



The Green Light to Revolutionising Public Transport



Córas Iompair Éireann

Annual Report and Financial Statements 2007

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The pursuit of a 'green agenda' means that the economy as a whole needs to move towards patterns of travel which are sustainable in the long run. The movement of people and goods must be undertaken in a manner which improves the quality of life and eases access for all.



transport21
progress in motion



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

Design: First Impression

Chairman's Statement



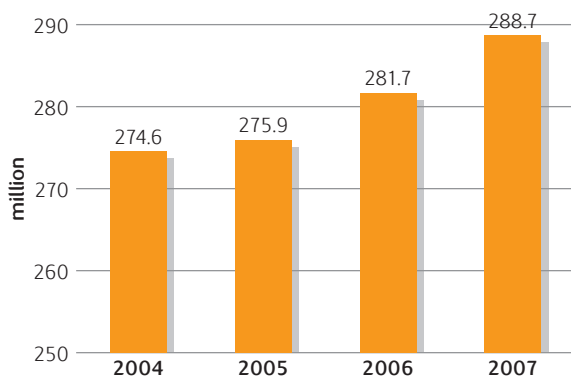
One of the new Transport 21 low floor accessible city buses.

2007 was a highly successful year for the CIÉ Group and for the three operating subsidiaries. The CIÉ Group returned an operating surplus of €28.2 million in 2007, with passenger numbers showing a record total of 288.7 million journeys.

The three CIÉ operating subsidiary companies all had record increases in passenger numbers. Iarnród Éireann carried 45.5 million passengers, an increase of 5%. Bus Éireann demand increased by 4% to 95.7 million journeys while 147.5 million customers used Bus Átha Cliath services, up from 146.3 million in 2006.

Each of the three subsidiaries also reported record profits. Bus Átha Cliath recorded a profit of €4.8 million, Bus Éireann had a surplus of €6.9 million and Iarnród Éireann returned a profit of €13.4 million. The rail company's passenger revenues also increased to €230.3 million, from €227.7 million in 2006.

CIÉ Group Passenger Journeys 2004-2007



'Value for Money'

A consultants' report published by the Department of Transport in 2007 confirmed that the CIÉ Group provided 'value for money' to the public as a result of the State subvention for the period 2001 to 2005. The overall conclusion of the Booz Allen Hamilton Report was that all three operating subsidiaries in CIÉ - Bus Átha Cliath, Bus Éireann and Iarnród Éireann - have used their respective subventions to improve efficiency which, according to the consultants, indicates that the companies are 'doing things right'.

Crucially, the report found that there are social benefits for the country arising from the subvention that go far beyond purely financial considerations. Without the subvention, the public transport service is likely to be less attractive and less comprehensive. This would lead to more car use and, consequently, more congestion. For those without access to cars, travel choices would be less, reducing the ability to access education, jobs and other opportunities.

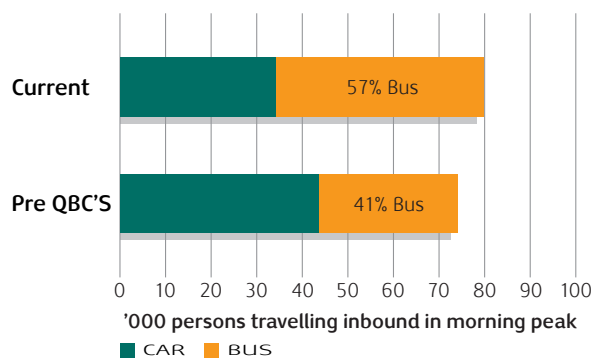
Continued Investment Vital

Central to the promotion of socially responsible travel must be continued investment in public transport so that people have a viable alternative to private car travel. The success of Bus Átha Cliath across the 12 major Quality Bus Corridors (QBCs) in Dublin backs up this assertion emphatically. On these corridors, where the bus is faster than the car, the percentage of commuters using the bus over the car has increased from 41% before QBCs were introduced to 57% currently.

This shows that car owners will switch to a faster, modern, more attractive public transport service in significant numbers. The company aims to extend the Quality Bus Network and to grow the public transport market share on QBCs to 68% by 2012 under Transport 21.

This highlights the challenge that also faces Bus Éireann in delivering efficient services around the country. While new buses provided to the company under Transport 21 will enable it to deliver, in a very short time frame, significant and tangible improvements for its customers, the issue of urban gridlock in provincial cities urgently needs to be addressed.

Changing Bus/Car ratio on Quality Bus Corridors



This strong growth in demand for transport is underpinned, not only by Ireland's economic growth but by significant investment by the Group. The new modern fleet has led, for instance, to higher frequencies of services being introduced. These investments are readily visible to the customer but the funds devoted to the improvement of facilities such as level crossings, fencing,



Dublin Bus is carrying an additional 20,000 customers each week.

costal defence and bus garages are less so. They are, however, equally important in the drive by the Group to cater for increased passenger demand.

A 'Greener' CIÉ, in Contrast to General Transport Sector

CIÉ and its subsidiaries are totally committed to the protection of the environment. The Group has demonstrated this commitment through direct investment in energy-efficient fleets that have brought many benefits.

Greenhouse emissions from the Irish transport sector have increased by over 165% between 1990 and 2006, with private cars, vans and heavy goods vehicles accounting for the vast bulk of emissions. Irish travel patterns have led to increased traffic congestion, with a resulting loss in economic competitiveness, and a deterioration in the quality of life and the natural environment.

The pursuit of a 'green agenda' means that the economy as a whole needs to move towards patterns of travel which are sustainable in the long run. The movement of people and goods must be undertaken in a manner which improves the quality of life and eases access for all.

Extra 1 Million Passengers use Bus Átha Cliath Services

Bus Átha Cliath had a very successful 2007, reporting a profit of €4.8 million and an increase of 1.2 million in passenger numbers to 147.5 million. Significantly, despite the impact of LUAS, the service is carrying an additional 20,000 customers each week or well over 1 million extra per annum, according to data available for the new Transport 21 services.

This increase is all the more noteworthy when one considers the impact of traffic gridlock which, an independent report shows, costs the company up to €60 million a year.

During 2007, 70 new replacement buses have been added, including new triaxle buses with a 25% greater passenger carrying capacity than standard buses.

The Booz Allen Hamilton Report confirmed the improved performance of Bus Átha Cliath, stating that the company has "delivered good service and value during their review period." The company increased the distance travelled by

vehicles and revenue in the study period and substantially reduced the number of accidents and claims. It found the network was enhanced, services were made more accessible and customer satisfaction had improved.

24% Growth for Bus Éireann in Europe's Fastest Growing Market

Bus Éireann had a successful year, reporting strong passenger growth and financial returns. The company has grown its passenger numbers by 24% since 2000, in what is the fastest growing bus and coach market in Europe. It reported a surplus of €6.9 million for the year 2007. These advances have been achieved despite increased competition from private bus operators and the effects of traffic congestion.

Urban traffic gridlock continues to adversely affect Bus Éireann's services, costing in excess of €23 million per annum according to an independent report. This gridlock is showing no sign of abatement, as the number of cars being used by commuters grows relentlessly.

The company became more efficient in the period 2001 to 2005, the Booz Allen Hamilton Report concluded. It reported that distances covered by vehicles increased by 16%, customer patronage grew by 10% and revenues were up by 19%. Services were enhanced and made more accessible. There was a major reduction in the number of accidents and claims, while overall customer satisfaction improved.



Iarnród Éireann railcars – the greenest fleet in Europe.

For Bus Éireann, the overall conclusion of the consultants was that the company was delivering good service with 'outputs and outcomes generally increasing more than inputs, and efficiency indicators generally growing in the right direction'.

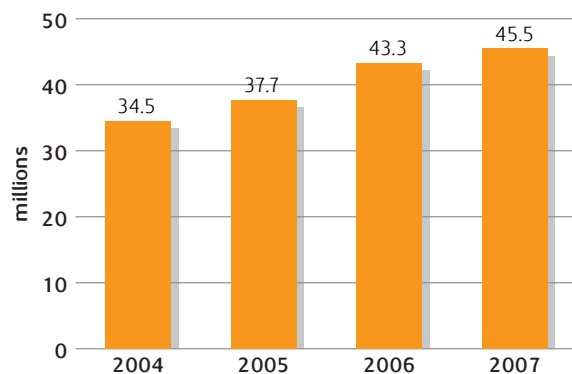
More Passengers, Revenue and Investment at Iarnród Éireann

Iarnród Éireann reported a highly satisfactory operating year, with major advances being recorded in passenger numbers and journeys, plus profit figures.

Iarnród Éireann returned a profit of €13.4 million in 2007, with passenger revenue increasing to €230.3 million, from €227.7 million in 2006.

The unprecedented investment made in Iarnród Éireann's network and services resulted in the highest number of passengers ever recorded. The total number of passenger journeys rose to 45.5 million, up 5% over 2006.

Iarnród Éireann Passenger Journeys 2004-2007



The investment in and provision of 'state-of-the-art' trains and facilities continues to be the main driver of rail passenger growth, especially as a result of the new hourly, clock face timetable service in each direction which was introduced on the Dublin/Cork route. The new InterCity fleet provides customers with greater choice, capacity, quality and comfort than ever before.

In 2007, work commenced on the preparation of the Clonsilla/Dunboyne (M3) rail service, with the formal application to An Bórd Pleanála for a Railway Order for the 7.5 kilometre line. Also, during 2007, plans for the DART underground, Dublin's Interconnector, went on display to

allow the public view station options and associated route alignments.

A review of the rail freight business was undertaken throughout the year, resulting in the cost base of the business being significantly reduced.

Rosslare Europort, the fourth biggest port in the State, and the second biggest in the key RO-RO sector, had another excellent year, with both passenger numbers and freight throughput increasing by 7% over 2006.

Significant improvements have been achieved at Iarnród Éireann between 2001 and 2005, according to the Booz Allen Hamilton Report. These include the provision of greater passenger capacity, particularly during peak periods, leading to higher traffic.

In summary, according to the consultants, 'the railway, as a passenger transport system, has delivered significant improvement'.

CIÉ Holding Company

The CIÉ Holding Company engages in a number of commercial activities including CIÉ Tours, the CIÉ Group Property Division and Commuter Advertising Network, all of which contributed €10.3 million to Group results during 2007.

CIÉ Tours International

CIÉ Tours International, the largest inbound tours company in Ireland, carried over 54,000 people during the year, earning revenues of €57.1 million, an increase of 13.5% over 2006 levels. Much of this increase came from North American tourists taking coach tour holidays in Ireland.

CIÉ Group Property Division

Group Property realised €6.8 million from the sale of non operational property during 2007. In addition, rental income amounted to €14.9 million an increase of 3.9% on 2006. The division is currently working on major projects in Dublin, Cork, Galway, Tralee and Athlone.

Commuter Advertising Network

This division is responsible for the overall control of CIÉ's outdoor advertising business, including bus and rail advertising sites. Commuter Advertising Network achieved its best results ever in 2007 where profits increased by 24% over 2006.

Acknowledgements

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

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

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

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

Ms. Margaret Walsh retired from the Board on 4th June, 2007 and Mr. John Soroan retired from the Board on 1st March, 2008. I would like to thank them for their contribution to CIÉ during their tenure as Board members.

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

Dr. J. J. Lynch
Chairman

Operations Review



Iarnród Éireann's new Intercity railcars, which entered service on the Sligo/Dublin line in December 2007.

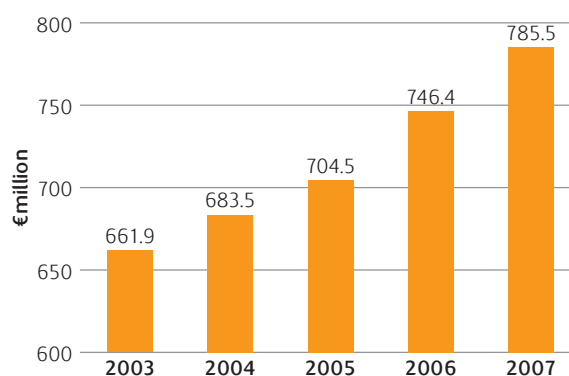
Group Results

The overall result for the CIÉ Group for 2007 is a surplus of €28.2 million compared to €22.0 million in 2006. These results are after taking into account the requirements of Accounting Standard FRS 17- Accounting for Retirement Benefits. Excluding the impact of FRS 17 the operating result for 2007 is a surplus of €35.4 million compared to a surplus of €24.4 million in 2006.

	2007 €m	2006 €m
Revenue	785.5	746.4
Public Service Obligation grant payments and Rail Safety grant	320.2	298.7
Total	1,105.7	1,045.1
Payroll related costs	(588.5)	(557.9)
Other operating costs	(504.8)	(503.9)
Financial costs	7.7	9.1
Profit on disposal of tangible assets	8.1	29.6
Total	(1,077.5)	(1,023.1)
Surplus including FRS 17 pension cost adjustments	28.2	22.0
FRS 17 pension cost adjustments	7.2	2.4
Operating surplus excluding FRS 17 pension cost adjustments	35.4	24.4

Group revenue for 2007 at €785.5 million is an increase of 5.2% over 2006 as each of the operating companies experienced an increase in patronage during the year. Overall passenger journeys for the group rose by 2.5% in 2007 to 288.7 million with Iarnród Éireann alone recording a 5% increase on its carryings. Bus Éireann and Bus Átha Cliath experienced a 2% increase in 2007 despite increased competition and traffic congestion experienced by both companies.

Group Revenue 2003-2007



The three operating companies, Iarnród Éireann, Bus Éireann and Bus Átha Cliath have included in the notes to their financial statements a note analysing their total revenue and expenditure over social and commercial activities in line with the principles of EU Commission Directive 2000/52/EC.

Operations Review *(continued)*

Payroll costs increased by €30.6 million, due mainly to pay awards as part of the "Towards 2016" national pay agreement and increased pension costs. Other operating costs of €504.8 million include €115.9 million (2006 - €100.1 million) paid to sub contractors used in the School Transport Scheme, €66.4 million (2006 - €58.1 million) for fuels, lubricants and electric traction and €19.5 million (2006 - €32.4 million) for exceptional operating costs comprising primarily of voluntary severance payments and business restructuring costs incurred by Iarnród Éireann €14.7 million, Bus Éireann €4.0 million, Bus Átha Cliath €0.4 million and the CIÉ Holding Company €0.4 million. Profit on disposal of fixed assets at €8.1 million (2006 - €29.6 million) is down €21.5 million.

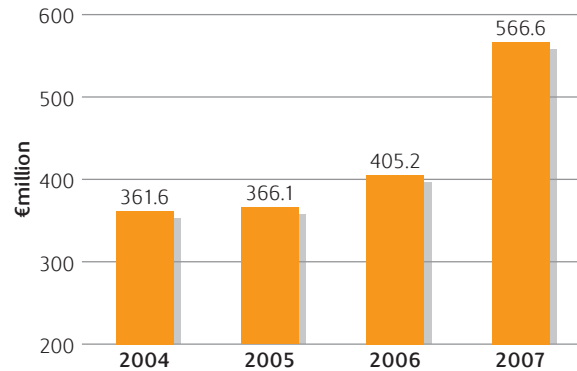
The Public Service Obligation (PSO) and Rail Safety grant payments of €320.2 million represent an increase of 7.2% on 2006 of which the Rail Safety grant represented €13.6 million (2006 - €13.7 million).

In addition, the Group received Exchequer funding of €473.0 million for capital expenditure and also €4.1 million in revenue support grants that were credited to the consolidated profit and loss account. Group investment for 2007 amounted to €566.6 million (2006 - €405.2 million).



A new EV model bus which was added to the Dublin Bus fleet in 2007.

Group Investment in Fixed Assets 2004-2007



Group Companies

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

Iarnród Éireann

Iarnród Éireann returned a surplus of €13.4 million for 2007 (2006 - a deficit of €4.1 million). Before exceptional items this profit was €28.1 million compared to €23.3 million for 2006 on the back of growth in revenue at €230.3 million in 2007 (2006 - €227.7 million).

With passenger journeys at a record level of 45.5 million for 2007 (2006 - 43.3 million) Iarnród Éireann, in just 2 years has experienced growth of over 20% reconfirming their status as Europe's fastest-growing rail service.

The company has attributed the passenger growth in 2007 to strong customer response to service improvements during the year including:

- The introduction of hourly services on the Dublin/Cork route, operated by a brand new fleet, has seen passenger numbers on Iarnród Éireann's busiest InterCity route increase by 14% to just over 3 million journeys, increasing rail's dominance over other transport providers on the route,
- Additional frequency on other InterCity routes, including Dublin/Limerick,
- The opening of the Docklands Station, which significantly increased capacity and choice of services for West Dublin commuters from growing commuter areas such as Clonsilla, Coolmine and Castleknock,

- The opening of Adamstown Station with 32 services daily which will increase to 76 on completion of the Kildare Route 4-tracking project.

In addition, key Transport 21 projects were all well progressed during the year. This will further increase patronage and market share in the future including:

- **Kildare Route project:** Physical work on the project to four-track the line between Cherry Orchard and Hazelhatch in order to deliver major frequency and capacity benefits on commuter routes, commenced in 2007.
- **Western Rail Corridor:** Track-laying began on the Ennis/Athenry section of the Western Rail Corridor. When completed there will be direct rail services between Limerick and Galway.
- **New InterCity railcars:** The first of a €400 million fleet of 183 InterCity railcars entered service on the Dublin/Sligo line. The remainder of the fleet will be phased into service throughout 2008.
- **Cork/Midleton:** The Minister for Transport approved the Railway Order for the Cork/Midleton line, and preparatory work is underway. Physical works commenced in February 2008.
- **Portarlinton speed improvements:** The line speeds have been increased to 80mph from the restrictive 20mph before the improvements were completed.



The new €400 million Intercity railcar fleet is transforming quality, comfort and frequency right across the national rail network.

- **Customer car parks:** During the year car parks were opened at Gormanstown, Tullamore and Arklow with 37 further locations at various stages of feasibility, design or construction.

On-Line Tax Saver Commuter Ticket Sales

During 2007 the second phase of the on-line ticket system for tax saver commuter tickets for Iarnród Éireann was implemented. With over 2,000 companies now set up on the system revenue generated in this area reached €18.2 million in 2007.

Student Travel Cards

During the academic year 2006/07 over 53,000 cards were sold, an increase of 31% over the previous period signifying the product's potential for further growth.

Rosslare Europort

Rosslare Europort, the fourth largest port in the State, and the second largest in the key RORO sector, had another excellent year, with freight throughput up 7% to 168,000 units. Also passenger business was up 7% as passengers numbers in excess of 1 million were recorded in 2007. An €8.0 million investment programme in the Europort was approved during the year.

Bus Átha Cliath

Bus Átha Cliath recorded another strong performance in 2007 recording a surplus of €4.8 million (2006 - €4.3 million) on the back of growth in revenue at €200.4 million (2006 - €189.3 million).

Patronage increased during the year with 147.5 million passenger journeys made on Bus Átha Cliath services for the year 2007 on its fleet of nearly 1200 buses over 193 routes which is an increase of 1.2 million on last year's carryings of 146.3 million.

Growth across many geographic areas was experienced during the year, in particular Quality Bus Corridor (QBC) route alignments with areas such as Swords, Blanchardstown, Finglas and Malahide recording an increase of over 8% in numbers carried into Dublin in the peak morning period. In addition, results from passenger loading surveys on the new Transport 21 services indicate that an additional 20,000 customers are being carried each week.

Operations Review *(continued)*

However, despite the improved position, traffic congestion remains a major concern to the company and its customers. Despite the significant progress made on QBCs, unpredictable and severe traffic congestion continues to be a major problem for Bus Átha Cliath.

In the past number of years, this worsening situation has meant that overall network bus speeds have not improved with bus speeds reaching as low as 5 kmph through the city centre area. An independent report has calculated that the cost of this gridlock to Bus Átha Cliath is estimated to be around €60 million per annum.

To tackle this particular problem, a two year programme has been agreed with the Quality Bus Network Office of Dublin City Council to enhance existing QBCs and develop new ones. A lot of progress has been made through working with local authorities and the QBN Office but there remains a lot more to be done.

During the year new Quality Bus Corridor routes were introduced from developing areas offering direct travel to the city. In addition, all day high frequencies were maintained, there was continued expansion of the network with higher frequency services on existing routes.

Highlights of the year included:

- The introduction of 100 new double deck low floor wheelchair accessible buses under the Government's Transport 21 Investment Programme. These new buses will provide increased frequency and capacity to new and developing residential areas.



Over 1 million passengers travelled on Dublin Bus' Airlink Express in 2007.

- The phased introduction of the majority of 100 New replacement buses, 50 of which are triaxle with a passenger carrying capacity 25% greater than the standard buses.
- Increased passenger carrying capacity on the Blanchardstown Quality Bus Corridor by 21%.
- Amendment to the Xpresso 33X route which now uses the Port Tunnel on its inbound route from Skerries to St. Stephen's Green, reducing the journey time for commuters.
- Completion of Quality Bus Corridors at Pearse Street, South Clondalkin, the Naas Road, Kilmacud Road Upper, the North Quays and the Rock Road.
- Reduction of journey times on the North Quays by an average of 15 minutes as a result of the introduction of the new Quality Bus Corridor.

Green Transport

In keeping with Bus Átha Cliath's commitment to greener business practices, the new buses being introduced to the fleet meet the highest EU emission standards. Equipped with engine technology which will result in lower emissions, the buses have nine litre engines that are compliant with the European Union's Directive 4.

Bus Átha Cliath is committed to reducing its emissions through continuing to keep pace with new technologies both in the area of biofuel and alternative drivelines and will move to lower carbon solutions, as quickly as commercial, logistical and technical issues will allow.

Special Services

During 2007 Bus Átha Cliath provided Park & Ride facilities for concert events such as Slane, Oxegen, Marley Park, Phoenix Park and Malahide Castle, providing a frequent and convenient mode of transport to concert-goers.

Dublin City tours recorded revenue of €6.5 million in 2007 an increase of 8% over the previous year. This growth was achieved with the assistance of a newly developed central reservations system for day tours and a new sightseeing website www.dublinsightseeing.ie which went live in June 2007 and is proving very successful.

Operations Review *(continued)*

Accessibility

70% of the fleet is low floor wheelchair accessible and the aim of having a fully accessible fleet by 2012 is very achievable.

A Safe Environment

Safety in Bus Átha Cliath remains a top priority and is a key part of the company's commitment to providing the community with a safe and reliable public transport service with the entire fleet of 1,182 buses fully fitted with CCTV cameras which cover the entire bus.

Bus Éireann

Bus Éireann returned a surplus of €6.9 million for the year (2006 - €2.3 million) with a 7.0% increase in revenue at €282.9 million (2006 - €265.1 million) while passenger journeys at 95.7 million was up 4% on the previous year.

With a 24% growth in passenger numbers on provincial and other scheduled services since 2000, Bus Éireann's services provide a vital link for local and rural communities. Through its commercial and profitable Expressway network, the company competes with Irish and multinational operators on price, quality, range of services and frequency.

Highlights of the year included:

- All day Dublin/ Belfast service introduced. Other similar services are being planned.
- New double-deck coaches introduced for long distance commuter journeys over 100 kilometres including Virginia, Newry, Athlone and Gorey to Dublin.



Bus Éireann introduced ticket vending machines to a range of new locations in 2007.

- Placement of a new order for 32 double deck coaches with funding provided under Transport 21.
- New energy efficient buses coming into operation with a Euro 4 low emissions rating which also have the capability to run on 5% biofuel.
- Opening of new bus stations at Tralee and Ennis.
- The first Transport 21 service in the Eastern region introduced with hourly connections from 5:00am connecting Navan, Dublin Airport and DCU.

Special Events

The company has also been extremely successful during the year in its event logistics and transport services which have included the supply of transport to the Galway Races week where 55,000 patrons were carried to Ballybrit on a dedicated service. Bus Éireann also operated coaches to and from some of the country's biggest music festivals and concerts in 2007 including Motocross at Slane Castle, the Garden Party at Ballinlough Castle, Oxegen at Punchestown and the Midland Music Festival in Mullingar.

Bus priority measures

Despite its successful performance in facing competition during 2007, Bus Éireann's operating environment continues to deteriorate because of urban traffic congestion, which has been shown by an independent report to cost the company in excess of €23 million per annum. Urban gridlock is showing no sign of abatement as, the exponential growth of car use from urban commuting is the main cause of urban traffic congestion. Bus Éireann has engaged with local authority management in Cork, Galway, Limerick, Waterford and the greater Dublin area to plan and progress priority measures to tackle this growing problem.

During 2007 further progress in the expansion of Green Routes (rural Quality Bus Corridors) was attained with 5 of the 9 routes outlined in the Cork Area Strategic Plan now complete. Limerick City brought its second Green Route into operation during the year.

Bus Rapid Transport

Bus Éireann also announced that the company is currently examining the potential for the introduction of Bus Rapid Transport (BRT), commonly known as 'bus trams' which are popular in the US, Canada and in a growing number of European cities.

School Transport

In 2007 further enhancements to the school transport system were made with 252 new services introduced. In the region of 135,000 children were transported twice daily on dedicated Bus Éireann and contracted school transport vehicles comprising a fleet of over 3,850 vehicles. More than 45.5 million journeys are undertaken by children travelling under the School Transport Scheme each year.

CIÉ Group Services

CIÉ Tours International

CIÉ Tours International has continued to trade profitably in an increasingly challenging worldwide tourism market. During 2007 the company provided an enjoyable holiday experience to over 54,000 people. Revenues of €57.1 million have been generated during the year, an increase of 13.5% over 2006 levels. Much of this increase has occurred in the company's core business of bringing North Americans to Ireland on coach tour holidays.

All of the products sold by CIÉ Tours International can now be booked directly by the public on the company's website. To date bookings made through this facility have exceeded the company's expectations.

During 2007 CIÉ Tours International expanded its product range to include coach tours of North America and Italy. Following this success the company has launched a separate brochure for 2008 offering customers a wide range of coach tours and also river cruising across Central and Eastern Europe.



Bus Éireann invested in various staff training programmes in 2007, including driver refresher training which focusses on defensive driving techniques and accident prevention.

During 2007 Irish people travelled extensively with CIÉ Tours International taking tours of North and South America, Canada, South Africa, China and Australia along with a wide range of European Tours.

Group Property

During 2007 the CIÉ Property Division realised €6.8 million from the sales of surplus property. In addition, rental income amounted to €14.9 million an increase of 3.5% on 2006.

The division is presently working on major projects in Dublin (Spencer Dock, Barrow Street, Interconnector, Tara Street and Abbey Street/Great Strand Street), Cork (Kent Station), Eyre Square in Galway, Tralee and Athlone.

The Property Division continues to provide professional advice to various Iarnród Éireann infrastructural projects, including level crossing closures, the Kildare Route Project, the Cork commuter stations, the Western Rail Corridor, the new commuter lines to Midleton and Pace (Dunboyne).

Commuter Advertising Network (CAN)

The continuous growth in developing new advertising opportunities resulted in Commuter Advertising Network (CAN) achieving its best results to date. Revenue from the sale of advertising in vehicles and on company property increased by 24.3% during 2007 resulting in a net profit of €9.4 million up 24.0% on 2006.

In addition to its fixed advertising plant CAN is currently rolling out new scroller and tri-vision displays in all of the major rail and bus stations across the country.

Corporate Issues

Employment

The average number of people employed by the CIÉ Group at the end of 2007 was 11,701 a decrease of 115 on 2006.

Staff Participation

CIÉ's main asset continues to be its staff. It is Group policy to utilise this asset to the fullest extent possible by progressively developing a participative culture and encouraging teamwork throughout the Group. Employees are encouraged to participate in the running of the Group through active involvement in project teams, working parties and customer focussed service improvement initiatives. There is provision for four worker directors on the CIÉ Board.

Equal Opportunities

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

There are regular meetings with representatives from organisations for the mobility-impaired to establish priorities for investments in facilities for such groups.

Safety, Health and Welfare

The Board Safety Committee in each of the operating companies continues to actively support the safety programmes of each company and encourages the widest possible involvement in safety promotion and accident prevention. Employee Well-Being Programmes are also operated by each of the companies in the Group.

Payment Practices

CIÉ acknowledges its responsibility for ensuring compliance, in all material respects, with the provisions of the EC (Late Payment in Commercial Transactions) Regulations 2002. The payment policy throughout the Group in 2007 was to comply with the requirements of the Regulation.

Procurement Policy

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

Principal Risks

The CIÉ Group deals with the principal risks to the businesses in a number of ways including health and safety described above. A risk register is maintained by each of the companies and updated periodically with the various risks and the action plans for addressing these. Iarnród Éireann, on behalf of itself, Bus Átha Cliath and Bus Éireann, enters into Commodity Swap contracts for fuel. CIÉ undertakes currency forward purchasing where it deems there is value and reduced risk to the Group.



In 2007 over 70% of the Dublin Bus fleet was low floor wheelchair accessible.

Group Structure

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

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

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

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



Córas Iompair Éireann

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

Iarnród Éireann

InterCity
Suburban
Long Distance Commuter
Rail Freight
Road Freight
Rosslare Harbour
Network Catering (Dubel Ltd.)



Bus Éireann

Expressway
Rural Services
Provincial City Services
School Bus Services
Commercial Vehicle Testing
Private Hire

Bus Átha Cliath

City Services
Xpresso
Nitelink
Airlink
City Tours
Private Hire

Members of the Board and Group Management

Members of the Board

The names of the persons, who were Board members at any time during the year ended 31st December, 2007 or since appointed, are set out here. Except where indicated they served as Board members for the whole year.

Dr. J. J. Lynch	Executive Chairman
Ms. M. Canniffe	(Retired 1st March, 2008 Reappointed 29th April, 2008)
Mr. P. Cullen*	
Ms. M. Johnston*	
Mr. P. Kiely	(Retired 1st March, 2008 Reappointed 29th April, 2008)
Mr. G. Lightfoot	(Appointed 29th April, 2008)
Mr. B. McCamley*	
Mr. J. Moloney*	
Mr. N. Ormond	(Retired 1st March, 2008 Reappointed 29th April, 2008)
Prof. Y. Scannell	(Retired 1st March, 2008 Reappointed 29th April, 2008)
Mr. S. Sheerin	(Appointed 29th April, 2008)
Mr. J. Sorohan	(Retired 1st March, 2008)
Ms. M. Walsh	(Retired 4th June, 2007)

1 vacancy

*Worker member

Secretary of the Board

Ms. G. Finucane,	
Heuston Station,	
Dublin 8.	
Telephone	+ 353 1 703 2008
Facsimile	+ 353 1 703 2276

Board Committees at 7th May, 2008

Audit Committee

Mr. P. Kiely	Chairman (Retired 1st March, 2008 Reappointed 29th April, 2008)
Ms. M. Canniffe	(Retired 1st March, 2008 Reappointed 29th April, 2008)
Mr. N. Ormond	(Retired 1st March, 2008 Reappointed 29th April, 2008)
Mr. J. Sorohan	(Retired 1st March, 2008)

1 vacancy

Finance Committee

Mr. P. Kiely	Chairman (Retired 1st March, 2008 Reappointed 29th April, 2008)
Mr. J. Sorohan	(Retired 1st March, 2008)
Ms. M. Walsh	(Retired 4th June, 2007)

3 vacancies

Remuneration Committee

Mr. P. Kiely	Chairman (Retired 1st March, 2008 Reappointed 29th April, 2008)
Dr. J. J. Lynch	
Mr. J. Sorohan	(Retired 1st March, 2008)

1 vacancy

Property Committee

Ms. M. Walsh	Chairperson (Retired 4th June, 2007)
Mr. N. Ormond	Chairman (Retired 1st March, 2008 Reappointed 29th April, 2008)
Ms. M. Johnston	(Appointed 6th June, 2007)
Prof. Y. Scannell	(Appointed 6th June, 2007 Retired 1st March, 2008 Reappointed 29th April, 2008)

1 vacancy



Group Management

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

Auditors

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

Solicitor

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

Principal Banker

Bank of Ireland,
College Green,
Dublin 2.

Corporate Governance Statement

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

The Board

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

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

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

Board Committees

Committees are established to assist the Board in the discharge of its responsibilities. The committees comprise of an Audit Committee (see below), a Finance Committee (see below), a Property Committee and a Remuneration Committee. Their members are listed on page 15.

Audit Committee

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

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

Finance Committee

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

Internal Financial Controls

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

The Group's overall control systems include:

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

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

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

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

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

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

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

Executive Board Members' Remuneration

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

Other Members' Remuneration

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

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

Going Concern

The Board members are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for the preparation of the accounts.

Statement of the Board's Responsibilities

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

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

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

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

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

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

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



Auditors' Report to the Minister for Transport

As auditors appointed by Córas Iompair Éireann under Section 34 (2) of the Transport Act, 1950 with your consent, we have audited the financial statements on pages 21 to 51 that have been prepared under the historical cost convention, and the accounting policies set out on pages 21 to 23.

Respective Responsibilities of the Members of the Board and the Auditors

The responsibilities of the Board for preparing the Annual Report and the financial statements in accordance with applicable Irish law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out on page 19 in the Statement of Board's Responsibilities.

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

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

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

We read the other information contained in the Annual Report. This other information comprises of only the

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

Basis of Audit Opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of Córas Iompair Éireann and of the Group as at 31st December, 2007 and of the surplus and cash flows of the Group for the year then ended.

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

PricewaterhouseCoopers,
Chartered Accountants and Registered Auditors, Dublin

7th May, 2008.

Principal Accounting Policies

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

(A) Basis of Preparation

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Transport Act, 1950 and the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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

(B) Basis of Consolidation

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

Iarnród Éireann – Irish Rail and its subsidiary Dubel Limited

Bus Éireann – Irish Bus

Bus Átha Cliath – Dublin Bus

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

Dubel Limited is treated as a branch of Iarnród Éireann – Irish Rail for accounting purposes.

(C) Revenue

Revenue comprises the gross value of services provided.

(D) Tangible Assets and Depreciation

The bases of calculation of depreciation are as follows:

(i) Railway lines and works

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

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

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

(ii) Railway rolling stock

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

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

(iii) Road passenger vehicles

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

(iv) Road freight vehicles

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

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

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

(vi) Land and buildings

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

(E) Leased Assets

(i) Finance leases

Assets held under finance leases are accounted for in accordance with SSAP 21 (Accounting for Leases and Hire Purchase Contracts). The capital costs of such assets are included in tangible assets and depreciated over the shorter of the lease term or the estimated useful life of the asset. The capital elements of the outstanding lease obligations are included in creditors. Finance charges are charged to the consolidated profit and loss account over the primary period of the lease.

(ii) Operating leases

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

(F) Stocks

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

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

(G) European Union and Public Service Obligations and Other Exchequer Grants

(i) Grants for existing railway lines and works

Grants received for existing railway lines and works are deducted from the costs of the related assets.

This policy is not in accordance with the Companies (Amendment) Act, 1986 which requires tangible fixed assets to be shown at cost and hence grants and contributions as deferred income. This departure from the requirements of the Companies (Amendment) Act, 1986 is in the opinion of the Board, necessary for the financial statements to show a true and fair view as these railway lines and works do not have determinable lives and therefore no basis exists on which to recognise grants and contributions and deferred income.

(ii) Grants for other capital expenditure

Grants for other capital expenditure are credited to deferred income as they become receivable. They are amortised to the consolidated profit and loss account on the same basis as the related assets are depreciated.

(iii) Revenue grants

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

(iv) Safety investment grants

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

(H) Foreign Currency

Transactions denominated in foreign currency are translated into euro at the rate ruling at the date of the transaction, or at contract rates where the amounts payable or receivable are covered by forward contracts.

Realised exchange gains or losses on transactions settled during the year are treated as part of the surplus or deficit for the year from ordinary activities.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at contract rates where applicable.

Long-term foreign currency borrowings, including that portion payable within one year of the balance sheet date, are translated at the rates of exchange ruling at the balance sheet date (closing rates) with the resulting gains or losses included in the consolidated profit and loss account.

(I) Pensions

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

(J) Railway Infrastructure Costs

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

Consolidated Profit and Loss Account

Year ended 31st December	Notes	2007 €000	2006 €000
Revenue	1	785,512	746,412
Costs			
Payroll and related costs	3	(588,513)	(557,857)
Materials and services	4	(455,220)	(421,981)
Depreciation	5	(59,630)	(49,578)
Exceptional operating costs	6	(19,524)	(32,422)
Total operating costs		(1,122,887)	(1,061,838)
Deficit before profit on disposal of tangible assets, interest, Public Service Obligations/grants and release of provision		(337,375)	(315,426)
Profit on disposal of tangible assets	7	8,074	29,619
Deficit before interest and Public Service Obligations/grants and release of provision		(329,301)	(285,807)
Interest receivable		4,897	3,194
Interest payable			
– Operational	8	(3,219)	(3,335)
– Railway infrastructure	8	(1,817)	(1,844)
Other finance income	22	7,800	11,100
Deficit for the year before Public Service Obligations/grants and release of provision		(321,640)	(276,692)
Public Service Obligations and other Exchequer grants	9	320,163	298,681
(Deficit)/surplus for the year before release of provision		(1,477)	21,989
Release of provision for liabilities and charges	18	29,721	-
Surplus for the year		28,244	21,989

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

All figures relate to the continuing activities of the Group.

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member



Statement of Total Recognised Gains and Losses

Córas Iompair Éireann

Year ended 31st December	Notes	2007 €000	2006 €000
Surplus for the year		28,244	21,989
Actuarial gain in respect of pension schemes	22	69,100	62,100
Total recognised gains relating to the year		97,344	84,089

Consolidated Balance Sheet

As at 31st December	Notes	2007 €000	2006 €000
Fixed assets			
Tangible assets	11	2,176,896	1,846,089
Financial assets	12	20	20
		2,176,916	1,846,109
Current assets			
Stocks	13	44,889	54,131
Debtors	14	199,775	171,552
Cash at bank and in hand		49,625	36,399
		294,289	262,082
Creditors (amounts falling due within one year)	15	(400,641)	(342,543)
Net current liabilities		(106,352)	(80,461)
Total assets less current liabilities		2,070,564	1,765,648
Creditors (amounts falling due after more than one year)	16	(87,498)	(101,795)
Provisions for liabilities and charges	18	(172,095)	(196,631)
Retirement benefits obligation	22	(162,800)	(224,700)
Deferred income	19	(1,527,448)	(1,219,143)
		120,723	23,379
Financed by:			
Reserves			
Asset replacement reserve	20	-	237,310
Capital reserve		28,556	28,556
Profit and loss account	20	79,656	(254,998)
Non-repayable State advances		12,511	12,511
	20	120,723	23,379

On behalf of the Board

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

Company Balance Sheet

As at 31st December	Notes	2007 €000	2006 €000
Fixed assets			
Tangible assets	11	583,428	452,635
Financial assets	12	289,583	295,511
		873,011	748,146
Current assets			
Debtors	14	77,378	84,074
Cash at bank and in hand		47,765	34,417
		125,143	118,491
Creditors (<i>amounts falling due within one year</i>)	15	(291,459)	(269,366)
Net current liabilities		(166,316)	(150,875)
Total assets less current liabilities		706,695	597,271
Creditors (<i>amounts falling due after more than one year</i>)	16	(87,498)	(101,795)
Deferred income	19	(385,197)	(271,785)
		234,000	223,691
Financed by:			
Reserves			
Asset replacement reserve	20	-	108,643
Capital reserve		28,556	28,556
Profit and loss account	20	192,933	73,981
Non-repayable State advances		12,511	12,511
	20	234,000	223,691

On behalf of the Board

Dr. J. J. Lynch Chairman

Mr. P. Kiely Board Member

Consolidated Cash Flow Statement

Year ended 31st December	Notes	2007 €000	2006 €000
Net cash inflow from operating activities	21(A)	109,826	65,702
Return on investments, servicing of finance and other finance income	21(B)	114	(1,282)
Capital expenditure and financial investment	21(B)	(84,674)	(22,842)
Cash inflow before use of liquid resources and financing		25,266	41,578
Financing – decrease in debt	21(B)	(13,503)	(12,971)
Increase in cash in the year		11,763	28,607
Reconciliation of net cash flow to movement in net debt (note 21c)			
Increase in cash in the year		11,763	28,607
Cash movement from decrease in debt and lease financing		13,503	12,971
Change in net debt resulting from cash flows		25,266	41,578
Movement in net debt in the year			
Net debt at 1st January		(94,017)	(135,595)
Net debt at 31st December		(68,751)	(94,017)

1. PROFIT AND LOSS FOR YEAR ENDED 31st DECEMBER

	Consolidation FRS 17 €000	CIÉ €000	Iarnród Éireann -Irish Rail €000	Bus Éireann -Irish Bus €000	Bus Átha Cliath -Dublin Bus €000	Total 2007 €000	Total 2006 €000
Revenue							
Railway							
- Suburban rail division			55,833			55,833	51,902
- Mainline rail division			143,031			143,031	140,284
			198,864			198,864	192,186
Road freight			19,269			19,269	24,137
Rosslare Harbour			12,117			12,117	11,373
Road passenger services							
- Dublin city					200,364	200,364	189,272
- Provincial cities				24,500		24,500	24,333
- Other services				258,448		258,448	240,736
Tours		57,135				57,135	50,346
Central business activities		14,815				14,815	14,029
Total revenue		71,950	230,250	282,948	200,364	785,512	746,412
Expenditure							
Railway							
- Suburban rail division:							
Operational costs			74,002			74,002	65,509
Infrastructure costs			39,288			39,288	25,663
- Mainline rail division:							
Operational costs			209,342			209,342	199,026
Infrastructure costs			158,141			158,141	148,915
			480,773			480,773	439,113
Road freight			19,390			19,390	24,528
Rosslare Harbour			8,178			8,178	8,287
Road passenger services							
- Dublin city					286,428	286,428	259,929
- Provincial cities				40,945		40,945	35,674
- Other services				277,472		277,472	255,738
Tours		56,125				56,125	49,591
Central business activities	15,000	7,827				22,827	25,218
Total expenditure	15,000	63,952	508,341	318,417	286,428	1,192,138	1,098,078

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

	Consolidation FRS 17 €000	CIÉ €000	Iarnród Éireann - Irish Rail €000	Bus Éireann - Irish Bus €000	Bus Átha Cliath - Dublin Bus €000	Total 2007 €000	Total 2006 €000
(Deficit)/surplus by activity:							
Railway							
- Suburban rail division			(57,457)			(57,457)	(39,270)
- Mainline rail division			(224,452)			(224,452)	(207,657)
			(281,909)			(281,909)	(246,927)
Road freight			(121)			(121)	(391)
Rosslare Harbour			3,939			3,939	3,086
Road passenger services							
- Dublin city					(86,064)	(86,064)	(70,657)
- Provincial cities				(16,445)		(16,445)	(11,341)
- Other services				(19,024)		(19,024)	(15,002)
Tours		1,010				1,010	755
Central business activities	(15,000)	6,988				(8,012)	(11,189)
Operating (deficit)/surplus before exceptionals	(15,000)	7,998	(278,091)	(35,469)	(86,064)	(406,626)	(351,666)
Interest receivable/(payable)		923	(5,031)	1,516	2,453	(139)	(1,985)
Other finance income (<i>note 22</i>)	7,800					7,800	11,100
Release of provision for liabilities and charges			13,397	9,023	7,301	29,721	-
Profit/(loss) on disposal of tangible assets (<i>note 7</i>)		6,798	588	(756)	1,444	8,074	29,619
(Deficit)/surplus before grants/contribution from parent company	(7,200)	15,719	(269,137)	(25,686)	(74,866)	(361,170)	(312,932)
State grants							
- operational		-	90,344	36,595	80,078	207,017	183,207
- infrastructure (<i>note 9</i>)		-	201,921	-	-	201,921	184,136
Contribution from parent company	(5,000)	5,000					
(Deficit)/surplus for the year before exceptionals	(7,200)	10,719	28,128	10,909	5,212	47,768	54,411
Exceptional operating costs (<i>note 6</i>)		(410)	(14,720)	(4,006)	(388)	(19,524)	(32,422)
Net (deficit)/surplus for the year	(7,200)	10,309	13,408	6,903	4,824	28,244	21,989

2. RAILWAY INFRASTRUCTURE COSTS

	2007 €000	2006 €000
In compliance with EU Council Directive 91/440 these costs have been computed as follows:		
Maintenance of railway lines and works	74,099	70,763
Renewal of railway lines and works	88,775	68,662
Operating (signalling) and other expenses	26,289	28,060
Depreciation <i>(note 11 [f])</i>	19,946	17,793
Amortisation of capital grants	<u>(11,680)</u>	<u>(10,700)</u>
Total railway infrastructure costs	197,429	174,578
Infrastructure subvention	(109,203)	(111,584)
Exchequer safety funding	(3,943)	(3,890)
Renewals funding <i>(note 11 [a])</i>	<u>(88,775)</u>	<u>(68,662)</u>
	<u>(201,921)</u>	<u>(184,136)</u>
Deficit for the year	<u>(4,492)</u>	<u>(9,558)</u>
Apportionment of costs:		
Mainline rail division	158,141	148,915
Suburban rail division	39,288	25,663
	<u>197,429</u>	<u>174,578</u>

3. PAYROLL AND RELATED COSTS

	2007 €000	2006 €000
Staff costs		
Wages and salaries	545,563	516,745
Social welfare costs	46,583	44,098
Other pension costs	53,005	47,797
	645,151	608,640
Own work capitalised	(57,295)	(51,440)
Net staff costs	587,856	557,200
Board members' remuneration and emoluments		
- for services as Board members	200	210
- for other services	457	447
Total Board members' remuneration and emoluments	657	657
Total payroll and related costs	588,513	557,857

Included in Board members' remuneration is €264,990 (2006 – €262,707) paid to Dr. J.J. Lynch, Executive Chairman, being €229,990 (2006 – €227,707) for other services plus €35,000 (2006 – €35,000) for Board member's fees.

	Staff Numbers	
	2007	2006
The average number of persons employed by company was as follows:		
CIÉ	282	290
Iarnród Éireann – Irish Rail	4,985	5,317
Bus Éireann – Irish Bus	2,784	2,756
Bus Átha Cliath – Dublin Bus	3,650	3,453
	11,701	11,816

4. MATERIALS AND SERVICES

	2007 €000	2006 €000
Included in materials and services are:		
Auditors' remuneration	210	205
Operating lease rentals	5,292	5,682
Revenue grants (<i>note 19</i>)	(4,140)	(8,239)

5. DEPRECIATION

	2007 €000	2006 €000
Depreciation (<i>note 11</i>)	146,182	118,452
Amortisation of capital grants (<i>note 19</i>)	(86,552)	(68,874)
	59,630	49,578

6. EXCEPTIONAL OPERATING COSTS

	2007 €000	2006 €000
Business restructuring	(19,524)	(32,422)

As part of their Financial Plan, Iarnród Éireann continued with a voluntary severance and early retirement programme. The estimated cost in 2007 including severance payments and other costs associated with the programme is €14.7 million. Bus Éireann also incurred €4.0 million, Bus Átha Cliath €0.4 million and CIÉ €0.4 million in business restructuring.

7. PROFIT ON DISPOSAL OF TANGIBLE ASSETS

	2007 €000	2006 €000
Net gain on sale of surplus land and buildings	6,791	27,243
Profit on disposal of rolling stock, vehicles, plant and machinery	1,283	2,376
	8,074	29,619

8. INTEREST PAYABLE

	2007 €000	2006 €000
On loans and leases repayable wholly within five years	3,427	3,290
On loans and leases not wholly repayable within five years	1,609	1,889
	5,036	5,179

Interest apportioned:

Group operational costs	3,219	3,335
Railway infrastructure costs	1,817	1,844
	5,036	5,179

9. PUBLIC SERVICE OBLIGATIONS AND OTHER EXCHEQUER GRANTS

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

Particulars of the State grants of €320.163 million received in 2007 – €306.583 million under Sub-Head C1 of Vote 32 of Dáil Éireann and €13.580 million under the Railway Safety Investment Programme are given in the following table:

State grants relating to 2007 activities	Total €000
Iarnród Éireann – Irish Rail	
Public Service Obligation	189,910
Railway Safety Investment Programme	13,580
Total Iarnród Éireann – Irish Rail	203,490
Bus Átha Cliath – Dublin Bus	80,078
Bus Éireann – Irish Bus	36,595
	320,163
Add State grant for National Development Plan (NDP)	465,660
Other Exchequer grants	11,454
Total State funding	797,277

The total State funding was applied as follows:

Consolidated profit and loss account	320,163
Less: infrastructure	(113,146)
Subvention and railway safety grants – operational	207,017
Infrastructure subvention and railway safety grants	113,146
NDP – credit against renewals of railway lines and works	88,775
Infrastructure subvention (note 1)	201,921
Deferred income – capital grants	375,758
Other Exchequer revenue grants	12,581
Total	797,277

10. HOLDING COMPANY NET SURPLUS FOR THE YEAR

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

The holding company's operating surplus for the year, after profit on disposal of tangible assets, amounted to €10,309,000.

11. TANGIBLE FIXED ASSETS

Group	1st Jan.	Additions	Scrappings and Disposals	31st Dec.
	€000	€000	€000	€000
Cost				
Railway lines and works	1,060,780	114,119	-	1,174,899
Funding received for railway lines and works	(800,871)	(88,775)	-	(889,646)
Railway rolling stock	946,191	130,154	(1,623)	1,074,722
Road passenger vehicles	506,758	71,034	(23,739)	554,053
Road freight vehicles	6,524	-	(1,585)	4,939
Land and buildings	482,454	142,085	-	624,539
Plant and machinery	687,856	108,280	(1,128)	795,008
Docks, harbours and wharves	47,307	962	-	48,269
Total 2007	2,936,999	477,859	(28,075)	3,386,783

	1st Jan.	Charge For	Scrappings and Disposals	31st Dec.
	€000	Year €000	€000	€000
Depreciation				
Railway lines and works	984,595	92,708	-	1,077,303
Funding received for railway lines and works	(800,871)	(88,775)	-	(889,646)
Railway rolling stock	307,671	43,051	(1,623)	349,099
Road passenger vehicles	282,958	43,350	(22,947)	303,361
Road freight vehicles	6,379	112	(1,553)	4,938
Land and buildings	32,874	9,331	-	42,205
Plant and machinery	264,174	45,460	(1,082)	308,552
Docks, harbours and wharves	13,130	945	-	14,075
Total 2007	1,090,910	146,182	(27,205)	1,209,887

	2007 €000	2006 €000
Net book amounts		
Railway lines and works	97,596	76,185
Railway rolling stock	725,623	638,520
Road passenger vehicles	250,692	223,800
Road freight vehicles	1	145
Land and buildings	582,334	449,580
Plant and machinery	486,456	423,682
Docks, harbours and wharves	34,194	34,177
Total	2,176,896	1,846,089

11. TANGIBLE FIXED ASSETS *(continued)*

Company	1st Jan. €000	Additions €000	Scrappings and Disposals €000	31st Dec. €000
Cost				
Land and buildings	480,992	141,937	-	622,929
Plant and machinery	31,544	298	(65)	31,777
Total 2007	512,536	142,235	(65)	654,706
	1st Jan. €000	Charge for year €000	Scrappings and Disposals €000	31st Dec. €000
Depreciation				
Land and buildings	32,851	9,227	-	42,078
Plant and machinery	27,050	2,179	(29)	29,200
Total 2007	59,901	11,406	(29)	71,278
			2007 €000	2006 €000
Net book amounts				
Land and buildings			580,851	448,141
Plant and machinery			2,577	4,494
Total			583,428	452,635

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

	2007 €000	2006 €000
Renewals expenditure and related grants were as follows:		
Renewals expenditure	90,876	68,662
State grants	88,775	68,662
EU grants	-	-
Deferred grants	-	-
	88,775	68,662

(b) Road passenger vehicles at a cost of €55,583,000 (2006 – €45,045,000) were fully depreciated but still in use at the balance sheet date.

11. TANGIBLE FIXED ASSETS *(Continued)*

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

	Lives (Years)
Buildings	50
Railway lines and works	40
Railway rolling stock	15 to 20
Road passenger vehicles	8 to 14
Road freight vehicles	6 to 10
Plant and machinery	3 to 35
Docks, harbours and wharves	50

(d) Included in tangible fixed assets are amounts, as stated below, in respect of rail locomotives which are held under finance leases, whereby the Company has substantially all the risks and rewards associated with the ownership of an asset, other than the legal title:

	2007 €000	2006 €000
Cost	88,917	88,835
Accumulated depreciation	(52,349)	(47,227)
Net book value at 31st December	36,568	41,608
Depreciation for year	(5,122)	(5,109)

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

	2007 €000	2006 €000
Railway rolling stock	152,501	55,792
Road passenger vehicles	24,026	18,806
	176,527	74,598

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

	2007 €000	2006 €000
Cost	741,998	648,349
Accumulated depreciation	(343,416)	(321,913)
Net book value at 31st December	398,582	326,436
Depreciation for year <i>(note 2)</i>	(19,946)	(17,793)

12. FINANCIAL ASSETS

Group	Trade investments					
	Listed shares		Unlisted shares		Total	
	2007 €000	2006 €000	2007 €000	2006 €000	2007 €000	2006 €000
Cost or valuation	97	97	13	13	110	110
Provision for permanent diminution in value	(77)	(77)	(13)	(13)	(90)	(90)
Net book amounts at 31st December	20	20	-	-	20	20

Company	Subsidiary companies			Trade investments		
	Unlisted shares €000	Loans €000	Finance leases €000	Listed shares €000	Unlisted shares €000	Total €000
Cost or valuation:						
At 1st January, 2007	90,151	165,566	39,794	34	13	295,558
Less: Reduction in						
- finance leases			(5,428)			(5,428)
- Loan		(500)				(500)
At 31st December, 2007	90,151	165,066	34,366	34	13	289,630
Provision for permanent diminution in value at 31st December, 2007	-			(34)	(13)	(47)
Net book amounts at 31st December, 2007	90,151	165,066	34,366	-	-	289,583

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

13. STOCKS

Group	2007 €000	2006 €000
Maintenance materials and spare parts	21,209	22,742
Infrastructure stocks	12,462	20,261
Fuel, lubricants and other sundry stocks	11,218	11,128
	44,889	54,131

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

14. DEBTORS

Group	2007	2006
	€000	€000
Trade debtors	27,345	23,731
Department of Education and Science	12,207	8,854
NDP Iarnród Éireann investment projects funded by CIÉ	67,490	75,733
EU grants receivable	73,851	46,563
Other debtors and accrued income	18,882	16,671
	199,775	171,552
Company		
Trade debtors	310	767
NDP Iarnród Éireann investment projects funded by CIÉ	67,490	75,733
Other debtors and accrued income	9,578	7,574
	77,378	84,074

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

Group	2007	2006
	€000	€000
Bank overdraft	21,142	19,679
Bank loans <i>(note 17)</i>	8,566	8,743
Finance lease obligations <i>(note 25)</i>	5,030	4,760
Trade creditors	118,204	87,862
Income tax deducted under PAYE	7,777	8,977
Pay related social insurance	7,446	6,843
Value added tax and other taxes	7,623	5,612
Other creditors	37,354	39,733
Restructuring provisions <i>(note 18)</i>	20,077	21,261
Third party and employer's liability claims <i>(note 18)</i>	22,430	23,000
Deferred income <i>(note 19)</i>	101,892	84,689
Accruals	43,100	31,384
	400,641	342,543
Creditors for taxation and social welfare included above	22,846	21,432

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

Company	2007	2006
	€000	€000
Bank overdraft	8,144	1,500
Bank loans <i>(note 17)</i>	8,566	8,743
Finance lease obligations <i>(note 25)</i>	5,030	4,760
Trade creditors	4,810	5,421
Amounts owed to subsidiary companies	220,988	203,600
Income tax deducted under PAYE	560	714
Pay related social insurance	236	175
Value added tax and other taxes	3,957	1,000
Other creditors	22,473	28,358
Restructuring provisions <i>(note 18)</i>	-	82
Deferred income <i>(note 19)</i>	7,861	5,546
Accruals	8,834	9,467
	291,459	269,366
Creditors for taxation and social welfare included above	4,753	1,889

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

Group and Company	2007	2006
	€000	€000
Bank loans <i>(note 17)</i>	58,924	67,490
Finance lease obligations <i>(note 25)</i>	24,714	29,744
Irrecoverable value added tax on finance leases	3,860	4,561
	87,498	101,795

17. BANK LOANS

Group and Company	2007 €000	2006 €000
These loans are repayable as follows:		
Within one year (<i>note 15</i>)	8,566	8,743
Between one and two years	8,902	8,567
Between two and five years	28,853	27,765
After five years	21,169	31,158
	58,924	67,490
Total	67,490	76,233

The presentation of the maturity analysis of loans and other debt above complies with the provisions of FRS 25, Capital Instruments. The standard requires that the maturity of debt should be determined by reference to the earliest date on which the lender can require repayment.

The Minister for Finance has guaranteed €67,490,000 of the above loans.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Restructuring Provisions €000	Third Party and Employer's Liability Claims €000	Total €000
Balance at 1st January, 2007	21,261	219,631	240,892
Utilised during year	(15,904)	(17,583)	(33,487)
Transfer from profit and loss account	14,720	22,198	36,918
Release of provisions (see note below)	-	(29,721)	(29,721)
Balance carried forward 31st December, 2007	20,077	194,525	214,602
Apportioned:			
Current liabilities (<i>note 15</i>)	20,077	22,430	42,507
Amounts falling due after more than one year	-	172,095	172,095
	20,077	194,525	214,602
Company			
Balance at 1st January, 2007	82	-	82
Utilised during year	(82)	-	(82)
Balance carried forward 31st December, 2007	-	-	-
Current liabilities (<i>note 15</i>)	-	-	-

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

Any losses not covered by external insurance are charged to the consolidated profit and loss account and unsettled amounts are included in provisions for liabilities and charges.

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

(A) External Insurance Cover

The Board has the following external insurance cover:

- (i) Iarnród Éireann – Irish Rail
 - Third Party Liability in excess of
 - (a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and
 - (b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (ii) Bus Átha Cliath – Dublin Bus
 - Third Party Liability in excess of €2,000,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (iii) Bus Éireann – Irish Bus
 - Third Party Liability in excess of
 - (a) €2,000,000 for school buses and
 - (b) €2,000,000 for other road transport on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (iv) Tours Operators' Liability for the Group with an indemnity of €2,000,000 on any one incident and in the aggregate, subject to an excess of €250,000.
- (v) Group
 - Third Party Liability in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except
 - (a) at Ossory Road, Dublin in the case of flood damage, where the excess is a non-ranking €1,000,000, and
 - (b) any other flood damage where the excess is €250,000.
- (vi) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2007 to March 2008, for rail and road transport third party liabilities in excess of a self insured retention of:

Iarnród Éireann – Irish Rail	€11,000,000
Bus Átha Cliath – Dublin Bus	€15,000,000
Bus Éireann – Irish Bus	€11,000,000

 subject to an overall Group self insured retention of €27,000,000.
- (vii) Terrorism Public Liability cover for the Group of €30,000,000, subject to excesses appropriate to the incident category.
- (viii) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2007 to March 2008, for rail and road transport third party and other risks liabilities.
- (ix) 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.
- (x) 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.

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

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

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

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

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

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

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

19. DEFERRED INCOME

Group	1st Jan. 2007 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2007 €000
Capital grants				
Railway lines and works	46,106	22,034	(1,830)	66,310
Railway rolling stock	539,736	123,606	(24,850)	638,492
Plant and machinery	318,735	82,978	(28,247)	373,466
Docks, harbours and wharves	14,008	-	(281)	13,727
Land and buildings	275,461	122,356	(5,569)	392,248
Road passenger vehicles	92,879	61,122	(17,914)	136,087
	1,286,925	412,096	(78,691)	1,620,330
State grant for Railway Safety Investment Programme	15,727	-	(7,861)	7,866
	1,302,652	412,096	(86,552)	1,628,196
Other deferred income	1,180	-	(36)	1,144
	1,303,832	412,096	(86,588)	1,629,340
Revenue grants		4,140	(4,140)	-
Total	1,303,832	416,236	(90,728)	1,629,340

Apportioned:	2007 €000
Deferred income - amounts falling due within one year	101,892
Deferred income - amounts falling due after one year	1,527,448
	1,629,340

Company	1st Jan. 2007 €000	Received and Receivable €000	Profit and Loss A/c €000	31st Dec. 2007 €000
Capital grants				
Land and buildings	274,756	122,284	(5,549)	391,491
NDP infrastructure (I.T.) grant	2,550	-	(1,008)	1,542
Other deferred income	25	-	-	25
Total	277,331	122,284	(6,557)	393,058

Apportioned:	2007 €000
Deferred income - amounts falling due within one year	7,861
Deferred income - amounts falling due after one year	385,197
	393,058

20. RECONCILIATION OF MOVEMENTS IN RESERVES

Group	Asset Replacement Reserve €000	Capital Reserve €000	Profit & Loss Account €000	Non- repayable State Advances €000	2007 Total Reserves €000	2006 Total Reserves €000
Balance at 1st January	237,310	28,556	(254,998)	12,511	23,379	(60,710)
Transfer of reserves	(237,310)	-	237,310	-	-	-
Surplus for the year	-	-	28,244	-	28,244	21,989
Actuarial gain in respect of pension schemes	-	-	69,100	-	69,100	62,100
Balance at 31st December	-	28,556	79,656	12,511	120,723	23,379

Company	Asset Replacement Reserve €000	Capital Reserve €000	Profit & Loss Account €000	Non- repayable State Advances €000	2007 Total Reserves €000	2006 Total Reserves €000
Balance at 1st January	108,643	28,556	73,981	12,511	223,691	201,771
Transfer of reserves	(108,643)	-	108,643	-	-	-
Surplus for the year	-	-	10,309	-	10,309	21,920
Balance at 31st December	-	28,556	192,933	12,511	234,000	223,691

21. CASH FLOW STATEMENT

(A) Reconciliation of operating deficit to operating cash flows

Year ended 31st December	2007 €000	2006 €000
Operating deficit before Public Service Obligations and grants	(337,375)	(315,426)
Public Service Obligation and grants other than that applied to DART interest and renewals	319,910	298,226
	(17,465)	(17,200)
Depreciation	146,182	118,452
Amortisation of capital grants	(86,552)	(68,910)
Reduction/(increase) in stocks	9,242	(5,109)
Release of provision for liabilities and charges	29,721	-
Decrease in debtors	1,464	8,096
Increase in creditors and provisions	27,234	30,373
Net cash inflow from operating activities	109,826	65,702

21. CASH FLOW STATEMENT *(continued)*
(B) Analysis of cash flows for headings netted in the cash flow statement

Year ended 31st December	2007 €000	2006 €000
Returns on investments and servicing of finance		
Interest received	4,897	3,194
Interest paid	(2,726)	(2,966)
Interest element of finance lease rental payments	(2,310)	(1,965)
State grant – DART interest	253	455
Net cash inflow/(outflow) for returns on investments and servicing of finance	114	(1,282)
Capital expenditure and financial investment		
Purchase of tangible assets	(564,028)	(405,168)
Disposal of tangible assets	8,169	36,853
State and EU capital grants	471,185	345,473
Net cash outflow for capital expenditure and financial investment	(84,674)	(22,842)
Financing		
Repayment of debt	(8,743)	(84,200)
New loans	-	75,733
Capital element of finance lease rental payments	(4,760)	(4,504)
Net cash outflow from financing	(13,503)	(12,971)

(C) Analysis of net debt

	At 1st Jan. 2007 €000	Cash Flow €000	At 31st Dec. 2007 €000
Cash at bank and in hand	36,399	13,226	49,625
Bank overdrafts	(19,679)	(1,463)	(21,142)
		11,763	
Debt due after one year	(67,490)	8,566	(58,924)
Debt due within one year	(8,743)	177	(8,566)
Finance leases	(34,504)	4,760	(29,744)
		13,503	
Total	(94,017)	25,266	(68,751)

22. PENSIONS

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

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

An actuarial review was carried out as at 31st December, 2005. The market value of the assets of the schemes at that date was €1,410,939,000 and this exceeded 100% of the benefits which had accrued to members based on service to and pensionable pay at the review date. After allowing for future pay and pension increases the level of funding was 107% in respect of the Regular Wages Staff Scheme and 99% in respect of the Superannuation Scheme 1951.

The principal assumption in this review was that investment returns would exceed the rate of increase in pensionable remuneration and of pensions in payment by 2.25% per annum. Actuarial reports are available to scheme members but are not provided for public inspection.

Composition of the scheme

The Company operates two defined benefit schemes in Ireland. Actuarial valuations were carried out at 31/12/2007 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

Financial Assumptions	31st Dec. 2007 % p.a.	31st Dec. 2006 % p.a.	31st Dec. 2005 % p.a.
Discount rate	5.50	4.60	4.00
Inflation	2.40	2.25	2.25
Pension increases	3.65	3.50	3.50
Salary increases	3.65	3.50	3.50

The assets of the schemes and the expected rates of return were:

	Long-term rate of return expected at 31st Dec. 2007 % p.a.		Long-term rate of return expected at 31st Dec. 2006 % p.a.		Long-term rate of return expected at 31st Dec. 2005 % p.a.	
	Value at 31st Dec. 2007 €000	Value at 31st Dec. 2006 €000	Value at 31st Dec. 2006 €000	Value at 31st Dec. 2005 €000		
Equities	7.60	925,400	7.10	816,800	6.60	895,000
Property	6.60	272,700	6.10	223,600	5.60	154,600
Bonds	4.60	281,700	4.10	429,700	3.60	337,400
Other	3.00	69,200	2.50	75,200	2.00	28,200
Total market value of assets		1,549,000		1,545,300		1,415,200
Actuarial value of schemes' liabilities		(1,711,800)		(1,770,000)		(1,699,600)
Deficit in schemes		(162,800)		(224,700)		(284,400)

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

22. PENSIONS *(continued)*

Analysis of movement in deficit during the year	2007 €000	2006 €000	2005 €000
Deficit in scheme at beginning of the year	(224,700)	(284,400)	(287,000)
Current service cost	(41,100)	(43,000)	(34,700)
Employer contributions	39,200	34,000	41,500
Past service costs	(13,100)	(4,500)	(5,000)
Other finance income	7,800	11,100	8,900
Actuarial gain/(loss)	69,100	62,100	(8,100)
Deficit in scheme at end of the year	(162,800)	(224,700)	(284,400)

The following amounts have been recognised in the performance statements for the years ended 31st December under the requirements of FRS 17.

	2007 €000	2006 €000	2005 €000
Charged to operating profit			
Current service cost	41,100	43,000	34,700
Past service cost	13,100	4,500	5,000
Total operating charge	54,200	47,500	39,700
Credited to other finance income			
Expected rate of return on pension scheme assets	90,800	80,300	75,700
Interest on pension scheme liabilities	(83,000)	(69,200)	(66,800)
Net return	7,800	11,100	8,900

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2007 €000	2006 €000	2005 €000
Actual return less expected return on pension scheme assets	(77,600)	64,300	151,900
Experience gains and losses arising on the scheme liabilities	(62,000)	(23,100)	(20,500)
Changes in assumptions underlying the present value of the scheme liabilities	208,700	20,900	(139,500)
Actuarial gain/(loss) recognised in STRGL	69,100	62,100	(8,100)

22. PENSIONS *(continued)*

History of experience gains and losses for the year ended 31st December

	2007 €000	2006 €000	2005 €000
Difference between expected and actual return on scheme assets:			
■ Amount	(77,600)	64,300	151,900
■ Percentage of scheme assets	(5.0%)	4.2%	10.7%
Experience losses on scheme liabilities:			
■ Amount	(62,000)	(23,100)	(20,500)
■ Percentage of the present value of the scheme liabilities	(3.6%)	(1.3%)	(1.2%)
Total amount recognised in STRGL:			
■ Amount	69,100	62,100	(8,100)
■ Percentage of the present value of the scheme liabilities	4.0%	3.5%	(0.5%)

23. CAPITAL COMMITMENTS

	2007 €000	2006 €000
Contracted for	315,387	323,237
Authorised by the Board but not contracted for	722,949	694,599
	1,038,336	1,017,836

Capital grants totalling €841.0 million have been approved in respect of the above expenditure (2006 – €943.5 million).

24. CONTINGENT LIABILITIES

Pending litigation

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

Finance leases

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

Letters of credit

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

Grants receivable

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

25. LEASE OBLIGATIONS

(A) Finance leases

Net obligations under finance leases fall due as follows:	2007	2006
	€000	€000
Within one year (<i>note 15</i>)	5,030	4,760
Between one and five years	14,649	15,978
After five years	10,065	13,766
	24,714	29,744
Total	29,744	34,504

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

(B) Operating leases

Commitments under non-cancellable operating leases payable in the coming year expire as follows:

	On plant & equipment/ motor vehicles €000
Within one year	3,345
Between one and five years	4,365
	7,710

26. RELATED PARTY TRANSACTIONS

(A) The ownership of the company

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

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

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

The Group provides rail and road transport services in the ordinary course of its business to Government departments and to entities controlled by the Irish Government, the principal of these being the Department of Education and Science, the Department of Social and Family Affairs, Coillte and An Post. Revenue from these services amounted to €207.7 million in 2007 and amounts due from these entities to the Group at 31st December, 2007 for these services totalled €20.2 million.

(C) Purchase of services from entities owned by the Irish Government

In the ordinary course of its business the Group purchases services from entities controlled by the Irish Government, the principal of these being the ESB and an Bord Gáis. Expenditure on these services amounted to €5.3 million in 2007 and amounts due to these entities by the Group at 31st December, 2007 for these services totalled €1.25 million.

27. GROUP MEMBERSHIP

Name	Principal activity
Holding company:	
Córas Iompair Éireann	Public transport services
Subsidiary companies (all wholly owned)	
Iarnród Éireann – Irish Rail	Public rail (passenger and freight) and road freight services
Bus Éireann – Irish Bus	Public bus passenger services
Bus Átha Cliath – Dublin Bus	Public bus passenger services
CIE Tours International Incorporated	Tours
Dubel Limited	Catering services

Iarnród Éireann – Irish Rail, Bus Éireann – Irish Bus and Bus Átha Cliath – Dublin Bus are incorporated and operate principally in the Republic of Ireland. These three companies are incorporated under the provisions of the Companies Acts, 1963 to 2006, as wholly owned subsidiaries of Córas Iompair Éireann in accordance with Section 6 of the Transport (Re-organisation of Córas Iompair Éireann) Act, 1986. All of the Group's interests in the subsidiary companies consist of ordinary share capital.

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

Dubel Limited is incorporated in Northern Ireland where it provides catering services for Northern Ireland Railways including their cross-border trains.

The registered offices of the subsidiary companies are as follows:

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

28. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 7th May, 2008.