

EirGrid *noun* The independent electricity Transmission System Operator (TSO) and wholesale Market Operator in Ireland. A state-owned company, its role is to deliver quality connection, transmission and market services to generators, suppliers and customers utilising the high voltage electricity system, and to put in place the grid infrastructure required to support Ireland's social and economic development.

EirGrid plc - 2006 Annual Report and Accounts



Contents

<i>Chairperson's Report</i>	01
<i>Chief Executive's Report</i>	03
<i>Financial Review</i>	05
<i>Power System Operation</i>	06
<i>Electricity Market</i>	10
<i>Transmission Infrastructure</i>	14
<i>The Board</i>	18
<i>Corporate & Organisational Structure</i>	22
<i>Executive Team</i>	24
<i>Financial Statements</i>	27

NATIONAL

CONTROL

Chief Executive, Dermot Byrne, Minister for Communications, Marine and Natural Resources, Noel Dempsey TD and Chairperson, Bernie Gray with staff member Wayne Brace in the EirGrid National Control Centre at the vesting of EirGrid on 01 July 2006



Chairperson's Report



It is with great pleasure that I present the first Annual Report for EirGrid as the independent Transmission System Operator (TSO) and wholesale Market Operator.

The vesting of EirGrid on 01 July 2006 signalled a new era in the Irish electricity industry, enabling greater transparency in an increasingly competitive market for all customers. The recent publication of the Government White Paper on Energy Policy has highlighted a number of areas which emphasise the importance of EirGrid's role in developing the market into the future. These include the transfer of ownership of the transmission assets to EirGrid, facilitation of new generation through, amongst other things, development of a state-owned landbank and a series of initiatives to improve generation adequacy. We look forward to addressing the challenges that these additional responsibilities bring and, in so doing, enhancing security of supply, sustainability and competitiveness in the Irish electricity market.

Our focus in 2006 was on ensuring a seamless transfer of functions from the former ESB National Grid to EirGrid, with minimal business disruption. This was achieved due, in no small part, to the efforts of the EirGrid staff and management team. It was heartening to see the high level of transfer of staff from ESB National Grid to EirGrid, as the cumulative experience of our people provides a very solid base in tackling the challenges ahead.

Demand continues to grow, with a new peak experienced on 19 December 2006 at 5,035 megawatts (MW). The use of renewable sources grew during the year, with generation from renewable sources constituting over 9% of total electricity demand. We will continue to meet the challenge of integrating renewables at an accelerated pace to fulfill national and Government targets.

Our financial performance in the year exceeded expectations, returning an underlying profit of €3m which was highly satisfactory.

There was significant development of the transmission network through new infrastructure projects, with progress on the second North-South Interconnector and the efficient connection of a number of new generators. Furthermore, substantial progress was made on the establishment of the Single Electricity Market (SEM), scheduled to commence later this year.

2006 was a year of progress. I would like to take this opportunity to thank, for their significant contribution to the vesting of EirGrid, my predecessor, Professor Eddie O'Kelly, and former colleagues Eamon Cahill and Maurice Holly, whose terms on the EirGrid Board concluded during the year. I would also like to thank the Minister for Communications, Marine and Natural Resources, Mr. Noel Dempsey, for his leadership and tenacity in the vesting of EirGrid and the publication of the White Paper on Energy Policy. The ongoing support of his officials is also greatly

appreciated, as is the contribution of the Commission for Energy Regulation. Finally, I would like to recognise the work of all my colleagues on the Board, for their unquestionable commitment and contribution.

The energy sector will no doubt continue to dominate the economic and environmental agenda for some time to come. I, on behalf of the Board and staff of EirGrid, would like to assure all customers and stakeholders of our commitment to support them in the years ahead and to continue our development towards becoming a world class Transmission System Operator and wholesale Market Operator.

A handwritten signature in cursive script that reads "Bernie Gray".

Bernie Gray
Chairperson
18 April 2007



Staff members Albert Donohoe and Liam Griffin at the Oval, EirGrid's future offices

Chief Executive's Report



2006 was a year of major significance as it marked the transfer of the Transmission System Operator (TSO) and Market Operator functions from ESB National Grid to EirGrid. The close co-operation of all parties and stakeholders in completing the Transfer Scheme and the Infrastructure Agreement between EirGrid and ESB enabled EirGrid to be vested as TSO from 01 July 2006.

Throughout the year, and through the transition process, we continued to operate the transmission system securely and safely. As Market Operator of the current bilateral power market we operated the market effectively and efficiently. We also played a major role, with our partner System Operator Northern Ireland (SONI) and with the Regulatory Authorities and market participants, in developing the all-island Single Electricity Market (SEM). The planning, development, upgrading and maintenance of the transmission network infrastructure continued apace, with a number of major milestones achieved.

EirGrid's Role and Functions

EirGrid does not generate, buy or sell power. Our role in the industry is to operate the transmission system and wholesale market in a fair and equitable manner for all participants.

EirGrid's independence assures all market participants and stakeholders of a level playing field. We are committed to developing, maintaining and operating a safe, secure, reliable, economical and efficient transmission system, for the benefit of all electricity customers.

We are dedicated to operating in a progressive, efficient, and customer-focused way, delivering quality connection, transmission and market services to our customers and putting in place the grid infrastructure required to support Ireland's social and economic development.

Financial Performance

EirGrid's statutory profit for the year was €12.6m, with an underlying profit, eliminating the impact of regulatory over recoveries, of €3m. This represented a very satisfactory financial performance for the Company in its initial period since vesting.

Security of Supply

While overall generation availability was lower than expected during the year, security of supply was maintained and margins were satisfactory. The peak load of 5,035MW occurred at 17.30 on Tuesday 19 December 2006 – this was met with sufficient capacity in reserve to cater for the loss of any large generation unit. The timely commissioning of new power plants at Tynagh and Aughinish Alumina in early 2006 contributed significantly to security of supply margins, as did the standby arrangements that we entered into with SONI in relation to the Moyle Interconnector.

The Generation Adequacy Report (GAR), issued annually by EirGrid, takes a seven year view of security of supply in the light of expected load growth, existing generator performance and

planned additions to the system. The GAR published in November 2006 documented the expected transformation of Ireland's generation portfolio over the next seven years, driven by conventional plant closures and the anticipated deployment of large amounts of wind powered generation. Given that there are a number of new plants in development the situation is manageable. However, the risk of premature plant closure or unforeseen plant failure provides the greatest risk of supply failure in the short to medium term.

Renewable Energy

2006 was a year of major achievement in connecting renewable generation and ended with approximately 750MW of wind capacity connected, bringing the total amount of all forms of renewable generation capacity to over 1,000MW for the first time. Generation from renewable sources constituted over 9% of total electricity demand and Ireland is firmly on target to meet the objective of 15% of renewables by 2010.

The all-island Single Electricity Market

The new all-island SEM for electricity, scheduled to 'go live' in November 2007, will bring together the two wholesale electricity markets on the island of Ireland, creating a new single market for the wholesale trading of electricity. This will mean that, for the first time, generators and suppliers of electricity on the island will be able to trade all their electricity on a daily basis, regardless of location. It will provide for the further development of a competitive,

sustainable and reliable wholesale market.

The Regulatory Authorities North and South have responsibility for developing the Trading and Settlement Code for the SEM, while the two System Operators – EirGrid and SONI – are responsible for developing the SEM systems and processes and establishing the Single Market Operator (SMO), the organisation required to run the market.

Grid Development

In 2006 the first five year Transmission Development Plan was published following an extensive consultation process with all stakeholders. This plan sets out the grid infrastructure development projects required over the period 2006 to 2010 to keep pace with the rapidly developing economy and to ensure a reliable power supply to all parts of Ireland.

During 2006 a number of important grid development projects were completed. Significant progress was made in providing connections for wind and thermal generators and for large industrial customers.

A project of strategic national importance is the development of a second North-South Interconnector. EirGrid is developing this project together with NIE in Northern Ireland. Good progress was made in 2006 in defining the scope of the project and in preparing for a detailed submission to the planning authorities. The expected completion date for this project is 2012.

Significant work is also underway on the other major interconnector project, a subsea link from Ireland to Great Britain.

Safety and the Environment

In EirGrid we are keenly aware of our safety obligations to the public, to our employees and to third parties in any way affected by our operations. We have put in place a comprehensive Safety Management System which, in June 2006, was successfully certified by Lloyds Register Quality Assurance (LRQA) to OHSAS 18001 standard.

In relation to the impact of our activities on the environment, EirGrid is committed to carrying out these

activities in a sustainable way. As part of the development process for new grid infrastructure projects we carry out detailed Environmental Impact Studies (EIS) which assess potential impacts on flora, fauna, archaeology and heritage, visual landscape and health. These studies are made available to the planning authorities.

While electricity is a convenient and clean form of energy at point of use, its generation from thermal fuel sources causes emissions, and it is vital that it is generated and used efficiently. We have for many years engaged in demand-side management campaigns aimed at large industrial users, including our work on the Winter Peak Demand Reduction Scheme, which cut overall Irish energy demand significantly during winter 2006. In the last two years, we extended that work into providing practical energy saving advice to all customers, through consumer advertising and our involvement in the Power of One national campaign launched by the Minister for Communications, Marine and Natural Resources in 2006. In our own offices we encourage staff to use energy wisely and to recycle.

Looking Ahead

In 2006 we undertook a strategic planning exercise to develop a clear vision for the Company going forward and to identify our strategic priorities. These are to:

1. Consolidate our position as an effective and efficient TSO and Market Operator delivering quality services to our customers.
2. Grow through major investments in the all-island SEM and in the proposed East-West Interconnector.
3. Develop our capability to take on the major challenges facing EirGrid and the industry in the years ahead.

Key infrastructure projects of strategic national importance are the second North-South Interconnector and the East-West Interconnector linking Ireland's transmission system to that of Great Britain. In particular, we welcome the Government's decision that EirGrid will own the East-West Interconnector and we are working closely with the Commission for Energy Regulation (CER) to develop this important project.

The arrival of the all-island SEM in 2007 will be a major step in the evolution of the electricity industry on the island. We are committed, in conjunction with our partners SONI, to ensuring the new SMO is established along with all of the necessary systems and processes to enable the market to commence operating in November.

In late 2006 we conducted a qualitative and quantitative survey of our customers and stakeholders in order to help us identify areas for improving our services. We will be rolling out a Customer Service Improvement Plan during 2007 and we will be working with our customers and stakeholders to ensure that we are continually improving the service we offer.

We welcome the White Paper on Energy Policy published in March 2007 which sets out the Government's policy to enhance security of supply, sustainability and competitiveness. We will be working with all stakeholders to give effect to Government policy.

Our People

The performance this year by EirGrid is due primarily to the contribution of our staff. We are privileged to have a diverse workforce with colleagues from 15 different countries. Our employees are highly skilled, with qualifications and expertise across a diverse range of disciplines. We are committed to working with our staff through a proactive partnership process in order to ensure that EirGrid is a great place to work.



Dermot Byrne
Chief Executive
18 April 2007

Financial Review

Key Financial Highlights 2006

	€m
Revenue	139.9
Direct costs	103.6
Other operating costs	23.7
Statutory profit	12.6
Underlying profit	3.0

The vesting of EirGrid as TSO on 01 July 2006 has transformed the scale of the Company's financial responsibilities, hence no comparatives are included above. The Company's revenue is primarily derived from the regulated Transmission Use of System tariff, a charge payable by all users of the high voltage transmission system.

Direct costs consist of:

- The regulated charge payable to ESB as owner of the transmission system.
- The cost of purchasing from generators a range of services required for the secure operation of the system.
- Constraint costs payable when the secure operation of the system requires changes to be imposed on the market based schedules of generators. This category of cost can be volatile in nature.
- The costs of implementing a range of energy demand reduction initiatives.

Other operating costs include employee costs, depreciation and certain corporate costs.

Regulation

EirGrid's activities are regulated by the Commission for Energy Regulation (CER). In advance of the tariff year EirGrid submits to the CER a forecast of customer demand and of its operating costs for the year ahead. Following a detailed review process the CER issues a formal determination of the allowed costs. As with any forecast there can be variations between the projections and the actual cost outturn, resulting

Calculation of underlying profit 2006

	€m
Statutory profit	12.6
Deduct over recoveries	(9.6)
Underlying profit	3.0

in regulatory under or over recoveries. Any such under or over recoveries are adjusted for in the price determinations for subsequent years. This can give rise to significant volatility in the reported statutory earnings of EirGrid, as accounting regulations do not permit results to be smoothed through the anticipation of under or over recoveries.

Capitalisation of EirGrid

In accordance with Regulation 13 of SI 445 of European Communities (Internal Market in Electricity) Regulations 2000, as amended by SI 60 of European Communities (Internal Market in Electricity) Regulations 2005, ('SI 445') EirGrid and ESB entered into a Transfer Scheme dated 01 July 2006. Under the terms of the Transfer Scheme EirGrid received a Capitalisation Payment from ESB in the amount of €67m, consisting of IT and telecommunications assets with a value of €17.5m and cash of €49.5m.

Under the Transfer Scheme certain members of ESB staff transferred their employment to EirGrid and, in accordance with Regulation 17(13) of SI 445, EirGrid assumed responsibility for the pension entitlements of these transferring employees. Using the assumptions outlined in Note 15 and consistent with the methodology specified in IAS 19 Employee Benefits, EirGrid's Actuary valued the liabilities transferred to the EirGrid Scheme at €33.7m.

Regulation 17(13) of SI 445 also specified the basis on which assets would be transferred from the ESB Pension Scheme to the EirGrid Pension Scheme. The value of the assets transferred was €13.3m.

Results for the Year

As indicated, EirGrid's reported statutory results are subject to significant volatility. In the opinion of the Directors the most appropriate measure of EirGrid's performance is the underlying profit based on regulatory entitlement i.e. excluding the effect of under or over recoveries. The calculation of the underlying profit is shown above.

The underlying profit of €3m for 2006 largely relates to savings achieved on other operating costs and it compares to a breakeven position for the previous year. During 2005 EirGrid was preparing to assume the responsibilities of TSO and its staff and related costs were being reimbursed in full by a regulated tariff.

Cash on hand at the year end of €63.8m reflects the cash injection received by EirGrid as part of the capitalisation payment and also the cash impact of the regulatory over recoveries.

Power System Operation *noun* The process of planning, analysing, monitoring and controlling the flows of power across the transmission system, scheduling and dispatching the output of power plants and ultimately ensuring the safe and secure operation of the power system 24 hours a day, 365 days a year.



Staff members Deirdre Merriman and Sean Kearney at work in the EirGrid National Control Centre

Power System Operation Review

The safe, secure, reliable, economical and efficient operation of Ireland's power system is at the core of the work of EirGrid.

From the National Control Centre we monitor and control the flow of power across the high voltage network, and instruct each of the large connected generating units on the level of output they are to produce on a minute by minute basis. Electricity cannot be stored in bulk quantities and must be available for use instantly where and when needed, so as demand increases and reduces, the output of generators and the flows along the network are monitored and adjusted.

The system is operated to provide secure supplies for customers, to utilise renewable energy, to provide opportunities for generators and suppliers to do business and to use the most economic generation mix. It involves highly specialised IT systems and telecommunications infrastructure with complete redundancy and backup facilities to ensure continuity in case of any disruption or fault.

We have teams dedicated to planning the operation of the system to ensure that we continuously deliver the high quality supplies, in terms of voltage and frequency as well as overall reliability, as required by all of our customers throughout the country.

Demand growth

System demand continued to grow strongly throughout 2006, with total energy consumption for the year of approximately 27,000GWh (gigawatt hours), up 4.48% on 2005. The maximum system demand broke through the 5,000MW level for the first time, reaching 5,035MW on 19 December 2006 (see Weekly Demand Peaks graph on next page).

During the year two new large generating stations commenced full commercial operation. One, at Tynagh in county Galway, is a combined cycle gas turbine capable of exporting over 400MW onto the system. The other, at Aughinish Alumina in county Limerick, consists of

two gas fired units totalling approximately 160MW. These two stations increased the total installed capacity of dispatchable generation by approximately 10% to a total export capacity of 5,836MW by the end of 2006.

System performance

The availability of the transmission system was maintained at high levels during 2006, with an overall average availability of 97.12%. The number of "System Minutes" (an industry standard index which measures the severity of each system disturbance) lost during the year, when parts of the transmission system were unavailable due to trippings or plant failure, was 2.27, well within the system target of 4 System Minutes.

The outage plans for transmission and generation were constantly managed throughout the year to respond to changing circumstances on the power system and reflect the needs of generators, demand customers and ESB, as Transmission Asset Owner and operator of the Distribution System.

Generation availability over the year was low as the rate of forced outages across the generation portfolio, averaging 13% over the year, was above expected levels (see Generation Availability graph on next page). The rolling 4 week average shows how overall availability drops through the summer as plants are scheduled out for maintenance and then rises through the winter months where the demand is at its highest and scheduled maintenance is curtailed. The rolling 52 week average indicates a downward trend through 2006, with the overall generation system availability for the year at only 78.5%.

Notwithstanding the low generation, reliability standards were maintained and there was no disruption of supplies at any point due to shortages of capacity.

Co-operation with System Operator Northern Ireland

As normal, EirGrid co-operated with SONI benefiting customers in both Ireland and in Northern Ireland. This co-operation between the two system operators is

mutually beneficial – increasing system security and facilitating the sharing of reserve – in addition to affording market participants the ability to trade between the two markets.

During 2006 we put in place an agreement with the operators of the Moyle Interconnector, in association with SONI, to enable additional capacity to be sourced from Great Britain over the winter months if this became necessary.

Renewables

Renewable energy sources on the Irish system include hydro projects, bio-mass and wind generation. At the beginning of 2006, there was approximately 495MW of wind connected to the Irish electricity system. During the year this increased by over 50%, such that by the end of the year there was approximately 750MW of wind capacity connected at over 60 locations around Ireland, and projections for this continue to rise (see Installed Wind Generation graph on next page).

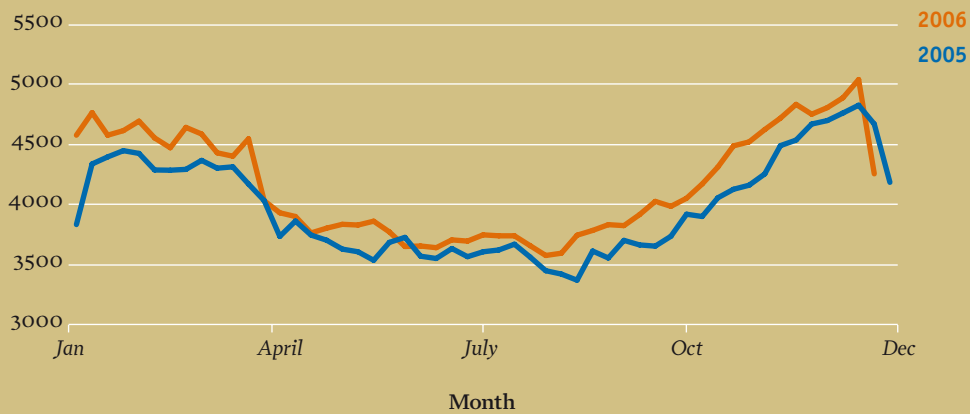
Throughout the year we worked to ensure that the national targets for increased overall generation from renewable sources could be met. We continued to address the issues and challenges associated with increased levels of wind in a proactive and progressive manner, ensuring that security and reliability of supply is maintained while renewable energies are provided with the appropriate access to the transmission system, energy markets and ultimately to consumers.

Focus for 2007

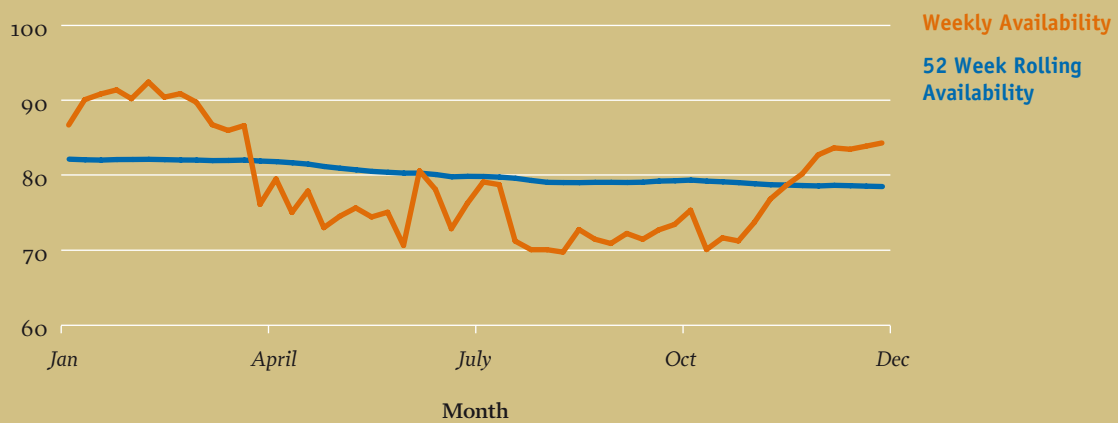
Key areas of focus in Power System Operation during 2007 will include operating the system safely and maintaining security and quality of supply, managing the commissioning of the new large Huntstown II generator onto the system, continuing our work on integrating renewables and ensuring the delivery of, and smooth transition to, the Single Electricity Market.

Total energy consumption (2006)	27,000GWh
Energy growth (2005 v 2006)	4.48%
System peak (19 December 2006 at 17.30)	5035MW

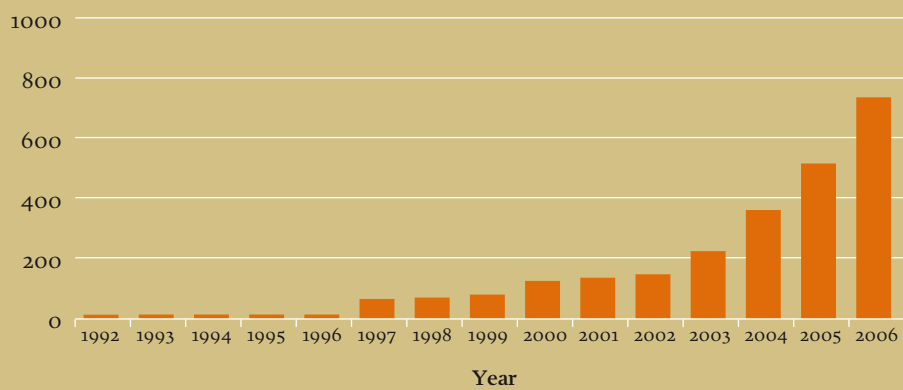
Weekly Demand Peaks (MW)



Generation Availability (%)



Installed Wind Generation (MW)



Electricity Market *noun* The wholesale electricity market provides a platform for the trading of electricity by different market participants, such as generators and suppliers.

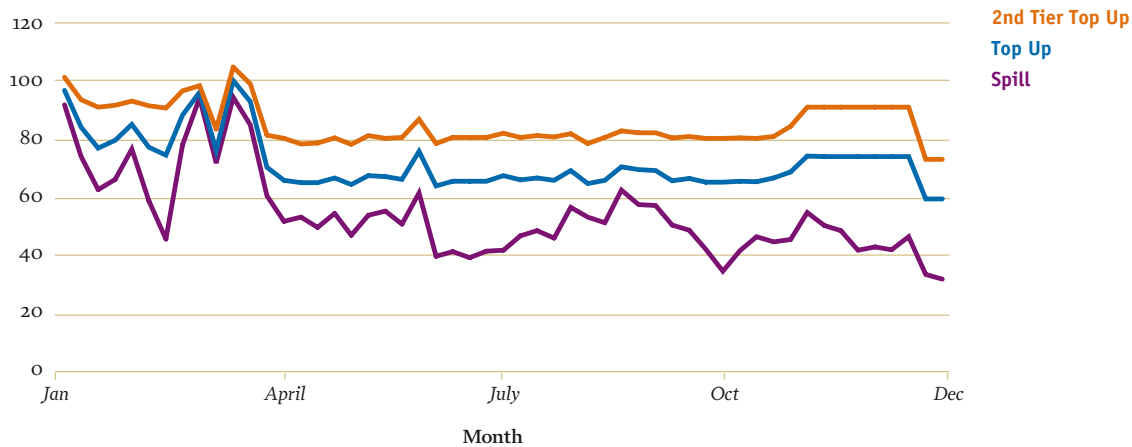


NEW BOLIDEN
TARA MINES

Staff member Claire Kane with Peder Cavallin and Noel Shanley of Boliden Tara Mines

Electricity Market Review

2006 Market Prices (€/MWh)



A competitive electricity market is a key enabler for ensuring the delivery of economic and efficient supplies of electricity to all customers.

EirGrid, in its role as Market Operator, is responsible for the operation of the current wholesale electricity market. In addition, EirGrid also manages the settlement, invoicing and payments associated with a range of other transmission and market related services including:

- Transmission Use of System
- Ancillary Services
- Capacity Margin
- Winter Peak Demand Reduction Scheme
- Interruptible Load
- Interconnector nomination processes

These services are essential to the operation of the market and power system. They cover the collection of charges for usage of the transmission system and securing the provision of Ancillary Services, such as operating reserve. They also include providing incentives for capacity to be available through the Capacity Margin scheme and the promotion of overall efficiency via reductions in peak demands as part of the Winter Peak Demand Reduction Scheme. The Interruptible Load arrangements provide a key element of overall system security through contracting with large customers to automatically drop load in the event

of significant dips in the frequency. The interconnector nomination process facilitates the usage of the interconnector by market participants.

The electricity market in Ireland is in a process of significant change, moving from the original market that was put in place, on a transitional basis, when the market opened on 19 February 2000, to a new Single Electricity Market (SEM).

Market highlights 2006

EirGrid had another successful year in efficiently and effectively operating the current electricity market.

The current electricity market design was established in 2000, when the Irish power market was first opened to competition. It is a wholesale market and operates on the basis of bilateral contracts between parties in the market such as generators (or producers) and suppliers (traders and re-sellers), combined with a system of imbalance pricing. This pricing enables participants to balance their supply or demand by purchasing extra power (known as 'top up') or selling excess power ('spill').

2006 saw an increase in the number of participants in the electricity market, principally new renewable generators.

We continued, throughout 2006, to publish our quarterly reviews and sought to expand the range of data we publish and make available to the market through our web site.

Setting up the new Single Electricity Market

The Ministers with responsibility for energy in Ireland and in Northern Ireland reaffirmed their respective Governments' commitment to an all-island energy market in 2004. This was followed by discussions with the Regulatory Authorities and in 2005 EirGrid and SONI committed to combining their skills and resources to work jointly on a number of important initiatives as part of the all-island project. Implementing the SEM, in line with the regulatory market design, is one of these initiatives.

The SEM Establishment Programme was mandated to deliver a single wholesale electricity market for the island of Ireland. Managed by EirGrid and SONI, it has responsibility for the establishment of the Single Market Operator (SMO) and the development of systems and processes necessary for the establishment of the SEM. It also manages the necessary changes to processes, systems and resources as required by EirGrid and SONI as TSO's in the new market.



The new Single Market Operator

The SMO, which will be responsible for the operation of the all-island electricity market, is being established jointly by EirGrid and SONI. Core services will include spot market trade execution, settlement and clearing, and the provision of a range of market information. The SMO will operate in a transparent, impartial and customer-focused manner, operating on behalf of all market participants on the island. There was significant progress on SMO establishment during 2006, with the appointment of the General Manager and the customer service team of the SMO.

A view of a turbine at Airtricity's Meentycat wind farm in county Donegal

Transmission Infrastructure *noun* The national transmission system or grid comprises approximately 6,500km of high voltage network and transmission stations, delivering electricity to all regions.



Staff members Edel Campbell and Enda Feeley at Corduff 220kV Station



Transmission Infrastructure Review

The provision and management of Ireland's high voltage infrastructure is vital in ensuring security and quality of supply and connection opportunities to all customers, and providing a transmission grid that supports Ireland's social and economic development.

EirGrid is responsible for developing and ensuring the maintenance of the assets which comprise the transmission system. EirGrid analyses the transmission development requirements taking account of future growth in customer demand, new generation, interconnection, and other changes in the patterns of usage of the transmission system. EirGrid identifies optimal solutions, develops transmission project specifications, brings projects through the public planning process and monitors and reviews their delivery, including ensuring that they are constructed to the required standards. EirGrid ensures that it carries out its duties safely at all times.

Transmission Planning

Due to the continued growth in customer demand and new generation entry onto the system, there is an ongoing requirement for new transmission infrastructure, which is under continual review.

EirGrid publishes the Transmission Forecast Statement annually. The July 2006 Statement provides data on the expected flows of power across

the system up to 2012 and also provides information on opportunities for customers to connect to the transmission system. The flow of power on the transmission network depends on the location and size of demand at the various grid stations, the location and size of generators supplying that demand, and the make-up of the transmission network that links generation and demand stations. In undertaking the analysis, EirGrid uses data concerning future demand growth, projected generation connections and planned transmission developments.

The Transmission Development Plan is the detailed plan of proposed infrastructure construction and upgrade of the transmission system over the next five years. Published annually, this plan presents details on committed projects for developing the transmission system, or projects which are shortly to be committed.

New Connections

A large number of transmission projects associated with the connection of new customers and generators were in progress during 2006. Two significant transmission wind farm connections were completed during the year. Major progress was made in respect of the "Gate 2" wind connection process, whereby offers for connection for a further 1,350MW of wind generation to the transmission and distribution

networks will issue during 2007. Connection of further thermal generation is also in progress.

Major Transmission System Projects

Implementation of a significant transmission development programme continued during 2006. Projects which completed within the year included refurbishment of 360 kilometres of 110kV lines and installation of 750MVA of high voltage transformer capacity.

Interconnection

Two of the largest projects underway in EirGrid over the coming years concern interconnection to Northern Ireland and Great Britain. The new interconnectors will provide benefits including assisting competition, strengthening the security of electricity supply and supporting the future growth of renewable generation.

A second North-South interconnector will be developed by EirGrid in close co-operation with NIE over the next six years. This will be built west of the existing Tandragee-to-Louth electricity interconnector and is expected to be approximately 85 kilometres long, involving construction in both jurisdictions. Work continued during 2006 on the line design parameters and route selection and this project will continue to be afforded a high priority in 2007.

Detailed planning and feasibility studies are in progress for a new East-West subsea electricity interconnector from



Ireland to Great Britain which will be developed over the next five years. EirGrid and the Commission for Energy Regulation are arranging the design of a competition to secure the construction of the interconnector. It is proposed that the interconnector will have a capacity of 500MW.

Maintenance

EirGrid develops and maintains maintenance policies and standards for the transmission assets, and keeps the maintenance policy under constant review, reflecting the performance and condition of the assets, new asset and maintenance technologies, ageing plant and options for plant refurbishment or replacement.

EirGrid is responsible for ensuring that the transmission system is adequately maintained, which is of vital importance to reliability performance and in ensuring reliable service to all customers. On an annual basis EirGrid determines the maintenance tasks which are to be carried out, which are implemented by ESB under the terms of the Infrastructure Agreement.

Grid Development Strategy

Towards the end of 2006 EirGrid announced its intention to carry out a major review of future transmission requirements culminating in a Grid Development Strategy with a fifteen to twenty year horizon. This initiative

recognises the significant changes in the demands being placed on the transmission system, resulting from new generation patterns, large volumes of renewable generation, significant interconnection and other factors. The strategy will be visionary and innovative, robust to a range of variables, and will be based on providing cost effective solutions to transmission needs. The development of the strategy will involve consultation with the industry and stakeholders, and will be completed during 2007.

Transmission Infrastructure Programme

In addition to the major interconnection projects, an investment of over €500m is being made in extending and strengthening the transmission system over a five year period to 2010. Electricity peak demand is expected to increase by over 20% during this period. The programme of investment will include developments in all parts of the country.

A large number of renewable and other generation projects have been connected to the transmission system in the recent past. Developments are in progress for the connection of further generators and customers.

During 2007, a further 1350MW of renewable generation projects will receive offers for connection to the power system.

The Board





Bernie Gray
Chairperson

Bernie Gray was appointed to the Board in September 2005 for a period of five years and was appointed as Chairperson in April 2006. Bernie has wide-ranging experience in the field of Human Resources and Industrial Relations. Working with Eircom between 1984 and 2002, she held a number of management positions within Finance and HR areas and latterly served as HR Director from 1998 to 2002. She also served as a Worker Director from 1988 to 1992 and as a Trustee of Eircom's Defined Benefit and Defined Contribution pension schemes. Bernie is currently an independent HR consultant working with a range of public and private sector companies.



Dermot Byrne
Chief Executive

Dermot Byrne was appointed Chief Executive of EirGrid in July 2005. Dermot is an electrical engineer, holds a Master's Degree in Engineering, has an MBA, and has extensive senior management experience in the electricity industry in Ireland and abroad. He has experience in a range of engineering and operational roles in the operation of the transmission system and also worked on consultancy in Bahrain. From 1993 to 1997 he was Manager, Power System Operation in ESB National Grid. In the late 1990's he worked in senior roles within ESB customer services and power generation areas. In 2000 he was appointed as the first Head of ESB Networks, where he oversaw the major ramp-up in investment in transmission and distribution infrastructure. Dermot is a Fellow of the Institution of Engineers of Ireland and a Distinguished Member of the international electricity body CIGRE.



Emer Daly

Emer Daly was first appointed to the Board in March 2001 and she was appointed for a second term in March 2005 for a period of three years. Emer is a Chartered Accountant who has over 20 years experience in both practice and industry. Until April 2006 she worked as a Director with AXA Insurance, responsible for the Risk Management, Finance and Planning functions during her time there. Prior to that she worked with PricewaterhouseCoopers where she gained a wide experience of audit, due diligence and consultancy work, carrying out assignments for a variety of clients including listed companies, public sector and private companies. In 2005, Emer completed the Diploma in Corporate Governance in UCD, and she is currently working as an independent consultant. Emer is also a Director of the Property Registration Authority and of Friends Provident International Limited.



William Egenton

William Egenton was appointed to the Board in April 2006 for a period of five years. William is currently Managing Director of Dromone Engineering Ltd, Co Meath and has held a number of senior roles in multinational companies including Raychem Corporation, Tyco Electronics and Ingersol Rand. William has carried out numerous international assignments in Mainland Europe, North America, Asia Pacific and South Africa. William holds a Bachelors degree in Mechanical Engineering, a Masters in Industrial Engineering and a Masters in Business Administration. He is a Chartered Engineer and a Corporate Member of the Institute of Electrical Engineers.



Cormac MacDonnchadha

Cormac MacDonnchadha was appointed to the Board in December 2006 for a period of five years, following his election as the Staff Representative. Cormac is an electrical engineer and has worked in the electricity industry since 1993. He has worked since 1999 with the Transmission System Operator (TSO) mainly in the Power System Planning and Power System Operation areas. Prior to working in the TSO, Cormac worked in ESB Networks on various projects associated with the distribution level voltage (38kV and below). Cormac qualified with an honours degree in Electrical Engineering from UCD in 1993. He has diplomas in Accounting and Finance from ACCA and Project Management from Trinity College Dublin.



David Mackey

David Mackey was first appointed to the Board in March 2001 and for a second term in March 2005 for further period of three years. David spent over twenty years in the local government service where his positions included Assistant County Manager of South Tipperary and Cavan County Manager. In 1989, he moved into the private sector, spending over ten years with the Quinn Group, six years as Group General Manager, followed by four years as Group Chief Executive. In 1999 he went into business with the Elliott Family when Flag Properties Ltd was formed. Since 2002 he has also held the position of Chief Executive of P Elliott & Co Ltd, Cavan, which is one of the top five construction companies in Ireland. Other positions which he holds include Chairman of the Central Fisheries Board and a member of the Stadium Executive Committee of Croke Park.



Martina Moloney

Martina Moloney was appointed to the Board in September 2004 for a period of five years. Martina is a career official in the Local Government Sector and currently holds the position of County Manager with Louth County Council, which services more than 100,000 people, has an annual spend in excess of €200m and a staff of 700. Martina previously worked in six other local authorities including Galway City where she held the position of Director of Services, with a remit of Corporate Services and Community and Enterprise. Martina holds a BA in Public Administration and an MA in Public Management, and is a member of the Institute of Accounting Technicians. She is a member of the Heritage Council and Louth County Enterprise Board.



Jane Williams

Jane Williams was appointed to the Board in April 2006 for a period of five years. The Managing Director of The Sia Group, Jane holds a Business Studies degree from Trinity College and a masters degree in Psychology from Columbia University, New York. Jane is currently undertaking research for a PhD in Gender in Decision-Making at TCD. Jane's career includes two years in international banking with Banque Nationale de Paris, nine years in financial analysis and international marketing and sales with the Industrial Development Authority, both in Dublin and New York, a year with DL Taffner, New York, a TV production and animation company, and eighteen years in business and organisational consultancy with The Sia Group as Managing Director. Jane specialises in strategy, facilitation and training. Jane is a member of the Board of Forfas, the Decentralisation Implementation Group, and a number of private Boards.



Niamh Cahill
Company Secretary

(See page 24)


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graph TD; A["Minister for Communications, Marine and Natural Resources Noel Dempsey, TD"] --- B["Board of EirGrid Chairperson Bernie Gray"]; B --- C["Chief Executive Dermot Byrne"]; C --- D["Operations Fintan Slye"]; C --- E["Grid Development and Commercial Andrew Cooke"]; C --- F["All Island Project Ann Scully"]; C --- G["Corporate Services Tom Greene"]; C --- H["Finance Aidan Skelly"]; C --- I["Legal Niamh Cahill"];
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Minister for Communications, Marine and Natural Resources Noel Dempsey, TD

Board of EirGrid Chairperson Bernie Gray

Chief Executive Dermot Byrne

Operations Fintan Slye

Grid Development and Commercial Andrew Cooke

All Island Project Ann Scully

Corporate Services Tom Greene

Finance Aidan Skelly

Legal Niamh Cahill



Staff members Thibault Servan and Ibrahima Leye at work in the EirGrid offices

Executive Team



Dermot Byrne
Chief Executive

(See Page 19)



Andrew Cooke
Director, Grid Development & Commercial

As EirGrid's Director, Grid Development and Commercial, Andrew is responsible for the planning, development and maintenance of the transmission grid. He also has responsibility for the design and implementation of transmission access and tariff arrangements, and for EirGrid's customer and regulatory relations. Andrew is an electrical engineer with over twenty-five years experience in the areas of transmission system operations and planning, and market design and regulation.



Tom Greene
Director, Corporate Services

Tom Greene leads the team that develops and supports EirGrid's Corporate Services which includes Information Services, Human Resources and Public Relations. An electrical engineer by profession, he worked with ESB prior to joining EirGrid. During his career he has worked in the areas of telecommunications, personnel and power system operation.



Niamh Cahill
Company Secretary / Company Lawyer

Niamh Cahill was appointed Company Secretary of EirGrid in August 2001. Niamh is a qualified Barrister and was called to the Irish Bar 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 for eight years 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.



Ann Scully
Director, All-Island Project

Prior to becoming Director, All Island Project, Ann Scully managed the Market Operations function, which provides a settlement service to the participants in the energy market. This was a new function set up to support the competitive electricity market, which began on 19 February 2000. Prior to setting up the Market Operations function, Ann was the President and CEO of ESBI Alberta Ltd, the Transmission Administrator in Alberta, Canada. An electrical engineer by profession, she also held a number of project and management roles in ESB National Grid.



Aidan Skelly
Chief Financial Officer

Aidan Skelly joined EirGrid as Chief Financial Officer in June 2005. Prior to this he worked as Finance Director with Waterford Stanley for three years. He was previously with Waterford Crystal for fifteen years, during which time he held a number of Finance and Sales and Marketing positions, both in Ireland and in the UK. He is a Commerce graduate of UCD and trained as a Chartered Accountant with PricewaterhouseCoopers, Dublin.

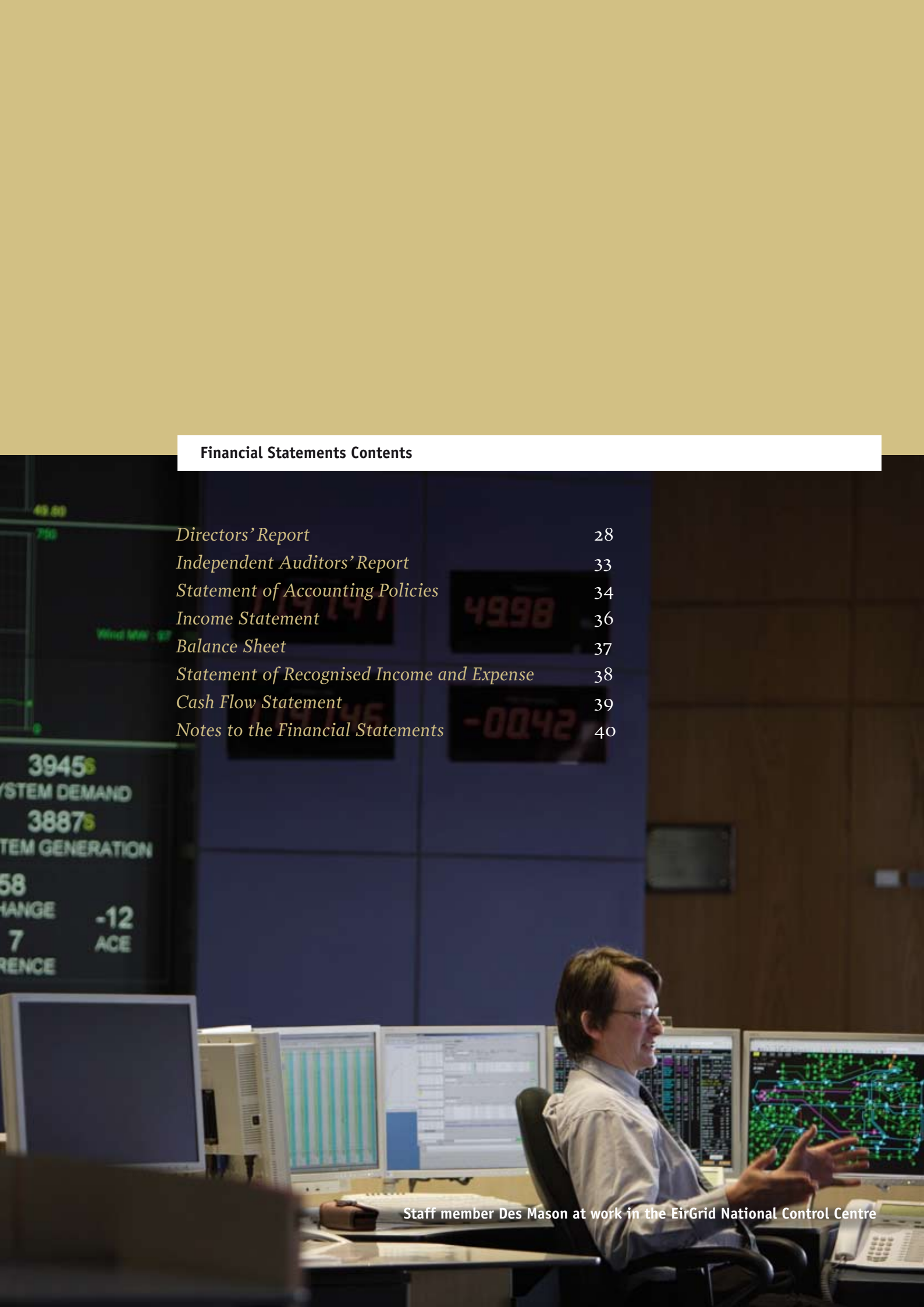


Fintan Slye
Director, Operations

Fintan assumed the position of Operations Director at EirGrid in January 2007. For the previous two years, Fintan worked for McKinsey & Co in its Dublin office. 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.

Financial Statements Contents

<i>Directors' Report</i>	28
<i>Independent Auditors' Report</i>	33
<i>Statement of Accounting Policies</i>	34
<i>Income Statement</i>	36
<i>Balance Sheet</i>	37
<i>Statement of Recognised Income and Expense</i>	38
<i>Cash Flow Statement</i>	39
<i>Notes to the Financial Statements</i>	40



Staff member Des Mason at work in the EirGrid National Control Centre

Directors' Report

The Directors present their Annual Report and the audited financial statements of EirGrid plc for the year ended 31 December 2006.

Principal Activities

EirGrid's principal activities are to deliver quality connection, transmission and market services to generators, suppliers and customers utilising the high voltage electricity system and to put in place the grid infrastructure required to support the development of Ireland's economy. EirGrid is also responsible for the operation of the wholesale electricity market.

Results And Review Of The Business

Details of the financial results of the Company are set out in the Income Statement on page 36 and the related notes.

Commentaries on performance during the year ended 31 December 2006, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Report.

Corporate Governance

EirGrid complies with the Code of Practice for the Governance of State Bodies approved by the Government on 02 October 2001. The code sets out the principles of corporate governance which the Boards of State Bodies are required to observe. EirGrid 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.

EirGrid conforms as far as possible, and on a voluntary basis, with the principles of the Combined Code of Corporate Governance. The Combined Code sets out the principles of Good Governance and a code of Best Practice, and Companies listed on the Irish Stock Exchange are required to report on compliance with all provisions of the Code as part of the listing rules. EirGrid is committed to achieving the highest standards of corporate governance and ethical business conduct and has implemented as appropriate the relevant principles of the Combined Code with the following exceptions:

- EirGrid is accountable to the Minister for Communications, Marine and Natural Resources;
- Appointments to the Board are a matter for Government and accordingly EirGrid does not have a Nomination Committee;
- Board members are appointed by Government and therefore are not subject to re-election to the Board;
- EirGrid's policy in relation to the remuneration of the Chief Executive is in accordance with "Arrangements for determining the remuneration of Chief Executives of Commercial State Bodies under the aegis of the Department of Public Enterprise" issued in July 1999; and
- It is the opinion of the Board that the appointment of a Senior Independent Director would not be appropriate in the context of the membership of the Board.

Principles Of Good Governance

Board Members

The Board consists of a non-executive Chairperson, an executive Director and six non-executive Directors. One of the non-executive Directors is an employee of the Company. All Directors are appointed by the Minister for Communications, Marine and Natural Resources and their terms of office are set out in writing. The names of the Board Members and a short biographical note on each Member are set out on pages 19 to 21.

Attendance at Board Meetings 2006

	Eligible to Attend	Attended
Bernie Gray (Chairperson)	13	13
Dermot Byrne (Chief Executive)	13	13
Eamon Cahill **	3	3
Emer Daly	13	12
William Egerton***	8	8
Maurice Holly *	8	8
Cormac MacDonnchadha ****	1	1
David Mackey	13	9
Martina Moloney	13	12
Eddie O'Kelly **	3	3
Jane Williams ***	8	8

* Maurice Holly absented himself from Board Meetings from 19 July 2006 as he did not transfer to EirGrid on 01 July 2006. He retired from the Board on 07 December 2006.

** Retired from the Board on 19 March 2006.

*** Appointed to the Board on 25 April 2006.

**** Appointed to the Board on 08 December 2006.

The Board

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

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

The Board has a formal schedule of matters specifically reserved to it for decision at the Board Meetings normally held monthly.

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.

Board papers, which include monthly financial statements, are sent to Board members in the week prior to Board Meetings.

The Board conducts an annual review of the effectiveness of the system of internal controls including financial, compliance and risk management.

Attendance at Meetings

There were 13 Board Meetings held during the year ended 31 December 2006. The Board Members' attendances at these Meetings were as set out in the Attendance at Board Meetings 2006 table at the top of this page.

Board Committees in 2006

The Board has an effective committee structure to assist in the discharge of its responsibilities, consisting of three sub committees: an Audit Committee, a Remuneration Committee and a Transition Committee.

The Audit Committee's function is to assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the audit process, compliance with laws and regulations and the Code of Practice for the Governance of State Bodies. The members of the Audit Committee are Emer Daly (Chairperson), William Egerton and Martina Moloney.

The Remuneration Committee, with the consent of the Department of Communications, Marine and Natural Resources and the Department of Finance, determines the level of the Chief Executive's remuneration. The members of the Remuneration Committee are Bernie Gray (Chairperson), David Mackey and Jane Williams.

The Transition Committee was established to assist the Board in fulfilling its responsibilities in relation to the Transfer Scheme in respect of

ESB transferring staff to EirGrid and any associated agreements/arrangements to ensure compliance with the European Communities (Internal Market in Electricity) Regulations, No 445 of 2000 ('SI 445/2000'). The members of the Transition Committee are Martina Moloney (Chairperson), Emer Daly and Jane Williams.

Risk Management

The Company has in place a comprehensive risk management programme that identifies the critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. The Internal Audit Plan is integrated with the risk management programme so as to ensure its overall effectiveness.

Financial Risk Management

As a regulated business, operating in the Republic of Ireland, EirGrid does not have any significant pricing or foreign exchange risks. Also at present the Company does not have any interest rate exposure on borrowings. Adequate security deposits and bonds are in place to manage any credit risk that would result from payment default by a customer.

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

Operational Risk Management

EirGrid is responsible for the secure operation of the national grid. A complete programme is in place to discharge this responsibility. This includes:

- A back-up site for the National Control Centre, which is regularly tested;
- Comprehensive power system operational procedures that are

constantly reviewed and are in line with best international practice; and

- Appropriate grid maintenance standards and policies, supported by a detailed Infrastructure Agreement with ESB as the Transmission Asset Owner.

Internal Controls

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

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

The Board has overall responsibility for the Company's systems of internal financial control and for monitoring their effectiveness and in this regard its objective is to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. These systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. In order to discharge that 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 Company's internal financial control processes are:

- Defined policies and procedures in relation to expenditure and treasury matters;
- Suitable financial reporting on a monthly basis;
- Preparation of and monitoring performance against annual budgets;
- 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;
- The conduct of a risk review process; and
- Procedures to ensure compliance with laws and regulations.

The Company has put in place a framework for monitoring and reviewing the effectiveness of internal financial controls, including the development of a risk management process.

It is also the Company's aim, at all times, to comply with agreed reporting requirements of Government departments as required on a timely and accurate basis.

In 2006, the Board met formally on thirteen occasions. The Board is satisfied that the direction and control of the Company is firmly in its hands.

Since January 2003, the Company has an Internal Audit and Compliance function.

Chief Executive's Remuneration*:

	2006 €'000	2005 €'000
Salary	183	88
Performance related pay	33	20
Taxable benefits	19	9
Pension contributions paid	55	26
Director's Fees	14	5
Total	304	148

*Dermot Byrne was appointed Chief Executive on 01 July 2005.

The Company's annual budget is reviewed and approved by the Board and the Board receives monthly management accounts on a timely basis.

The Directors confirm that they have reviewed the effectiveness of the system of internal financial control operated during the year covered by these financial statements.

Directors' Remuneration

The financial statements include a provision of €118,763 (2005: €106,082) for Chairperson and Directors' fees, in accordance with the Department of Finance approved levels of remuneration for the Chairperson and Board Members of State Bodies. Under the approved remuneration levels, the Chairperson's fees are €24,000 (2005: €15,237) per annum and the Directors' fees are €14,000 (2005: €10,158) each per annum.

The only executive Board Member is the Chief Executive, Mr. Dermot Byrne. The Chief Executive's remuneration is set within a range determined by the Ministers for Finance and for Communications, Marine and Natural

Resources. It is determined annually, by the Remuneration Committee, which comprises non-executive Board Members, and is approved by the Board.

The remuneration of the Chief Executive consists of basic salary, performance related bonus, certain retirement benefits and a company car. In his role as a Board Member the Chief Executive also receives a fee, as determined by the Minister for Communications, Marine and Natural Resources. 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 were €2,379 and €7,137 respectively. The total accrued pension at the end of the year was €3,559 and the total accrued gratuity was €10,677. The transfer value of the relevant increase was €62,105.

Dividends

The Directors of the Company do not propose the payment of a dividend for the year.

Directors' and Secretary's Interest in Shares

Bernie Gray, Dermot Byrne and Niamh Cahill hold one share each on behalf of the Minister for Finance.

One ordinary share is held by the Minister for Communications, Marine and Natural Resources and the remainder of the issued share capital is beneficially held by the Minister for Finance, or on his behalf.

Political Donations

The Company does not make any political donations.

Going Concern

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

Books Of Account

The measures that the Directors have taken to ensure that proper books of account are kept (under Section 202 of the Companies Act, 1990) are the adoption of suitable policies for recording transactions, assets and liabilities, the employment of appropriately qualified staff and the use of computer and documentary systems. The Company's books of account are kept at 27 Lower Fitzwilliam Street, Dublin 2.

Health And Safety

In order to ensure the safety of the Company's staff and that of all persons that may be affected by its activities, a Safety Management System (certified to OHSAS 18001) has been approved and implemented. One of the key components of this Safety Management System is the preparation and issue of a Safety Statement. The Safety Statement, and its compliance with appropriate legislation, is reviewed on a continuous basis.

Auditors

The auditors, Deloitte & Touche, Chartered Accountants, have signified their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Statement Of Directors'

Responsibilities

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

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

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

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial


statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2006 and the Code of Practice for the Governance of State Bodies. 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 information included on the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board:



Bernie Gray
Chairperson



Dermot Byrne
Chief Executive
18 April 2007

Independent Auditors' Report

We have audited the financial statements of EirGrid Plc for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Statement of recognised Income and Expense, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies. This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities the preparation of the financial statements, in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with IFRSs, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether

the information given in the directors' report is consistent with the financial statements.

In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of account.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. The other information comprises only the Director's Report, the Chairperson's Report and the Chief Executive's Report. Our responsibilities do not extend to other information.

Basis of audit opinion

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

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

opinion we evaluated the overall adequacy of the presentation of information in the financial statements. Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs, of the state of affairs of the company as at 31 December 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and its profit and loss account are in agreement with the books of account.

In our opinion the information given in the Annual Report is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2006 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche

Chartered Accountants
and Registered Auditors Dublin
18 April 2007

Statement of Accounting Policies

Basis Of Accounting

EirGrid plc is a Company domiciled in Ireland. These financial statements are for the year ended 31 December 2006. They are prepared under IFRS (International Financial Reporting Standards) as adopted by the EU (IFRS). They are covered by International Financial Reporting Standard (IFRS) 1 "First-time Adoption of IFRS", because they are the Company's first EU IFRS compliant financial statements. They have been prepared in accordance with those EU IFRS and IFRIC interpretations issued and effective as at 31 December 2006.

The Company's financial statements were prepared in accordance with Irish Generally Accepted Accounting Principles (Irish GAAP) until 31 December 2005. These standards differ in some areas from EU IFRS. In preparing the Company's financial statements, certain accounting, valuation and consolidation methods applied previously in the financial statements have been amended to comply with EU IFRS.

The policies set out below have been consistently applied to all years presented.

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:

- IFRS 7: Financial instruments: Disclosures and the related amendments to IAS 1 on capital disclosures
- IFRIC 4: Determining whether an Arrangement contains a Lease
- IFRIC 5: Right to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics
- IFRIC 8: Scope IFRS 2
- IFRIC 9: Reassessment of embedded derivatives
- IFRIC 10: Interim reporting and impairments
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 01 January 2007.

Revenue

Revenue primarily represents the income derived from the provision of electricity transmission services to customers during the year and excludes value added tax. Revenue includes an assessment of services supplied between the date of the last meter reading and the year end and is stated net of value added tax.

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, 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.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign Currencies

The financial statements are expressed in Euro (€).

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each Balance Sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Balance Sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences are recognised in the Income Statement in the period which they arise.

Retirement Benefits

The cost of providing benefits and the liabilities of defined benefit plans are determined, using the projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date.

Current service cost, interest cost and return on plan assets are recognised in the Income Statement. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Recognised Income and Expense. Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise, past service cost is recognised on a straight line basis over the average period until the benefits become vested.

The defined benefit liability recognised in the Balance Sheet represents the present value of the defined benefit obligation less any past service costs not yet recognised and less the fair value of any plan assets. Defined benefit assets are also recognised in the Balance Sheet but are limited to the total of unrecognised past service cost and the present value of available refunds and reductions in future contributions to the plan.

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. The Company's liability for current tax is calculated using tax rates that have been enacted at 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.

Tangible Fixed Assets

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation 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 year 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:

- Motor vehicles and equipment: 5 years
- IT and telecommunications equipment: 3 to 8 years

Expenditure on assets under construction is capitalised and the value is not depreciated until the assets are in use.

The gain or loss arising on the disposal or retirement of a tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The following are the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Review of useful lives of property, plant and equipment;
- Estimation of liabilities for pension and other post-retirement costs; and
- Revenue recognition and assessment of unbilled revenue.

Income Statement For The Year Ended 31 December 2006

	Notes	2006 € '000	2005 € '000
Revenue	2	139,913	6,695
Direct costs		(103,647)	-
Gross Profit		36,266	6,695
Other operating costs	4	(23,700)	(6,660)
Operating profit		12,566	35
Interest Income		904	52
Profit before taxation	6	13,470	87
Income tax expense	7	(1,976)	(34)
Profit for the year from continuing operations		11,494	53

On behalf of the Board:

Bernie Gray
Chairperson
18 April 2007

Dermot Byrne
Chief Executive

Balance Sheet as at 31 December 2006

	Notes	2006 € '000	2005 € '000
Assets			
Non-current assets			
Property, plant & equipment	8	29,337	9
Deferred tax asset	7	2,526	183
Total non-current assets		31,863	192
Current assets			
Trade and other receivables	9	72,665	2,643
Cash and bank balances	13	63,758	2,390
Total current assets		136,423	5,033
Total assets		168,286	5,225
Equity and Liabilities			
Capital and reserves			
Issued share capital	11	38	38
Capital reserve	16	49,182	-
Retained earnings	12	11,493	-
Total equity		60,713	38
Non-current liabilities			
Retirement benefit obligation	15	20,962	36
Total non-current liabilities		20,962	36
Current liabilities			
Trade and other payables	10	86,611	5,151
Total current liabilities		86,611	5,151
Total liabilities		107,573	5,187
Total equity and liabilities		168,286	5,225

On behalf of the Board:

Bernie Gray
Chairperson
18 April 2007

Dermot Byrne
Chief Executive

Statement Of Recognised Income And Expense For The Year Ended 31 December 2006

	Notes	2006 € '000	2005 € '000
Actuarial gain/(loss) in retirement benefit scheme	15	7	(108)
Deferred tax attributable to actuarial (loss)/gain		(8)	14
Net expense recognised directly in equity		(1)	(94)
Prior year adjustment		-	8
Profit for the financial year		11,494	53
Total recognised income and expense for the year		11,493	(33)

Cash Flow Statement For The Year Ended 31 December 2006

	Notes	2006 € '000	2005 € '000
Cash flows from operating activities			
Profit for the year		13,470	87
Depreciation of property, plant and equipment	8	2,193	11
Interest income		(904)	(52)
Pension charge		(1,698)	(555)
Pension contributions paid		933	534
		13,994	25
Movements in working capital			
(Increase) in trade and other receivables		(70,022)	(2,600)
Increase/(decrease) in trade and other payables		81,456	(1,040)
		25,428	(3,615)
Cash generated from operations			
Income taxes paid		(274)	(101)
		25,154	(3,716)
Net cash generated by/(used in) operating activities			
Cash flows from investing activities			
Interest received		771	44
Purchase of non-current assets	8	(14,051)	-
Proceeds from disposal of non-current assets		-	18
		(13,280)	62
Net cash (used in)/generated by investing activities			
Cash flows from financing activities			
Capital introduced	16	49,494	-
		49,494	-
Net cash generated by financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 01 January	13	2,390	6,044
Cash and cash equivalents at 31 December		63,758	2,390

Notes To The Financial Statements

1. General Information

EirGrid plc 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. EirGrid is licenced by the Commission for Energy Regulation as the Transmission System Operator in Ireland. The registered office of the Company is 27 Lower Fitzwilliam Street, Dublin 2.

2. Revenue

Revenue by geographic market	2006 €'000	2005 €'000
Ireland	136,747	6,695
UK	3,166	-
Total	139,913	6,695

3. Employees

The average number of persons employed by the Company during the financial year was 124 (2005: 72), excluding staff engaged on capital projects. The total number of persons employed at 31 December 2006 was 183 (2005: 74).

Their total remuneration, including executive Directors' salaries, comprised:

	2006 € '000	2005 € '000
Wages and salaries	9,564	4,447
Social Welfare costs	623	443
Pension costs	1,698	570
Total	11,885	5,460

Included within the average number of employees is staff seconded from ESB. The charge for the year for the seconded staff was €1.8m (2005: nil) and it is included within the wages and salaries figure above.

4. Other Operating Costs

	2006 €'000	2005 €'000
Employee costs (note 3)	11,885	5,460
Depreciation of non-current assets	2,193	11
Operations and maintenance	9,622	1,189
Total	23,700	6,660

5. Public Service Obligation Levy

The Public Service Obligation (PSO) Levy is an additional charge, determined by the CER, relating to the costs to ESB of purchasing peat-generated electricity and the output of renewable, sustainable or alternative forms of energy purchased under various Government schemes. ESB is obliged by Government to make these purchases in the interests of security of supply and environmental protection. The costs recovered through the levy equate to the additional costs of these purchases over and above the cost of electricity purchased at a market price.

All electricity supply companies are obliged to collect this charge from their customers. EirGrid, in turn, collects the charge from the electricity supply companies and passes it to ESB. As the income received from the customers equates to the charge from ESB (except for an administration charge), the income and related cost are not included in revenue and direct costs in the Income Statement. The administration charge is included in other operating costs in the Income Statement.

	2006	2005
	€ '000	€ '000
PSO income	30,345	-
PSO levy	(30,339)	-
Administration charge	6	-

6. Profit for the financial year

The profit for the financial year is stated after charging the following:

	2006	2005
	€ '000	€ '000
Depreciation	2,193	11
Directors' remuneration		
- fees	119	68
- other emoluments	304	186
Auditors' remuneration	40	3
Operating lease rentals	60	66

Notes To The Financial Statements

7. Tax on Profit on Ordinary Activities

	2006 € '000	2005 € '000
Charge to Income Statement:		
Current tax expense		
Current tax	1,787	97
Prior year under provision	1	5
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	188	(68)
Total charge to Income Statement	1,976	34
Charge/(credit) to Statement of Recognised Income and Expense:		
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	8	(3)
Total	1,984	31

	2006 € '000	2005 € '000
Reconciliation of effective tax rate to standard tax rate:		
Profit before taxation	13,470	87
Taxation at standard rate of 12.5% (2005: 12.5%)	1,684	11
Effect of:		
Income at higher tax rate	111	-
Originating temporary differences	(64)	68
Reversing temporary differences	(125)	-
Permanent timing differences	181	18
Current tax charge	1,787	97

The expected standard tax rate from 01 January 2007 is 12.5%.

	2006 € '000	2005 € '000
Reconciliation of deferred tax asset:		
Opening deferred tax asset	183	107
Deferred tax asset on pension obligation transferred (note 16)	2,540	-
Movement in originating timing differences on capital allowances	(141)	-
Movement on originating and reversing timing differences on pension charges	(56)	76
Closing deferred tax asset	2,526	183

8. Property, Plant & Equipment

	Motor vehicles & equipment	IT & telecommunications equipment	Assets under construction*	Total
	€ '000	€ '000	€ '000	€ '000
Cost				
Balance as at 01 January 2005	75	-	-	75
Additions	-	-	-	-
Disposals	(37)	-	-	(37)
Balance as at 31 December 2005	38	-	-	38
Assets transferred **	42	15,862	1,566	17,470
Additions	-	138	13,913	14,051
Disposals	-	-	-	-
Balance as at 31 December 2006	80	16,000	15,479	31,559
Depreciation				
Balance as at 01 January 2005	38	-	-	38
Charge	11	-	-	11
Disposals	(20)	-	-	(20)
Balance as at 31 December 2005	29	-	-	29
Charge	11	2,182	-	2,193
Disposals	-	-	-	-
Balance as at 31 December 2006	40	2,182	-	2,222
Net Book Value as at 31 December 2006	40	13,818	15,479	29,337
Net Book Value as at 31 December 2005	9	-	-	9
Net Book Value as at 01 January 2005	37	-	-	37

* Assets under construction include an amount of €13.4m for the Single Electricity Market. This expenditure relates largely to IT software and associated consultancy costs and represents 75% of the total expenditure on this project. The remaining 25% of the cost is borne by SONI, with whom there is an agreement in place for the development of the Single Electricity Market.

** Assets transferred represents assets which were transferred to the Company as part of the EirGrid capitalisation process. These assets were taken on at the market value as at 01 July 2006. See note 16 for further details.

Notes To The Financial Statements

9. Trade and Other Receivables

	2006	2005
	€'000	€'000
Trade receivables	2,603	2,607
Prepayments and accrued income	6,193	36
Unbilled receivables	60,810	-
VAT recoverable	830	-
Other receivables	2,229	-
	<u>72,665</u>	<u>2,643</u>

Unbilled receivables consists of income for the months of November and December 2006 which, in compliance with the regulatory timetable, had not been billed as at 31 December 2006. Included in this amount is €10m (2005: nil) for PSO income for December 2006 (see note 5).

10. Trade and Other Payables

	2006	2005
	€'000	€'000
Trade payables	25,805	1
Accruals	58,763	4,555
Taxation and Social Welfare	2,043	595
	<u>86,611</u>	<u>5,151</u>

Taxation and Social Welfare comprises of the following:

Corporation tax	1,301	23
PAYE/PRSI	742	130
VAT	-	442
	<u>2,043</u>	<u>595</u>

The greater part of the trade payables balance relates to the charge payable to ESB as Transmission Asset Owner. Accruals consists mainly of the direct costs of running the transmission system for the months of November and December 2006 for which invoices had not been received as at 31 December 2006. Included in this amount is €15m (2005: nil) for PSO levy for December 2006 (see note 5).

11. Issued Share Capital

	2006	2005
	€'000	€'000
Authorised:		
30,000 ordinary shares of €1.25 each	<u>38</u>	<u>38</u>
Allotted, called-up and fully paid:		
30,000 Ordinary shares of €1.25 each	<u>38</u>	<u>38</u>

12. Retained Earnings

	2006	2005
	€'000	€'000
Balance at beginning of year	-	41
Profit for the year	11,494	53
Actuarial gain/(loss) (note 15)	7	(107)
Deferred tax on actuarial loss	(8)	13
Balance at end of year	<u>11,493</u>	<u>-</u>

13. Cash and Cash Equivalents

	2006	2005
	€'000	€'000
Cash at bank and in hand	<u>63,758</u>	<u>2,390</u>

Approximately 90% of the cash balance is held in fixed term deposit accounts.

14. Commitments and Contingencies

Operating leases

Amounts due on operating leases, which are in respect of the Company's vehicle fleet, are as follows:

	2006	2005
	€'000	€'000
Within one year	77	52
Between two and five years	112	80
	<u>189</u>	<u>132</u>

Capital commitments

Expenditure contracted for not provided for in the financial statements, relating to the Single Electricity Market:

	2006	2005
	€'000	€'000
Total	<u>25,600</u>	<u>-</u>

Notes To The Financial Statements

15. Pension Commitments

The Company operates a defined benefit pension plan for employees and executive Directors. In addition, employees who transferred from ESB as part of the transfer scheme (see note 16), can continue to be members of the ESB Superannuation Fund for which the Company is an attached employer. The contribution made in respect of the current year into the plan was €1.087m (2005: €0.543m).

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2006 under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The following table sets out the reconciliation of the amounts included in the Balance Sheet in respect of the defined benefit pension plans:

	2006	2005
	€'000	€'000
Present value of funded defined pension obligations	39,149	1,969
Fair value of plan assets	18,187	1,933
Net liability before deferred tax	20,962	36
Deferred tax on net pension obligation	(2,613)	(4)
Net liability after deferred tax	18,349	32

The amounts recognised in the Income Statement are as follows:

	2006	2005
	€'000	€'000
Current service cost	1,271	534
Interest cost	884	55
Expected return on plan assets	(457)	(34)
Amount included in other operating costs	1,698	555

The amounts recognised in the Statement of Recognised Income and Expense are as follows:

	2006	2005
	€'000	€'000
Actuarial (gains)/losses	(7)	107
Amount included in Statement of Recognised Income and Expense	(7)	107

The following table sets out the movement in the defined benefit obligation from the prior to the current valuation date:

	2006	2005
	€'000	€'000
Opening defined benefit obligation	1,969	1,103
Current service cost including employee contributions	1,809	723
Interest cost	884	55
Actuarial losses	1,164	97
Benefits paid	(342)	(9)
Liabilities assumed on employee transfer (note 16)	33,665	-
Closing defined benefit obligation	<u>39,149</u>	<u>1,969</u>

The following table sets out the movement in the fair value of the plan assets from the prior to the current valuation date:

	2006	2005
	€'000	€'000
Opening fair value of plan assets	1,933	1,150
Expected return on plan assets	457	34
Gains/(losses) on plan assets	1,171	(10)
Employer contributions	1,087	579
Employee contributions	538	189
Benefits paid	(342)	(9)
Assets assumed on employee transfer (note 16)	13,343	-
Closing fair value of plan assets	<u>18,187</u>	<u>1,933</u>

Notes To The Financial Statements

15. Pension Commitments (continued)

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

	2006	2005
Valuation method	Projected Unit	Projected Unit
Discount rate	4.75%	4.50%
State pension increase	4.00%	3.50%
Salary increases	4.00% plus scale	3.50% plus scale
Pension increases	4.00%	3.50%
Inflation	2.50%	2.00%
Mortality Table	PXA 92 (C2020)	PXA 80 (C2020)

The fair value of the plan assets in the pension fund and the expected rate of return at the end of the year are:

	Expected Return		Fair Value	
	2006	2005	2006	2005
	%	%	€'000	€'000
Equities	7.00%	n/a	14,006	-
Government Bonds	3.75%	n/a	1,557	-
Corporate Bonds	4.50%	n/a	-	-
Property	6.00%	n/a	1,970	-
Cash	3.00%	2.25%	654	1,933
Fair value of plan assets			18,187	1,933

16. Capital Reserve

In accordance with Regulation 13 of SI 445 of European Communities (Internal Market in Electricity) Regulations 2000, as amended by SI 60 of European Communities (Internal Market in Electricity) Regulations 2005 ('SI 445'), EirGrid and ESB entered into a Transfer Scheme dated 01 July 2006. Under the terms of the Transfer Scheme EirGrid received a capitalisation payment from ESB in the amount of €67m, consisting of assets with a value of €17.5m and cash of €49.5m.

Under the Transfer Scheme certain members of ESB staff transferred their employment to EirGrid and, in accordance with Regulation 17(13) of SI 445, EirGrid assumed responsibility for the pension entitlements of these transferring employees. Using the assumptions outlined in note 15, EirGrid's actuary valued the liabilities transferred to the EirGrid Fund at €33.7m, consistent with the methodology specified in IAS 19 'Employee Benefits'. Regulation 17(13) of SI 445 also specified the basis on which assets would be transferred from the ESB Pension Fund to the EirGrid Pension Fund. The value of the assets transferred was €13.3m. A deferred tax asset of €2.5m arose on the net pension obligation transferred.

Reconciliation of the capital reserve:

	2006	2005
	€'000	€'000
Opening balance	-	-
Capitalisation payment received from ESB:		
Cash	49,494	-
Property, plant and equipment (note 8)	17,470	-
	<u>66,964</u>	-
Pension obligation transferred	(33,665)	-
Fair value of pension plan assets transferred	13,343	-
Deferred tax asset on pension obligation transferred	2,540	-
	<u>49,182</u>	-
Closing balance	<u>49,182</u>	-

Notes To The Financial Statements

17. Financial Risk Management

The Company does not use complex financial instruments within the business.

The key financial risk that the Company is exposed to relates to liquidity and capital risk both arising from day to day operations and from key capital expenditure projects.

The Company 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 through internal budgeting and monitoring of variances. The Company has negotiated stand-by facilities with external banks to support cash flow projections and requirements.

For capital expenditure, the Company has in place key expenditure approval processes and project management and cost centre analysis to monitor and manage expenditure.

18. Related Party Transactions

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

EirGrid plc is a limited Company established pursuant to S.I. No. 445 of 2000 – European Communities (Internal Market in Electricity) Regulations, 2000.

An Infrastructure Agreement is in place between EirGrid plc and ESB under the auspices of the Commission for Energy Regulation, in relation to the roles of owner and operator of the transmission system. During the year payments were made to ESB under this Agreement as follows:

	2006	2005
	€'000	€'000
Transmission Asset Owner charge	56,227	-
Connection contributions	7,996	-
	<u>64,223</u>	<u>-</u>

At 31 December 2006 a total of €25.3m (2005: nil) was payable to ESB under this Agreement.

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

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

	2006	2005
	€'000	€'000
Short-term benefits	790	229
Post-employment benefits	124	37
	<u>914</u>	<u>266</u>

19. Basis of transition to International Financial Reporting Standards as adopted by the EU (EU IFRS)

The financial statements for the year ended 31 December 2006 are the first annual financial statements that comply with EU IFRS. The Company has applied IFRS 1 in preparing the year end financial statements. The transition date for the Company is 01 January 2005. This is the date to which the opening Balance Sheet has been prepared.

In preparing the opening EU IFRS position, the Balance Sheet and Income Statement as previously reported in accordance with Irish GAAP have been adjusted. An explanation of how the transition from GAAP to EU IFRS has affected previously reported amounts is set out in the following tables.

Reconciliation of Balance Sheet as at 01 January 2006

	Effect of Transition to		
	GAAP €'000	EU IFRS €'000	EU IFRS €'000
Assets			
Non-current assets			
Property, plant & equipment	9	-	9
Total non-current assets	9	-	9
Current assets			
Trade and other receivables	2,821	4	2,825
Cash and bank balances	2,390	-	2,390
Total current assets	5,211	4	5,215
Total assets	5,220	4	5,224
Equity and liabilities			
Capital and reserves			
Issued share capital	38	-	38
Capital reserve	-	-	-
Retained earnings	-	-	-
Total equity	38	-	38
Non-current liabilities			
Retirement benefit obligation	32	4	36
Total non-current liabilities	32	4	36

Notes To The Financial Statements

	Effect of Transition to		
	GAAP €'000	EU IFRS €'000	EU IFRS €'000
Current Liabilities			
Trade and other payables	5,150	-	5,150
Total current liabilities	5,150	-	5,150
Total liabilities	5,182	4	5,186
Total equity and liabilities	5,220	4	5,224

Reconciliation of Income Statement for the year ended 31 December 2005

Revenue	6,695	-	6,695
Direct costs	-	-	-
Gross profit	6,695	-	6,695
Other operating costs	(6,640)	(20)	(6,660)
Operating profit	55	(20)	35
Interest income	52	-	52
Interest cost and other financing charges	(20)	20	-
Net interest cost and other financing charges	32	20	52
Profit before taxation	87	-	87
Income tax expense	(34)	-	(34)
Profit for the year from continuing operations	53	-	53

Under IAS 19 'Employee Benefits', any deferred tax asset arising on the pension obligation is required to be shown separately and not netted against the liability as permitted under GAAP. A deferred tax asset has been reclassified in the Balance Sheet. Finance costs, which were required to be shown separately in the Income Statement under GAAP, are included in other operating costs under IAS 19. There are no significant adjustments to the Cash Flow Statement under IAS as compared to that presented under previous GAAP.

20. Approval Of Accounts

The Board approved the accounts on 18 April 2007.

Glossary

Ancillary Services Services, other than the production of energy, which are used to ensure the safe and secure operation of the power system.

Bilateral market The model of wholesale electricity market in the Republic of Ireland until November 2007.

Capacity The maximum continuous power capability of a system or a piece of equipment, measured in megawatts (MW) or megavolt-amperes (MVA).

Constraint costs Payments made when the secure operation of the system requires changes to be imposed on the market based schedules of generators.

CCGT Combined Cycle Gas Turbine.

CER Commission for Energy Regulation – the regulatory authority for gas and electricity in the Republic of Ireland.

Demand The quantity of electricity needed or consumed, measured in megawatts (MW) or kilowatts (kW).

Demand Customer A customer connected, or in the process of connecting, to the electricity system for the purpose of utilising electricity. In the case of the transmission system these are typically large industrial customers.

Distribution System The low and medium voltage electricity network.

Generator A customer connected, or in the process of connecting, to the electricity system for the purpose of producing electricity.

Grid Code The “rules of the road” for all parties connecting to or using the power system.

GWh Giga Watt Hour – 1 million kilowatt hours (kWh).

Interconnector An electrical line or cable, and associated equipment that connects the transmission system of one jurisdiction with another.

kV Kilo Volt(s) 1,000 volts – a volt is the unit of electrical potential difference or electromotive force.

kW Kilo Watt(s) 1,000 watts – a watt is the unit of electrical power.

kWh Kilo Watt Hour – one kW used for one hour.

MW Mega Watt(s). Unit of 1 million watts.

NCC EirGrid’s National Control Centre, which controls the operation of the transmission system and dispatches generation in real time.

Renewable energy Energy supplied by sources that can be naturally and continually replenished, such as wind power, hydro-electric power and biomass.

SEM Single Electricity Market – the new wholesale electricity market which will integrate the markets in Northern Ireland and Ireland.

Suppliers Participants in the electricity market who purchase power from generators and sell power to demand customers and other end-users.

SMO System Market Operator - The organisation, a joint venture between EirGrid and SONI, which will run the new Single Electricity Market.

SONI S.O.N.I. Ltd is the transmission system operator for Northern Ireland.

TSO Transmission System Operator. In Ireland the TSO is EirGrid, which is responsible for the planning, development, operation and maintenance of the transmission system.

TUoS Tariffs Transmission Use of System Tariffs. The charges paid by generators and demand customers for the use of the transmission system.




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