



DRIVING EFFICIENCY



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Iarnród Éireann would like to acknowledge funding on major projects by the Irish Government under the National Development Plan 2000-2013 as well as co-funding by the European Union.

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OPERATIONS REVIEW 2009

Overview

2009 was another challenging year for Iarnród Éireann with falling revenues and reduced subvention impacting on the financial state of the Company.

The key features of the year were:

- Reduced passenger numbers and falling revenue
- Reduced freight traffics, particularly cement and shale
- Reduced government operating subvention
- Malahide Viaduct collapse and reinstatement
- Implementation of a cost reduction programme (incl. reduction in staff numbers)
- Good overall punctuality and reliability of services
- Completion of Kildare 4-tracking project
- Reopening of Glounthaune-Midleton service
- Last of 177 Inter City Rail Cars (ICRs) entered service in 2009
- Completion of the first phase of the Western Rail Corridor project.

Cost Efficiency

Total costs savings of €31.4 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.

Finance

Operating outturn 2009

In 2009 Iarnród Éireann made an operating loss (before exceptional items) of €4.0m.

As a result of the economic recession, passenger journeys fell by 5.9m from 44.7m in 2008 to 38.8m in 2009 representing a 13% reduction in passenger volume over the year.

Figure 1 Passenger numbers

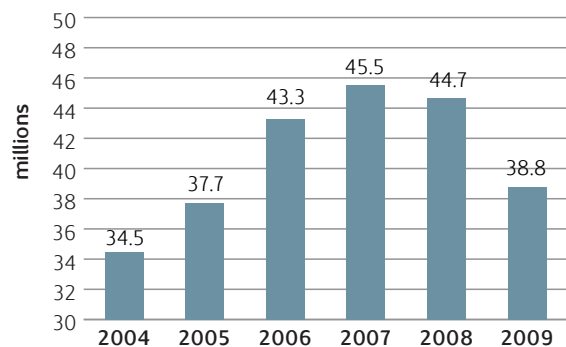
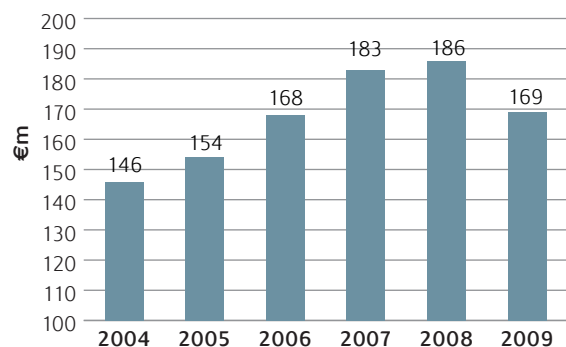


Figure 2 Passenger revenue



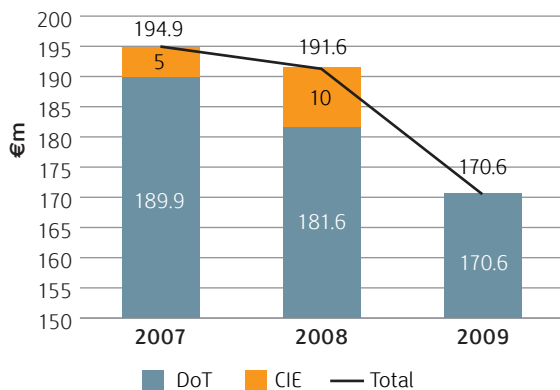
Passenger revenue overall was down by 9% in the year with total passenger revenue amounting to €169.4m for 2009, €17.3m down on the 2008 revenue. The average fare for the journeys made in 2009 was €4.36, up from €4.16 in 2008.

OPERATIONS REVIEW 2009 (CONTINUED)

However, savings in fuel, materials and payroll costs in 2009 amounted to a €31.4m reduction in costs compared to 2008.

Subvention to Iarnród Éireann in 2009 was reduced by 11%, down €20.6m on the 2008 subvention level.

Figure 3 Subvention



Exceptional items in 2009

Voluntary severance payments of €28.0m to facilitate early retirement were incurred.

After exceptional items an overall loss of €32.0 m was incurred in 2009.

Freight

Freight operating result was a deficit of €1.4m for the year and was adverse to budget by €1.3m. Traffic volumes were significantly down on budget due the adverse economic conditions.

Freight revenues at €9.0m (2008:€17.1m) were €2.1m adverse to budget primarily in the cement, shale and navigator traffics.

On a more positive front, new point to point trainload freight traffic between Ballina and Dublin Port was secured from IWT. 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.

Savings generated

Savings were generated from a number of initiatives including significant reductions in the levels of overtime and early retirement through voluntary severance. The head count in Iarnród Éireann reduced by 346 in 2009. Materials costs were reduced with the renegotiation of a number of contracts. The level of casualty maintenance required on rolling stock was lower than expected with a resulting reduction in material usage.

Diesel fuel at €25.3m (2008:€30.6m) was €7.8m favourable to budget with volume savings from efficient usage of rolling stock, reduced usage from service changes and lower VAT costs from reduced market prices.

DART electricity at €3.3m (2008:€7.0m) is €3.2m favourable to budget with savings from efficiency measures, reduction in voltages and price reductions.



OPERATIONS REVIEW 2009 (CONTINUED)

Issue of shares

Since its formation in 1987, Iarnród Éireann has held on its balance sheet a substantial loan from CIÉ. The loan represents the cost of the net assets transferred from CIÉ less the called up share capital.

The initial loan was for IR£193.705m (€245.955m) and during the early years repayments were made to CIÉ together with interest charged. In 1994 the loan was reduced to IR£130m (€165m) and remained at that figure until the issue of shares in December, 2009.

The share capital of Iarnród Éireann on its formation was 75 million shares of £1(€1.2697) each. Of these, 23 million were issued; 1 cash share of £1(€1.2697) to CIÉ and 1 cash share of £1(€1.2697) to the Secretary of the Board of CIÉ as nominee and 22,999,998 ordinary shares to CIÉ.

With the agreement of the CIÉ Board, the remaining 52 million shares were issued to CIÉ in return for the proportion of the intercompany loan corresponding to the nominal value of the shares (€66m).

Safety

Malahide Viaduct collapse

The major safety related incident in 2009 was the collapse of a pier and two spans of the Malahide Viaduct on Friday 21st August, 2009. The incident occurred shortly after two passenger trains had passed over it. Thanks to the professionalism of the driver of the second train, and of the signalman on duty, the latter train was brought safely to the next station, the alarm was raised and subsequent services halted. It soon became evident that the collapse of the pier was as a result of sea erosion to the weir on which the viaduct stands.

The internal inquiry into the Malahide viaduct collapse has reported its findings to the Railway Accident Investigation Unit (RAIU) of the Department of Transport. The RAIU will produce its final report within six months time.

A fully working physical model of the Broadmeadow estuary at Malahide was constructed at UCC to model the hydrological effects of the water flows. The results from the model helped to inform the internal inquiry and also with the development of the future maintenance regime required to mitigate the risks of erosion in the future.

Over the 12 weeks since the collapse of pier no. 4 and two adjacent spans on 21st August 2009, the collapsed pier was reconstructed, supported with piling. The two replacement deck spans were installed. All the other piers have been strengthened with piling and the weir running below the piers has been reconstructed. The designs for the reconstruction were independently verified by consulting engineers, and assessed and approved by the Railway Safety Commissioner's own approved consultants.

The Railway Safety Commissioner issued the authorisation for passenger train operations over the reconstructed Malahide viaduct on Friday 13th November 2009 and the operation of northern commuter and cross-border Enterprise services recommenced as planned on Monday 16th November 2009.



OPERATIONS REVIEW 2009 (CONTINUED)

The Railway Safety Commission (RSC) certification requires Iarnród Éireann to monitor any movement in the piers and an electronic sensor has been installed to do this. The certificate also requires Iarnród Éireann to arrange to inspect the weir at every low tide until the plan to extend the width of the weir has been completed. The certificate lasts for 6 months and will be replaced by a permanent certificate in due course on completion of the weir extension.

Other Bridge Inspections

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 substantially complete.

Stability of Embankments and Cuttings

Following the landslide at Portarlinton in August 2008 which caused the derailment of a Dublin to Cork InterCity train, Iarnród Éireann has been carefully monitoring embankments and cuttings across the network for any indications of slippage or subsidence and targeting preventative measures accordingly.

During week ending 14th November 2009, the divisional civil engineer's team on the Dublin-Rosslare line identified a stretch of embankment at risk of subsidence south of Arklow following a period of heavy rain. In order to take immediate action to stabilise and strengthen the embankment, the Rosslare line was temporarily closed between Arklow and Gorey.

Then, on Monday 16th November 2009, during further torrential rain, a landslip in a cutting occurred just south of Wicklow on the same line. An empty stock commuter service became derailed at the point of the slip. The work at both sites was completed and the line reopened on Sunday 30th November 2009.

Earlier in the year, the heavy rainfall of the previous winter also caused problems. On 2nd February 2009, there was a major rock fall at Bray Head between Bray and Greystones. A very substantial amount of loose rock was prevented from falling onto the track from the cliff edge above the railway line by the rock netting erected in recent years as part of the Iarnród Éireann coastal protection work

programme. Nevertheless to safely clear the rock and to make safe the affected area of cliff fence and reinstate the protective wire mesh on the cliff, the line from Bray to Greystones had to remain closed to all services from 2nd February 2009 until 19th February 2009.

A second event on 4th February 2009, also on the Dublin to Rosslare line, was an embankment slip near Arklow. This incident was particularly relevant in the context of the safety as it occurred at one of the locations which was being specially monitored by the Chief Civil Engineer's team as a result of the actions taken following the Portarlinton landslip in August 2008. The special monitoring ensured early warning of the risk of the slip was given and services were curtailed between Arklow and Gorey from 4th to 15th February 2009 for the necessary works to reinstate and make safe the embankment.

Energy Efficiency

Intercity and Commuter Diesel trains cut their fuel use by 6% through more efficient schedules and automatic train shutdowns on arrival at destination. In addition, Dart energy costs were reduced by 40 % through a renegotiation of the company's electricity contract and new technology to allow trains to perform with less energy requirement

OPERATIONS REVIEW 2009 (CONTINUED)

Review of key safety indicators 2009

Very good 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 Signals Passed At Danger (SPADS), level crossings, fires, derailments and collisions, bridge strikes and Continuous Automatic Warnings System (CAWS) isolations. Good reductions were also achieved in personal accidents to employees.

The only safety indicator showing deterioration in 2009 was that of accidents with farm animals and further efforts will be made in 2010 on line side fencing by the civil engineering team to help mitigate this risk.

Other incidents

There were disruptions from third party incidents; the more serious incident was due to damage caused by a truck with a raised hoist. The latter incident occurred on 30th December 2009 at the Merrion Gate on the Dublin to Rosslare line and all overhead line electrical equipment for a distance of 800 metres was severely damaged after being pulled and stretched by the truck that failed to stop. The repairs were carried out in severe weather conditions and the service was disrupted for two days. A detailed inspection of the area was carried out and there will be a need in the near future to replace two complete tension lengths of cabling (1750m each).

Customer service and performance

Public Service Contract

Iarnród Éireann entered into a formal Public Service Contract (PSC) 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. 10% of the subvention is dependent on performance targets being met. A number of force majeure clauses are contained in the contract to discount delays caused by events beyond the control of Iarnród Éireann such as terrorism and extreme weather conditions.

Passenger train punctuality 2009

The full year results for passenger train punctuality are shown below.

Whilst the individual period results for the later periods of the year were adversely affected by adverse weather conditions and, on InterCity, by temporary speed restrictions, the overall results for the 13 periods ending 31st December 2009 shows on target achievement on most routes.

Figure 4 Punctuality 2009

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

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. This is unacceptable bearing in mind the importance of the Cork route to the InterCity business and the result reflects the impact of civil engineering speed restrictions on the mainline during 2009.

OPERATIONS REVIEW 2009 (CONTINUED)

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.

Some of the factors that have led to overall improvements in performance generally are: - planned maintenance regimes for Signal Electrical and Telecomms (SET) resulting in fewer lost time faults, use of interdepartmental fault finding teams, rollout of the more reliable ICR fleet and phasing out of old rolling stock.

Alternate services during Northern Line closure

During the three month closure of the Northern Line at the Broadmeadow estuary at Malahide, a series of measures were taken to accommodate passengers. These included bus transfers for Dublin-Belfast Enterprise passengers between Drogheda and Connolly station. Bus transfers were also provided for commuters at stations along the route. Shuttle railcar services operated between Dundalk and Balbriggan. All rail tickets were honoured on Bus Átha Clíath and Bus Éireann services.

Freight services were also disrupted by the line closure and in particular Tara Mines traffic had to be transported by road between Navan and Dublin Port.

Behind the scenes, there was also disruption to maintenance regimes as the Diesel Multiple Units (DMU) depot at Drogheda was shut off from the rest of the network. Temporary maintenance facilities were added at Connolly stations and staff from Drogheda travelled to maintain trains there.

Other service disruptions

The Ennis line was closed on November 26th 2009 until January 2010, due to severe flooding at Ballycar. A programme of works to reduce this risk in the future is now in hand jointly with the Office of Public Works.

Ticketing and communications with customers

DART/Commuter Smartcard

The interim smartcard scheme, as a precursor to integrated ticketing, is progressing. 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 and will also replace the magnetic cards currently used for monthly and annual TaxSaver season ticket holders. Smartcards will be available through automatic ticketing vending machines or can be ordered on-line. A helpdesk will deal with all enquiries on-line or via the telephone.

In order to make Smartcard usage attractive to customers, it is proposed over time to develop a differential between Smartcard fares and the cost of ordinary tickets purchased at ticket offices or ticket machines.



OPERATIONS REVIEW 2009 (CONTINUED)

Summer Advertising Campaign

A summer campaign to remind potential customers of the benefits of InterCity rail travel and the low fares available was held involving local press, national radio and a new TV advertisement.

Promotions were held featuring €10 fares on a range of InterCity services, promotional pricing to fill off-peak commuter capacity in the Greater Dublin Area; promotion of travel by rail to sporting/entertainment event; further promotion of TaxSaver scheme for rail commuters and the DART 25th anniversary celebrations in July 2009 provided a basis for reminding the city of the benefits of travelling by DART.

Web sales and reservations

The proportion of internet based sales continues to grow and in 2009, the annual revenue for web based sales was €22.3m, an increase of 34%.

TaxSaver

TaxSaver tickets sales for 2009 were €20.3m an increase of €653k year on year. This figure was impacted by €254k worth of refunds from Malahide Viaduct impacted passengers.

Use of Social media

Iarnród Éireann has received praise for its use of Social media, including Facebook and Twitter, as a means of communicating with customers.

Twitter has proven itself to be a very useful tool in updating customers in real time of changes to services. As a marketing tool, it has been used to promote special discounted services using discount codes.

Infrastructure improvements

Railway Safety Programme

The Railway Safety Programme has concentrated on the replacement of sub-standard assets, the improvement of safety related work practices and the continuing development of a corporate Safety Management System (SMS).

In early July 2009, the Minister for Transport formally noted the Task Force Report and approved implementation of the Third Railway Safety Programme 2009-2013.

The 2009 programme exceeded its targets in most areas. Track works complete include: 16.5 miles of new and 10.2 miles of second hand relaying were carried out; a further 2.6 miles of ballast cleaning took place; 28 point ends were replaced; 62 glue joints were renewed; and over 60 miles of fencing were replaced. Embankment stabilisation work was carried out on most lines on the network.

Signalling works were carried out to upgrade level crossings to full CCTV controlled crossings. A substantial programme of renewal works has been carried out on overhead line system in the DART area.

The level crossing programme continued in 2009. 32 level crossings (excluding Western Rail Corridor) were closed during the year.

Good progress is being achieved on all elements of the safety management system.

- Audits and investigations are proceeding as planned. 15 Railway standards are in production.
- A contract has been placed to advance the competency management project.
- A dedicated panel has been established to develop an integrated Incident Recording data base.



OPERATIONS REVIEW 2009 (CONTINUED)

- The 2009 run of the Network Wide Risk Model incorporated the Level Crossing Risk Model.
- Operations Special Training: Programmes have been developed in the areas of communications, human factors and degraded conditions and are now being delivered. The communications programme is near completion. SPAD and shunter focus groups are continuing.
- Signalling Simulator: Tenders have been received from a number of companies and are being evaluated.

Drumsna Bridge

The spans of the Drumsna Bridge over the Shannon were replaced and the refurbished bridge was opened after a 6 day closure in November 2009. For many years there had been a 10mph severe speed restriction imposed on the bridge. The new bridge is designed for the line speed of 75mph.

Infrastructure upgrade

Kildare Route Project

The KRP signalling was completed in December 2009 with the commissioning of the slow lines, the effect being to control the area from Cherryville Junction to Inchicore using a solid state interlocking located in Heuston.

Following the successful final commissioning of the signalling on the 14th December, 2009, the Kildare Route Project 4-track railway is now fully operational. Hazelhatch, Kishogue and Clondalkin Fonthill Stations were completed and four motor and three footbridges were also constructed.

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 whilst this is done.

Western Rail Corridor

The project to reopen the section of line from Ennis to Athenry was completed in November 2009. 36 miles of rail were relaid, 102 level crossings closed (7 level crossing bridges and 8 CCTV level crossings constructed) and, another 9 bridges renewed. 4 stations were constructed. The Limerick to Galway Line signalling was completed in December following the commissioning of Limerick to Ennis section.

Driver training had commenced on 16th November. However severe flooding, particularly in the Gort area and also on the existing line between Ennis and Limerick, then prevented any operations from continuing. After the Gort flood waters subsided, some remedial works were undertaken and driver training between Ennis and Athenry has now recommenced. The service is due to commence at end March, 2010.

Eco Efficiency

These state-of-the-art trains are have a much improved performance and are fitted with the new MTU Powerpack engine, the most energy efficient train engine in the world.

OPERATIONS REVIEW 2009 (CONTINUED)

Dunboyne Line

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

Cork Commuter service

Glounthaune/Midleton was opened for service in July 2009 with 9 miles of track laid, 2 stations completed, 9 level crossings closed and 3 level crossings automated. The new Glanmire road bridge to facilitate the closure of the Woodhill level crossing was opened to traffic in October, 2009.

Other works

- Accessibility works were completed at 12 stations.
- 1,360 car parking spaces (in 10 locations) were added in 2009 to the car parking pool.
- Ticket Validation machines were installed at 4 stations (including Heuston and Bray) during the year.
- Rosslare Berth 2 linkspan replacement was completed and is fully operational.

City Centre Re-Signalling – Implementation Phase

Installation is substantially complete on the Howth branch. Installation of cable route and construction of supporting structures for signals & location cases is ongoing on the mainline between Howth Junction and Clongriffin Station. Construction of SET buildings is complete at 8 DART stations.

Level Crossing Automation

An automation programme to remotely monitor road crossings progressed during 2009. 59 crossings are being monitored to date at the Mallow and Athlone centres and this number is expected to rise to 75 at end 2010.

Rolling stock

Acceptance into service of all the remaining InterCity railcars was completed with the introduction into service in November of set 45 (the last high density 6-car). There are twenty nine 3-car and fifteen 6-car sets now in service with replacements for sets 10 and 11, damaged at sea during delivery, due in 2011. Production for the 51 vehicle order commences in April 2010 with deliveries planned for 2011.

The reliability of the rolling stock fleets have been improved significantly over the last two years with the number of incidents causing delay more than halved. The improved rolling stock reliability has directly supported the improved reliability of services.

The resolution of several system and component issues related to the DART Class 8100 refurbishment project has been completed. In particular, the Class 8100 floors were poorly installed during the original refurbishment project and are being refitted under warranty.

The manufacturers (CAF of Spain) of the MkIV carriages operating on Dublin Cork route and the Class 29000 DMU operating commuter services into Dublin are being pursued under the contracts to rectify known technical deficiencies with their products. Remedy of these issues will improve reliability and passenger comfort.

Significant improvements in productivity and operational control of the Mechanical Engineering Workshops and Depots have been achieved over the last three years.



OPERATIONS REVIEW 2009 (CONTINUED)

DART Underground

The biggest single contributor to capacity improvement in the Dublin area is the DART Underground Interconnector. The detailed design is substantially complete and property referencing is on schedule with a view to submitting a Railway Order in 2010.

Discussions are ongoing with the major stakeholders including Dublin Transportation Office, RPA, Dept. of Transport, Dept. of Finance, NDFA, Dublin City Council, OPW and large property holders. Further public consultations for residents groups, general public and major stakeholders have taken place.

The An Bord Pleanála pre-application consultation process has brought to light some issues that need to be resolved prior to the Railway Order application.

A first draft of the business case has been completed.

The Periodic Indicative Notice (PIN) for the PPP was sent for issue to the Official Journal of the European Union (OJEU) on the 4th February, 2010.

The Project Phase 3 budget is within target.

The Project Phase 4, construction cost and programme review is being finalised. The estimated time for construction has been put at 5.5 years, plus 1 year for testing and commissioning. With PPP contract estimated to be concluded by July 2012, it is anticipated that passenger services would commence at end December 2018.

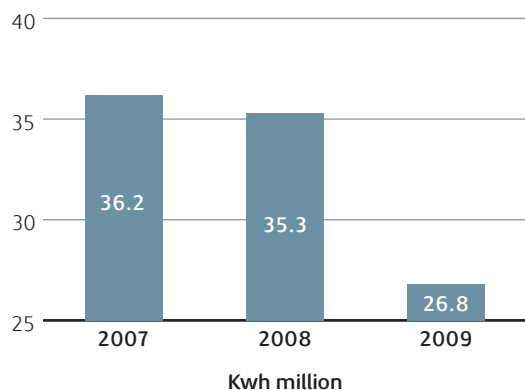
Fuel economy and the environment

Over the past number of years, Iarnród Éireann has placed great emphasis on fuel economy and has initiated a number of measures to reduce our fuel usage including:

- Reduction in engine idling times;
- Reduction in train lengths to better match capacity to demand;
- Reduction in DART power supply voltage;
- Extension of regeneration on Electrical Multiple Units (EMU's) during braking;
- Reduction in energy consumption during off-peak.



OPERATIONS REVIEW 2009 (CONTINUED)

Figure 5 DART electricity consumed

These measures have delivered an equivalent reduction in fuel consumption of 8.3% and an equivalent reduction in electricity consumption of 24.0%.

In the longer term, electrification is seen as the most efficient, reliable and cleanest source of power for the railway. With the DART Underground in place, it is planned that adjacent commuter routes will be electrified in due course.

2010 Outlook

The Financial outlook for 2010 will be challenging yet again. Passenger revenue is expected to fall by at least 5% on 2009. Subvention will be cut by €15.2m, resulting in a 7.3% cumulative average reduction rate over the period 2007-2010. Further cuts in expenditure have been identified to reduce the losses, but it is expected that Iarnród Éireann will nevertheless incur operating losses again in 2010.

On a more positive note, development of the railway will continue in 2010, thanks to the continued support of Transport 21 Capital Investment Programme for rail by the Exchequer:

- Services will commence on the Limerick Galway service and on the Dunboyne line
- DART Underground Railway Order application to be submitted
- Resignalling of the DART area to continue
- Plans for Railway Order stage to be developed for: Pace – Navan, Kildare 4-track to DART underground tie-inlink, Maynooth line and Northern line electrification
- Essential renewal works on the Dublin Cork line to continue.

DIRECTORS AND OTHER INFORMATION

Directors at 1st April, 2010

Chairman	Dr. J.J. Lynch
Directors	Ms. L. Baker, Mr. M. Cullen, Mr. P. Gaffney, Mr. M. Giblin, Mr. J. Moloney, Mr. L. O'Neill Mr. C. Perry, 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.

REPORT OF THE DIRECTORS

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 company recorded a deficit of €4.0m before a charge for an exceptional item of €28m for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €32.0m

As a result of the economic recession, passenger journeys fell by 5.9m from 44.7m in 2008 to 38.8m in 2009 representing a 13% reduction in passenger volume over the year. This reduced the total revenue to €197.6m which is a decrease of €23.9m on 2008 levels.

The issued share capital of the company was increased by 52 million shares, €66M. These shares were issued to CIÉ and paid by proportionally reducing an intercompany loan that was set up on the formation of the company.

The total amount of subvention in 2009 was €20.6m lower than in 2008 with the public service obligation payment amounting to €170.6 million compared to €181.2 million in 2008. There was no CIÉ subvention in 2009 compared to €10m in 2008.

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, 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 2009 the company received full payment of the public service obligation.

During 2009 the company continued to invest in rolling stock and infrastructure projects. Major progress was made in key Transport 21 projects including the following

- Western Rail Corridor Phase 1
- Kildare Route Project
- Cork-Middleton line
- Station Accessibility including improved Customer Car Park facilities
- Safety & Renewals Programme

A detailed review of the company's activity for the year is contained in the Operations Review.

Results and Reserves

The financial statements for the year ended 31st December, 2009 are set out in detail on pages 22 to 46. The results for the year ended 31st December, 2009 show a deficit of €4.0m before exceptional items and an overall deficit of €32.0m (2008- deficit €0.15m and €19.1m)

Risk management

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.

REPORT OF THE DIRECTORS (CONTINUED)

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.

Employee Participation

Iarnród Éireann continues to develop strong employee/management/trade union relationships built on an active partnership model.

The company's policy promotes employee participation and engagement as a means of improving company performance, particularly by fostering positive attitudes and improving the physical work environment. Employee suggestions regarding business improvement measures are actively sought and encouraged.

Matters of difference are dealt with through agreed internal processes up to and including independently chaired in house arbitration fora.

Equality and Diversity

Iarnród Éireann is committed to a policy of equality of opportunity for all the company's employees and potential employees.

The company continually seeks to provide/develop a positive working environment and culture where all employees can contribute to the best of their ability and are encouraged to realise their full potential and are respected for their diverse contributions.

Iarnród Éireann continued to review its policies and procedure during 2009 and a number of work life balance initiatives were updated and reissued during the year.

Through our Equality team, Iarnród Éireann supported the National Institute for Intellectual Disability (NIID) at Trinity College to promote the inclusion of people with intellectual disability and their families. The company through the NIID business partnership provided opportunities for a number of students who are completing the Certificate in Contemporary Living, an inclusive education programme for students with intellectual disabilities.

In 2009 Iarnród Éireann participated in the preliminary stages of the O2 Ability Awards for 2010. The Ability Awards are business awards for Best Practice in the inclusion of people with disabilities, both as customers and as employees. The company was successful in the preliminary stages and will participate in the final stages of the awards programme in 2010.

Health and Safety

Iarnród Éireann is committed to ensuring the well being of its employees by maintaining a safe place of work and by complying with all relevant employee legislation including the Safety, Health and Work Act 2005.

The Iarnród Éireann safety management system was supported through the provision of significant volume of staff training days to ensure that employees are appropriately equipped in all aspects of safety, technical and professional skills.

The company continues to support and enhance the maintenance of a strong safety competence performance and culture by ensuring that colleagues are equipped to deploy their skills in a safer, effective and efficient manner.

REPORT OF THE DIRECTORS (CONTINUED)

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 Signaling, 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 2010 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.

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.

REPORT OF THE DIRECTORS (CONTINUED)

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, 2009 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 (Retired 27th March, 2010 re-appointed 29th March, 2010))
Mr. M. Cullen	(Appointed 1st December, 2009)
Mr. P. Cullen	(Re-appointed 1st January, 2009, retired 30th November, 2009)
Mr. G. Duggan	(Retired 8th February, 2010)
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, retired 30th November, 2009)
Mr. L. O'Neill	
Mr. J. Moloney	(Appointed 1st December, 2009)
Mr. C. Perry	(Retired 12th November, 2008, Re-appointed 18th May, 2009)
Ms. D. Smyth	(Appointed 18th May, 2009)

Listed below is board director's attendance at Board meetings during 2009.

Director	Iarnród Éireann Board Attendance Log
John Lynch (Chairman)	10/11
Paul Cullen	3/10
Gerry Duggan	11/11
Phil Gaffney	5/7
Michael Giblin	7/7
Mary Johnston	9/10
Laurence O'Neill	9/11
Cliff Perry	4/7
Dearbhalla Smyth	6/7

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. M. Giblin Director

1st April, 2010

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.

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 22 to 46. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 22 and 23.

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 19.

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 31 December 2009 and of its loss and cash flows for the year then ended; and

REPORT OF THE AUDITORS (CONTINUED)

- 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 15 to 18 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 25 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 31 December, 2009, 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

1st April, 2010

PRINCIPAL ACCOUNTING POLICIES

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 2009. 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 to 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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

		Total	Exceptional Operating Items	Continuing Operations before Exceptional Items	Total	Exceptional Operating Items	Continuing Operations before Exceptional Items
Note	2009 €000	2009 €000	2009 €000	2008 €000	2008 €000	2008 €000	
			Note 4		Note 4		
Revenue		197,575	-	197,575	221,476	-	221,476
Costs							
Payroll and related costs	2	(266,790)	(27,989)	(238,801)	(266,529)	(18,910)	(247,619)
Materials and services	3	(115,514)	-	(115,514)	(152,642)	-	(152,642)
Depreciation less amortisation of capital grants	5	(28,013)	-	(28,013)	(22,231)	-	(22,231)
Total operating costs		(410,317)	(27,989)	(382,328)	(441,402)	(18,910)	(422,492)
Profit on disposal of tangible assets	6	523	-	523	1,441	-	1,441
Deficit before interest and State grants and CIÉ subvention		(212,219)	(27,989)	(184,230)	(218,485)	(18,910)	(199,575)
Interest payable							
- operational	7	(2,047)	-	(2,047)	(2,686)	-	(2,686)
- railway infrastructure	7	(1,133)	-	(1,133)	(1,508)	-	(1,508)
Total interest		(3,180)	-	(3,180)	(4,194)	-	(4,194)
Deficit for the year before State grants and CIÉ subvention		(215,399)	(27,989)	(187,410)	(222,679)	(18,910)	(203,769)
State grants- Public Service Obligation	8	170,624	-	170,624	181,152	-	181,152
State grants-railway safety grant	8	12,772	-	12,772	12,466	-	12,466
Deficit for the year after State grants		(32,003)	(27,989)	(4,014)	(29,061)	(18,910)	(10,151)
Contribution from parent company		-	-	-	10,000	-	10,000
Deficit for the year	19	(32,003)	(27,989)	(4,014)	(19,061)	(18,910)	(151)

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. M. Giblin Director

BALANCE SHEET

As at 31st December	Notes	2009 €000	2008 €000
Fixed assets			
Tangible fixed assets	9	1,702,886	1,577,212
Financial assets	10	20	20
		1,702,906	1,577,232
Current assets			
Stocks	11	55,671	46,327
Debtors	12	122,717	172,087
Cash floats		286	280
		178,674	218,694
Creditors (amounts falling due within one year)	13	(263,225)	(277,648)
Net current liabilities		(84,551)	(58,954)
Total assets less current liabilities		1,618,355	1,518,278
Creditors (amounts falling due after more than one year)	14	(119,257)	(189,129)
Provisions for liabilities and charges	16	(57,777)	(56,696)
Deferred income	17	(1,382,218)	(1,247,373)
		59,103	25,080
Financed by:			
Capital and reserves			
Called up share capital	18	95,230	29,204
Profit and loss account	19	(36,127)	(4,124)
Shareholders funds	19	59,103	25,080

On behalf of the board

Dr. J. J. Lynch Chairman

Mr. M. Giblin Director

CASH FLOW STATEMENT

Year ended 31st December	Notes	2009 €000	2008 €000
Net cash (outflow)/ inflow from operating activities	20(A)	(40,259)	37,582
Servicing of finance			
Interest paid	7	(1,440)	(2,139)
Interest element of finance lease rentals	7	(1,740)	(2,055)
Net cash outflow from servicing of finance		(3,180)	(4,194)
Investing activities			
Purchase of tangible assets		(306,568)	(476,791)
Sale of tangible assets		561	1,445
Capital grants		321,756	431,455
Net cash inflow/(outflow) from investing activities		15,749	(43,891)
Net cash outflow before management of liquid resources and financing	20(B)	(27,690)	(10,503)
Management of liquid resources	20(B)	44,268	11,979
Financing			
Capital element of finance lease rentals		(4,898)	(5,406)
Net cash outflow from Financing	20(B)	(4,898)	(5,406)
Increase/(decrease) in cash in the year	20(B)	11,680	(3,930)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		11,680	(3,930)
Cash outflow from holding company balance, lease financing and NDP Investment projects funded by C.I.E.		(39,370)	(6,573)
Movement in net debt in the year		(27,690)	(10,503)
Non-cash movement in the year		66,026	-
Net debt at 1st January		(129,172)	(118,669)
Net debt at 31st December		(90,836)	(129,172)

NOTES TO THE FINANCIAL STATEMENTS

1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

	2009 €000	2008 €000
(A) Company result		
Operating deficit before operating interest, Public Service Obligation, State grants and exceptional items;		
Rail operations;		
Mainline rail (<i>note 1B</i>)	(66,003)	(70,791)
Suburban rail (<i>note 1C</i>)	(18,262)	(20,497)
Total Rail operations	(84,265)	(91,288)
Contribution from parent company	-	10,000
Public Service Obligation and State grants for Rail operations	76,342	83,826
Operating (deficit)/surplus before operating interest and exceptional items:		
Rail Operations (incl Catering services)	(7,923)	2,538
Infrastructure Maintenance (<i>note 1D</i>)	3,912	(3,181)
Road freight (<i>note 1E</i>)	-	91
Rosslare Europort (<i>note 1F</i>)	2,654	3,154
Total operating (deficit)/surplus for year before operating interest and exceptional items	(1,357)	2,602
Interest	(3,180)	(4,194)
Profit on disposal of tangible assets	523	1,441
Total operating deficit before exceptional items	(4,014)	(151)
Exceptional operating costs (<i>note 4</i>)	(27,989)	(18,910)
Deficit for the year	(32,003)	(19,061)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2009 €000	2008 €000
(B) Mainline rail division		
Revenue		
Passenger services	123,397	135,320
Freight services	9,001	15,479
	<u>132,398</u>	<u>150,799</u>
Expenditure		
Maintenance of rolling stock	(39,025)	(49,945)
Fuel	(23,676)	(28,565)
Operating and other expenses	(124,196)	(136,401)
Operating depreciation	(47,621)	(36,563)
Amortisation of capital grants	36,117	29,884
Total expenditure	<u>(198,401)</u>	<u>(221,590)</u>
Operating deficit before operating interest and Public Service Obligation	<u>(66,003)</u>	<u>(70,791)</u>
(C) Suburban rail division		
Revenue	<u>53,765</u>	<u>57,221</u>
Expenditure		
Maintenance of rolling stock	(20,796)	(20,167)
Fuel (including electricity for traction)	(5,642)	(9,776)
Operating and other expenses	(39,977)	(43,780)
Operating depreciation	(36,956)	(34,621)
Amortisation of capital grants	31,344	30,626
Total expenditure	<u>(72,027)</u>	<u>(77,718)</u>
Operating deficit before operating interest and Public Service Obligation	<u>(18,262)</u>	<u>(20,497)</u>
Included in the Maintenance of rolling stock figures in Mainline rail note 1(B) and Suburban rail note 1(C) are;		
- Depreciation charge	3,337	3,590
- Amortisation of grants	<u>1,961</u>	<u>2,046</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2009 €000	2008 €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	(71,029)	(78,891)
Renewal of railway lines and works	(68,753)	(105,740)
Operating and other expenses	(23,923)	(25,181)
Depreciation	(26,464)	(25,885)
Amortisation of capital grants	18,275	16,984
Total expenditure	(171,894)	(218,713)
Operating deficit before operating interest payable and State grants	(171,894)	(218,713)
Infrastructure Public Service Obligation	104,700	107,098
Exchequer safety funding	2,353	2,694
Renewals funding	68,753	105,740
	175,806	215,532
Surplus/(deficit) for the year before operating interest payable	3,912	(3,181)
Apportionment of Costs (incl. operating interest payable)		
Mainline rail division	145,378	171,620
Suburban rail division	26,516	47,093
Total costs infrastructure maintenance	171,894	218,713
(E) Road freight division		
Revenue	-	1,594
Operating costs		
Maintenance of vehicles and equipment	-	(5)
Fuel	-	(11)
Operating and other expenses	-	(1,484)
Operating depreciation	-	(3)
Total expenditure	-	(1,503)
Net surplus for the year	-	91

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2009 €000	2008 €000
(F) Rosslare Europort division		
Revenue		
Harbour services	11,412	11,862
Operating costs		
Maintenance, operating and other expenses	(7,876)	(7,937)
Operating depreciation	(1,360)	(1,350)
Amortisation of capital grants	478	579
Total expenditure	(8,758)	(8,708)
Operating surplus before interest payable	2,654	3,154
(G) Public Service Obligation, State grants, EU and Exchequer Funding		
Allocated to:		
Rail operations	76,342	83,826
Infrastructure maintenance	175,807	215,532
	252,149	299,358
Sources:		
Public Service Obligation	170,624	181,152
Exchequer safety and other grants	12,772	12,466
Exchequer funded renewals	68,753	105,740
	252,149	299,358

(H) Net surplus by activity before exceptional items

	Commercial €000	Social €000	Total €000
2009			
Revenue	11,412	186,163	197,575
Costs	(8,824)	(444,913)	(453,737)
Public Service Obligation, State grants, EU and Exchequer funding	-	252,148	252,148
Deficit for the year	2,588	(6,602)	(4,014)
2008 Net result	3,429	(3,580)	(151)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. PAYROLL AND RELATED COSTS

	2009 €000	2008 €000
Staff costs		
Wages and salaries	252,769	261,202
Social welfare costs	21,358	22,079
Other pension costs	28,667	25,165
	302,794	308,446
Own work capitalised, renewals and engineering work for group companies	(64,196)	(61,039)
Net staff costs	238,598	247,407
Directors' remuneration		
- Services as directors	57	67
- Other emoluments	146	145
Total directors' remuneration and emoluments	203	212
Total payroll and related costs	238,801	247,619

The services as directors includes the following fees Mr. G. Duggan €13,063, Mr. C. Perry €7,833, Mr. L. O'Neill €13,063, Mr. P. Gaffney €7,833 Mr. M. Giblin €7,833 and Ms. D. Smyth €7,833.

Also included in the above Payroll and Related Costs is the C.E.O.'s Gross Salary to Y/E 2009 of €331,565.

Included in the other emoluments are the following expenses:

	2009 €0	2008 €0
Foreign Travel	2,786	3,930
Subsistence and Accommodation	4,484	4,316
Other	1,940	3,820

	Staff Numbers		Staff Numbers	
	2009 Average	2008 Average	2009 as at 31st Dec 09	2008 as at 31st Dec 08
The number of employees by activity, was				
■ Railway operations (incl Catering services)	3,024	3,212	2,907	3,144
■ Infrastructure	1,256	1,292	1,219	1,281
■ Freight	21	31	18	24
■ Rosslare Europort	91	83	85	88
Sub-total	4,392	4,618	4,229	4,537
■ Projects	287	288	270	308
Overall-total	4,679	4,906	4,499	4,845

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

	2009 €000	2008 €000
Operating and other costs	68,732	102,033
Fuel and electric traction	36,409	35,037
Third party and employer's liability claims	3,168	8,397
Rates	2,928	2,770
Operating lease rentals	4,187	4,303
Auditors remuneration	90	102
	115,514	152,642

4. EXCEPTIONAL OPERATING COSTS

	2009 €000	2008 €000
Business restructuring	27,989	18,910

As part of the 2003 Financial Plan the company introduced a voluntary severance and early retirement programme. The costs in 2009, including severance payments and other costs associated with the programme is €28.0 million.

5. DEPRECIATION

	2009 €000	2008 €000
Depreciation (note 9)	117,227	102,772
Amortisation of capital grants (note 17)	(89,214)	(80,541)
Total depreciation	28,013	22,231

6. PROFIT ON THE DISPOSAL OF TANGIBLE ASSETS

	2009 €000	2008 €000
Profit on disposal of Tangible assets	523	1,441

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTEREST PAYABLE

	2009 €000	2008 €000
On loan from holding company	1,440	2,139
On finance leases	1,740	2,055
	3,180	4,194
Interest apportioned:-		
Operational costs	2,047	2,686
Railway infrastructure costs	1,133	1,508
	3,180	4,194

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 €613.1 million received in 2009 are given in the following table, showing the relevant provision of EU regulations. A sum of €111.2 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	122,095	-	122,095
Suburban rail			
Operation of passenger services	18,331	-	18,331
Sub total	140,426	-	140,426

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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)	20,442	-	20,442
- Class IV (level crossings)	4,553	-	4,553
- Infrastructure grant (freight)	-	1,162	1,162
	<u>24,995</u>	<u>1,162</u>	<u>26,157</u>
Suburban services			
Normalisation of accounts			
- Class III (pensions)	3,645	-	3,645
- Class IV (level crossings)	396	-	396
	<u>4,041</u>	<u>-</u>	<u>4,041</u>
Sub total	<u>29,036</u>	<u>1,162</u>	<u>30,198</u>
Total Public Service Obligation (note 20A)			<u>170,624</u>
State grant for NDP	433,545		
Deferred funds ex CIÉ	8,902		
			<u>442,427</u>
Total State grants received			<u>613,071</u>
The total funding received was applied as follows:			
Profit & loss account			
Public Service Obligation			170,624
Railway Safety Revenue Grant (note 20A)		12,772	
Credit against the renewals of railway lines and works (note 9(a))		68,753	
Deferred income (note 17)		240,838	
Deferred funding		8,902	
Transferred to CIÉ for Land & Buildings		111,182	
State grant for NDP			442,447
Total			<u>613,071</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS

	1st Jan 2009 €000	Reclassifications €000	Additions €000	Scrapings & Disposals €000	31st Dec 2009 €000
Cost					
Railway lines and works	1,350,454	-	145,962	-	1,496,416
Railway rolling stock	1,265,069	6,767	63,179	(18,193)	1,316,822
Road freight vehicles	3,676	-	-	(329)	3,347
Plant and machinery	792,863	(6,767)	94,993	(4,987)	876,102
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	48,698	-	6,494	-	55,192
Land and buildings	1,468	-	1,065	-	2,533
Capital work in progress	-	-	-	-	-
Sub total	3,463,358	-	311,693	(23,509)	3,751,542
Funding received for railway lines and works	(995,386)	-	(68,753)	-	(1,064,139)
Total	2,467,972	-	242,940	(23,509)	2,687,403

	1st Jan 2009 €000	Reclassifications €000	Charge for year €000	Scrapings & Disposals €000	31st Dec 2009 €000
Depreciation					
Railway lines and works	1,187,953	-	74,091	-	1,262,044
Railway rolling stock	393,374	1,256	64,364	(18,156)	440,838
Road freight vehicles	3,675	-	-	(328)	3,347
Plant and machinery	284,511	(1,256)	46,103	(4,986)	324,372
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	15,190	-	1,175	-	16,365
Land and buildings	313	-	247	-	560
Sub total	1,886,146	-	185,980	(23,470)	2,048,656
Funding received for railway lines and works	(995,386)	-	(68,753)	-	(1,064,139)
Total	890,760	-	117,227	(23,470)	984,517

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (continued)

	2009 €000	2008 €000
Net book amounts		
Railway lines and works	234,372	162,501
Railway rolling stock	875,984	871,695
Road freight vehicles	-	1
Plant and machinery	551,730	508,352
Catering equipment	-	-
Docks, harbours and wharves	38,827	33,508
Land and buildings	1,973	1,155
Capital work in progress	-	-
Total	1,702,886	1,577,212

(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.

	2009 €000	2008 €000
Renewals expenditure and related grants were as follows		
Renewals expenditure	68,753	106,835
State grants	68,753	105,740

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (continued)

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

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

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

	2009 €000	2008 €000
Railway rolling stock	<u>75,599</u>	<u>180,321</u>

(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:

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

10. FINANCIAL ASSETS

	2009 €000	2008 €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	<u>20</u>	<u>20</u>
Market value at 31st December	<u>49</u>	<u>49</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. STOCKS

	2009 €000	2008 €000
Rolling stock, spare parts and maintenance materials	20,569	17,806
Infrastructure stocks	26,933	17,671
Fuel, lubricants and other sundry stocks	8,169	10,850
	55,671	46,327

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

12. DEBTORS

	2009 €000	2008 €000
Trade debtors	16,424	12,288
Amounts owed by holding and fellow subsidiary companies	37,247	81,515
EU grants receivable	61,619	72,639
Other debtors and accrued income	7,427	5,645
	122,717	172,087

13. CREDITORS (amounts falling due within one year)

	2009 €000	2008 €000
Bank overdraft	5,267	16,941
Trade creditors	97,507	110,098
Finance lease obligations (note 15)	3,845	4,897
Income tax deducted under PAYE	3,703	3,900
Pay related social insurance	3,465	3,009
Value added tax and other taxes	9,907	14,047
Other creditors	14,684	13,341
Accruals	6,970	5,489
Restructuring provision (note 16)	16,664	20,722
Third party and employer's liability claims (note 16)	2,195	4,110
Deferred income (note 17)	99,018	81,094
	263,225	277,648
Creditors for taxation and social welfare included above	17,075	20,956

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2009 €000	2008 €000
Finance lease obligations (<i>note 15</i>)	20,217	24,063
Loan from Holding Company	99,040	165,066
	119,257	189,129

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 FRS25 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.

With the agreement of the ClÉ Board, 52 million shares were issued to ClÉ in return for the proportion of the intercompany loan corresponding to the value of the shares (€66m). More details are available in the Operations Review.

15. LEASE OBLIGATIONS

	2009 €000	2008 €000
(A) Finance leases		
Net obligations under finance leases fall due as follows:		
Within one year (<i>note 13</i>)	3,845	4,897
Between one and five years (<i>note 14</i>)	17,919	16,873
After five years (<i>note 14</i>)	2,298	7,190
	20,217	24,063
	24,062	28,960

(B) Operating leases

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

Within one year	1,570	2,476
Between one and five years	1,514	2,375
	3,084	4,851

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision	Third Party and Employer's Liability Claims	Total
	€000	€000	€000
Balance at 1st January, 2009	20,722	60,806	81,528
Utilised during the year	(32,047)	(2,902)	(34,949)
Transfer from profit and loss account			
Exceptional item	27,989	-	27,989
Other	-	2,068	2,068
Balance carried forward	16,664	59,972	76,636
Less amount classified as current liability (<i>note 13</i>)	(16,664)	(2,195)	(18,859)
Balance at 31st December, 2009	-	57,777	57,777

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) 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
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 subject to an overall Group self insured retention of €27,000,000 in the annual aggregate after which the any individual self insured retention in that annual period will be €50,000.
- (iv) 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 rail and road transport Third Party and Other Risks liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

- (v) 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 the any individual self insured excess in that annual period will be €100,000.
- (vi) 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.
- (vii) 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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.

17. 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 2009 €000	Transfers and Retirements €000	Received and Receivable €000	Amortised to Profit & Loss Account €000	31st Dec 2009 €000
Capital Grants					
Land and buildings	431	-	7	(142)	296
Railway lines & 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	400,812	(5,434)	93,659	(32,813)	456,224
Docks, harbours and wharves	13,372	-	-	(355)	13,017
Total capital grants	1,327,382	-	241,983	(89,179)	1,480,186
State grants – Railway Safety Investment Programme	-	-	-	-	-
Other deferred income	1,085	-	-	(35)	1,050
Total	1,328,467	-	241,983	(89,214)	1,481,236

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. DEFERRED INCOME (continued)

	2009 €000	2008 €000
Shown as:		
Deferred income - amounts falling due within one year (note 13)	99,018	81,094
Deferred income - amounts falling due after more than one year	1,382,218	1,247,373
	1,481,236	1,328,467

The grants received under the Railway Safety Investment Programmes, NDP and Transport 21 will be released to the profit and loss in accordance with the Railway Safety Investment Programmes. Grants received and receivable in 2009 were Exchequer €240,837,545 and Third Party €1,145,885.

18. SHARE CAPITAL

	2009 €000	2008 €000
Authorised:		
Ordinary shares of €1.2697 each	95,230	95,230
Allotted, called up and fully paid		
At start of Year	29,204	29,204
Shares Issued (note 14)	66,026	-
Ordinary shares of €1.2697 each at end of Year	95,230	29,204

The issued share capital of the company was increased by 52 million shares, €66M. These shares were issued to ClÉ and paid by proportionally reducing an intercompany loan that was set up on the formation of the company.

19. 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	(4,124)	25,080
New share issue			
Called up and fully paid	66,026	-	66,026
Deficit for Year	-	(32,003)	(32,003)
Closing Balance	95,230	(36,127)	59,103

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. CASH FLOW STATEMENT

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

	2009 €000	2008 €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	(212,219)	(208,485)
Public Service Obligation, State grants and renewals (note 8)	183,396	193,618
Deficit for the year before servicing of finance	(28,823)	(14,867)
Profit on disposal of tangible assets	(523)	(1,441)
Depreciation	117,227	102,772
Amortisation of capital grants (note 17)	(89,214)	(80,541)
Increase in stocks	(9,344)	(9,283)
Increase in debtors	(5,918)	(79)
(Decrease)/increase in creditors and provisions	(23,664)	41,021
Net cash (outflow)/ inflow from operating activities	(40,259)	37,582

(B) Analysis of net debt

	At 1st Jan. 2009 €000	Non-cash movement €000	Cash Flow €000	At 31st Dec. 2009 €000
Cash in hand	280	-	6	286
Bank overdraft	(16,941)	-	11,674	(5,267)
Loans	(165,066)	66,026	-	(99,040)
Finance leases	(28,960)	-	4,898	(24,062)
Intergroup balance	81,515	-	(44,268)	37,247
	(129,172)	66,026	(27,690)	(90,836)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. 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 they were defined contribution schemes, as permitted by Financial Reporting Statement No.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, 2009 there was a deficit of €547.0 million on the schemes.

The pension cost for the year on the defined benefit schemes was €28.67 million these costs are also included in note 2.

22. CAPITAL COMMITMENTS

	Contracted for €000	Authorised by the directors but not contracted for €000
2009		
Within one year	82,228	281,509
From two to five years	83,477	172,839
	165,705	454,348
Of which funding amounts to:	164,898	442,064
2008		
Total capital commitments	218,101	731,254

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. 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.

24. 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.

25. 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.

26. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 1st April, 2010.