Iarnród Éireann

Annual Report and Financial Statements 2008

Driving Investment

PRN.A9/0115

Contents

Iarnród Éireann

NDP National Development Plan Transforming Ireland

transport21 progress in motion

irishrail.ie

Iarnród Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2007-2013, Transport 21 as well as co-funding by the European Union

COMMERCIALLY SIGNIFICANT DEVELOPMENTS DURING THE YEAR ENDED 31ST DECEMBER, 2008 AND MAJOR ISSUES LIKELY TO ARISE IN THE SHORT TO MEDIUM TERM.

Overview

In financial terms there were a number of challenges but some further opportunities for Iarnród Éireann during 2008.

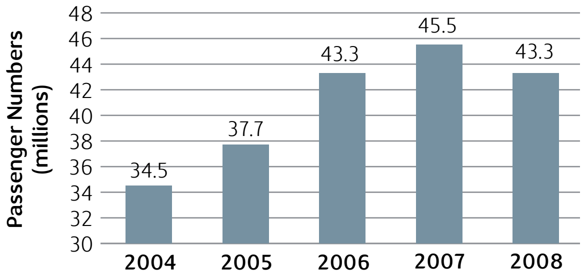
The key points were:

- The effects of the economic downturn on passenger revenues and the high costs of fuel during 2008 necessitated a further series of cost saving measures.
- The rollout of InterCity Railcars on the Sligo, Limerick, Kildare, Portlaoise, Galway, Carlow, Thurles, Waterford, Westport, and Tralee routes continued.
- Major progress was made in the implementation of key Transport 21 projects – Kildare 4-tracking, Midleton, Western Rail Corridor, Dunboyne and DART Underground.

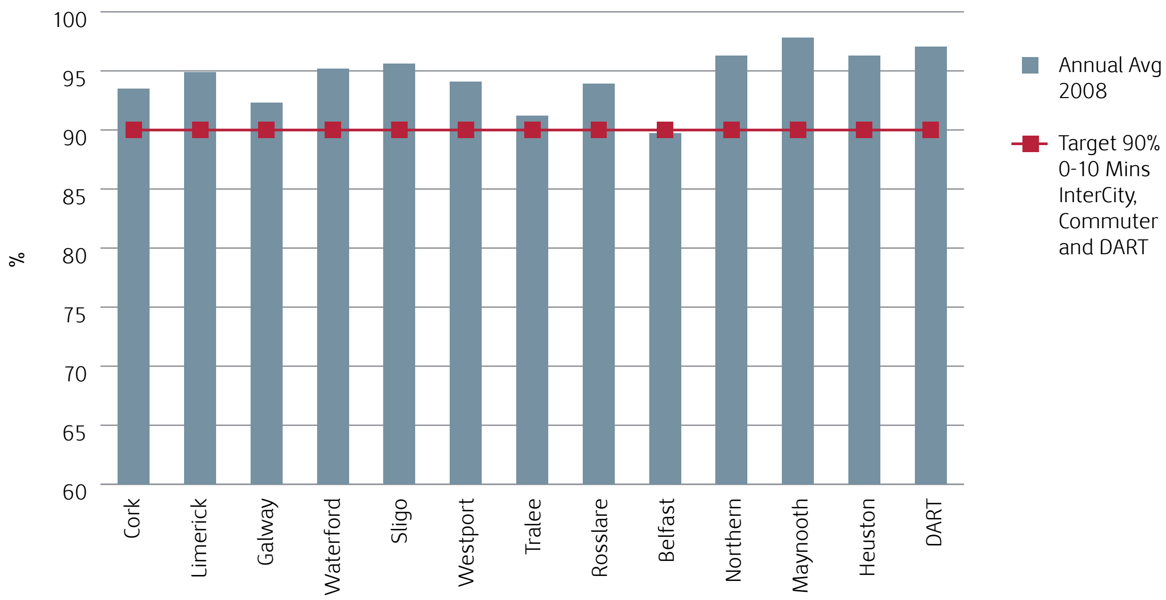
Passenger Operations

A total of over 43.3 million journeys were recorded across Iarnród Éireann's Intercity, DART and Commuter services, a reduction of 5% from the record 2007 levels and in line with 2006 figures.

Passenger Journeys



Punctuality



Punctuality

- The punctuality of passenger train services achieved target and in most cases exceeded target levels by a substantial margin. The figure above also shows the overall annual average punctuality for each route for the year ended 31st December, 2008.
- Improving performance across the rolling stock fleet has helped underpin the good train service performance in 2008. The new Intercity railcar fleet has been introduced to service very successfully with very few service affecting failures.
- Improved performance of the DART fleet in particular reflects the success of the Siemens refurbishment in terms of product quality.
- The Chief SET Engineer and Chief Civil Engineer have implemented initiatives to improve the maintenance of the track and signalling systems in the heavily used DART area. An improving trend has been achieved on the DART in 2008 in incidents of level crossing failures, points failures, track circuit failures and overhead line incidents.
- Elimination of Portarlington speed restriction: The construction works to eliminate the very severe 20mph speed restriction through Portarlington were completed and the line speed was raised to 80mph at the end of February, 2008.
- The new Clondalkin Fonthill station, part of the Kildare Route Project, was opened by the Minister for Transport on Monday 13th October. This is the third new station to open as part of the KRP (the others being Adamstown and Park West) and the 5th new station to open on the Iarnród Éireann network in the last 18 months.
- On-train Quiet Zones have been trialled on Dublin-Cork InterCity trains where customers can travel with no mobile phones/audio equipment in carriage G of each train. Feedback from passengers reveals very high levels of customer support for this initiative.
- Web based seat reservations continue to grow, with sales in 2008 showing a 40% increase over the previous year. 93% of all advance sales are now made via the web.

- Sales of tickets from the automatic ticket vending machine (ATVM) continue to Increase as a proportion of total ticket sales, particularly in the DART and Dublin Commuter area. For example, the proportion of ATVM sales at DART stations has increased from 31% in 2006 to 41% in 2008.

- On-line tax saver commuter ticketing sales are growing with more firms taking up the initiative. In 2008, 1,900 companies ordered TaxSaver tickets yielding Iarnród Éireann €17 million in total.

- Smartcard –. Iarnród Éireann's interim Smartcard will be introduced in July, 2009 in advance of the multi-model integrated ticketing system. The principal objective of the interim Smartcard is to move DART and Commuter customers onto the card and away from daily cash transactions.

- Good progress was achieved with the network wide station car park improvement programme.

- To help fund the improvement to parking facilities, and discourage their use by the non-travelling public, rollout of car park charges at stations commenced from week commencing 15th September, 2008. Charges were set at all such car parks at €2 per day or €8 per week. A full year effect revenue of €3 million is anticipated from these charges.

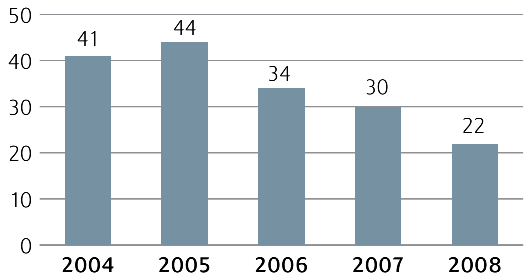
Safety

Progress against KPIs

2008 represented another year of good progress in the achievement of Iarnród Éireann's safety objectives with further improvements in the annual average number of safety related incidents recorded by the key performance indicators.

- The incidents of Signal Passed at Danger (SPADs) totalled 22 in 2008, representing a further reduction year on year, demonstrated by the figures for the last five years as follows:

SPADS



- Other KPIs showing a year on year improvement in 2008 compared to 2007 were derailments and collisions, incidents of fire, and CAWS isolation.

- Improvements were not achieved in the number of incidents of near misses at level crossings. Level crossing closure or modernisation represents a key objective of the next Railway Safety Capital Investment Programme 2009-2013 to tackle the continuing risks identified in this context. In the interim, a number of campaigns are underway to mitigate against these incidents, including local information campaigns, targeted at 17 crossings with the highest levels of misuse.

- The number of Employee and Third Party personal injury incidents has continued to reduce. In 2008 a further reduction in the reportable and non-reportable lost-time accidents continued the trend of recent years. The rolling average of non-reportable accidents has reduced by 50% over the last 3½ years from 152 in mid 2005 to 72 by the end of 2008. Similarly the annual average number of reportable accidents has reduced from 126 to 68 over the same time period.

- An even greater reduction has been achieved in the number of 3rd party accidents (injuries to customer or other members of the public). From mid-2005 to the present day these have reduced from 278 to 110 per annum. The latter improvement has also brought about a reduction in 3rd party claims for injuries to members of the public.

- The report of the 'value for money' audit of the 2004-2008 Railway Safety Investment Programme, carried out by consultants commissioned by the Department of Transport, concludes that the 2004-2008 programme delivered the investment projects and achieved the objectives set for the programme and recommends that a further 5-year programme from 2009 to 2013 should be undertaken. The report does recommend greater use of risk modelling to ensure that future safety expenditure is targeted at the right priorities in terms of safety risk.

Emergency Preparedness

- Iarnród Éireann and the emergency services carried out an exercise on Thursday 6th November, to test each agency's response procedures in the event of a major rail accident.

- The exercise was based around a collision between two passenger trains on the single line railway through Bray Head tunnel on the DART between Bray and Greystones. As part of the exercise the emergency services set up an incident control centre on site on Bray Head. Iarnród Éireann also set up an emergency management control centre in the training rooms at Inchicore, manned by senior managers from each of the engineering and operations functions.

- The exercise tested all aspects of the emergency procedures as documented in Iarnród Éireann's emergency handbook.

Serious Incidents

A number of serious incidents did occur during 2008 as follows:

- On 10th January a freight train carrying zinc ore from Tara Mines to Dublin Port became derailed just south of Skerries station. Six 70 tonne wagons on the train became derailed due to a broken axle bearing on one of the wagons, blocking both the up and down lines. No other trains were involved in the incident and no members of staff or the public were injured.

A particularly positive aspect of this incident was the prompt and decisive action taken by both the train driver and the CTC signalman in the immediate aftermath of the derailment, which prevented any other trains coming into collision with the derailed train.

- A serious incident occurred on Saturday 16th August when the locomotive hauling the 11:00 Heuston to Cork InterCity train became derailed just south of Portarlington, after it ran into a landslip caused during torrential rainfall that day. There were no injuries to passengers although the train driver received hospital attention for shock. An internal investigation has highlighted the need for increased vigilance and mitigating actions have been put in place to monitor critical embankments.

Infrastructure Development

There was major progress in key Transport 21 projects during 2008:

- Kildare Route Project: Substantial progress has been made on the project to four-track the line between Cherry Orchard and Hazelhatch with 21 km track laid and tamping and welding underway. New stations at Adamstown, Parkwest and Clondalkin-Fonthill are operational.
- Western Rail Corridor: Track-laying continued on the Ennis-Athenry section of the Western Rail Corridor with 27¼ miles complete; SET work is continuing, as is station work at Ardrahan, Craughwell & Athenry.
- Cork Commuter: works commenced in February, 2008; formation of up to 8km is complete and track and SET work is ongoing. Station platforms and car park work at Carrigtwohill and Midleton are underway. The 5-week Cobh line upgrade works programme, was completed and Cobh line passenger train operations resumed on Monday, 24th November.
- Laois Traincare Depot: The new InterCity Railcar maintenance depot at Portlaoise was officially opened 25th July, 2008 having been successfully in use since 30th April. Features include both internal and external service bays; refuelling & trainwash facilities.
- The development work to prepare for the submission of the Railway Order for the DART Underground is now underway and a contract has been let to continue the design work in this regard. A design review has been completed and has recommended some scope changes including moving the western terminal from Heuston Station to Inchicore. The appointment of NDFA & Financial Consultants for the PPP is at an advanced stage and the process is also underway to appoint legal and insurance advisors.
- The commissioning of the resignalling on the Rosslare line, the last remaining arterial route on the IE network to be resignalled, took place in April, 2008. The project marks the completion of the network wide resignalling programme which has substantially improved the safety and efficiency of operations across the InterCity and Commuter network. Manual signalling now only remains at a number of localised areas including the Cork station area and the Cobh line, Waterford station area, Limerick and Limerick Junction station areas, along with the lightly used Nenagh branch and Limerick Junction to Waterford lines.

Railway Safety and Renewals Programme

The Railway Safety and Renewals Programme 2004-2008 has concentrated on the improvement of safety related work and progress during 2008 includes:

- 14 miles of new track relaying
- Installation of 69 turnouts
- 9 miles of excavations on the Dublin Cork Line
- 153 miles fencing renewal to reduce the incidents of animal incursion and vandalism
- 14 bridge renewals
- Safety Critical Work at 19 stations
- Coastal defence works have been completed
- New level crossing risk model in operation
- Replacement of Multeen viaduct, refurbishment of River Shannon viaduct and steel fabrication underway for the Drumsna bridge replacement.

A report commissioned by the Department of Transport into the 2004-2008 Railway Safety Programme concluded that the programme had met its objects and overall delivered good value for money.

Third Party Works

- Developer built stations were completed at Parkwest and Phoenix Park and works are underway at Clongriffin.
- Lansdowne Road: Iarnród Éireann facilitated the stadium developers to demolish the stand at Lansdowne Road stadium which overhung the DART line and the work is ongoing as planned and scheduled to complete in '09.

Rolling Stock

- DART Units: the remaining refurbished DART vehicles were completed in 2008, commissioned and returned to service.
- Intercity Railcars: The 183 InterCity railcars will completely replace all the remaining aged rolling stock with modern, efficient and fully accessible units. 28 x 3-car trainsets and 7 x 6-car trainsets are now available for passenger services, operating on Sligo, Limerick, Kildare, Portlaoise, Galway, Carlow, Thurles, Waterford, Westport, and Tralee routes with the following routes being certified for Passenger service – Tralee, Gorey and Ennis.

- An additional order for 51 Mitsui/Rotem railcar vehicles, made up of 17 x 3 car sets, was made towards the end of 2008. The order, which will be carried out under the existing framework supply contract with Mitsui, will provide railcars for the provision of services over the Kildare and Dunboyne commuter routes in 2011.

Financial Result

The overall financial result for 2008 for Iarnród Éireann was a deficit before exceptional items of €0.15 million but after voluntary severance and loss of earnings payments of €18.91 million were taken into account a deficit of €19.06 million was recorded for the year.

Passenger revenue of €186 million is marginally down on €188 million in 2007. This represents a changing trend in revenue which had been increasing year on year.

Cost saving measures were achieved in 2008 amounting to €14.2 million and included:

- Review of energy utilisation and energy contracts including economies from operating shorter off peak trains
- Further reductions in staff numbers through efficiencies were made and with staff resettled primarily through voluntary severance
- Renegotiation of supply contracts to achieve lower rates
- Review of stock levels and turns
- Withdrawal of life expired rolling stock and associated maintenance requirements.

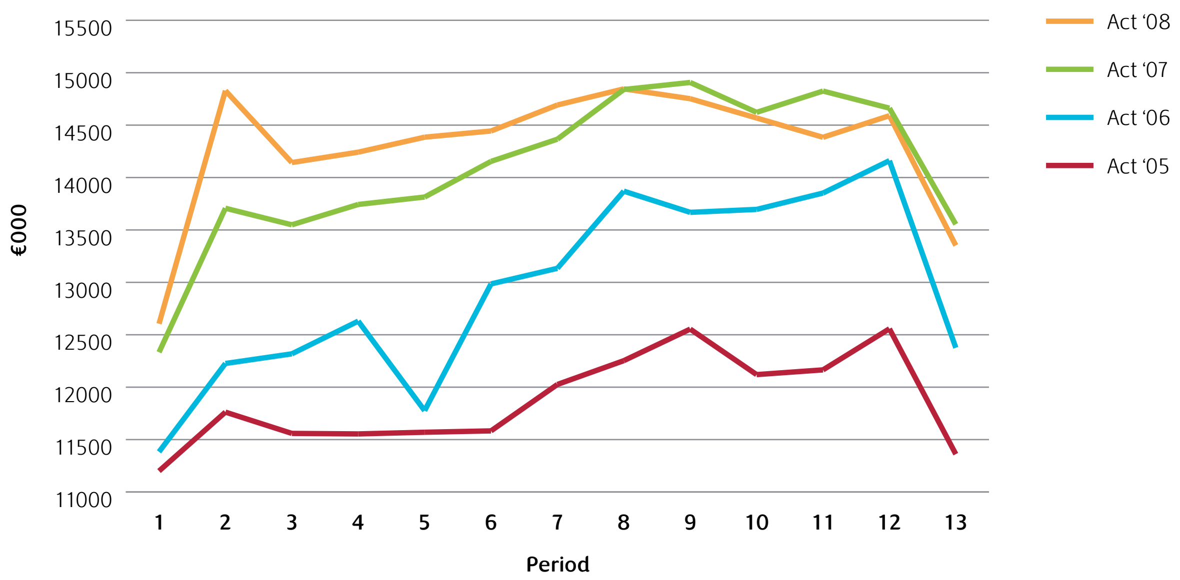
Accessibility

The Disability Act 2005, of 18th July, 2005, includes a Sectoral Plan for Accessible Transport. All new rolling stock and all new station buildings in Iarnród Éireann are being designed to be fully accessible and all station buildings undergoing refurbishment include accessibility in the designs.

Accessibility Works have been completed at Dublin Suburban stations and at Portlaoise, Thurles, Ballybrophy, Limerick Junction, Portarlington and Templemore and Mallow stations on the Dublin Cork line. Design work for the Galway and Belfast routes is complete and a contract has been let for the construction on the Galway route.

A project to provide access features at 27 stations commenced in 2008.

Passenger Revenue



Rosslare Europort

Rosslare Europort, the fourth biggest port in the State, and the second biggest in the key RORO sector, had another good year, although lower levels of traffic were recorded.

However, two new weekly shipping services from Rosslare have commenced recently to Zeebrugge, Rotterdam and LeHavre.

The contract to replace the Berth 2 Linkspan was let and the contractors were on site before the end of 2008.

Freight

There was a continued consolidation in the freight function during 2008 to reduce the Freight business loss to €0.763 million compared to €13.93 million in 2003.

Environmental Policy

Iarnród Éireann has initiated a programme to reduce fuel consumption, with a particular effort being made to switch off all diesel multiple unit trains (DMUs) when not in use.

Other initiatives include:

- Traffic noise reduction through use of InterCity Railcars (ICRs)
- New fleet of ICRs maintained in new clean depot where all waste and spillage is contained and disposed of in an environmentally friendly manner
- Fencing – reduces large animal kill
- Limit climatic impact by encouraging transfer from other modes of transport.

2009 Outlook

Iarnród Éireann are budgeting a breakeven outturn for 2009. An overall average 10% increase on all Intercity, Commuter and DART fares was implemented on 1st January, 2009. All costs continue to be reviewed in an effort to improve the forecast financial results.

Directors and Other Information

Iarnród Éireann

Directors at 25th August, 2009

Chairman	Dr. J. J. Lynch
Directors	Mr. P. Cullen, Mr. G. Duggan, Mr. P. Gaffney, Mr. M. Giblin, Ms. M. Johnston, Cllr. L. O'Neill, Mr. C. Perry and Ms. D. Smyth
Chief Executive	Mr. A. R. Fearn
Secretary	Ms. G. Finucane
Registered Office	Connolly Station, Dublin 1
Telephone	+353 1 836 3333
Facsimile	+353 1 836 4760
Website	www.irishrail.ie
Registered Number	119571
Auditors	PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1.

The directors present their annual report in accordance with their obligations under the Companies Acts and the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. The accounts of the company and the related notes which form part of the accounts, and are included in this report, have been prepared in accordance with accounting standards generally accepted in Ireland.

Principal Activities and Financial Review

The principal activities of the company are the provision of Intercity and Commuter Rail passenger services, freight services and the management of Rosslare Europort.

Córas Iompair Éireann, a statutory body wholly owned by the Government of Ireland and reporting to the Minister for Transport, holds 100% of the issued share capital of the company.

The accounts for 2008 record a deficit of €0.15 million before a charge for an exceptional item of €18.9 million for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €19.06 million.

The total revenue of €221.5 million decreased by €8.8 million below 2007. Passenger revenue at €186 million shows a decrease of €2.8 million from 2007. The number of passenger journeys decreased by 5% from 45.5 million journeys in 2007 to 43.3 million journeys in 2008.

The financial statements for the year ended 31st December, 2008 are set out in detail on pages 18 to 41.

During the year significant customer improvements were made including the introduction of brand new Intercity Railcars (ICRs) on the Sligo, Limerick, Portlaoise, Galway, Carlow, Waterford, Westport and Kerry routes and the opening of the new Clondalkin Fonthill station which is the third new station to be opened as part of the Kildare Route Project and the fifth new station to be opened by Iarnród Éireann in the last 18 months.

The company continues to develop its online sales facilities with web based seat reservations and on-line tax saver commuter ticketing sales. Web based seat reservations continue to grow, with sales in 2008 showing a 40% increase over 2007 which was an 80% increase over 2006. Marketing initiatives during the year helped to stabilise revenue with on-line promotions to increase the patronage of off-peak InterCity services and a pre-Christmas discount ticket promotion to fill empty seats on off-peak services on Commuter routes.

The total amount of subvention in 2008 was €3.7 million lower than in 2007 with the public service obligation payment amounting to €181.2 million compared to €189.9 million in 2007 but the CIE subvention amounting to €10 million compared to €5 million in 2007.

The Freight business had another year of further consolidation. The cost savings and business rationalisation programmes implemented over the last 4 years have resulted in Freight losses reducing to €0.763 million compared to a loss of €13.93 million in 2003.

The company continues, as it has successfully done for a number of years, to focus strongly on improving quality and efficiency of its services for all customers. In monitoring the company's performance a range of key operating and financial performance indicators are regularly reviewed by Management, the directors and the Department of Transport. Payment in full of the public service obligation is contingent on meeting targets agreed annually between the company and the Department of Transport. The directors are pleased to report that based on a successful achievement of these targets in 2008 the company received full payment of the public service obligation. A detailed review of performance is included in the Operations Review.

The company is committed to managing risk in a systematic and disciplined manner. Through an enterprise wide risk management process, the key risks facing the company are identified and action plans to mitigate the risks are developed. The safety of the railway remains a top priority for the company and this is reflected in the risk register. The most serious risks include; major operational incidents, acts of terrorism, loss of operational communications and persistent failure to meet customers and other stakeholders expectations.

During 2008 the company continued to invest in rolling stock and infrastructure projects.

Major progress was made in key Transport 21 projects including the following:

- Kildare Route Project
- Western Rail Corridor Phase 1
- Cork-Midleton line
- Laois Traincare depot and the new Intercity Railcar fleet.
- Station Accessibility including improved Customer Car Park facilities
- Safety & Renewals Programme

The Operations Review contains more detail on the items listed above.

The Board

The company is controlled through its board of directors. The board's main roles are to approve the company's strategic objectives and to review the operation of the company against a series of key performance indicators. The board, which meets at least nine times per year, has a schedule of matters reserved for its approval.

Code of Practice for the Governance of State Bodies

Maintaining high standards of corporate governance continues to be a priority of the directors of Iarnród Éireann. The board has developed its corporate governance policy so as to give effect to the Code of Practice for the Governance of State Bodies issued by the Department of Finance.

Details of the policies and procedures implemented by the company following publication of the Code of Practice for the Governance of State Bodies are set out in the annual report of the Córas Iompair Éireann Group.

Internal Control

The board of Iarnród Éireann has appointed an Audit Review Group to review; the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. The board has also appointed an Infrastructure Advisory Group to monitor infrastructure renewal and the project management of large infrastructure projects and a Signalling, Electrical and Telecoms Advisory Group and a Mechanical Engineering Advisory Group to monitor engineering performance. A Safety Advisory Group and an Operations Advisory Group have also been established to assist the board in monitoring these key business areas. More detail on the company's internal control system is set out in the annual report of the Córas Iompair Éireann Group.

Information

Regular reports and papers are circulated to the directors in a timely manner in preparation for board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The non-executive directors receive periodic management accounts and regular management reports and information which enables them to scrutinise the company's and management's performance against agreed objectives.

Going Concern

The accounts have been prepared on the going concern basis and the directors report that they have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the directors have reviewed the budget for 2009 together with the medium term plans.

Books of Account

The directors advise that they have discharged their responsibility to keep proper books of account through the use of appropriate systems and procedures and the employment of suitably qualified personnel. The books of account are kept at the company's head office at Connolly Station, Amiens Street, Dublin 1.

Partnership at Work and Health & Safety

Management and elected safety representatives continue to further the aims of the company's safety policy, and to meet their statutory obligations, through the implementation of the relevant provisions of the company's Safety Management System.

Railway Safety Act 2005

Iarnród Éireann continues to operate in compliance with the Railway Safety Act 2005 and within the terms of its Railway Safety Case, which has been accepted by the Railway Safety Commission.

Late Payment in Commercial Transactions Regulations 2002

The directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the Late Payment in Commercial Transactions Regulations 2002. Procedures have been implemented to identify the dates upon which all invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the regulations.

Directors

The directors of the company are appointed by the Minister for Transport. Prior to 1st August, 2008 directors were appointed by the Chairman of Córas Iompair Éireann with the consent of the Minister. The names of persons who were directors during the year ended 31st December, 2008 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Dr. J. J. Lynch	Chairman (Re-appointed 28th March, 2008)
Mr. P. Cullen	(Re-appointed 1st January, 2009)
Mr. G. Duggan	
Mr. D. P. Faulkner	(Retired 12th November, 2008)
Mr. P. Gaffney	(Retired 31st December, 2008 Re-appointed 18th May, 2009)
Mr. M. Giblin	(Appointed 18th May, 2009)
Ms. M. Johnston	(Re-appointed 1st January, 2009)
Cllr. L.O'Neill	
Mr. C. Perry	(Retired 12th November, 2008 Re-appointed 18th May, 2009)
Ms. D. Smyth	(Appointed 18th May, 2009)

None of the directors held any interest or any shares or debentures of the company, its holding company or its fellow subsidiaries at any time during the year. There were no material contracts or arrangements entered into during the year in which a director was interested in relation to the Group's business. The Company Secretary holds one ordinary share as nominee of the board of Córas Iompair Éireann.

Company Secretary

The Company Secretary is a full time employee of the company's parent Company, Córas Iompair Éireann. The Company Secretary is responsible for advising the board, through the Chairman, on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the directors.

Auditors

The auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office in accordance with section 160(2) of the Companies Act, 1963.

On behalf of the board

Dr. J. J. Lynch	Chairman
Mr. G. Duggan	Director

25th August, 2009.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 2009. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Iarnród Éireann – Irish Rail

We have audited the financial statements on pages 18 to 41. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 18 and 19.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the 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 in the Statement of Directors' Responsibilities on page 15.

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 company's members as a body in accordance with Section 193 of the Companies Act, 1990 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, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31st December, 2008 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 12 to 14 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 21 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December, 2008 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

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

25th August, 2009.

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

(A) Basis of Preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historical cost convention.

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

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

(B) Revenue

Revenue comprises the gross value of services provided.

(C) 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 company's 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 cost 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 Freight Vehicles

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

(iv) Docks, Harbours and Wharves; Plant and Machinery; Catering Services Equipment

The above class of assets are depreciated by equal annual instalments, based on the historical cost spread over their expected useful lives.

(v) Land and Buildings

Buildings are depreciated, by equal annual instalments, on the basis of historical cost 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.

(D) 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 cost of such assets is included in tangible assets and depreciated over the shorter of the lease term or the estimated useful life of the asset. The capital element of the outstanding lease obligations is included within creditors. Finance charges are charged to the profit and loss account over the primary period of the lease.

(ii) Operating Leases

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

(E) Stocks

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

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

(F) European Union and State Grants

(i) Grants for Existing Railway Lines and Works

Grants received for existing railway lines and works are deducted from the cost of 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 directors, 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 as 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 profit and loss account on the same basis as the related assets are depreciated.

(iii) Revenue Grants

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

(iv) Safety investment grants

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

(G) 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.

(H) Pensions

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

The capital cost of supplementary pension benefits is provided for and charged to the profit and loss account in the year that the enhanced benefits are granted.

(I) Railway Infrastructure Costs

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

Profit and Loss Account

	Notes	Total 2008 €000	Exceptional Operating Items 2008 €000	Continuing Operations before Exceptional Items 2008 €000	Total 2007 €000	Exceptional Operating Items 2007 €000	Continuing Operations before Exceptional Items 2007 €000
			Note 4			*Note 4*	
Revenue		**221,476**	-	**221,476**	230,250	-	230,250
Costs							
Payroll and related costs	*2*	**(266,529)**	**(18,910)**	**(247,619)**	(247,943)	(14,720)	(233,223)
Materials and services	*3*	**(152,642)**	-	**(152,642)**	(161,538)	-	(161,538)
Depreciation less amortisation of capital grants	*5*	**(22,231)**	-	**(22,231)**	(24,805)	-	(24,805)
Total operating costs		**(441,402)**	**(18,910)**	**(422,492)**	(434,286)	(14,720)	(419,566)
Profit on disposal of tangible assets	*6*	**1,441**	-	**1,441**	588	-	588
Deficit before interest and State grants and CIE subvention		**(218,485)**	**(18,910)**	**(199,575)**	(203,448)	(14,720)	(188,728)
Interest payable							
– operational	*7*	**(2,686)**	-	**(2,686)**	(3,214)	-	(3,214)
– railway infrastructure	*7*	**(1,508)**	-	**(1,508)**	(1,817)	-	(1,817)
Total interest		**(4,194)**	-	**(4,194)**	(5,031)	-	(5,031)
Deficit for the year before State grants and CIE subvention		**(222,679)**	**(18,910)**	**(203,769)**	(208,479)	(14,720)	(193,759)
State grants – Public Service Obligation	*8*	**181,152**	-	**181,152**	189,910	-	189,910
State grants – railway safety grant	*8*	**12,466**	-	**12,466**	13,580	-	13,580
Deficit for the year after State grants		**(29,061)**	**(18,910)**	**(10,151)**	(4,989)	(14,720)	9,731
Contribution from parent company		**10,000**	-	**10,000**	5,000	-	5,000
Release of provisions for liabilities and charges	*17*	-	-	-	13,397	-	13,397
(Deficit)/surplus for the year	*20*	**(19,061)**	**(18,910)**	**(151)**	13,408	(14,720)	28,128

All figures relate to the continuing activities of the company.

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

On behalf of the board

Dr. J.J. Lynch Chairman

Mr. G. Duggan Director

Balance Sheet

As at 31st December	Notes	2008 €000	2007 €000
Fixed assets			
Tangible fixed assets	9	**1,577,212**	1,308,222
Financial assets	10	**20**	20
		1,577,232	1,308,242
Current assets			
Stocks	11	**46,327**	37,044
Debtors	12	**172,087**	184,979
Cash at bank and in hand		**280**	267
		218,694	222,290
Creditors (amounts falling due within one year)	13	**(442,714)**	(386,681)
Net current liabilities		**(224,020)**	(164,391)
Total assets less current liabilities		**1,353,212**	1,143,851
Creditors (amounts falling due after more than one year)	14	**(24,063)**	(28,554)
Provisions for liabilities and charges	17	**(56,696)**	(55,095)
Deferred income	18	**(1,247,373)**	(1,016,061)
		25,080	44,141
Financed by:			
Capital and reserves			
Called up share capital	19	**29,204**	29,204
Profit and loss account	20	**(4,124)**	14,937
Shareholders funds	20	**25,080**	44,141

On behalf of the board

Dr. J.J. Lynch Chairman

Mr. G. Duggan Director

Cash Flow Statement

Year ended 31st December	Notes	2008 €000	2007 €000
Net cash inflow from operating activities	*21(A)*	**37,582**	66,294
Servicing of finance			
Interest paid	*7*	**(2,139)**	(2,721)
Interest element of finance lease rentals	*7*	**(2,055)**	(2,310)
State grant – DART Interest	*8*	**-**	253
Net cash outflow from servicing of finance		**(4,194)**	(4,778)
Investing activities			
Purchase of tangible assets		**(476,791)**	(337,210)
Sale of tangible assets		**1,445**	630
Capital grants		**431,455**	283,671
Net cash outflow from investing activities		**(43,891)**	(52,909)
Net cash (outflow)/ inflow before management of liquid resources and financing	*21(B)*	**(10,503)**	8,607
Management of liquid resources	*21(B)*	**11,979**	2,008
Financing			
Capital element of finance lease rentals		**(5,406)**	(5,428)
Net cash outflow from Financing	*21(B)*	**(5,406)**	(5,428)
(Decrease)/increase in cash in the year	*21(B)*	**(3,930)**	5,187
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		**(3,930)**	5,187
Cash (outflow)/ inflow from holding company balance, lease financing and NDP Investment projects funded by C.I.E.		**(6,573)**	3,420
Movement in net debt in the year		**(10,503)**	8,607
Net debt at 1st January		**(118,669)**	(127,276)
Net debt at 31st December		**(129,172)**	(118,669)

1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

	2008 €000	2007 €000
(A) Company result		
Operating deficit before operating interest, Public Service Obligation, State grants and exceptional items;		
Rail operations;		
Mainline rail *(note 1B)*	**(70,791)**	(66,311)
Suburban rail *(note 1C)*	**(20,497)**	(18,169)
Total Rail operations	**(91,288)**	(84,480)
Contribution from parent company	**10,000**	5,000
Public Service Obligation and State grants for Rail operations	**83,826**	90,344
Operating surplus/(deficit) before operating interest and exceptional items:		
Rail Operations (incl Catering services)	**2,538**	10,864
Infrastructure Maintenance *(note 1D)*	**(3,181)**	4,492
Road freight *(note 1E)*	**91**	(121)
Rosslare Europort *(note 1F)*	**3,154**	3,939
Total operating surplus for year before operating interest and exceptional items	**2,602**	19,174
Interest	**(4,194)**	(5,031)
Profit on disposal of tangible assets	**1,441**	588
Total operating (deficit)/surplus before exceptional items	**(151)**	14,731
Release of provisions for liabilities and charges *(note 17)*	**-**	13,397
Exceptional operating costs *(note 4)*	**(18,910)**	(14,720)
(Deficit)/surplus for the year	**(19,061)**	13,408

No taxation charge arises on the results for the year because certain revenues of the company are not brought into account for tax purposes.

1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT *(continued)*

	2008 €000	2007 €000
(B) Mainline rail division		
Revenue		
Passenger services	**135,320**	132,952
Freight services	**15,479**	10,079
Total revenue	**150,799**	143,031
Expenditure		
Maintenance of rolling stock	**(49,945)**	(49,775)
Fuel	**(28,565)**	(25,348)
Operating and other expenses	**(136,401)**	(123,963)
Operating depreciation	**(36,563)**	(30,385)
Amortisation of capital grants	**29,884**	20,129
Total expenditure	**(221,590)**	(209,342)
Operating deficit before operating interest and Public Service Obligation	**(70,791)**	(66,311)
(C) Suburban rail division		
Revenue	**57,221**	55,833
Expenditure		
Maintenance of rolling stock	**(20,167)**	(20,419)
Fuel (including electricity for traction)	**(9,776)**	(8,578)
Operating and other expenses	**(43,780)**	(41,547)
Operating depreciation	**(34,621)**	(29,697)
Amortisation of capital grants	**30,626**	26,239
Total expenditure	**(77,718)**	(74,002)
Operating deficit before operating interest and Public Service Obligation	**(20,497)**	(18,169)
Included in the Maintenance of rolling stock figures in Mainline rail note 1(B) and Suburban rail note 1(C) are;		
– Depreciation charge	**3,590**	3,618
– Amortisation of grants	**2,046**	2,173

1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT *(continued)*

	2008 €000	2007 €000
(D) Railway infrastructure maintenance		
In compliance with EU Council Directive 91/440 the costs of the railway infrastructure division have been computed as follows:		
Maintenance of railway lines and works	**(78,891)**	(74,099)
Renewal of railway lines and works	**(105,740)**	(88,775)
Operating and other expenses	**(25,181)**	(26,289)
Depreciation *(note 9 (d))*	**(25,885)**	(19,946)
Amortisation of capital grants	**16,984**	11,680
Total expenditure	**(218,713)**	(197,429)
Operating deficit before operating interest payable and State grants	**(218,713)**	(197,429)
Infrastructure Public Service Obligation	**107,098**	109,203
Exchequer safety funding	**2,694**	3,943
Renewals funding	**105,740**	88,775
	215,532	201,921
(Deficit)/surplus for the year before operating interest payable	**(3,181)**	4,492
Apportionment of Costs (incl. operating interest payable)		
Mainline rail division	**171,620**	158,141
Suburban rail division	**47,093**	39,288
Total costs infrastructure maintenance	**218,713**	197,429
(E) Road freight division		
Revenue	**1,594**	19,269
Operating costs		
Maintenance of vehicles and equipment	**(5)**	(360)
Fuel	**(11)**	(52)
Operating and other expenses	**(1,484)**	(18,862)
Operating depreciation	**(3)**	(116)
Total expenditure	**(1,503)**	(19,390)
Net surplus/(deficit) for the year	**91**	(121)

1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT *(continued)*

	2008 €000	2007 €000
(F) Rosslare Europort division		
Revenue		
Harbour services	**11,862**	12,117
Operating costs		
Maintenance, operating and other expenses	**(7,937)**	(7,106)
Operating depreciation	**(1,350)**	(1,586)
Amortisation of capital grants	**579**	514
Total expenditure	**(8,708)**	(8,178)
Operating surplus before interest payable	**3,154**	3,939
(G) Public Service Obligation, State grants, EU and Exchequer Funding		
Allocated to:		
Rail operations	**83,826**	90,344
Infrastructure maintenance	**215,532**	201,921
	299,358	292,265
Sources:		
Public Service Obligation	**181,152**	189,910
Exchequer safety and other grants	**12,466**	13,580
Exchequer funded renewals	**105,740**	88,775
	299,358	292,265

(H) Net surplus by activity before exceptional items

	Commercial €000	Social €000	Total €000
2008			
Revenue	13,456	208,020	221,476
Costs	(10,027)	(520,958)	(530,985)
Public Service Obligation, State grants, EU and Exchequer funding	-	299,358	299,358
Contribution from parent company	-	10,000	10,000
Deficit for the year	3,429	(3,580)	(151)
2007 Net result	3,966	10,765	14,731

Commercial activities included in the above are road freight division, catering services division and Rosslare Europort division.

2. PAYROLL AND RELATED COSTS

	2008 €000	2007 €000
Staff costs		
Wages and salaries	**261,202**	247,663
Social welfare costs	**22,079**	20,972
Other pension costs	**25,165**	21,598
	308,446	290,233
Own work capitalised, renewals and engineering work for group companies	**(61,039)**	(57,215)
Net staff costs	**247,407**	233,018
Directors' remuneration		
– services as directors	**67**	70
– other emoluments	**145**	135
Total directors' remuneration and emoluments	**212**	205
Total payroll and related costs	**247,619**	233,223

	Staff Numbers		Staff Numbers	
	2008 Average	2007 Average	**2008 as at 31st Dec 08**	2007 as at 31st Dec 07
The number of employees by activity, was				
■ Railway operations (incl Catering services)	**3,212**	3,278	**3,144**	3,206
■ Infrastructure	**1,292**	1,303	**1,281**	1,316
■ Freight	**31**	47	**24**	44
■ Rosslare Europort	**83**	84	**88**	82
Sub-total	**4,618**	4,712	**4,537**	4,648
■ Projects	**288**	273	**308**	285
Overall-total	**4,906**	4,985	**4,845**	4,933

3. MATERIALS AND SERVICES

The deficit for the year before interest and State grants is arrived after charging the following under the materials and services heading.

	2008 €000	2007 €000
Operating and other costs	**102,033**	118,714
Fuel and electric traction	**35,037**	31,253
Third party and employer's liability claims	**8,397**	4,836
Rates	**2,770**	2,604
Operating lease rentals	**4,303**	4,030
Auditors remuneration	**102**	101
	152,642	161,538

4. EXCEPTIONAL OPERATING COSTS

	2008 €000	2007 €000
Business restructuring	**18,910**	14,720

As part of the 2003 Financial Plan the company introduced a voluntary severance and early retirement programme. The estimated cost in 2008, including severance payments and other costs associated with the programme is €18.91 million.

5. DEPRECIATION

	2008 €000	2007 €000
Depreciation *(note 9)*	**102,772**	85,498
Amortisation of capital grants *(note 18)*	**(80,541)**	(60,693)
Total depreciation	**22,231**	24,805

6. PROFIT ON THE DISPOSAL OF TANGIBLE ASSETS

	2008 €000	2007 €000
Profit on disposal of Tangible assets	**1,441**	588

7. INTEREST PAYABLE

	2008 €000	2007 €000
On loan from holding company	**2,139**	2,721
On finance leases	**2,055**	2,310
	4,194	5,031
Interest apportioned:		
Operational costs	**2,686**	3,214
Railway infrastructure costs	**1,508**	1,817
	4,194	5,031

8. STATE GRANTS

The grants payable to the company through the holding company, Córas Iompair Éireann, are in accordance with the relevant EU regulations governing State aid to transport undertakings.

Particulars of the State grants of €728 million received in 2008 are given in the following table, showing the relevant provision of EU regulations. A sum of €99.26 million in relation to grants received on buildings was passed back to the holding company.

	EU Regulation Number 1191/69 €000	1107/70 (Article 4) €000	Total €000
Revenue related			
Mainline rail			
Operation of passenger services	133,724	-	133,724
Residual deficit – State grants	-	-	-
	133,724	-	133,724
Suburban rail			
Operation of passenger services	19,836	-	19,836
Sub total	153,560	-	153,560

8. STATE GRANTS *(continued)*

	EU Regulation Number 1192/69 €000	1107/70 (Article 3.1 [b]) €000	Total €000
Expenditure related			
Mainline rail			
Normalisation of accounts			
– Class III (pensions)	17,280	-	17,280
– Class IV (level crossings)	5,357	-	5,357
– Infrastructure grant (freight)	-	1,260	1,260
	22,637	1,260	23,897
Suburban services			
Normalisation of accounts			
– Class III (pensions)	3,229	-	3,229
– Class IV (level crossings)	466	-	466
	3,695	-	3,695
Sub total	26,332	1,260	27,592
Total *(note 21A)*			181,152
Add State grant for DART interest – EU Regulation 1191/69			-
Sub total Public Service Obligation			181,152
State grant for NDP	538,546		
Deferred funds ex CIE	8,566		
			547,112
Total State grants received			728,264
The total funding received was applied as follows:			
Profit & loss account			
Public Service Obligation			181,152
Railway Safety Revenue Grant *(note 21A)*		12,466	
Credit against the renewals of railway lines and works *(note9(a))*		105,740	
Deferred income *(note 18)*		321,076	
Deferred funding		8,566	
Transferred to CIE for Land & Buildings		99,264	
State grant for NDP			547,112
Total			728,264

9. TANGIBLE FIXED ASSETS

Cost	1st Jan 2008 €000	Reclassifications €000	Additions €000	Scrappings & Disposals €000	31st Dec 2008 €000
Railway lines and works	1,174,899	230	175,325	-	1,350,454
Railway rolling stock	1,072,515	-	197,851	(5,297)	1,265,069
Road freight vehicles	4,939	-	-	(1,263)	3,676
Plant and machinery	693,391	-	103,813	(4,341)	792,863
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	48,269	-	429	-	48,698
Land and buildings	1,604	(230)	94	-	1,468
Capital work in progress	6	(6)	-		-
Sub total	2,996,753	(6)	477,512	(10,901)	3,463,358
Funding received for railway lines and works	(889,646)	-	(105,740)	-	(995,386)
Total	2,107,107	(6)	371,772	(10,901)	2,467,972

Depreciation	1st Jan 2008 €000	Reclassifications €000	Charge for year €000	Scrappings & Disposals €000	31st Dec 2008 €000
Railway lines and works	1,077,303	6	110,644	-	1,187,953
Railway rolling stock	346,892	-	51,779	(5,297)	393,374
Road freight vehicles	4,938	-	-	(1,263)	3,675
Plant and machinery	244,066	-	44,782	(4,337)	284,511
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	14,075	-	1,115	-	15,190
Land and buildings	127	(6)	192	-	313
Sub total	1,688,531	-	208,512	(10,897)	1,886,146
Funding received for railway lines and works	(889,646)	-	(105,740)	-	(995,386)
Total	798,885	-	102,772	(10,897)	890,760

9. TANGIBLE FIXED ASSETS *(continued)*

	2008	2007
	€000	€000
Net book amounts		
Railway lines and works	**162,501**	97,596
Railway rolling stock	**871,695**	725,623
Road freight vehicles	**1**	1
Plant and machinery	**508,352**	449,325
Catering equipment	**-**	-
Docks, harbours and wharves	**33,508**	34,194
Land and buildings	**1,155**	1,477
Capital work in progress	**-**	6
Total	**1,577,212**	1,308,222

(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 renewals to the railway network.

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

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

	Lives (Years)
Railway lines and works	10-40
Railway rolling stock	4-20
Road freight vehicles	1-10
Plant and machinery	3-30
Docks, harbours and wharves	50
Catering equipment	5-10
Buildings	50

(c) The amounts included in the original cost of various tangible assets include €34,463,231 in capitalised interest charges relating to the Bray-Howth suburban railway electrification scheme which was completed in 1984.

9. TANGIBLE FIXED ASSETS *(continued)*

(d) Tangible assets include railway infrastructure assets as follows:

	2008 €000	2007 €000
Cost	**877,151**	741,998
Accumulated depreciation	**(369,301)**	(343,416)
Net book value	**507,850**	398,582
Depreciation for year *(note 1(D))*	**(25,885)**	(19,946)

(e) Included in additions above are payments on account in respect of railway rolling stock which were not yet in service:

	2008 €000	2007 €000
Railway rolling stock	**180,321**	152,501

(f) Included in tangible assets are amounts as stated below in respect of railway rolling stock and plant and machinery which are held under finance leases, whereby the company has beneficial ownership i.e. substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

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

10. FINANCIAL ASSETS

	2008 €000	2007 €000
Trade investments – listed shares		
Cost or valuation at 1st January	**63**	63
Provision for impairment in value at 31st December	**(43)**	(43)
Net book amounts at 31st December	**20**	20
Market value at 31st December	**49**	49

11. STOCKS

	2008	2007
	€000	€000
Rolling stock, spare parts and maintenance materials	**17,806**	15,483
Infrastructure stocks	**17,671**	12,462
Fuel, lubricants and other sundry stocks	**10,850**	9,099
	46,327	37,044

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

12. DEBTORS

	2008	2007
	€000	€000
Trade debtors	**12,288**	14,698
Amounts owed by holding and fellow subsidiary companies	**81,515**	93,494
EU grants receivable	**72,639**	73,631
Other debtors and accrued income	**5,645**	3,156
	172,087	184,979

13. CREDITORS (amounts falling due within one year)

	2008	2007
	€000	€000
Bank overdraft	**16,941**	12,998
Trade creditors	**110,098**	89,186
Loan from holding company *(note 15)*	**165,066**	165,066
Finance lease obligations *(note 16)*	**4,897**	5,812
Income tax deducted under PAYE	**3,900**	3,950
Pay related social insurance	**3,009**	3,349
Value added tax and other taxes	**14,047**	1,325
Other creditors	**13,341**	8,969
Accruals	**5,489**	4,292
Restructuring provision *(note 17)*	**20,722**	20,077
Third party and employer's liability claims *(note 17)*	**4,110**	3,430
Deferred income *(note 18)*	**81,094**	68,227
	442,714	386,681
Creditors for taxation and social welfare included above	**20,956**	8,624

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

	2008 €000	2007 €000
Finance lease obligations *(note 16)*	**24,063**	28,554
	24,063	28,554

15. LOAN FROM HOLDING COMPANY

This loan is repayable as follows:

	2008 €000	2007 €000
Within one year *(note 13)*	**165,066**	165,066
	165,066	165,066

This loan represents the net assets less issued share capital assigned to the company on its establishment following the re-organisation of Córas Iompair Éireann in 1987. Each year the amount outstanding is aged by reference to the bank loans held and managed by Córas Iompair Éireann on behalf of the operating companies.

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.

16. LEASE OBLIGATIONS

	2008 €000	2007 €000
(A) Finance leases		
Net obligations under finance leases fall due as follows:		
Within one year *(note 13)*	**4,897**	5,812
Between one and five years *(note 14)*	**16,873**	16,925
After five years *(note 14)*	**7,190**	11,629
	24,063	28,554
	28,960	34,366
(B) Operating leases		
Commitments under non-cancellable operating leases payable in the coming year expire as follows:		
Within one year	**2,476**	2,778
Between one and five years	**2,375**	3,495
	4,851	6,273

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision €000	Third Party and Employer's Liability Claims €000	Total €000
Balance at 1st January, 2008	20,077	58,525	78,602
Utilised during the year	(18,265)	(6,116)	(24,381)
Transfer from profit and loss account			
Exceptional item	18,910	-	18,910
Other	-	8,397	8,397
Release of provisions for liabilities and charges	-	-	-
	18,910	8,397	27,307
Balance carried forward	20,722	60,806	81,528
Less amount classified as current liability *(note 13)*	(20,722)	(4,110)	(24,832)
Balance at 31st December, 2008	-	56,696	56,696

Any losses not covered by external insurance are charged to the profit and loss account and unsettled amounts are included in the provision for liabilities and charges. Provisions coming forward from previous years have been transferred to the Profit & Loss Account to the extent they have been deemed overprovided based on recent claims history.

(A) External Insurance Cover

The board has the following external insurance cover:

(i) Iarnród Éireann – Irish Rail

Third Party Liability in excess of

(a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and

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

(ii) 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 Ossary 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.

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

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

(iv) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April, 2008 to March, 2009, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail €11,000,000

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

(v) Terrorism Public Liability cover for the Group of €30,000,000, subject to the excesses appropriate to the incident category.

(vi) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April, 2008 to March, 2009, for 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.

(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.

(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 company. The estimated cost of claims includes expenses to be incurred externally in managing claims but excludes the internal overhead of claims management fees. The company 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 company 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 company has regard to the accident circumstances as established by investigations, any information available from legal or other experts and information on court precedents on liabilities with similar characteristics in previous periods. Exceptionally serious accidents are assessed separately from the averages indicated by actuarial modelling.

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

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

18. DEFERRED INCOME

This account, comprising non-repayable EU grants, State grants, and other deferred income which will be credited to the profit and loss account on the same basis as the related fixed assets are depreciated (accounting policy F), is as follows:

	1st Jan 2008 €000	Transfers and Retirements €000	Received and Receivable €000	Amortised to Profit & Loss Account €000	31st Dec 2008 €000
Capital Grants					
Land and buildings	757	(230)	-	(96)	431
Railway lines & works	66,310	230	67,321	(2,686)	131,175
Railway rolling stock	638,492	-	181,037	(37,937)	781,592
Plant and machinery	356,017	(2)	76,364	(31,567)	400,812
Docks, harbours and wharves	13,727	-	-	(355)	13,372
Total capital grants	1,075,303	(2)	324,722	(72,641)	1,327,382
State grants – Railway Safety Investment Programme	7,865	-	-	(7,865)	-
Other deferred income	1,120	-	-	(35)	1,085
Total	1,084,288	(2)	324,722	(80,541)	1,328,467

	2008 €000	2007 €000
Shown as:		
Deferred income – amounts falling due within one year *(note 13)*	**81,094**	68,227
Deferred income – amounts falling due after more than one year	**1,247,373**	1,016,061
	1,328,467	1,084,288

The grants received under the Railway Safety Investment Programme (1999-2003) and Transport 21 will be released to the profit and loss in accordance with the Railway Safety Investment Programme. Grants received and receivable in 2008 were Exchequer €321,076,137, EU €3,195,177 and Third Party €451,189.

19. SHARE CAPITAL

	2008 €000	2007 €000
Authorised:		
Ordinary shares of €1.27 each	**95,230**	95,230
Allotted, called up and fully paid		
Ordinary shares of €1.27 each	**29,204**	29,204

20. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Called Up Share Capital €000	Profit and Loss Account €000	Total Equity Shareholders' Funds €000
Opening Balance	29,204	14,937	44,141
Deficit for Year	–	(19,061)	(19,061)
Closing Balance	29,204	(4,124)	25,080

21. CASH FLOW STATEMENT

(A) Reconciliation of deficit to net cash inflow from operating activities

	2008 €000	2007 €000
Deficit before Public Service Obligation, State grants and servicing of finance and after Contribution from parent company and Release of Provisions for Liabilities and Charges	(208,485)	(185,051)
Public Service Obligation, State grants other than that applied to DART interest and renewals (note 8)	193,618	203,237
(Deficit)/surplus for the year before servicing of finance	(14,867)	18,186
Profit on disposal of tangible assets	(1,441)	(588)
Depreciation	102,772	85,498
Amortisation of capital grants (note 18)	(80,541)	(60,693)
(Increase)/decrease in stocks	(9,283)	9,455
(Increase)/decrease in debtors	(79)	897
Increase in creditors and provisions	41,021	13,539
Net cash inflow from operating activities	37,582	66,294

(B) Analysis of net debt

	At 1st Jan 2008 €000	Cash Flow €000	At 31st Dec 2008 €000
Cash in hand	267	13	280
Bank overdraft	(12,998)	(3,943)	(16,941)
Loans	(165,066)	-	(165,066)
Finance leases	(34,366)	5,406	(28,960)
Intergroup balance	93,494	(11,979)	81,515
	(118,669)	(10,503)	(129,172)

Liquid resources comprise amounts owed by holding and fellow subsidiary companies, which represents cash generated and not immediately required for operations made available to other group companies, repayable on demand.

22. PENSIONS

The employees of Iarnród Éireann are members of the Corás Iompair Éireann Group pension schemes. The Corás Iompair Éireann group operates two defined benefit pension schemes covering the majority of employees, each of which is funded by contributions from the group and the members.

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. It is not possible to identify the individual members' shares of the Corás Iompair Éireann Group pension scheme assets and liabilities, on a consistent and reasonable basis as even if it were possible to allocate non-active members across subsidiaries based on last day of employment, members may have worked for more than one subsidiary. Therefore, it is not possible to identify to whom the liability (and corresponding asset) for successive periods of employment belongs. The contributions to these schemes have been accounted for, as if it were a defined contribution scheme as permitted by FRS 17 – 'Retirement Benefits' by the Corás Iompair Éireann group companies.

The most recent actuarial valuations of the schemes for the provisions of FRS17 showed that at 31 December, 2008 there was a deficit of €567.6 million on the schemes.

The pension cost for the year on the defined benefit schemes was €25.17 million these costs are also included in note 2.

23. CAPITAL COMMITMENTS

	Contracted for €000	Authorised by the directors but not contracted for €000
2008		
Within one year	**105,480**	**437,870**
From two to five years	**112,621**	**293,384**
	218,101	**731,254**
Of which funding amounts to:	**203,126**	**700,719**
2007		
Total capital commitments	216,277	678,761

24. CONTINGENT LIABILITIES

(A) Pending Litigation

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

(B) Finance Leases

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

25. RELATED PARTY TRANSACTIONS

Entities controlled by the Irish Government are related parties of the company by virtue of the Irish Government's control of the parent company, Córas Iompair Éireann.

In the ordinary course of business the company purchases goods and services from entities controlled by the Irish Government, the principal of these being the ESB, An Post, and An Bord Gáis. The directors are of the opinion that the quantum of these purchases is not material in relation to the company's business.

The financial statements of Córas Iompair Éireann provide the information required by the Financial Reporting Standard No. 8 concerning transactions between the company, its subsidiaries and the Irish Government.

26. MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

Iarnród Éireann – Irish Rail is a member of the Córas Iompair Éireann Group of companies (the Group) and the financial statements reflect the effects of Group membership.

Dubel Limited, a wholly owned subsidiary of Iarnród Éireann-Irish Rail, is incorporated in Northern Ireland with registered offices at Central Station, East Bridge Street, Belfast.

27. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 25th August, 2009.