

Serving the community in
a changing world

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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.



Operations Review

Overview

Despite the tough trading environment that currently exists, IÉ has continued to concentrate on delivery of its goals for its stakeholders. IÉ has done this by focussing aggressively on cost reduction and revenue management whilst ensuring that safety remains the number one priority at all times.

IÉ staff, by way of extraordinary effort, ensured all rail services remained operational during the severe weather conditions of January and December 2010. Other modes of transport suffered intense disruption and this resulted in a modal shift to rail with positive financial implications for the company.

The network was expanded in 2010, with the opening of two new routes as a result of Transport 21 investment. The line from Dunboyne/M3 Parkway to Clonsilla, and the Western Rail Corridor between Limerick and Galway were both opened during the year.

Clongriffin, a developer built DART station, was opened and Lansdowne Road DART station has benefited from the enhancements made for access to the new Aviva stadium.

Although Iarnród Éireann has endeavoured to ensure that DART, commuter and Intercity services levels on most routes are maintained during the recession, the National Transport Authority approved the company's application to suspend services on the heavily loss making and very lightly used Rosslare to Waterford line.

Schedules were improved on a number of routes in 2010, and a trial of Wi-Fi technology on Dublin-Cork services proved successful. Wi-Fi is to be rolled out to the full Dublin-Cork fleet in 2011.

DESPITE THE TOUGH TRADING ENVIRONMENT THAT CURRENTLY EXISTS, IARNRÓD ÉIREANN HAS CONTINUED TO CONCENTRATE ON DELIVERY OF ITS GOALS FOR ITS STAKEHOLDERS.

1. Safety and Risk Management

1.1 Risk Management

Safety remains the number one priority for Iarnród Éireann. The safety of the railway is managed on a risk analysis basis and through a set of standards which form the Safety Management System.

1.2 Safety Management Systems

1.2.1 Application to RSC for Certification/ Authorisation

The submission of Safety Management System documents to the RSC in support of an application for IÉ authorisation as an Infrastructure Manager and certification as a Railway Undertaking, proceeded in accordance with plan. The process, which is a legislative requirement, was completed in December 2010 and all certificates were issued by the RSC in January, 2011.

The key policy statements are:

- ➔ It is the policy of Iarnród Éireann to meet the statutory obligations under Irish and European safety legislation.
- ➔ It is the policy of Iarnród Éireann to ensure the safe operation of the railway system and the safety of persons in the operation of the railway, in so far as it is reasonably practicable to do so.
- ➔ It is the policy of Iarnród Éireann to assess foreseeable safety risks to persons and to demonstrate that risks identified are tolerable and controlled.

The key principles are:

- ➔ All Iarnród Éireann managers have a duty to promote a safety culture.
- ➔ Accountable line managers in Iarnród Éireann are directly accountable for the occupational safety, operational safety and asset safety for those workplaces and equipment under their control.
- ➔ Hazards are identified and risks are assessed and precautionary/mitigation actions are implemented to limit the probability of accident/incidents occurring, thereby reducing the overall risk.

Operations Review (continued)

- Managers and supervisors are issued with, and must accept, Safety Responsibility Statements that describe their safety duties and responsibilities.

1.2.2 Departmental Safety Management

New Safety Management Systems (SMSs) have been successfully introduced in the mechanical engineering function, civil engineering and signalling, electrical and telecoms engineering departments, as well as New Works.

A revised SMS structure has also been developed for the operating departments.

1.2.3 Safety Training

New driver training equipment, utilising sophisticated simulators, was developed and introduced at Inchicore and Mallow. The equipment enables drivers to experience challenging situations in an authentic, but risk free, environment. General safety training is ongoing, including delivery of Safety Critical Communications training on a cross-functional basis.

1.3 Malahide Viaduct RAIU Report & Recommendations

On the 16th August 2010 the independent Rail Accident Investigation Unit (RAIU) published its report into the Malahide Viaduct accident of August 2009. The report set out thirteen recommendations for action by Iarnród Éireann, one recommendation for the Railway Safety Commission (RSC), and one joint recommendation for both Iarnród Éireann and the RSC.

Iarnród Éireann's plan of action was presented at the July, 2010 Iarnród Éireann Board meeting prior to publication of the RAIU report, and was noted by the RAIU. A detailed statement of progress was included in sections 43 and 44 of the RAIU's final report.

Iarnród Éireann has made significant progress with the agreed action plan to implement the recommendations of the report, and this work continues to programme.

1.4 Level Crossing Safety

In June 2010, railway operators throughout Europe promoted a level crossing safety awareness campaign and in Ireland, Iarnród Éireann and the Railway Safety Commission jointly highlighted the risks presented by

incorrect use of user-worked crossings. New and much clearer signing at level crossings for road users is a key feature of the action plan to further reduce the risks to both road and rail users.

A national TV campaign also took place on the August bank holiday weekend to increase public awareness of the dangers of level crossing misuse. In addition, a proactive campaign with the Irish Farmers' Association is underway to further encourage safe practice by users of rural level crossings.

1.5 Emergency exercises

A rail emergency exercise was held in the National Emergency Co-ordination Centre, Agriculture House, Kildare Street, on 17th February, 2010. The exercise was organised by a sub group of the National Working Group on Major Emergency Management and Iarnród Éireann was a participant.

A number of development needs were identified and recommendations were allocated to the relevant participants. Iarnród Éireann has accepted and acted upon recommendations regarding communications, heavy lifting equipment and access difficulties

Separately, an Ambulance service emergency exercise was carried out at Ballinasloe on 2nd December, 2010 and again Iarnród Éireann, participated in the exercise.

1.6 Drugs and Alcohol testing

In accordance with the requirements of the current railway safety legislation, Iarnród Éireann has fully implemented random, unannounced testing of safety critical staff for drugs and alcohol, in addition to "for cause" and post incident testing.



Operations Review (Continued)

2. Service Delivery

2.1 Service continuity during severe weather

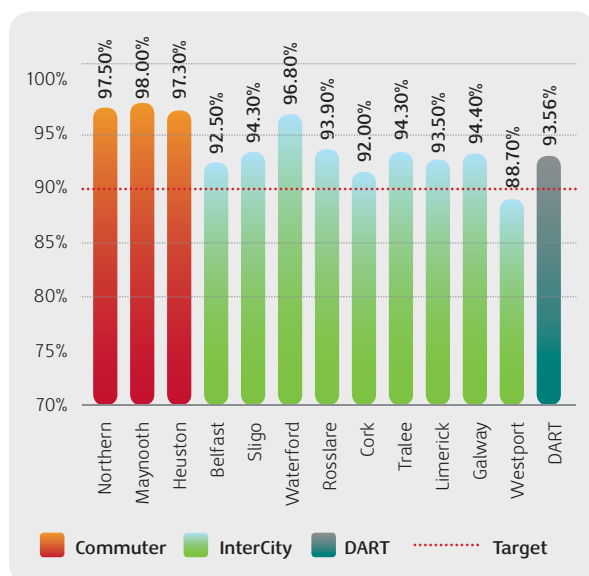
Services were maintained on the InterCity, Commuter and DART networks during the very severe weather conditions in both January and December 2010. The customer experience was very positive, with IÉ using twitter and internet to disseminate real time passenger information to prospective customers quickly.

The continuity of service was achieved by close coordination and control of operations and engineering resources in the field and the implementation of a 'key route strategy'. This involved dedication of the available resources on maintaining the operation of the key junctions and facilities necessary to keep the major routes open. The diversion of staff from less time sensitive duties to immediate priorities, was also a key feature of the contingency plans that were implemented.

2.2 Annual performance statistics

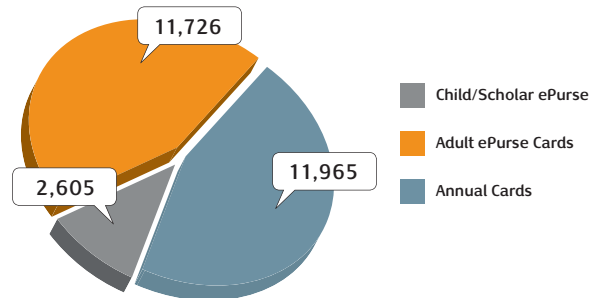
A Public Service Contract (PSC) with the NTA was in place for services delivered during 2010.

All individual DART, Commuter & Intercity routes performed better than the PSC target of 90% of trains arriving on time or within 10 minutes of schedule, with the exception of the Westport route. Average performance achieved across all routes was 93.4%.



2.3 SmartCard implementation

The Rail Smartcard has been successfully introduced, as an interim measure prior to the full integrated ticketing system, for use on DART and Commuter services within the 'short hop zone' (the area bounded by Balbriggan in the north, Maynooth and Hazelhatch in the west, and Greystones/Kilcoole to the south). All stations in the area of implementation now have the necessary tag on/tag off gates and poles installed. Over 26,000 Rail Smartcards are now in use and the breakdown is as follows:



2.4 Customer Self-service

In 2010 Iarnród Éireann continued with its strategy of promoting lower cost self service channels for transacting with customers. Intercity ticket sales via the website www.irishrail.ie continued to grow with over €30M in passenger revenue earned via the website in 2010.

Iarnród Éireann also continued to develop its yield management strategies by introducing quota controls on discounted off peak fares.

In the DART and Commuter area, the further deployment of automatic ticket vending machines and the introduction of the Rail Smartcard reduced Iarnród Éireann's dependency on manned booking offices.

2.5 Intercity Wi-Fi trial

A trial of Wi-Fi facilities for Intercity customers took place on board a Dublin-Cork Mark 4 train set in 2010 and was very well received by passengers. A tender for a permanent implementation on the Dublin-Cork route is currently taking place and is expected to be rolled out in the first half of 2011. Further expansion of Wi-Fi on all other Intercity routes is currently being examined.

Operations Review (Continued)

2.6 Reduced Journey Times on Peak InterCity Services

Express morning and evening services were introduced in 2010 from Cork to Dublin with a journey time of 2hrs 30mins, and from Galway to Dublin with a journey time of 2hrs 15mins. Both provide more attractive arrival times before 9am in Dublin.

2.7 Car Park Management

An innovative “pay by text” trial has commenced at the station car parks at Drogheda, Dundalk, Athlone, Coolmine, Hazelhatch, Dalkey and Clontarf Road. Using this process customers pay for their parking fees by using their mobile phones. This system greatly increases customer convenience and if it proves to be reliable, it will be rolled out to all station car parks.

2.8 Waterford/Rosslare Cessation of Service

Following the decision of the Board of the National Transport Authority on 3rd September 2010 to approve Iarnród Éireann’s application to suspend train services on the Waterford/Rosslare route, the service ceased on Saturday 18th September 2010. Revenue from this route amounted to just 2% of the route operating costs. The resultant losses of €1.5m per annum on this route could not be sustained.

On Monday 20th September, at the request of Iarnród Éireann, Bus Éireann introduced their new bus schedules for south Co. Wexford to cater for the needs of the local community in the area including those who formerly used the rail service. Bus Éireann’s new services operate directly to Waterford Institute Technology (WIT) as well as to Waterford city centre as the users of the former rail service were principally students attending WIT.

2.9 Engineering Quality Accreditation

Engineering systems quality accreditation is attainable by the achievement of a number of recognised industry standards including:

- ➔ ISO 9001 for business process accreditation
- ➔ OHSAS 18001 for occupational health and safety accreditation
- ➔ ISO14001 for environment and waste management accreditation

The Chief Mechanical Engineer’s department in Iarnród Éireann has now achieved accreditation in both ISO 9001 and OHSAS 18001 and the process of raising standards to achieve accreditation in Iarnród Éireann’s other engineering departments is now under way.



Operations Review (Continued)

3. Finance

3.1 Year end results 2010

The operating loss for the year ended 31st December, 2010 was €14.2m and the total loss was €36m after voluntary severance payments of €21.8m were taken into account.

In 2010 Iarnród Éireann continued to reduce its overall cost base. Operational costs were reduced by €12.8m. However revenue fell by €7.4m and Government subvention fell by €15.5m. While Iarnród Éireann has demonstrated it is well placed to cope with either revenue or subvention reduction of the magnitude experienced, both occurring together has put a significant strain on the operating result of the business.

The major restructuring of the rail freight business and the concentration on a series of profitable point to point trainload traffic flows and import/export train load container services, has resulted in a positive contribution from the freight business in 2010 of €0.8m.

3.2 Shareholder funds

The ratio of net assets to called-up share capital fell below 50% during 2010. Consequently the directors of the company convened a shareholders Extraordinary General Meeting (EGM). On confirmation of the approval of the Minister for Transport, together with the consent of the Minister for Finance, Iarnród Éireann convened a second EGM to facilitate changing its Memorandum and Articles of Association in order to permit an increase in its share capital. This entailed capitalising an intercompany loan with CIE in the amount of €99,039,564 and issuing 78m shares @ €1.269738 each to CIE in return. The authorised and issued share capital of Iarnród Éireann now stands at €194,269,914.

3.3 European obligations relating to access to railway infrastructure

The European Communities (Railways Infrastructure) Regulations 2010 provides for a separation of accounts as required under the European Communities Directives 91/440/EC and 2001/14/EC, as amended.

Iarnród Éireann is required to keep and publish, annually, separate profit and loss accounts and balance sheets, on the one hand for business relating to the provision of rail transport services, and, on the other, for business relating to the management and maintenance of the railway infrastructure. The accounts of Iarnród Éireann

shall be maintained so as to reflect the prohibition on State aid granted for the provision of transport services by the railway undertaking transferred for use in the management of the railway infrastructure.

Iarnród Éireann is also required to keep and publish, annually, separate profit and loss accounts and, either, balance sheets or statements of assets and liabilities in respect of the provision of rail freight-transport services. The accounts of Iarnród Éireann shall show separately the funds paid for activities relating to the provision of passenger-transport services as public service remits and the accounts shall reflect the prohibition on such funds being transferred for use in activities relating to the provision of other transport services or any other business.

Profit and loss accounts are detailed in note 1 to the Accounts and the unaudited balance sheet extracts are as outlined below



Operations Review (Continued)

As at 31st December	Total		Operations		Infrastructure		Rail Freight		Other activities	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Fixed Assets Tangible Assets										
Fixed Assets										
Tangible Assets										
Assets at Cost	2,898,662	2,687,403	1,674,708	1,564,285	1,132,365	1,031,505	20,661	20,825	70,928	70,787
Accumulated Depreciation	(1,112,216)	(984,517)	(630,764)	(537,336)	(429,297)	(396,162)	(20,437)	(20,499)	(31,718)	(30,521)
	1,786,446	1,702,886	1,043,944	1,026,950	703,068	635,343	224	327	39,210	40,267
Financial Assets	20	20	-	-	-	-	-	-	20	20
	1,786,466	1,702,906	1,043,944	1,026,950	703,068	635,343	224	327	39,230	40,287
Current Assets										
Stocks	40,981	55,671	28,250	28,815	12,661	26,782	-	-	70	74
Debtors	30,225	85,470	11,463	29,269	16,060	51,221	1,431	738	1,271	4,242
Inter-company balance	57,892	37,247	-	-	-	-	-	-	57,892	37,247
Cash at bank and in hand	320	286	320	286	-	-	-	-	-	-
	129,419	178,674	40,033	58,370	28,721	78,003	1,431	738	59,233	41,563
Creditors: (amounts falling due within one year)										
Overdraft	4,252	5,267	1,409	1,696	564	605	-	-	2,278	2,965
Finance lease	4,092	3,845	4,092	3,845	-	-	-	-	-	-
Deferred Income	125,292	99,018	95,858	73,639	29,122	25,083	-	-	313	296
Other Creditors	149,640	155,095	66,852	70,458	60,338	70,230	360	388	22,090	14,019
	283,276	263,225	168,211	149,639	90,024	95,918	360	388	24,681	17,280
Net Current Liabilities	(153,857)	(84,551)	(128,178)	(91,269)	(61,303)	(17,915)	1,072	350	34,552	24,283
Total Assets less Current Liabilities	1,632,609	1,618,355	915,766	935,680	641,764	617,427	1,296	677	73,783	64,570
Creditors: (amounts falling due after more than one year)										
Provisions for Liabilities and Charges	16,165	119,257	16,165	20,217	-	-	-	-	-	99,040
Deferred Income	55,730	57,777	48,058	48,624	7,258	8,170	64	64	351	919
	1,438,602	1,382,218	840,146	852,417	588,207	519,071	-	-	10,249	10,730
	122,112	59,103	11,397	14,422	46,300	90,187	1,231	613	63,183	(46,118)
Financed By										
Capital and Reserves										
Called up Share Capital	194,270	95,230							194,270	95,230
Profit and Loss account	(72,158)	(36,127)							(72,158)	(36,127)
Shareholders' Funds	122,112	59,103							122,112	59,103

Operations Review (Continued)

4. Strategic Developments

4.1 Railway Safety Programme

2010 was the second year of the third approved 5 year railway safety investment programme. Good progress was made in 2010 in advancing the physical delivery of the programme. The main elements of the programme in 2010 were:

- 18 miles of track renewal
- 19 miles of ballast cleaning
- 177 glue joints replaced
- 1860 concrete sleepers replaced
- 4.4 miles of re-railing
- 50 point ends replaced
- 48 cuttings and embankments strengthened
- 40 miles of fencing renewed
- 22 level crossings closed and 53 level crossings upgraded
- 47 bridges renewed or upgraded

4.2 Navan Line

4.2.1 Phase I – Docklands to M3 Parkway

The project to reopen the section of the former Navan line between Clonsilla and the M3 Parkway was completed in August 2010. 10 kms of line were laid. Bridges works included new bridges over the Royal Canal and the River Tolka and bridge refurbishment works at Barnhill, Stirling & Dunboyne. New stations were built at Hansfield, Dunboyne and M3 Parkway.

September 2010 marked the commencement of services to Dunboyne and the M3 Parkway station. Peak services at 30 minute intervals run from M3 Parkway via Clonsilla to Docklands station. Weekend services, at hourly intervals operate to Connolly station. The M3 Parkway station is easily accessed from the M3 motorway from Navan and has a car park with capacity of 1,200 spaces. The station is also served by Bus Éireann and local bus services.

4.2.2 Clonsilla turnback

In order to facilitate the operation of off-peak shuttle services on the Dunboyne branch line from Clonsilla, without incurring the full cost of operating to Docklands and/or Connolly, a turnback platform is being designed for Clonsilla. This will enable the Dunboyne branch trains to terminate at Clonsilla and connect into the Maynooth-Dublin trains during the off-peak hours.

4.2.3 Phase II – Navan

Work is also nearing completion on the design for the extension of the Dunboyne line from M3 Parkway to Navan. The NTA have requested a review of the business case for the line and Iarnród Éireann has deferred the submission of the Railway Order application pending completion of the review by the NTA.

4.3 Western Rail Corridor

4.3.1 Limerick to Galway Project

Direct services between Limerick and Galway commenced with the re-opening of the Ennis to Athenry section in March 2010 with 5 services operating each way daily. Stations were provided at Gort, Ardahan, Craughwell and Sixmilebridge. 36 miles of track were re-laid and 108 former level crossings were closed. 49 bridges were repaired or re-built. 8 level crossings were upgraded to full barrier CCTV. All remaining level crossings were upgraded to company standard. A new colour light signalling system between Limerick and Athenry was completed.

4.3.2 Oranmore and Crusheen planning applications

The planning application for the proposed new park and ride station at Oranmore (between Galway and Athenry) was submitted during December 2010. The planning application for Crusheen station (between Gort and Ennis) will be submitted in April 2011.

Both stations are funded within the approved capital expenditure for the Western Rail Corridor phase 1 scheme.

4.4 Cork Commuter routes

The new junction and signalling at Glounthaune serving the Cobh and Middleton lines was successfully installed between 1st and 6th April 2010 and signalling control of both routes has now been transferred to Cork. This has enabled the withdrawal of the old signalling cabins at Glounthaune Junction and Cobh.

Operations Review (Continued)

4.5 Clongriffin station

The new developer funded station at Clongriffin, on the DART line between Howth Junction and Portmarnock, opened to the public on Monday 19th April, 2010.

4.6 Kildare Route Project

4.6.1 Phase I - Renewal of former mainlines

Following the opening of the two new lines between Hazelhatch and Cherry Orchard, the opportunity has been taken to renew the two existing mainlines on the KRP section as the existing timetable can be accommodated over the two new lines without impacting on services.

4.6.2 Phase II – link to DART Underground and electrification

The next development along the Kildare line corridor is to tie in the DART Underground at Inchicore to the Kildare 4-track at Parkwest and to electrify the line to Hazelhatch.

Procurement of the site survey, ground investigation & environmental impact study has commenced.

The Railway Order application for this work is due to be submitted by the end of 2011.

4.7 Maynooth line electrification and resignalling

This scheme is an essential element of the development of the suburban network, in association with the DART Underground project, as surface DART trains will run between Maynooth and Bray/Greystones, following the transfer of the northern line DART services onto the Underground route. The Railway Order application for the Maynooth line works is scheduled to be submitted in quarter 4 2011.

4.8 Sandycove slabtrack replacement

A major engineering exercise to replace the slabtrack between Dun Laoghaire and Sandycove with new ballasted track, was conducted successfully during the programmed possession over the Christmas 2010 holiday period.

The completion of the work eliminated the speed restrictions which had been adversely affecting DART performance.

4.9 Signalling Projects

4.9.1 DART City Centre Resignalling – Implementation Phase 1

The City Centre Resignalling Project is underway to upgrade the original DART signalling system. Installation, design and material procurement for Phase 1 are progressing in line with the project plan. Installation work is substantially complete on the Howth Branch. Currently the installation team is working between Howth Junction & Raheny. The contract for civil works for Clongriffin turnback facility was awarded & work commenced at the end of July, 2010.

4.9.2 Limerick Junction Rationalisation

Final commissioning of a new signalling installation took place in December 2010 and this work has eliminated the last two remaining manual signal cabins on the Dublin-Cork mainline.

4.9.3 Automation of level crossings

The project to automate public level crossings started in late 2005. Many of the public road crossings outside of major urban areas were manually operated and manned by crossing keepers. The crossings are being fully automated and are monitored with CCTV at the two new Crossing Control Centres located at Athlone and Mallow.

By the end of 2010, the Board had approved the automation of 107 manned crossings and to date, 75 crossings have been completed.

In addition to the safety benefits of the programme, there are significant cost savings in operating costs by automation of the crossings.

4.10 DART Underground

The DART Underground project is currently in phase III – detailed design and Railway Order application

The Railway Order application was submitted to An Bord Pleanála (ABP) on 30th June 2010. The Oral Hearing commenced on the 22nd November and continued until adjourned on 17th December 2010. It was reconvened on 10th January, 2011.

Operations Review (Continued)

As the applicant, Iarnród Éireann is continuing to present the technical case for the DART Underground. ABP is cross questioning the technical experts following presentation of their briefs of evidence. Iarnród Éireann experts are providing a rebuttal of issues raised in submissions to ABP on a topic by topic basis.

ABP has announced that a determination on the RO application will be made before the end of April 2011. Iarnród Éireann expects to receive an effective RO in Q3, 2011.

On 2nd December, 2010, Iarnród Éireann received correspondence from the NTA clarifying the position with regard to the timing of works on the DU project. The NTA confirmed that the project is authorised to complete the RO stage and to continue with enabling and associated works in advance of confirmation of the timescales for the construction of the tunnel.

5. Overview of Energy Usage in 2010

Energy Consumption Profile – Iarnród Éireann (MWhr)				
Year	2008	2009	2010	
Diesel oil for traction	599,000	480,000	466,000	Note 1
Electricity for traction	35,400	26,800	26,700	Note 2
Electricity other	31,000	40,000	39,000	Note 3
Gas for heating	18,800	18,500	18,600	Note 4
Total	732,800	605,500	588,600	
	100%	83%	80%	

Note 1

This includes a percentage mix of RME/FAME as dosed by the refinery; average dosing rate since Jul 2009 was 3.24%.

Introduction of automatic engine shut-down on Diesel Multiple Units

Freight services reduced in 2008-2009

New Rolling Stock for Intercity use was being commissioned in 2008 which required these trains to run in addition to scheduled services.

2008 -2009 saw the introduction into service of these new (latest generation diesel engines) Intercity Railcars

Fuel usage is primarily driven by the schedule and the vehicle type.

Note 2

The savings shown here are mostly attributable to the implementation of a “Re-generation Programme” where vehicles are braked using the electric motors to generate power for use by other vehicles.

In addition, train sizes were reduced off-peak to match reduced customer demand

Note 3

The number of metering points is increasing steadily from 430 in Jan 2008 to 571 in December 2010, an increase of 33% due to the introduction of new Stations, Automatic level Crossings, Equipment Rooms etc. The associated increase in consumption is of the order of 14%.

Note 4

Gains from improved control of heating have been offset by the very cold winters of 2009/2010 and 2010/2011.

5.1 Actions Undertaken in 2010

In 2010 Iarnród Éireann continued its work on several levels:

- ➔ Diesel Fuel for traction
 - Initiated a test programme on a product to verify a process that claims to reduce fuel consumption in diesel reciprocating engines.
 - Measurement equipment has been purchased and fitted to 4 rail vehicles (Commuter DMU's)
 - This equipment is to be commissioned in early 2011
 - The test will take place over a 7 month period
 - Results will be assessed to inform decision on future action
 - Potential saving of 25,000 MWhr per annum
 - Automatic shut-off of Traction Engines on Diesel Multiple Units, both Commuter and Intercity vehicles.
 - Implemented in 2008/9
 - Savings estimated at 26,000 MWhr per annum
 - Automatic shut-down / Re-start of Locomotive engines
 - A system was tested in 2010, but the results were not encouraging
 - A proprietary system is being purchased in 2011 for test.

Operations Review (Continued)

→ Lighting and Fan control in Depots

- Programmes implemented in CME Depots in Drogheda, Portlaoise, Cork, Inchicore.
- Savings per annum of 800 MWhrs per annum are being achieved.

Altogether, these and other energy saving measures are saving Iarnród Éireann 34,300 MWh annually.

5.2 Actions Planned for 2011

In 2011 Iarnród Éireann intends to further improve our energy performance by undertaking the following initiatives:

→ Diesel Fuel for traction

- Product to improve performance of diesel reciprocating engines
 - Test programme will be implemented and concluded
 - Subject to satisfactory test results, the implementation programme will commence.
 - Potential saving of 25,000 MWhr per annum
- Auto Shut-down / Re-start for Locomotives
 - Subject to satisfactory test results, the implementation programme will commence.
 - Potential saving of 6,000 MWhr per annum
- Auto Shut-down of Auxiliary engines in Commuter DMUs
 - Potential saving of 6,000 MWhr per annum

→ Lighting

- Commence a programme to implement Induction Fluorescent lighting with Occupancy controls in Car parks
 - Potential saving in a full year of 120 MWhr
- Implement new T8 tube in “Switch Start” fittings throughout the organisation
 - Potential saving in a full year of 70 MWh

→ Heating control

- Implement Temperature Control programming of buildings
 - Reduce need for additional “Plug-in heaters”
- Implement Temperature Control programming of “Plug-in heaters” where they are required
 - Potential saving in a full year of 200 MWh

Directors and Other Information

Directors at 29th March, 2011

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

Directors and Other Information (Continued)

Board of Directors

John Lynch

John Lynch was first appointed as Executive Chairman of CIE and its subsidiary companies in March 2000. Prior to his appointment to the CIE Group of companies he was Chairman and Director General of FÁS. Previously he was Chief Executive of Bord Gais and the Irish Productivity Centre. He has also been a director of a number of private companies. John qualified as an engineer at Dublin Institute of Technology. He is also a graduate of University College Dublin receiving a BComm in 1971 and an MBA in 1974. In addition, he earned a doctorate from Trinity College Dublin.

Laetitia Baker

Laetitia Baker is the Principle in the firm of Mac Carthy Baker and Company Solicitors and a Council Member of the Law Society. She is involved in community life in west Cork and has held senior positions in Skibbereen UDC, Bantry Town Council and is a former Chairman of Bantry Harbour Board. She has also been a Director of Cork Kerry Tourism, a member of the RTE Authority and a Director of Bantry Credit Union.

Mick Cullen

Mick Cullen was appointed to the Iarnród Éireann board in December 2009 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. Mick joined Iarnród Éireann in 1972 and works in Wexford as a Signalman. He is a member of SIPTU and represents rail workers.

Phil Gaffney

Phil Gaffney is a railway signalling engineer by profession. Before retiring in December 2005, Phil had spent 28 years with Hong Kong MTR. During that time his positions included Chief Engineer, Operations Director and Managing Director. He is Chairman of London's Crossrail Rail Systems Expert Panel.

Michael Giblin

Michael Giblin was MD of Cargo Community Systems Ltd for 10 years, he was instrumental in setting up the system for Airlines, Forwarders, Shipping Lines, Ports and Irish Customs. He had previous management roles in Aer Lingus. He was MD of Icarus Marketing Ltd. He was a member of the IBEC Transport Council, Chairman of its Logistics Committee and board member of NITL. He acts as an independent expert and project evaluator to the EU in Transport.

Paul McGarry

Paul Mc Garry is a senior counsel specialising in commercial, public, and EU law. He spent 10 years as an elected member of the General Council of the Bar of Ireland and chaired a number of its committees. He was formerly employed as an official with the European Commission, and is currently a member of the Superior Courts Rules Committee and a permanent delegate for Ireland to the Council of European Bars.

John Moloney

John Moloney was appointed to the Board in December 2005 under the Worker Participation (State Enterprises) Acts, 1977 to 2001. John joined Bus Éireann in 1978 and works in Capwell Garage in Cork as a bus driver. He is a member of the NBRU.

Cliff Perry

Cliff Perry is a Mechanical Engineer and is the former Managing Director of Thameslink and AEA Technology Rail in the UK. He is a past chairman of the Railway Division of the Institution of Mechanical Engineers.

Dearbhalla Smyth

Dearbhalla Smyth is a Senior Property Manager based in Navan, Drogheda and Dublin. She is a Business Studies graduate of Dublin City University. She has been a member of the Navan Chamber of Commerce for 3 years.

Report of the Directors

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

Principal Activities and Financial Review

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

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

The company recorded a deficit of €14.2m before a charge for an exceptional item of €21.8 for restructuring costs associated with rationalising the cost base. The overall deficit for the year was €36m

The issued share capital of the company was increased by 78 million shares, €99m. The shares were issued to ClÉ and paid by proportionally reducing an intercompany loan that was set up on the formation of the company. The authorized and issued share capital of the company now stands at €194m.

The total amount of subvention in 2010 was €15.5m lower than in 2009 with the public service obligation payment amounting to €155.1 million compared to €170.6 million in 2009.

The company continues, as it has successfully done for a number of years, to focus strongly on improving quality and efficiency of its services for all customers. In monitoring the company's performance a range of key operating and financial performance indicators are regularly reviewed by management, directors and the Department of Transport. Payment in full of the public

service obligation is contingent on meeting targets agreed annually between the company and the NTA. The directors are pleased to report that based on a successful achievement of these targets in 2010 the company received full payment of the public service obligation.

During 2010 the network was expanded with the opening of two new routes as a result of Transport 21 investment. The line from Dunboyne/M3 Parkway to Clonsilla, and the Western Rail Corridor between Limerick and Galway were both opened during the year. Also a developer built DART station at Clongriffin was opened to traffic on 19th April 2010.

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

- ➔ Safety & Renewals Programme
- ➔ Station Accessibility including improved Customer Car Park facilities
- ➔ Kildare Route Project
- ➔ Maynooth line electrification
- ➔ DART Underground

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

Results and Reserves

The financial statements for the year ended 31st December, 2010 are set out in detail on pages 21 to 46.

Risk Management

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

Report of the Directors (Continued)

The Board

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

Code of Practice for the Governance of State Bodies

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

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

Equality

Iarnród Éireann through its Equality and Diversity Office continues to maintain and support a positive working environment through its Work life Balance (WLB) initiatives and equality policies. WLB initiatives, both statutory and non-statutory, are continually reviewed. The latest review of WLB introduced changes to both statutory and non-statutory initiatives which enhance the availability of WLB across all equality grounds.

In sustaining and developing our commitment to an inclusive workplace, Iarnród Éireann's Equality Programme is actively involved in a business network with public bodies, private companies and the National Institute for Intellectual Disabilities; (NIID); Trinity College. This is in addition to providing work experience to NIID students who are studying for a certificate in contemporary living. In acknowledgement of our ongoing commitment to inclusion, Iarnród Éireann attained an ability award for best practice in learning, development and progression.

We continue to participate with a variety of organisations in external forums such as the Equality Diversity network and the IBEC diversity work group in the ongoing development of practices and procedures.

Training

Across 2010, Iarnród Éireann significantly enhanced its training function through a step change approach to training delivery. While fully recognising the very positive contribution that centralised training has made to the organisation over the last decade or so, we have taken strides to further improve the support that training provides to the business function.

One specific aspect of this change is the introduction of driver simulation at two state of the art centres at Mallow and Inchicore. The simulation equipment employed is available to all of our drivers both at basic training stage, and in line with a comprehensive ongoing assessment of competence. The concept of simulation is to be further extended to Iarnród Éireann signallers across the coming year.

The simulation experience is further complimented by the introduction of computer based training. Additionally, revisions have taken place to many of our standard operating procedures relating to training which now allows for more locally focused training interventions, often with a more practical emphasis.

Drugs and Alcohol Policy

In line with the Railway Safety legislation, Iarnród Éireann has made further positive incremental adjustments to our agreed drugs and alcohol testing policy. Changes made were agreed through consultative process with our staff and trade unions and keep the organisation in line with legislative requirements.

A revised testing regime was successfully implemented in spring 2010 and supports a robust safety management system within the organisation through its random approach to testing.

Report of the Directors (Continued)

Industrial Relations Matters

2010 was a further year of industrial peace within Iarnród Éireann despite the significant cost pressures which have impacted on all aspects of our business. Fully cognisant of those cost pressures, we have continued with our necessary focus on the reduction of staff numbers. Through a combination of measures we have achieved a reduction of 245 across 2010 from 4,499 at start of year to 4,254 at year end.

This reduction has been driven through technological advancement on the one hand and the delivery of efficiency on the other.

Internal Control

The board of Iarnród Éireann has appointed an Audit Review Group to review; the annual accounts, internal controls and compliance matters, the effectiveness of internal and external audit and risk management. The board has also appointed an Engineering Advisory Group to monitor infrastructure renewal, project manage large infrastructure, Signaling, Electrical and Telecoms projects and performance. The Safety Advisory Group assists the board in monitoring these key business areas. More detail on the Company's internal control system is set out in the annual report of the Córas Iompair Éireann Group.

Information

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

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

Going Concern

The accounts have been prepared on the going concern basis and the directors report that they have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the directors have reviewed the forecast for 2011 together with the medium term plans.

Books of Account

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

Railway Safety Act 2005

Iarnród Éireann continues to operate in compliance with the Railway Safety Act 2005. During 2010, whilst complying with the terms of its Railway Safety Case, which had been accepted by the Railway Safety Commission, IÉ prepared an application of its Safety Management System for authorisation as an Infrastructure Manager and Certification as a Railway Undertaking, by the RSC, in accordance with EU legislation which amended the original 2005 Act. In January 2011, IÉ received the appropriate authorisation and certifications, superceding the previous Railway Safety Case.

Late Payment in Commercial Transactions Regulations 2002

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

Report of the Directors (Continued)

Directors

The directors of the company are appointed by the Minister for Transport. Prior to 1st August, 2008 directors were appointed by the Chairman of Córas Iompair Éireann with the consent of the Minister. The names of persons who were directors during the year ended 31st December, 2010 or who have since been appointed are set out below. Except where indicated they served as directors for the entire year.

Dr. John Lynch (Chairman) re-appointed 29/3/2010
and 29/3/2011

Laetitia Baker appointed 15/2/2010

Mick Cullen

Gerry Duggan retired 8/2/2010

Phil Gaffney

Michael Giblin

Paul McGarry appointed 8/3/2011

John Moloney

Laurence O'Neill retired 10/6/2010

Cliff Perry

Dearbhalla Smyth

Listed Below is board director's attendance at board meetings during 2010

Director	Iarnród Éireann Board Attendance Log
John Lynch	11/11
Laetitia Baker	8/10
Mick Cullen	11/11
Gerry Duggan	1/1
Phil Gaffney	10/11
Michael Giblin	10/11
John Moloney	7/11
Laurence O'Neill	5/5
Cliff Perry	9/11
Dearbhalla Smyth	11/11

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. P. Gaffney Director

Date: 29th March, 2011

Statement of Directors' Responsibilities

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

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

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

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

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

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

Report of the auditors

Independent auditors' report to the members of Iarnród Éireann–Irish Rail

We have audited the financial statements on pages 21 to 46. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 21 to 22.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 18.

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the balance

sheet, are not more than half of its called-up share capital.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Report of the auditors – Independent auditors' report to the members of Iarnród Éireann–Irish Rail (Continued)

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 14 to 17 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 24 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December, 2010, 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

6th April, 2011

- 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.

Principal Accounting Policies

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

(A) Basis of Preparation

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

The financial statements are prepared under the historical cost convention.

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

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

(B) Revenue

Revenue comprises the gross value of services provided.

(C) Tangible Assets and Depreciation

The bases of calculation of depreciation are as follows:

(i) Railway lines and works

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

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

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

(ii) Railway rolling stock

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

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

(iii) Road freight vehicles

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

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

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

(v) Land and buildings

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

(D) Leased Assets

(i) Finance leases

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

(ii) Operating leases

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

Principal Accounting Policies (Continued)

(E) Stocks

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

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

(F) European Union and State Grants

(i) Grants for existing railway lines and works

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

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

(ii) Grants for other capital expenditure

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

(iii) Revenue grants

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

(iv) Safety investment grants

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

(G) Foreign Currency

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

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

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

(H) Pensions

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

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

(I) Railway Infrastructure Costs

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

Profit and Loss Account

Notes	Total 2010 €000	Continuing Operations before Exceptional		Total 2009 €000	Continuing Operations before Exceptional	
		Operating Items 2010 €000	Exceptional Items 2010 €000		Operating Items 2009 €000	Exceptional Items 2009 €000
Revenue	190,185	-	190,185	197,575	-	197,575
Costs						
Payroll and related costs	2 (256,711)	(21,784)	(234,927)	(266,790)	(27,989)	(238,801)
Materials and services	3 (105,370)	-	(105,370)	(115,514)	-	(115,514)
Depreciation less amortisation of capital grants	5 (29,161)	-	(29,161)	(28,013)	-	(28,013)
Total operating costs	(391,242)	(21,784)	(369,458)	(410,317)	(27,989)	(382,328)
Profit on disposal of tangible assets	6 179	-	179	523	-	523
Deficit before interest and State grants	(200,878)	(21,784)	(179,094)	(212,219)	(27,989)	(184,230)
Interest payable						
- operational	7 (1,717)	-	(1,717)	(2,047)	-	(2,047)
- railway infrastructure	7 (951)	-	(951)	(1,133)	-	(1,133)
Total Interest	(2,668)	-	(2,668)	(3,180)	-	(3,180)
Deficit for the year before State grants	(203,546)	(21,784)	(181,762)	(215,399)	(27,989)	(187,410)
State grants-Public Service Obligation	8 155,137	-	155,137	170,624	-	170,624
State grants-railway safety grant	8 12,378	-	12,378	12,772	-	12,772
Deficit for the year	19 (36,031)	(21,784)	(14,247)	(32,003)	(27,989)	(4,014)

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. P. Gaffney Director

Balance Sheet

As at 31st December	<i>Notes</i>	2010	2009
		€000	€000
Fixed assets			
Tangible fixed assets	9	1,786,445	1,702,886
Financial assets	10	20	20
		1,786,465	1,702,906
Current assets			
Stocks	11	40,981	55,671
Debtors	12	88,118	122,717
Cash floats		320	286
		129,419	178,674
Creditors (amounts falling due within one year)	13	(283,274)	(263,225)
Net current liabilities		(153,855)	(84,551)
Total assets less current liabilities		1,632,610	1,618,355
Creditors (amounts falling due after more than one year)	14	(16,165)	(119,257)
Provisions for liabilities and charges	16	(55,730)	(57,777)
Deferred income	17	(1,438,603)	(1,382,218)
		122,112	59,103
Financed by:			
Capital and reserves			
Called up share capital	18	194,270	95,230
Profit and loss account	19	(72,158)	(36,127)
Shareholders funds	19	122,112	59,103

On behalf of the board:

Dr. J. J. Lynch Chairman

Mr. P. Gaffney Director

Cash Flow Statement

Year ended 31st December	Notes	2010 €000	2009 €000
Net cash inflow/(outflow) from operating activities	20(A)	11,055	(40,259)
Servicing of finance			
Interest paid	7	(1,310)	(1,440)
Interest element of finance lease rentals	7	(1,358)	(1,740)
Net cash outflow from servicing of finance		(2,668)	(3,180)
Investing activities			
Purchase of tangible assets		(325,709)	(306,568)
Sale of tangible assets		214	561
Capital grants		342,607	321,756
Net cash inflow from investing activities		17,112	15,749
Net cash inflow/(outflow) before management of liquid resources and financing	20(B)	25,499	(27,690)
Management of liquid resources	20(B)	(20,645)	44,268
Financing			
Capital element of finance lease rentals		(3,805)	(4,898)
Net cash outflow from financing	20(B)	(3,805)	(4,898)
Increase in cash in the year	20(B)	1,049	11,680
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		1,049	11,680
Cash inflow/(outflow) from holding company balance, lease financing and NDP Investment projects funded by C.I.E.		24,450	(39,370)
Movement in net debt in the year		25,499	(27,690)
Non-cash movement in the year		99,040	66,026
Net debt at 1st January		(90,836)	(129,172)
Net funds\debt) at 31st December		33,703	(90,836)

Notes to the Financial Statements

	2010 €000	2009 €000
1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT		
(A) Company result		
Operating deficit before operating interest, State grants and exceptional items;		
Rail operations;		
Mainline rail (<i>note 1B</i>)	(73,975)	(69,914)
Suburban rail (<i>note 1C</i>)	(22,396)	(20,210)
Total Rail operations	(96,371)	(90,124)
State Subvention	57,419	65,923
Grants for Rail Operations	10,268	10,419
Operating deficit before operating interest and exceptional items:		
Rail Operations	(28,684)	(13,782)
Infrastructure Maintenance (<i>note 1D</i>)	7,271	3,912
Rail freight (<i>note 1E</i>)	682	(1,578)
Rosslare Europort (<i>note 1F</i>)	1,693	2,290
Other Activities (<i>note 1G</i>)	7,280	7,801
Total operating deficit for year before operating interest and exceptional items	(11,758)	(1,357)
Interest	(2,668)	(3,180)
Profit on disposal of tangible assets	179	523
Total operating deficit before exceptional items	(14,247)	(4,014)
Exceptional operating costs (<i>note 4</i>)	(21,784)	(27,989)
Deficit for the year	(36,031)	(32,003)

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

Notes to the Financial Statements (Continued)

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

(B) Mainline rail division

	2010 €000	2009 €000
Revenue	113,018	117,778
Expenditure		
Maintenance of rolling stock	(40,607)	(36,644)
Fuel	(24,082)	(23,173)
Operating and other expenses	(113,910)	(116,667)
Operating depreciation	(62,019)	(47,325)
Amortisation of capital grants	53,625	36,117
Total expenditure	(186,993)	(187,692)
Operating deficit before operating Interest and State grants	(73,975)	(69,914)

(C) Suburban rail division

Revenue	50,592	51,687
Expenditure		
Maintenance of rolling stock	(17,677)	(20,796)
Fuel (including electricity for traction)	(5,091)	(5,642)
Operating and other expenses	(39,843)	(39,847)
Operating depreciation	(42,215)	(36,956)
Amortisation of capital grants	31,838	31,344
Total expenditure	(72,988)	(71,897)
Operating deficit before operating interest and State grants	(22,396)	(20,210)

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

● Depreciation charge	2,539	3,337
● Amortisation of grants	1,506	1,961

Notes to the Financial Statements (Continued)

	2010 €000	2009 €000
1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)		
(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	(65,012)	(71,029)
Renewal of railway lines and works	(89,545)	(68,753)
Operating(signalling) and other expenses	(19,946)	(23,923)
Depreciation	(32,899)	(26,464)
Amortisation of capital grants	25,300	18,275
Total expenditure	(182,102)	(171,894)
Operating deficit before operating interest payable and State grants	(182,102)	(171,894)
Infrastructure Public Service Obligation	97,718	104,700
Exchequer safety funding	2,110	2,353
Renewals funding	89,545	68,753
Sub-Total	189,373	175,806
Surplus for the year before operating interest payable	7,271	3,912
Apportionment of Costs (incl. exceptional items)		
Mainline rail division	144,024	141,646
Rail freight division	4,589	3,732
Suburban rail division	33,489	26,516
Total costs infrastructure maintenance	182,102	171,894

Notes to the Financial Statements (Continued)

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

(E) Rail freight division

Revenue	5,079	4,977
Operating costs		
Maintenance of vehicles and equipment	(1,142)	(2,381)
Fuel	(485)	(503)
Operating and other expenses	(2,607)	(3,375)
Operating depreciation	(163)	(296)
Total expenditure	(4,397)	(6,555)
Net surplus/(deficit) for the year	682	(1,578)

(F) Rosslare Europort division

Revenue		
Harbour services	10,123	10,957
Operating costs		
Maintenance, operating and other expenses	(7,300)	(7,785)
Operating depreciation	(1,608)	(1,360)
Amortisation of capital grants	478	478
Total expenditure	(8,430)	(8,667)
Operating surplus before interest payable	1,693	2,290

(G) Other activities

Revenue	11,373	12,176
Operating costs		
Operating and other expenses	(4,093)	(4,375)
Total expenditure	(4,093)	(4,375)
Net surplus for the year	7,280	7,801

Notes to the Financial Statements (Continued)

	2010 €000	2009 €000
1. DIVISIONAL ANALYSIS OF PROFIT AND LOSS ACCOUNT (continued)		
(H) State grants, EU and Exchequer Funding		
Allocated to:		
Rail operations	67,687	76,342
Infrastructure maintenance	189,373	175,807
	257,060	252,149
Sources:		
Exchequer subvention	155,137	170,624
Exchequer safety and other grants	12,378	12,772
Exchequer funded safety and renewals	74,306	68,753
EU funded safety and renewals	15,239	-
	257,060	252,149

(I) Net deficit by activity before exceptional items

	Commercial €000	Social €000	Total €000
2010			
Revenue	26,575	163,610	190,185
Costs	(16,964)	(444,528)	(461,492)
State grants, EU and Exchequer funding	-	257,060	257,060
Deficit for the year	9,611	(23,858)	(14,247)
2009 Net result	2,588	(6,602)	(4,014)

Commercial activities included in the above are rail freight division and Rosslare Europort division.

Notes to the Financial Statements (Continued)

	2010 €000	2009 €000
2. PAYROLL AND RELATED COSTS		
Staff costs		
Wages and salaries	243,630	252,769
Social welfare costs	20,710	21,358
Other pension costs	28,394	28,667
	292,734	302,794
Own work capitalised, renewals and engineering work for group companies	(57,985)	(64,196)
Net staff costs	234,749	238,598
Directors' remuneration		
• Services as directors	68	57
• Other emoluments	110	146
Total directors' remuneration and emoluments	178	203
Total payroll and related costs	234,927	238,801

The services as directors includes the following fees Mr. G. Duggan €1,340, Mr. C. Perry €12,600, Mr. L. O'Neill €5,636, Mr. M. P. Gaffney €12,600 Mr. M. Giblin €12,600 Ms. D. Smyth €12,600 and Ms. L Baker €10,983. Also included in the above Payroll and Related Costs is the C.E.O.'s Gross Salary to Y/E 2010 of €331,565.

Included in the other emoluments are the following expenses:

	2010 €0	2009 €0
Foreign Travel	3,582	2,786
Subsistence and Accommodation	213	4,484
Other	906	1,940

Notes to the Financial Statements (Continued)

2. PAYROLL AND RELATED COSTS (Continued)

	Staff Numbers		Staff Numbers	
	2010 Average	2009 Average	2010 as at 31st Dec 10	2009 as at 31st Dec 09
The number of employees by activity, was				
● Railway operations	2,659	2,794	2,600	2,686
● Infrastructure	1,450	1,543	1,346	1,489
● Central services	216	230	203	221
● Rail freight	18	21	19	18
● Rosslare Europort	88	91	86	85
Total	4,431	4,679	4,254	4,499

3. MATERIALS AND SERVICES

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

	2010 €000	2009 €000
Operating and other costs	66,492	68,822
Fuel and electric traction	26,754	36,409
Third party and employer's liability claims	5,850	3,168
Rates	2,639	2,928
Operating lease rentals	3,635	4,187
	105,370	115,514

4. EXCEPTIONAL OPERATING COSTS

	2010 €000	2009 €000
Business restructuring	21,784	27,989

As part of the 2003 Financial Plan the company introduced a voluntary severance and early retirement programme. The costs in 2010, including severance payments and other costs associated with the programme is €22.0 million.

Notes to the Financial Statements (Continued)

5. DEPRECIATION

	2010	2009
	€000	€000
Depreciation (<i>note 9</i>)	142,646	117,227
Amortisation of capital grants (<i>note 17</i>)	(113,485)	(89,214)
Total depreciation	29,161	28,013

6. PROFIT ON THE DISPOSAL OF TANGIBLE ASSETS

	2010	2009
	€000	€000
Profit on disposal of Tangible assets	179	523

7. INTEREST PAYABLE

	2010	2009
	€000	€000
On loan from holding company	1,310	1,440
On finance leases	1,358	1,740
	2,668	3,180
Interest apportioned:-		
Operational costs	1,717	2,047
Railway infrastructure costs	951	1,133
	2,668	3,180

Notes to the Financial Statements (Continued)

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 and Public Service Contracts.

Particulars of the State grants of €587.7 million received in 2010 are given in the following table, showing the relevant EU regulations. A sum of €90.8 million in relation to grants received on buildings was passed back to the holding company.

	EU Regulation Number		Total €000
	1370/2007 €000	1192/69 €000	
Public Service Obligation			
Revenue related	126,801	-	126,801
Expenditure related			
Mainline rail			
Normalisation of accounts			
● Class III (pensions)	-	20,554	20,554
● Class IV (level crossings)	-	3,839	3,839
Subtotal Mainline Rail	-	24,393	24,393
Suburban services			
Normalisation of accounts			
● Class III (pensions)	-	3,609	3,609
● Class IV (level crossings)	-	334	334
Subtotal Suburban Rail	-	3,943	3,943
Subtotal Expenditure related	-	28,336	28,336
Total	126,801	28,336	155,137
Total Public Service Obligation (note 20A)			155,137
State grant for NDP			382,518
Deferred funds ex CIÉ			50,022
Total State grants received			587,677
The total funding received was applied as follows:			
Profit & loss account			
Public Service Obligation			155,137
Railway Safety Revenue Grant (note 20A)		12,378	
Credit against the renewals of railway lines and works (note 9 (a))		74,306	
Deferred income (note 17)		205,082	
Deferred funding		50,022	
Transferred to CIÉ for Land & Buildings		90,752	
Total State grant for NDP			432,540
Total			587,677

Notes to the Financial Statements (Continued)

9. TANGIBLE FIXED ASSETS

Cost	1st Jan 2010	Reclassifications	Additions	Scrappings & Disposals	31st Dec 2010
	€000	€000	€000	€000	€000
Railway lines and works	1,496,416	-	134,904	-	1,631,320
Railway rolling stock	1,316,822	236	91,640	(11,708)	1,396,990
Road freight vehicles	3,347	-	-	(272)	3,075
Plant and machinery	876,102	(236)	93,871	(3,002)	966,735
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	55,192	-	370	-	55,562
Land and buildings	2,533	-	342	-	2,875
Sub total	3,751,542	-	321,127	(14,982)	4,057,687
Funding received for railway lines and works	(1,064,139)	-	(94,887)	-	(1,159,026)
Total	2,687,403	-	226,240	(14,982)	2,898,661
Depreciation	1st Jan 2010	Reclassifications	Charge for Year	Scrappings & Disposals	31st Dec 2010
	€000	€000	€000	€000	€000
Railway lines and works	1,262,044	-	101,473	-	1,363,517
Railway rolling stock	440,838	-	83,876	(11,709)	513,005
Road freight vehicles	3,347	-	-	(272)	3,075
Plant and machinery	324,372	-	50,639	(2,966)	372,045
Catering equipment	1,130	-	-	-	1,130
Docks, harbours and wharves	16,365	-	1,319	-	17,684
Land and buildings	560	-	226	-	786
Sub total	2,048,656	-	237,533	(14,947)	2,271,242
Funding received for railway lines and works	(1,064,139)	-	(94,887)	-	(1,159,026)
Total	984,517	-	142,646	(14,947)	1,112,216

Notes to the Financial Statements (Continued)

9. TANGIBLE FIXED ASSETS (continued)

	2010 €000	2009 €000
Net book amounts		
Railway lines and works	267,803	234,372
Railway rolling stock	883,985	875,984
Road freight vehicles	-	-
Plant and machinery	594,690	551,730
Catering equipment	-	-
Docks, harbours and wharves	37,878	38,827
Land and buildings	2,089	1,973
Total	1,786,445	1,702,886

- (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.

	2010 €000	2009 €000
Renewals expenditure and related grants were as follows		
Renewals expenditure	89,545	68,753
Funding received		
State Grants	74,306	68,753
EU Grants	20,581	-
	94,887	68,753
Funding applied		
Current year expenditure	89,545	68,753
Grant received for pre 2010 expenditure	5,342	-
	94,887	68,753

Notes to the Financial Statements (Continued)

9. TANGIBLE FIXED ASSETS (continued)

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

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

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

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

	2010 €000	2009 €000
Cost	1,108,064	998,899
Accumulated depreciation	(426,492)	(395,822)
Net book value	<u>681,572</u>	<u>603,077</u>

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

	2010 €000	2009 €000
Railway rolling stock	<u>109,441</u>	<u>75,599</u>

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

Notes to the Financial Statements (Continued)

9. TANGIBLE FIXED ASSETS (continued)

	2010 €000	2009 €000
Cost	92,005	91,244
Accumulated depreciation	(75,782)	(72,956)
Net book value	16,223	18,288
Depreciation for year	(2,826)	(10,063)

10. FINANCIAL ASSETS

	2010 €000	2009 €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

	2010 €000	2009 €000
Rolling stock, spare parts and maintenance materials	21,533	20,569
Infrastructure stocks	12,638	26,933
Fuel, lubricants and other sundry stocks	6,810	8,169
	40,981	55,671

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

12. DEBTORS

	2010 €000	2009 €000
Trade debtors	14,784	16,424
Amounts owed by holding and fellow subsidiary companies	57,892	37,247
Grants receivable	10,043	61,619
Other debtors and accrued income	5,399	7,427
	88,118	122,717

Notes to the Financial Statements (Continued)

13. CREDITORS (amounts falling due within one year)

	2010	2009
	€000	€000
Bank overdraft	4,252	5,267
Trade creditors	95,120	97,507
Finance lease obligations (note 15)	4,092	3,845
Income tax deducted under PAYE	4,955	3,703
Pay related social insurance	3,937	3,465
Universal social charge	638	-
Value added tax and other taxes	10,943	9,907
Other creditors	9,992	14,684
Accruals	3,087	6,970
Restructuring provision (note 16)	16,512	16,664
Third party and employer's liability claims (note 16)	4,454	2,195
Deferred income (note 17)	125,292	99,018
	283,274	263,225
Creditors for taxation and social welfare included above	20,473	17,075

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

	2010	2009
	€000	€000
Finance lease obligations (note 15)	16,165	20,217
Loan from Holding Company	-	99,040
	16,165	119,257

Notes to the Financial Statements (Continued)

15. LEASE OBLIGATIONS**(A) Finance leases**

Net obligations under finance leases fall due as follows:

	2010 €000	2009 €000
Within one year (<i>note 13</i>)	4,092	3,845
Between one and five years (<i>note 14</i>)	16,165	17,919
After five years (<i>note 14</i>)	-	2,298
	16,165	20,217
	20,257	24,062

(B) Operating leases

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

Within one year	1,048	1,570
Between one and five years	1,026	1,514
	2,074	3,084

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring Provision €000	Third Party & Employer's Liability Claims €000	Total €000
Balance at 1st January, 2010	16,664	59,972	76,636
Utilised during the year	(21,891)	(5,638)	(27,529)
Transfer from profit and loss account			
Exceptional item	21,784	-	21,784
Other	(45)	5,850	5,805
Balance carried forward	16,512	60,184	76,696
Less amount classified as current liability (<i>note 13</i>)	(16,512)	(4,454)	(20,966)
Balance at 31st December, 2010	-	55,730	55,730

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.

Notes to the Financial Statements (Continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(A) External Insurance Cover

The Board has the following external insurance cover:

- (i) Iarnród Éireann – Irish Rail Third Party Liability in excess of
 - (a) €5,000,000 on any one occurrence or series of occurrences arising out of any one rail transport event and
 - (b) €1,500,000 on any one occurrence or series of occurrences arising out of any one road transport event, except in the case of claims subject to United States jurisdiction where the excess is US\$3,300,000.
- (ii) Group
 - Third Party Liability in excess of €150,000 on any one occurrence or series of occurrences arising out of Other Risks events, except
 - (a) at Ossary Road, Dublin, in the case of flood damage, where the excess is a non-ranking €1,000,000 and
 - (b) any other flood damage where the excess is €250,000.
 - (c) any claims subject to United States of America jurisdiction where the excess is US \$150,000.
- (iii) In addition, each of the subsidiary companies within the Group has aggregate cover in the twelve month period, April 2010 to March 2011, 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 in the annual aggregate after which the any individual self insured retention in that annual period will be €50,000.
- (iv) Group Combined Liability Insurance, which does include Terrorism liability, overall indemnity is €200,000,000 for the twelve month period, April 2010 to March 2011, for rail and road transport Third Party and Other Risks liabilities.
- (v) All Risks, including storm damage, with an indemnity of €200,000,000 in respect of Group's property in excess of €1,000,000 on any one loss or series of losses, with the annual excess capped at €5,000,000 in aggregate after which the any individual self insured excess in that annual period will be €100,000.
- (vi) Terrorism indemnity cover for the Group is €200,000,000 with an excess of €500,000 in respect of railway and road rolling stock and €150,000 in respect of other property damage, for each and every loss.
- (vii) Iarnród Éireann has the following external cover in respect of its operations at Rosslare Europort:
 - (a) Marine Third Party Liability cover of €12,500,000 any one incident but unlimited during the currency of the policy, subject to an excess of €150,000 per incident.
 - (b) Removal of Wreck cover of €5,000,000 any one incident, subject to an excess of €12,500 any one incident and 3 days excess in respect of Loss of Revenue claims any one incident.
 - (c) Loss of Revenue cover €25,500 per day for a maximum of 30 days any one incident, subject to an excess of seven days any one incident.
 - (d) Marine Impact cover for itemised structures totalling €38,575,000, subject to an excess of €25,000 for each and every loss.
 - (e) Excess Marine Third Party Liability cover of €25,600,000 any one incident in excess of €12,500,000 any one incident.
 - (f) Unaccompanied Trailers cover of €5,000,000 any one location, subject to an excess of €25,000 each and every loss.

Notes to the Financial Statements (Continued)

- (g) Unaccompanied motor vehicles of €635,000 any one vessel or conveyance, €4,450,000 any one incident, and €127,500 any one vehicle, subject to an excess of €625 each and every loss.
- (h) Unaccompanied mechanically propelled vehicles not owned by CIÉ/Iarnród Éireann being driven by Iarnród Éireann personnel within the Europort area, subject to third party property damage limits of €2,600,000, in respect of commercial vehicles and €30,000,000 in respect of private cars.

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

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

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

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.

Notes to the Financial Statements (Continued)

17. DEFERRED INCOME

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

	1st Jan 2010	Transfers & Retirements	Received & Receivable	Amortised to Profit & Loss Account	31st Dec 2010
	€000	€000	€000	€000	€000
Capital Grants					
Land and buildings	296	-	999	(116)	1,179
Railway lines & works	203,693	-	45,503	(6,250)	242,946
Railway rolling stock	806,956	-	65,929	(68,993)	803,892
Plant and machinery	456,224	-	83,713	(37,736)	502,201
Docks, harbours and wharves	13,017	-	-	(355)	12,662
Total capital grants	1,480,186	-	196,144	(113,450)	1,562,880
Other deferred income	1,050	-	-	(35)	1,015
Total	1,481,236	-	196,144	(113,485)	1,563,895

Shown as:

	2010	2009
	€000	€000
Deferred income - amounts falling due within one year (<i>note 13</i>)	125,292	99,018
Deferred income - amounts falling due after more than one year	1,438,603	1,382,218
	1,563,895	1,481,236

The grants received under the Railway Safety Investment Programmes, NDP and Transport 21 will be released to the profit and loss in accordance with the Railway Safety Investment Programmes.

Notes to the Financial Statements (Continued)

18. SHARE CAPITAL

	2010	2009
	€000	€000
Authorised:		
Ordinary shares of €1.2697 each	194,270	95,230
Allotted, called up and fully paid		
At start of Year	95,230	29,204
Shares Issued	99,040	66,026
Ordinary shares of €1.2697 each at end of Year	194,270	95,230

The issued share capital of the company was increased by 78 million shares, €99M. These shares were issued to CIÉ and paid by proportionally reducing an intercompany loan that was set up on the formation of the company.

19. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Called Up Share Capital	Profit and Loss Account	Total Equity Shareholders' Funds
	€000	€000	€000
Opening Balance	95,230	(36,127)	59,103
New share issue			
Called up and fully paid	99,040	-	99,040
Deficit for Year	-	(36,031)	(36,031)
Closing Balance	194,270	(72,158)	122,112

20. CASH FLOW STATEMENT

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

	2010	2009
	€000	€000
Deficit before State grants and servicing of finance and after and Release of Provisions etc	(200,878)	(212,219)
State grants other than that applied to renewals	167,515	183,396
Deficit for the year before servicing of finance	(33,363)	(28,823)
Profit on disposal of tangible assets	(179)	(523)
Depreciation	142,646	117,227
Amortisation of capital grants (note 17)	(113,485)	(89,214)
Decrease/ (increase) in stocks	14,690	(9,344)
Decrease/ (increase) in debtors	3,668	(5,918)
(Decrease)/increase in creditors and provisions	(2,922)	(23,664)
Net cash inflow/ (outflow) from operating activities	11,055	(40,259)

Notes to the Financial Statements (Continued)

20. CASH FLOW STATEMENT (Continued)

(B) Analysis of net funds	At 1st Jan 2010 €000	Non-cash movement €000	Cash Flow €000	At 31st Dec 2010 €000
Cash in hand	286	-	34	320
Bank overdraft	(5,267)	-	1,015	(4,252)
Loans	(99,040)	99,040	-	-
Finance leases	(24,062)	-	3,805	(20,257)
Intergroup balance	37,247	-	20,645	57,892
	<u>(90,836)</u>	<u>99,040</u>	<u>25,499</u>	<u>33,703</u>

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.

21. PENSIONS

The employees of Iarnród Éireann are members of the Corás Iompair Éireann Group pension

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

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

The most recent actuarial valuations of the schemes for the provisions of FRS17 showed that at 31 December, 2010 there was a deficit of €348.7 million on the schemes.

The pension cost for the year on the defined benefit schemes was €28.39 million these costs are also included in note 2.

Notes to the Financial Statements (Continued)

22. CAPITAL COMMITMENTS

	Contracted for €000	Authorised by the directors but not contracted for €000
2010		
Within one year	41,887	234,721
From two to five years	750	161,619
	42,637	396,340
Of which funding amounts to:	40,799	349,784
2009		
Total capital commitments	165,705	454,348

23. CONTINGENT LIABILITIES

(A) Pending Litigation

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

(B) Finance Leases

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

24. RELATED PARTY TRANSACTIONS

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

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

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

25. MEMBERSHIP OF CÓRAS IOMPAIR ÉIREANN GROUP

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

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

26. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 29th March, 2011.

