The Green Light to Revolutionising Public Transport

Iarnród Éireann

Annual Report and Financial Statements 2007

A8/0207

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Iarnród Éireann carried a record number of 45.5 million passengers during 2007 an annual increase of 5% and the introduction of the first of 183 new InterCity trains with low emission engines means that Iarnród Éireann now has one of the greenest diesel train fleets in Europe.

Iarnród 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

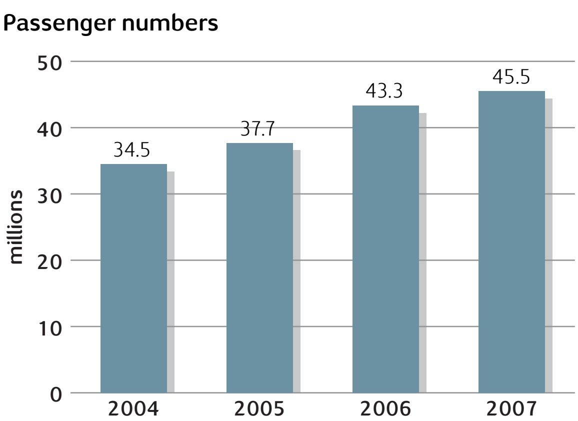
Iarnród Éireann's new Intercity railcars, which entered service on the Sligo/Dublin line in December 2007.

The record investment programme in Iarnród Éireann's network and services continued to pay dividends in 2007, with yet another record set for the highest ever number of passenger journeys recorded, 45.5 million journeys. Other features were:

- Further expansion of services
- Successful introduction of new Intercity railcar fleet
- An increase in the number of 8-car DART trains
- Major progress in key Transport 21 projects
- Continued emphasis on Safety
- Steady financial performance with a profit before exceptional items

Passenger Operations

A total of over 45.5 million journeys were recorded across Iarnród Éireann's Intercity, DART and Commuter services, up 5% over the then record 43.3 million journeys in 2006.



In just 2 years, growth of over 21% has been recorded, reconfirming Iarnród Éireann's status as Europe's fastest-growing rail service.

Customer improvements

Highlights in 2007 include:

- The introduction of hourly services on the Dublin/Cork route, operated by a new fleet, has seen passenger numbers increase by a massive 14% to just over 3 million journeys
- Additional frequency was added on other Intercity routes, including Dublin/Limerick

- The opening of Docklands Station
- Adamstown station opened in May 2007
- New Intercity railcars: The first of a €400 million investment in 183 Intercity railcars entered service on the Dublin-Sligo line during December 2007
- Web based seat reservations continue to grow, up 80% on 2006
- On-line tax saver commuter ticketing sales went live on 22nd October with sales of €18.2 million
- Student Travel-cards – Academic Year 2006/7: Over 53,000 cards were sold during the period, an increase of 31% compared to sales in the 05/06 academic year
- Interim Smartcard: Approval has now been received from the Minister for Transport for funding the sum of €6.5 million to enable Iarnród Éireann to implement a DART and Commuter Interim Smartcard ticketing system
- All Ireland free travel scheme for senior citizens: The Department of Social and Family Affairs, (DSFA) has introduced, in co-operation with the Department of Regional Development, (DRD) in Northern Ireland, an all Ireland free travel scheme for qualifying Northern Ireland senior citizens
- Fleet improvements: The rollout of the new Intercity carriages, the introduction of the Intercity Railcars and the refurbishment of the original DART fleet has all contributed to passenger comfort and safety

Safety

Safety remains the top priority for Iarnród Éireann and a strong safety culture permeates the organisation. The year 2007 was another good year for Iarnród Éireann's safety record, with no major train movement accidents involving serious injury or loss of life.

Infrastructure Development

There was major progress in key Transport 21 projects during 2007:

- Kildare Route Project: Physical work on the project to four-track the line between Cherry Orchard and Hazelhatch is on target
- Western Rail Corridor: Track-laying began on the Ennis-Athenry section of the Western Rail Corridor
- Cork-Midleton: The Railway Order for the Cork-Midleton line is approved and physical works commenced in February 2008
- Laois Traincare Depot: The new depot for maintaining the InterCity railcar fleet at Portlaoise is substantially complete and will open in early 2008
- Portarlington Speed Improvements: The construction works, to eliminate the very severe 20mph speed restriction through Portarlington is complete
- Customer car parks opened at Gormanston, Tullamore and Arklow
- The new station at Docklands was opened in March 2007, along with a new Commuter shuttle service on the Maynooth line between Clonsilla and Docklands
- Adamstown Station was opened in May 2007. There are 32 services daily
- Kent station refurbishment was completed
- Re-signalling Projects
  - The Westport line Re-signalling scheme was commissioned, on schedule, in May 2007
  - New signalling has been commissioned at Portarlington Station
  - The Rosslare line Re-signalling Project is well advanced
  - The demanning programme, to automate road crossings, has continued
  - The project to re-signal the DART area will progress during 2008

Railway Safety and Renewals Programme

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

- Nearly 25 miles of track relaying
- Coastal defence works were completed at 13 locations
- 80 miles of rural and 9 miles of urban fencing work was completed
- Level Crossing monitoring centres were set up at Mallow and Athlone
- 16 bridge renewals were completed

External Work

- Lansdowne Road: Iarnród Éireann facilitated the stadium developers to demolish the stand at Lansdowne Road stadium which overhung the DART line and the work was completed as planned
- Developer built stations were completed at Adamstown and Phoenix Park and works are underway at Parkwest and Clongriffin

Rolling Stock

- DART Units: A total of 10 two-car units (20 vehicles) were completed in 2007, commissioned and returned to service
- 67 Intercity carriages: All 67 Intercity carriages have been commissioned and are in use on the Dublin Cork hourly service
- Intercity Railcars: The 183 InterCity railcars will completely replace all the remaining aged rolling stock with modern, efficient and fully accessible units. 30 three-car units are now in service on the Sligo and Limerick lines
- Depot Strategy: Construction work is being finalised on the new Intercity railcar depot at Portlaoise and the depot will open in early 2008

Financial Result

- The overall result for 2007 is a surplus of €13.4 million compared to a deficit of €4.1 million in 2006 after extraordinary items
- Exceptional items of €14.7 million were incurred compared to €27.4 million in 2006
- Passenger revenue of €188.8 million is €9.6 million (5%) better than 2006

Accessibility

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

Rosslare Europort

Rosslare Europort, the fourth biggest port in the State, and the second biggest in the key RORO sector, had another excellent year, with freight throughput up 7% to 168,000 units. An increase of 7% to over 1 million in the passenger business was recorded in 2007. An €8 million investment programme in the Europort was approved during the year.

Freight

There was a continued consolidation in the freight function during 2007 to reduce the Freight business loss.

Environmental Policy

It is Iarnród Éireann's Board policy to replace outdated rolling stock with a modern fleet that meets stringent EU emissions criteria.

The new Intercity railcar fleet meets future EU nitrous oxide emissions targets, which will not be enforced until 2012, and are Europe's most eco-friendly diesel fleet.

Directors and Other Information

Directors at 1st April, 2008

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

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

Principal Activities and Financial Review

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

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

The directors are pleased to announce an operating surplus of €28.1 million. This surplus was reduced by an exceptional charge of €14.7 million for restructuring costs associated with the rationalising of the cost base. The operating surplus includes a release of €13.4 million from the Provision for Liabilities and Charges. The overall surplus for the year is €13.4 million.

The year also recorded an increase of €2.6 million in total revenue which amounted to €230.3 million. Passenger revenue at €188.8 million shows an increase of 5.4% over 2006. The number of passenger journeys increased by 5% from 43.3 million journeys in 2006 to 45.5 million journeys in 2007. The Dublin/Cork route, operated by a brand new fleet, has seen passenger numbers on Iarnród Éireann's busiest Intercity route increase by a massive 14%, to just over 3 million journeys.

The company continues to develop its online sales facilities with web based seat reservations and on-line tax saver commuter ticketing sales. Both facilities have experienced rapid growth in 2007 with web based seat reservations up by 80% over 2006 figures and on-line tax saver sales up by 21% over 2006.

New stations were opened at Docklands in March 2007 serving Clonsilla on the Maynooth line and at Adamstown in May 2007 on the Kildare line.

The public service obligation payment amounted to €189.1 million compared to €188.7 million in 2006. In addition a contribution from the parent company amounting to €5 million was received from CIÉ which is an increase of €4 million on the 2006 figure.

The Freight business had another very difficult year in 2007 with continued consolidation.

The company has, over recent years, adopted a policy of disengaging from the direct provision of catering, both on train services and at station outlets. On-board catering was outsourced with effect from 4th March, 2007. Trading ceased from Brasserie Na Mara on 27th October, 2007 and the company has now fully disengaged from the direct provision of catering.

The company continues, as it has successfully done for a number of years, to focus strongly on improving quality and efficiency of its services for all customers. In monitoring the company's performance a range of key operating and financial performance indicators are regularly reviewed by both the directors and the Department of Transport. Payment in full of the public service obligation is contingent on meeting targets agreed annually between the company and the Department of Transport. The directors are pleased to report that based on a successful achievement of these targets in 2007 the company received full payment of the public service obligation. A detailed review of performance is included in the Operations Review.

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

The company continues to invest in rolling stock and infrastructure projects and during 2007 major progress was made in key Transport 21 projects including the following

- Kildare route Programme
- Western Rail Corridor
- Cork-Midleton line
- Laois Traincare depot
- DART Refurbishment Programme
- Safety & Renewals Programme
- Regional diesel rail cars
- Resignalling of regional Lines
- Improved accessibility for the mobility & sensory impaired

The financial statements for the year ended 31st December, 2007 are set out in detail on pages 13 to 36.

The Board

The company is controlled through its board of directors. The board's main roles are to oversee the operation of the company, to provide leadership to the company, to approve the company's strategic objectives and to ensure that the necessary financial and other resources are made available, to enable them to meet those objectives. The board, which meets at least nine times per year, has a schedule of matters reserved for its approval.

Code of Practice for the Governance of State Bodies

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

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

Internal Control

The board of Iarnród Éireann has appointed an Audit Review Group to review; the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. The board has also appointed advisory groups to monitor project management of large infrastructure and rolling stock projects. A Safety Advisory Group and an Operations Advisory Group have also been established to assist the board in monitoring key business areas. More detail on the company's internal control system is set out in the annual report of the Córas Iompair Éireann group.

Information

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

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

Going Concern

The accounts have been prepared on the going concern basis and the directors report that they have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the directors have reviewed the budget for 2008 together with the medium term plans.

Books of Account

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

Partnership at Work in Health & Safety

Senior Management and Trades Unions jointly constructed a new Drugs & Alcohol Policy through an intensive process of consultation. The new policy was published in Railway Safety Standard No. 30 and a calibrated implementation process was initiated at year end.

This process is constructed in close cooperation with Iarnród Éireann's representative trades unions and is founded on the principle of eliminating any influence of drugs and/or alcohol in the work place through an effective regime of screening.

Equality

A further review of Iarnród Éireann's Equality policies and practices was independently conducted by Polaris, an established Equality expert organisation, during 2007. This Equality Audit was coordinated and funded by the Equality Authority through the Equal Opportunities National Framework Committee for equal opportunities at the level of enterprise, operated under Sustaining Progress.

Findings and recommendations were published at year end.

Railway Safety Act, 2005

The Iarnród Éireann Safety Case received a certificate of acceptance issued by the Railway Safety Commission on 30th January, 2007. Iarnród Éireann is, thereby, operating in compliance with the appropriate requirements of the Railway Safety Act, 2005. During 2007, the appropriate clauses of the Act were utilised to achieve Railway Safety Commission approval for the construction and placing into service of new infrastructural works and for trial running and placing into service of new and significantly altered rolling stock. The IÉ Drugs and Alcohol Policy was implemented in November 2007.

Late Payment in Commercial Transactions Regulations, 2002

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

Directors

The directors of the company are appointed by the Chairman of Córas Iompair Éireann with the consent of the Minister for Transport. The names of the persons, who were directors at any time during the year ended 31st December, 2007 are as set out below. Except where indicated they served as directors for the whole year.

Dr. J. J. Lynch	Chairman
Mr. R. Byrne	(Retired 22nd September, 2007)
Mr. P. Cullen	(Re-appointed 1st January, 2007)
Mr. G. Duggan	(Re-appointed 9th February, 2007)
Mr. P. Gaffney	(Re-appointed 1st January, 2007)
Ms. M. Johnson	(Re-appointed 1st January, 2007)
Mr. T. Murphy	(Retired 22nd September, 2007)
Mr. C. Perry	(Retired 22nd September and re-appointed 13th November, 2007)
Mr. D. P. Faulkner	(Appointed 13th November, 2007)
Cllr. L .O'Neill	(Appointed 11th June, 2007)

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

Company Secretary

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

Auditors

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

On behalf of the board

Dr. J. J. Lynch Chairman
Mr. D. P. Faulkner Director

1st April, 2008

Statement of Directors' Responsibilities

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

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

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

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

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the requirements of the Companies Acts, 1963 to 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements on pages 13 to 36. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 13 to 14.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 10.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31st December, 2007 and of the profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

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

In our opinion the information given in the directors' report on pages 7 to 9 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 16 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st December, 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

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

1st April, 2008.

A. The maintenance and integrity of the Córas Iompair Éireann website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

B. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

(A) Basis of Preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The financial statements are prepared under the historical cost convention.

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

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

(B) Tangible Assets and Depreciation

The bases of calculation of depreciation are as follows:

(i) Railway Lines and Works

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

The depreciation charge for existing railway lines and works is the estimated level of annual expenditure required to maintain the operating capability of the network which is based on the company's asset management plan.

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

(ii) Railway Rolling Stock

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

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

(iii) Road Freight Vehicles

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

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

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

(v) Land and Buildings

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

(C) Leased Assets

(i) Finance Leases

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

(ii) Operating Leases

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

(D) Stocks

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

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

(E) European Union and State Grants

(i) Grants for Existing Railway Lines and Works

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

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

(ii) Grants for Other Capital Expenditure

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

(iii) Revenue Grants

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

(iv) Safety Investment Grants

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

(F) 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.

(G) Pensions

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

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

(H) Railway Infrastructure Costs

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

	Notes	Total 2007 €000	Exceptional Operating Items 2007 €000	Continuing Operations before Exceptional Items 2007 €000	Total 2006 €000	Exceptional Operating Items 2006 €000	Continuing Operations before Exceptional Items 2006 €000
			Note 4			*Note 4*	
Revenue		**230,250**	**-**	**230,250**	227,696	-	227,696
Costs							
Payroll and related costs	*2*	**(247,943)**	**(14,720)**	**(233,223)**	(259,824)	(27,385)	(232,439)
Materials and services	*3*	**(161,538)**	**-**	**(161,538)**	(153,369)	-	(153,369)
Depreciation less amortisation of capital grants	*5*	**(24,805)**	**-**	**(24,805)**	(17,458)	-	(17,458)
Total operating costs		**(434,286)**	**(14,720)**	**(419,566)**	(430,651)	(27,385)	(403,266)
Profit on disposal of tangible assets	*6*	**588**	**-**	**588**	576	-	576
Deficit before interest and State grants and CIE subvention		**(203,448)**	**(14,720)**	**(188,728)**	(202,379)	(27,385)	(174,994)
Interest payable							
- operational	*7*	**(3,214)**	**-**	**(3,214)**	(3,254)	-	(3,254)
- railway infrastructure	*7*	**(1,817)**	**-**	**(1,817)**	(1,844)	-	(1,844)
Total interest		**(5,031)**	**-**	**(5,031)**	(5,098)	-	(5,098)
Deficit for the year before State grants and CIE subvention		**(208,479)**	**(14,720)**	**(193,759)**	(207,477)	(27,385)	(180,092)
State grants - Public Service Obligation	*8*	**189,910**	**-**	**189,910**	188,716	-	188,716
State grants - railway safety grant	*8*	**13,580**	**-**	**13,580**	13,661	-	13,661
Surplus/(deficit) for the year after State grants		**(4,989)**	**(14,720)**	**9,731**	(5,100)	(27,385)	22,285
Contribution from parent company		**5,000**	**-**	**5,000**	1,000	-	1,000
Release of provisions for liabilities and charges	*17*	**13,397**	**-**	**13,397**	-	-	-
Surplus/(deficit) for the year	*20*	**13,408**	**(14,720)**	**28,128**	(4,100)	(27,385)	23,285

All figures relate to the continuing activities of the company.

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

On behalf of the board
Dr. J .J. Lynch Chairman
Mr. D. P. Faulkner Director

Balance Sheet

As at 31st December	Notes	2007 €000	2006 €000
Fixed assets			
Tangible fixed assets	*9*	**1,308,222**	1,142,721
Financial assets	*10*	**20**	20
		1,308,242	1,142,741
Current assets			
Stocks	*11*	**37,044**	46,499
Debtors	*12*	**184,979**	158,199
Cash at bank and in hand		**267**	261
		222,290	204,959
Creditors (amounts falling due within one year)	*13*	**(386,681)**	(358,966)
Net current liabilities		**(164,391)**	(154,007)
Total assets less current liabilities		**1,143,851**	988,734
Creditors (amounts falling due after more than one year)	*14*	**(28,554)**	(34,304)
Provisions for liabilities and charges	*17*	**(55,095)**	(64,514)
Deferred income	*18*	**(1,016,061)**	(859,183)
		44,141	30,733
Financed by:			
Capital and reserves			
Called up share capital	*19*	**29,204**	29,204
Profit and loss account	*20*	**14,937**	1,529
Shareholders funds	*20*	**44,141**	30,733

On behalf of the board

Dr. J .J. Lynch Chairman

Mr. D. P. Faulkner Director

Cash Flow Statement

Year ended 31st December	Notes	2007 €000	2006 €000
Net cash inflow from operating activities	*21(A)*	**66,294**	17,348
Servicing of finance			
Interest paid	*7*	**(2,721)**	(2,503)
Interest element of finance lease rentals	*7*	**(2,310)**	(2,595)
State grant – DART Interest	*8*	**253**	455
Net cash outflow from servicing of finance		**(4,778)**	(4,643)
Investing activities			
Purchase of tangible assets		**(337,210)**	(242,492)
Sale of tangible assets		**630**	614
Capital grants		**283,671**	248,829
Net cash (outflow)/inflow from investing activities		**(52,909)**	6,951
Net cash inflow before management of liquid resources and financing	*21(B)*	**8,607**	19,656
Management of liquid resources	*21(B)*	**2,008**	(19,768)
Financing			
Capital element of finance lease rentals		**(5,428)**	(4,948)
Net cash outflow from Financing	*21(B)*	**(5,428)**	(4,948)
Increase/(decrease) in cash in the year	*21(B)*	**5,187**	(5,060)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		**5,187**	(5,060)
Cash inflow from holding company balance, lease financing and NDP Investment projects funded by C.I.E.		**3,420**	24,716
Movement in net debt in the year		**8,607**	19,656
Net debt at 1st January		**(127,276)**	(146,932)
Net debt at 31st December		**(118,669)**	(127,276)

1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT

	2007 €000	2006 €000
(A) Company result		
Operating deficit before operating interest, Public Service Obligation, State grants and exceptional items;		
Rail operations;		
Mainline rail *(note 1B)*	**(66,311)**	(58,742)
Suburban rail *(note 1C)*	**(18,169)**	(13,607)
Total Rail operations	**(84,480)**	(72,349)
Contribution from parent company	**5,000**	1,000
Public Service Obligation and State grants for Rail operations	**90,344**	86,903
Operating surplus before operating interest and exceptional items:		
Rail Operations (incl Catering services)	**10,864**	15,554
Infrastructure Maintenance *(note 1D)*	**4,492**	9,558
Road freight *(note 1E)*	**(121)**	(391)
Rosslare Europort *(note 1F)*	**3,939**	3,086
Total operating surplus for year before operating interest and exceptional items	**19,174**	27,807
Interest	**(5,031)**	(5,098)
Profit on disposal of tangible assets	**588**	576
Total operating surplus before exceptional items	**14,731**	23,285
Release of provisions for liabilities and charges *(note 17)*	**13,397**	-
Exceptional operating costs *(note 4)*	**(14,720)**	(27,385)
Surplus/(deficit) for the year	**13,408**	(4,100)

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

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

	2007 €000	2006 €000
(B) Mainline rail division		
Revenue		
Passenger services	**132,952**	127,270
Freight services	**10,079**	13,014
Total revenue	**143,031**	140,284
Expenditure		
Maintenance of rolling stock	**(49,775)**	(47,200)
Fuel	**(25,348)**	(21,327)
Operating and other expenses	**(123,963)**	(125,459)
Operating depreciation	**(30,385)**	(23,059)
Amortisation of capital grants	**20,129**	18,019
Total expenditure	**(209,342)**	(199,026)
Operating deficit before operating interest and Public Service Obligation	**(66,311)**	(58,742)
(C) Suburban rail division		
Revenue	**55,833**	51,902
Expenditure		
Maintenance of rolling stock	**(20,419)**	(16,991)
Fuel (including electricity for traction)	**(8,578)**	(7,482)
Operating and other expenses	**(41,547)**	(38,036)
Operating depreciation	**(29,697)**	(18,870)
Amortisation of capital grants	**26,239**	15,870
Total expenditure	**(74,002)**	(65,509)
Operating deficit before operating interest and Public Service Obligation	**(18,169)**	(13,607)

Included in the Maintenance of rolling stock figures in Mainline rail *(note 1(B))* and Suburban rail *(note 1(C))* are;

- Depreciation charge	**3,618**	2,512
- Amortisation of grants	**2,173**	1,510

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

	2007 €000	2006 €000
(D) Railway infrastructure maintenance		
In compliance with EU Council Directive 91/440 the costs of the railway infrastructure division have been computed as follows:		
Maintenance of railway lines and works	**(74,099)**	(70,763)
Renewal of railway lines and works	**(88,775)**	(68,662)
Operating and other expenses	**(26,289)**	(28,060)
Depreciation *(note 9 (d))*	**(19,946)**	(17,793)
Amortisation of capital grants	**11,680**	10,700
Total expenditure	**(197,429)**	(174,578)
Operating deficit before operating interest payable and State grants	**(197,429)**	(174,578)
Infrastructure Public Service Obligation	**109,203**	111,584
Exchequer safety funding	**3,943**	3,890
Renewals funding	**88,775**	68,662
	201,921	184,136
Surplus for the year before operating interest payable	**4,492**	9,558
Apportionment of Costs (incl. operating interest payable)		
Mainline rail division	**158,141**	148,915
Suburban rail division	**39,288**	25,663
Total costs infrastructure maintenance	**197,429**	174,578
(E) Road freight division		
Revenue	**19,269**	24,137
Operating costs		
Maintenance of vehicles and equipment	**(360)**	(756)
Fuel	**(52)**	(278)
Operating and other expenses	**(18,862)**	(23,300)
Operating depreciation	**(116)**	(194)
Total expenditure	**(19,390)**	(24,528)
Net deficit for the year	**(121)**	(391)

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

	2007 €000	2006 €000
(F) Rosslare Europort division		
Revenue		
Harbour services	**12,117**	11,373
Operating costs		
Maintenance, operating and other expenses	**(7,106)**	(7,187)
Operating depreciation	**(1,586)**	(1,615)
Amortisation of capital grants	**514**	515
Total expenditure	**(8,178)**	(8,287)
Operating surplus before interest payable	**3,939**	3,086

(G) Public Service Obligation, State grants, EU and Exchequer Funding

	2007 €000	2006 €000
Allocated to:		
Rail operations	**90,344**	86,903
Infrastructure maintenance	**201,921**	184,136
	292,265	271,039
Sources:		
Public Service Obligation	**189,910**	188,716
Exchequer safety and other grants	**13,580**	13,661
Exchequer funded renewals	**88,775**	68,662
	292,265	271,039

(H) Net surplus by activity before exceptional items

	Commercial €000	Social €000	Total €000
2007			
Revenue	31,386	198,864	230,250
Costs	(27,420)	(485,364)	(512,784)
Public Service Obligation, State grants,			
EU and Exchequer funding	-	292,265	292,265
Contribution from parent company	-	5,000	5,000
Surplus for the year	3,966	10,765	14,731
2006 Net result	2,631	20,654	23,285

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

2. PAYROLL AND RELATED COSTS

	2007 €000	2006 €000
Staff costs		
Wages and salaries	**247,663**	243,489
Social welfare costs	**20,972**	20,608
Other pension costs	**21,598**	19,428
	290,233	283,525
Own work capitalised, renewals and engineering work for group companies	**(57,215)**	(51,249)
Net staff costs	**233,018**	232,276
Directors' remuneration		
- services as directors	**70**	60
- other emoluments	**135**	103
Total directors' remuneration and emoluments	**205**	163
Total payroll and related costs	**233,223**	232,439

	Staff Numbers		**Staff Numbers**	
	2007 Average	2006 Average	**2007 as at 31st Dec 07**	2006 as at 31st Dec 06
The number of employees by activity, was				
■ Railway operations (incl Catering services)	**3,278**	3,570	**3,206**	3,424
■ Infrastructure	**1,303**	1,242	**1,316**	1,212
■ Freight	**47**	79	**44**	50
■ Rosslare Europort	**84**	88	**82**	82
Sub-total	**4,712**	4,979	**4,648**	4,768
■ Projects	**273**	338	**285**	346
Overall-total	**4,985**	5,317	**4,933**	5,114

3. MATERIALS AND SERVICES

	2007 €000	2006 €000
The deficit for the year before interest and State grants is arrived after charging the following under the materials and services heading.		
Operating and other costs	**118,714**	114,305
Fuel and electric traction	**31,253**	26,383
Third party and employer's liability claims	**4,836**	5,624
Rates	**2,604**	2,453
Operating lease rentals	**4,030**	4,505
Auditors remuneration	**101**	99
	161,538	153,369

4. EXCEPTIONAL OPERATING COSTS

	2007 €000	2006 €000
Business restructuring	**14,720**	27,385

As part of the 2003 Financial Plan the company introduced a voluntary severance and early retirement programme. The estimated cost in 2007, including severance payments and other costs associated with the programme is €14.72 million.

5. DEPRECIATION

	2007 €000	2006 €000
Depreciation *(note 9)*	**85,498**	64,093
Amortisation of capital grants *(note 18)*	**(60,693)**	(46,635)
Total depreciation	**24,805**	17,458

6. PROFIT ON THE DISPOSAL OF TANGIBLE ASSETS

	2007 €000	2006 €000
Profit on disposal of Tangible assets	**588**	576

7. INTEREST PAYABLE

	2007 €000	2006 €000
On loan from holding company	**2,721**	2,503
On finance leases	**2,310**	2,595
	5,031	5,098
Interest apportioned:		
Operational costs	**3,214**	3,254
Railway infrastructure costs	**1,817**	1,844
	5,031	5,098

8. STATE GRANTS

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

Particulars of the State grants of €608 million received in 2007 are given in the following table, showing the relevant provision of EU regulations. A sum of €113.3 million in relation to grants received on buildings was passed back to the holding company.

	EU Regulation Number 1191/69 €000	1107/70 (Article 4) €000	Total €000
Revenue related			
Mainline rail			
Operation of passenger services	145,278	-	145,278
Residual deficit – State grants	-	-	-
	145,278	-	145,278
Suburban rail			
Operation of passenger services	18,672	-	18,672
Sub total	163,950	-	163,950

8. STATE GRANTS *(continued)*

	EU Regulation Number 1192/69 €000	1107/70 (Article 3.1 [b]) €000	Total €000
Expenditure related			
Mainline rail			
Normalisation of accounts			
- Class III (pensions)	14,947	-	14,947
- Class IV (level crossings)	6,262	-	6,262
- Infrastructure grant (freight)	-	1,251	1,251
	21,209	1,251	22,460
Suburban services			
Normalisation of accounts			
- Class III (pensions)	2,702	-	2,702
- Class IV (level crossings)	545	–	545
	3,247	–	3,247
Sub total	24,456	1,251	25,707
Total *(note 21A)*			189,657
Add State grant for DART interest – EU Regulation 1191/69			253
Sub total Public Service Obligation			189,910
State grant for NDP	409,838		
Deferred funds ex CIÉ	8,243		418,081
Total State grants received			607,991

The total funding received was applied as follows:		
Profit & loss account		
Public Service Obligation		189,910
Railway Safety Revenue Grant *(note 21A)*	13,580	
Credit against the renewals of railway lines and works *(note9(a))*	88,775	
Deferred income *(note 18)*	194,178	
Deferred funding	8,243	
Transferred to CIÉ for Land & Buildings	113,305	
State grant for NDP		418,081
Total		607,991

9. TANGIBLE FIXED ASSETS

Cost	1st Jan 2007 €000	Additions €000	Scrappings & Disposals €000	31st Dec 2007 €000
Railway lines and works	1,060,780	114,119	-	1,174,899
Railway rolling stock	943,984	130,154	(1,623)	1,072,515
Road freight vehicles	6,524	-	(1,585)	4,939
Plant and machinery	599,956	94,433	(998)	693,391
Catering equipment	1,130	-	-	1,130
Docks, harbours and wharves	47,307	962	-	48,269
Land and buildings	1,459	145	-	1,604
Capital work in progress	3	3	-	6
Sub total	2,661,143	339,816	(4,206)	2,996,753
Funding received for railway lines and works	(800,871)	(88,775)	-	(889,646)
Total	1,860,272	251,041	(4,206)	2,107,107

Depreciation	1st Jan 2007 €000	Charge for year €000	Scrappings & Disposals €000	31st Dec 2007 €000
Railway lines and works	984,595	92,708	-	1,077,303
Railway rolling stock	305,464	43,051	(1,623)	346,892
Road freight vehicles	6,379	112	(1,553)	4,938
Plant and machinery	207,701	37,353	(988)	244,066
Catering equipment	1,130	-	-	1,130
Docks, harbours and wharves	13,130	945	-	14,075
Land and buildings	23	104	-	127
Sub total	1,518,422	174,273	(4,164)	1,688,531
Funding received for railway lines and works	(800,871)	(88,775)	-	(889,646)
Total	717,551	85,498	(4,164)	798,885

9. TANGIBLE FIXED ASSETS *(continued)*

	2007 €000	2006 €000
Net book amounts		
Railway lines and works	**97,596**	76,185
Railway rolling stock	**725,623**	638,520
Road freight vehicles	**1**	145
Plant and machinery	**449,325**	392,255
Catering equipment	**-**	-
Docks, harbours and wharves	**34,194**	34,177
Land and buildings	**1,477**	1,436
Capital work in progress	**6**	3
Total	**1,308,222**	1,142,721

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

	2007 €000	2006 €000
Renewals expenditure and related grants were as follows		
Renewals expenditure	**90,876**	68,662
State grants	**88,875**	68,662

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

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

During the year the company performed a review of the economic useful lives of rolling stock assets, which resulted in the reduction of the estimated life of certain assets. The depreciation charge to the profit and loss in the year for the revision of the economic useful lives amounted to €8.2 million.

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

9. TANGIBLE FIXED ASSETS *(continued)*

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

	2007 €000	2006 €000
Cost	**741,998**	648,349
Accumulated depreciation	**(343,416)**	(321,913)
Net book value	**398,582**	326,436
Depreciation for year *(note 1(D))*	**(19,946)**	(17,793)

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

	2007 €000	2006 €000
Railway rolling stock	**152,501**	55,792

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

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

10. FINANCIAL ASSETS

	2007 €000	2006 €000
Trade investments – listed shares		
Cost or valuation at 1st January	**63**	63
Provision for impairment in value at 31st December	**(43)**	(43)
Net book amounts at 31st December	**20**	20
Market value at 31st December	**49**	49

11. STOCKS

	2007 €000	2006 €000
Rolling stock, spare parts and maintenance materials	**15,483**	17,435
Infrastructure stocks	**12,462**	20,261
Fuel, lubricants and other sundry stocks	**9,099**	8,803
	37,044	46,499

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

12. DEBTORS

	2007 €000	2006 €000
Trade debtors	**14,698**	15,507
Amounts owed by holding and fellow subsidiary companies	**93,494**	95,502
EU grants receivable	**73,631**	43,946
Other debtors and accrued income	**3,156**	3,244
	184,979	158,199

13. CREDITORS (amounts falling due within one year)

	2007 €000	2006 €000
Bank overdraft	**12,998**	18,179
Trade creditors	**89,186**	59,966
Loan from holding company *(note 15)*	**165,066**	165,066
Finance lease obligations *(note 16)*	**5,812**	5,490
Income tax deducted under PAYE	**3,950**	4,747
Pay related social insurance	**3,349**	3,360
Value added tax and other taxes	**1,325**	3,080
Other creditors	**8,969**	6,652
Accruals	**4,292**	4,031
Restructuring provision *(note 17)*	**20,077**	21,179
Third party and employer's liability claims *(note 17)*	**3,430**	6,000
Deferred income *(note 18)*	**68,227**	61,216
	386,681	358,966
Creditors for taxation and social welfare included above	**8,624**	11,187

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

	2007 €000	2006 €000
Finance lease obligations *(note 16)*	**28,554**	34,304
	28,554	34,304

15. LOAN FROM HOLDING COMPANY

	2007 €000	2006 €000
This loan is repayable as follows:		
Within one year *(note 13)*	**165,066**	165,066
	165,066	165,066

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

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

16. LEASE OBLIGATIONS

	2007 €000	2006 €000
(A) Finance leases		
Net obligations under finance leases fall due as follows:		
Within one year *(note 13)*	**5,812**	5,490
Between one and five years *(note 14)*	**16,925**	18,428
After five years *(note 14)*	**11,629**	15,876
	28,554	34,304
	34,366	39,794
(B) Operating leases		
Commitments under non-cancellable operating leases payable in the coming year expire as follows:		
Within one year	**2,778**	2,930
Between one and five years	**3,495**	3,727
	6,273	6,657

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision €000	Third Party and Employer's Liability Claims €000	Total €000
Balance at 1st January, 2007	21,179	70,514	91,693
Utilised during the year	(15,822)	(3,428)	(19,250)
Transfer from profit and loss account			
Exceptional item	14,720	-	14,720
Other	-	4,836	4,836
Release of provisions for liabilities and charges	-	(13,397)	(13,397)
	14,720	(8,561)	6,159
Balance carried forward	20,077	58,525	78,602
Less amount classified as current liability *(note 13)*	(20,077)	(3,430)	(23,507)
Balance at 31st December, 2007	-	55,095	55,095

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

(A) External Insurance Cover

The Board has the following external insurance cover:

(i) Iarnród Éireann – Irish Rail
Third Party Liability in excess of

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

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

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

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

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

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

(iv) 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

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

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

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

(vi) Group Combined Liability Insurance overall indemnity is €200,000,000 for the twelve month period, April 2007 to March 2008, for rail and road transport Third Party and Other Risks liabilities.

(vii) All Risks, including storm damage, with an indemnity of €200,000,000 in respect of group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate.

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

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

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

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

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

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

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

18. DEFERRED INCOME

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

	1st Jan 2007 €000	Received and Receivable €000	Amortised to Profit & Loss Account €000	31st Dec 2007 €000
Capital Grants				
Land and buildings	705	72	(20)	757
Railway lines & works	46,106	22,034	(1,830)	66,310
Railway rolling stock	539,736	123,606	(24,850)	638,492
Plant and machinery	302,962	78,870	(25,815)	356,017
Docks, harbours and wharves	14,008	-	(281)	13,727
Total capital grants	903,517	224,582	(52,796)	1,075,303
State grants – Railway Safety Investment Programme	15,727	-	(7,862)	7,865
Other deferred income	1,155	-	(35)	1,120
Total	920,399	224,582	(60,693)	1,084,288

	2007 €000	2006 €000
Shown as:		
Deferred income – amounts falling due within one year *(note 13)*	**68,227**	61,216
Deferred income – amounts falling due after more than one year	**1,016,061**	859,183
	1,084,288	920,399

The grants received under the Railway Safety Investment Programme (1999-2003) and Transport 21 will be released to the profit and loss in accordance with the Railway Safety Investment Programme. Grants received and receivable in 2007 were Exchequer €194,178,070, EU €27,291,188 and Third Party €3,113,045.

19. SHARE CAPITAL

	2007 €000	2006 €000
Authorised:		
Ordinary shares of €1.27 each	**95,230**	95,230
Allotted, called up and fully paid		
Ordinary shares of €1.27 each	**29,204**	29,204

20. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Called Up Share Capital €000	Asset Replacement Reserve €000	Profit and Loss Account €000	Total Equity Shareholders Funds €000
Opening Balance	29,204	100,686	(99,157)	30,733
Transfer	-	(100,686)	100,686	-
Surplus for Year	-	-	13,408	13,408
Closing Balance	29,204	–	14,937	44,141

21. CASH FLOW STATEMENT

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

	2007 €000	2006 €000
Deficit before Public Service Obligation, State grants and servicing of finance and after Contribution from parent company and Release of Provisions for Liabilities and Charges	(185,051)	(201,379)
Public Service Obligation, State grants other than that applied to DART interest and renewals *(note 8)*	203,237	201,922
Surplus for the year before servicing of finance	18,186	543
Profit on disposal of tangible assets	(588)	(576)
Depreciation	85,498	64,093
Amortisation of capital grants *(note 18)*	(60,693)	(46,670)
Decrease/(increase) in stocks	9,455	(5,423)
Decrease in debtors	897	5,973
Increase/(decrease) in creditors and provisions	13,539	(592)
Net cash inflow from operating activities	66,294	17,348

(B) Analysis of net debt

	At 1st Jan 2007 €000	Cash Flow €000	At 31st Dec 2007 €000
Cash in hand	261	6	267
Bank overdraft	(18,179)	5,181	(12,998)
Loans	(165,066)	-	(165,066)
Finance leases	(39,794)	5,428	(34,366)
Intergroup balance	95,502	(2,008)	93,494
	(127,276)	8,607	(118,669)

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

22. PENSIONS

The majority of the company's employees participate in defined benefit pension schemes based on final pensionable pay and operated for eligible employees of all CIÉ companies. Contributions by the company and the employees are invested in trustee-administered funds.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions as incurred over the employees' working lives with the group as a stable percentage of expected future pay. Contributions to the schemes are determined by an independent actuary on the basis of annual reviews using the projected unit method.

Whilst the schemes are defined benefit schemes, the company is unable to identify its share of the underlying assets and liabilities of the schemes.

Details in relation to the schemes, required by FRS 17, are contained in the accounts of Córas Iompair Éireann.

The actuarial position of Córas Iompair Éireann pension schemes at 31st December, 2007 was deficit €162.8 million (2006 €224.7 million).

23. CAPITAL COMMITMENTS

	Contracted for €000	Authorised by the directors but not contracted for €000
2007		
Within one year	**182,214**	**416,457**
From two to five years	**34,063**	**262,304**
	216,277	**678,761**
Of which funding amounts to:	**190,188**	**650,844**
2006		
Total capital commitments	291,636	671,873

24. CONTINGENT LIABILITIES

(A) Pending Litigation

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

(B) Finance Leases

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

25. RELATED PARTY TRANSACTIONS

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

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

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

26. MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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

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

27. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 1st April, 2008.