093
	(55,472)	(70,148)
Depreciation	191,131	171,907
Amortisation of capital grants	(130,644)	(115,845)
Reduction in stocks	(9,633)	(9,283)
Decrease in debtors	3,639	20,296
(Decrease)/increase in creditors and provisions	(65,362)	100,636
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(66,341)</b>	<b>97,563</b>

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

##### Returns on investments and servicing of finance

Interest received	2,400	5,356
Interest paid	(2,081)	(2,790)
Interest element of finance lease rental payments	(1,110)	(1,425)
<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>	<b>(791)</b>	<b>1,141</b>

##### Capital expenditure and financial investment

Purchase of tangible assets	(448,951)	(724,948)
Disposal of tangible assets	4,164	49,896
State and EU capital grants	441,812	596,821
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(2,975)</b>	<b>(78,231)</b>

##### Financing

Repayment of debt	(8,902)	(8,566)
Short Term Note Issuance Facility	41,000	-
Capital element of finance lease rental payments	(4,183)	(5,030)
<b>Net cash inflow/(outflow) from financing</b>	<b>27,915</b>	<b>(13,596)</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**21. CASH FLOW STATEMENT (continued)****(C) Analysis of net debt**

	At 1st Jan. 2009 €000	Cash Flow €000	At 31st Dec. 2009 €000
Cash at bank and in hand	59,632	(58,100)	1,532
Bank overdrafts	(24,272)	15,908	(8,364)
		(42,192)	
Debt due after one year	(50,022)	9,251	(40,771)
Debt due within one year	(8,902)	(41,349)	(50,251)
Finance leases	(24,714)	4,183	(20,531)
		(27,915)	
<b>Total</b>	<b>(48,278)</b>	<b>(70,107)</b>	<b>(118,385)</b>

**22. PENSIONS**

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

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method.

An actuarial review was carried out as at 31st December, 2008. The market value of the assets of the schemes at that date was €1,160,200,000 which amounted to 67.3% of the benefits which had accrued to members based on service to and pensionable pay at the review date. Actuarial reports are available to scheme members but are not provided for public inspection.

**Composition of the Scheme**

The Group operates two defined benefit schemes in Ireland. Actuarial valuations were carried out at 31/12/2009 by a qualified independent actuary.

**The amounts recognised in the Balance Sheet are as follows:**

	2009 €000	2008 €000
Fair value of scheme assets	1,247,700	1,160,200
Present value of scheme liabilities	(1,794,700)	(1,727,800)
Pension deficit	(547,000)	(567,600)

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.





## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**22. PENSIONS (continued)**

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

	2009 €000	2008 €000
<b>Charged to operating profit</b>		
Current service cost	29,900	35,200
Past service cost	3,100	8,800
<b>Total operating charge</b>	<b>33,000</b>	<b>44,000</b>
<b>Credited to other finance income</b>		
Expected rate of return on pension scheme assets	69,300	103,400
Interest on pension scheme liabilities	(94,200)	(93,700)
<b>Net return</b>	<b>(24,900)</b>	<b>9,700</b>

**Actual return on schemes' assets**

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

	2009 €000	2008 €000
Actual return less expected return on pension scheme assets	24,200	(491,700)
Experience gains/(losses) arising on the scheme liabilities	25,900	(51,400)
Changes in assumptions underlying the present value of the scheme liabilities	(26,900)	120,500
<b>Actuarial gain/(loss) recognised in STRGL</b>	<b>23,200</b>	<b>(422,600)</b>

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 December, 2009 is €631.464 million (2008: €654.620 million)

Based on current contribution ratios, the expected members and employer contributions for the year ended 31 December, 2010 are €65.5 million.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**22. PENSIONS (continued)****Movement in schemes' assets and liabilities**

	Schemes' Assets €000	Schemes' Liabilities €000	Schemes' Deficit €000
<b>At 1 January 2008</b>	1,549,000	(1,711,800)	(162,800)
Current service cost	-	(35,200)	(35,200)
Interest costs	-	(93,700)	(93,700)
Expected return on scheme assets	103,400	-	103,400
Actual less expected return on scheme assets	(491,700)	-	(491,700)
Experience gains on liabilities	-	69,100	69,100
Past service costs	-	(8,800)	(8,800)
Net benefit paid out	(72,000)	72,000	-
Members contributions	19,400	(19,400)	-
Employer contributions paid	52,100	-	52,100
<b>At 31 December 2008</b>	1,160,200	(1,727,800)	(567,600)
Current service cost	-	(29,900)	(29,900)
Interest costs	-	(94,200)	(94,200)
Expected return on scheme assets	69,300	-	69,300
Actual less expected return on scheme assets	24,200	-	24,200
Experience losses on liabilities	-	(1,100)	(1,100)
Past service costs	-	(3,100)	(3,100)
Net benefit paid out	(81,400)	81,400	-
Members contributions	20,000	(20,000)	-
Employer contributions paid	55,400	-	55,400
<b>At 31 December 2009</b>	1,247,700	(1,794,700)	(547,000)

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. PENSIONS (continued)

#### Risks and rewards arising from the assets

At 31 December, 2009 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 €1,247,700,000. The fair value of the asset categories as a percentage of total schemes' assets were as follows:

	2009 %	2008 %
Equities	48.2	41.8
Property	9.6	15.1
Bonds	37.2	36.9
Other	5.0	6.2
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 7.5% and is expected to exceed that of bonds by on average 3.0%. The expected rate of return for property assets is 6.5% and for other assets is 2.25%. Thus the overall expected rate of return on schemes' assets at 31 December, 2009 is 6.0% (2008: 6.1%).

#### Financial Assumptions

The principal actuarial assumptions used in the valuations were:

	31st Dec. 2009 % p.a.	31st Dec. 2008 % p.a.
Discount rate	5.30	5.50
Inflation	2.25	2.00
Pension increases **	3.25	3.25
Salary increases **	3.25	3.25

\*\* Pay Pause i.e. 0% increase for 2010 and increases of 2.75%p.a. for 2011-2016



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Assumptions regarding future mortality experience are set based on information from published statistics and are selected to reflect the characteristics and experience of the membership of the relevant schemes. The mortality rates used are based on standard mortality tables derived from UK experience. The average life expectancy, in years, of a member retiring at age 65 is as follows:

	31st Dec. 2009 Male	31st Dec. 2009 Female	31st Dec. 2008 Male	31st Dec. 2008 Female
Currently aged 45 years	21.8	24.8	21.7	24.7
Currently aged 65 years	21.1	24.2	21.0	24.1

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

	2009 €000	2008 €000	2007 €000	2006 €000	2005 €000
Fair value of scheme assets	1,247,700	1,160,200	1,549,000	1,545,400	1,415,200
Present value of funded liabilities	(1,794,700)	(1,727,800)	(1,711,800)	(1,770,100)	(1,699,600)
Deficit in scheme	(547,000)	(567,600)	(162,800)	(224,700)	(284,400)
Experience gains/(losses) on scheme assets:	24,200	(491,700)	(77,600)	62,900	151,900
Percentage of the present value of the scheme assets	1.9%	(42.4%)	(5.0%)	4.1%	10.7%
Experience gains/(losses) on scheme liabilities:**	25,900	(51,400)	(62,000)	(21,700)	(20,500)
Percentage of the present value of the scheme liabilities	1.4%	(3.0%)	(3.6%)	(1.2%)	(1.2%)

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

**23. CAPITAL COMMITMENTS**

	2009 €000	2008 €000
Contracted for	179,920	260,522
Authorised by Board but not contracted for	455,298	746,360
	<b>635,218</b>	<b>1,006,882</b>

Capital grants totalling €614.5 million have been approved in respect of the above expenditure (2008 - €909.5 million).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24. FOREIGN EXCHANGE AND OIL COMMITMENTS

At 31st December, 2009 Córas Iompair Éireann was committed to buying STG£2.0 million, selling US \$18.0 million and buying US\$37.0 million under forward currency contracts expiring during 2010. The fair value of these contracts at 31st December, 2009 was a loss of €1.0 million.

At 31st December, 2009 Córas Iompair Éireann was also committed to buying oil under commodity swap contracts to the value of US\$92.2 million expiring during 2010, 2011 and 2012. The fair value of these contracts at 31st December, 2009 was a loss of €2.5 million.

### 25. CONTINGENT LIABILITIES

#### Pending litigation

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

#### Finance leases

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

#### Letters of credit

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

#### Grants receivable

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. LEASE OBLIGATIONS

#### (A) Finance leases

	2009 €000	2008 €000
Net obligations under finance leases fall due as follows:		
Within one year ( <i>note 15</i> )	3,281	4,182
Between one and five years	15,289	14,397
After five years	1,961	6,135
	<b>17,250</b>	<b>20,532</b>
<b>Total</b>	<b>20,531</b>	<b>24,714</b>

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

#### (B) Operating leases

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

	On plant & equipment/ motor vehicles €000
Within one year	1,959
Between one and five years	1,926
	<b>3,885</b>

### 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 €234.6 million in 2009 and amounts due from these entities to the Group at 31st December, 2009 for these services totalled €19.1 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 €2.2 million in 2009 and amounts due to these entities by the Group at 31st December, 2009 for these services totalled €0.1 million.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. GROUP MEMBERSHIP

Name	Principal activity
<b>Holding company:</b>	
Córas Iompair Éireann	- Public transport services
<b>Subsidiary companies</b> (all wholly owned)	
Iarnród Éireann - Irish Rail	- Public rail (passenger and freight) services
Bus Éireann - Irish Bus	- Public bus passenger services
Bus Átha Cliath - Dublin Bus	- Public bus passenger services
CIE Tours International Incorporated	- Tours

Iarnród Éireann - Irish Rail, Bus Éireann - Irish Bus and Bus Átha Cliath - Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Acts, 1963 to 2009, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

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

The registered offices of the subsidiary companies are as follows:

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

### 29. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 7th April, 2010.

