



Tynagh Power Station, Co. Galway.



**EirGrid Group** is the licensed electricity Transmission System Operator and Market Operator in Ireland and Northern Ireland and owns and operates the East West Interconnector between Ireland and Great Britain.

## Our Mission

To provide quality, efficient, independent transmission and market services for the benefit of everyone across the island of Ireland.

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# Chairperson's Report

I am pleased to present EirGrid's Annual Report for the 12-month period to 30 September 2013. It has been a significant year for the EirGrid Group with the major milestone of the 500 MW HVDC East West Interconnector entering into commercial operation. It has also been a year of transition for the Group with Fintan Slye taking up position as Chief Executive and a new Strategy being developed setting the way forward for the next five years.

This Annual Report presents the operations of the EirGrid Group comprising system operation and market operation across the island, operation of the East West Interconnector and development of grid infrastructure in Ireland. It also includes our approach to Corporate Social Responsibility and to our customers and stakeholders. The achievements during the year are a result of the capabilities and dedication of the Group's staff and management, for which I thank them.

The profit before tax of €61.1m for the year to 30 September 2013 compares to a profit before tax of €20.8m for the year to 30 September 2012. The East West Interconnector became fully commercially operational in May 2013 and contributed €34.0m in profits before tax. This included profits of €25m due to a timing difference between tariff support commencing on 1 October and the go-live date of May. These higher profits will be returned to customers in future tariff periods. An interim dividend of €4m is provided for in the financial statements and this was paid to the Exchequer in November 2013.

EirGrid Group bears a heavy responsibility for ensuring that people, communities and businesses throughout the island of Ireland have a safe and

reliable supply of electricity at a competitive price. No region should have its potential limited by lack of a good power supply. The benefits of renewable energy must be harnessed. All this requires major strengthening of the transmission grid in both jurisdictions.

The major grid development projects proposed by EirGrid have provoked a strong public reaction and raised a number of legitimate questions which will be addressed. As a company owned by the people it is our desire to develop the 'right' electricity network which utilises the best technology and most up-to-date information and which strikes the best possible balance between costs and competitiveness, on the one hand, and the impacts on the environment and heritage, on the other. We are committed to consulting meaningfully with communities and other stakeholders in this process. We want our dealings with communities and concerned individuals to be open, honest and professional. We want to learn from experience as we continue our work. We fully appreciate the importance of public trust and confidence to the successful delivery of our mandate.

I would like to express my thanks to my predecessor Bernie Gray for her stewardship of the Board and the company during her term of office. I also want to express my gratitude to the Board members for their commitment and service as Directors during the year. I would like to extend my appreciation to Minister for Communications, Energy and Natural Resources, Pat Rabbitte TD, and his officials and staff for their support for EirGrid plc. I would also like to extend my gratitude to Minister



for Enterprise, Trade and Investment in Northern Ireland, Arlene Foster MLA, and her officials for their support.

Finally I would like to say that I am pleased to take up the role of Chairperson of the Board of EirGrid and look forward to working with fellow directors and the management and staff of the company in Dublin and Belfast for the good of the people on the island of Ireland.

**John O'Connor** CHAIRPERSON



Co-financed by the European Union  
European Energy Programme for Recovery



East West Interconnector Converter Station at Woodland, County Meath.



# Chief Executive's Review

I am pleased to present the Chief Executive's Review for my first year as Chief Executive of the EirGrid Group.

During the year we again delivered on our core remit in the areas of system operation and wholesale electricity market operation. These services are critically important for our customers and stakeholders and strategically important for the island of Ireland.

The East West Interconnector (EWIC) went into commercial operation. It is leading to increased competition in the Single Electricity Market and this is resulting in downward pressure on wholesale electricity prices. Wholesale prices decreased by 8% over the first 6 months of its operation.

Internally we restructured the organisation to operate as an all-island Group as part of our efforts to improve our efficiency and effectiveness. We also developed a new Strategy to set the direction for the Group over the next five years and new Values for the way we behave as an organisation. Our new Strategy and examples of living the Values are presented throughout this Annual Report.

Last year there was extensive public consultation on three major infrastructure projects. There was strong public reaction to the consultations with over 35,000 submissions received on the Grid Link Project. We are committed to responding in a meaningful way to the issues raised in the consultations and we have announced a series of initiatives to address the key themes raised.

## Financial Results

The successful completion of EWIC in 2013 was a major milestone for the Group. The final cost of the project was €562m compared to the original project budget of €601m.

Profit before tax for the year was €61.1m, an increase of €40.3m on the previous year, of which €34.0m is related to EWIC. The trading performance was substantially impacted by the timing of the interconnector achieving full operational status. Adjusting for this affect, estimated underlying profitability for the Group for the year was €18.3m and all regulatory over-recoveries will be returned to customers in future tariff periods.

## Grid Development

Part of EirGrid's core remit under legislation is to 'ensure the development of a safe, secure, reliable, economical and efficient' grid. The aim of the Grid25 Strategy is to fulfil this remit and put appropriate cost-effective electricity infrastructure in place to enable Ireland to have the electricity transmission infrastructure needed to support the economy and society into the future.

Three major infrastructure projects - Grid West, Grid Link and the North-South project - have been in the public consultation phase. We engaged in extensive programmes of consultation including a series of open days across the country. We acknowledge the strong public concerns in relation to the infrastructure development. Over the coming months we will be examining and responding to the feedback received. We have announced a series of initiatives to address the key themes raised and are committed to implementing them.

The TSO Certification process for Ireland and Northern Ireland to implement European Directive 2009/72/EC concluded. As a result the System Operator in Northern Ireland will be taking on the transmission planning role in Northern Ireland, making the responsibilities of the System Operator more similar in both jurisdictions.



Chief Executive Fintan Slye.

### Innovation – Renewables and Smart Grids

Progress continued on the DS3 programme – our overarching project to enable secure operation of the power system in real time with increasing amounts of variable renewable generation. During the year the new system service products were developed and the technical changes to the Grid Code on Rate Of Change Of Frequency (ROCOF) were set out.

During 2013 the acceptance phase of the Gate 3 process went live. There are now adequate connection agreements in place to enable Ireland’s 2020 renewables targets to be met.

In the Smart Grids domain, we continued with the Smart Grid Innovation Hub and the demonstration projects initiative which encourage innovation in new grid applications. We also launched a Smart Grid iPhone app which enables users to see key energy related real-time data and facilitates smart energy use decisions.

### Europe

The European dimension to the electricity industry is increasing in scale and importance and we have established a team to deliver on our responsibilities for European market integration. We were pleased when Ann Scully was appointed to the Board of ENTSO-E, The European Network of Transmission System Operators for Electricity, enhancing and reinforcing our central role in Europe.

Connectivity to Europe is increasingly important in the context of a single European Market. We signed a Memorandum of Understanding with RTE, the French TSO, to facilitate the next stages of investigation of an Ireland-France Interconnector.

### Our Customers and Stakeholders

As an organisation, delivering for our customers is very important to us and it is our ambition to continually improve our performance in this area. We are also committed to working constructively with all of our stakeholders, our shareholders and the regulatory authorities. The importance of these relationships is prominent in our new Strategy.

We engage in significant stakeholder consultation on our major projects. The EirGrid Group’s Public Consultation Roadmap sets out how, and by what means, members of the public can participate in the project development process and is aimed at making participation as convenient as possible for all parties. Notwithstanding this, one of the initiatives we have put in place in response to recent feedback is to review our consultation process to enhance future public engagement.

### Corporate Social Responsibility (CSR)

Doing business responsibly and sustainably is a cornerstone of the EirGrid Group’s activities and our new Strategy. Our CSR engagement ranges from work with our chosen charities in Ireland and Northern Ireland to facilitating a sustainable power system through the connection of renewable energy sources. A highlight for us in 2012/13 was achieving the Business in the Community Ireland’s (BITC) ‘Business Working Responsibly’ Mark. This is the certification in Ireland for responsible and sustainable business practices. We were also pleased to win the Chambers Ireland CSR Award for International Excellence in a joint initiative with ESB for the roll out of fuel efficient stoves in Eritrea.



Engineers Ireland Excellence Award presented to the EirGrid Group for the East West Interconnector Project.



At the launch of the EirGrid Group SmartGrid application.







Tynagh Power Station, Co. Galway.



The Secretary of State for Business, Innovation and Skills, RT Hon, Vince Cable MP visits the National Control Centre, Ballsbridge.

## Health, Safety and Environment

2012/13 was another successful year for the EirGrid Group in relation to health, safety, welfare and the environment. There were no accidents in the EirGrid Group during the year. We retained OHSAS18001 and ISO14001 certification in both Dublin and Belfast and were successful in having the OHSAS18001 certification extended to include the East West Interconnector.

We were delighted to receive a Category 1 Major Award under the Utilities category at the Annual Occupational Safety Awards hosted by the National Irish Safety Organisation (NISO) and the Northern Ireland Safety Group (NISG). This reflects the consistent commitment across the group to the highest standards of health, safety and welfare.

## Our People

The performance of our staff in Belfast and Dublin was critical to our success during the year. In a very fast-changing world, their flexibility and willingness to embrace change have been key factors in our success. A balance of skills, experience, knowledge and diversity is central to an effective organisation, and will remain a priority as we continue to evolve.

## Looking Forward

In the next year I am looking forward to leading the Group in the implementation of our new five year Strategy which focuses on delivery of our central role in the electricity industry and on contributing to the delivery of national and European energy policy.

A key challenge for us during the coming year will be engaging effectively and working closely with people and communities throughout the country, and in particular those in proximity to proposed new transmission developments. We are committed to working with all parties in an open and constructive way to address the issues and concerns that exist in respect of new transmission lines.

Finally, I would like to take this opportunity to thank the Board, management and staff of the EirGrid Group for their support and assistance throughout the year.

Fintan Slye CHIEF EXECUTIVE

# Our Strategy

The EirGrid Group has a central independent role in the electricity industry through which we contribute to the economy and success of Ireland and Northern Ireland. After seven years and many milestones having been achieved, we developed a new Strategy to set the direction for the Group for the next five years.

The Strategy recognises the pivotal role that the Group plays in the industry and in delivering on national and European energy policy. It strengthens our commitment to behave in a socially responsible manner and to respect the communities we interact with through our work. It challenges us to be the best we can be and to drive value and deliver for our customers and the economy.

## VISION

To be a world leading grid company

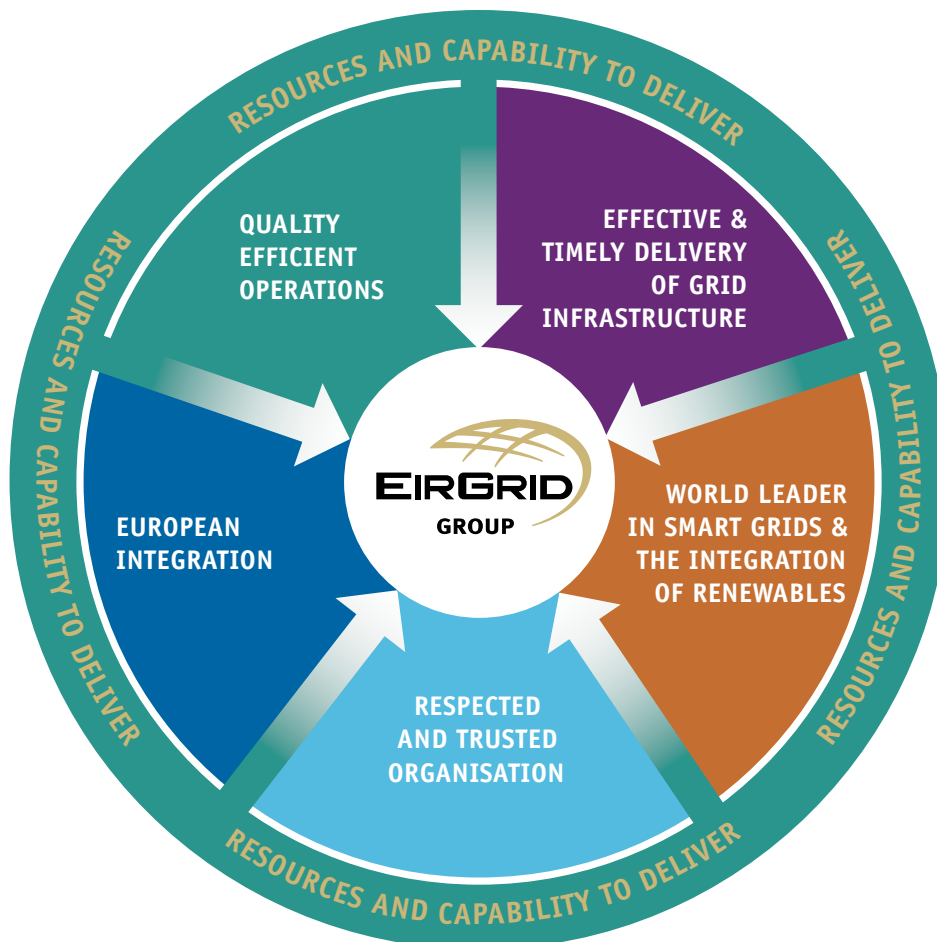
## MISSION

To provide quality, efficient, independent transmission and market services for the benefits of everyone across the island of Ireland

## VALUES

- We act with **integrity**
- We **deliver** on our promises
- We behave in a **socially responsible** manner
- We **innovate** to drive value for all our customers
- We recognise **our people** are our greatest asset

**SAFETY IS NEVER COMPROMISED**





# Financial Review

Key Financial Highlights €'m	2013	2012
<b>Revenue</b>	<b>622.1</b>	542.2
<b>Direct costs</b>	<b>(459.2)</b>	(438.8)
<b>Other operating costs</b>	<b>(89.4)</b>	(80.1)
<b>Operating profit</b>	<b>73.5</b>	23.3
<b>Net interest charge</b>	<b>(12.4)</b>	(2.5)
<b>Profit before tax</b>	<b>61.1</b>	20.8

The East West Interconnector (EWIC) was completed in 2013 at a total cost of €562m, compared to the original project budget of €601m. The financial scale of the project, and the related borrowings, has had a transformative impact on the Group's balance sheet.

Profit before tax for the year to September 2013 was €61.1m, an increase of €40.3m on the previous year of which €34.0m was relating to EWIC. The trading performance was substantially impacted by the timing of the interconnector achieving full operational status. It had been anticipated that the interconnector would be fully operational on 1 October 2012 and tariff support for the projected operational costs commenced from that date. Full operational performance was achieved in May 2013 and as a result the level of operational costs incurred was lower than had been anticipated. Approximately €25m of the total EWIC profits of €34.0m was due to the delayed start up.

The profit before tax for the Group includes over-recoveries on regulated tariffs. This was due to a number of uncertainties that are an inherent aspect of operating in a regulated environment, and the associated accounting treatment of these matters. In accordance with

normal regulatory practice, these over-recoveries will be corrected for in future tariffs. The profit before tax for 2013 was €61.1m, however, excluding over-recoveries management's estimate of the underlying operating profit for the year was €18.3m, subject to regulatory uncertainties.

The Group's revenue is primarily derived from regulated tariffs.

Direct costs primarily consist of:

- The regulated charge payable to ESB and NIE as owners of the transmission system in Ireland and Northern Ireland respectively;
- The cost of purchasing from generators a range of services required for the secure operation of the system;
- Constraint costs payable when the secure operations of the system requires changes to be imposed on the market based schedules of generators; and
- The costs of implementing a range of energy demand initiatives.

Other operating costs include costs associated with the operation of EWIC, employee costs, professional fees, IT costs, depreciation and other corporate costs.

## Regulation

The Group's Transmission System Operator (TSO) activities in Ireland and Northern Ireland are regulated by the CER and URegNI respectively. In its role as Market Operator for the SEM, the Group is regulated by the SEM Committee, which comprises the CER, URegNI, an Independent Member and a Deputy Independent Member. The Group also holds two licences as Interconnector Operator for EWIC, one from CER and one from Ofgem.

In advance of each tariff period the Group submits to the relevant regulatory authority forecasts of customer demand, operating costs and other revenue requirements. Following a detailed review process which includes public consultation, the regulator issues a formal determination of the allowable revenue to be recovered by the business. As with any forecast there can be variations between the projections and the actual revenue recovery, or cost outturn, resulting in regulatory under or over-recoveries. Any such under or over recoveries are adjusted for in the price determinations for subsequent periods. This can give rise to volatility in the reported statutory earnings of the Group, as current accounting regulations do not permit results to be smoothed through the anticipation of under or over-recoveries.

## Financing

In the current difficult financial environment a priority for the Group has been to maintain strong banking relationships. In the year to September 2013 this has enabled the Group to complete the investment in the East West Interconnector and also to manage the liquidity requirements associated with the SEM.



**EIRGRID** **SONi**

TRANSMISSION SYSTEM  
400, 275, 220 and 110 KV

**EIRGRID**

Eirgrid... independent e...  
Trans... of the nati...  
Gr... and up...  
ele... from no...  
The...  
Facilita...

**EIRGRID**  
**EMF & YOU**



## Values

# Integrity

*'We act with integrity'*

In 2013 we engaged in very extensive public consultation on major grid development projects. Concerns were expressed during the consultation and in the submissions received. We are committed to acting with integrity and to making a real and meaningful response to what we have been hearing from communities and members of the public. We have identified a number of themes in the submissions made and have put a number of initiatives in place to respond to these themes. We will ensure that the initiatives identified are fully implemented. We are committed to continuing to listen and to respond with action.



Edward Blake, Sligo and Valerie Hedin, EirGrid Group pictured at an open day on the Grid West project.

# Operating the Power System

The EirGrid Group is responsible for managing electricity supply and demand in real-time and for controlling flows of power on the transmission system in Ireland and Northern Ireland. The transmission system consists of a meshed network of high voltage lines, cables and substations which together transfer bulk power from generators to load centres. The transmission system or “Grid” is the backbone of the electricity system.

The Grid is operated from the National Control Centre (NCC) in Dublin and Castlereagh House Control Centre (CHCC) in Belfast. Electricity demand requirements must be met in real-time by electricity generation. Maintaining this balance between electricity demand and supply is the responsibility of the control centres. Electricity is generated at power stations, including wind farms, located at various sites across the island. Electricity is transported around the country on the high voltage transmission network to the main load centres, such as cities, large towns and large industrial sites. We seek to operate the transmission system in a safe, secure and economic manner at all times. The dispatch of generation is performed in accordance with Single Electricity Market principles, which are designed to minimise production costs.

## Electricity Demand

During the period from January 2013 to December 2013, all-island system demand increased. Energy consumption for the period totalled 34.86 TWh (terawatt hours) representing a 0.64% increase on the previous 12 months. The all-island maximum system demand in 2013 was 6,229 MW (megawatts) and occurred in January 2013.

## System Performance

System performance and reliability is measured in terms of ‘system minutes lost’, an international benchmark

that measures the severity of system disturbances relative to system size. System minutes lost reflect the amount of demand not supplied due to faults on the transmission system. From January 2013 to December 2013, the total number of system minutes lost was 0.393 in Ireland and 7.25 in Northern Ireland. The high figure for Northern Ireland stems from events which occurred on 22 March. Severe weather conditions, which resulted in ice effects on the network which have only been encountered once before in over two decades, caused a total of 152 faults on the system and led to two major load shedding incidents, one in the morning and one in the evening. The event in the morning led to the disconnection of approximately 159,000 customers in North and Central Belfast for 5 minutes. The incident in the evening led to a total blackout of Belfast and much of County Down, with 320,000 customers variously disconnected for between 8 and 15 minutes. The events of 22 March alone gave rise to 6.879 system minutes lost. These incidents would have been more severe had it not been for the prompt and effective actions of control centre staff in Belfast.

Generation availability is a measure of the capability of generators to deliver power to the grid. In order for the EirGrid Group to operate the transmission system securely and economically it is necessary for generators to maintain a high rate of availability. All-island generation availability increased marginally to 87.08% in 2013, from 86.91% in 2012. The generator forced outage rate dropped from 7.34% to 6.96%.

Generation margins remained within standards throughout 2013.



The National Control Centre, Ballsbridge, Dublin.



Joe McCready and Cliff McLoughlin at the Control Centre, Castlereagh House, Belfast.



## Renewables

The integration of more variable renewable forms of generation on the power system means transmission operators must consider an additional complex range of supply and demand issues. These include the operational challenges of switching to more variable non-synchronous generation sources (e.g. wind farms), security of supply in terms of managing an increasing variety of generation technology types and the integration and use of Smart Grid technologies allowing greater user participation in the power system.

The largest share of renewable generation in Ireland and Northern Ireland is provided by wind generation. At the end of 2013, the amount of wind generation installed on the island reached 2,395 MW, and the maximum instantaneous all-island wind generation in 2013 was 2,274 MW. Total installed renewables on the island has now reached a combined total of 2,750 MW – 2,162 MW in Ireland and 588 MW in Northern Ireland.

The EirGrid Group established the DS3 Programme “Delivering a Secure and Sustainable Electricity System” to help deliver on the 2020 renewable electricity targets. DS3 is designed to ensure the safe, secure and reliable operation of the power system in Ireland and Northern Ireland with increasing amounts of variable renewable generation. In order to achieve the renewable targets the generation plant portfolio on the island will be transformed from the traditional mix of conventional generation - mostly gas and other thermal plant - to a portfolio where in 2020, variable wind generation will account for 37% of all electrical power generated on the island.

## Operations Highlights

- All security of supply Key Performance Indicators (KPIs) were achieved throughout 2013, with the exception of the KPI for system minutes lost in Northern Ireland. This was due to the extreme adverse weather conditions in Northern Ireland in March.
- There were some significant outcomes of the DS3 programme including:
  - A multi stage consultation process for System Services, including consultations on the approach used and the required products and financial arrangements. The TSOs published the TSO System Services Recommendations paper in May 2013.
  - The approval of a number of Grid Code modifications in Ireland and the corresponding modifications to the Wind Farm setting schedule in Northern Ireland.
- A record 893 GWh of wind power was generated in December 2013, representing approximately 30% of all power generated that month.
- In 2013 instantaneous wind penetration on the island reached up to 50% of system demand on 16 days throughout the year.
- Approximately 16% of all-island electricity demand was produced by wind during the year.



GIS infrastructure located in Tarbert station.

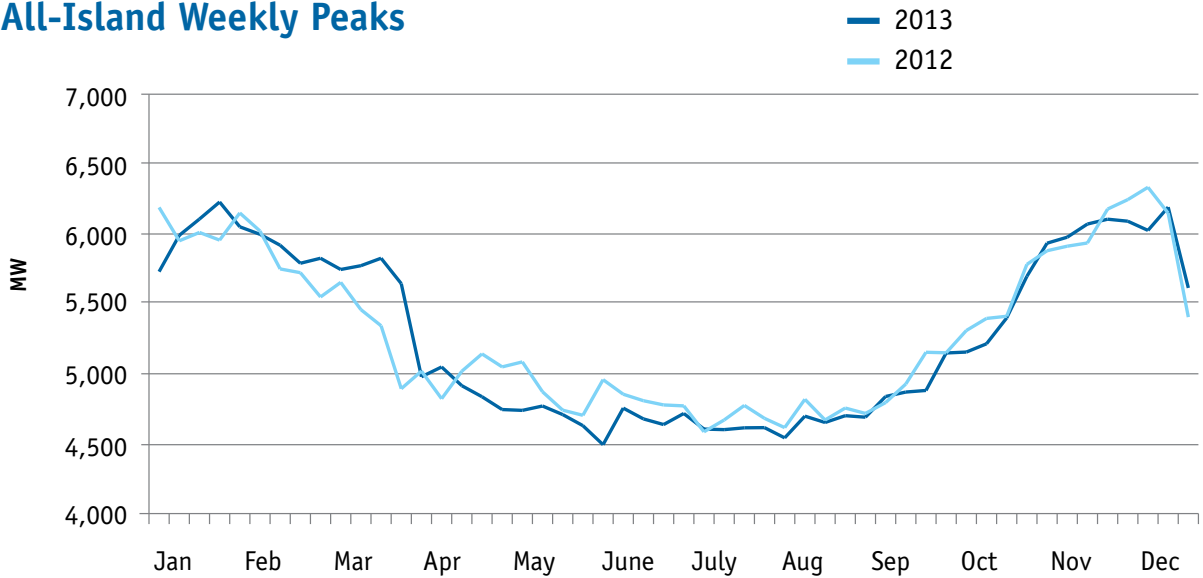


Tynagh Power Station.

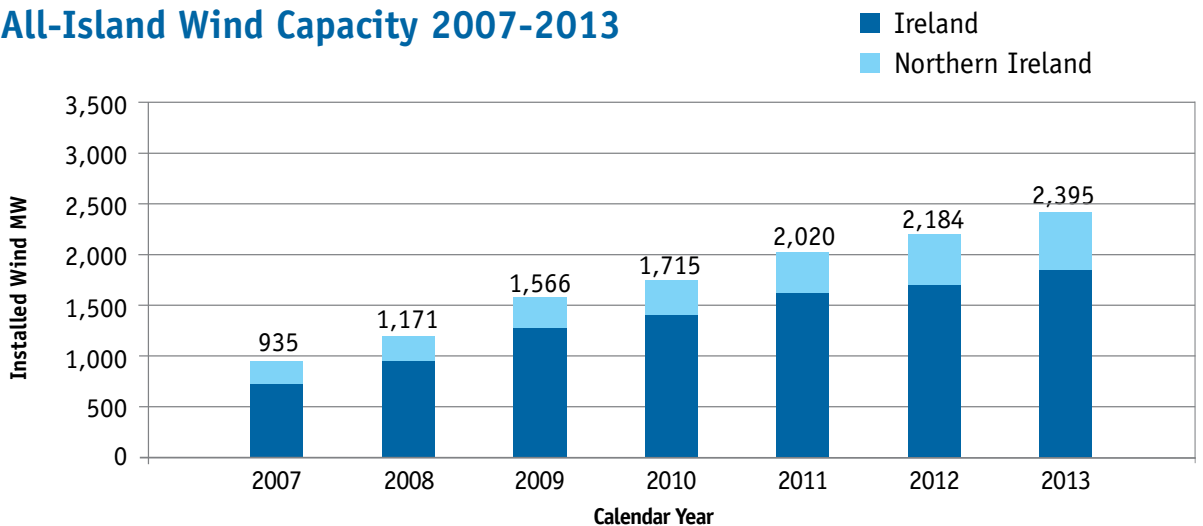
### All-Island Demand Growth Rates 2013



### All-Island Weekly Peaks



### All-Island Wind Capacity 2007-2013





**CONCEPT**

**TECHNICAL  
EXPERTISE**



**INTRODUCTIONS AND  
COLLABORATIONS**



**SUPPORT FOR  
INVESTMENT**



**PROTOTYPE  
AND TRIALLING**



**BUSINESS  
MODEL REVIEW**



Values

# Innovation

*'We innovate to drive value for our customers'*

The Smart Grid Innovation Hub (SGIH) is a collaborative initiative by the EirGrid Group and NDRC (National Digital Research Centre) to promote the development of innovative Smart Grid solutions on the island of Ireland by taking advantage of the unique aspects of the electricity system. It has been in operation since October 2012 and has provided a wide variety of supports to a large number of companies during this time. In its first year it has engaged with over 500 individuals and 130 organisations and has provided extensive supports ranging from introductions and collaborations, support for investment, idea steering and filtering and commercial trials.



COMMERCIALISATION

Smart Grid Innovation Hub support structure.

# Operating the Single Electricity Market

The Single Electricity Market (SEM) is the wholesale electricity market which has operated in Ireland and Northern Ireland since November 2007. It is a competitive, sustainable and reliable market, designed to deliver long-term all-island economic and social benefits. The Single Electricity Market Operator operates and administers the SEM. EirGrid Group is licensed as the Market Operator in Ireland and Northern Ireland and is regulated by the Commission for Energy Regulation in Ireland and the Utility Regulator of Northern Ireland, acting jointly through the SEM Committee.

## Operational Review

During the 2012/13 financial tariff period the SEM operated smoothly, transparently setting prices, invoicing participants in a timely fashion and transferring funds securely. The System Marginal Price (SMP) has been reflective of supply and demand and of international fuel prices, particularly gas. Wholesale gas prices in March 2013 were unseasonably high due to

a combination of cold weather, high demand and short supply, which led to a corresponding elevation in SMP.

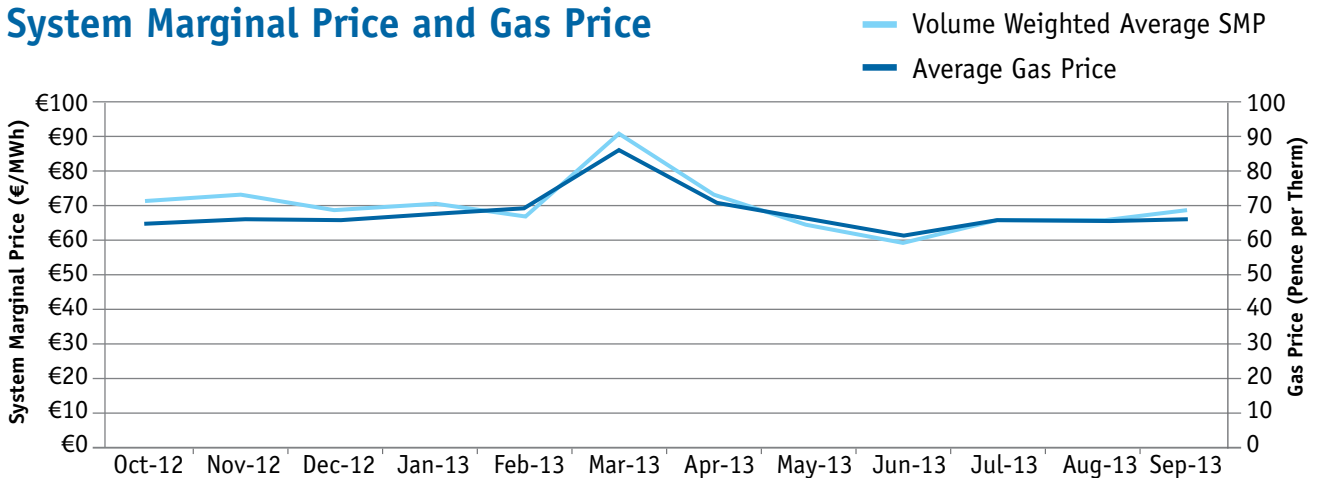
In 2012/13 the processing of energy invoicing and settlement totalled approximately €2.5 billion (including imperfections) in addition to capacity settlement of approximately €518 million. All SEM collateral requirements were fully maintained. The market operation was maintained to a high level of performance. Participant and customer queries were on average responded to within three working days. In addition, the availability of SEM central market system applications was maintained at a high level (99.78%).

The Modifications Committee considered 17 changes to the SEM with the SEM Committee approving 14. Modifications ranged from determining potential rules for a new generator type (Compressed Air Energy Storage) to a change to regulate the position regarding security over participant collateral accounts.

Two new versions of the Trading and Settlement Code were published and two new Central Market System releases

incorporated a total of 21 changes. There were six general Market Operator User Groups held and three dedicated market training sessions for new SEM participants with 14 new parties and 43 new units registering of which 5 were Interconnector Users.

## System Marginal Price and Gas Price







Claire Breslin, SEMO.

# Operating the East West Interconnector

At 264km in length, 187km of which is beneath the Irish Sea, the East West Interconnector (EWIC) links the electricity transmission grids of Ireland and Great Britain, from converter stations at Woodland in Co. Meath and Shotton in North Wales. This is the largest voltage sourced conversion (VSC) High Voltage Direct Current (HVDC) scheme currently in operation today. The interconnector went into partial commercial operation in December 2012 and full commercial operation in May 2013.

It represents a significant investment (€562m) that has considerable benefits for the island of Ireland by improving security of supply, by increasing competition in the market and by helping the country reach its renewable electricity targets. It is a fully regulated interconnector, fully compliant with European and national regulatory requirements in relation to open access.

EWIC was a complex project and represents a significant engineering achievement. We were honoured that this project won Engineers Ireland Project of the Year Award in 2013.

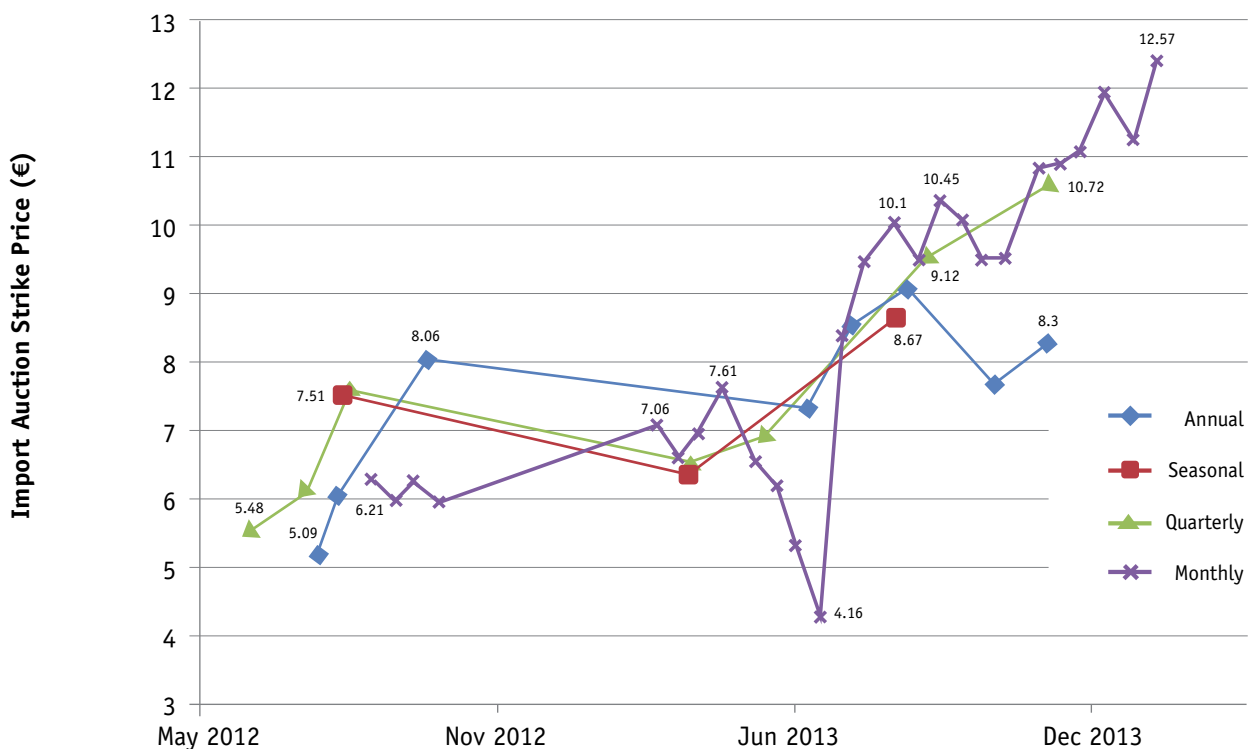
The 500 MW capacity available on EWIC in both the import and export directions equates to enough electricity to power 300,000 homes. EWIC customers are now actively competing for annual, seasonal, quarterly and monthly long-term auction products and for daily auction products. Flows on the interconnector have been predominantly from Great Britain to Ireland. The graph below shows the upward trend in strike prices for various auction products for flows in this direction. The congestion rent from this activity is increasing the benefits of EWIC for consumers.

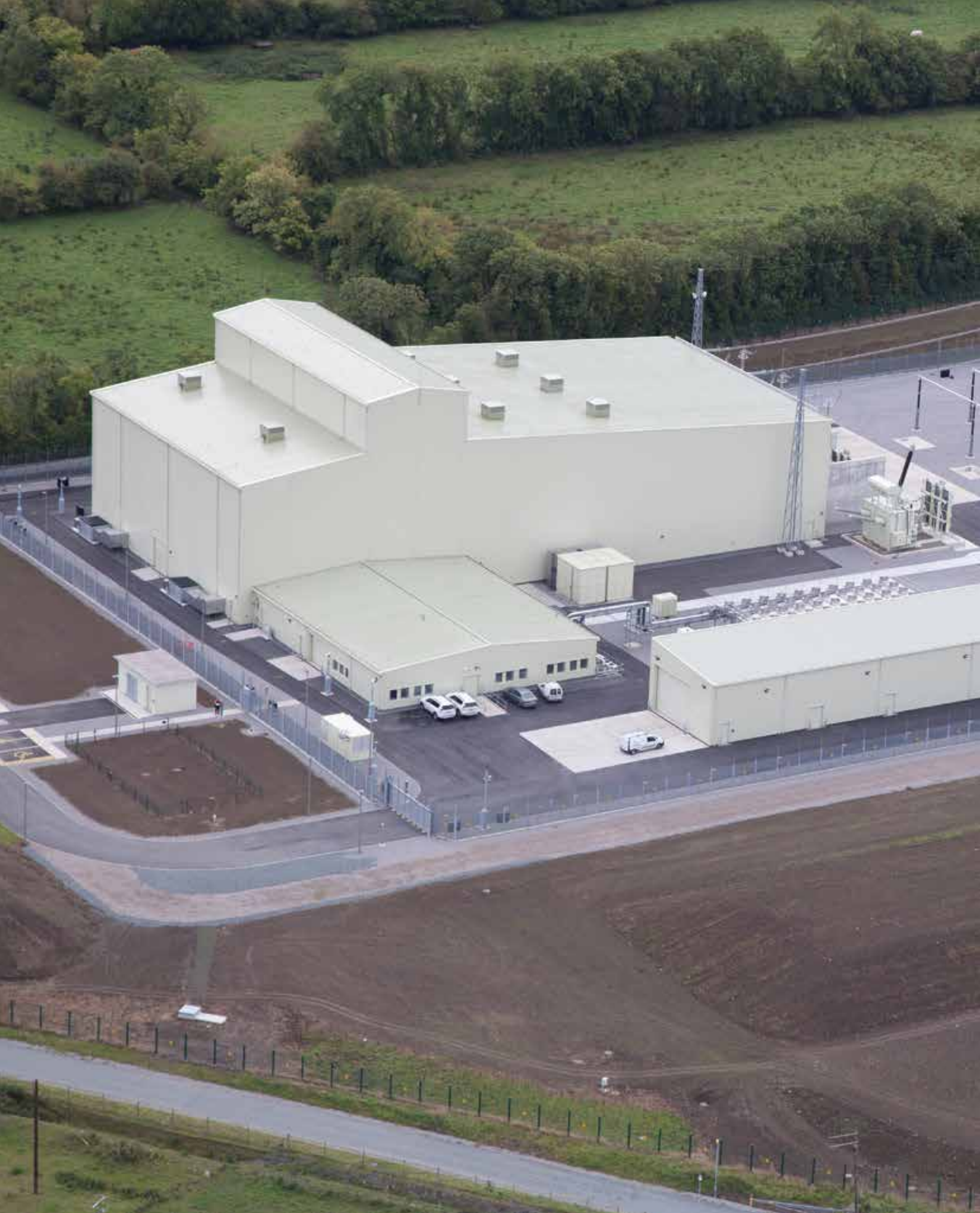
The commercial activity on EWIC has led to a downward pressure on the

price of electricity in the SEM, which is narrowing the gap on the cost of electricity between the electricity markets on the islands of Ireland and Great Britain. Analysis of the impact of the first 6 months of operation indicates a reduction of 8% in the load weighted average wholesale electricity prices.

EWIC is also facilitating the reduction of curtailment for renewable energy generation through the use of System Operator trades directly with National Grid Electricity Transmission or through our trading partner Statkraft in Great Britain. As a result of priority dispatch trades, wind curtailment was reduced by 140 GWh and there was an associated reduction in dispatch balancing costs of over €5.5 million in the period from June to December 2013.

## Import Capacity Product Auction Price per Auction

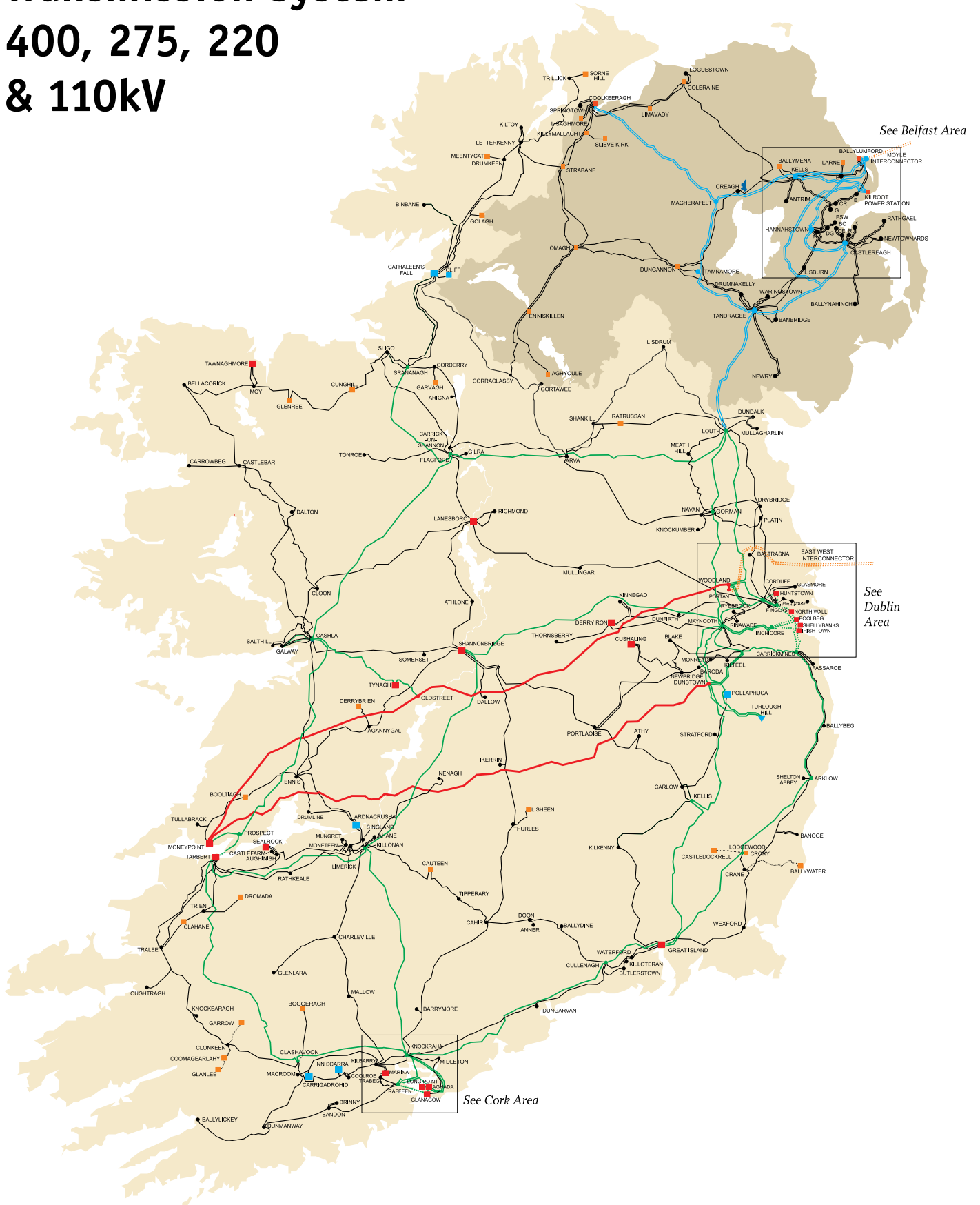




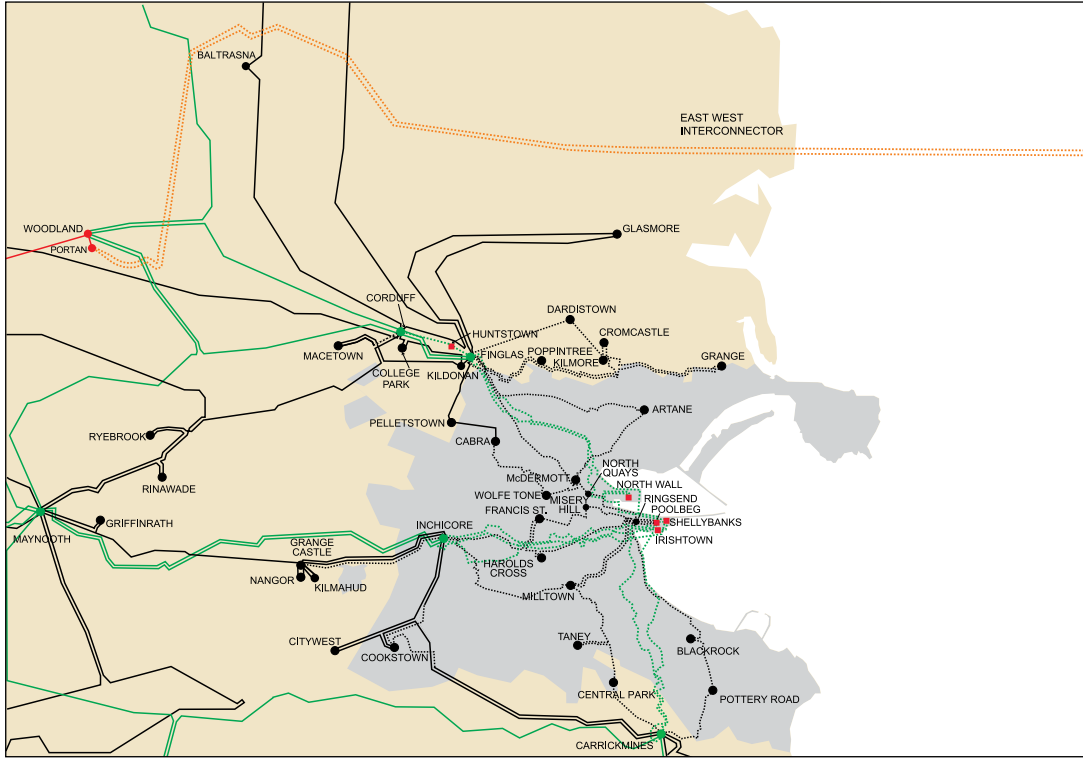
The East West Interconnector Converter Station at Portan.



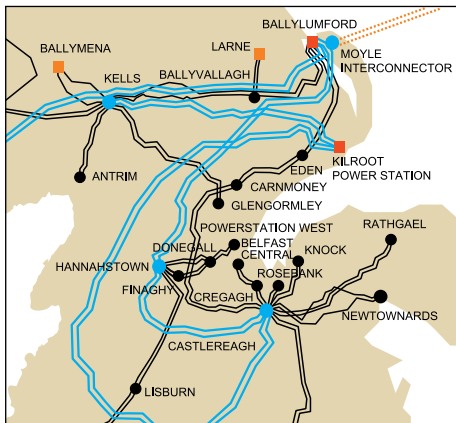
# Transmission System 400, 275, 220 & 110kV



### Dublin Area

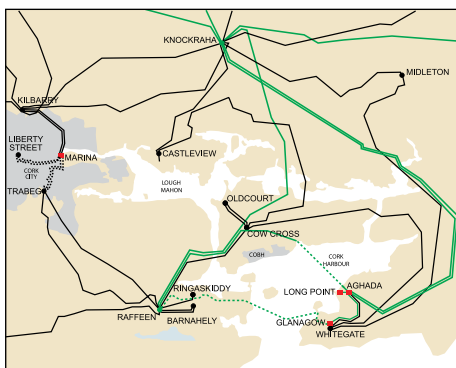


### Belfast Area



- 400kV Lines
- 275kV Lines
- 220kV Lines
- 110kV Lines
- - - 220kV Cables
- - - 110kV Cables
- - - HVDC Cables
- 400kV Stations
- 275kV Stations
- 220kV Stations
- 110kV Stations

### Cork Area



### Transmission Connected Generation

- Hydro Generation
- Thermal Generation
- ▼ Pumped Storage Generation
- Wind Generation

[www.niso.ie](http://www.niso.ie)

# National Irish Safety Or

*Saving lives since 1963*

*Celebrat*



# Organisation

## Values

# Safety

*'Safety is never compromised'*

A fundamental value of the organisation is that "Safety is Never Compromised". This relates to anyone who could be affected by our activities and is reflected in every aspect of how we conduct our business. Our achievements in this important area of the business were recognised in 2013 when the EirGrid Group won the Major Utilities Safety Award at the National Irish Safety Organisation's Annual Awards Ceremony. In winning this award we demonstrated exemplary performance in 10 key areas of occupational health and safety management. The framework for this success is an integrated Health, Safety and Environmental Management System and a corporate culture that is led from the top and positively promotes safety.

Priscilla Woods NISG Chair, Lucinda Creighton TD presenting Margaret Jacob, EirGrid, with the award for Utilities Provider along with Pauric Corrigan, NISO President at the 22nd Annual Occupational Safety Awards 2013.

# Developing Transmission Infrastructure

Developing infrastructure to support sustainable economic growth and security of supply into the future is of paramount importance. Grid25 is the EirGrid Group's programme for the long-term development of Ireland's transmission grid. It includes the upgrading of over 2,000km of existing transmission circuits using new and existing conductor technologies and the construction of over 1,100km of new transmission circuits. During the year we were progressing transmission projects at various stages of development in every county in Ireland. The EirGrid Group has been working closely with ESB Networks to improve the effectiveness of how we work together to deliver and maintain infrastructure for customers.

In 2013, significant progress was made in a number of areas, notably:

- Upgrading and refurbishment of over 260km of existing lines;
- Planning permission was granted by An Bord Pleanála for
  - the new 25km Mullingar-Kinnegad 110kV Project, which improves security of supply to the Mullingar region, in January
  - the new Belcamp 220/110kV station, which forms part of the Dublin North Fringe 220kV project to improve security of supply in the area, in February;
- Cloghran 110kV station, which forms part of a demand connection for a major customer, was energised in March;
- Planning permission was granted by Fingal County Council for the Finglas 220kV busbar reconfiguration in August;
- During October, the new Reamore 110kV station and an uprate of the Bellacorick 110kV busbar were completed;

- A new 220kV station at Great Island, which will enable the connection of a new power plant, was energised in November; and
- The energisation of Mount Lucas Wind Farm took place in December.

## Public Participation and Community Engagement

The EirGrid Group's Public Consultation Road Map sets out how, and by what means, members of the public can participate in the project development process and is aimed at making participation as convenient as possible for all parties. During 2013, in line with this Road Map, there was extensive public consultation on the three major Grid25 projects - the North-South 400kV Interconnector, the Grid West and the Grid Link projects. Public reaction to these projects was strong with over 35,000 submissions received for the Grid Link project. We are reviewing the feedback received and have committed to reviewing our consultation processes.

More than 600 people attended a series of nine information days on the proposed North-South 400kV Interconnection Development. The information days were held in counties Meath, Cavan and Monaghan during April and May 2013.

The Grid West project was highly commended at the 20th Awards for Excellence in Public Relations by the Public Relations Consultants Association of Ireland (PRCA), The Public Relations Institute of Ireland (PRII) and The Chartered Institute of Public Relations (CIPR) of Northern Ireland, on 21 June 2013. The recognition was received from the public relations industry for the project's efforts to inform the public about its launch, the establishment of the various communications channels and opening a site office to encourage engagement, the publication of the Constraints Report and Stage 1 Report and the associated series of open days.

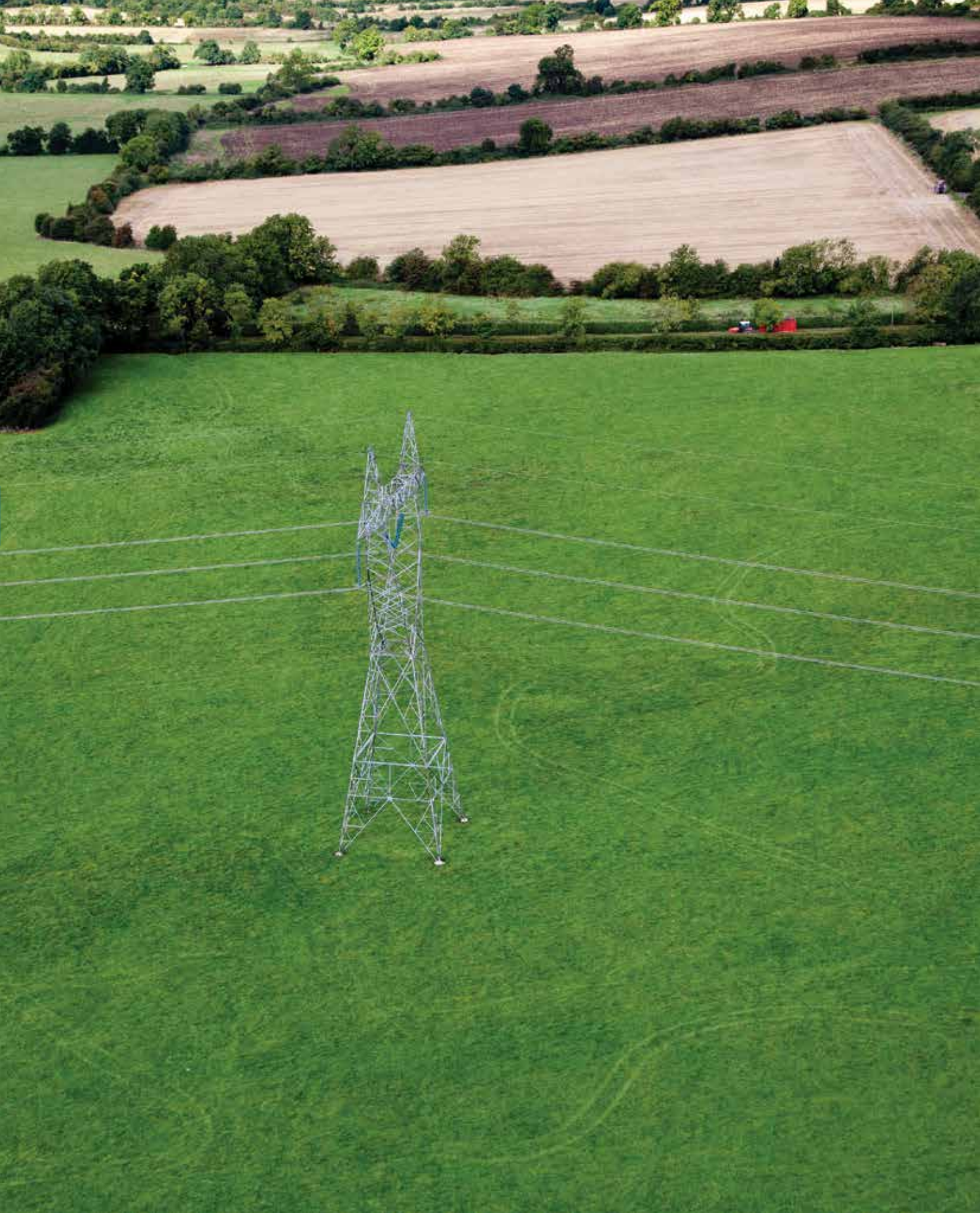


Cloghran 110kV station.



The Minister for Communications, Energy, and Natural Resources, Pat Rabbitte, TD at the launch of the Indecon Report.







Grid Link Project Manager, John Lowry at an open day on the Grid Link Project.

In September 2013, the Stage 1 Report for the Grid Link Project was published. The report confirmed the justification for the project and proposed potential 1km route corridor options which were presented for the public to comment. The consultation period was extended until 7 January 2014 arising from the significant reaction to this project. The team attended over 100 public events in the study area, including community briefings and hosted a number of stakeholder visits for local councillors.

The EirGrid Group had a very busy stand at the Ploughing Championships in September in Ratheniska, Co. Laois. The event is one of the largest farming events in Europe and crowds in excess of 200,000 turned out over the three days. It provided an opportunity to meet with stakeholder groups, landowners and the general public in an informal setting and inform people about the Group’s task as the national Transmission System Operator and the Grid25 Development Plan.

### **Grid25 Economic Benefits Study Published**

In July 2013, the “Evaluation of the Wider Economic Benefits of Grid25 Investment Programme” by Indecon International Economics Consultants was launched by the Minister for Communications, Energy & Natural Resources, Pat Rabbitte, TD. The study was commissioned by the EirGrid Group to examine the wider economic benefits of investment in the Grid25 programme. It found that, due to direct, indirect and induced impacts of the investment spending, the programme is likely to support almost 3,000 jobs over the 15-year period of the investment plan. The study also presented new survey evidence of the potential of Grid25 to influence investors’ perceptions of Ireland. 83% of leading companies that responded to the survey judged that additional available capacity on the electricity transmission grid was important or very important to their expansion plans. These organisations accounted for over 24,000 employees in Ireland and over 950,000 worldwide.

### **Maintenance**

The EirGrid Group is responsible for ensuring the maintenance of the transmission system in Ireland, including the development and review of maintenance policies and standards. As in previous years, we identified, prioritised and provided outages for maintenance activities designed to ensure that the transmission system continues to operate in a safe and secure manner.



Pictured at the National Ploughing Championship 2013: the Minister for Arts, Heritage and the Gaeltacht, Jimmy Deenihan, TD with Ciara Feehely and Deborah Meghen, EirGrid Group.





## Values

# Our people

*'We recognise our people are our greatest asset'*

The Market Systems team are an integral part of the EirGrid Group IS function and work collaboratively to deliver a high quality service.

They have responsibility for the ongoing maintenance and support of business critical systems essential to the market. These include the Central Market Systems that provide the scheduling and settlement function for the SEM; Reserve Constrained Unit Commitment and the Auction Management Platform for both the Moyle and the East West Interconnectors. The seamless operation of these systems are essential to participants and ensure the smooth running of the market.

The team is comprised of staff in both Dublin and Belfast and they have extensive experience of working as a cross jurisdictional team. Their expertise and integrated approach ensure ongoing high availability of Market Systems and the efficient and cost effective delivery of bi-annual releases.



Simon Grimes, European Affairs, speaking at the EirGrid Group Customer Conference 2013.

# Europe

The integration of the European Electricity Market is one of Europe's key energy policy priorities. This includes both the integration (coupling) of markets through the deployment of the 'EU Target Model' and through increased physical interconnection between countries/markets. The EirGrid Group is very conscious of the need to ensure that the specific requirements of the market in Ireland and Northern Ireland are taken into account at EU level. Given the increasing scale and importance of the European dimension, we established a department under Executive direction to manage our interactions and responsibilities in Europe.

## Network Codes

The creation of the Internal Electricity Market (IEM) in Europe is being progressed through the development of Network Codes, which codify the Target Model. Network Codes are being developed in the areas of Grid Connection, System Operation and Markets. In 2013, nine Network Codes

were in progress at different stages of development with eight out of the nine now well developed. We have been contributing to the development of each of these Network Codes to ensure that the needs of a small island system are taken into consideration and indeed are leading the drafting on two of them – the Demand Connection Code and the Forward Capacity Allocation Code.

## Target Market Model

The EU Target Model has to be implemented in Ireland and Northern Ireland by 2016. The Regulatory Authorities (URegNI and CER) have initiated the High Level Design of the market to identify options for compliance with the EU Target Model that best meet the needs of market participants and end-users. The EirGrid Group has been engaging in this process and analysing the different market options under discussion.

## ENTSO-E

ENTSO-E is the European Network of Transmission System Operators set up under the Third Energy Package to co-ordinate among TSOs on a number of significant policy issues. These include to a large extent the development of the Network Codes and Ten Year Network Development Plan. We are participating in all the appropriate areas of ENTSO-E that are of strategic importance to Ireland and Northern Ireland. A significant development and indication of the growing influence of the EirGrid Group in ENTSO-E was the appointment of Ann Scully, Director, European Affairs to the Board of ENTSO-E in 2013, enhancing and reinforcing our central role in Europe.

## TSO Certification

The TSO Certification process for Ireland and Northern Ireland to implement European Directive 2009/72/EC concluded. As a result the System Operator in Northern Ireland will be taking on the transmission planning role making the responsibilities of the System Operator similar in both jurisdictions.

## Further Interconnection

The EirGrid Group and its French counterpart RTE are investigating interconnection between Ireland and France. We signed a Memorandum of Understanding in June 2013 to commission further preliminary studies on the feasibility of building a submarine electricity interconnector between the two countries. An Ireland-France interconnector would, if developed, run between the south coast of Ireland and the north west coast of France, and would comprise a cable length of approximately 600km. We have already conducted studies which indicated that an interconnector could be beneficial for electricity customers in both countries. In October 2013, an Ireland-France Interconnector was included in the list of Projects of Common Interest published by the European Commission.



Pictured at the CBI/IBEC Energy Conference 2013 at Belfast's Titanic Centre: Danny McCoy, IBEC; Ian Coulter, CBI; Minister Foster, MLA; Minister Rabbitte, TD; Fintan Slye, Chief Executive, EirGrid.

# Our Customers

The EirGrid Group is responsible for ensuring a safe, secure and reliable electricity supply to meet the needs of homes, businesses and industries across the island of Ireland. We must also look to the future, anticipating the demand for electricity in the decades to come and plan the development of the grid to meet that demand in a responsible and sustainable manner. A secure, reliable and affordable power supply is essential in a modern society and economy to drive growth, attract investment and create jobs.

Our customers include those who are directly connected to the transmission grid (large generators and demand users) and all consumers and communities across the island, who rely on the transmission system and benefit from having a secure electricity supply. Our relationships with each of these groups are very important to us.

## Customer Events 2013

The EirGrid Group Customer Conference entitled “Delivering the Power System and Market of Tomorrow” was held in Belfast on 31 October 2013. The event was the first EirGrid Group Conference hosted in Northern Ireland. The conference was attended by approximately 190 delegates. Topics included: facilitating Ireland’s changing fuel mix, regional integration and a round table discussion on the social acceptance of transmission projects. It was opened by the Minister for Enterprise, Trade and Investment in Northern Ireland, Arlene Foster, MLA and Pierre Bornard (Vice-CEO French TSO RTE, Chairman ENTSO-E) provided the keynote address for the event.

Throughout the year, we have facilitated a number of events and workshops for

customers and stakeholders including: DS3 Industry Forums and Advisory Councils, EirGrid National Stakeholder Forum, Market Operator Special Topic Sessions, All-Island Generation Forum, Market Integration Project Workshop, Contracts Workshop, Windfarm Testing and Commissioning Review Workshop and Demand Side Unit Forums.

## Community Engagement

Public participation and engaging with local communities is of particular importance in developing large scale infrastructure such as the electricity grid. In 2013, in line with our Public Consultation Road Map, the EirGrid Group held extensive consultation on three major Grid25 projects. The consultation process included 26 open days, hundreds of briefings to various stakeholders and organisations, the opening of local information offices for communities and providing information through local media.

There has been significant feedback from local communities, stakeholders and individual members of the public which has been extremely valuable to improving our understanding of the issues. We have announced a series of initiatives to address the public concerns about some of the Grid25 projects – these included conducting a detailed analysis of underground options, the introduction of specific Community Gain measures, and a review of our consultation process to enhance future public engagement.

The EirGrid Group is committed to developing projects in a responsible manner and engaging with the public, communities and all affected stakeholders openly and constructively throughout the process.



At the EirGrid Group Conference 2013 at the Hilton Hotel, Belfast were: Minister Arlene Foster, MLA, Fintan Slye, Chief Executive, EirGrid plc and Martina Maloney, Director, EirGrid plc.



Pictured at the EirGrid Group Customer Conference were the panel members: Pierre Bornard, Chairman, ENTSO-E, Fintan Slye, Chief Executive, Simon Grimes, Derek Lawler and Alex Baird of the EirGrid Group.





Moneypoint Power Station, Kilrush, Co. Clare.

## Customer Initiatives Delivered

In response to feedback from our directly connected customers and stakeholders we delivered a number of initiatives during the year:

- A new SONI website, with improved functionality and innovative use of web technologies to display live data direct from the Control Centre Energy Management System (EMS), was launched in early 2013;
- More information is provided on Grid Development and progress on Associated Transmission Reinforcement (ATR) projects which are required to deliver Firm Access Quantities (FAQ) for customer projects;
- A bi-monthly Market Operations Conference call is held which highlights recent and upcoming events in the market as well as providing an open forum to discuss issues and raise questions; and
- There is now a dedicated section on the EirGrid website on European developments.

## EWIC and New Customers

The East West Interconnector means our customer base now includes those focused on energy trading between the All-Island and Great Britain electricity markets (SEM and BETTA). It has opened the SEM market to new entrants and enhanced competition. There are now eight customers registered to trade on EWIC and there continues to be strong interest from further potential customers.

In SEM during the past year there were 14 new participants and a total of 43 new units registered, including EWIC users.



Connection Policy & Contracts Team: Marie Hayden and Shane Maher.



**Business in Community Ireland**

**BUSINESS WORKING RESPONSIBLY**

This is to certify that  
**EirGrid**  
has completed an independent audit,  
met the required compliance levels  
and has therefore achieved the  
**Business Working Responsibly Mark**  
Ireland's only certification for responsible and sustainable business practices

26 September 2012

*Tina Roche*  
Tina Roche, Chief Executive, Business in the Community Ireland

Auditing partners: **NSAI**

Expiry Date: 26.09.2014



Values

# Socially Responsible

*'We behave in a socially responsible manner'*

We are committed to behaving in a socially responsible manner. A measure of this is that we are one of eleven companies in Ireland to hold the Business in the Community 'Business Working Responsibly' Mark. This is Ireland's recognised certification for responsible and sustainable business practices. In obtaining the Mark our activities were reviewed across the full scope of our business for their sustainable and responsible practice. EirGrid was awarded the mark after an audit demonstrating our high standards in the areas of environment, workplace, marketplace, community, communication and governance.

Kieran McGowan, Chairperson of BITC and Fintan Slye, Chief Executive, EirGrid Group at the presentation of the BWR Mark award.

# Corporate Social Responsibility

Doing business responsibly and sustainably has always been central to the EirGrid Group’s way of operating. During the year, we developed a new strategy in which Corporate Social Responsibility (CSR) features prominently. One of our new values is to behave in a socially responsible manner. CSR is fully integrated into the Group’s business planning and performance management systems.

EirGrid is pleased to hold Business in the Community Ireland’s (BITC) “Business Working Responsibly” Mark, the benchmark CSR standard in Ireland. We will be seeking re-certification to the Mark in 2014.

## Engaging with and Supporting Communities

The EirGrid Group’s community engagement includes consultation on grid development (as discussed earlier), education outreach and staff engagement in fund raising and charity giving.

Our School Science programme - From Power Station to Playstation® - engages with schools, students and teachers to provide assistance in preparing junior cycle students for science experiments in the junior cycle curriculum. In 2012/13, the programme was delivered to almost 3,000 students and 60 teachers in Ireland and Northern Ireland. We plan to run the programme in another six venues in 2013/14, reaching another approximately 3,000 students.

Our staff engage in fundraising and charity giving. Each year staff choose a preferred charity to support in Ireland and Northern Ireland. In 2013 these were the Laura Lynn Children’s Hospice and the Alzheimer’s Society of Northern Ireland. We also support ElectricAid which is an electricity industry charity providing aid to organisations working

in the developing world. During the past year, funds totalling more than €38,000 have been raised in the Group for these three organisations. In 2013 we were pleased to win the Chambers Ireland Award for Excellence in International CSR in a joint initiative with ESB for the roll out of fuel efficient stoves in Eritrea.

In addition to these charity fundraising activities by our staff, EirGrid Group also supported a number of events organised by communities, including the Sligo Live Festival, the Hay Festival in Kells, Co. Meath and the Water Music Festival in Carrick-on-Shannon, Co. Leitrim.

## Caring for the Environment

The nature of our activities means there is the potential to impact on the environment. We are committed to taking the environment into consideration, according to best practice, in planning the development of the transmission system.

By ensuring secure and reliable electricity supplies across the island of Ireland, the Group enhances quality of life and enables economic development. The Group’s work contributes very positively to the environment through facilitating the integration of renewable energy sources onto the transmission system, and in helping meet the target of the Governments of Ireland and Northern Ireland of 40% of electricity being sourced from renewable sources by 2020. Attainment of the 40% renewable target will contribute to reducing the carbon footprint of Ireland and Northern Ireland.

In 2013 we launched a Smart Grid iPhone app which provides information on an all-island basis enabling users to see key energy related real-time data. This facilitates smart energy use decisions.



Pictured at the Chambers Ireland CSR Awards were Minister Phil Hogan, TD, James Foley ESB and Electric Aid, Patricia Wade EirGrid and Electric Aid and Chief Executive of Chambers Ireland Ian Talbot.



Louise McHugh, Ray Niland, Ailbhe Enright, Michael Moore, Kate Hanley, Grid Development.





John Wilson demonstrates to a student during the School Science Programme.





Staff members who took part in The Docklands Run in aid of LauraLynn Ireland's Children's Hospice.



Presentation to the Alzheimer's Society of Northern Ireland.

### Energy Usage

In 2013 EirGrid Group consumed 3,983 MWh of energy at its offices in Ballsbridge and the Business Continuity Centre:

- 3,122 MWh of electricity;
- 862 MWh of fossil fuels; and
- 0 MWh from onsite renewable fuels.

717 MWh of the electricity used was generated by renewable sources (average renewable share of 18% in 2013).

### Actions Undertaken in 2013

In 2013 EirGrid plc undertook a range of initiatives to improve its energy performance, using submetering data from its energy management system to identify opportunities to reduce consumption including:

- Fine-tuning of building systems including measures to ensure the main heating and cooling systems within our control are only operational when required; and
- Installation of a system to manage computer energy usage outside office hours.

Altogether, these and other energy saving measures have reduced EirGrid plc's energy intensity per employee by 3%.

### Actions Planned for 2014

In 2014 EirGrid plc plans to further improve its energy performance by 2% by undertaking the following initiatives:

- Further optimisation of the computer and IT datacentre environment; and
- Further improve the building environment including lighting systems.

### Workplace

We have a highly skilled and educated workforce across a range of disciplines. One of our core values is that "we recognise our people are our greatest asset". We give our people every opportunity to perform and to develop to the maximum of their potential. People work together on challenging projects and we provide technical and personal development training opportunities. We communicate and engage with our people on the things that matter to them.

### Health, Safety and Environment

The Group is committed to achieving and maintaining the highest standards of health, safety and welfare and to the protection of the Environment. We operate a Health, Safety and Environmental (HS&E) Management System which is certified to the International Occupational Health and Safety Standard: OHSAS18001:2007 and the Environmental Management Standard ISO14001:2004. Safety certification was extended to the East West Interconnector in 2013. There were no lost time accidents in the EirGrid Group during the year.

This year we were delighted to receive a Category 1 Major Award under the Utilities category at the Annual Occupational Safety Awards hosted by the National Irish Safety Organisation (NISO) and the Northern Ireland Safety Group (NISG). This reflects the consistent commitment across the Group to the highest standards of health, safety and welfare.







Values

# Delivery

*'We deliver on our promises'*

The energisation by the EirGrid Group of a new 220kV station at Great Island in County Wexford in October 2013 was a key milestone for SSE, one of our largest generation customers. The on-time completion of this project, which represents a €20m investment in the local transmission system, was made possible by close co-ordination and co-operation between the customer, the EirGrid Group's project team and ESB Networks. SSE is constructing a 460 MW combined cycle gas turbine (CCGT) at Great Island and the delivery of this project has enabled the connection of the power plant. Expected to be commissioned in 2014 this modern and efficient clean gas-fired power plant will replace the existing 240 MW fuel oil unit at the site, helping to decarbonise electricity generation in Ireland.

Great Island 220kV station, Co. Wexford.

## The Board



*Left to Right*

Liam O'Halloran  
Dr. Joan Smyth  
Regina Moran  
Richard Sterling  
Fintan Slye CHIEF EXECUTIVE



*Left to Right* John O'Connor CHAIRPERSON  
Dr. Gary Healy  
Niamh Cahill COMPANY SECRETARY  
Doireann Barry  
Bride Rosney  
Martina Moloney

# The Board

**John O'Connor** CHAIRPERSON

John O'Connor was appointed Chairperson of the Board of EirGrid with effect from 12 November 2013. From 2000 to 2011, he was the Chairperson of An Bord Pleanála, the independent national tribunal for the determination of planning appeals and strategic infrastructure projects. Prior to that, he served for 35 years as a civil servant in the Department of the Environment where he occupied senior positions as Finance Officer, Principal Housing Policy and Finance and Assistant Secretary in charge of the Planning and Water Services Division. He has also served as director of three commercial State Bodies: the Housing Finance Agency, Temple Bar Properties and the Dublin Docklands Development Authority. He is also the Chairperson of the Pyrite Resolution Board. He holds a Diploma in Public Administration from UCD.

**Fintan Slye** CHIEF EXECUTIVE

Fintan Slye was appointed Chief Executive on 1 October 2012 and was officially appointed to the Board on 17 July 2013. Prior to that Fintan was Director of Operations with responsibility for the operation of the power system in Ireland and Northern Ireland, with Control Centres and teams in Belfast and Dublin, ensuring security and continuity of electricity supply in real-time across the island. Fintan also had responsibility for managing EirGrid and SONI's programme of work to facilitate the integration of world-leading levels of renewables on the power system. Prior to working for EirGrid, Fintan worked for McKinsey and Co in their Dublin office, supporting companies across Ireland, UK and Europe. Fintan completed a Masters in Business Administration from UCD in 2001 and a Masters in Engineering Science in 1993.

**Doireann Barry**

Doireann Barry was appointed to the Board of EirGrid in December 2011 for a period of five years, following her election as the EirGrid staff representative. She has been involved in the electricity industry since 1999 and has worked in many areas in EirGrid, particularly in the Operations department. Her current role is the Smart Grid Programme Manager, with responsibility for the co-ordination of all Smart Grid-related activities across the EirGrid Group. She has represented the company both nationally and internationally, as a speaker at conferences and as an active member of working groups in ENTSO-E. She is an Electrical Engineering graduate of University College Cork and is a member of Engineers Ireland.

**Dr. Gary Healy**

Dr. Gary Healy was appointed to the Board in September 2011 for a five year term. Dr. Healy is the head of regulation and public policy at Telefonica O2 and vice-chair of the Telecommunications Internet Federation in IBEC. Dr. Healy was Director of Market Development in the Commission for Communication Regulation (ComReg) and a regulatory consultant with Jacobs & Associates and PriceWaterhouseCoopers. Dr. Healy has advised clients in Ireland on regulatory and public policy and on projects supporting governments in Eastern Europe and the Middle East. Prior to joining ComReg, Dr Healy was Country Manager with Thomson Reuters and CFO for a Citibank subsidiary in the UK. Dr Healy has a PhD in Government and Law from DCU, an MBA from DCU, an MA Modern History from Middlesex University and is a qualified accountant.



The EirGrid Board pictured at Westminster.



The Oval, Ballsbridge, Dublin.



Castlereagh House, Belfast.

### **Martina Moloney**

Martina Moloney was appointed to the Board in September 2004 for a period of five years and reappointed in September 2009 for a further five year term. A career official in the local government sector, she currently holds the position of County Manager with Galway County Council, which serves more than 175,000 people, has an annual spend in excess of €150 million and has a staff of 800. Prior to joining Galway County Council, she worked with six other local authorities; these included Louth County Council where she held the position of County Manager, and Galway City Council where she was Director of Services with responsibility for corporate services, community and enterprise. She holds a BA in Public Administration and an MA in Public Management. She is a member of the Institute of Accounting Technicians.

### **Regina Moran**

Regina Moran was appointed to the Board in September 2011 for a five year term. Regina is currently CEO of Fujitsu in Ireland, where she leads a 350 strong team focused on delivering ICT services that add business value to the Irish marketplace. Regina is a member of the Dublin City University governing authority, Vice President of Engineers Ireland (FIEI) and a member of the board of IBEC Ltd. She has recently been appointed to the National Paediatric Hospital Development Board. Regina holds a first class honours MBA from Dublin City University and has been awarded the 'Sir Charles Harvey Award' for outstanding contribution in her post-graduate studies.

### **Liam O'Halloran**

Liam O'Halloran was appointed to the Board in September 2011 for a five year term. Liam has extensive senior management experience in multinational electronic and telecommunications companies. He previously held the position of Senior Vice President of DEX Europe, a US based company providing Repair and Logistics Services to major electronics multinationals in the IT, Healthcare and Energy Sectors. Liam was also Vice President of European Operations for Jabil Global Services, a global electronics services company. The owner of Alcomis, a company development consultancy, Liam was also Director of Customer Operations and Regulation at Magnet Networks and later served as Executive Chairman of ALTO, the Association of Alternative Telecommunications Operators.

### **Bride Rosney**

Bride Rosney was appointed to the Board in September 2011 for a five year term. Bride is currently the Secretary to the Board of Trustees of the Mary Robinson Foundation - Climate Justice of which she was the founding Chief Executive Officer. She was Director of Communications with RTÉ from 2001 to 2009 and worked in the private sector as a communications consultant in the spheres of new technologies and the arts from 1998 to 2001. Between 1990 and 1997, she worked as Special Advisor to Mary Robinson during her time as President of Ireland and United Nations High Commissioner for Human Rights. A graduate in Science from University College Dublin and Computer Practice from Trinity College Dublin, with over twenty years experience in education and educational research at both second and third levels, Bride previously worked as a teacher, educational researcher and school principal.



East West Interconnector Cable Drum.



### **Dr. Joan Smyth**

Dr. Joan Smyth was appointed to the EirGrid Board in June 2009 for a period of five years. She is Chairperson of the Progressive Building Society for the past five years. She has also served as Director of Trinity Housing Association. She is also President of the Red Cross, Northern Ireland. In 2009 she completed more than five years in office as Chair of the Chief Executives' Forum. She has served two terms as Chair of the Northern Ireland Transport Holding Company from 1 July 1999 to 30 June 2005 and was Chair of the Equal Opportunities Commission for NI from 1992 (Chair and Chief Executive until 1 October 1998) remaining in the post until the new Equality Commission was established in October 1999. She was elected to the Board of the British Council in September 1999 and has chaired its Northern Ireland Committee. Dr. Smyth has a BSc (Econ) from Queen's University, Belfast and is a Companion of the Institute of Personnel and Development. She is an Independent Assessor for Public Appointments. Dr. Smyth is also a past Federation President of Soroptimist International of Great Britain and Ireland. She was awarded a CBE in the 1998 New Year's Honours List.

### **Richard Sterling**

Richard Sterling was appointed to the EirGrid Board in June 2009 for a five year term. He is former Managing Director of Coolkeeragh Power Limited based in Derry and is a past President of Londonderry Chamber of Commerce. He was appointed a Board Member of Ilex, the Urban Regeneration Company for the Derry City Council area in 2003 and during his six year term he served as Acting Chairman and Deputy Chairman. A fellow of the Chartered Institute of Management Accountants, he has a distinguished employment history at a senior level in several industries within Northern Ireland. Richard was awarded an OBE in 2003 for services to the Basic Skills Committee and to business in Northern Ireland.

# Organisational Structure

Board of EirGrid  
Chairperson  
**John O'Connor**

Chief Executive  
**Fintan Slye**

Group Legal  
**Niamh Cahill**

SEMO & SONI GM  
**Robin McCormick**

Finance  
**Aidan Skelly**

IS  
**Rodney Doyle**

Operations  
**Andrew Cooke**



**Future Grids**  
**Michael Walsh**

**Grid Development**  
**John Fitzgerald**

**European Affairs**  
**Ann Scully**

**HR**  
**Siobhan Toale**

# Executive Team

The Executive team is headed up by our Chief Executive, Fintan Slye.

A full biography for Fintan is included on page 52.



## Niamh Cahill

Niamh Cahill is the Company Secretary and Company Lawyer for EirGrid plc. Niamh is a graduate of NUI Galway BA (Hons) and LL B (Hons) and holds a BL from King's Inns, Dublin. She was called to the Bar in Ireland in 1985 and the UK Bar (Middle Temple Inn) in 1988. She has extensive experience both in private practice (Four Courts, Ireland) and as an in-house legal Counsel worked for a wide range of major international private and public companies in the Republic of Ireland and the UK. Prior to joining EirGrid, Niamh worked as a senior commercial lawyer within ESB Group, where she had responsibility for managing and mitigating a wide range of commercial legal risks in the Irish electricity market and ESB's international investments.



## Andrew Cooke

In his role as Operations Director, Andrew Cooke is responsible for the operation of the power system in Ireland and Northern Ireland, including real-time operation, 24/7, from Control Centres in Belfast and Dublin.

A graduate of Queen's University Belfast, he holds a BSC in Electrical Engineering. He has more than 30 years' experience of working in the areas of transmission system operations and planning, market design and regulation.



## Rodney Doyle

Rodney Doyle became Director of Information Services in February 2013. Prior to this Rodney held a number of management positions in EirGrid most recently as the European Market Integration Manager and before that as Manager of the East West Interconnector Business Readiness Project and Ancillary Services Manager. Rodney has across his roles led projects to deliver major systems and policies which are in use today across the electricity market and the TSOs. Before his time with EirGrid and ESB National Grid Rodney worked as the Chief Adviser in the Networks Division of the Competition Authority

of New Zealand concentrating on electricity and gas regulation/market design issues and before that worked in consultancy. Rodney is a member of a number of key European TSO and market co-operation groups. Rodney has a BA (Economics), MA (Economics) and an MBA from UCD.



## John Fitzgerald

John Fitzgerald was appointed as Director of Grid Development in February 2013. He had previously held the position of Project Director of the East West Interconnector for EirGrid since 2007. Prior to joining EirGrid, John was involved in the area of business development for ESB International where he held a number of management positions including Business Development Manager, Manager for Trading and Supply (Northern Ireland) and Commercial Manager for Coolkeeragh ESB. John has been involved in the development of major energy infrastructure projects and corporate initiatives such as the Coolkeeragh 400 MW CCGT and associated gas pipeline and industry reform in Northern Ireland and in the Marchwood 880 MW CCGT in Britain. Before that John held a number of operational positions in ESB. John has a Bachelor of Electronic Engineering degree and holds an MBA from University College Dublin.



**Robin McCormick**

Robin McCormick has extensive experience in the power industry in a regulated utility environment. He was General Manager of SONI when it partnered with five organisations - EirGrid, DETI, DCENR, NIAUR and CER - to establish the Single Electricity Market in 2007. Subsequently EirGrid acquired SONI in 2009 and in his role as an Executive Director carries a portfolio of responsibilities including Group Customer Relations and SEMO, the Single Electricity Market Operator. He has participated in the board to establish the transmission system operators' regional association with ENTSO-E. Robin is a fellow of the Institution of Engineering and Technology, a Member of the IET Engineering Policy Group-Northern Ireland and IoD. He holds an MBA from the University of Ulster, Jordanstown and an MSc from Napier University, Edinburgh.



**Ann Scully**

Ann Scully is EirGrid's Director responsible for European Affairs. Prior to this role, she was EirGrid's Director of Information Services and before that she was Director of the All-Island Project. Together with her counterpart in SONI, she was responsible for the programme

to achieve the establishment of the All-Island Single Electricity Market (SEM) by the agreed 'go live' deadline of 1 November 2007. Prior to taking on this project, she held a number of managerial and project roles in ESB National Grid and ESB, including establishing the wholesale electricity market in Ireland in 2000 and CEO of ESBI Alberta Ltd, the Transmission Administrator in Alberta, Canada. A graduate of Trinity College, she holds a degree in Electrical Engineering.



**Siobhan Toale**

Siobhan Toale is Director, Human Resources. Siobhan joined EirGrid in 2013 and has extensive HR, Leadership Development and Change Management experience from the Telecommunications and Banking Industries. She has previously held senior HR positions in Eircom, Telefonica O2 Ireland and Bank of Ireland Group. Siobhan has a BSc (Comp) from Trinity College Dublin and an MSc in Organisational Behaviour from Birkbeck College, University of London.



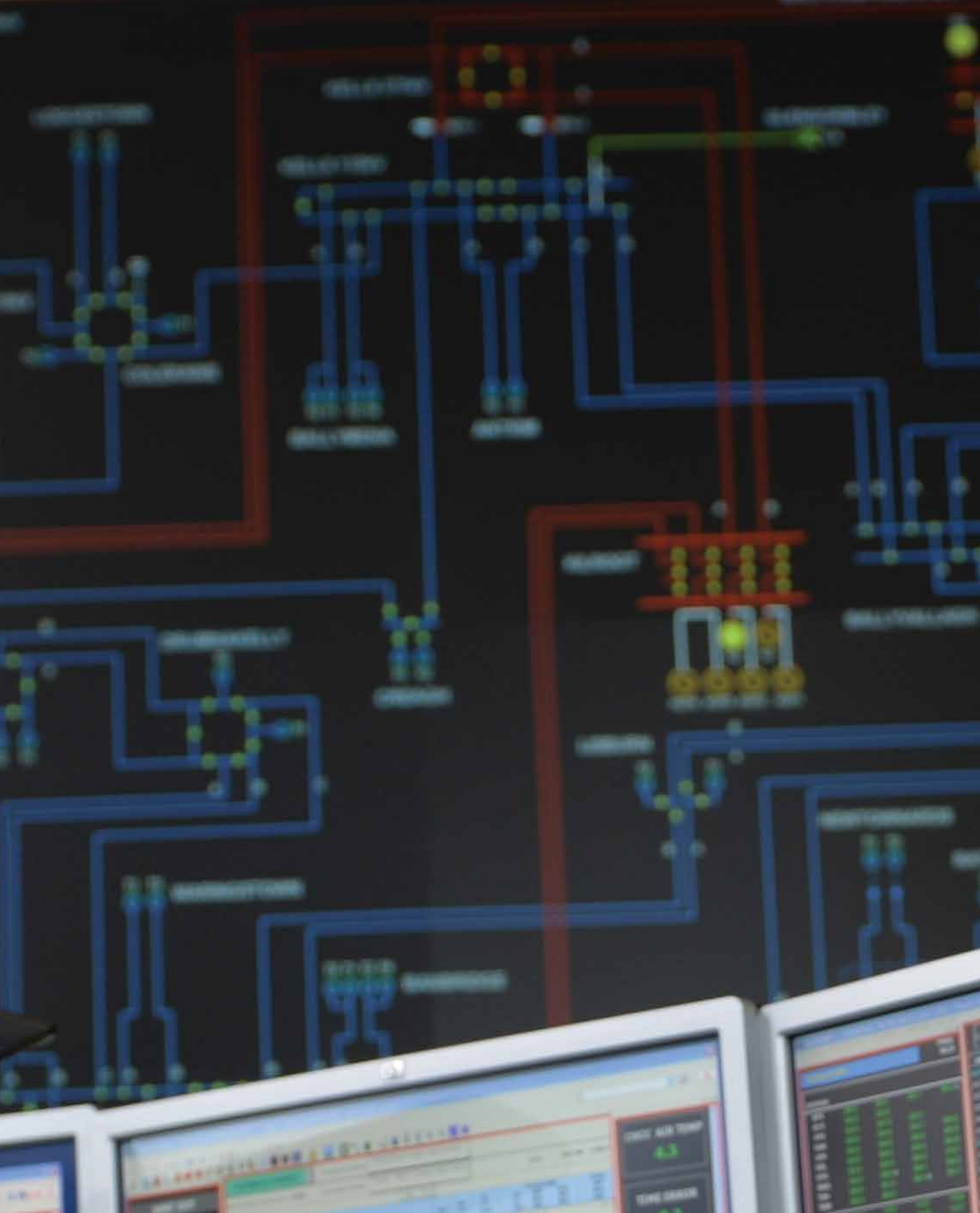
**Aidan Skelly**

Aidan Skelly joined EirGrid as Chief Financial Officer in June 2005. He was previously Finance Director with Waterford Stanley Limited. He worked with Waterford Crystal from 1987 to 2002, during which time he held a number of finance and commercial positions in Ireland and in the UK. He trained as a Chartered Accountant with PriceWaterhouseCoopers and is a Commerce graduate of University College Dublin. He also holds an MBS from Dublin City University.



**Michael Walsh**

Michael Walsh is Director of Future Grids and joined EirGrid in September 2011. Prior to joining EirGrid, Michael was the Chief Executive of the Irish Wind Energy Association. Previous to this, Michael was Manager of Market Development at EirGrid where he played a key role in the successful development of the Single Electricity Market. His other previous roles include Manager of Ancillary Services at EirGrid and a lecturer in Electronic Engineering at UCD. Michael was a board member of the European Wind Energy Association between 2008 and 2011. Michael has a BE, a PhD and an MBA from UCD. He is a Fellow of Engineers Ireland.



# Financial Statements

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# Directors' Report

**The Directors present their annual report and the audited Financial Statements of the Group for the year ended 30 September 2013.**

## Principal Activities

The Group's principal activities are to deliver quality connection, transmission and market services to generators, suppliers and customers utilising the high voltage electricity system in Ireland and Northern Ireland. EirGrid plc also has the responsibility to put in place the grid infrastructure required to support the development of Ireland's economy. The Group is also responsible for the operation of the wholesale electricity market for the island of Ireland. The Group owns and operates the East West Interconnector (EWIC) linking the electricity grids in Ireland and Great Britain. EWIC went into full operation on 1 May 2013.

The Group collects tariffs to support these activities. These tariffs allow for incentives and a regulated return for capital invested in the business, generating value for the Group over the longer term.

## Results and Review of the Business

Details of the financial results of the Group are set out in the Consolidated Income Statement on page 74 and the related Notes 1 to 30.

The current period being reported on is the year ended 30 September 2013. The comparative figures are for the year ended 30 September 2012. As a result of the delay in EWIC becoming fully operational the impact of EWIC on the Income Statement has been split out to aid comparability. Further detail on EWIC is included in Note 7 including the impact of the delay to operations on current year reported profit.

Commentaries on performance during the year ended 30 September 2013, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Report.

## Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. During the year the Group was compliant with the revised and updated Code of Practice for the Governance of State Bodies ('the Code') issued by the Department of Finance on 15 June 2009. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe. The Group also complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001. The Group also has regard to the principles of the UK Corporate Governance Code revised in September 2012 and the Irish Corporate Governance Annex issued in December 2010.

## Principles of Good Governance

### Board Members

The Board consists of a non-executive Chairperson, the Chief Executive, in his role as an executive Director, an employee representative Director and seven non-executive Directors. All Directors are appointed by the Minister for Communications, Energy and Natural Resources and their terms of office are set out in writing. Under this protocol John O'Connor was appointed to the Board as Chairperson on 12 November 2013 for a term of 5 years.

### The Board

While day to day responsibility for the leadership and control of the Group is delegated to the Chief Executive and his Management Team, within defined authority limits, the Board is ultimately responsible for the performance of the Group.



The Directors are aware of, and have individually resolved to comply with, the Group's Code of Business Conduct for Directors.

Procedures are in place for the annual review of the performance of the Board and the Chairperson.

The Board has a formal schedule of matters specifically reserved to it for decision at the Board Meetings normally held monthly. Board papers, which include monthly financial statements, are sent to Board members in the week prior to Board Meetings.

The Board Members, in the furtherance of their duties, may avail of independent professional advice. All Board Members have access to the advice and services of the Company Secretary. Insurance cover is in place to protect Board Members and Officers against liability arising from legal actions taken against them in the course of their duties.

The Board conducts an annual review of the effectiveness of the system of internal controls including financial, compliance and risk management. As noted in the Internal Controls section of the Directors' Report, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be significant.

### **Board Committees in 2013**

The Board has an effective committee structure to assist in the discharge of its responsibilities, consisting of a number of sub committees. The four standing sub committees are: the Audit Committee, the Remuneration Committee, the Grid Infrastructure Committee and the Pensions Committee.

The Audit Committee's function is to assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the audit process, monitoring the independence of the auditors, compliance with laws and regulations including the Code of Practice for the Governance of State Bodies. The Board is satisfied that at all times during the year at least one member of the Committee had recent and relevant financial experience.

EirGrid has regard to Government policy in relation to the total remuneration of the Chief Executive. The Remuneration Committee, with the consent of the Department of Communications, Energy and Natural Resources and the Department of Public Expenditure and Reform, determines the level of the Chief Executive's remuneration. The Committee also approves the structure of remuneration for Senior Management.

The Grid Infrastructure Committee's function is to oversee the implementation of grid development strategy and review infrastructure projects which are expected to come forward for Stage 1 approval in the near future.

The Pensions Committee's function is to monitor the sustainability of the various EirGrid Group pension obligations entered into and the ongoing viability of each of the schemes.

## Attendance at Meetings

### Board Meetings

There were 15 Board Meetings held during the year ended 30 September 2013. The Board Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson) (appointed 12 November 2013)		
Bernie Gray (Chairperson) (retired 7 September 2013)	14	14
Doireann Barry	15	15
Gary Healy	15	12
Martina Moloney	15	14
Regina Moran	15	11
Liam O'Halloran	15	15
Bride Rosney	15	13
Fintan Slye (appointed 17 July 2013)	2	2
Joan Smyth	15	15
Richard Sterling	15	15

Members of the Board at the date of signing of the financial statements were John O'Connor (Chairperson), Doireann Barry, Gary Healy, Martina Moloney, Regina Moran, Liam O'Halloran, Bride Rosney, Fintan Slye, Joan Smyth and Richard Sterling.

### Audit Committee

There were 6 Audit Committee Meetings held during the year ended 30 September 2013. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Richard Sterling (Chairperson)	6	6
Doireann Barry	6	6
Gary Healy	6	6
Joan Smyth	6	6

Members of the Audit Committee at the date of signing of the financial statements were Richard Sterling (Chairperson), Doireann Barry, Gary Healy, and Joan Smyth.

### Remuneration Committee

There were 9 Remuneration Committee Meetings held during the year ended 30 September 2013. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Bernie Gray (Chairperson) (retired 7 September 2013)	9	9
Joan Smyth (Chairperson) (appointed Chairperson 18 September 2013)	9	9
Martina Moloney	9	9
Liam O'Halloran	9	9

Members of the Remuneration Committee at the date of signing of the financial statements were Joan Smyth (Chairperson), Martina Moloney and Liam O'Halloran.

### Grid Infrastructure Committee

There were 9 Grid Infrastructure Committee Meetings held during the year ended 30 September 2013. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Martina Moloney (Chairperson)	9	9
Liam O'Halloran	9	9
Bride Rosney	9	9
Richard Sterling	9	9

Members of the Grid Infrastructure Committee at the date of signing of the financial statements were Martina Moloney (Chairperson), Liam O'Halloran, Bride Rosney and Richard Sterling.

### Pensions Committee

There were 3 Pensions Committee Meetings held during the year ended 30 September 2013. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Bernie Gray (Chairperson) (retired 31 March 2013 as Chairperson, retired from Committee 7 September 2013)	2	2
Regina Moran (Chairperson) (appointed Chairperson 1 April 2013)	3	3
Doireann Barry	3	3
Gary Healy (appointed 18 September 2013)	0	0

Members of the Pensions Committee at the date of signing of the financial statements were Regina Moran (Chairperson), Doireann Barry and Gary Healy.

## Principal Risks and Uncertainties

### Risk Management

The Group has in place an appropriate risk management process that identifies the critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. The Group's internal audit function continually reviews the internal controls and systems throughout the business, makes recommendations for improvement and reports to the Audit Committee.

### Financial Risk Management

The main financial risks faced by the Group relate to liquidity risk, market risk (specifically foreign exchange rate risk, interest rate risk and cash flow risk) and credit risk. Policies to protect the Group from these risks are regularly reviewed, revised and approved by the Board as appropriate.

The Group's principal financial risk is that there is inadequate liquidity in the event of a significant regulatory under-recovery. The Board seeks to ensure that adequate banking lines are in place to enable it to fund such a requirement, pending recovery in a subsequent regulatory pricing period.

The Group discharges its Market Operator obligations through a contractual joint venture. Under the terms of the Trading and Settlement Code for the Single Electricity Market (SEM) each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM collateral reserve account (security accounts held in the name of market participants). Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by generators and is not borne by the Market Operator. Appropriate arrangements are also in place to effectively manage the Group's credit risk arising from its Transmission System Operator activities.

As a regulated business, operating in Ireland and Northern Ireland, the Group's Transmission System Operator activities do not involve any significant pricing or foreign exchange risks. The Group does derive approximately 25% of its revenues from the UK and hence has an exposure to Euro/Sterling currency fluctuations. This risk is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding UK operations using Sterling borrowings.

The Group funds some of its operations using borrowings. The Group seeks to minimise the effects of the interest rate risks arising from its operational and financial activity by using derivative financial instruments to hedge risk exposures. The Group has entered into interest rate derivatives to fix interest rates on its debt. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group mitigates its exposure by spreading funds across a number of financial institutions which have a credit rating, from an independent rating agency, consistent with the Treasury Policy approved by the Board. The Group is also exposed to counterparty risk on undrawn facilities and interest rate swap instruments. Consistent with its Treasury Policy the Group deals only with counterparties with high credit ratings to mitigate this risk.

The Group's policy and practice is to settle invoices promptly according to terms and conditions agreed with suppliers.

### **Operational Risk Management**

The Group is responsible for the secure operation of the transmission systems in Ireland and Northern Ireland, for the asset management and operation of the East West Interconnector, and for the operation of the all-island Single Electricity Market. A complete programme is in place to discharge this responsibility. This includes:

- Back-up sites for the control centres in Dublin and Belfast, which are regularly tested;
- Comprehensive operational procedures and maintenance arrangements for the East West Interconnector;
- Comprehensive power system operational procedures which are regularly reviewed and are in line with best international practice;
- Grid maintenance standards and policies, supported by a detailed Infrastructure Agreement with ESB as the Transmission Asset Owner in Ireland;
- Support of the pre-construction phase of the Grid25 Program by a fully functioning Program Management Office, which has effective and appropriate policies, processes and controls;
- Appropriate arrangements with Northern Ireland Electricity (NIE), the Transmission Asset Owner in Northern Ireland; and
- Continuous management focus on all aspects of health and safety. A Safety Management System (certified to OHSAS 18001) has been approved and implemented.

## Internal Controls

An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of the Group that, taken together:

- Facilitate effective and efficient operations by enabling the Group to respond to risks;
- Ensure the quality of internal and external reporting; and
- Ensure compliance with applicable laws, regulations and internal policies.

The Board has overall responsibility for the Group's systems of internal control and for monitoring their effectiveness and in this regard the Board's objective is to maintain a sound system of internal control to safeguard shareholders' interests and the Group's assets. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In order to discharge its responsibility in a manner which ensures compliance with legislation and regulations, the Board established an organisational structure with clear reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

The key elements of the Group's internal control processes are:

- Defined policies and procedures in relation to expenditure and treasury matters;
- Timely financial reporting on a monthly basis;
- Preparation of, and monitoring performance against, annual budgets which are reviewed and approved by the Board;
- An internal audit function which reviews critical systems and controls;
- An Audit Committee that considers audit reports and approves Financial Statements before submission to the Board and Shareholders;
- Regular performance of a risk management process; and
- Procedures to ensure compliance with laws and regulations.

The Group has put in place a framework for monitoring and reviewing the effectiveness of internal controls, including its risk management process. The Directors confirm that they have reviewed the effectiveness of the system of internal control operated during the period covered by these Financial Statements. During the course of this review, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

The Group has an Internal Audit function which delivers an annual programme of audits to ensure that there are effective controls operating across key financial processes and those areas of higher risk exposure. The Group's Head of Internal Audit & Compliance reports to the Audit Committee quarterly and, on an annual basis, presents an assurance statement on the effectiveness of internal control, risk management and corporate governance. Under the internal audit arrangements in place, Internal Audit has access to external specialist resources to support its activities.

## Directors' Remuneration

The Financial Statements include €108,000 (2012: €126,600) for Chairperson's and Directors' fees, in accordance with the Department of Finance approved levels of remuneration for the Chairperson and Board Members of State Bodies and the revised arrangements for payment of board fees to public sector employees under the Department of Public Expenditure and Reform's "One Person One Salary" Principle. On 14 May 2009 the Department of Communications, Energy and Natural Resources issued an instruction that Chairperson and Directors' fees be reduced, effective 1 May 2009. Prior to this instruction being issued the Chairperson and Directors had already decided to take a voluntary 10% reduction in their fees. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the year (2012: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2012: €12,600 each per annum).

The only executive Board Member during the year was the Chief Executive, Fintan Slye, who was appointed a Director on 17th July 2013. Fintan Slye was appointed Chief Executive on 1st October 2012. The Chief Executive's remuneration is set by the Department of Public Expenditure and Reform and the Department of Communications, Energy and Natural Resources.

The remuneration of the Chief Executive consists of basic salary, taxable benefits and certain retirement benefits. The retirement benefits of the Chief Executive are calculated on basic pay only and aim to provide in retirement a pension of one-eightieth and a gratuity of three-eightieths of salary for each year of service as Chief Executive. The increases in accrued pension and accrued gratuity excluding inflation during the year to 30 September 2013 were €2,125 (2012: €2,840) and €6,375 (2012: €8,520) respectively. The total accrued pension at the end of the year was €11,920 (2012: €20,610) and the total accrued gratuity was €40,910 (2012: €61,830). The transfer value of the relevant increase, net of the Chief Executive's own personal pension contributions was €25,884 (2012: €47,003).

Chief Executive's Remuneration:	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
Basic salary	170	228
Less: adjustments	-	(107)
Annual Bonus	-	-
Taxable benefits	15	34
Pension contributions paid	26	68
Director's fees	-	13
<b>Total</b>	<b>211</b>	<b>236</b>

## Dividends

An interim dividend of €4,000,000 was paid in November 2013. In evaluating the annual dividend that the Group may propose the Board consider the following key factors:

- Available cash: The Group receives tariff revenues, which are reflected through the Income Statement which fund operational expenses of the Group and capital projects which are capitalised and depreciated over future periods. This creates a mismatch between available cash and reported profits;
- Expected adjustment for under/over recovery: Any under or over recovery of costs through tariff revenue is not recognised in the Financial Statements. The dividend policy reflects the expected impacts on future profits of the adjustment for the current year under/over recovery in future tariff rates;
- Future investments: The Group funds a portion of capital projects through existing resources. The dividend policy considers expected and committed future investments; and
- Liquidity: As noted previously the Group's principal financial risk is that there is inadequate liquidity in the event of a significant regulatory under recovery. The dividend policy considers the prudent management of this risk.

Having considered these factors the Directors of the Group do not propose the payment of any further dividend for the year ended 30 September 2013.

## Directors' and Secretary's Interest in Shares

The Directors and Secretary who held office between 1 October 2012 and 30 September 2013 had no beneficial interest in the shares of the Company.

One ordinary share of the Company is held by the Minister for Communications, Energy and Natural Resources and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform, or on his behalf.

John O'Connor, Fintan Slye and Niamh Cahill hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform. On retirement, Bernie Gray transferred her shareholding to John O'Connor.

## Political Donations

The Group does not make political donations.

## Going Concern

The Financial Statements are prepared on a going concern basis as the Board, after making appropriate enquiries, is satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

## Accounting Records

The measures that the Directors have taken to ensure compliance with Section 202 of the Companies Act, 1990 are the employment of appropriately qualified accounting personnel and the use of suitable accounting systems and procedures. The books of account are kept at The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

## Post Balance Sheet Events

Details of significant post balance sheet events are set forth in Note 29 of the financial statements.

## Auditors

The auditors, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 160(2) of the Companies Act, 1963.



## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements. The Directors have elected to prepare Financial Statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 the Group and of the profit or loss of the Group for that period. In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies for the Group and the Parent Company Financial Statements and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Provide additional disclosure when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State that the Financial Statements comply with IFRSs as adopted by the European Union; 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 are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2012. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board:



**John O'Connor** CHAIRPERSON



**Richard Sterling** CHAIRPERSON AUDIT COMMITTEE



**Fintan Slye** CHIEF EXECUTIVE

18 December 2013

# Independent Auditor's Report to the Members of EirGrid plc

We have audited the financial statements of EirGrid plc for the year ended 30 September 2013 which comprise the Group Financial Statements: the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Company Financial Statements: the Company Statement of Comprehensive Income, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. The other information comprises only the Directors' Report, the Chairperson's Report, the Chief Executive's Report and the Financial Review. Our responsibilities do not extend to other information.

## Opinion on financial statements

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2013 and of its profit for the year then ended;
- The parent company financial statements give a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2012, of the state of the parent company's affairs as at 30 September 2013 and of its profit for the year then ended; and
- The financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2012 and, as regards the group financial statements, Article 4 of the IAS Regulation.

**Matters on which we are required to report by the Companies Acts, 1963 to 2012**

- 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 parent company;
- The parent company balance sheet is in agreement with the books of account;
- In our opinion the information given in the Directors' Report is consistent with the financial statements; and
- The net assets of the parent company, as stated in the parent company balance sheet 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 30 September 2013 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 parent company.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Acts, 1963 to 2012 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies ("the Code"), we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.



**Glenn Gillard**

For and on behalf of Deloitte & Touche  
Chartered Accountants and Statutory Audit Firm  
Dublin

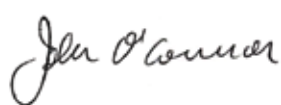
18 December 2013

# Consolidated Income Statement

for the year to 30 September 2013

	Notes	Non-EWIC Business Year to 30 Sep 2013 € '000	EWIC* Business Year to 30 Sep 2013 € '000	Total Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
Revenue	3	571,095	50,965	622,060	542,232
Direct costs	3	(459,175)	-	(459,175)	(438,797)
Gross profit		111,920	50,965	162,885	103,435
Other operating costs	5	(82,991)	(6,423)	(89,414)	(80,110)
Operating profit		28,929	44,542	73,471	23,325
Interest and other income	6	420	46	466	573
Finance costs	6	(2,217)	(10,635)	(12,852)	(3,082)
Profit before taxation	8	27,132	33,953	61,085	20,816
Income tax (expense)/credit	9			(7,718)	828
<b>Profit for the year</b>				<b>53,367</b>	<b>21,644</b>

On behalf of the Board:



**John O'Connor** CHAIRPERSON



**Richard Sterling** CHAIRPERSON AUDIT COMMITTEE



**Fintan Slye** CHIEF EXECUTIVE

18 December 2013

\*EWIC Business

The Group owns and operates the East West Interconnector linking the electricity grids in Ireland and Great Britain. As the year to 30 September 2013 represents the first year of operation of EWIC, the impact of EWIC on the Income Statement has been shown separately to aid comparability. More detail is provided in Note 7.

# Consolidated Statement of Comprehensive Income

for the year to 30 September 2013

	Notes	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Movement in unrealised loss on cash flow hedges	27	22,557	(31,716)
Deferred tax attributable to movement in unrealised (gain)/loss on cash flow hedges	9	(2,881)	3,859
Currency translation differences		264	(197)
<b>Total of items that may be reclassified subsequently to profit or loss</b>		<b>19,940</b>	<b>(28,054)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on retirement benefit schemes	23	12,303	(7,289)
Deferred tax attributable to actuarial (gain)/loss	9	(1,506)	979
<b>Total of items that will not be reclassified to profit or loss</b>		<b>10,797</b>	<b>(6,310)</b>
Profit for the year		53,367	21,644
<b>Total comprehensive income/(expense) for the year</b>		<b>84,104</b>	<b>(12,720)</b>

# Company Statement of Comprehensive Income

for the year to 30 September 2013

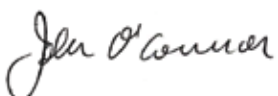
	Notes	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Movement in unrealised loss on cash flow hedges	27	14,883	(20,254)
Deferred tax attributable to movement in unrealised (gain)/loss on cash flow hedges	9	(1,860)	2,531
<b>Total of items that may be reclassified subsequently to profit or loss</b>		<b>13,023</b>	<b>(17,723)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on retirement benefit scheme	23	12,724	(6,717)
Deferred tax attributable to actuarial loss/(gain)	9	(1,591)	841
<b>Total of items that will not be reclassified to profit or loss</b>		<b>11,133</b>	<b>(5,876)</b>
Profit for the year		23,786	22,782
<b>Total comprehensive income/(expense) for the year</b>		<b>47,942</b>	<b>(817)</b>

# Consolidated Balance Sheet

as at 30 September 2013

ASSETS	Notes	30 Sep 2013 € '000	30 Sep 2012 € '000
<b>Non-current assets</b>			
Intangible assets	12	16,401	18,908
Property, plant & equipment	14	609,567	574,223
Deferred tax asset	9	10,886	15,903
Trade and other receivables	15	1,093	1,089
<b>Total non-current assets</b>		<b>637,947</b>	<b>610,123</b>
<b>Current assets</b>			
Trade and other receivables	15	132,814	164,372
Current tax receivable		1,044	3,293
Cash and cash equivalents	19	172,254	164,745
<b>Total current assets</b>		<b>306,112</b>	<b>332,410</b>
<b>Total assets</b>		<b>944,059</b>	<b>942,533</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued share capital	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(54,588)	(74,264)
Translation reserve		153	(111)
Retained earnings		160,624	100,460
<b>Total equity</b>		<b>155,409</b>	<b>75,305</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	26	62,459	84,990
Deferred tax liability	9	7,647	4,516
Deferred income	17	108,440	79,280
Borrowings	25	383,707	403,812
Retirement benefit obligation	23	10,373	22,449
<b>Total non-current liabilities</b>		<b>572,626</b>	<b>595,047</b>
<b>Current liabilities</b>			
Borrowings	25	18,709	23,683
Deferred income	17	3,072	-
Trade and other payables	16	194,243	248,498
<b>Total current liabilities</b>		<b>216,024</b>	<b>272,181</b>
<b>Total liabilities</b>		<b>788,650</b>	<b>867,228</b>
<b>Total equity and liabilities</b>		<b>944,059</b>	<b>942,533</b>

On behalf of the Board:



**John O'Connor** CHAIRPERSON



**Richard Sterling** CHAIRPERSON AUDIT COMMITTEE



**Fintan Slye** CHIEF EXECUTIVE

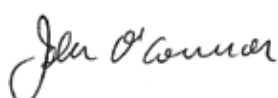
18 December 2013

# Company Balance Sheet

as at 30 September 2013

	Notes	30 Sep 2013 € '000	30 Sep 2012 € '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	13	155,711	161,821
Property, plant & equipment	14	44,338	48,239
Deferred tax asset	9	7,856	11,778
Trade and other receivables	15	130,267	146,981
<b>Total non-current assets</b>		<b>338,172</b>	<b>368,819</b>
<b>Current assets</b>			
Trade and other receivables	15	184,299	173,287
Current tax asset		1,551	1,610
Cash and cash equivalents	19	116,508	67,453
<b>Total current assets</b>		<b>302,358</b>	<b>242,350</b>
<b>Total assets</b>		<b>640,530</b>	<b>611,169</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued share capital	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(36,910)	(49,933)
Retained earnings		128,210	97,291
<b>Total equity</b>		<b>140,520</b>	<b>96,578</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	26	42,183	57,066
Borrowings	25	254,364	277,928
Retirement benefit obligation	23	9,252	21,751
<b>Total non-current liabilities</b>		<b>305,799</b>	<b>356,745</b>
<b>Current liabilities</b>			
Borrowings	25	7,809	14,463
Trade and other payables	16	186,402	143,383
<b>Total current liabilities</b>		<b>194,211</b>	<b>157,846</b>
<b>Total liabilities</b>		<b>500,010</b>	<b>514,591</b>
<b>Total equity and liabilities</b>		<b>640,530</b>	<b>611,169</b>

On behalf of the Board:



**John O'Connor** CHAIRPERSON



**Richard Sterling** CHAIRPERSON AUDIT COMMITTEE



**Fintan Slye** CHIEF EXECUTIVE

18 December 2013

# Consolidated Statement of Changes in Equity

for the year to 30 September 2013

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Translation reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2011	38	49,182	(46,447)	86	85,166	88,025
Total comprehensive (expense)/income for the year	-	-	(27,817)	(197)	15,294	(12,720)
Balance as at 30 September 2012	38	49,182	(74,264)	(111)	100,460	75,305
Total comprehensive income for the year	-	-	19,676	264	64,164	84,104
Dividends	-	-	-	-	(4,000)	(4,000)
<b>Balance as at 30 September 2013</b>	<b>38</b>	<b>49,182</b>	<b>(54,588)</b>	<b>153</b>	<b>160,624</b>	<b>155,409</b>

## Capital Reserve

The capital reserve arose on the vesting of the TSO operations from ESB to the Company under the Transfer Scheme dated 1 July 2006. There have been no movements in the reserve since this date.

## Hedging Reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instruments is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a base adjustment to a non-financial hedged item.

## Translation Reserve

The translation reserve represents foreign exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currency into EirGrid's functional currency, being Euro, including the translation of the profits and losses of such operations from the average rate for the year to the closing rate at the Balance Sheet date.

## Retained Earnings

Retained earnings comprise accumulated earnings in the current year and prior years.



# Company Statement of Changes in Equity

for the year to 30 September 2013

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2011	38	49,182	(32,210)	80,385	97,395
Total comprehensive (expense)/income for the year	-	-	(17,723)	16,906	(817)
Balance as at 30 September 2012	38	49,182	(49,933)	97,291	96,578
Total comprehensive income for the year	-	-	13,023	34,919	47,942
Dividends	-	-	-	(4,000)	(4,000)
<b>Balance as at 30 September 2013</b>	<b>38</b>	<b>49,182</b>	<b>(36,910)</b>	<b>128,210</b>	<b>140,520</b>

## Capital Reserve

The capital reserve arose on the vesting of the TSO operations from ESB to the Company under the Transfer Scheme dated 1 July 2006. There have been no movements in the reserve since this date.

## Hedging Reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instruments is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a base adjustment to a non-financial hedged item.

## Retained Earnings

Retained earnings comprise accumulated earnings in the current year and prior years.

# Consolidated Cash Flow Statement

for the year to 30 September 2013

	Notes	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
<b>Cash flows from operating activities</b>			
Profit after taxation		53,367	21,644
Depreciation of property, plant and equipment	14	20,071	22,008
Amortisation of grant	17	(768)	-
Impairment of goodwill and intangible assets	12	1,481	-
Interest and other income		(466)	(573)
Finance costs		12,852	3,082
Pension charge		5,404	4,446
Foreign Exchange		30	(24)
Income tax expense/(credit)		7,718	(828)
Pension contributions paid		(5,724)	(5,720)
		93,965	44,035
<b>Movements in working capital</b>			
Decrease/(increase) in trade and other receivables		31,498	(5,580)
Increase in trade and other payables		14,984	25,945
		140,447	64,400
<b>Cash generated from operations</b>			
Income taxes paid		(1,613)	(4,077)
Interest received		522	3,844
Finance costs paid		(23,767)	(20,149)
		115,589	44,018
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(116,323)	(197,011)
Capital grants received	17	33,000	43,962
		(83,323)	(153,049)
<b>Cash flows from financing activities</b>			
Decrease in bank overdrafts		(69)	(97)
Proceeds from borrowings		56,964	192,460
Borrowings repaid		(81,221)	(28,265)
		(24,326)	164,098
<b>Net cash generated from financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
		7,940	55,067
<b>Cash and cash equivalents at start of year</b>			
Effect of foreign exchange on cash and cash equivalents		(431)	147
		164,745	109,531
<b>Cash and cash equivalents at end of year</b>	19	<b>172,254</b>	<b>164,745</b>

# Company Cash Flow Statement

for the year to 30 September 2013

	Notes	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
<b>Cash flows from operating activities</b>			
Profit after taxation		23,786	22,779
Depreciation of property, plant and equipment	14	12,556	17,132
Interest and other income		(1,240)	(1,371)
Finance costs		5,386	5,152
Pension charge		4,679	3,655
Income tax expense		125	921
Pension contributions paid		(5,038)	(4,998)
		40,254	43,270
<b>Movements in working capital</b>			
Increase/(decrease) in trade and other receivables		12,906	(14,283)
Increase in trade and other payables		39,055	18,407
		92,215	47,394
<b>Cash generated from operations</b>			
Income taxes paid/(received)		346	(2,985)
Interest received		1,272	4,485
Finance costs paid		(5,362)	(5,711)
		88,471	43,183
<b>Cash flows from investing activities</b>			
Advances to subsidiary		(1,126)	(130,659)
Purchase of property, plant and equipment		(8,071)	(15,626)
		(9,197)	(146,285)
<b>Cash flows from financing activities</b>			
Decrease in bank overdrafts		(69)	(97)
Proceeds from borrowings		-	120,659
Borrowings repaid		(30,150)	(8,822)
		(30,219)	111,740
<b>Net increase in cash and cash equivalents</b>			
		49,055	8,638
<b>Cash and cash equivalents at start of year</b>			
		67,453	58,815
<b>Cash and cash equivalents at end of year</b>			
	19	116,508	67,453

# Notes to the Financial Statements

## 1. General Information

EirGrid plc ('the Company') is a public limited company, incorporated in Ireland, established pursuant to S.I. No 445 of 2000 – European Communities (Internal Market in Electricity) Regulations, 2000. The Company is licensed by the Commission for Energy Regulation as the Transmission System Operator (TSO) in Ireland and as Market Operator (MO) for the wholesale electricity market on the island of Ireland. SONI Ltd is licensed by the Northern Ireland Authority for Utility Regulation as the TSO in Northern Ireland and also holds an MO licence for the island of Ireland. EirGrid Interconnector Ltd is licensed by the Commission for Energy Regulation and the Office of the Gas and Electricity Markets (Ofgem) as the operator of the East West Interconnector. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

## 2. Statement of Accounting Policies

### Basis of preparation

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for periods ending 30 September 2013 and in the case of EirGrid plc Group and Company accounts, in accordance with the Irish Companies Acts, 1963 to 2012. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

The Financial Statements have been presented in Euro, the currency of the primary economic environment in which the Group and Company operate and have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which are held at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements.

The current period being reported on is the year to 30 September 2013. The comparative figures are for the year ended 30 September 2012.

### Adoption of new standards

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective for the accounting period reported on:

- IFRS 7 (Amendments) - Disclosures - Offsetting Financial Assets and Financial Liabilities (Effective 1 January 2013)
- IFRS 13 - Fair Value Measurement (Effective 1 January 2013)
- IFRS 10 - Consolidated Financial Instruments (Effective 1 January 2014)
- IFRS 11 - Joint Arrangements (Effective 1 January 2014)
- IFRS 12 - Disclosure of Interests in Other Entities (Effective 1 January 2014)
- IAS 36 (Amendments) - Recoverable amount disclosures for non-financial assets (Effective 1 January 2014)
- IAS 39 (Amendments) - Novation of derivatives and continuation of hedge accounting (Effective 1 January 2014)

The Directors are currently assessing the impact of these Standards and Interpretations on the Financial Statements.

## 2. Statement of Accounting Policies (continued)

### Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired are included in the Consolidated Income Statement from the effective date of acquisition.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### Joint ventures

Joint venture arrangements that involve the establishment of a separate asset in which each venturer has an interest are referred to as jointly controlled assets. The Company's share of the assets, liabilities, income and expenses of jointly controlled assets are combined with the equivalent items in the Financial Statements on a line-by-line basis.

### Business combinations

Business combinations from 1 April 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration which is deemed to be a financial asset or a financial liability will be recognised in accordance with IAS 39 in the Income Statement.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

Business combinations prior to 1 April 2010 were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

### Goodwill

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill acquired in a business combination is allocated, from the acquisition date, to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The goodwill impairment tests are undertaken at a consistent time in each annual period.

## 2. Statement of Accounting Policies (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed following recognition.

Where a subsidiary is sold, any goodwill arising on acquisition, net of any impairments, is included in determining the profit or loss arising on disposal.

Where goodwill forms part of a cash-generating unit and part of the operations within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the proportion of the cash-generating unit retained.

### Revenue

Revenue primarily represents the income derived from the provision of electricity transmission, sale of capacity on the East West Interconnector and Market Operator services to customers during the year and excludes value added tax. Revenue includes the regulatory allowance received for the management of transmission constraint costs. Revenue, from 1 October 2012, includes the regulatory allowance received in respect of the debt service cost and operation costs of the EWIC. Tariff revenue is recognised when receivable from customers, based on metering data.

Where revenue received or receivable exceeds the maximum amount permitted by regulatory agreements and adjustments will be made to future prices to reflect the over-recovery, no liability is recognised. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery. However, in the circumstances of a fundamental change in market design, where revenue received or receivable exceeds the maximum amount permitted by regulatory agreements and adjustments will be made to future prices to reflect this over-recovery, a liability will be recognised.

Revenue streams relating to collection of the public service obligation levy, Large Energy User (LEU) customer credits and renewable energy feed in tariffs are not recognised in the Financial Statements of the Group. In collection of these levies and tariffs the Group acts as an agent rather than a principal, assuming neither risks nor rewards.

As Market Operator for the Single Electricity Market, the Group does not act on its own account in the sale or purchase of electricity. It does not take title to the electricity, nor is it exposed to credit risk on sale. Consequently the Group does not recognise as revenue monies derived from the sale of electricity. The payables and receivables associated with electricity trading are recognised in the Balance Sheet. Monies received from tariffs that are subject to regulatory determination are recognised as income.

Unbilled income represents income from electricity transmission services which, in compliance with the regulatory timetable, has not been billed. Unbilled income is recognised on an accruals basis and is stated net of value added tax.

### Direct costs

Direct costs primarily represents the costs associated with the provision of electricity transmission services to customers during the year and excludes value added tax. Direct costs include transmission asset owner charges, transmission system constraint costs, ancillary services and interruptible load. Direct costs are recognised as they are incurred.

### Operating profit

The Group has adopted an Income Statement format which seeks to highlight significant items within the results for the period. Accordingly, operating profit is stated after charging direct costs and after other operating costs but before interest income and finance costs.

Other operating costs primarily represents employee costs, professional fees, contractors and establishment costs. Other operating costs are recognised as they are incurred.

## 2. Statement of Accounting Policies (continued)

### Leases

Leases are recognised from the date from which the lessee is entitled to exercise its right to use the leased asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the user's benefit. Benefits receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

### Foreign currencies

The individual Financial Statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date, with exchange differences arising recognised in the Consolidated Income Statement as they occur.

On consolidation, the Income Statements of the Group's two foreign currency subsidiaries are translated into Euro at the average exchange rate. The Balance Sheets of these subsidiaries are translated at rates of exchange ruling at the Balance Sheet date. Resulting exchange differences arising from the translation of the Group's foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of the foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

### Retirement benefit costs

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statement of Comprehensive Income.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefits obligations recognised in the Balance Sheet represent the present value of the defined benefit obligations reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The retirement benefit current service costs for employees engaged on capital projects are capitalised in the Balance Sheet as the costs are incurred.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

## 2. Statement of Accounting Policies (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is shown at cost less impairment.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation periods for the principal categories of property, plant and equipment are as follows:

- Leasehold building improvements: over the period of the lease;
- Freehold buildings and improvements: 5 to 15 years;
- Fixtures and fittings: 5 years;
- IT, telecommunications equipment and other: 3 to 8 years; and
- Single Electricity Market asset: 5 years.

The depreciation periods for the East West Interconnector category within property, plant and equipment are as follows:

- Cables: 40 years;
- Converter stations, warehouse and equipment: 30 years;
- Foreshore licences: 30 years; and
- Spare transformer and spare parts: 30 years.

No depreciation is provided on freehold land or on assets in the course of construction.

The Single Electricity Market asset is the central IT system used to settle and administer the wholesale electricity market in the island of Ireland.

Assets in the course of construction are carried at cost less any recognised impairment loss. Costs include professional fees, wages and salaries, retirement benefit costs and any other costs incurred directly attributable to the construction of such assets. These assets are reclassified to an appropriate category once the asset is capable of operating in the manner intended by management. Depreciation of these assets commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.



## 2. Statement of Accounting Policies (continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Where variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the interest added to the cost of the qualifying asset is the net interest expense after the effect of hedging.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, these assets are reported at cost less accumulated amortisation and accumulated impairment losses. Where the intangible assets have a finite useful estimated life, amortisation is charged on a straight-line basis over their useful estimated lives.

The Directors are of the view that TSO and MO licence agreements for Northern Ireland have indefinite lives. The following key factors were considered in determining the useful lives of the above licence agreements; expected usage, typical product life cycles of similar assets used in a similar way, stability of the industry in which the asset is operated, period of control over the asset and expiry dates of licence agreements. It is unlikely that the above licences will be cancelled and as the licences are open-ended and renewable and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group, an indefinite life assumption is reasonable.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### Impairment of assets

At each Balance Sheet date, the Group reviews the carrying amounts of its intangible assets and property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset or CGU is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## 2. Statement of Accounting Policies (continued)

### Grants

Grants of a capital nature are accounted for as deferred income in the Balance Sheet and are released to profit or loss over the expected useful lives of the assets concerned.

Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

### Financial assets and liabilities

Financial assets and liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of an instrument.

Trade receivables are measured at initial recognition at invoice value, which approximates to fair value, and subsequently carried at amortised cost.

Financial assets and liabilities are derecognised from the Balance Sheet when the Group ceases to be a party to the contractual provisions of the instrument.

Where market participants have entered into Settlement Reallocation Agreements the related receivables and payables are stated net, as there is an intention to settle these simultaneously on a net basis under the trading and settlement code.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables are measured at initial recognition at invoice value, which approximates to fair value and subsequently carried at amortised cost.

### Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risk. The Group entered into foreign exchange forward contracts to manage its exposure to foreign currency risk arising from Sterling VAT receivables relating to the East West Interconnector project. Further details of derivative financial instruments are disclosed in note 27.

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each Balance Sheet date. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using discount factors interpolated from the interest rate curves at the reporting date. The fair value of the foreign exchange forwards at the reporting date are determined by measuring quoted forward exchange rates matching the maturity of the contracts. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### Hedging instruments

The Group designates its interest rate swaps as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

## 2. Statement of Accounting Policies (continued)

The effective portion of changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in finance costs in the Income Statement. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, on the same line of the Income Statement as the recognised hedged item, or is included as a base adjustment to a non-financial hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 27 sets out details of the fair values of the Group's current interest rate swaps used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Comprehensive Income.

### Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value, which equates to the value of proceeds received net of any directly attributable arrangement costs. Subsequent to initial recognition these borrowings are stated at amortised cost using the effective interest rate method.

### Finance income and costs

Interest income is earned on bank deposits and is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's carrying value.

Income is also earned through the charging of inflation adjusted interest on deferred costs in respect of transmission projects.

Finance costs comprise interest on borrowings and related interest rate swaps. Finance costs are recognised as an expense in the period in which they are incurred, except where finance costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case they would be accounted for as borrowing costs.

Finance costs are calculated using the effective interest rate method, a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

### Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires management to make estimates and assumptions about the carrying amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenue and expenses during the period that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The nature of estimation means that actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 2. Statement of Accounting Policies (continued)

Key sources of estimation and uncertainty and critical accounting judgements are as follows:

- **Useful lives of property, plant and equipment**

The depreciation charge for property, plant and equipment depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual value. The useful lives of assets are determined by management at the time the assets are acquired and are reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. With the EWIC becoming operational during the period the determination of useful lives was a critical judgement. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

- **Retirement benefits obligations**

The Group operates two defined benefit pension plans. The actuarial valuation of the pension plan liabilities are based on various financial and demographic assumptions about the future including discount rates, inflation, salary increases, pension increases and mortality rates. The Group's obligation in respect of the plans are calculated by independent qualified actuaries and are updated at least annually. The obligation at 30 September 2013 is €102.0m (2012: €100.7m) and the fair value of plan assets is €91.6m (2012: €78.3m). This gives a net pension deficit of €10.4m (2012: €22.4m).

- **Deferred tax**

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The net deferred tax asset at 30 September 2013 was €3.2m (2012: net deferred tax asset of €11.4m).

- **Intangible assets**

The Group tests annually whether its goodwill and licence agreement assets have suffered any impairment. The recoverable amount of the intangible assets allocated to a Cash Generating Unit (CGU) has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2018. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. Intangible assets at 30 September 2013 were €16.4m (2012: €18.9m).

- **Commencement of operation of the EWIC**

The delay in the commencement of full operation of the EWIC from 1 October 2012 to 1 May 2013 gave rise to certain critical judgements including the treatment of the mismatch of the tariff collection period (commencing 1 October) and the date of full operation. In line with the accounting policy for revenue, over recovery of regulatory revenue has not been provided for in the Financial Statements. Full detail on the key judgements in respect of the EWIC is included in Note 7.

### 3. Segment Information

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Board, the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Group is analysed into four main reportable segments for internal reporting purposes:

- EirGrid Transmission System Operator ('EirGrid TSO'), which derives its revenue from providing services as the TSO in Ireland and is regulated by the Commission for Energy Regulation.
- Single Electricity Market Operator ('SEMO'), which derives its revenue from acting as the Market Operator for the wholesale electricity market on the island of Ireland.
- SONI Transmission System Operator ('SONI TSO'), which is licensed by the Northern Ireland Authority for Utility Regulation and derives its revenue from acting as the TSO in Northern Ireland. Trading in EirGrid UK Holdings Limited, the holding company of the SONI subsidiary, has been included in the SONI segment.
- Operation and the ownership of East West Interconnector ('EWIC'), being the link between the electricity grids of Ireland and Great Britain.

The segment results for the year ended 30 September 2013 are as follows:

	Notes	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Elimin- ations € '000	Total € '000
<b>Income Statement items</b>							
Segment revenue		308,824	186,034	108,196	50,965	(31,959)	622,060
Direct costs		(252,458)	(161,760)	(76,916)	-	31,959	(459,175)
Gross profit		56,366	24,274	31,280	50,965	-	162,885
Other operating costs		(51,962)	(16,231)	(14,798)	(6,423)	-	(89,414)
Operating profit		4,404	8,043	16,482	44,542	-	73,471
Interest and other income							466
Finance costs							(12,852)
Profit before taxation							61,085
Income tax expense							(7,718)
<b>Profit for the year</b>							<b>53,367</b>
<b>Balance Sheet items</b>							
Segment assets		228,140	79,127	28,171	592,220	-	927,658
Goodwill and intangible assets	12						16,401
Total assets as reported in the Consolidated Balance Sheet							944,059
Segment liabilities		433,331	54,442	25,788	275,089	-	788,650
Total liabilities as reported in the Consolidated Balance Sheet							788,650

### 3. Segment Information (continued)

The comparative segment results for the year ended 30 September 2012 are as follows:

	Notes	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Total € '000
<b>Income Statement items</b>						
Segment revenue		263,488	206,937	71,807	-	542,232
Direct costs		(191,622)	(183,054)	(64,121)	-	(438,797)
Gross profit		71,866	23,883	7,686	-	103,435
Other operating costs		(45,984)	(21,791)	(12,277)	(58)	(80,110)
Operating profit/(loss)		25,882	2,092	(4,591)	(58)	23,325
Interest and other income						573
Finance costs						(3,082)
Profit before taxation						20,816
Income tax credit						828
<b>Profit for the year</b>						<b>21,644</b>
<b>Balance Sheet items</b>						
Segment assets		181,430	114,178	20,907	607,110	923,625
Goodwill and intangible assets	12					18,908
Total assets as reported in the Consolidated Balance Sheet						942,533
Segment liabilities		440,793	91,296	33,430	301,709	867,228
Total liabilities as reported in the Consolidated Balance Sheet						867,228
<b>Geographical information</b>						
		<b>Revenue</b>		<b>Non-current assets</b>		
		<b>Year to 30 Sep 2013 € '000</b>	<b>Year to 30 Sep 2012 € '000</b>	<b>30 Sep 2013 € '000</b>	<b>30 Sep 2012 € '000</b>	
Ireland		467,355	418,690	607,097	575,595	
UK		154,705	123,542	30,850	34,528	
<b>Total</b>		<b>622,060</b>	<b>542,232</b>	<b>637,947</b>	<b>610,123</b>	

#### Information about major customers

Included in EirGrid TSO segment revenues of €308.8m for the year to 30 September 2013 (2012: €263.5m) are revenues of approximately €142.8m (2012: €124.6m), €63.1m (2012: €38.9m), €43.4m (2012: €34.3m) and €30.4m (2012: €31.1m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €186.0m for the year to 30 September 2013 (2012: €206.9m) are revenues of approximately €62.2m (2012: €75.7m), €45.9m (2012: €54.2m), €44.0m (2012: €42.1m) and €16.5m (2012: €20.9m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €108.2m for the year to 30 September 2013 (2012: €71.8m) are revenues of approximately €42.8m (2012: €40.7m), €21.5m (2012: €13.4m) and €11.9m (2012: €12.5m) which arose from sales to the segment's three largest customers.

#### 4. Employees

The average number of persons employed by the Group during the year to 30 September 2013 was 404 (2012: 373), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2013 was 45 (2012: 55). The staff costs associated with these employees have been capitalised and totalled €4.8m for the year to 30 September 2013 (2012: €5.5m).

Average number of employees in year by business activity:

	<b>30 Sep 2013 Number</b>	30 Sep 2012 Number
EirGrid TSO	253	229
SONI TSO	88	83
SEMO	63	61
Capital projects	45	55
<b>Total</b>	<b>449</b>	<b>428</b>

Total remuneration charged to the Income Statement, including the executive Director's salary, comprised:

	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
Wages and salaries	30,421	27,512
Social welfare costs	3,333	2,731
Pension costs	5,603	4,603
<b>Total</b>	<b>39,357</b>	<b>34,846</b>

#### 5. Other Operating Costs

	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
Employee costs (note 4)	39,357	34,846
Depreciation of non-current assets (note 14)	20,071	22,008
Amortisation of grant (note 17)	(768)	-
Operations and maintenance	29,243	23,288
Loss/(gain) on derivative financial instruments	30	(32)
Impairment of intangible assets (note 12)	1,481	-
<b>Total</b>	<b>89,414</b>	<b>80,110</b>

The loss/(gain) on derivative financial instruments in 2013 and 2012 arose from purchases of foreign exchange rate forward contracts. These contracts were used to mitigate the foreign currency exchange risk on Sterling VAT receivables, which arose as a result of the East West Interconnector project. The purchases of foreign exchange rate forward contracts were non-speculative.

## 6. Interest and Other Income, and Finance Costs

	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
<b>Interest income:</b>		
Interest income on deposits	466	573
<b>Total</b>	<b>466</b>	<b>573</b>
<b>Finance costs:</b>		
Interest on borrowings and related interest rate swaps	12,852	3,082

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings through the use of interest rate swap contracts.

## 7. East West Interconnector Operations

Due to the significance of the East West Interconnector (EWIC) linking the electricity grids in Ireland and Great Britain coming into operation during the year, the impact of EWIC on the Income Statement has been presented in a separate column on the face of the Income Statement.

EWIC was due to go into full operation on 1 October 2012, accordingly the regulated tariff for the year was based on full operation from that period and commenced on that date. However, commencement of full operation was delayed until 1 May 2013 as a result of resolution of final technical issues.

Revenue for the EWIC for the period comprised the full year regulated tariff of €33m. €11m of this revenue was in respect of debt service cost on EWIC borrowings which was capitalised during the period of up to 1 May when the EWIC became fully operational in accordance with the Group's accounting policy for capitalising borrowing costs. This results in a mismatch in the recognition of the income and the related expense. In addition, due to the delay in the EWIC, certain expected operating and maintenance costs which had been included in the regulatory tariff determination were not incurred and resulted in an over recovery of revenue in the year. In line with normal practice any regulatory over recovery arising in the year will be returned to consumers in a later tariff period and has not been provided for in the financial statements.

The remainder of revenue in respect of the EWIC relates to auction receipts totalling €15m and also income from provision of other system services. Auction receipts are a new revenue stream for the group arising from the operation of the EWIC whereby capacity is sold on the interconnector. Auction receipts form part of the determination of regulatory over recoveries which are recaptured in future periods. The 2013 tariff rate anticipated auction receipts being €10m.

Full year Profit Before Tax for EWIC operations was €34.0m, of which €15.8m is in respect of the period prior to full operation. In line with normal practice any regulatory over recovery arising in the year will be returned to consumers in a later tariff period and has not been provided for in the financial statements.

As disclosed in Note 14, as EWIC went operational during the period, the cost of the asset under construction to date of €554m was transferred from the asset under construction category and depreciation commenced from that date. The EWIC cost includes additional interest costs of €11m capitalised during the period of up to 1 May when the EWIC became fully operational in accordance with the company's accounting policy for capitalising borrowing costs. The Group is committed to final expenditure of €8m in respect of EWIC which will result in total cost of construction of €562m.

Note 26 and 27 includes details of the Group's financing and financial risk management. All borrowings have been fully hedged using interest rate swaps as disclosed in note 27.

In addition, as part of the financial close out of the EWIC project, the recognition of a reimbursement amount of €10m has been deferred in line with the specific treatment in the regulatory over recoveries that arose due to the limited availability of the EWIC during the year (see note 16).



## 8. Profit Before Taxation

The profit before taxation is stated after charging/(crediting) the following:

	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
Depreciation	20,071	22,008
Amortisation of grant	(768)	-
Operating lease rentals	1,999	2,004
Foreign exchange loss/(gain)	1,016	(84)

Directors' remuneration in respect of the financial year is analysed as follows:

	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
- for services as a Director	108	127
- for executive manager services	211	223
<b>Total</b>	<b>319</b>	<b>350</b>

Auditor's remuneration in respect of the financial year is analysed as follows:

<b>Group</b>	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
- audit of group companies	110	110
- other assurance services	2	5
- tax advisory services	130	50
- other non-audit services	3	8

<b>Company</b>	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
- audit of individual company amounts	45	45
- other assurance services	2	5
- tax advisory services	52	39
- other non-audit services	3	3

## 9. Income Taxes

Charge to Income Statement:

	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
Current tax expense/(credit)	3,783	(407)
Deferred tax relating to the origination and reversal of temporary differences	4,500	(84)
Effect of changes in tax rates and laws	(565)	(337)
<b>Income tax expense/(credit) for the year</b>	<b>7,718</b>	<b>(828)</b>

The total charge for the year can be reconciled to the accounting profit as follows:

	<b>Year to 30 Sep 2013 € '000</b>	Year to 30 Sep 2012 € '000
<b>Profit before tax</b>	<b>61,085</b>	<b>20,816</b>
Taxation at standard rate of 12.5% (2012: 12.5%)	7,636	2,602
Effect of higher rates of tax on other income	173	197
Effect of income and expenses excluded in determining taxable profit	171	12
Effect of R&D tax credit	(227)	(281)
Effect of capitalised interest allowable for tax	(1,342)	(1,934)
Effect on deferred tax balances due to the change in the UK income tax rate	(565)	(337)
Effect of higher rates of tax on (losses)/gains in UK subsidiaries	1,911	(631)
Over provision in prior years	(95)	(578)
Effect of losses forward on UK subsidiaries	-	144
Other differences	56	(22)
<b>Income tax recognised in Income Statement</b>	<b>7,718</b>	<b>(828)</b>

Corporation tax in respect of the Group's UK based operations is calculated at 23.5% (2012: 25%) of the estimated assessable profit for the year. The standard rate of UK corporation tax changed from 24% to 23% with effect from 1 April 2013.

The tax charge in future periods will be impacted by any changes to the corporation tax rate in force in the countries in which the Group operates. In the UK, the Finance Act 2013 included a reduction in the rate of corporate income tax from 24% to 23%. This change was substantively enacted on 2 July 2013. The rate reduction applied from 1 April 2013. Furthermore, the Finance Act 2013 promulgated and substantively enacted on 2 July 2013 a further reduction in the corporate income tax to 21% from 1 April 2014 and to 20% from 1 April 2015.

Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 20% is reflected in the closing deferred tax balance. Had this change not been substantively enacted at 30 September 2013, the Group's deferred tax asset would have been increased by €0.05m, with €0.1m credited to equity and €0.06m charged to the Consolidated Income Statement.

## 9. Income Taxes (continued)

Deferred tax assets/(liabilities) arise from the following:

Group	Intangible assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Section 75 payment € '000	Total € '000
Deferred tax (liability)/asset as at 1 October 2011	(4,312)	1,081	1,968	6,829	117	736	6,419
Credit/(charge) to the Income Statement for the year	345	690	(73)	-	(122)	(419)	421
(Charge)/credit to the Statement of Comprehensive Income	-	-	979	3,859	-	-	4,838
Exchange differences	(357)	(38)	5	44	5	50	(291)
Deferred tax (liability)/asset as at 30 September 2012	(4,324)	1,733	2,879	10,732	-	367	11,387
Credit/(charge) to the Income Statement for the year	841	(6,109)	14	-	1,669	(350)	(3,935)
Charge to the Statement of Comprehensive Income	-	-	(1,506)	(2,881)	-	-	(4,387)
Exchange differences	202	10	(7)	(14)	-	(17)	174
Deferred tax (liability)/asset as at 30 September 2013	(3,281)	(4,366)	1,380	7,837	1,669	-	3,239
Deferred tax asset	-	-	1,380	7,837	1,669	-	10,886
Deferred tax liability	(3,281)	(4,366)	-	-	-	-	(7,647)
Total	(3,281)	(4,366)	1,380	7,837	1,669	-	3,239

## 9. Income Taxes (continued)

Company	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 October 2011	1,687	1,969	4,602	8,258
Credit/(charge) to the Income Statement for the year	237	(89)	-	148
(Charge)/credit to the Statement of Comprehensive Income	-	841	2,531	3,372
Deferred tax asset as at 30 September 2012	1,924	2,721	7,133	11,778
(Charge)/credit to the Income Statement for the year	(498)	27	-	(471)
Charge to the Statement of Comprehensive Income	-	(1,591)	(1,860)	(3,451)
Deferred tax asset as at 30 September 2013	1,426	1,157	5,273	7,856

### Analysis of deferred tax assets/(liabilities) by tax jurisdiction:

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Ireland	6,204	15,138	7,856	11,778
UK	(2,965)	(3,751)	-	-
Net deferred tax asset	3,239	11,387	7,856	11,778

## 10. Company Income Statement

As permitted by section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986 the Parent Company is availing of the exemption from presenting its separate Income Statement to the AGM and from filing it with the Companies Registration Office. The consolidated profit for the year to 30 September 2013 includes a profit attributable after tax to the Company of €23,786,000 (2012: €22,782,000).

## 11. Dividends

As shown in note 18 the company has one class of share capital in issue, Ordinary Shares. The dividends in respect of this class of share capital are as follows:

	30 Sep 2013 € '000	30 Sep 2012 € '000
<b>Dividends to Shareholders</b>		
<b>Equity</b>		
Interim - €133.333 per Ordinary Share (paid in November 2013)	4,000	-
Total	4,000	-

## 12. Intangible Assets

Group	Goodwill € '000	Licence agreements € '000	Total € '000
<b>Cost</b>			
Balance as at 1 October 2011	4,476	18,234	22,710
Exchange differences	385	1,637	2,022
Balance as at 30 September 2012	4,861	19,871	24,732
Exchange differences	(253)	(1,075)	(1,328)
Balance as at 30 September 2013	4,608	18,796	23,404
<b>Accumulated Impairment Losses</b>			
Balance as at 1 October 2011	4,381	982	5,363
Exchange differences	377	84	461
Balance as at 30 September 2012	4,758	1,066	5,824
Impairment charge	98	1,383	1,481
Exchange differences	(248)	(54)	(302)
Balance as at 30 September 2013	4,608	2,395	7,003
<b>Carrying amount as at 30 September 2013</b>	<b>-</b>	<b>16,401</b>	<b>16,401</b>
Carrying amount as at 30 September 2012	103	18,805	18,908

At the Balance Sheet date, the value of capitalised goodwill and licence agreements was allocated to the Group's Cash-Generating Units (CGUs) to assess possible impairment. A summary of intangible asset allocation by principal CGU, is as follows:

	30 Sep 2013 € '000	30 Sep 2012 € '000
SONI TSO	13,519	15,868
SEMO	2,882	3,040
<b>Total</b>	<b>16,401</b>	<b>18,908</b>

The recoverable amount of the intangible assets allocated to a CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2018. This is the period to which management believe that discrete forecasts regarding expected cash flows can reasonably be made. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and anticipated regulatory recoveries arising from price controls.

The key assumptions used within the calculations include:

- SONI TSO and SEMO profitability levels have been based on the regulatory price controls agreed in 2011 and 2013 respectively. The SONI price control covers the period from 2010-2015, the SEMO price control covers the period from 2013-2016. Estimated regulatory recoveries have been used to forecast profitability levels in the period beyond the current price controls;
- Discount rates of 4.81% and 4.95% (2012: 5.25% and 4.95%) have been assumed for the SEMO and SONI TSO CGUs respectively, based on the regulatory price controls agreed in 2011 and 2013;

## 12. Intangible Assets (continued)

- Growth rates of 2.0% (2012: 2.0%) have been assumed into perpetuity for SEMO and SONI TSO regulatory asset bases (RABs). A nil% growth rate (2012: nil%) has been assumed into perpetuity for the SEMO and SONI TSO regulatory incentives. These assumptions reflect management's expectation for long-term growth.

At 30 September 2013, before impairment testing, goodwill of €0.1m and licence agreements of €15.8m were allocated to SONI TSO, which derives its revenue acting as the Transmission System Operator for Northern Ireland. On the basis of the above assumptions the Directors have concluded that there is an impairment to goodwill and licence agreements of €1.5m. This impairment loss is recognised within operating costs in the Consolidated Income Statement.

At 30 September 2013, before impairment testing, goodwill of €nil and licence agreements of €3.0m were allocated to SEMO, which derives its revenue acting as the Market Operator for SEM. On the basis of the above assumptions the Directors have concluded that there is no impairment charge.

At 30 September 2012, the Directors concluded there was no impairment charge.

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows and the expected long term growth rates. The Group has conducted a sensitivity analysis on the impairment test of each of the CGU's carrying values. An increase in the discount rate of 0.5% would result in an impairment to the value of the licence in the SEMO CGU of €nil (2012: €0.2m) and an additional impairment to the value of the goodwill and licence in the SONI TSO CGU of €nil (2012: €0.1m) and €2.6m (2012: €1.3m) respectively. A decrease in the RAB perpetuity growth rate of 1% would result in an impairment to the value of the licence in the SEMO CGU of €nil (2012: €1.9m) and an additional impairment to the value of the goodwill and licence in the SONI CGU of €nil (2012: €0.1m) and €3.5m (2012: €2.0m) respectively.

## 13. Investment in Subsidiaries

Investment in Subsidiaries Company	30 Sep 2013 € '000	30 Sep 2012 € '000
Balance at start of year	161,821	98,376
Injections of capital to EirGrid Interconnector Limited	423	6,746
Injections of capital to EirGrid Telecoms Limited	193	-
On-lending of debt	-	56,699
Adjustment to capital contribution	(6,726)	-
Balance at end of year	155,711	161,821

Movements in the year relate to further investments in EirGrid Interconnector Limited and EirGrid Telecoms Limited.

During the year, the Company advanced €0.7m (2012: €10.0m) to EirGrid Interconnector Limited via an intercompany loan and on-lent €nil (2012: €120.7m) of debt. The Company has made total advances of €31.7m (2012: €31.0m) to EirGrid Interconnector Limited, and on-lent total debt of €285.0m (2012: €285.0m). No interest is payable on these amounts under the intercompany loan agreement. During the year, EirGrid Interconnector Limited made a once off accelerated repayment of on-lent debt of €15.8m (2012: €nil). As a result of this repayment, an adjustment to the capital contribution previously recognised in respect of on-lent debt of €6.7m (2012: €nil) is included above. The Company has recognised an investment of €155.5m (2012: €161.8m) in EirGrid Interconnector Limited, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans.

### 13. Investment in Subsidiaries (continued)

The Group's subsidiaries, all of which are wholly owned, are:

Subsidiary	Country of Incorporation	Primary Activity
EirGrid UK Holdings Limited	Northern Ireland	Holding company
SONI Limited	Northern Ireland	TSO
EirGrid Interconnector Limited	Ireland	Interconnection
EirGrid Telecoms Limited	Ireland	Telecommunications

EirGrid UK Holdings Limited, EirGrid Interconnector Limited and EirGrid Telecoms Limited are owned directly by the Company. SONI Limited is owned by EirGrid UK Holdings Limited.

EirGrid plc and EirGrid Interconnector Limited are parties to certain financing agreements regarding the construction of the East West Interconnector which effectively require approval from lending banks for any distributions from EirGrid Interconnector Limited to EirGrid plc.

The registered office of EirGrid Interconnector Limited and EirGrid Telecoms Limited is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4. The registered office of EirGrid UK Holdings Limited and SONI Limited is Castlereagh House, 12 Manse Road, Belfast.

## 14. Property, Plant & Equipment

Group	Land and buildings * € '000	Fixtures and fittings € '000	IT, telecomm- unications equipment and other € '000	Single Electricity Market ** € '000	EWIC € '000	Assets under Construction *** € '000	Total € '000
<b>Cost</b>							
Balance as at 1 Oct 2011	11,715	1,660	55,442	49,265	-	289,972	408,054
Additions	3	-	359	-	-	250,982	251,344
Disposals	-	-	(400)	-	-	-	(400)
Transfers	-	21	20,778	-	-	(20,799)	-
Exchange differences	263	4	999	798	-	13	2,077
Balance as at 30 Sept 2012	11,981	1,685	77,178	50,063	-	520,168	661,075
Additions	-	-	3,703	-	-	52,247	55,950
Transfers	149	401	10,454	-	554,087	(565,091)	-
Exchange differences	(173)	(2)	(855)	(524)	-	(11)	(1,565)
Balance as at 30 Sept 2013	11,957	2,084	90,480	49,539	554,087	7,313	715,460
<b>Depreciation</b>							
Balance as at 1 Oct 2011	1,638	901	25,800	35,615	-	-	63,954
Charge	486	333	10,691	10,498	-	-	22,008
Disposals	-	-	(400)	-	-	-	(400)
Exchange differences	175	2	427	686	-	-	1,290
Balance as at 30 Sept 2012	2,299	1,236	36,518	46,799	-	-	86,852
Charge	497	309	13,217	2,543	3,505	-	20,071
Exchange differences	(116)	(1)	(397)	(516)	-	-	(1,030)
Balance as at 30 Sept 2013	2,680	1,544	49,338	48,826	3,505	-	105,893
<b>Carrying amount as at 30 Sept 2013</b>	<b>9,277</b>	<b>540</b>	<b>41,142</b>	<b>713</b>	<b>550,582</b>	<b>7,313</b>	<b>609,567</b>
Carrying amount as at 30 Sept 2012	9,682	449	40,660	3,264	-	520,168	574,223

\* The cost of the Group's buildings include leasehold improvements.

\*\* The Single Electricity Market asset is the central IT system used to settle and administer the wholesale electricity market in the island of Ireland.

\*\*\* Assets under Construction consist of the following:

	30 Sep 2013 € '000	30 Sep 2012 € '000
IT and telecommunications equipment	7,313	9,032
East West Interconnector project	-	511,136
<b>Total</b>	<b>7,313</b>	<b>520,168</b>

Assets under Construction include capitalised interest costs of €nil (2012: €25.5m).



**14. Property, Plant & Equipment (continued)**

Company	Buildings * € '000	Fixtures and fittings € '000	IT, telecomm- unications equipment and other € '000	Single Electricity Market ** € '000	Assets under Construction *** € '000	Total € '000
<b>Cost</b>						
Balance as at 1 Oct 2011	10,407	1,623	48,517	41,418	9,006	110,971
Additions	-	-	-	-	16,258	16,258
Transfers (including intra-Group)	-	21	15,444	-	(15,465)	-
Balance as at 30 Sept 2012	10,407	1,644	63,961	41,418	9,799	127,229
Additions	-	-	2,014	-	6,641	8,655
Transfers	-	193	10,349	-	(10,542)	-
Balance as at 30 Sept 2013	10,407	1,837	76,324	41,418	5,898	135,884
<b>Depreciation</b>						
Balance as at 1 Oct 2011	1,376	887	29,292	30,303	-	61,858
Charge	433	325	8,162	8,212	-	17,132
Balance as at 30 Sept 2012	1,809	1,212	37,454	38,515	-	78,990
Charge	434	303	9,884	1,935	-	12,556
Balance as at 30 Sept 2013	2,243	1,515	47,338	40,450	-	91,546
<b>Carrying amount as at 30 Sept 2013</b>	<b>8,164</b>	<b>322</b>	<b>28,986</b>	<b>968</b>	<b>5,898</b>	<b>44,338</b>
Carrying amount as at 30 Sept 2012	8,598	432	26,507	2,903	9,799	48,239
<p>* The cost of the Company's buildings represents leasehold improvements. See note 20 for details of the lease.</p> <p>** The Single Electricity Market asset is the central IT system used to settle and administer the wholesale electricity market in the island of Ireland.</p> <p>*** Assets under Construction consist of the following:</p>						
				<b>30 Sep 2013</b>	30 Sep 2012	
				<b>€ '000</b>	€ '000	
IT and telecommunications equipment				5,898	9,799	

## 15. Trade and other Receivables

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Amounts due in less than one year:				
Trade receivables	21,758	73,570	12,717	51,505
Prepayments and accrued income	61,837	50,440	56,197	46,204
Unbilled receivables	49,219	40,046	49,219	40,046
Other receivables	-	316	-	241
Amounts owed by subsidiary undertakings	-	-	66,166	35,291
<b>Total</b>	<b>132,814</b>	<b>164,372</b>	<b>184,299</b>	<b>173,287</b>
Amounts due in more than one year:				
Prepayments and accrued income	1,093	1,089	-	-
Amounts owed by subsidiary undertakings	-	-	130,267	146,981
<b>Total</b>	<b>133,907</b>	<b>165,461</b>	<b>314,566</b>	<b>320,268</b>

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Unbilled receivables primarily consists of income for the final two months of the accounting year, which, in compliance with the regulatory timetable, had not been billed as at the respective year ends.

Group and Company prepayments and accrued income balances include deferred costs in respect of transmission projects of €56.3m (2012: €45.0m), all of which may not be recoverable within twelve months.

Prepayments due after more than one year consists of an upfront payment made on an operating lease to secure the use of a docklands site in relation to the East West Interconnector asset. Further details of the lease are shown in note 20.

## 16. Trade and other Payables

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Trade payables	81,017	116,451	67,538	94,568
Accruals	87,973	127,172	70,625	37,482
Dividends Payable	4,000	-	4,000	-
Taxation and social welfare	11,253	4,875	11,923	7,222
Regulatory over-recoveries	10,000	-	10,000	-
Amounts owed to subsidiary undertakings	-	-	22,316	4,111
<b>Total</b>	<b>194,243</b>	<b>248,498</b>	<b>186,402</b>	<b>143,383</b>

## 16. Trade and other Payables (continued)

Taxation and social welfare comprises of the following:

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
PAYE/PRSI	1,120	1,077	895	862
VAT	9,947	3,444	10,846	6,006
Withholding tax	186	354	182	354
<b>Total</b>	<b>11,253</b>	<b>4,875</b>	<b>11,923</b>	<b>7,222</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

€18.1m (2012: €27.0m) of the Group trade payables balance and €6.5m (2012: €7.0m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. €18.1m (2012: €27.0m) of the Company trade payables balance relates to the charge payable to ESB as Transmission Asset Owner. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period and uninvoiced work performed by suppliers on the East West Interconnector project during the final quarter of the year.

As part of the financial close out of the EWIC project an amount of €10m (2012: €nil) has been set aside for specific regulatory over recoveries that arose due to the limited availability of the EWIC asset during the year.

## 17. Deferred Income

Group Capital Grants	€ '000
Balance as at 1 October 2011	35,318
Grants received	43,962
Balance as at 30 September 2012	79,280
Grants received	33,000
Amortisation of grant	(768)
Balance as at 30 September 2013	111,512
Analysed as:	€ '000
Current	3,072
Non-current	108,440
Balance as at 30 September 2013	111,512

Capital grants received during the year were related to the East West Interconnector project and were received from the EU Commission. The total grant funding available from the EU Commission for the project was €112.3m of which €112.3m has been received to date. There are no unfulfilled conditions or other contingencies attaching to capital grants received. Capital grants are amortised in line with depreciation of the EWIC asset.

## 18. Issued Share Capital

Group and Company	30 Sep 2013 € '000	30 Sep 2012 € '000
<b>Authorised:</b>		
30,000 ordinary shares of €1.25 each	38	38
<b>Allotted, called-up and fully paid:</b>		
30,000 ordinary shares of €1.25 each	38	38

The Company has one class of ordinary share which carries no right to fixed income.

## 19. Cash and Cash Equivalents

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Cash and cash equivalents	172,254	164,745	116,508	67,453

Cash and cash equivalents primarily comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited because the counterparties are banks with relatively high credit-ratings assigned by international credit-rating agencies.

Included in the Group and Company cash balances are amounts of €10m (2012: €nil) relating to the regulatory over-recoveries payable at year end (note 16) and security deposits of €2.9m (2012: €0.3m). Included in the Group's cash balances is €33.8m (2012: €89.3m) which represents cash which can only be used for the purposes of the EWIC asset. Included in the Group's cash balances is a further €31.8m (2012: €17.3m) held on trust for market participants in the SEM, €14.4m (2012: €8.6m) held in SEM collateral reserve accounts (security accounts held in the name of market participants), with an equivalent amount included in trade payables and €4.8m (2012: €0.3m) of Public Service Obligation levy (PSO) funds. Included in the Company's cash balances is €23.9m (2012: €13.0m) held on trust for market participants in the SEM, €10.8m (2012: €6.5m) held in SEM collateral reserve accounts (security accounts held in the name of market participants), with an equivalent amount included in trade payables and €4.8m (2012: €0.3m) of PSO funds.

During the year, the Company advanced interest free loans totalling €0.7m (2012: €120.7m) to EirGrid Interconnector Limited and injected equity of €nil (2012: €10.0m). This is classified as an investment in subsidiary in the Company Cash Flow Statement.

The Group had unutilised borrowing facilities of €67.8m (2012: €144.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments.

## 20. Operating Lease Arrangements

Future minimum lease payments under non-cancellable operating leases, which are primarily in respect of the Group's buildings and a land lease for the East West Interconnector asset, fall due as follows:

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Not longer than one year	3,042	3,063	3,042	3,063
Longer than one year and not longer than five years	11,502	11,687	11,502	11,687
Longer than five years	38,155	40,992	38,155	40,992
<b>Total</b>	<b>52,699</b>	<b>55,742</b>	<b>52,699</b>	<b>55,742</b>

The operating lease for the Group's head office building is for a term of 25 years which commenced on 1 March 2007. There was a rental holiday for the first three years of the lease term. The lease cost is based on open market value and is subject to rent review every 5 years. Following a scheduled rent review on 1 March 2012 no adjustment was made to rent payable.

The Group has agreed a lease of land in the port of Liverpool, secured via an upfront payment. The agreement includes a break clause after the first 30 years of the lease. After this 30 year term, lease payments will be subject to inflationary increases.

There are no significant or unusual restrictions imposed on the Group by the terms of the operating leases.

## 21. Capital Commitments

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Expenditure contracted for, but not provided for in the Financial Statements	12,105	50,128	-	-

The Group has contractual commitments arising from the East West Interconnector project, linking the electricity grids in Ireland and Great Britain, and in respect of property, plant and equipment for SONI.

## 22. Contingent Liabilities

The Group is not aware of any contingent liabilities at the year end.

### 23. Retirement Benefits Obligations

During the year the Group operated a defined benefit pension plan for employees of the Company and the Executive Director ("EirGrid plan"). A second defined benefit pension plan ("SONI Focus plan") is operated for employees of SONI Limited. Retirement benefits payable are based on salary and length of service.

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2013 for both the EirGrid plan and the SONI Focus plan, under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present values of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The amount included in the Balance Sheet arising from the obligations in respect of these defined benefit plans are as follows:

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Present value of funded defined pension obligations	101,946	100,712	74,426	76,130
Fair value of plan assets	(91,573)	(78,263)	(65,174)	(54,379)
Net liability	10,373	22,449	9,252	21,751
Deferred tax on net pension obligation (note 9)	(1,380)	(2,879)	(1,157)	(2,719)
Net liability after deferred tax	8,993	19,570	8,095	19,032

The amounts in the Consolidated Income Statement may be analysed as follows:

	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
Current service cost	5,735	4,175
Interest cost	4,073	3,858
Expected return on plan assets	(3,820)	(2,955)
Employer pension cost capitalised	(584)	(632)
Amount included in other operating costs relating to defined benefit schemes	5,404	4,446

The amounts recognised in the Statement of Comprehensive Income are as follows:

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Actuarial gains/(losses)	12,303	(8,676)	12,724	(6,717)
Recognition of net pension asset	-	1,387	-	-
Amount included in the Statement of Comprehensive Income	12,303	(7,289)	12,724	(6,717)

### 23. Retirement Benefits Obligations (continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	EirGrid plan		SONI Focus plan	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Opening defined benefit obligation	76,130	57,079	24,582	17,892
Current service cost including employee contributions	6,501	5,021	884	776
Interest cost	3,036	2,843	1,037	1,015
Actuarial (gains)/losses	(10,830)	11,737	2,688	3,311
Benefits paid	(411)	(550)	(388)	(108)
Exchange differences	-	-	(1,282)	1,696
<b>Closing defined benefit obligation</b>	<b>74,426</b>	<b>76,130</b>	<b>27,521</b>	<b>24,582</b>

Movements in the present value of the plan assets in the current year were as follows:

	EirGrid plan		SONI Focus plan	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
Opening fair value of plan assets	54,379	41,333	23,884	19,176
Expected return on plan assets	2,745	2,091	1,075	864
Gains on plan assets	1,894	5,020	2,267	1,352
Employer contributions	5,038	4,998	686	724
Employee contributions	1,529	1,487	120	135
Benefits paid	(411)	(550)	(388)	(108)
Exchange differences	-	-	(1,245)	1,741
<b>Closing fair value of plan assets</b>	<b>65,174</b>	<b>54,379</b>	<b>26,399</b>	<b>23,884</b>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	EirGrid plan		SONI Focus plan	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
Valuation method	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Discount rate	4.25%	4.00%	4.50%	4.40%
State pension increase	1.75%	2.00%	2.70%	2.00%
Salary increases	2.25%	2.50%	4.50%	3.80%
	plus scale	plus scale		
Pension increases	2.25%	2.50%	2.70%	2.00%
Inflation	2.00%	2.25%	3.50%	2.80%
Revaluation CEO benefit	1.75%	n/a	n/a	n/a
Post-retirement life expectancy for those retiring at age 65 in 2032:				
- Men	26.4 years	26.3 years	24.1 years	24.1 years
- Women	27.7 years	27.6 years	26.8 years	26.7 years

### 23. Retirement Benefits Obligations (continued)

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end were 4.25% (2012: 4.00%) for the EirGrid plan and 4.50% (2012: 4.40%) for the SONI Focus plan. The EirGrid plan discount rate was based on the redemption yield on Euro denominated corporate bonds extrapolated to an approximate duration of 27 years (2012: 27 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated corporate bonds extrapolated to an approximate duration of 20 years (2012: 20 years). This is consistent with the estimated term of the post-retirement benefit obligations.

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. As an indication of the impact of changes in actuarial assumptions, a 50 basis point decrease in discount rates would increase the net pension plan liability by approximately 119%.

The major categories of plan assets, and the expected rate of return at the Balance Sheet date for each category, are as follows:

EirGrid plan	Expected Return		Fair Value	
	30 Sep 2013 %	30 Sep 2012 %	30 Sep 2013 € '000	30 Sep 2012 € '000
Equities	7.00%	7.00%	36,381	26,571
Bonds	3.75%	3.50%	11,251	7,151
Property	5.50%	5.50%	889	846
Cash	1.00%	1.00%	4,396	8,404
Alternatives	7.00%	7.00%	8,793	7,627
Annuities	4.25%	4.00%	3,464	3,780
Fair value of plan assets			65,174	54,379

SONI Focus plan	Expected Return		Fair Value	
	30 Sep 2013 %	30 Sep 2012 %	30 Sep 2013 € '000	30 Sep 2012 € '000
Equities	6.60%	5.80%	15,342	12,916
Gilts and bonds	3.90%	2.60%	10,904	10,613
Other	0.50%	0.50%	153	355
Fair value of plan assets			26,399	23,884

The expected long-term return on assets in 2013 is based on the discount rate. In 2012 the expected long-term return on assets was based on the current level of expected returns on risk free investments, the historical level of risk premium associated with other asset classes and the expectation for future returns for each asset class.

The actual return on Group scheme assets was a gain of €7.9m. The actual return on the EirGrid plan scheme assets was a gain of €4.6m.

During the year ending 30 September 2014 the Group expects to contribute approximately €6.0m to its defined benefit plans.



**23. Retirement Benefits Obligations (continued)**

The history of experience adjustments is as follows:

	2013 € '000	2012 € '000	2011 € '000	2010 € '000	2009 € '000
Present value of defined benefit obligation	101,947	100,712	74,971	74,205	65,285
Fair value of plan assets	(91,574)	(78,263)	(60,509)	(53,772)	(42,997)
Derecognition of net pension asset	-	-	1,284	-	-
<b>Deficit</b>	<b>10,373</b>	<b>22,449</b>	<b>15,746</b>	<b>20,433</b>	<b>22,288</b>
Experience adjustments on plan liabilities	8,142	(15,048)	7,944	933	2,373
Experience adjustments on plan assets	4,161	6,372	(2,806)	486	2,687

As the SONI Focus plan has been closed to new members since 1998, the Group also operates an approved defined contribution scheme, "SONI Options plan" for employees of SONI Limited. Contributions are paid by the members and employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the scheme are held in a separate trustee administered fund. The pension charge for the year represents the defined employer contribution and amounted to €0.2m (2012: €0.2m).

## 24. Interest in Joint Venture

### Group

The Group achieved control of SEMO through its acquisition of SONI Limited on 11 March 2009. From the effective date of the acquisition 100% of the results of SEMO are included in the Consolidated Income Statement.

### Company

The Single Electricity Market (SEM) is the wholesale electricity market operating in Ireland and Northern Ireland, which came into operation on 1 November 2007. On that date the old wholesale electricity market in Ireland ceased and the new SEM commenced. SEMO was established as the contractual joint venture between the Company and SONI Limited responsible for the operation of the wholesale electricity market for the island of Ireland from 1 November 2007 onwards.

The Company has a 75% interest in SEMO. The Company's share of assets, liabilities, income and expenses has been included in the Company Financial Statements using the proportionate consolidation method.

The following amounts are included in the Company Financial Statements as a result of the proportionate consolidation of SEMO into the Company accounts:

	<b>30 Sep 2013</b> <b>€ '000</b>	30 Sep 2012 € '000
Non-current assets	13,318	16,452
Current assets	67,286	84,200
<b>Total assets</b>	<b>80,604</b>	<b>100,652</b>
<b>Total equity</b>	<b>15,574</b>	<b>9,670</b>
Current liabilities	65,030	90,982
<b>Total liabilities</b>	<b>65,030</b>	<b>90,982</b>
<b>Total equity and liabilities</b>	<b>80,604</b>	<b>100,652</b>
	<b>Year to</b> <b>30 Sep 2013</b> <b>€ '000</b>	Year to 30 Sep 2012 € '000
Revenue	139,525	155,203
Expenses	(133,522)	(153,972)
<b>Operating profit</b>	<b>6,003</b>	<b>1,231</b>

**25. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2013</b> <b>€ '000</b>	<b>30 Sep 2012</b> <b>€ '000</b>	<b>30 Sep 2013</b> <b>€ '000</b>	<b>30 Sep 2012</b> <b>€ '000</b>
Repayable within one year:				
Bank overdrafts	-	69	-	69
Bank loans repayable by instalments	18,709	23,614	7,809	14,394
<b>Total current borrowings</b>	<b>18,709</b>	<b>23,683</b>	<b>7,809</b>	<b>14,463</b>
Repayable after more than one year by instalments:				
Between one and two years	16,937	22,507	7,726	8,255
Between two and five years	43,352	44,433	25,203	25,625
In five years or more	323,418	336,872	221,435	244,048
<b>Total non-current borrowings</b>	<b>383,707</b>	<b>403,812</b>	<b>254,364</b>	<b>277,928</b>
<b>Total borrowings outstanding</b>	<b>402,416</b>	<b>427,495</b>	<b>262,173</b>	<b>292,391</b>

All borrowings by subsidiaries are guaranteed by EirGrid plc through a cross-guarantee structure, see note 28 for further details. Bank loans are unsecured loans. A proportion of the loans have been converted from floating interest rate to fixed interest rate by using interest rate swap contracts, see note 27 for further details.

## 26. Categories of Financial Assets and Financial Liabilities

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
<b>Financial assets classified as loans and receivables:</b>				
Trade receivables	21,758	75,212	10,613	53,147
Amount owed by subsidiary undertakings	-	-	196,433	182,272
Cash and cash equivalents	172,254	164,745	116,508	67,453
<b>Total</b>	<b>194,012</b>	<b>239,957</b>	<b>323,554</b>	<b>302,872</b>
<b>Financial assets fair valued through profit and loss:</b>				
Derivative financial instruments	-	4	-	-
<b>Total financial assets</b>	<b>194,012</b>	<b>239,961</b>	<b>323,554</b>	<b>302,872</b>
<b>Financial liabilities classified as other liabilities:</b>				
Trade payables	81,017	116,451	67,542	94,568
Amount owed to subsidiary undertakings	-	-	22,316	4,111
Borrowings and bank overdrafts	402,416	427,495	262,172	292,391
<b>Total</b>	<b>483,433</b>	<b>543,946</b>	<b>352,030</b>	<b>391,070</b>
<b>Financial liabilities designated as hedging instruments:</b>				
Derivative financial instruments (note 27)	62,433	84,990	42,183	57,066
<b>Financial liabilities fair valued through profit and loss:</b>				
Derivative financial instruments	26	-	-	-
<b>Total derivative financial instruments</b>	<b>62,459</b>	<b>84,990</b>	<b>42,183</b>	<b>57,066</b>
<b>Total financial liabilities</b>	<b>545,892</b>	<b>628,936</b>	<b>394,213</b>	<b>448,136</b>

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Group's and Company's interest rate swaps at the reporting date are determined by discounting the future cash flows using market observable interest rate curves at the reporting date and hence are considered to be Level 2 instruments.

The fair value of the Group's foreign exchange forward contracts at the reporting date are determined by measuring quoted forward exchange rates matching the maturity of the contracts and hence are considered to be Level 2 instruments.

There have been no transfers between valuation levels during the year.

## 27. Derivative Financial Instruments and Financial Risk Management

### Capital management

The Company, on vesting of the transmission system operator, had capital introduced under the Transfer Scheme dated 1 July 2006. This capital forms the core capital of the Company. There have been no changes to the core capital of the Company during the year. Any changes to the capital structure are subject to approval of the Department of Communications, Energy and Natural Resources.

The Company is funded on an ongoing basis through the regulatory tariff regime. The Company has put in place bank facilities to manage liquidity and cash flow to allow for timing mismatches between regulatory tariff receipts and working capital requirements.

Significant capital expenditure projects are funded through external borrowings and subject to approval by the Department. The Company's borrowing powers are set through legislation and individual borrowings are subject to approval by the Department. On 14 March 2008, the Electricity Regulation (Amendment) (EirGrid) Act 2008 was signed into Irish Law. Primarily this Act empowered the Company to construct the East West Interconnector and also increased the borrowing powers of the Company to a limit of €750m.

The Company's policy is to secure a low, stable, acceptable cost of funds over time, subject to acceptable levels of risk. The Company also maintains a balanced maturity profile in relation to its core borrowing portfolio so as to avoid peaked repayments and refinancing risk.

Further details of the borrowing facilities and the related hedging strategies are set out below.

### Overview of financial risk management

The Group's funding, liquidity and exposure to interest and foreign exchange rate risks are managed by the Group's treasury function. Policies to protect the Group from these and other risks are regularly reviewed and approved by the Board.

The key financial risks to which the Group is exposed relate to liquidity, capital, market (including interest rate) and capital risk both arising from day to day operations and from key capital expenditure projects.

The Group manages its liquidity and capital risk for day to day operations through the regulatory process for establishing tariffs with the Commission for Energy Regulation (CER) and the Utility Regulator Northern Ireland (URRegNI) and through internal budgeting and monitoring of variances. The Group has negotiated stand-by facilities with various banks to support cash flow projections and requirements.

For capital expenditure, the Group has in place key expenditure approval and project management processes.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group mitigates its exposure by spreading funds across a number of financial institutions which have a sovereign guarantee on customer deposits or have a credit rating from an independent rating agency consistent with the treasury policy approved by the Board. The Group is also exposed to counterparty risk on undrawn facilities and interest rate swap instruments. Consistent with its Treasury Policy the Group deals only with counterparties with high credit ratings to mitigate this risk.

The maximum exposure to credit risk is represented by the carrying amounts of financial assets as presented on the Balance Sheet.

The Company discharges its Market Operator obligations through a contractual joint venture with SONI Limited. Under the terms of the Trading and Settlement Code for the SEM each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM Collateral Reserve account. Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by generators and is not borne by the Market Operator. SEMO trade debtors included in Group trade debtors as at 30 September 2013 were €7.9m (2012: €65.2m). SEMO trade debtors included in Company trade debtors as at 30 September 2013 were €5.9m (2012: €48.9m).

## 27. Derivative Financial Instruments and Financial Risk Management (continued)

The average credit period on trade receivables is two months. Included in the trade receivable balance are debtors which are past due at the reporting date which have not been provided as the amounts are still considered recoverable. The ageing profile of these past due but not impaired balances is:

	Group		Company	
	30 Sep 2013 € '000	30 Sep 2012 € '000	30 Sep 2013 € '000	30 Sep 2012 € '000
60 to 90 days	7	6	7	6
90 to 120 days	7	104	7	104
Greater than 120 days	247	892	241	892
<b>Total</b>	<b>261</b>	<b>1,002</b>	<b>255</b>	<b>1,002</b>

The credit quality of Group and Company financial assets that are neither past due nor impaired is considered satisfactory.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Trade payables are paid at the end of the month following the month of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. All trade payables at the reporting date are within this credit timeframe. Where the Company causes the late payment of an invoice, interest is paid to the supplier.

The Group has access to funding facilities, the total unutilised amount of which was €67.8m at the Balance Sheet date (2012: €144m). The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted constraint payments. The Group expects to meet its other obligations from operating cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Total € '000
<b>30 Sep 2013</b>					
Non interest bearing – trade payables	81,017	-	-	-	81,017
Borrowings and bank overdrafts	-	37,895	129,205	458,115	625,215
<b>Total</b>	<b>81,017</b>	<b>37,895</b>	<b>129,205</b>	<b>458,115</b>	<b>706,232</b>
<b>30 Sep 2012</b>					
Non interest bearing – trade payables	116,451	-	-	-	116,451
Borrowings and bank overdrafts	-	44,029	138,553	489,369	671,951
<b>Total</b>	<b>116,451</b>	<b>44,029</b>	<b>138,553</b>	<b>489,369</b>	<b>788,402</b>

**27. Derivative Financial Instruments and Financial Risk Management (continued)**

<b>Company</b>	<b>Less than 1 month € '000</b>	<b>1 to 12 months € '000</b>	<b>1 to 5 years € '000</b>	<b>5+ years € '000</b>	<b>Total € '000</b>
<b>30 Sep 2013</b>					
Non interest bearing – trade payables	67,542	-	-	-	67,542
Borrowings and bank overdrafts	-	19,271	75,307	316,695	411,273
<b>Total</b>	<b>67,542</b>	<b>19,271</b>	<b>75,307</b>	<b>316,695</b>	<b>478,815</b>
<b>30 Sep 2012</b>					
Non interest bearing – trade payables	94,568	-	-	-	94,568
Borrowings and bank overdrafts	-	27,323	81,011	357,241	465,575
<b>Total</b>	<b>94,568</b>	<b>27,323</b>	<b>81,011</b>	<b>357,241</b>	<b>560,143</b>

The cash flow hedges are expected to occur and effect the income statement over a period of 22 years. There are no forecast transactions no longer expected to occur.

The amounts recognised and reclassified out of the cash flow hedge reserve are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2013 € '000</b>	<b>30 Sep 2012 € '000</b>	<b>30 Sep 2013 € '000</b>	<b>30 Sep 2012 € '000</b>
Gains/(losses) arising during the year	6,275	(41,050)	4,861	(26,004)
Reclassified to income statement (included in finance costs)	8,595	951	10,022	5,750
Reclassified to Property, Plant and Equipment	7,634	8,483	-	-
Foreign Exchange	53	(100)	-	-
<b>Total</b>	<b>22,557</b>	<b>(31,716)</b>	<b>14,883</b>	<b>(20,254)</b>

## 27. Derivative Financial Instruments and Financial Risk Management (continued)

### Market Risk

#### Interest rate risk management

The Group and Company are exposed to interest rate risk as they borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings through the use of interest rate swap contracts.

The following interest rate swap contracts were in place at the year end:

Group	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	%	%	€ '000	€ '000	€ '000	€ '000
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:						
Less than one year	4.7%	4.0%	2,851	6,122	(84)	(150)
Between one and two years	4.8%	4.7%	6,614	6,015	(345)	(298)
Between two and five years	-	4.8%	-	8,992	-	(714)
In five years or more	3.8%	3.8%	396,035	433,000	(62,004)	(83,828)
<b>Total active swap contracts</b>	<b>3.8%</b>	<b>3.9%</b>	<b>405,500</b>	<b>454,129</b>	<b>(62,433)</b>	<b>(84,990)</b>
Company	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	%	%	€ '000	€ '000	€ '000	€ '000
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:						
Less than one year	-	4.0%	-	6,122	-	(150)
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.7%	3.8%	261,772	260,870	(42,183)	(56,916)
<b>Total active swap contracts</b>	<b>3.7%</b>	<b>3.8%</b>	<b>261,772</b>	<b>266,992</b>	<b>(42,183)</b>	<b>(57,066)</b>

Under interest rate swap contracts, the Group and Company agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group and Company to mitigate the risk on the cash flow exposure on the issued variable rate interest on borrowings.

The Group's and Company's interest rate swaps settle periodically and the floating rates are reset between a three and six monthly basis. The Group and Company will pay or receive the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's and Company's cash flow exposure resulting from variable interest rates on borrowings. The net settlements under the interest rate swaps and the interest payments on the borrowings occur simultaneously. The amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.



## 27. Derivative Financial Instruments and Financial Risk Management (continued)

### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the combined exposure to interest rates for borrowings and derivative instruments at the Balance Sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of reasonably possible changes in interest rates.

If current and forward interest rates had been 50 (2012: 100) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year to 30 September 2013 would have been impacted by €0.1m (2012: €0.1m); and
- Other equity reserves would have been impacted by €37.0m (2012: €42.6m), mainly as a result of changes in the fair value of its cash flow hedges.

If current and forward interest rates had been 50 (2012: 100) basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the year to 30 September 2013 would have been impacted by €nil (2012: €0.1m); and
- Other equity reserves would have been impacted by €25.6m (2012: €29.7m), mainly as a result of changes in the fair value of its cash flow hedges.

### Foreign currency exchange risk management

The Group is exposed to foreign currency risk through the operations of its two subsidiaries incorporated in Northern Ireland, which have a Sterling functional currency and through Sterling capital expenditure and Sterling VAT receipts resulting from the East West Interconnector asset. The risk arising from subsidiaries with Sterling functional currencies is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding operations in Northern Ireland using Sterling borrowings. The risk arising from Sterling VAT receivables arising from the East West Interconnector asset is partially mitigated by the Group entering into foreign exchange forward contracts.

### Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded an operating profit of €18.0m during the year to 30 September 2013 (2012: operating loss of €4.6m). A 20% increase or decrease has been used when reporting foreign currency exchange risk and represents management's assessment of reasonably possible changes in exchange rates.

If exchange rates had been 20% higher/lower and all other variables were held constant, the Group's profit before tax for the year to 30 September 2013 would be impacted by €6.1m (2012: €1.9m). Other equity reserves would have been impacted by €0.3m (2012: €1.4m).

## 28. Related Party Transactions

### Group

EirGrid plc is an Irish commercial semi-state organisation, and as such is a related party of the Government of Ireland. John O'Connor, Fintan Slye and Niamh Cahill hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform, one ordinary share of the Company is held by the Minister for Communications, Energy and Natural Resources and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform, or on his behalf. On retirement, Bernie Gray transferred her shareholding to John O'Connor.

Board members had no beneficial interest in the Group at any time during the year.

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies such as ESB.

An Infrastructure Agreement is in place between the Group and ESB under the auspices of the Commission for Energy Regulation (CER), in relation to the roles of owner and operator of the transmission system. The charges to the Consolidated and Company Income Statements under this Agreement were as follows:

	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
Transmission asset owner charge	162,501	147,699

At 30 September 2013 a total of €31.8m (2012: €27.5m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2013 € '000	30 Sep 2012 € '000
Opening balance	27,445	30,765
Charges during the year	162,501	147,699
Payments made during the year	(158,105)	(151,019)
Closing balance	31,841	27,445

This outstanding balance is unsecured and payable in cash and cash equivalents.

The remuneration of key management (those people having the authority and responsibility for planning, directing and controlling the activities of the Group) during the year was as follows:

	Year to 30 Sep 2013 € '000	Year to 30 Sep 2012 € '000
Short-term benefits	185	168
Post-employment benefits	26	68
Total	211	236

## 28. Related Party Transactions (continued)

### Company

Transactions between the Company and the related parties and the balances outstanding are disclosed below:

Year to 30 September 2013	Interest	Interest	Revenue	Charges	Amounts	Amounts
	receivable	payable	from	received	owed by	owed to
	€ '000	€ '000	related	from	related	related
			party	related	party	party
			€ '000	party	€ '000	€ '000
				€ '000		
SONI Ltd	461	-	-	4,204	6,212	-
EirGrid Interconnector Ltd	-	-	-	-	156,878	-
EirGrid UK Holdings Ltd	522	-	-	340	10,500	-
EirGrid Telecoms Ltd	-	-	-	-	588	-
<b>Total</b>	<b>983</b>	<b>-</b>	<b>-</b>	<b>4,544</b>	<b>174,178</b>	<b>-</b>

Year to 30 September 2012	Interest	Interest	Revenue	Charges	Amounts	Amounts
	receivable	payable	from	received	owed by	owed to
	€ '000	€ '000	related	from	related	related
			party	related	party	party
			€ '000	party	€ '000	€ '000
				€ '000		
SONI Ltd	323	-	-	867	6,548	-
EirGrid Interconnector Ltd	-	-	-	-	161,182	-
EirGrid UK Holdings Ltd	543	-	-	395	10,444	-
EirGrid Telecoms Ltd	-	-	-	-	-	-
<b>Total</b>	<b>866</b>	<b>-</b>	<b>-</b>	<b>1,262</b>	<b>178,174</b>	<b>-</b>

At 30 September 2013 €174.2m (2012: €178.2m) was due to the Company from its subsidiaries.

During the year, the Company advanced €0.7m (2012: €10.0m) to EirGrid Interconnector Limited via an intercompany loan and on-lent €nil (2012: €120.7m) of debt. The Company has made total advances of €31.7m (2012: €31.0m) to EirGrid Interconnector Limited, and on-lent total debt of €285.0m (2012: €285.0m). Management estimate that on-lent interest free debt will be repaid on a schedule matching the terms of the on-lent debt. The terms of interest free intercompany debt are such that the intercompany debt portion may only be repaid once commercial funding has been repaid.

The Company has recognised an investment of €155.7m (2012: €161.8m) in EirGrid Interconnector Limited, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans (note 13). Management estimate that on-lent interest free debt will be repaid on a schedule matching the terms of the on-lent debt.

Over the life of these loans notional interest will be charged to EirGrid Interconnector Limited such that by the repayment date the balances reflect the initial amounts lent. During the year €8.5m (2012: €5.3m) was recharged under this arrangement.

## **28. Related Party Transactions (continued)**

All borrowings by subsidiaries are guaranteed by EirGrid plc through a cross-guarantee structure. The Company has issued letters of support for its EirGrid UK Holdings Limited and EirGrid Interconnector Limited subsidiaries.

EirGrid plc has given a Parent Company Undertaking to SONI Limited to the value of £10m (2012: £10m).

The Company has entered into a contract with another Group subsidiary, EirGrid Interconnector Limited, to licence the East West Interconnector asset.

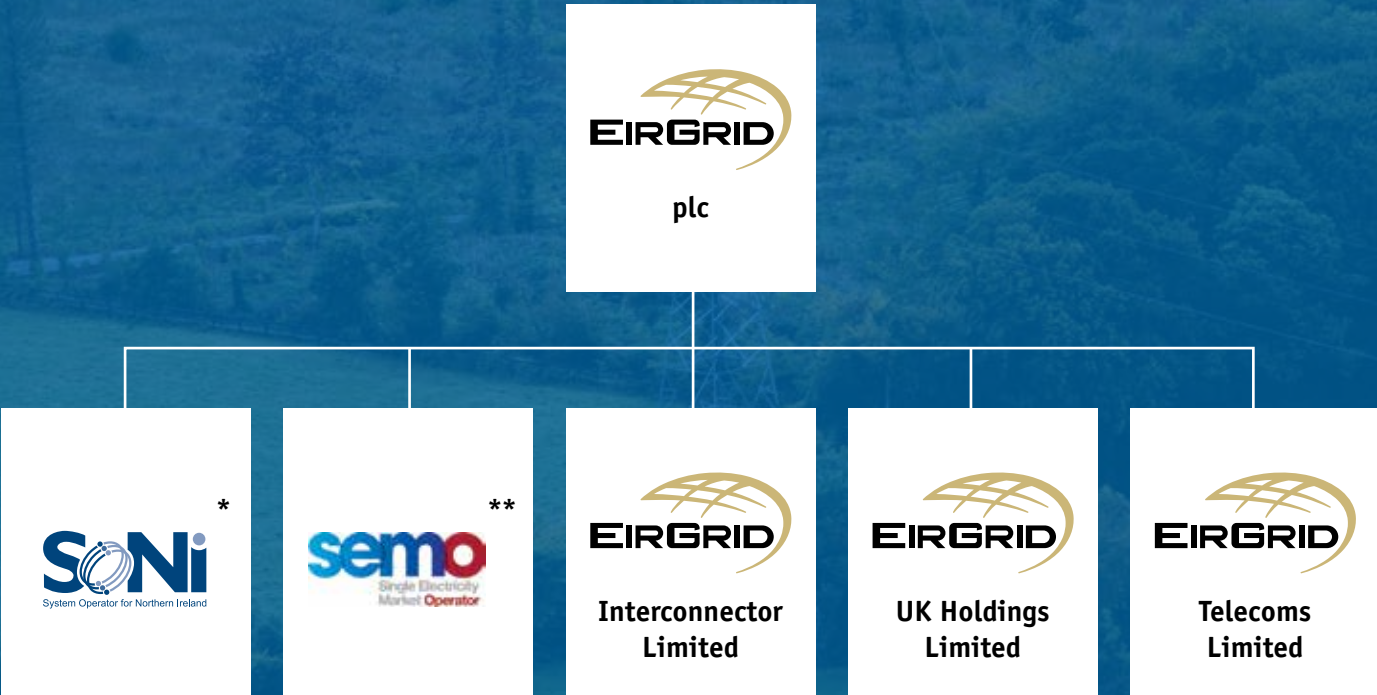
## **29. Post Balance Sheet Events**

There have been no significant events affecting the Group or Company since the year end.

## **30. Approval of Financial Statements**

The Board approved the Financial Statements on 18 December 2013.

# Group Structure



\* SONI is a 100% subsidiary of EirGrid UK Holdings Limited  
\*\* SEMO is a joint venture between EirGrid plc and SONI Limited



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