



Connecting Jobs  
and Prosperity  
EirGrid plc **Annual Report 2015**



The current. The future.

# Contents

<b>1</b>	Who We Are
<b>4</b>	Chairperson's Report
<b>6</b>	Chief Executive's Review
<b>8</b>	The Transmission System
<b>10</b>	Financial Review
<b>14</b>	Focus On: Business Connections
<b>16</b>	Operations, Planning and Innovation
<b>20</b>	Consultation, Outreach and Engagement
<b>22</b>	Focus On: 12 Commitments
<b>24</b>	Developing the Grid
<b>26</b>	Focus On: Innovation
<b>28</b>	Market Operations
<b>30</b>	Focus On: Our Energy Performance
<b>32</b>	Our People
<b>36</b>	Focus On: Corporate Social Responsibility
<b>38</b>	The Board
<b>46</b>	Our Executive Team
<b>51</b>	Financial Statements

# Who We Are

EirGrid Group is responsible for a safe, secure and reliable supply of electricity now; and in the future.

We develop, manage and operate the electricity transmission grid. EirGrid Group is the independent Transmission System Operator (TSO) in Ireland and Northern Ireland, through EirGrid and SONI, respectively.

We use the grid to connect industry and businesses that use large amounts of electricity. The grid also powers the distribution network - this supplies the electricity you use every day in your homes, businesses, schools, hospitals and farms.

We support competition in energy, promote economic growth, facilitate more renewable energy and provide essential services. We develop new electricity infrastructure only when required.

The Single Electricity Market Operator (SEMO) is part of the EirGrid Group, and operates the Single Electricity Market (SEM) across the two jurisdictions. EirGrid Group also owns and operates the East West Interconnector (EWIC), a high-voltage electricity link between Ireland and Great Britain.

EirGrid plc is a commercial state-owned company. We abide by strict laws and safety standards.

# Highlights

REVENUE GREW FROM  
€668.4 million to

**€706.2  
MILLION**



 **12**  
delivery of  
**commitments**  
on public consultation

**Profit**  
before tax was  
**€40.7  
MILLION**



**SONI**  
progressed its first  
**NI transmission**  
reinforcement to  
pre-construction  
phase



a dividend of  
**€3.5  
million**  
delivered  
to the  
SHAREHOLDER



Publication of our draft  
grid development  
**strategy**  
**'YOUR GRID,  
YOUR VIEWS,  
YOUR TOMORROW'**





**Safe,  
SECURE**  
POWER SYSTEM  
maintained  
throughout  
**2015**



We have  
worked with

**APPLE,  
FACEBOOK  
& MICROSOFT**

to connect new Irish data centres



**increase**  
in the electricity  
**DEMAND**

as the recovery gathers pace



Planning application  
made for the

**North  
South**  
INTERCONNECTOR  
PROJECT



Studies progressed on an  
**ELECTRICITY  
INTERCONNECTOR  
WITH  
FRANCE**



Developments  
on an integrated  
**SINGLE  
electricity  
market** (I-SEM)  
**WITH EUROPE**



# Chairperson's Report

**Delivering an innovative grid for business and community is what guides us in EirGrid Group**



**John O'Connor** CHAIRPERSON

I am pleased to present the 2015 Annual Report of EirGrid plc under the theme of "Connecting Jobs and Prosperity".

Delivering the right electricity grid and operating it securely and efficiently for the entire island of Ireland, north and south, is what guides us in EirGrid Group. From this flows improvements to the lives of all citizens, businesses and communities, underpinning job creation, prosperity and investment.

**Electricity is set to supply a bigger and bigger share of our energy needs in the future.**

In the previous Annual Report, I said that the EirGrid Group of Companies was on a constant mission to improve how we do things and that this requires us to embrace change. A year on, I can truthfully say that this commitment can be seen across all aspects of our business. It is evident in the way we are planning for the future needs of the electricity transmission grid. It is evident in the way we are reaching out to and consulting with communities and individuals who are affected by or have an interest in our projects. It is evident in the way we are breaking new ground in accommodating an ever higher share of renewable generation on the grid. It is evident in the large investment in new wholesale electricity market systems to ensure we have the most competitive prices possible. We are also engaged in organisational change within the group and,

perhaps more importantly, in embedding throughout the organisation the values and culture that should imbue any company responsible for such a vital public service.

In December 2014, we set about transforming how we engage with communities and the public. *Reviewing and Improving our Public Consultation Process* set out the 12 commitments by which we would do this. We are now delivering on these commitments and we are putting in place a whole new framework for the development of grid projects from conception to completion. Full information and local presence will be critical features of this approach.

A similar process is also underway in Northern Ireland.

**A further milestone in 2015 was the publication for comment of our draft grid development strategy, 'Your Grid, Your Views, Your Tomorrow'.**

This sets out our plans for ensuring that we have a modern efficient grid into the future, taking account of the latest advances in technology. After considering the public's reaction and the Government's white Paper on energy policy, we will publish a new grid development strategy in 2016. Having taken over responsibility for the planning of grid development in Northern Ireland, we are also preparing a grid development strategy there.

*Your Grid, Your Views, Your Tomorrow* sets out our new approach to upgrading the transmission grid and clearly demonstrates our commitment to considering all available technology options – including upgrades to the existing network, overhead lines and underground cables – when developing the grid.

For example, the new strategy includes an innovative solution for the South East region, which is capable of meeting the need for the Grid Link project. The new ‘Regional Option’ involves no new overhead pylons. Instead the advanced use of technology will reinforce the network in the region.

**The North South Interconnector is the single most important and most urgent infrastructure project on the island of Ireland.**

Designated a ‘Project of Common Interest’ by the European Commission, the North South Interconnector is urgently needed to secure adequate electricity supply in Northern Ireland. It will facilitate the optimal operation of the all-island electricity market, for the benefit of people and businesses everywhere. It also provides a local benefit to the people in the North East, by increasing the capacity of the electricity network in the region. In turn, this will help to attract inward investment and jobs. Subject to the planning process now underway, we are committed to delivering this project as soon as possible for the benefit of electricity consumers in both jurisdictions.

**EirGrid Group is engaging in many other exciting and ambitious projects.**

These include the Integrated Single Electricity Market (I-SEM), an important step in the creation of a single European market for electricity. This project will foster increased competition and exert downward pressure on prices. It will be a major focus for us in the year ahead.

In conjunction with moving to the I-SEM model, we continue to explore the feasibility of increasing interconnection from Ireland to the wider European Market. This is in the interests of creating a more competitive and integrated market on the island of Ireland. We are currently undertaking a feasibility study for an interconnector between Ireland and France (the ‘Celtic Interconnector’).

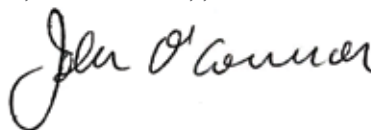
In 2015 significant investigative work was carried out jointly with our French counterparts, RTE. 2016 will see us assessing the business case for the next phase of the project.

We continued to make good progress in implementing the DS3 programme, which aims to develop and install the systems necessary to safely accommodate up to three quarters wind-generated electricity on the grid in real time. This is in order to meet the public policy objective of generating 40% of electricity from renewable resources by 2020. EirGrid is recognised as being at the forefront of technology in this area. We have a strong ambition to keep abreast of rapidly changing technologies in the sector and indeed, to fostering technological advancement by co-operating with research and training. We have set up an Innovation Board within the group to guide these activities.

**A central theme of the 2015 white paper on energy policy is to put citizens and communities at the heart of the energy transition that is coming.**

We in EirGrid fully support this concept in its many dimensions. As a key player in the electricity system, we will now be considering how we can most effectively play our part in realising that ambition.

I would like to thank each of my fellow directors for their contribution and support during the year. A particular word of thanks and good wishes for the future to Regina Moran who resigned as director during the year. I am glad to welcome the appointment of Michael Hand and Gerry Walsh as new directors. I also want to pay tribute to the Chief Executive, the executive directors and staff for their diligence and excellent work. I wish to thank the Minister for Communications, Energy and Natural Resources, Alex White, the Minister for Enterprise, Trade and Investment in Northern Ireland, Jonathan Bell, his predecessor Arlene Foster MLA and the officials in both departments for their ongoing co-operation and support.



**John O'Connor** CHAIRPERSON

# Chief Executive's Review

**2015 continued a trend of strong financial performance for EirGrid Group**



**Fintan Slye** CHIEF EXECUTIVE

During 2015, revenue grew from €668.3m to €706.2m. Profit before tax was €40.7m, with underlying profits at €16.9m.

**Based on this strong performance, we were able to deliver a proposed dividend of €3.5 million to the shareholder.**

We have continued to meet our core responsibility of operating the power system and wholesale electricity market in a high quality, efficient and independent manner. This was done for the benefit of people, communities and businesses in Ireland and Northern Ireland and was carried out in the context of a rapidly changing business environment.

Throughout 2015, we have worked closely with some of the biggest companies in the world to foster jobs and prosperity in communities across the island. Much of this work has focused on the development of data centres - for example, in Athenry, Co. Galway (Apple), Clonee, Co. Meath (Facebook) and Grangecastle, Co. Dublin (Microsoft). Large data centres are high energy users, so they will often connect directly to the electricity grid. Developments such as these bring construction jobs, long-term employment and increased rates to fund local council facilities. Though electricity is just one element of the critical infrastructure that underpins these investments, we work hard to ensure that power quality, energy prices and security of supply bring such customers to the table.

At a strategic level, 2015 afforded the group an opportunity to take the learnings of recent years and implement them in the way we do business.

We responded to concerns raised during public consultations on transmission projects by delivering on our programme of 12 commitments that redefined our approach in this area. Though this change has been demanding, it has placed us at the leading edge in how to consult on major infrastructural projects.

A key tenet of the 12 commitments is a more participative approach in our public consultation. This approach to projects has been borne out for example in changes made to the Grid Link project. The report to the Government-appointed Independent Expert Panel (IEP) on this project set out a new and innovative technical solution, the Regional Option. This solution meets the needs of the project without requiring new, large, overhead infrastructure to be built. Subsequent feedback from stakeholders was overwhelmingly positive towards the decision to proceed with the Regional Option.

2015 was also a milestone year for the North South Interconnector project, as we submitted a planning application to An Bord Pleanála in June. In the same month we also submitted the necessary paperwork to the Department of Environment in Belfast, thus completing the information required for recommencement of the Public Inquiry into the project in Northern Ireland.

**The North South Interconnector will secure energy supply across the island of Ireland.**



The project is envisaged to bring savings of €20 million per year by 2020, rising to €40 million - €60 million each year by 2030.

The process of upgrading and securing the grid in Northern Ireland is progressing well. In West Tyrone, we are developing a new 110 kV line and substations that will improve security of supply. This will also allow us to connect more renewable energy in the region.

In June 2015, we were honoured when the Minister for Enterprise, Trade and Investment, Jonathan Bell, opened our new SONI headquarters in Castlereagh. Castlereagh House is the base for 120 of our staff and houses the control centre that manages the Northern Ireland grid.

**Last year also saw significant progress on our Delivering a Secure and Sustainable Electricity System (DS3) programme.**

This work is aimed at enabling us to manage high levels of non-synchronous renewable energy on the system in real time.

For generators and other market participants, the new system services arrangements unveiled in 2015 are a key component of DS3. The arrangements are central to the realisation of Ireland's 40% renewables target by 2020.

We are working closely with the regulators in Ireland and Northern Ireland on the development of a new set of electricity trading arrangements. These arrangements, known as the Integrated Single

Electricity Market (I-SEM), will meet the requirements of the EU "Target Model", aimed at creating a single internal market for electricity for Europe. This will have far-reaching implications for all participants in the electricity market across the island. A dedicated team, comprising staff from SEMO, EirGrid and SONI, has been established to deliver the new market.

I would like to thank Minister for Communications, Energy and Natural Resources, Alex White, for his positive engagement and support. I would also like to pay tribute to his predecessor, Pat Rabbitte TD, following his retirement.

**The commitment, development and aspirations of our staff underpin the success of the group and I want to acknowledge the contribution of all of our people.**

They are dedicated to ensuring that the electricity network, market and infrastructure meet the needs of our customers and the communities we serve.

I would like to thank the board, management and staff of EirGrid Group for their support and dedication during the year. We look forward to another year of progress in 2016.



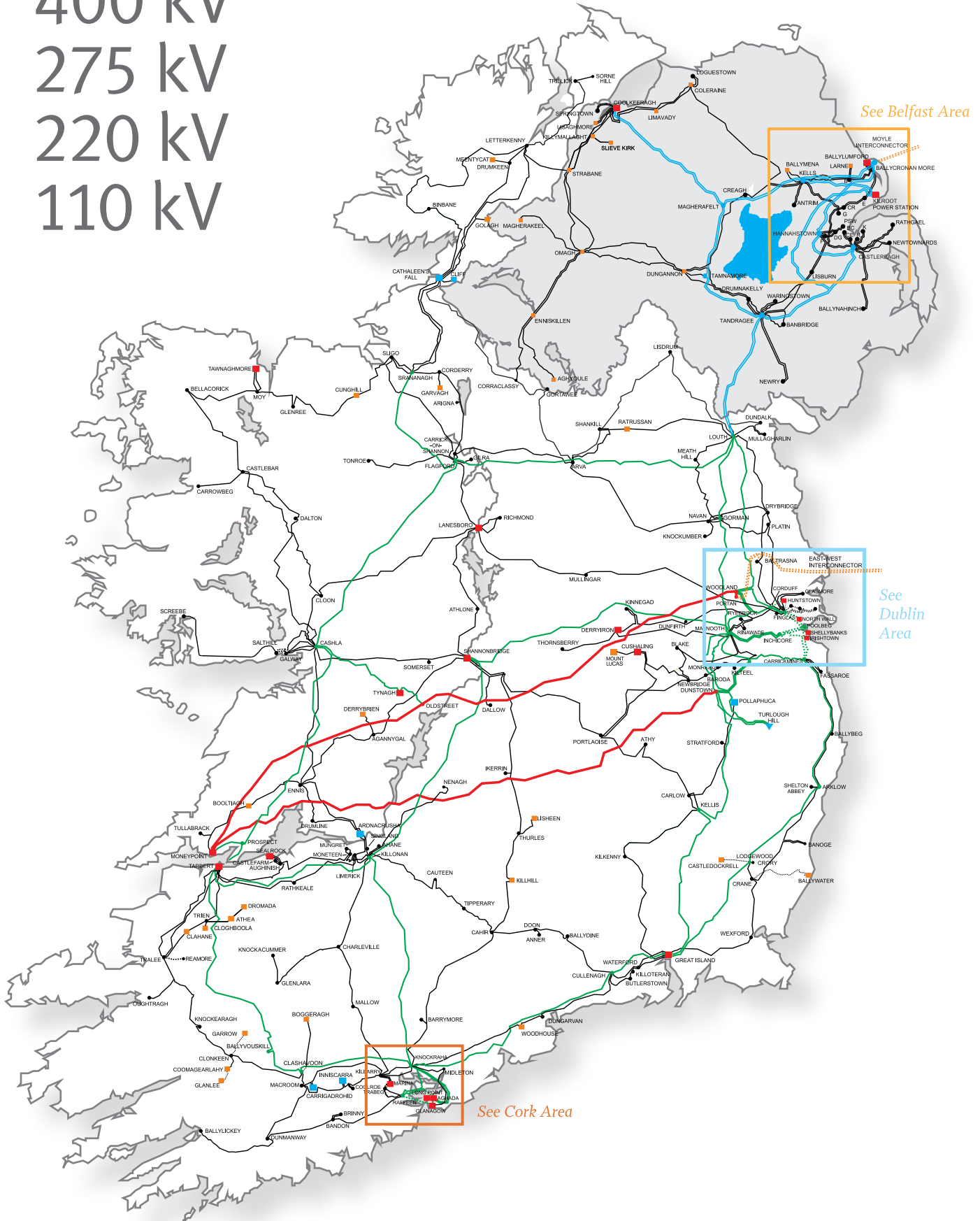
**Fintan Slye** CHIEF EXECUTIVE



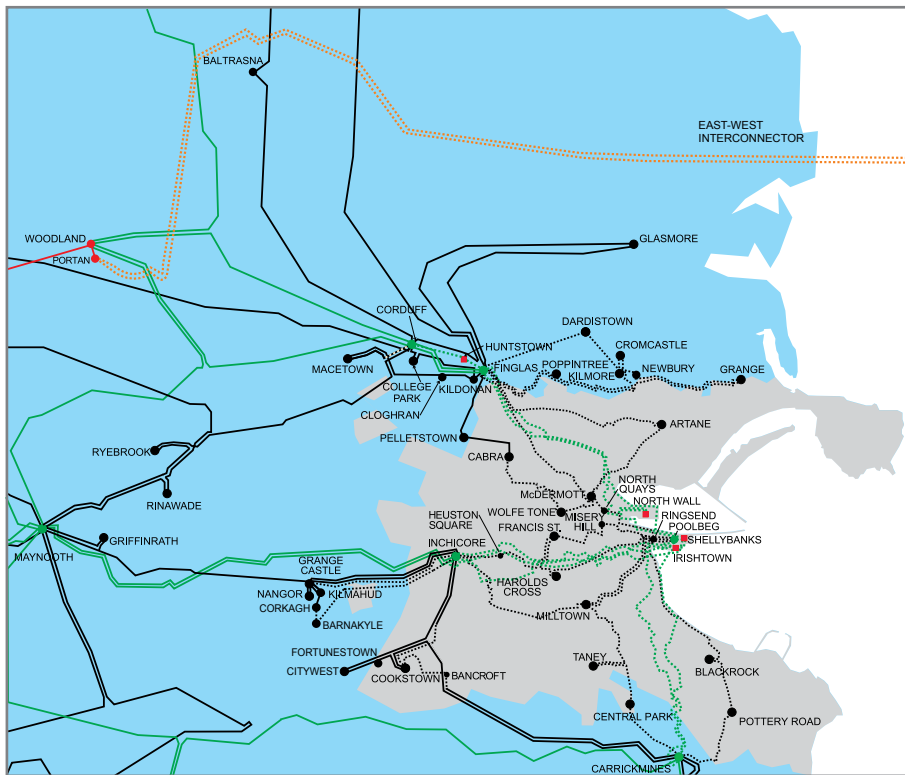
EirGrid's National Control Centre at the Oval, Dublin

# Transmission System

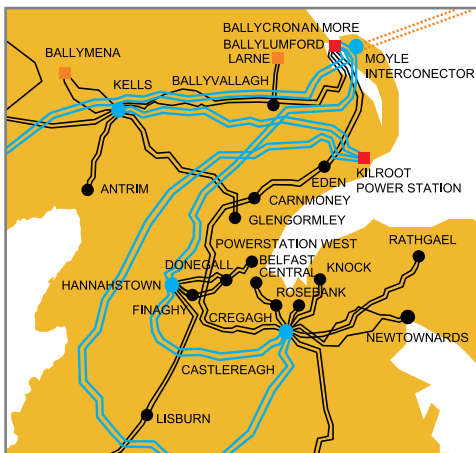
400 kV  
275 kV  
220 kV  
110 kV



# Dublin Area



# Belfast Area

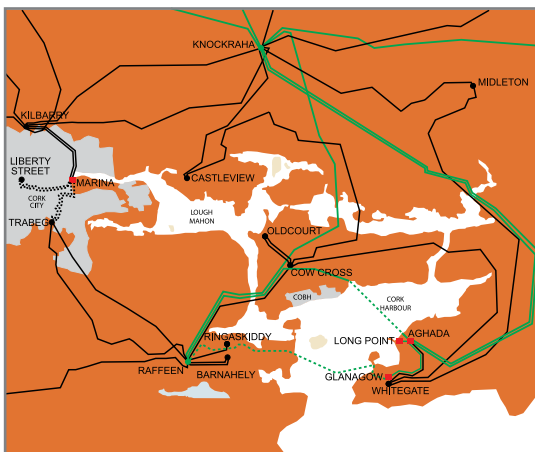


- 400 kV Lines —
- 275 kV Lines —
- 220 kV Lines —
- 110 kV Lines —
- 220 kV Cables - - - -
- 110 kV Cables - - - -
- HVDC Cables - - - -
- 400 kV Stations ●
- 275 kV Stations ●
- 220 kV Stations ●
- 110 kV Stations ●

## Transmission Connected Generation

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

# Cork Area



# Key Financial Highlights

€M

## 2015

## 2014

	Non EWIC	EWIC	Total	Non EWIC	EWIC	Total
Revenue	635.4	70.8	706.2	589.3	79.0	668.3
Direct Costs	(535.1)	-	(535.1)	(501.2)	-	(501.2)
Other Operating Costs	(91.5)	(19.7)	(111.2)	(80.8)	(22.1)	(102.9)
Operating Profits	8.8	51.1	59.9	7.3	56.9	64.2
Net Finance Costs	(0.4)	(18.8)	(19.2)	(1.2)	(18.8)	(20.0)
<b>Profit Before Tax</b>	<b>8.4</b>	<b>32.3</b>	<b>40.7</b>	<b>6.1</b>	<b>38.1</b>	<b>44.2</b>



# Financial Review

## The group continues its sound financial position following a strong 2015



**Aidan Skelly** EXECUTIVE DIRECTOR FINANCE AND LEGAL

The 2015 financial year was another year of solid financial performance for the EirGrid Group, with a dividend of €3.5m proposed to be paid to the shareholder.

Highlights included a 5.7% increase in revenue year-on-year, with profit before tax of €40.7m.

### Revenues and Profitability

Group revenue is primarily derived from regulated tariffs, specifically the Transmission Use of System (TUoS) charge. This is a charge payable by all users of the transmission systems in Ireland and Northern Ireland. Revenues are also derived from auction receipts for the sale of capacity on the East West Interconnector (EWIC).

Group revenue for the year to 30 September 2015 was €706.2m, making it €37.9m (5.7%) higher than the previous year. The higher revenue was mainly due to an increase in the imperfections tariff, reflecting an increase in the constraint costs.

The year to 30 September 2015 was the second full year of operation for EWIC. Revenues fell by €8.2m, from €79.0m in 2014 to €70.8m in 2015, largely as a result of a reduction in auction receipts. This was due to carbon price floor reform in the UK and lower demand for import capacity on the interconnector.

The operating profit as reported for the group for 2015 includes a significant over-recovery 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, this over-recovery will be corrected for in future tariffs returned to customers. The profit before tax for 2015 was €40.7m. However, excluding those over-recoveries, management's estimate of the underlying operating profit for 2015 was €16.9m, subject to regulatory uncertainties.

The 2015 results include a €7.9m impairment charge to SONI licence agreements. This reflects the draft determination of the SONI TSO Price Control for 2015 to 2020.

**EirGrid paid a dividend of €3m in May 2015 in respect of 2014. A dividend of €3.5m has been proposed for 2015.**

### Regulation

The group's TSO activities in Ireland and Northern Ireland are regulated by the Commission for Energy Regulation (CER) and the Utility Regulator (UR)

respectively. In its role as market operator for the SEM, the group is regulated by the SEM Committee, which comprises the CER, the UR, an independent member and a deputy independent member. The group also holds two licences as interconnector operator, one from CER and one from Ofgem (the regulator for gas and electricity markets in Great Britain).

In advance of each tariff period the group submits forecasts of customer demand, operating costs and other revenue requirements to the relevant regulatory authority. Following a detailed review process the regulators will issue 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.

CER has recently published its final decision on the EirGrid 2015-2020 TSO Price Control. We continued to engage with UR on the SONI TSO 2015-2020 Price Control.

### Financing

#### The group continues to be in a sound financial position.

Its borrowings have long repayment dates and are fully hedged against interest rate fluctuations. Adequate undrawn facilities are also available to manage liquidity risks.



Benefitting from the Grid -  
Lolly And Cooks bakery and cafe, Dublin





Our Agricultural Liaison Officer for Northern Ireland, **Fergal Keenan**

# Focus On: Business Connections



Martin McCarthy, Customer Relations

## The availability, quality, security and cost of electricity are key criteria as multinationals decide to invest in our local communities.

EirGrid has seen a recent upsurge in the number of enquiries from companies interested in establishing data centres.

There are a number of established data centres in Ireland, however they are typically connected to the distribution system.

During 2014 it became clear that a step change had occurred in terms of interest in Ireland as a location for digital infrastructure. A number of large scale data centre projects are making enquiries with regards to transmission connections.

Along with fibre connectivity, the availability, quality, security and cost of electricity supply are key criteria for these companies when assessing Ireland and Northern Ireland as a data centre location.

Typically, potential customers consider whether there is adequate generation capacity to meet demand in the long-term. They then evaluate how the electricity is generated, with most stating a preference for low-carbon and renewable sources.

The cost of transmission infrastructure is also important - both the cost of the initial connection and the Transmission Use of System (TUoS) charges paid by customers.

Customers developing data centre projects typically target energisation dates that are within 18 - 24 months of entering in to the formal application process. However, full utilisation of capacity is dependent on the uplift of operations at a site.

With respect to choosing a specific location, access to the transmission network is especially important for the largest data centres. These large data centres connecting are all adjacent to strong sections of the electricity transmission system.

We are now working to connect large data centres for some of the biggest companies in the world.

This represents huge growth. We estimate that, once connected, demand for electricity from the data centre sector will have trebled from where we were a year ago.

In addition to projects that are already in a formal process with EirGrid, there are additional connection enquiries that could lead to further significant growth in the sector.







EirGrid Operations and Customer Relations teams with Intel staff in Leixlip, Kildare

# Operations, Planning and Innovation

**We are committed to leading innovation in response to a constantly changing power system**



**Robin McCormick** EXECUTIVE DIRECTOR OPERATIONS, PLANNING AND INNOVATION

In Operations, Planning and Innovation (OPI), our role is to operate a safe and secure transmission system for the benefit of all electricity customers. Central to this is regular review of our plans, to ensure that the grid remains fit-for-purpose.

In spring 2015 we published a revised grid development strategy. We reviewed the main network reinforcement projects - Grid Link, Grid West and the North South Interconnector. New options were presented for Grid West and Grid Link, which were well received by stakeholders.

We are also committed to leading innovation in response to a constantly changing power system. In this respect a key focus is on Smart Grids and DS3.

**This year, our ground-breaking DS3 Programme won the “Communication & Participation” category of the 2015 RGI “Good Practice of the Year”.**

DS3 was also runner-up in the ‘2015 Smart Grid Action Network ISGAN Award of Excellence’ competition.

## Electricity Demand and System Performance

Electricity demand on the island of Ireland increased slightly over the calendar year 2015, compared to 2014. This growth is expected to be maintained reflecting economic recovery.

Generation availability is a measure of the capability of generators to deliver power to the grid. In order for EirGrid Group to operate the transmission system

securely and economically, generators must maintain a high rate of availability.

**All-island generation availability for the 12 months up to October 2015 was 87%.**

Generation margins remained within the standard throughout 2015.

## Demand Connections

Over the past year, we have received applications and queries for an unprecedented increase in large scale demand, predominantly from data centres. To date, 284 MVA of data centre connections have accepted or are considering connection offers and a further 334 MVA of applications are currently awaiting connection offers. In addition to the customer projects already in formal processes with EirGrid, approximately 900 MVA of additional enquiries have been received for large demand increases at a number of locations across the island.

**We have provided extensive support to these intensive demand customers, providing guidance or pre-feasibility studies on the connection options to enable them to choose suitable locations.**

We have also facilitated advanced works packages, allowing customers to undertake initial works packages, in advance of firm contractual positions. In addition, we have enabled customers to build their own shallow connection works, giving them greater control over their timelines and costs.



### Northern Ireland Planning

2015 was the first full year in which SONI had responsibility for the transmission planning function in Northern Ireland. The Utility Regulator (UR) is currently consulting on SONI and NIE's draft paper on Contestability Guidelines Document. As part of this consultation process, SONI and NIE Networks held a workshop with industry. A recent UR determination concluded that applications to NIE Networks do not need to be accompanied with planning permission.

### Innovation

The challenge of anticipating and evolving alongside a constantly changing power system is one which we enjoy responding to.

We are always looking for new ways to operate the electricity grid, with several pilot projects currently in operation. Leading this is the Delivering a Secure and Sustainable Electricity System (DS3) programme.

The DS3 programme investigates how we can securely operate the power system with increasing amounts of variable, nonsynchronous renewable generation.

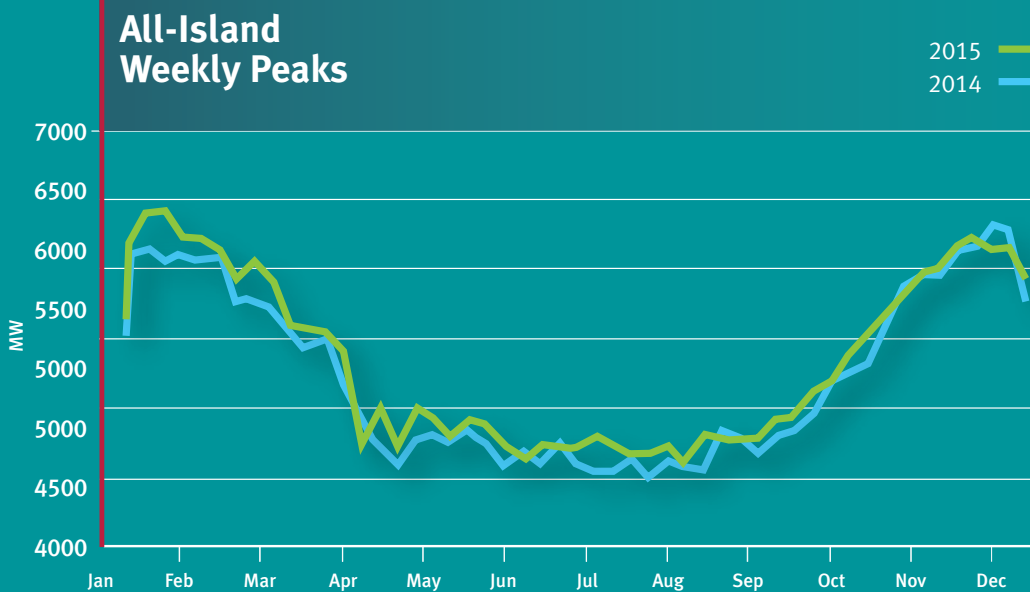
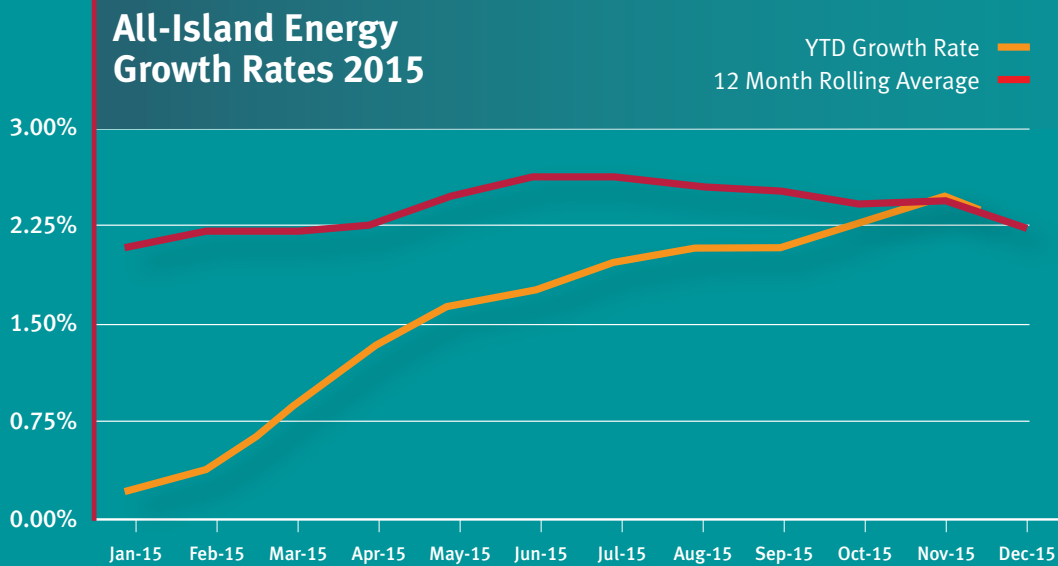
EirGrid Group is also a member of European umbrella body ENTSO-E's Research, Development and Innovation Committee, and collaborate with a number of other research and innovation groups, including the National Science Foundation in the USA.

**As a result, NIE Networks have received a remarkable volume of applications (around 800 MW in total, both large scale and small scale generation).**

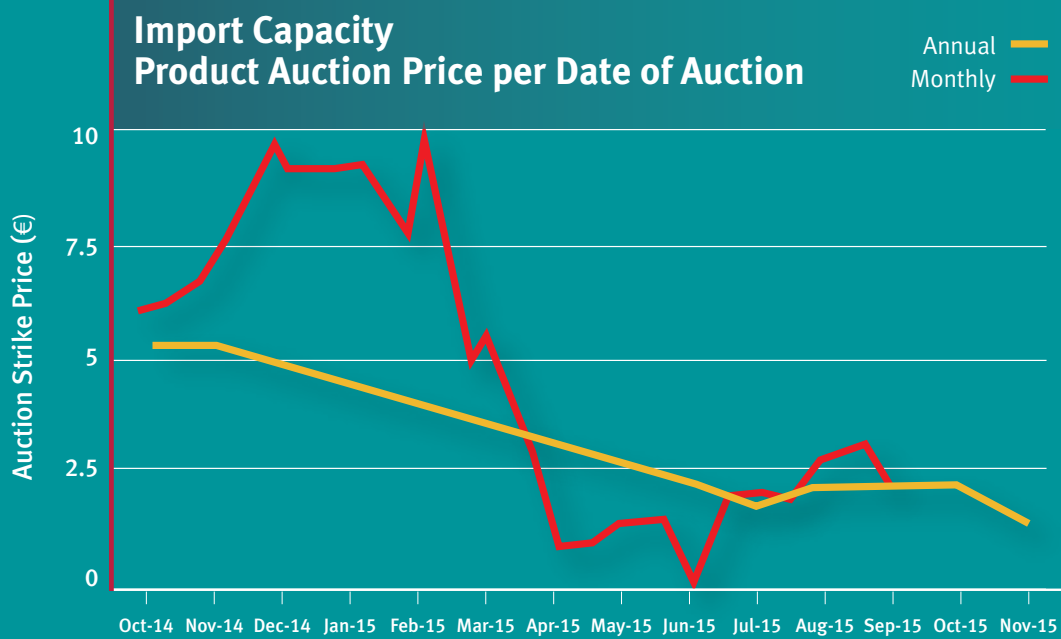
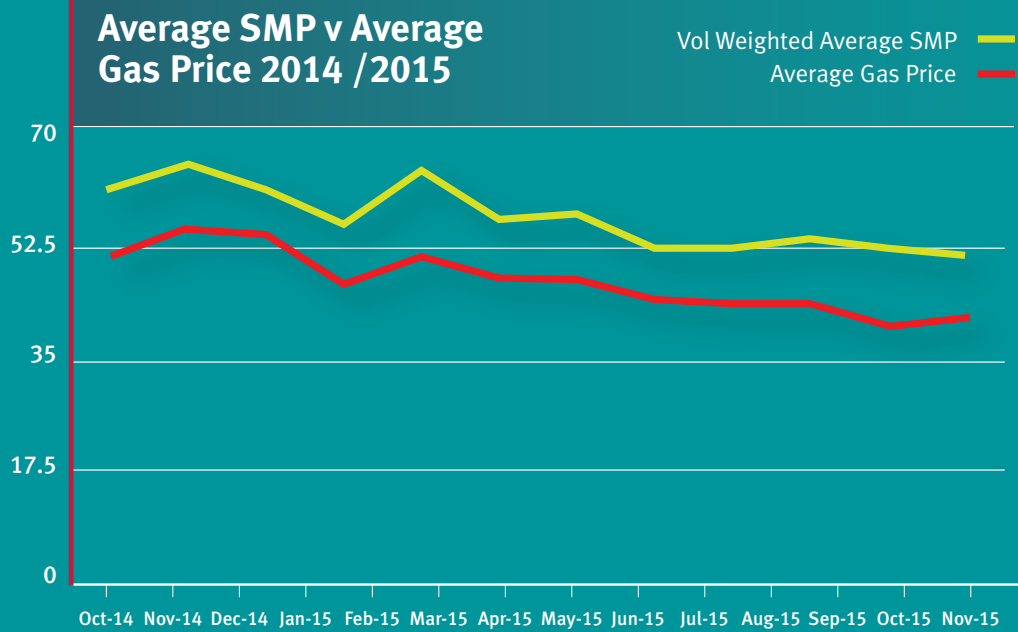
SONI has also progressed its first transmission reinforcement in Northern Ireland to the preconstruction phase. This reinforcement is a proposed new 110/33 kV substation to cater for demand growth in Belfast City centre and Belfast Harbour area.



Minister for Enterprise, Trade and Investment **Jonathan Bell** with SONI General Manager **Robin McCormick** and EirGrid Chief Executive **Fintan Slye** at the Northern Ireland Control Centre, Castlereagh House, Belfast







# Consultation, Outreach and Engagement

**We must meet the needs of stakeholders if we are to deliver a grid that grows in tandem with the economic development of Ireland and Northern Ireland**



**Rosemary Steen** EXECUTIVE DIRECTOR EXTERNAL AFFAIRS

In December 2014 we published *Reviewing and Improving Our Consultation Process*. This comprehensive review, including independent reports from SLR Consulting and the Chartered Institute of Arbitrators, confirmed that changes were required to how we work with communities, businesses and government.

**It shaped a new group philosophy – namely, that we must meet the needs of stakeholders if we are to deliver a grid that grows in tandem with the economic development of Ireland and Northern Ireland.**

The review contained 12 commitments aimed at achieving a more community-focused approach to grid development. Significant progress was made in delivering these commitments during 2015.

The launch of our draft grid development strategy, *Your Grid, Your Views, Your Tomorrow*, in March 2015 was another significant step forward for EirGrid Group.

This draft strategy was a response to feedback received from the public during consultations on major grid development projects. It also represented a key part of our efforts to encourage greater participation in our decision-making process.

*Your Grid, Your Views, Your Tomorrow* reflected an updated view of the economic context for developing the grid. The strategy further incorporated our growing experience of promising new transmission technologies. It included a new Regional Option for the Grid Link Project and a hybrid option for the Grid West Project.

*Your Grid, Your Views, Your Tomorrow* also concluded that overhead lines are the best solution for the North South Interconnector. We continue to engage with local communities on this key project and have recently initiated a wide-ranging outreach and information campaign. This has resulted in meetings and dialogue with many community members on issues including undergrounding, environmental interests and health concerns.

**We are staffing community offices, holding regional discussion forums and are communicating more widely to better explain our plans.**

A key initiative has been the appointment of Agriculture and Community Liaison Officers across the island, as well as a public affairs lead in Northern Ireland. The development of a consultation handbook and toolkit, plus the adoption of “plain English” in our publications, further reflects our commitment to meaningful and accessible engagement.

We seek to engage early with public representatives in Stormont and the Oireachtas, and across local government. This provides government feedback while also acting as an avenue to engage with local communities.

Our Chief Executive appeared twice during the year at the Oireachtas Joint Committee on Transport and Communications. This was accompanied by outreach and walk-in sessions with Senators and TDs, which provided some valuable feedback.

We also worked within the framework of the Government's new Regional Action Plan for Jobs. We were delighted when the North South Interconnector was identified as a key enabler of jobs and development through this forum.

In Northern Ireland, we carried out a significant body of political engagement, which included briefings with all tiers of elected representatives across each political party; from Councillors to MEPs. We were honoured when Minister Jonathan Bell opened our new SONI offices in June. We also briefed several of the new local government districts or 'super-councils', a programme which will continue throughout 2016.

As we look forward, engagement, consultation and outreach will continue to form a key part of our grid development strategy. While further consultation is not required as part of the planning process for the North South Interconnector, we are committed to continue informing and engaging with local communities.

In tandem with this, we launched a new EirGrid Group website.

**The new site is aimed at making our brand more accessible to the public across the island of Ireland, providing easily understandable information in a more user friendly way.**

Last February also saw EirGrid's first GAA partnership with the sponsorship of the All-Ireland Under 21 Football Championship.

As part of the sponsorship EirGrid introduced a new awards scheme that saw the best players from the championship recognised.

This was followed by an announcement in September that EirGrid would be title sponsor of the 2015 International Rules test match. This saw Ireland regain the Cormac McAnallen Cup through a 56-52 win, in what was widely agreed to be the most entertaining series of recent years.

EirGrid's business spans the length and breadth of the island of Ireland, mirroring the reach of the GAA, making this sponsorship a perfect fit. Our role in managing and developing Ireland and Northern Ireland's electricity grid ensures that young people, like the participants in this championship, have a bright future both on and off the field.

In tandem with the GAA, SONI launched its sponsorship of the Ulster Senior League in 2015. Like the power which SONI provides, grassroots rugby is at the heart of many communities across Ulster.

We look forward to developing each of these relationships across 2016.



EirGrid Chief Executive, **Fintan Slye**, launches *Your Grid, Your Views, Your Tomorrow* with Stakeholders in March 2015



# Focus On: 12 Commitments



**Graham Parker**, Programme Management Office

## In response to the feedback we received on public consultations, we made the commitment in January 2014 to carry out a review of our consultation process.

There were four inputs to our review. These included a review of public feedback, an evaluation of international best practice in public consultation, and expert reviews carried out by SLR Consulting and the Chartered Institute of Arbitrators.

In December 2014, we published a review of our approach to public consultation. As part of this we committed to deliver a comprehensive programme of change in the way we manage consultation over the course of 2015. The commitments we have delivered on include:

### **Developing a participative approach**

We produced our publications in plain English, with clear, straightforward information which will be accessible to all.

We appointed Community Liaison Officers, whose role is to work with communities to develop long-term sustained relationships in their local areas.

In assessing the most appropriate solution for grid development, we placed more emphasis on the effect of our projects on society.

### **Change our culture and processes**

We streamlined a process to investigate complaints or specific feedback. This is accessible through our website in the 'Contact' section.

Our projects will be continuously reviewed to ensure project need, and that all information on the project is communicated in a transparent and consistent manner.

We recently circulated a consultation handbook to key stakeholders for their feedback. This clearly sets out how people can engage and participate in decisions which shape projects in their communities. Following feedback from our National Advisory Committee (NAC), our consultation handbook will be published later in 2016.

### **Encourage leadership & advocacy**

We implemented new regional discussion forums. These allow members of the public and interest groups to come together and discuss key areas of our work.

For example in May this year, we held forums in Sligo, Dundalk and Cork, facilitated by Irish Rural Link, to discuss our Draft Grid Development Strategy. The forums generated good engagement among attendees and those who participated via live web streaming.

We continue to ensure that we operate in full compliance with European and international guidelines in relation to electromagnetic fields (EMF).

The initial results of these changes have been encouraging, and feedback from stakeholders - from community up to government - has been positive.

This process doesn't end with the delivery of our 12 commitments, and we continue to welcome your comments on how we can further improve our approach to consultation.

A similar process is also underway in Northern Ireland, where we hope to publish a review of consultation in the coming months.



EirGrid Group's 2015 Customer Conference took place at the Titanic Museum, Belfast, on 20 October

# Developing the Grid



## Developing and maintaining the grid is vital to the delivery of a safe, secure and reliable transmission system

**John Fitzgerald** EXECUTIVE DIRECTOR GRID DEVELOPMENT AND INTERCONNECTION

### Transmission Development Strategy

In 2015, we developed a revised transmission development strategy to deliver the best possible solutions for the people of Ireland. The strategy is shaped by three key pillars:

- open engagement with communities;
- making the most of new technologies; and
- getting more capability from the existing grid before we build new transmission infrastructure.

To improve community engagement, we developed a new consultation process and appointed four Agricultural Liaison Officers (ALOs). Our ALOs are available to engage with communities on projects in their areas and other issues that arise.

We continued the roll out of high capacity conductors to increase the capability of existing transmission circuits, reducing the need to build new lines. We also completed construction of several substation upgrades, which improves operational capability.

### New Connections

We received a significant increase in applications from existing and new high energy users for transmission connections primarily in the East and West regions.

We are committed to delivering the grid necessary to foster economic growth and support jobs throughout Ireland. Many of the new connections are under construction or at an advanced planning stage. We expect to deliver these important projects in the coming months and years.

### Delivering the grid to meet future needs

**In cooperation with NIE and ESB, we identified and submitted an application for planning approval for the North South 400 kV Interconnection Development.**

The interconnector will increase the security and reliability of electricity supply to households and businesses throughout the island of Ireland. It will support growth and boost existing industry in the North East region and ensure a continuing reliability of electricity supply. It will enable the all-island wholesale electricity market to work efficiently, allowing for increased competition in electricity supply, thereby offering consumers choice and competitive prices.

In West Tyrone, we are developing a new 110 kV line and substations that will improve security of supply in the region.



We continued the significant redevelopment of the transmission network in the south west, completing a number of new stations and uprating of existing lines in counties Cork and Kerry. The total investment is approximately €400m, and led to direct and indirect employment in the area during the planning and construction phases. The improved network will facilitate generation in the region and provide a platform for economic growth in the future.

### Interconnection with Europe

Part of EirGrid's role is to explore interconnection with other countries, in order to ensure security of supply, drive down prices through increased competition and to facilitate renewables.

### We are currently managing a joint feasibility study with RTE, the French Transmission System Operator, for an Ireland-France Interconnector (the 'Celtic Interconnector').

The results of the feasibility study and business case are due in mid-2016. At this point, a decision will be made on whether or not to proceed to the design and consent phase of the project. I am delighted that the European Commission allocated €3.8m in funding towards the study.

Through engagement, innovation and maximising the capability of the transmission network we strengthen our power supply and ensure there is capacity to support future business investments throughout the island of Ireland.



Some of the most detailed surveys in Irish marine history took place in 2015 as part of the Celtic Interconnector Feasibility Study

# Focus On: Innovation



**David Cashman**, Sustainable Power Systems

## The challenge of planning and managing the transmission system will continue to grow as the energy industry evolves.

Among these challenges is an anticipated increase in the level of electricity generation, fuelled by the connection of wind and the growth of new technologies such as solar photovoltaic (PV) and storage.

Electricity demand will also become more dynamic, with increasing calls for energy efficiency. We also understand that building new infrastructure is no longer the default solution to network issues, and that innovation can provide novel alternatives.

Innovative solutions must be tested for the challenges that we face, both now and in the future. To this end, the EirGrid Innovation Board was established in 2015 to provide focus and governance of our innovation projects.

At EirGrid Group, we are currently running several innovation projects, designed to future-proof the grid and keep us at the forefront of energy developments.

These include:

- **AES Battery**  
A 10 MW battery storage device was installed in Kilroot Power Station in Northern Ireland. This device, which is the largest of its kind on the island of Ireland, can provide additional reserve to the power system.
- **Schwundgrad Energie**  
In Co. Offaly, a flywheel-battery pilot project is underway. Approximately 40 jobs were provided in the construction phase of the pilot project.
- **DS3**  
The main project designed to help deliver on the 2020 renewable electricity targets is the programme for Delivering a Secure and Sustainable Electricity System (DS3). The DS3 Programme is designed to ensure that we can securely operate the power system with increasing amounts of variable, nonsynchronous renewable generation.
- **Tower voltage upgrades**  
This programme is testing two new tower types, which may reduce the need for new lines by converting existing 220 kV lines to 400 kV.
- **Tower Router**  
The tower router device optimises existing infrastructure through redirection of power flows.
- **Composite pole design**  
Type testing of new 220 kV towers that could provide an additional option in reducing the visual impact of pylons.
- **Innovation in User Technology**  
A number of user-led pilot and demonstration projects were supported by EirGrid Group during 2015. These projects used existing technology and new technologies at transmission scale to demonstrate how they may be used in the future.

- **Residential Demand Side Management trial**

An industry-wide competition was run to have a residential consumer-based demand response project in operation in 2016. If successful, this could enable residential consumer participation in forthcoming System Services processes.

- **Research and Development**

Research and Development is a key area of focus for EirGrid, facilitating the introduction of innovative solutions to plan and operate the power system. We are key project partners in three Research and Development projects funded through the European Union's Horizon 2020 programme.

- **RealValue**

A €15.5m project, with twelve partners across Europe, RealValue aims to show how local small-scale energy storage could bring benefits to energy

users. RealValue spans the entire value chain, from householders, through supply, distribution, transmission and generation, to system operators. The business case for small-scale storage will be evaluated and the barriers associated with its integration into the electricity grid and energy markets will be identified.

- **PROMOTioN**

PROMOTioN is a €39m Horizon 2020 project which will overcome barriers of high converter cost, lack of protection systems, immature international regulations and financial instruments associated with offshore wind and grids.

- **MIGRATE**

This is a €16m Horizon 2020 project which will develop control methods for a system approaching and reaching 100% power electronic penetration, on both the load and generation side.



Minister **Jimmy Deenihan** with **Ciaran McNamara** of EirGrid and ESB's **Keith Kavanagh**, inspecting subsea cables in north Kerry



# Market Operations

## Management of the Single Electricity Market (SEM) and development of the I-SEM made for a busy 2015



**Rodney Doyle** EXECUTIVE DIRECTOR MARKET OPERATIONS

Free trade across borders is the foundation of the single European market.

This principle applies to the energy sector, where the creation of a single European market for electricity and gas is an important goal of the EU.

To achieve this goal, electricity markets throughout the EU are being aligned with a common European “Target Model” for cross-border electricity trading.

**The all-island wholesale Single Electricity Market (SEM) has been in place since 2007 and is run by the Single Electricity Market Operator (SEMO), a joint venture between EirGrid and SONI.**

It is regulated by the SEM Committee, which comprises the CER, URegNI, an independent member and a deputy independent member.

The SEM concept provides for a competitive, sustainable and reliable wholesale market in electricity, delivering long-term economic and social benefits that are mutually advantageous to Ireland and Northern Ireland.

Over the past year, SEM has added 11 new participants. A total of 32 units were also registered, including users of Moyle Interconnector and the East West Interconnector.

The SEM Committee has now been instructed to develop a new set of electricity trading arrangements that will meet the requirements of the EU “Target Model”.

The SEM Committee published the high-level design for I-SEM in September 2014 and this marks a significant period of change for market participants.

The arrangements affect all participants in the market and will be implemented via the Integrated Single Electricity Market (I-SEM) programme.

It is anticipated that I-SEM will bring benefits, including:

- A more open and efficient pan-European electricity market delivering benefits to consumers;
- Increased access to cheaper sources of electricity;
- Access to a market into which we can sell our electricity;
- A basis for the development of intraday, forward, day-ahead and balancing markets that enable investors and operators manage risk.

Since the high-level design decision was published in September 2014, the regulators have progressed the detailed design of the market through a number of consultations and decisions. We are now implementing the systems and process needed for I-SEM and will be engaging with participants right through 2016 via a series of planned workshops.

**EirGrid Group has made a major contribution to the development of the design throughout this process.**

We will continue to work with industry and our European partners to consider suitable implementation for the I-SEM.

The process for the development of the market rules has also been initiated through the establishment of the Market Rules Working Group, comprising representatives from the regulators, participants and EirGrid.

This group is focused on delivering

- Central Systems and Services;
- Central Arrangements;
- Operational Capability; and
- Participant Engagement and Market Readiness

It is planned that the I-SEM will be up and running by the end of 2017.



EirGrid Chief Executive **Fintan Slye**, **Dr Andrew McCormick** and **Linda Brown** launch EirGrid's 10th Customer Conference

# Focus On: Our Energy Performance



**Liam Griffin**, Facilities Manager

## We work to lead corporate improvement in responsible energy consumption.

### Overview of Energy Usage in 2015

In 2015, EirGrid plc consumed 4,128 Megawatt hours (MWh) of energy at its offices in Ballsbridge and Business Continuity Centre:

- 3,172 MWh of electricity;
- 956 MWh of fossil fuels; and
- 0 MWh from onsite renewable fuels.

### Actions Undertaken in 2015

In 2015 we undertook a range of initiatives to improve our energy performance including:

- Completing Energy Map Training;
- Installation of a system to better manage cooling within the data centre; and
- Fine-tuning of building systems, including measures to ensure the main heating and cooling systems within EirGrid's control are only operational when required.

### Actions Planned for 2016

In 2016 we plan to further improve our energy performance by undertaking the following initiatives:

- Further optimisation of the computer and IT data centre environment including investigating the potential for free air cooling; and
- Further improve the building environment, including additional lighting replacement and the upgrading of the building energy management system to a cloud based solution.





We undertook a range of initiatives to improve our energy performance in 2015

# Our People

**A new group structure was implemented in 2015, making it easier for us to do business**



**Siobhán Toale** EXECUTIVE DIRECTOR HUMAN RESOURCES AND CORPORATE SERVICES

The Human Resources and Corporate Services directorate of the group includes Organisational Development, Internal Communications, Information Systems (IS) and Facilities. We are tasked with managing change and improving internal business processes across the EirGrid Group.

## Recruitment

**It's been a busy year on the recruitment side, with almost 70 staff hired over the past year.**

Our new hires have come into the business across a broad range of disciplines, including Engineering, IT, Finance and Public Affairs. We have also new engineering graduates on the group graduate programme.

In addition, college students from IT and engineering disciplines were selected to work in our Dublin and Belfast offices. 15 transition year students also gained experience with us over 2015.

## New Organisation Structure

A new structure was implemented with the objective of making it easier to do business. This new structure will help us to:

- Achieve the ambitious targets we have set out in our Group Strategy;
- Change the way we operate for the better;

- Engage in a different way with external stakeholders, our customers and the communities in which we operate;
- Be more agile, flexible and change oriented;
- Be more accountable, transparent and commercially focused.

## Employee Engagement

At EirGrid Group, we have five company values. These are:

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

In 2015 we delivered an employee engagement programme aligned to these values, with the objective of ensuring that staff know the important part that they play in the success of the group.

## Key successes in this area include:

Our new recognition programme 'Going the Extra Mile' was launched, which recognises staff who go further to make EirGrid Group better.





Staff in Dublin and Belfast were recognised for 'Going the Extra Mile' in 2015



**Valerie Hedin**, EirGrid External Affairs



### **During 2015 we refreshed our approach to staff development.**

We launched a new group staff skills development programme (Eirskills). This has helped our people develop their competencies and carry out their roles. Programmes are running in Belfast and Dublin, helping people to improve our flexibility and adaptability, embed our values and behaviours and become more community focused.

### **We remain committed to bringing the latest thinking and best practice to bear in our approach to development across the group.**

#### **New Belfast Offices**

We officially opened our new SONI offices in Belfast in June 2015 and work is underway to open additional regional offices in 2016.

#### **New Website**

A new website - [www.eirgridgroup.com](http://www.eirgridgroup.com) - was launched which provides more easily understandable information in a more user friendly way. The new site provides general information on EirGrid Group, EirGrid and SONI TSOs. It also delivers information on grid projects, explaining how the grid works, information for customers and industry, news and media, and a library for publications and documents.

### **IS Systems**

Staff have worked hard to maintain the availability of our IS systems to run the business. They have developed systems that support our business regionally, enabling our staff at head office to engage with their counterparts in our local communities.

### **We are also in the final stages of commissioning a new state of the art, energy management system (EMS).**

This will enable the operation of the power system on an all-island basis and improve our control centre business continuity capabilities. Additionally the new EMS will provide enhanced functionality for the facilitation of renewables and the support of the 2020 targets. The EMS has been central to the management of an ever expanding power system. It is continually being enhanced to meet new technical challenges such as the variability of wind power and control of interconnection.

# Focus On: Corporate Social Responsibility



**Alan Kelly**, Community Liaison Officer

## We have a well-established programme of community support through education initiatives, staff charity, volunteering and sponsorship schemes.

At EirGrid Group, we are driven to provide a sustainable service to the public through responsible business practice. We are dedicated to achieving business success, while respecting the communities and environment with which we interact.

Each year our staff select two charities to support. In 2015, our chosen charities were Our Lady's Hospice and Marie Curie Cancer Care. For the third year running, a charity EirGrid Group cycle was held in memory of our colleague Joanne Kearney, raising money for Our Lady's Hospice in Harold's Cross.

In recognising how EirGrid staff contribute to their own local communities, the group supports staff members who volunteer by donating to their chosen initiatives. We sponsored a number of events including the Euro-Toques Food Awards, where food producers from across Ireland are recognised for outstanding achievement.

We have also worked with staff to improve their working experience, as detailed in the 'Our People' section of this report on page 32.

We continue to support the education and development of young people through a range of initiatives. Through our partnership with Business in the Community, we have continued to work with Margaret Aylward Community College in Dublin.

We have further worked to improve stakeholder engagement in the past year, publishing a review of our approach to consultation, while increasing outreach and discussion.

Working with the National Adult Literacy Agency, we have worked to roll-out 'plain English' in many of our public-facing documents - an exercise that we will continue into 2016.

Annually, we support young people by providing meaningful work placements. We have tapped into the wealth of technical knowledge and ability across the organisation to give particular support to Science, Technology, Engineering and Mathematics (STEM) initiatives such as the school science projects, hosting of schemes such as Women in Engineering and Engineering our Future.





Blue skies over EirGrid's Head Office at The Oval, Dublin



# The Board

Front row left to right

**Dr. Gary Healy**

**Liam O'Halloran**

**Bride Rosney**

**Niamh Cahill** COMPANY SECRETARY

Back row left to right

**Gerry Walsh**

**Richard Sterling**

**Dr. Joan Smyth**

**Michael Hand**

**Doireann Barry**

**Fintan Slye** CHIEF EXECUTIVE

**John O'Connor** CHAIRPERSON







# 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 Chairman of the Pyrite Resolution Board. He holds a Diploma in Public Administration from UCD.

## Fintan Slye CHIEF EXECUTIVE

Fintan Slye was appointed Chief Executive of EirGrid on 1 October, 2012. He had previously held the position of Director of Operations of EirGrid, in which he had responsibility for the operation of the power system in Ireland and Northern Ireland, as well as for managing EirGrid and SONI's programme of work to facilitate the integration of world-leading levels of renewables on the power system. Before his appointment to that position, Fintan worked for McKinsey & Co in their Dublin office, supporting companies across Ireland, UK and Europe. Prior to that, he held a number of project and management roles in ESB National Grid and ESB International. Fintan completed a Masters in Business Administration from UCD in 2001 and a Masters in Engineering Science in 1993.

## Dr. Joan Smyth

Dr. Joan Smyth was appointed to the Board of EirGrid in June 2009 and reappointed for a further 5 years in 2014. In September 2015, the EirGrid Board appointed her as Deputy Chairperson of the EirGrid Board. She was Chairman of the Progressive Building Society based in Belfast and was a Director of Trinity Housing Association. She currently chairs the Womans Fund for Northern Ireland and was, for more than five years, Chair of the Chief Executives' Forum. She 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 & Chief Executive until 1 October 1998) remaining in 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. Dr. Smyth is a past Federation President of Soroptimist International of Great Britain and Ireland and a member of the International Womens Forum. She is Vice President of the Railway Preservation Society of Ireland. She was awarded a CBE in the 1998 New Year's Honours List.

## Richard Sterling

Richard Sterling 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. Richard was awarded an OBE in 2003 for services to the Basic Skills Committee and to business in Northern Ireland.

### Dr. Gary Healy

Dr. Gary Healy is Head of External Affairs at Vodafone Ireland. Dr. Healy was Director of Market Development in the Commission for Communication Regulation (ComReg) and head of public policy at Telefonica Ireland and a regulatory consultant with 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, a MA Modern History from Middlesex University and is a qualified accountant.

### Liam O'Halloran

Liam O'Halloran has extensive senior management experience in multinational electronic and telecommunications companies. Liam previously held the position of Senior Vice President of DEX Europe, a US based company providing repair and logistics services to major electronics multinationals and Vice President of European Operations for Jabil Global Services, a global electronics services company. 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. He is a Director of Alcomis, a company development consultancy with clients in Software, eLearning and Services sectors.

### Bride Rosney

Bride Rosney 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 for an eight-year period, 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.

### 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 across EirGrid. In her current role, as Smart Grid Programme Manager, she has responsibility for the coordination of all Smart Grid - related activities in EirGrid Group. She has represented the company both nationally and internationally, as a speaker at conferences. She is an Electrical Engineering graduate of University College Cork and is a member of Engineers Ireland.

# The Board

## Gerry Walsh

Gerry Walsh was appointed to the Board of EirGrid in July 2015. Gerry is an experienced Director in private and state sectors. He also works as an advisor and business consultant in strategic management and leadership team performance management and is also an experienced executive coach.

He is a non-executive director in a number of companies in private and public sectors. Gerry was CEO of Bord Gais Éireann (BGE) from 2000 to 2007, is a UCC Engineering and MBA graduate, and is a Fellow of Engineers Ireland.

Having started his career in the construction industry, Gerry spent over twenty years working in BGE. He filled a number of general management and strategic roles in BGE culminating in a seven year period as Chief Executive. He led the transformation of the state-owned business to become a highly successful all-Ireland natural gas and electricity supplier and investor in electricity generation. As CEO he was responsible for the development and roll out of a capital programme of approximately €1billion.

He left BGE in 2007 to work in the private sector as a strategic business consultant, setting up Spruce Consulting Ltd.

multidisciplinary business as Director, Managing Director and Executive Chairman. Following the merger of the business with WYG Group plc he was Managing Director of the WYG Engineering Ireland business for 3 years before joining GDA in 2010. He has a track record in the design and delivery of major strategic infrastructure projects throughout Ireland.

Michael is highly qualified in engineering and business and is a Chartered Engineer, a Chartered Director and a Chartered Water & Environment Manager. He holds a degree in Civil Engineering and a Masters in Business Administration. In 2014, he was conferred with a Honorary Doctorate by DIT in recognition of his contribution as an engineer, a public servant and as a servant to his community. He is a Fellow of four professional institutions.

## Niamh Cahill COMPANY SECRETARY

Lawyer Niamh Cahill is the Company Secretary for EirGrid. 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.

## Michael Hand

Michael Hand was appointed to the EirGrid Board in July 2015 for a period of five years. Michael has extensive experience over 30 years as a senior leader in the consulting engineering and construction sectors in Ireland and latterly as CEO and Director of Grangegorman Development Agency (GDA). During his career he has played a lead role in the growth and development of PH McCarthy Consulting Engineers, a leading





**John Boylan**, EirGrid Agricultural Liaison  
Officer for the North East Region

# Organisational Structure



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

Chief Executive  
**Fintan Slye**

Market Operations  
**Rodney Doyle**

Operations,  
Planning &  
Innovation  
**Robin McCormick**

Grid Development  
& Interconnection  
**John Fitzgerald**

EirGrid Group Offices , The Oval, Ballsbridge, Dublin 4.

SONI Offices, Castlereagh House, Belfast.



External Affairs  
**Rosemary Steen**

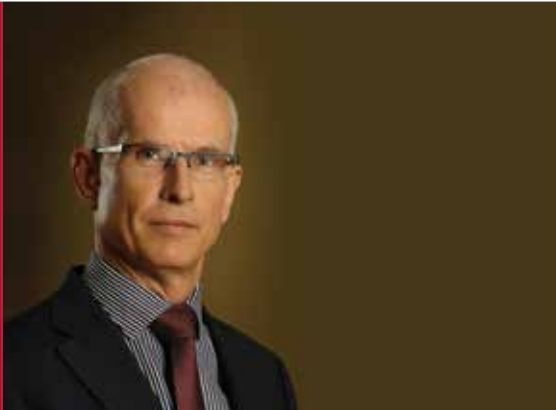
Human Resources  
&  
Corporate Services  
**Siobhán Toale**

Finance  
& Legal  
**Aidan Skelly**



# Our Executive Team

The Executive team is headed up by our Chief Executive, Fintan Slye. A full biography for Fintan is included on page 40.



**Robin McCormick**

**Robin McCormick** was appointed Executive Director of Operations, Planning and Innovation in July 2015 and is also the General Manager of SONI Ltd. Robin previously held the role of General Manager of the Single Electricity Market Operator (SEMO) and SONI.

He has extensive experience in the power industry in a regulated utility environment. In his role as director, he is responsible for the operation and planning of the power system in Ireland and Northern Ireland. Robin is a fellow of the Institution of Engineering and Technology. He holds an MBA from the University of Ulster, Jordanstown, and an MSc from Napier University, Edinburgh.



**Aidan Skelly**

**Aidan Skelly** was appointed Executive Director of Finance and Legal in July 2015. Aidan previously held the position of Chief Financial Officer since June 2005.

He was formerly 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.





**Rodney Doyle**

**Rodney Doyle** was appointed Executive Director of Market Operations and General Manager, Single Electricity Market Operator (SEMO) in July 2015 having previously held the position of Director of Information Services since February 2013. Rodney also held a number of other positions in EirGrid including European Market Integration Manager; Manager of the East West Interconnector business readiness project, and Ancillary Services Manager. 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 cooperation groups. Rodney has a BA (Economics), MA (Economics) and an MBA from UCD.

# Our Executive Team



**Rosemary Steen**

**Rosemary Steen** is Executive Director of External Affairs. Rosemary joined EirGrid in 2014 and has extensive Corporate Affairs, Government Relations and Corporate Social Responsibility experience from the Telecommunications, Utilities and Business Industry Body sectors.

She has previously held senior positions in Vodafone, Shell and IBEC. Rosemary has a BA in Economics and Philosophy from Trinity College Dublin, an MBS in Logistics and Manufacturing from University College Dublin and a Postgraduate Diploma in Legal Studies from Dublin Institute of Technology.



**John Fitzgerald**

**John Fitzgerald** was appointed as the Executive Director of Grid Development in February 2013. He had previously held the position of Project Director for the East West Interconnector since 2007. Prior to joining EirGrid, John was involved in business development with ESB International where he held a number of management positions. John has been involved in the successful development of major energy infrastructure projects and corporate initiatives in the electricity and gas sectors across Ireland, UK and Europe. A graduate of University College Dublin, he is a Bachelor of Electronic Engineering and holds an MBA from the UCD School of Business.



**Siobhán Toale**

**Siobhán Toale** was appointed Director of Human Resources and Corporate Services in July 2015 having previously held the position of Director of Human Resources since joining EirGrid in 2013. Siobhán has extensive IT, Operations, Human Resources, Leadership Development and Change Management experience from the Telecommunications and Banking Industries. She has previously held senior leadership positions in eircom, Telefonica O2 Ireland and Bank of Ireland Group. Siobhán has a BSc(Comp) from Trinity College Dublin and an MSc in Organisational Behaviour from Birkbeck College, University of London. She is a Chartered Fellow of the Institute of Personnel Development.





# Financial Statements

Directors' Report	<b>52</b>
Independent Auditors' Report to the Members of Eirgrid Plc	<b>62</b>
Consolidated Income Statement	<b>64</b>
Consolidated Statement of Comprehensive Income	<b>65</b>
Company Statement of Comprehensive Income	<b>65</b>
Consolidated Balance Sheet	<b>66</b>
Company Balance Sheet	<b>67</b>
Consolidated Statement of Changes in Equity	<b>68</b>
Company Statement of Changes in Equity	<b>69</b>
Consolidated Cash Flow Statement	<b>70</b>
Company Cash Flow Statement	<b>71</b>
Notes to the Financial Statements	<b>72</b>

# Directors' Report

**The Directors present their annual report and the audited Financial Statements of the Group for the financial year ended 30 September 2015.**

## 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 and Northern Ireland's economies. 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.

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 64 and the related notes 1 to 30.

The current period being reported on is the year ended 30 September 2015. The comparative figures are for the year ended 30 September 2014. 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 on current year reported profit.

In line with normal regulatory procedures the regulators, Commission for Energy Regulation (CER) in Ireland and Utility Regulator Northern Ireland (URegNI) in Northern Ireland, are currently in the process of determining TSO price controls for the five year period commencing 1 October 2015.

Commentaries on performance during the year ended 30 September 2015, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Review.

## Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. During the year the Group was compliant with the 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 2014 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.

### 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 2015**

The Board has an effective committee structure to assist in the discharge of its responsibilities, consisting of a number of committees. The five standing committees are: the Audit Committee, the Remuneration Committee, the Grid Infrastructure Projects Committee, the Pensions Committee and the Public Affairs Committee. During the year the Board reviewed and updated the membership of its committees.

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 and 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 Projects Committee's function is to oversee the implementation of grid development strategy and review infrastructure projects which are expected to come forward for 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.

The Public Affairs Committee's function is oversight of public affairs and stakeholder engagements across the Group.

## Attendance at Meetings

### Board Meetings

There were 11 Board meetings held during the year ended 30 September 2015. The Board Members' attendances at these meetings were as set out below:

	<b>Eligible to Attend</b>	<b>Attended</b>
John O'Connor (Chairperson)	11	11
Doireann Barry	11	10
Gary Healy	11	10
Regina Moran (resigned 1 July 2015)	9	7
Liam O'Halloran	11	11
Bride Rosney	11	10
Fintan Slye	11	11
Joan Smyth	11	10
Richard Sterling	11	11
Michael Hand (appointed 22 July 2015)	1	1
Gerry Walsh (appointed 22 July 2015)	1	1

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

### Audit Committee

There were 5 Audit Committee meetings held during the year ended 30 September 2015. The Committee Members' attendance at these meetings were as set out below:

	<b>Eligible to Attend</b>	<b>Attended</b>
Richard Sterling (Chairperson)	5	5
Doireann Barry	5	4
Gary Healy	5	5
Joan Smyth (resigned 21 October 2015)	5	5

Members of the Audit Committee at the date of signing of the financial statements were Richard Sterling (Chairperson), Doireann Barry, Gary Healy, and Gerry Walsh (appointed 21 October 2015).

### Remuneration Committee

There were 6 Remuneration Committee meetings held during the year ended 30 September 2015. The Committee Members' attendance at these meetings were as set out below:

	<b>Eligible to Attend</b>	<b>Attended</b>
Joan Smyth (Chairperson)	6	6
Liam O'Halloran	6	6
John O'Connor	6	6

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

### Grid Infrastructure Projects Committee

There were 5 Grid Infrastructure Projects Committee meetings held during the year ended 30 September 2015. The Committee Members' attendance at these meetings were as set out below:

	<b>Eligible to Attend</b>	<b>Attended</b>
John O'Connor (Chairperson)	5	5
Liam O'Halloran (resigned 21 October 2015)	5	5
Bride Rosney	5	5
Richard Sterling	5	5

Members of the Grid Infrastructure Projects Committee at the date of signing of the financial statements were John O'Connor (Chairperson), Michael Hand (appointed 21 October 2015), Bride Rosney and Richard Sterling.

### Pensions Committee

There were 3 Pensions Committee meetings held during the year ended 30 September 2015. The Committee Members' attendance at these meetings were as set out below:

	<b>Eligible to Attend</b>	<b>Attended</b>
Regina Moran (Chairperson) (resigned 1 July 2015)	3	3
Doireann Barry	3	3
Gary Healy (Chairperson) (appointed Chairperson 15 July 2015)	3	3
Fintan Slye	3	3

Members of the Pensions Committee at the date of signing of the financial statements were Gary Healy (Chairperson), Doireann Barry, Michael Hand (appointed 21 October 2015), Fintan Slye and Joan Smyth (appointed 21 October 2015).

### Public Affairs Committee

There were 4 Public Affairs Committee meetings held during the year ended 30 September 2015. The Committee Members' attendance at these meetings were as set out below:

	<b>Eligible to Attend</b>	<b>Attended</b>
Bride Rosney (Chairperson)	4	4
Liam O'Halloran	4	3
Joan Smyth	4	4

Members of the Public Affairs Committee at the date of signing of the financial statements were Bride Rosney (Chairperson), Liam O'Halloran, Joan Smyth and Gerry Walsh (appointed 21 October 2015).



## 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. During the year the Directors have carried out a robust assessment of the principal risks facing the Group. 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

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.

As a regulated business, operating in Ireland and Northern Ireland, the Transmission System Operator activities do not involve any significant pricing risks. The Group derives approximately 23% 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.

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.

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 our 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.

### System and Market Operations

The Group is responsible for the secure operation of the transmission systems in Ireland and Northern Ireland 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 insurance program placed in conjunction with expert insurance advisors;
- 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;
- Transmission System Security and Planning Standards, supported by a Transmission Interface Arrangement with NIE as the Transmission Asset Owner in Northern Ireland;
- Support of the pre-construction phase of the development of the network in Ireland and Northern Ireland by a fully functioning Program Management Office, which has effective and appropriate policies, processes and controls; and
- Continuous management focus on all aspects of health and safety. A Safety Management System (certified to OHSAS 18001) has been approved and implemented.

### **Pensions**

EirGrid operates two defined benefit schemes for qualifying employees. Risks to the cost of providing such schemes include changes in interest rates, level of return on pension assets, changes in life expectancies and changes in price and salary inflation. The current IAS19 deficit included in the financial statements at 30 September 2015 is €27.2m (2014: €18.5m). EirGrid has independent pension advisors in place and there is a dedicated Committee of the Board focused exclusively on the Pension commitments across the Group.

### **Network Development**

EirGrid has the responsibility to put in place the grid infrastructure required to support the development of Ireland's and Northern Ireland's economies. EirGrid's principal activities in this regard are the planning for, and delivery of, new connections to generators and customers utilising, or seeking to utilise, the high voltage electricity system and transmission network reinforcement projects across Ireland and Northern Ireland. There is a risk of delay and consequential increase in cost associated with complex network projects of this nature. To manage this, EirGrid publishes guidance on network development and has a robust project assessment framework in place. It also continually assesses its processes and procedures to ensure that they are in line with best practice and appropriate for the business and meets the needs of the public and those communities we engage with.

### **Regulated Environment**

EirGrid operates in a regulated environment (with the exception of its relatively small Telecoms business). Regulatory policy changes could materially affect how we operate and our financial performance. We have a dedicated Regulatory team in place and seek to engage constructively and pro-actively at all times with the Regulatory Authorities.

### **East-West Interconnector**

The Group is responsible for the asset management and operation of the East-West Interconnector (EWIC) which links the electricity grids in Ireland and Great Britain. There is a risk of physical damage to the EWIC resulting in possible prolonged outage of the EWIC together with significant reinstatement costs; however there are comprehensive operational procedures and maintenance arrangements for the East-West Interconnector in place, including appropriate insurance arrangements.

## Internal Controls

An internal control system encompasses the policies, processes, tasks, behaviours and other aspects of a 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 €112,000 (2014: €108,000) 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. In 2009 the Department of Communications, Energy and Natural Resources issued an instruction that Chairperson and Directors' fees be reduced. 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 (2014: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2014: €12,600 each per annum).

The only executive Board Member during the year was the Chief Executive, Fintan Slye. 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 2015 were €2,125 (2014: €2,125) and €6,375 (2014: €6,375) respectively. The total accrued pension at the end of the year was €16,170 (2014: €14,045) and the total accrued gratuity was €53,660 (2014: €47,285). The transfer value of the relevant increase was €28,541 (2014: €27,141).

Chief Executive's Remuneration:

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Basic salary	170	170
Annual Bonus	-	-
Taxable benefits	18	18
Pension contributions paid	29	26
Director's fees	-	-
<b>Total</b>	<b>217</b>	<b>214</b>

## Dividends

In evaluating the annual dividend that the Group may propose the Board considers 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 the 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.
- **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 propose the payment of a final dividend of €3,500,000 (2014: €3,000,000) for the year ended 30 September 2015.

## Directors' and Secretary's Interest in Shares

The Directors and Secretary who held office between 1 October 2014 and 30 September 2015 had no beneficial interest in the shares of the Group.

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.

## 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 secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the employment of appropriately qualified accounting personnel and the use of suitable accounting systems and procedures. The accounting records 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, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

### Disclosure of Information to Auditors

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Parent Company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

On behalf of the Board:



**John O'Connor** Chairperson



**Richard Sterling** Chairperson Audit Committee



**Fintan Slye** Chief Executive

16 December 2015

# Independent Auditors' Report to the Members of EirGrid Plc

We have audited the financial statements of EirGrid Plc for the financial year ended 30 September 2015 which comprise the Group Financial Statements: the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the Parent Company Financial Statements: the Company Statement of Comprehensive Income, the Company Balance Sheet, the Company Statement of Changes in Equity and the Company Cash Flow Statement and the related notes 1 to 30. The relevant financial reporting framework that has been applied in the preparation of the Group and the parent company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 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 for the Financial Year ended 30 September 2015 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on Financial Statements

In our opinion:

- the Group and parent company financial statements give a true and fair view of the assets, liabilities and financial position of the Group and parent company as at 30 September 2015 and of the profit of the Group for the year then ended; and
- the Group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.



**Matters on which we are required to report by the Companies Act 2014**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

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

We have nothing to report in respect of the following:

- Under the provisions of the Companies Act 2014 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

Chartered Accountants and Statutory Audit Firm  
Dublin

16 December 2015

# Consolidated Income Statement

For the Financial Year to 30 September 2015

		<b>Non-EWIC Business Year to 30 Sep 2015 Notes €'000</b>	<b>EWIC* Business Year to 30 Sep 2015 €'000</b>	<b>Total Year to 30 Sep 2015 €'000</b>	<b>Non-EWIC Business Year to 30 Sep 2014 €'000</b>	<b>EWIC* Business Year to 30 Sep 2014 €'000</b>	<b>Total Year to 30 Sep 2014 €'000</b>
Revenue	3	635,422	70,755	706,177	589,310	79,053	668,363
Direct costs	3	(535,048)	-	(535,048)	(501,188)	-	(501,188)
Gross profit		100,374	70,755	171,129	88,122	79,053	167,175
Other operating costs	5	(91,434)	(19,734)	(111,168)	(80,805)	(22,143)	(102,948)
Operating profit		8,940	51,021	59,961	7,317	56,910	64,227
Interest and other income	6	289	11	300	291	14	305
Finance costs	6	(743)	(18,805)	(19,548)	(1,459)	(18,866)	(20,325)
Profit before taxation	8	8,486	32,227	40,713	6,149	38,058	44,207
Income tax (expense)	9			(6,931)			(5,650)
<b>Profit for the year</b>				<b>33,782</b>			<b>38,557</b>

## \* EWIC Business

The Group owns and operates the East-West Interconnector linking the electricity grids in Ireland and Great Britain. 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 Financial Year to 30 September 2015

	Notes	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Movement in unrealised loss on cash flow hedges	27	(3,128)	(33,976)
Deferred tax attributable to movement in unrealised gain on cash flow hedges	9	381	4,220
Currency translation differences		(350)	(45)
<b>Total of items that may be reclassified subsequently to profit or loss</b>		<b>(3,097)</b>	<b>(29,801)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of net defined benefit liability	23	(8,007)	(6,248)
Deferred tax attributable to actuarial gain	9	980	763
<b>Total of items that will not be reclassified to profit or loss</b>		<b>(7,027)</b>	<b>(5,485)</b>
Profit for the year		33,782	38,557
<b>Total comprehensive income for the year</b>		<b>23,658</b>	<b>3,271</b>

# Company Statement of Comprehensive Income

For the Financial Year to 30 September 2015

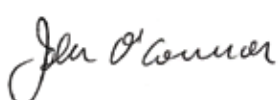
	Notes	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Movement in unrealised loss on cash flow hedges	27	(3,399)	(24,857)
Deferred tax attributable to movement in unrealised gain on cash flow hedges	9	425	3,107
<b>Total of items that may be reclassified subsequently to profit or loss</b>		<b>(2,974)</b>	<b>(21,750)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of net defined benefit liability	23	(8,281)	(6,488)
Deferred tax attributable to actuarial gain	9	1,035	811
<b>Total of items that will not be reclassified to profit or loss</b>		<b>(7,246)</b>	<b>(5,677)</b>
Profit for the year		41,685	55,970
<b>Total comprehensive income for the year</b>		<b>31,465</b>	<b>28,543</b>

# Consolidated Balance Sheet

As at 30 September 2015

ASSETS	Notes	30 Sep 2015 € '000	30 Sep 2014 € '000
<b>Non-current assets</b>			
Intangible assets	12	10,165	17,079
Property, plant & equipment	14	590,875	598,214
Deferred tax asset	9	16,991	15,276
Trade and other receivables	15	60,460	54,191
<b>Total non-current assets</b>		<b>678,491</b>	<b>684,760</b>
<b>Current assets</b>			
Trade and other receivables	15	92,652	82,344
Current tax receivable		1,895	418
Cash and cash equivalents	19	270,377	177,131
<b>Total current assets</b>		<b>364,924</b>	<b>259,893</b>
<b>Total assets</b>		<b>1,043,415</b>	<b>944,653</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(87,095)	(84,344)
Translation reserve		376	108
Retained earnings		216,837	193,696
<b>Total equity</b>		<b>179,338</b>	<b>158,680</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	26	99,537	96,409
Deferred tax liability	9	16,609	11,182
Deferred income	17	102,296	105,368
Borrowings	25	353,437	366,984
Retirement benefit obligations	23	27,152	18,468
<b>Total non-current liabilities</b>		<b>599,031</b>	<b>598,411</b>
<b>Current liabilities</b>			
Borrowings	25	13,759	17,233
Deferred income	17	3,072	3,072
Trade and other payables	16	248,215	167,257
<b>Total current liabilities</b>		<b>265,046</b>	<b>187,562</b>
<b>Total liabilities</b>		<b>864,077</b>	<b>785,973</b>
<b>Total equity and liabilities</b>		<b>1,043,415</b>	<b>944,653</b>

On behalf of the Board:



**John O'Connor** Chairperson



**Richard Sterling** Chairperson Audit Committee



**Fintan Slye** Chief Executive

16 December 2015

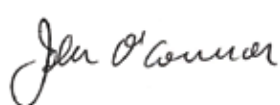


# Company Balance Sheet

As at 30 September 2015

ASSETS	Notes	30 Sep 2015 € '000	30 Sep 2014 € '000
<b>Non-current assets</b>			
Investment in subsidiaries	13	155,711	155,711
Property, plant & equipment	14	47,048	43,858
Deferred tax asset	9	12,716	11,237
Trade and other receivables	15	235,745	227,078
Total non-current assets		451,220	437,884
<b>Current assets</b>			
Trade and other receivables	15	88,587	95,809
Current tax asset		2,609	689
Cash and cash equivalents	19	224,642	131,240
Total current assets		315,838	227,738
<b>Total assets</b>		<b>767,058</b>	665,622
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(61,634)	(58,660)
Retained earnings		209,942	178,503
Total equity		197,528	169,063
<b>Non-current liabilities</b>			
Derivative financial instruments	26	70,439	67,040
Borrowings	25	238,591	246,637
Retirement benefit obligations	23	25,777	16,069
Total non-current liabilities		334,807	329,746
<b>Current liabilities</b>			
Borrowings	25	8,045	7,726
Trade and other payables	16	226,678	159,087
Total current liabilities		234,723	166,813
Total liabilities		569,530	496,559
<b>Total equity and liabilities</b>		<b>767,058</b>	665,622

On behalf of the Board:



**John O'Connor** Chairperson



**Richard Sterling** Chairperson Audit Committee



**Fintan Slye** Chief Executive

16 December 2015

# Consolidated Statement of Changes in Equity

For the Financial Year to 30 September 2015

	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 2013	38	49,182	(54,588)	153	160,624	155,409
Total comprehensive income/ (expense) for the year	-	-	(29,756)	(45)	33,072	3,271
Balance as at 30 September 2014	38	49,182	(84,344)	108	193,696	158,680
Total comprehensive income/ (expense) for the year	-	-	(2,751)	268	26,141	23,658
Dividends	-	-	-	-	(3,000)	(3,000)
<b>Balance as at 30 September 2015</b>	<b>38</b>	<b>49,182</b>	<b>(87,095)</b>	<b>376</b>	<b>216,837</b>	<b>179,338</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 Financial Year to 30 September 2015

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2013	38	49,182	(36,910)	128,210	140,520
Total comprehensive income/ (expense) for the year	-	-	(21,750)	50,293	28,543
Balance as at 30 September 2014	38	49,182	(58,660)	178,503	169,063
Total comprehensive income/ (expense) for the year	-	-	(2,974)	34,439	31,465
Dividends	-	-	-	(3,000)	(3,000)
<b>Balance as at 30 September 2015</b>	<b>38</b>	<b>49,182</b>	<b>(61,634)</b>	<b>209,942</b>	<b>197,528</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 Financial Year to 30 September 2015

	Notes	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
<b>Cash flows from operating activities</b>			
Profit after taxation		33,782	38,557
Depreciation of property, plant and equipment	14	30,819	30,104
Amortisation of grant	17	(3,072)	(3,072)
Impairment of goodwill and intangible assets	12	7,925	678
Interest and other income		(300)	(305)
Finance costs		19,548	20,325
Retirement benefit cost		6,080	6,107
Unrealised foreign exchange gain		(3,003)	(1,738)
Income tax expense		6,931	5,650
Pension contributions paid		(6,753)	(5,119)
		91,957	91,187
<b>Movements in working capital</b>			
Increase in trade and other receivables		(13,462)	(2,628)
Increase/(decrease) in trade and other payables		80,806	(24,806)
		159,301	63,753
<b>Cash generated from operations</b>			
Income taxes paid		(3,537)	(896)
Interest received		300	305
		156,064	63,162
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(22,867)	(16,836)
		(22,867)	(16,836)
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Dividends Paid		(3,000)	(4,000)
Proceeds from borrowings		-	10,746
Borrowings repaid		(17,437)	(29,211)
Finance costs paid		(19,548)	(20,324)
		(39,985)	(42,789)
<b>Net cash used in financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
		93,212	3,537
<b>Cash and cash equivalents at start of year</b>			
Effect of foreign exchange on cash and cash equivalents		177,131	172,254
		34	1,340
<b>Cash and cash equivalents at end of year</b>			
	19	<b>270,377</b>	177,131



# Company Cash Flow Statement

For the Financial Year to 30 September 2015

	Notes	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
<b>Cash flows from operating activities</b>			
Profit after taxation		41,685	55,970
Depreciation of property, plant and equipment	14	11,292	11,350
Interest and other income		(1,051)	(1,120)
Finance costs		4,065	4,297
Retirement benefit cost		5,859	3,886
Unrealised foreign exchange gain		(3,095)	(2,040)
Income tax (credit)/expense		(32)	1,935
Pension contributions paid		(4,432)	(4,144)
		54,291	70,134
<b>Movements in working capital</b>			
Decrease/(increase) in trade and other receivables		1,621	(10,349)
Increase/(decrease) in trade and other payables		67,580	(19,070)
		123,492	40,715
<b>Cash generated from operations</b>			
Income taxes paid		(1,907)	(534)
Interest received		1,080	1,109
		122,665	41,290
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(14,482)	(10,284)
		(14,482)	(10,284)
<b>Cash flows from financing activities</b>			
Dividends Paid		(3,000)	(4,000)
Proceeds from borrowings		-	8,000
Borrowings repaid		(7,726)	(15,809)
Finance costs paid		(4,055)	(4,465)
		(14,781)	(16,274)
<b>Net increase in cash and cash equivalents</b>			
		93,402	14,732
<b>Cash and cash equivalents at start of year</b>			
		131,240	116,508
<b>Cash and cash equivalents at end of year</b>			
	19	224,642	131,240

# 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 (a subsidiary of EirGrid plc) is licensed by the Utility Regulator Northern Ireland (URegNI) as the TSO in Northern Ireland and also holds an MO licence for the island of Ireland. EirGrid Interconnector Ltd (a subsidiary of EirGrid plc) is licensed by the Commission for Energy Regulation (CER) 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 financial periods ending 30 September 2015 and in accordance with the Irish Companies Act 2014. 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 Financial Statements.

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 financial year to 30 September 2015. The comparative figures are for the financial year ended 30 September 2014.

### Adoption of New Standards

In the current financial year, the following new and revised standards and interpretations have been adopted and have affected the amounts reported in these financial statements (for annual financial periods beginning on or after):

- IAS 19 – Employee Benefits (2011) (Amendments) - (Effective 1 July 2014)
- IAS 32 – Offsetting financial assets and financial liabilities (Amendments) - (Effective 1 January 2014)
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments) - (Effective 1 January 2014)
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Amendments) - (Effective 1 January 2014)

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 9 – Financial Instruments - (Effective 1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers - (Effective 1 January 2017)

## 2. Statement of Accounting Policies (continued)

- IFRS 11 – Accounting for acquisitions of interests in joint operations (Amendments) - (Effective 1 January 2016)
- IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture (Amendments) - (Effective 1 January 2016)
- Improvements to IFRSs (2012 – 2014) - (Effective 1 January 2016)
- IAS 1 – Disclosure initiative (Amendments) - (Effective 1 January 2016)

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

### Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cashflows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which

## 2. Statement of Accounting Policies (continued)

the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

### Joint Ventures

The Financial Statements incorporate the results of the Company, together with its share of the results and assets and liabilities of the joint operation in which it participates, using the proportionate consolidation method as permitted under IFRS 11. As the joint operation is a joint arrangement whereby the parties have control of the arrangement (joint operation), have rights to the assets, and obligations for the liabilities relating to the arrangement, the directors recognise their assets, liabilities, revenues and expenses in relation to its interest in a joint operation.

The Company's joint venture in place is deemed to be a joint operation and thus is accounted for in line with the prior year using proportionate consolidation, as per IAS 31. In line with this standard the Company's share of results and net assets of the joint operation, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreement stipulating joint control is finalised, and derecognised when joint control ceases. The Company combines its share of the joint arrangement, individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's Financial Statements.

The Group continue to review in detail any subsequent amendments or addendums to its joint arrangement and fully understand the rights and obligations therein, and how they are shared among the parties.

### 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 Group 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 Group's previously held equity interest in the acquiree is re-measured to fair value at the date the Group first acquires control 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.



## 2. Statement of Accounting Policies (continued)

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 the same time each year. 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.

Revenue also includes Countertrading receipts in relation to trading across the East-West and Moyle Interconnectors. Countertrading facilitates the dispatch of renewable generation in line with EU regulations and reduces the cost of managing transmission constraints.

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.

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.

## 2. Statement of Accounting Policies (continued)

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.

### 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.

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.

## 2. Statement of Accounting Policies (continued)

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.

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 to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity as appropriate.

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;
- Spare transformer and spare parts: 30 years; and
- Marine Survey: 3 years.

## 2. Statement of Accounting Policies (continued)

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 and 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.

### 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. 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 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. 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.



## 2. Statement of Accounting Policies (continued)

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.

### 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. 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 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 recognised in other comprehensive income and accumulated 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 accumulated 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.

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. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

## 2. Statement of Accounting Policies (continued)

### • Retirement benefits obligations

The Group operates two defined benefit pension plans. The actuarial valuations 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 2015 is €156.9m (2014: €136.2m) and the fair value of plan assets is €129.7m (2014: €117.7m). This gives a net pension deficit of €27.2m (2014: €18.5m).

### • 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 deferred tax asset at 30 September 2015 was €17.0m (2014: deferred tax asset of €15.3m). The deferred tax liability at 30 September 2015 was €16.6m (2014: deferred tax liability of €11.2m).

### • 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 2020 and are sensitive to the finalisation of price control determinations with regulatory authorities. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. Intangible assets at 30 September 2015 were €10.2m (2014: €17.1m).

### 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 Utility Regulator Northern Ireland (URegNI) 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 2015 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		355,538	198,254	115,413	70,755	(33,783)	706,177
Direct costs		(297,763)	(186,619)	(84,449)	-	33,783	(535,048)
Gross profit		57,775	11,635	30,964	70,755	-	171,129
Other operating costs		(52,222)	(13,326)	(25,886)	(19,734)	-	(111,168)
Operating profit/(loss)		5,553	(1,691)	5,078	51,021	-	59,961
Interest and other income							300
Finance costs							(19,548)
Profit before taxation							40,713
Income tax expense							(6,931)
<b>Profit for the year</b>							<b>33,782</b>
<b>Balance Sheet items</b>							
Segment assets		326,126	136,857	30,642	539,625	-	1,033,250
Goodwill and intangible assets	12						10,165
Total assets as reported in the Consolidated Balance Sheet							1,043,415
Segment liabilities		465,195	111,302	21,188	266,392	-	864,077
Total liabilities as reported in the Consolidated Balance Sheet							864,077



### 3. Segment Information (continued)

The comparative segment results for the year ended 30 September 2014 are as follows:

Income Statement items	Notes	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Elimin- ations € '000	Total € '000
Segment revenue		340,161	169,368	107,909	79,053	(28,128)	668,363
Direct costs		(286,770)	(149,718)	(92,828)	-	28,128	(501,188)
Gross profit		53,391	19,650	15,081	79,053	-	167,175
Other operating costs		(48,788)	(15,194)	(16,823)	(22,143)	-	(102,948)
Operating profit		4,603	4,456	(1,742)	56,910	-	64,227
Interest and other income							305
Finance costs							(20,325)
Profit before taxation							44,207
Income tax expense							(5,650)
<b>Profit for the year</b>							<b>38,557</b>
<b>Balance Sheet items</b>							
Segment assets		263,140	74,486	26,324	563,624	-	927,574
Goodwill and intangible assets	12						17,079
Total assets as reported in the Consolidated Balance Sheet							<u>944,653</u>
Segment liabilities		448,635	46,418	22,618	268,302	-	785,973
Total liabilities as reported in the Consolidated Balance Sheet							<u>785,973</u>

#### Geographical information

	Revenue		Non-current assets	
	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Ireland	541,201	518,112	572,089	580,587
UK	164,976	150,251	28,951	34,706
Total	706,177	668,363	601,040	615,293

#### Information about Major Customers

Included in EirGrid TSO segment revenues of €355.5m for the year to 30 September 2015 (2014: €340.2m) are revenues of approximately €168.4m (2014: €165.8m), €63.3m (2014: €69.8m), €46.9m (2014: €44.3m) and €33.0m (2014: €36.1m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €198.3m for the year to 30 September 2015 (2014: €169.4m) are revenues of approximately €74.4m (2014: €62.7m), €45.6m (2014: €39.3m), €43.4m (2014: €37.3m) and €15.5m (2014: €14.3m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €115.4m for the year to 30 September 2015 (2014: €107.9m) are revenues of approximately €35.0m (2014: €31.0m), €22.7m (2014: €26.9m) and €10.4m (2014: €11.8m) 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 2015 was 407 (2014: 400), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2015 was 73 (2014: 60). The staff costs associated with these employees have been capitalised and totalled €8.8m for the year to 30 September 2015 (2014: €6.1m).

Average number of persons employed on a monthly basis by business activity:

	<b>Year to 30 Sep 2015 Number</b>	Year to 30 Sep 2014 Number
EirGrid TSO	251	234
SONI TSO	97	97
SEMO	53	62
EWIC	6	7
Capital projects	73	60
<b>Total</b>	<b>480</b>	<b>460</b>

Total remuneration including the Executive Director's salary, comprised:

	<b>Group</b>		<b>Company</b>	
	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Wages and salaries	36,727	35,956	27,626	27,171
Social welfare costs	3,819	3,591	2,785	2,651
Other retirement benefit costs	7,836	7,276	5,859	4,472
Other compensation costs – restructuring costs	863	-	863	-
<b>Total remuneration paid to employees</b>	<b>49,245</b>	<b>46,823</b>	<b>37,133</b>	<b>34,294</b>
Employee costs charged to Income Statement	40,413	40,743	30,296	29,092
Employee costs capitalised	8,832	6,080	6,837	5,202
<b>Total remuneration paid to employees</b>	<b>49,245</b>	<b>46,823</b>	<b>37,133</b>	<b>34,294</b>

## 5. Other Operating Costs

	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
Employee costs (note 4)	40,413	40,743
Depreciation of non-current assets (note 14)	30,819	30,104
Amortisation of grant (note 17)	(3,072)	(3,072)
Operations and maintenance	35,083	34,495
Impairment of intangible assets (note 12)	7,925	678
<b>Total</b>	<b>111,168</b>	<b>102,948</b>

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

	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
<b>Interest income:</b>		
Interest income on deposits	300	305
<b>Finance costs:</b>		
Bank loans and overdrafts made to the company	19,115	20,046
Net pension scheme interest (note 23)	433	279
<b>Total finance costs</b>	<b>19,548</b>	<b>20,325</b>

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 and 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, the impact of EWIC on the Income Statement has been presented in separate columns on the face of the Income Statement.

Revenue for the EWIC for the period comprised the full year regulated tariff of €38.1m (2014: €33.9m).

The remainder of revenue in respect of the EWIC relates to auction receipts totalling €22.8m (2014: €35.7m) and also income from provision of other system services. Auction receipts are a 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 returned in future periods. The 2015 tariff rate anticipated auction receipts being €3.7m (2014: €8.0m).

Full year Profit Before Tax for EWIC operations was €32.2m (2014: €38.1m). 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.

Notes 26 and 27 include 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.

## 8. Profit Before Taxation

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

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Depreciation (note 14)	30,819	30,104
Amortisation of grant (note 17)	(3,072)	(3,072)
Operating lease rentals	3,050	2,062
Foreign exchange (gain)/loss	(3,003)	(1,738)

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

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
- for services as a Director:		
- current Directors	99	108
- past Directors	13	-
- for executive manager services	188	188
- pension contributions paid (defined benefit) for executive manager	29	26
<b>Total</b>	<b>329</b>	<b>322</b>

There is only one Director (the Chief Executive) in a pension scheme. This is a defined benefit scheme.

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

<b>Group</b>	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
- audit of group companies	135	131
- other assurance services	3	3
- tax advisory services	95	183
- other non-audit services	38	19

<b>Company</b>	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
- audit of individual company accounts	62	64
- other assurance services	3	3
- tax advisory services	43	43
- other non-audit services	-	19



## 9. Income Taxes

Charge to Income Statement:

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Current tax expense	2,010	1,799
Deferred tax relating to the origination and reversal of temporary differences	4,924	3,891
Effect of changes in tax rates and laws	(3)	(40)
<b>Income tax expense for the year</b>	<b>6,931</b>	<b>5,650</b>

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

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Profit before tax	40,713	44,207
Taxation at standard rate of 12.5% (2014: 12.5%)	5,089	5,526
Effect of higher rates of tax on other income	146	883
Effect of income and expenses excluded in determining taxable profit	1,030	(100)
Effect of R&D tax credit	(302)	(437)
Effect on deferred tax balances due to the change in the UK income tax rate	(3)	(40)
Effect of higher rates of tax on (losses)/gains in UK subsidiaries	898	(101)
Over provision in prior years	(544)	(139)
Other differences	617	58
<b>Income tax recognised in Income Statement</b>	<b>6,931</b>	<b>5,650</b>

Corporation tax in respect of the Group's UK based operations is calculated at 20.5% (2014: 22%) of the estimated assessable profit for the year. The standard rate of UK corporation tax changed from 21% to 20% with effect from 1 April 2015.

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 2014 included a reduction in the rate of corporate income tax from 21% to 20%. This change was substantively enacted on 17 July 2014. The rate reduction applied 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.

## 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	Total € '000
Deferred tax (liability)/asset as at 1 October 2013	(3,281)	(4,366)	1,380	7,837	1,669	3,239
Credit/(charge) to the Income Statement for the year	136	(3,401)	316	-	(942)	(3,891)
(Charge)/credit to the Statement of Comprehensive Income	-	-	763	4,220	-	4,983
Exchange differences	(270)	-	31	2	-	(237)
Deferred tax (liability)/asset as at 30 September 2014	(3,415)	(7,767)	2,490	12,059	727	4,094
Credit/(charge) to the Income Statement for the year	-	(5,252)	3	-	325	(4,924)
Charge to the Statement of Comprehensive Income	-	-	980	381	-	1,361
Exchange differences	(202)	27	25	1	-	(149)
Deferred tax (liability)/asset as at 30 September 2015	(3,617)	(12,992)	3,498	12,441	1,052	382
Deferred tax asset	-	-	3,498	12,441	1,052	16,991
Deferred tax liability	(3,617)	(12,992)	-	-	-	(16,609)
Total	(3,617)	(12,992)	3,498	12,441	1,052	382

## 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 2013	1,426	1,157	5,273	7,856
(Charge)/credit to the Income Statement for the year	(578)	41	-	(537)
Charge to the Statement of Comprehensive Income	-	811	3,107	3,918
Deferred tax asset as at 30 September 2014	848	2,009	8,380	11,237
(Charge)/credit to the Income Statement for the year	(159)	178	-	19
Charge to the Statement of Comprehensive Income	-	1,035	425	1,460
Deferred tax asset as at 30 September 2015	689	3,222	8,805	12,716

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

	Group		Company	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Ireland	(55)	3,504	12,716	11,237
UK	437	590	-	-
Net deferred tax asset	382	4,094	12,716	11,237

## 10. Company Income Statement

As permitted by section 304(2) of the Companies Act 2014, the Parent Company is availing of the exemption from presenting its separate Income Statement and from filing it with the Companies Registration Office. The consolidated profit for the year to 30 September 2015 includes a profit attributable after tax to the Company of €41,685,000 (2014: €55,970,000).

## 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:

Dividends to Shareholders	30 Sep 2015 € '000	30 Sep 2014 € '000
<b>Equity</b>		
Final 2014 dividend - €100.00 per Ordinary Share	3,000	-
Total	3,000	-

## 12. Intangible Assets

Group	Goodwill € '000	Licence agreements € '000	Total € '000
<b>Cost</b>			
Balance as at 1 October 2013	4,608	18,796	23,404
Exchange differences	363	1,544	1,907
Balance as at 30 September 2014	4,971	20,340	25,311
Exchange differences	281	1,194	1,475
Balance as at 30 September 2015	5,252	21,534	26,786
<b>Accumulated Impairment Losses</b>			
Balance as at 1 October 2013	4,608	2,395	7,003
Impairment charge	-	678	678
Exchange differences	363	188	551
Balance as at 30 September 2014	4,971	3,261	8,232
Impairment charge	-	7,925	7,925
Exchange differences	281	183	464
Balance as at 30 September 2015	5,252	11,369	16,621
<b>Carrying amount as at 30 September 2015</b>	-	<b>10,165</b>	<b>10,165</b>
Carrying amount as at 30 September 2014	-	17,079	17,079

At the Balance Sheet date, the value of 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 2015 € '000	30 Sep 2014 € '000
SONI TSO	7,596	14,647
SEMO	2,569	2,432
Total	10,165	17,079

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 2020. 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:

- SEMO profitability levels have been based on the regulatory price controls agreed in 2013 and covers the period from 2013-2016. SONI profitability levels have been based on the SONI draft determination paper, released in April 2015 covering the 2015-2020 price control period. Estimated regulatory recoveries have been used to forecast profitability levels in the period beyond the current price controls;
- Discount rates of 4.51% and 5.42% (2014: 4.83% and 4.79%) have been assumed for the SEMO and SONI TSO CGUs respectively, based on the SEMO regulatory price control agreed in 2013 and the SONI draft determination paper, released in April 2015 covering the 2015-2020 price control period;
- Growth rates of 2.0% (2014: 2.0%) have been assumed into perpetuity for SEMO and SONI TSO regulatory asset bases (RAB). A nil% growth rate (2014: nil%) has been assumed into perpetuity for the SEMO and SONI TSO regulatory incentives. These assumptions reflect management's expectation for long-term growth.

## 12. Intangible Assets (continued)

At 30 September 2015, before impairment testing, goodwill of €nil and licence agreements of €15.5m 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 license agreements of €7.9m (2014: €nil). This impairment loss is recognised within operating costs in the Consolidated Income Statement.

At 30 September 2015, before impairment testing, goodwill of €nil and licence agreements of €2.6m 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 (2014: €0.7m).

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows (which are subject to final Price Control outcomes), the assumed gearing ratio achievable, 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 €1.0m (2014: €0.9m) and an additional impairment to the value of the goodwill and licence in the SONI TSO CGU of €nil (2014: €nil) and €2.8m (2014: €nil) 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 €1.1m (2014: €1.0m) and an additional impairment to the value of the goodwill and licence in the SONI CGU of €nil (2014: €nil) and €4.0m (2014: €2.2m) respectively.

## 13. Investment in Subsidiaries

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 ownership 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.

Investment in Subsidiaries Company	30 Sep 2015 € '000	30 Sep 2014 € '000
Balance at start of year	155,711	155,711
Balance at end of year	155,711	155,711

The Company has made total advances of €31.7m (2014: €31.7m) to EirGrid Interconnector Limited, and on-lent total debt of €285.0m (2014: €285.0m). No interest is payable on these amounts under the intercompany loan agreement. The Company has recognised an investment of €155.5m (2014: €155.5m) 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.



## 14. Property, Plant & Equipment

Group	Land and buildings * € '000	Fixtures and fittings € '000	IS, 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 2013	11,957	2,084	90,480	49,539	554,087	7,313	715,460
Additions	-	7	3,109	-	556	14,060	17,732
Transfers	-	58	5,020	-	-	(5,078)	-
Exchange differences	260	21	1,267	752	-	407	2,707
Balance as at 30 Sept 2014	12,217	2,170	99,876	50,291	554,643	16,702	735,899
Additions	-	-	1,456	-	3,735	17,676	22,867
Transfers	4,366	266	6,868	-	-	(11,500)	-
Exchange differences	200	16	1,010	582	-	153	1,961
Balance as at 30 Sept 2015	16,783	2,452	109,210	50,873	558,378	23,031	760,727
<b>Depreciation</b>							
Balance as at 1 Oct 2013	2,680	1,544	49,338	48,826	3,505	-	105,893
Charge	502	145	13,878	607	14,972	-	30,104
Exchange differences	175	3	758	752	-	-	1,688
Balance as at 30 Sept 2014	3,357	1,692	63,974	50,185	18,477	-	137,685
Charge	669	131	14,546	-	15,473	-	30,819
Exchange differences	116	3	647	582	-	-	1,348
Balance as at 30 Sept 2015	4,142	1,826	79,167	50,767	33,950	-	169,852
<b>Carrying amount as at 30 Sept 2015</b>	<b>12,641</b>	<b>626</b>	<b>30,043</b>	<b>106</b>	<b>524,428</b>	<b>23,031</b>	<b>590,875</b>
Carrying amount as at 30 Sept 2014	8,860	478	35,902	106	536,166	16,702	598,214

\* 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 2015 € '000	30 Sep 2014 € '000
IS and telecommunications equipment	23,031	12,783
Land and buildings	-	3,919
<b>Total</b>	<b>23,031</b>	<b>16,702</b>

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

Company	Buildings * € '000	Fixtures and fittings € '000	IS, telecomm- unications equipment and other € '000	Single Electricity Market ** € '000	Assets under Construction *** € '000	Total € '000
<b>Cost</b>						
Balance as at 1 Oct 2013	10,407	1,837	76,324	41,418	5,898	135,884
Additions	-	-	2,309	-	8,561	10,870
Transfers (including intra-Group)	-	58	3,912	-	(3,970)	-
Balance as at 30 Sept 2014	10,407	1,895	82,545	41,418	10,489	146,754
Additions	-	-	768	-	13,714	14,482
Transfers	-	266	6,304	-	(6,570)	-
Balance as at 30 Sept 2015	10,407	2,161	89,617	41,418	17,633	161,236
<b>Depreciation</b>						
Balance as at 1 Oct 2013	2,243	1,515	47,338	40,450	-	91,546
Charge	433	132	10,330	455	-	11,350
Balance as at 30 Sept 2014	2,676	1,647	57,668	40,905	-	102,896
Charge	434	118	10,740	-	-	11,292
Balance as at 30 Sept 2015	3,110	1,765	68,408	40,905	-	114,188
<b>Carrying amount as at 30 Sept 2015</b>	<b>7,297</b>	<b>396</b>	<b>21,209</b>	<b>513</b>	<b>17,633</b>	<b>47,048</b>
Carrying amount as at 30 Sept 2014	7,731	248	24,877	513	10,489	43,858

\* The cost of the Company's buildings represents leasehold improvements. See note 20 for details of the lease.

\*\* 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 2015 € '000	30 Sep 2014 € '000
IS and telecommunications equipment	17,633	10,489

## 15. Trade and other Receivables

	Group		Company	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Amounts due in less than one year:				
Trade receivables	10,155	13,975	9,369	10,040
Prepayments and accrued income	19,201	14,263	16,649	10,125
Unbilled receivables	63,296	51,222	55,517	51,222
Other receivables	-	2,884	-	2,861
Amounts owed by subsidiary undertakings	-	-	7,052	21,561
<b>Total</b>	<b>92,652</b>	<b>82,344</b>	<b>88,587</b>	<b>95,809</b>
Amounts due in more than one year:				
Prepayments and accrued income	60,460	54,191	56,900	53,200
Amounts owed by subsidiary undertakings	-	-	178,845	173,878
	60,460	54,191	235,745	227,078
<b>Total</b>	<b>153,112</b>	<b>136,535</b>	<b>324,332</b>	<b>322,887</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 €73.9m (2014: €62.2m) and €70.8m (2014: €62.2m) respectively, all of which may not be recoverable within twelve months.

Prepayments and accrued income due after more than one year consists of (i) 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) and (ii) balances related to deferred costs in respect of transmission projects.

## 16. Trade and other Payables

	Group		Company	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Trade payables	141,365	78,742	115,979	71,005
Accruals	88,625	79,461	74,762	66,147
Taxation and social welfare	14,064	9,054	11,186	7,171
Other payables	4,161	-	4,118	-
Amounts owed to subsidiary undertakings	-	-	20,633	14,764
<b>Total</b>	<b>248,215</b>	<b>167,257</b>	<b>226,678</b>	<b>159,087</b>

## 16. Trade and other Payables (continued)

Taxation and social welfare comprises of the following:

	Group		Company	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
PAYE/PRSI	384	1,203	63	919
VAT	13,365	7,538	10,826	5,939
Withholding tax	315	313	297	313
<b>Total</b>	<b>14,064</b>	<b>9,054</b>	<b>11,186</b>	<b>7,171</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.

€38.3m (2014: €38.5m) of the Group trade payables balance and €3.0m (2014: €4.5m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. €38.3m (2014: €38.5m) 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.

## 17. Deferred Income

Group	€ '000
<b>Capital Grants</b>	
Balance as at 1 October 2013	111,512
Amortisation of grant	(3,072)
Balance as at 30 September 2014	108,440
Amortisation of grant	(3,072)
Balance as at 30 September 2015	105,368
<b>Analysed as:</b>	<b>€ '000</b>
Current	3,072
Non-current	102,296
Balance as at 30 September 2015	105,368

Capital grants received 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

	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
<b>Authorised:</b>		
30,000 ordinary shares of €1.25 each	38	38
<b>Allotted, called-up and fully paid:</b>		
Called up share capital presented as equity: 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 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Cash and cash equivalents	270,377	177,131	224,642	131,240

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 security deposits of €6.7m (2014: €0.8m). Included in the Group's cash balances is €12.9m (2014: €30.6m) 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 €87.4m (2014: €28.4m) held on trust for market participants in the SEM and €22.7m (2014: €18.0m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). Included in the Company's cash balances is €65.6m (2014: €21.3m) held on trust for market participants in the SEM and €17.0m (2014: €13.5m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

The Group had unutilised borrowing facilities of €66.2m (2014: €65.4m) 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 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Not longer than one year	3,103	2,953	3,103	2,953
Longer than one year and not longer than five years	11,874	11,431	11,874	11,431
Longer than five years	32,468	35,311	32,468	35,311
<b>Total</b>	<b>47,445</b>	<b>49,695</b>	<b>47,445</b>	<b>49,695</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 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Expenditure contracted for, but not provided for in the Financial Statements	7,940	9,851	-	-

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

### Defined Benefit Schemes

The Group operates two defined benefit schemes for qualifying employees; one scheme is operated for employees of the Company and the Executive Director (the “EirGrid Plan”), a second scheme (the “SONI Focus Plan”) which is a defined benefit section of the SONI Pension Scheme is operated for employees of SONI Limited.

The Group’s main pension scheme in the Republic of Ireland, the EirGrid Plan, operates under Republic of Ireland trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed; the scheme rules; and Republic of Ireland legislation (principally the Pension Schemes Act 1990). Under Republic of Ireland legislation a defined benefit pension scheme is required to build up and maintain enough funds to pay members their pension entitlements should the scheme be wound up. Pension fund trustees are required to obtain regular actuarial valuations and reports, put in place a recovery plan addressing any funding shortfall and submit that plan to the Irish Pensions Board for approval.

The SONI Focus Plan operates under UK trust law and is managed and administered on behalf of its members in accordance with the terms of the trust deed, the scheme rules and UK legislation (principally the Pension Schemes Act 1993, the Pensions Act 1995 and the Pensions Act 2004). Under UK legislation a defined benefit pension scheme is required to meet the statutory funding objective of having sufficient and appropriate assets to cover its liabilities. Pension fund trustees are required to: prepare a statement of funding principles; obtain regular actuarial valuations and reports; put in place a recovery plan addressing any funding shortfall; and send regular summary funding statements to members of the scheme.

The defined benefit schemes are administered by separate trusts that are legally separated from the Group. The trusteeship of the defined benefit schemes is currently executed by members of the defined benefit schemes and comprise of both member appointed and Company appointed trustees. The trustees of the defined benefit schemes are required to act in accordance with the governing trusts documentation and have a fiduciary responsibility to act in the best interests of the beneficiaries of the defined benefit schemes. A non-exhaustive list of trustee duties include; the collection and investment of contributions, determining investment strategy, administration of benefits and acting in good faith and in accordance with the defined benefit schemes’ trust documentation.

Under the EirGrid Plan, employees are entitled to receive a pension and lump sum on retirement. Under the SONI Focus Plan, employees are entitled to receive a pension on retirement. A survivors pension and/or lump sum may also be payable on death under the defined benefit Schemes. Retirement benefits payable are based on salary and length of service.

There were no amendments or material curtailments and settlements in respect of the defined benefit schemes during the year.

On 1 May 2014, the transmission planning function transferred from Northern Ireland Electricity Limited (NIE) to SONI Limited. The transfer included transfer of pension assets, pension liabilities and past service costs of a number of staff who transferred. These staff are now included in the SONI Focus plan as new members. See below for further details on the effect on the Group retirement benefit obligations.

## 23. Retirement Benefits Obligations (continued)

### Principal Risks

Under the defined benefit schemes, employees are entitled to a pension calculated based on salary and service. The defined benefit scheme exposes the company to risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plans' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest rate risk	The present value of the defined benefit plans' liability is calculated using a discount rate determined by reference to high quality corporate bond yields at the measurement date. A decrease in corporate bond yields will increase the schemes' liabilities.
Longevity risk	The present value of the defined benefit plans' liability is calculated by reference to the best estimate of the mortality of plans' participants both during and after their employment. An increase in the life expectancy of the plans' participants will increase the plans' liability.
Salary risk	The present value of the defined benefit plans' liability is calculated by reference to the future salaries of plans' participants. As such, an increase in the salary of the plans' participants will increase the plans' liability.

### Defined Contribution Scheme

As the SONI Focus Plan has been closed to new members since 1998, other than for the purpose of admitting staff as a consequence of the transfer of the planning function in Northern Ireland in the prior year, the Group also operates an approved defined contribution scheme, the "SONI Options Plan" (which is a defined contribution section of the SONI Pension Scheme for employees of SONI Limited). Contributions are paid by the members and SONI Limited 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 SONI Options Plan are held under trust and are separate from those of the Group.

The only obligation of SONI Limited with respect to the SONI Options Plan is to make the specified contributions and pay administration expenses. Obligations for contributions to the SONI Options Plan are recognised as an expense in the Statement of Comprehensive Income as incurred. The pension charge for the year represents the actual contribution paid by SONI Limited and amounted to €0.5m (2014: €0.5m).

### Defined Benefit Schemes - Liabilities

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2015 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.

### 23. Retirement Benefits Obligations (continued)

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 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	156,920	136,171	112,321	95,478
Fair value of Schemes' assets at end of year	(129,768)	(117,703)	(86,544)	(79,409)
Funded Status	27,152	18,468	25,777	16,069
Adjustment for limit on net assets	-	-	-	-
Net Liability recognised in Balance Sheet at end of period	27,152	18,468	25,777	16,069
Deferred tax on net pension obligation (note 9)	(3,498)	(2,490)	(3,222)	(2,009)
Net Liability after Deferred Tax	23,654	15,978	22,555	14,060

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

	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
Current service cost	6,870	5,265
Net interest expense	433	279
Past Service Costs (effect of transfer in)	-	1,275
Employer pension cost capitalised	(1,223)	(712)
Amount included in other operating costs relating to defined benefit schemes	6,080	6,107

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

	Group		Company	
	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000	Year to 30 Sep 2015 € '000	Year to 30 Sep 2014 € '000
Remeasurement of net defined benefit liability:				
Actuarial (loss)/gain arising on Schemes' assets	(1,127)	8,503	(746)	6,348
Actuarial (loss)/gain arising from changes in demographic assumptions	(163)	9,750	-	9,556
Actuarial (loss)/gain arising from changes in financial assumptions	(10,167)	(25,934)	(10,257)	(23,724)
Actuarial gain/(loss) arising from experience adjustments	3,450	1,433	2,722	1,332
Amount included in the Statement of Comprehensive Income	(8,007)	(6,248)	(8,281)	(6,488)

### 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 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Present value of defined obligation at beginning of year	95,478	74,426	40,693	27,521
Current service cost including contributions by Schemes' participants	7,072	5,803	1,316	987
Interest cost	2,760	3,153	1,694	1,268
Actuarial (gain)/loss arising from changes in demographic assumptions	-	(9,556)	163	(194)
Actuarial (gain)/loss arising from changes in financial assumptions	10,257	23,724	(90)	2,210
Actuarial (gain)/loss arising from experience adjustments	(2,722)	(1,332)	(728)	(101)
Benefits paid	(524)	(740)	(756)	(121)
Past Service Costs (effect of transfer in)	-	-	-	1,275
Transfer in of liabilities met by assets	-	-	-	5,158
Exchange differences	-	-	2,307	2,690
Present value of defined benefit obligation at end of year	112,321	95,478	44,599	40,693

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

	EirGrid plan		SONI Focus plan	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Fair value of Schemes' assets at beginning of year	79,409	65,174	38,294	26,400
Interest Income	2,382	2,903	1,639	1,239
Remeasurements gain/(loss):				
Gains/(losses) on Schemes' assets	(746)	6,348	(381)	2,155
Contributions by the Company	4,432	4,144	2,321	975
Contributions by Schemes' participants	1,591	1,580	149	132
Administration costs	-	-	(222)	(188)
Benefits paid	(524)	(740)	(756)	(121)
Transfer in of assets	-	-	-	5,158
Exchange differences	-	-	2,178	2,544
Fair value of Schemes' assets at end of year	86,544	79,409	43,222	38,294



### 23. Retirement Benefits Obligations (continued)

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

	EirGrid plan		SONI Focus plan	
	30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014
Valuation method	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Discount rate	2.55%	2.90%	3.90%	4.00%
State pension increase	1.40%	1.40%	2.40%	2.50%
Salary increases	1.90%	1.90%	4.40%	4.50%
	plus scale	plus scale		
Pension increases	1.90%	1.90%	2.40%	2.50%
Inflation	1.65%	1.65%	3.40%	3.50%
Revaluation CEO benefit	1.40%	1.40%	n/a	n/a
Post-retirement life expectancy for those retiring at age 65 in 2035:				
- Men	25.2 years	25.1 years	24.0 years	24.1 years
- Women	26.2 years	26.1 years	26.7 years	26.6 years

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end were 2.55% (2014: 2.90%) for the EirGrid plan and 3.90% (2014: 4.00%) 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 29 years (2014: 28 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 (2014: 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 16%.

#### Funding Requirements and Future Cash Flows

An on-going funding valuation of the EirGrid Plan is required every three years to review the contribution rate required to fund future benefits. The most recent actuarial valuation was carried out at 31 March 2014. The contribution rate required to fund the future service liabilities for the current active pension members is adjusted to take account of the value of any past service surplus or deficit which exists in the EirGrid Plan.

The Funding Standard position (the statutory minimum funding requirement) of the EirGrid Plan is reviewed annually. Where an Irish defined benefit scheme does not have sufficient assets to satisfy the Funding Standard, accelerated funding, in the form of a Funding Proposal may be required. As EirGrid's Plan meets the minimum funding standards no such Funding Proposal is in place.

An actuarial valuation of the SONI Focus Plan must take place at least every three years. The most recent actuarial valuation was carried out at 31 March 2013. The main purpose of the scheme funding valuation is to agree the contributions payable by SONI Ltd so that the SONI Focus Plan is expected to have sufficient assets to pay the benefits promised to members. The Scheme Actuary certifies that the technical provisions have been calculated in accordance with the regulations and the Trustees' Statement of Funding Principles and the Statutory Funding Objective is expected to be met by the end of the period covered by the schedule of contributions. A Section 179 valuation must also be carried out to ensure the SONI Focus Plan has sufficient assets to cover its liabilities in respect of the compensation that would be paid by the Pension Protection Fund.

### 23. Retirement Benefits Obligations (continued)

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

<b>EirGrid plan</b>	<b>Fair Value</b>	
	<b>30 Sep 2015</b> <b>€ '000</b>	<b>30 Sep 2014</b> <b>€ '000</b>
Equities	47,549	46,058
Bonds	15,265	14,520
Property	5,329	2,417
Cash	1,985	2,086
Alternatives	13,427	10,650
Annuities	2,989	3,678
Fair value of plan assets	86,544	79,409

For the EirGrid plan assets all except annuities (€83.6m) have quoted market prices in an active market. The annuities €3.0m have no quoted market prices in an active market hence are level 2.

<b>SONI Focus plan</b>	<b>Fair Value</b>	
	<b>30 Sep 2015</b> <b>€ '000</b>	<b>30 Sep 2014</b> <b>€ '000</b>
Equities	22,962	18,202
Gilts and bonds	18,315	13,145
Assumed assets in respect of transfer in	-	5,416
Other	1,945	1,531
Fair value of plan assets	43,222	38,294

For the SONI Focus plan assets all categories (€43.2m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €2.9m. The actual return on the EirGrid plan scheme assets was a gain of €1.6m and the actual return on the SONI Focus Plan scheme assets was a gain of €1.3m.

The Group expects to pay contributions of €4.8m for the EirGrid plan and €1.5m for the SONI Focus plan in the financial year to 30 September 2016.

## 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 and has considered the arrangements a joint operation. As a result the Company's share of assets, liabilities, income and expenses has been included in the Company Financial Statements on a line by line basis.

The following amounts are included in the Company Financial Statements on a line by line basis to reflect SEMO into the Company accounts:

	<b>30 Sep 2015</b> <b>€ '000</b>	30 Sep 2014 € '000
Non-current assets	7,893	10,733
Current assets	115,393	66,599
<b>Total assets</b>	<b>123,286</b>	<b>77,332</b>
Total equity	18,519	19,359
Current liabilities	104,767	57,973
<b>Total liabilities</b>	<b>104,767</b>	<b>57,973</b>
<b>Total equity and liabilities</b>	<b>123,286</b>	<b>77,332</b>
	<b>Year to</b> <b>30 Sep 2015</b> <b>€ '000</b>	Year to 30 Sep 2014 € '000
Revenue	148,690	127,026
Expenses	(149,953)	(123,686)
<b>Operating (loss)/profit</b>	<b>(1,263)</b>	<b>3,340</b>

**25. Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2015</b> <b>€ '000</b>	30 Sep 2014 € '000	<b>30 Sep 2015</b> <b>€ '000</b>	30 Sep 2014 € '000
Repayable within one year:				
Bank loans repayable by instalments	13,759	17,233	8,045	7,726
<b>Total current borrowings</b>	<b>13,759</b>	<b>17,233</b>	<b>8,045</b>	<b>7,726</b>
Repayable after more than one year by instalments:				
Between one and two years	14,444	13,759	8,399	8,045
Between two and five years	47,664	45,479	27,402	26,289
In five years or more	291,329	307,746	202,790	212,303
<b>Total non-current borrowings</b>	<b>353,437</b>	<b>366,984</b>	<b>238,591</b>	<b>246,637</b>
<b>Total borrowings outstanding</b>	<b>367,196</b>	<b>384,217</b>	<b>246,636</b>	<b>254,363</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 has been converted from floating interest rate to fixed interest rate by using interest rate swap contracts, see note 27 for further details.

## 25. Borrowings (continued)

Details of the Group's interest-bearing loans and borrowings are outlined below.

	<b>30 Sep 2015</b> € '000	30 Sep 2014 € '000
<b>Included in current liabilities:</b>		
Bank loans	13,759	17,233
Current interest-bearing loans and borrowings	13,759	17,233
<b>Included in non-current liabilities:</b>		
Bank loans	353,437	366,984
Non-current interest-bearing loans and borrowings	353,437	366,984
Total bank loans and overdrafts	367,196	384,217
Total interest-bearing loans and borrowings	367,196	384,217

The terms of outstanding loans are as follows:

	<b>Currency</b>	<b>Financial year of maturity</b>	<b>Carrying amount € '000</b>
<b>As at 30 Sep 2015</b>			
Unsecured term loan facility	EUR	2030	122,596
Unsecured term loan facility	EUR	2035	244,600
			367,196
<b>As at 30 Sep 2014</b>			
Unsecured term loan facility	EUR	2030	125,800
Unsecured term loan facility	EUR	2035	254,360
Unsecured term loan facility	GBP	2015	4,057
			384,217



## 26. Categories of Financial Assets and Financial Liabilities

	Group		Company	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
<b>Financial assets classified as loans and receivables:</b>				
Trade receivables	10,155	13,975	9,369	10,040
Amount owed by subsidiary undertakings	-	-	185,897	195,439
Cash and cash equivalents	270,377	177,131	224,642	131,240
<b>Total financial assets</b>	<b>280,532</b>	<b>191,106</b>	<b>419,908</b>	<b>336,719</b>
<b>Financial liabilities classified as other liabilities:</b>				
Trade payables	141,365	78,742	115,979	71,005
Amount owed to subsidiary undertakings	-	-	20,633	14,764
Borrowings and bank overdrafts	367,196	384,217	246,637	254,363
<b>Total</b>	<b>508,561</b>	<b>462,959</b>	<b>383,249</b>	<b>340,132</b>
<b>Financial liabilities designated as hedging instruments:</b>				
Derivative financial instruments (note 27)	99,537	96,409	70,439	67,040
<b>Financial liabilities fair valued through profit and loss:</b>				
Derivative financial instruments	-	-	-	-
<b>Total derivative financial instruments</b>	<b>99,537</b>	<b>96,409</b>	<b>70,439</b>	<b>67,040</b>
<b>Total financial liabilities</b>	<b>608,098</b>	<b>559,368</b>	<b>453,688</b>	<b>407,172</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);
- 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.

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, 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 our 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.

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

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 receivables included in Group trade receivables as at 30 September 2015 were €0.9m (2014: €nil). SEMO trade receivables included in Company trade debtors as at 30 September 2015 were €0.7m (2014: €nil).

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 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
60 to 90 days	671	2,450	671	2,450
90 to 120 days	6	10	6	28
Greater than 120 days	630	6,325	630	6,325
Total	1,307	8,785	1,307	8,803

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 €66.2m at the Balance Sheet date (2014: €65.4m). The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments. The Group expects to meet its other obligations from operating cash flows.

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

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 2015</b>					
Non interest bearing – trade payables	141,365	-	-	-	141,365
Borrowings and bank overdrafts	-	31,301	125,185	395,961	552,447
Total	141,365	31,301	125,185	395,961	693,812
<b>30 Sep 2014</b>					
Non interest bearing – trade payables	78,742	-	-	-	78,742
Borrowings and bank overdrafts	-	35,615	125,194	427,041	587,850
Total	78,742	35,615	125,194	427,041	666,592
<b>Company</b>					
Company	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Total € '000
<b>30 Sep 2015</b>					
Non interest bearing – trade payables	115,979	-	-	-	115,979
Borrowings and bank overdrafts	-	18,827	75,184	279,140	373,151
Total	115,979	18,827	75,184	279,140	489,130
<b>30 Sep 2014</b>					
Non interest bearing – trade payables	71,005	-	-	-	71,005
Borrowings and bank overdrafts	-	18,851	75,246	297,905	392,002
Total	71,005	18,851	75,246	297,905	463,007

The cash flow hedges are expected to occur and effect the income statement over a period of 20 years. There are no forecast transactions no longer expected to occur.

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

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

	Group		Company	
	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Losses arising during the year	(17,206)	(47,771)	(12,631)	(33,728)
Reclassified to income statement (included in finance costs)	14,085	13,826	9,232	8,871
Foreign Exchange	(7)	(31)	-	-
<b>Total</b>	<b>(3,128)</b>	<b>(33,976)</b>	<b>(3,399)</b>	<b>(24,857)</b>

### 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 2015 %	30 Sep 2014 %	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:						
Less than one year	-	4.8%	-	4,059	-	(124)
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.8%	3.8%	370,254	383,428	(99,537)	(96,285)
<b>Total active swap contracts</b>	<b>3.8%</b>	<b>3.8%</b>	<b>370,254</b>	<b>387,487</b>	<b>(99,537)</b>	<b>(96,409)</b>

Company	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
	30 Sep 2015 %	30 Sep 2014 %	30 Sep 2015 € '000	30 Sep 2014 € '000	30 Sep 2015 € '000	30 Sep 2014 € '000
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:						
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.7%	3.7%	246,637	254,363	(70,439)	(67,040)
<b>Total active swap contracts</b>	<b>3.7%</b>	<b>3.7%</b>	<b>246,637</b>	<b>254,363</b>	<b>(70,439)</b>	<b>(67,040)</b>



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

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.

### 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 (2014: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year to 30 September 2015 would have been impacted by €nil (2014: €nil); and
- Other equity reserves would have been impacted by €23.9m (2014: €39.5m), mainly as a result of changes in the fair value of its cash flow hedges.

If current and forward interest rates had been 50 (2014: 50) basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the year to 30 September 2015 would have been impacted by €nil (2014: €nil); and
- Other equity reserves would have been impacted by €15.4m (2014: €11.1m), 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. 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.

### 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 €5.1m during the year to 30 September 2015 (2014: €1.7m loss). 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 2015 would be impacted by €6.1m (2014: €5.3m). Other equity reserves would have been impacted by €0.6m (2014: €0.8m).

## 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.

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:

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Transmission asset owner charge	202,353	194,322

At 30 September 2015 a total of €37.4m (2014: €37.5m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Opening balance	37,447	31,841
Charges during the year	202,353	194,322
Payments made during the year	(202,437)	(188,716)
Closing balance	37,363	37,447

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:

	<b>Year to 30 Sep 2015 € '000</b>	Year to 30 Sep 2014 € '000
Short-term benefits	188	188
Post-employment benefits	29	26
Total	217	214

## 28. Related Party Transactions (continued)

### Company

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

<b>Year to 30 September 2015</b>	<b>Interest receivable</b>	<b>Charges received from related party</b>	<b>Amounts owed by related party</b>
	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>
SONI Ltd	352	13,131	5,710
EirGrid Interconnector Ltd	-	-	145,288
EirGrid UK Holdings Ltd	594	16	13,578
EirGrid Telecoms Ltd	-	-	1,439
	946	13,147	166,015

<b>Year to 30 September 2014</b>	<b>Interest receivable</b>	<b>Charges received from related party</b>	<b>Amounts owed by related party</b>
	<b>€ '000</b>	<b>€ '000</b>	<b>€ '000</b>
SONI Ltd	249	8,471	9,504
EirGrid Interconnector Ltd	-	-	158,489
EirGrid UK Holdings Ltd	563	345	12,286
EirGrid Telecoms Ltd	-	-	800
	812	8,816	181,079

At 30 September 2015 €166.0m (2014: €181.1m) was due to the Company from its subsidiaries.

The Company has made total advances of €31.7m (2014: €31.7m) to EirGrid Interconnector Limited, and on-lent total debt of €285.0m (2014: €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 (2014: €155.7m) 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.

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

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 €7.8m (2014: €7.8m) was recharged under this arrangement.

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 Telecoms Limited subsidiaries.

EirGrid Plc has given a Parent Company Undertaking to SONI Limited to the value of £10m (2014: £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 16 December 2015.









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