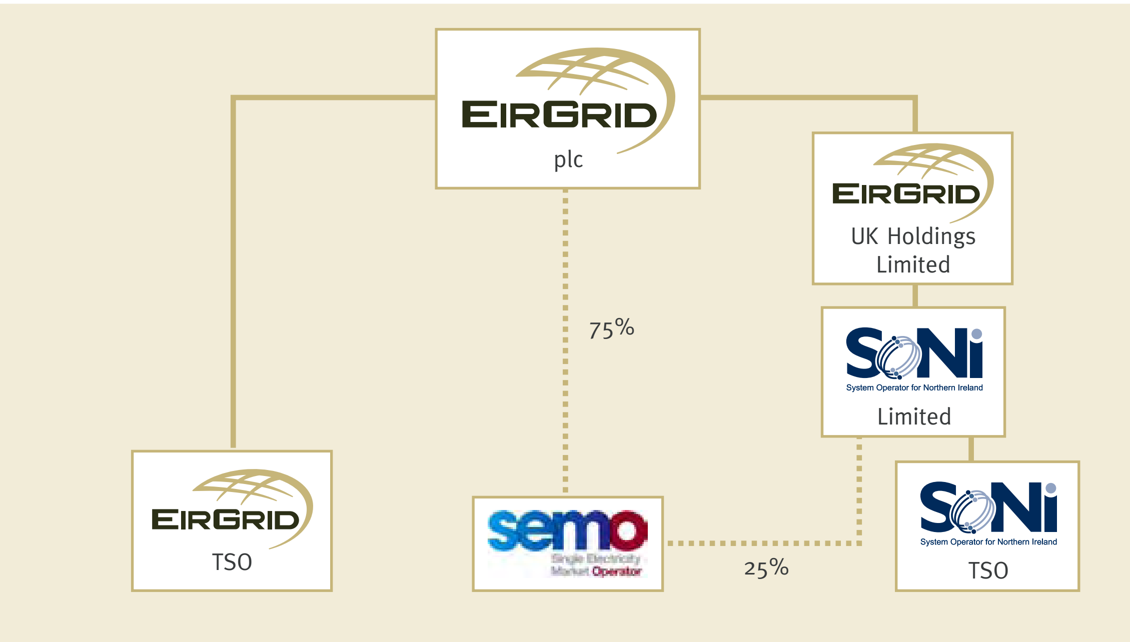
EirGrid plc Annual Report 2009

Investing for the Future

GROUP OPERATING STRUCTURE



EirGrid plc is a leading energy company committed to delivering high quality services in Ireland and Northern Ireland. The Group includes the EirGrid Transmission System Operator (TSO) business in Ireland; System Operator Northern Ireland (SONI), the licenced TSO in Northern Ireland; and the Single Electricity Market Operator (SEMO) which operates the Single Electricity Market on the island of Ireland.

Cover: EirGrid's East-West Interconnector will connect the Irish power system to the electricity grid in Britain through undersea and underground cables and have a capacity of 500 Megawatts (MW). Pictured here is the Marine Survey Vessel that determined the feasible marine route for the 185km High Voltage Direct Current (HVDC) submarine cable across the Irish Sea. This infrastructure will enable two-way transmission of electricity and is vital to the development of Ireland's economy and energy security and will facilitate the achievement of national renewable energy targets.

CONTENTS

CHAIRPERSON'S REPORT

I am pleased to present EirGrid's Annual Report for the 12 months ended 30 September 2009, a period of challenge and major change in the economy, but a year in which EirGrid's work has never been more crucial.

This annual report is the first covering the activities of the Transmission System Operator businesses in two jurisdictions, Northern Ireland and Ireland, as well as the Single Electricity Market Operator business across the island. This follows the completion of the acquisition of System Operator Northern Ireland (SONI) Limited in the early part of the year, a development which will bring practical benefits and value to consumers North and South.

The effects of the deep economic recession experienced since 2008 has been seen in our business, as in many others. Demand for electricity and the performance of the economy are closely connected and the fall in power demand reflected the effect of the downturn on businesses, farm enterprises and households. Demand for electricity fell in 2009 in Northern Ireland and Ireland.

However, EirGrid's analysis published during the year indicates that demand will recover to 2008 levels within five years. It is critical to have reliable, sustainable and competitive power supplies to ensure that growth recovers and is sustained. In this regard, it is important that the transmission system be redeveloped to ensure secure, renewable, competitive supplies. This will need investment, but most of all it needs public understanding and support, so that projects can be delivered across Ireland in a timely fashion and to enable Ireland to utilise its rich renewable energy resources. EirGrid will continue to work to deliver this platform through Grid**25** in the coming and subsequent years.

The critical nature of our work in developing interconnection and strengthening the grid has been underlined in Government documents "Building Ireland's Smart Economy" and "Developing the Smart Economy in Ireland". Government policy in relation to the transfer of transmission assets to EirGrid was also highlighted during the year with the appointment of Mr Fergus Cahill to chair the transfer process and we look forward to working with him in progressing this during 2010.

I wish to express my sincere gratitude to all of the members of the Board for their unstinting commitment and work during the year. Two new additional Board Members, Dr Joan Smyth and Mr Richard Sterling, were appointed during 2009, reflecting the group's growing responsibilities in the energy sector, in Northern Ireland and Ireland.

I thank the Minister for Communications, Energy and Natural Resources, Eamon Ryan TD, for his continued strong support and that of his officials during the year.

While the last year has been difficult for all, I would in particular like to commend the staff and management of EirGrid for the manner of their responses to the many challenges we faced in 2009, ensuring another successful year for the company.

I have no doubt that 2010 will prove equally challenging but I look forward to working with the Board, management and staff of EirGrid in continuing delivery of reliable, secure and efficient transmission and market operations, while improving service to customers, and thereby facilitating Ireland's capacity to recover and compete.

Bernie Gray

Bernie Gray
16 December 2009

It is critical to have reliable, sustainable and competitive power supplies to ensure that growth recovers and is sustained. In this regard, it is important that the transmission system be redeveloped to ensure secure, renewable, competitive supplies.

CHIEF EXECUTIVE'S REPORT

Overview

2009 has been one of the most difficult years ever for the economies in which EirGrid operates, and for our customers and stakeholders. Reflecting the economic downturn, the demand for electricity fell by 3.69% in Northern Ireland and by more than 5.5% in Ireland. Apart from a small decline of 1.7% in 1980/81, such levels of demand reduction have only ever been experienced in the early 1940s, and then due to supply problems rather than underlying customer demand.

In EirGrid, our immediate response, as the full scale of the recession became evident, was to focus on tightly controlling our costs and to work with the regulatory authorities in minimising the impact on unit tariffs. However we also recognise that developing the electricity transmission infrastructure – the backbone of the entire power system – is essential, in order to provide a solid platform for economic recovery and regional development and to facilitate the connection and operation of increasing amounts of renewable generation capacity. Significant progress was made in 2009 in communicating our Grid**25** strategy to stakeholders across Ireland, in developing a detailed implementation plan for Grid**25**, and in progressing those transmission investment projects that are of strategic national importance – the East-West Interconnector that will link the transmission grids of Ireland and Great Britain, and the new North-South Interconnector that will strengthen and underpin the Single Electricity Market across the island of Ireland.

At a corporate level, the acquisition of SONI Limited, the System Operator for Northern Ireland, was completed in March 2009. This transaction effectively transforms EirGrid into a group of businesses – EirGrid TSO, SONI TSO and SEMO – involved in transmission and market operations in Ireland, Northern Ireland, and across the island. Organisational and structural changes took place to reflect this: the Board was strengthened with the addition of two new members, Dr Joan Smyth and Mr Richard Sterling, and Sean Mc Goldrick and Robin McCormick were appointed to the Executive Leadership Team as Executive Directors.

In a review of our Corporate Strategy during the year, the Board re-affirmed its determination to develop EirGrid as a great company, great to do business with, a great place to work and an authoritative independent voice in the industry.

In response to fundamental changes in the economic environment, to the major challenges facing the energy sector posed by climate change and reliance on imported fossil fuels, and to the enlargement of EirGrid's responsibilities to encompass customers and stakeholders across the island, our revised corporate strategy sets out four priorities: Optimising Performance and Competitiveness, Investing for the Future, Influencing at Home and Abroad, all the while Delivering on our Core Remit in our Transmission Operation and Market Operation Businesses and to our customers.

The challenges across the group are to continue to improve our operations, to deliver on a challenging programme of connecting renewable and conventional power generation, to continue to operate the system and power market efficiently reliably and securely, and to plan and develop vital infrastructure.

System Operations

Security of supply standards were met throughout the period, and there was no disruption to supplies in either Ireland or Northern Ireland at any point due to shortages in generation capacity. Capacity margins were higher than normal during the year, due in large part to the decline in system demand and to an overall improvement in the availability performance of the generation portfolio. In Ireland generation availability improved from 79% to

85% on a rolling 52-week basis, while in Northern Ireland availability rose from 82.2% in 2008 to 85.4% in 2009.

Critical to the safe, secure and efficient operation of the power systems in Ireland and Northern Ireland are having the appropriate facilities and tools, and having the right highly skilled and experienced staff. This is supported by high availability on the mission critical systems. During 2009 both EirGrid and SONI completed major investments in their control centres in Dublin and Belfast to ensure that, as system operation gets progressively more complex with increasing quantities of intermittent renewable generation, our engineers have the necessary state of the art controls and decision support tools at their disposal – the 'Smart Grid' in action!

Also during the year our engineers underwent a major training exercise in the restoration of the power system from blackout, using realistic blackout scenarios implemented on our Dispatcher Training Simulator.

Grid Development

In 2008 our strategy for developing Ireland's transmission infrastructure – Grid**25** – was launched. During 2009 a total of nine major regional stakeholder meetings were held at various locations, to communicate the key elements of the strategy and the importance of developing the grid to facilitate economic growth, regional development and facilitation of renewables. In parallel a detailed Implementation Plan was developed during the year, and work is ongoing on the various workstreams identified in the plan. Of particular importance is the technology workstream, which has identified an appropriate technology for the upgrading of existing transmission infrastructure at a fraction of previous costs and with considerably less disruption.

Significant progress was made on the Meath Tyrone 400kV Interconnection project, which is strategically important in strengthening the all-island transmission networks, in underpinning the Single Electricity Market (SEM), and in ensuring a reliable electricity supply to homes, farms and businesses in Ireland's North-East region. Following extensive consultation, a preferred route for further study was announced in April 2009, and an application for planning permission was submitted to the Strategic Infrastructure Board of An Bord Pleanála in December. Northern Ireland Electricity (NIE), joint developers of the project with EirGrid, also submitted for planning to the Northern Ireland authorities in December.

A number of major milestones in EirGrid's East-West Interconnector Project were achieved in 2009. Following Government approval, an Engineering Procurement Construction (EPC) contract for the design and construction of the 500MW HVDC Interconnector was awarded to ABB, who have extensive experience in delivering such projects. Planning consents were received from the Irish and Welsh planning authorities – in Ireland this followed a three day oral hearing conducted by An Bord Pleanála in May. An EU grant of €110m was secured by the Irish Government for the interconnector as part of EU's EEPR programme, subject to due

CHIEF EXECUTIVE'S REPORT

diligence of the project by the EU authorities. This process is well underway and a final decision is expected in Q1 2010. In addition to the grant, the funding strategy also includes up to 50% funding from the European Investment Bank (EIB), and a financing agreement to this effect has been put in place. The project is on target for cable manufacture to commence in Q1 2010 and for commissioning in 2012.

At the end of the year, delivery of network infrastructure was ahead of target. Significant project completions included the connections for the new ESB and BGE CCGT generation plants, both in Cork, and the connection for the Coomacheo windfarm. A new distribution 110kV station, Singland, was connected and the refurbishment of the two Aghada-Knockraha 220kV lines was completed. The 110kV side of Srananagh 220kV station, including the five 110kV line connections, was energised. A number of planning permissions were achieved including the planning consents necessary for completion of the Aghada – Raffeen 220kV circuit in Cork.

Single Electricity Market Operator (SEMO)

During the period scheduling, pricing, settlement, invoicing and funds transfer activities all occurred materially on time and the market remained fully collateralised. The first Independent Market Audit covering the 14 month period from 01 November 2007 to 31 December 2008 was completed by Deloitte in March 2009. As required under the Trading and Settlement Code, the Market Auditor (Deloitte) was appointed by the Regulatory Authorities and the Terms of Reference for the Market Audit were issued by the Regulatory Authorities on 5 October 2007. The Market Audit Report issued by Deloitte to the Regulatory Authorities and Parties to the Code was unqualified, reporting that there were no material instances of non compliance with the relevant sections of the Trading and Settlement Code and Agreed Procedures. This was a very good result for SEMO and for its stakeholders.

The Single Electricity Market (SEM) is the wholesale electricity market operating in Ireland and Northern Ireland. As a gross mandatory pool physical market operating with dual currencies and in multiple jurisdictions the SEM represents the first market of its kind in the world. The market encompasses approximately 2.5 million electricity consumers, 1.8 million in Ireland and 0.7 million in Northern Ireland.

During its second financial tariff period 01 October 2008 to 30 September 2009, the market operated in line with expectations and prices have been reflective of supply and demand and the reduction in international fuel prices, particularly gas. The performance of SEMO central market systems was satisfactory with high levels of availability throughout the year.

This year, SEMO oversaw the processing of energy invoicing and settlement totalling approximately €1.968 billion in addition to processing capacity settlement totalling approximately €595 million. SEMO publishes market prices on a half-hourly basis every day of the year through its web-based market systems.

Renewables

Irish Government targets for renewable energy are: 15% of electricity supply by the end of 2010 and 40% by 2020. A similar 40% target is expected to be adopted as part of Northern Ireland's Strategic Energy Framework. EirGrid and SONI have critical roles in ensuring that these targets are delivered. Challenges relate to the physical connection of very large amounts of wind capacity to the grid, to the reliable 24/7 operation of a power system with increasing amounts of intermittent generation, and to providing the grid infrastructure needed to bring renewable energy from where it is generated to where it is consumed.

To address these challenges we in EirGrid and in SONI have set ourselves the goal of being a 'World Leader' in the facilitation of renewable energy onto the power system. Through robust analysis, strategic planning and innovation we are making significant progress towards achieving this goal, and this gives us the confidence – insofar as EirGrid can influence the outcome – that the Government targets will be met. An example of the robust analysis is the ground-breaking 'Facilitation of Renewables' study, which will identify the system stability and other technical challenges facing us and will identify what we have to do to overcome those challenges. This study is well underway and will report in early 2010. In Grid**25**, we took a strategic approach to the planning of future grid development. Examples of innovation are the Gate 3 group processing methodology and the identification of a particular type of High-Temperature-Low-Sag (HTLS) conductor for the upgrading of a significant portion of the existing overhead transmission network.

At the end of 2009 there was a total of 1562MW of wind generation capacity connected to the networks on the island, accounting for 14.1% of total capacity.

Financial Performance

The financial performance of the Group during the year was satisfactory and significant capital investments continued to be made, particularly with respect to the East-West Interconnector project.

EirGrid's revenue for the year to 30 September 2009 was €410.7m, compared to €282.7m for the nine months to 30 September 2008. The increase in underlying revenue was largely due to the acquisition of SONI on 11 March 2009. As EirGrid's revenue is primarily derived from regulated tariffs based on use of the transmission system, this increase was partially offset by the effects of the deep economic recession experienced since 2008, which has had a negative impact on the demand for electricity.

The operating profit of €9.4m for the year to 30 September 2009 compares to an operating profit of €8.6m for the nine months to 30 September 2008.

Further financial details are provided in the Financial Review and in the audited accounts.

Our People

EirGrid continued to have a very intensive focus on engaging our staff in the business in conjunction with our Partnership Group. After the completion of a very comprehensive process around staff competencies and behaviours last year, we launched the very successful staff training and development programme 'EirSkills.' Our continuing strong business performance is also a reflection of the exceptional talent we have in the Company and the recognition of the Great Place to Work Institute Ireland nominating EirGrid as one of the 'Top Twenty' Large Best Workplaces in Ireland is further indication of this.

The Leadership Team in SONI is also committed to the Company vision of being a great place to work.

2009 Highlight Achievements

- Operation of a safe, secure, reliable, economical and efficient transmission system in Ireland and Northern Ireland.
- Efficient, transparent and fully audited operations of the wholesale power market.
- Successfully completing the acquisition of SONI.
- Award of the EPC contract for the design and build of the East-West Interconnector Project, achieving the planning permits in Ireland and in Wales and obtaining funding.
- Commencement of offers to connect 3,900 megawatts (MW) of new generation, mainly wind farms, under Gate 3 process.

As a growing business involved in the energy industry the EirGrid Leadership Team will continue this focus of creating an environment to harness, engage, and develop the creativity, intellect and performance levels of all our staff.

Looking ahead

2010 will see the economy in Ireland beginning to recover. A secure, reliable and competitive electricity supply is an essential enabler of that recovery, as is the building of Ireland's 'Smart Economy'. I am confident that the EirGrid Corporate Strategy developed in 2009 – *Optimising Performance and Competitiveness, Investing for the Future, Influencing at Home and Abroad, and Delivering on our core Operational Remit* – is entirely aligned to the major economic and environmental challenges facing our society, and that it will enable us to deliver on our obligations to customers and stakeholders in both jurisdictions on the island.

Dermot Byrne
Chief Executive

16 December 2009

FINANCIAL REVIEW

Key Financial Highlights €'m

	Year to 30 Sep 2009	9 months to 30 Sep 2008
Revenue	410.7	282.7
Direct costs	330.7	227.2
Other operating costs	70.6	46.9
Operating profit	9.4	8.6

The current period being reported on is the year ended 30 September 2009. The comparative figures are for the nine month period ended 30 September 2008. The financial period was changed in the previous period to align it with the regulatory tariff period which runs from 01 October to 30 September every year.

EirGrid's revenue for the year to 30 September 2009 was €410.7m, compared to €282.7m for the nine months to 30 September 2008. The increase in underlying revenue was largely due to the acquisition of SONI on 11 March 2009, which, following acquisition, contributed turnover of €47.1m to the Group. As EirGrid's revenue is primarily derived from regulated tariffs based on use of the transmission system, this increase was partially offset by the effects of the economic slowdown experienced since 2008, which has had a negative impact on the demand for electricity.

The operating profit of €9.4m for the year to 30 September 2009 compares to an operating profit of €8.6m for the nine months to 30 September 2008.

The Group's revenue is primarily derived from regulated tariffs, specifically the Transmission Use of System (TUoS) tariff, a charge payable by all users of the transmission systems and its share of tariffs as Market Operator for SEM.

Direct costs primarily consist of:

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

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

Regulation

The Group's TSO activities in Ireland and Northern Ireland are regulated by the CER and NIAUR respectively. In advance of the tariff year each TSO submits forecasts of customer demand and of its operating costs for the year ahead to the regulators. Following a detailed review process the regulators will issue a formal determination of the allowed costs. As with any forecast there can be variations between the projections and the actual cost outturn, resulting 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 volatility in the reported statutory

earnings of the Group, as current accounting regulations do not permit results to be smoothed through the anticipation of under or over recoveries.

In its role as Market Operator for the SEM EirGrid and SONI are regulated by the SEM Committee, which comprises the CER, NIAUR and an independent member.

Financing

Cash in hand has increased significantly in the year to September 2009, increasing from €98.8m to €153.9m as at 30 September 2009, of which €28.1m was cash balances held on trust for market participants. This increase represents a build up of cash resources which will be required in the near future for Group's investment in the East-West Interconnector project and its ongoing capital and operational investment programme.

At 30 September 2009 the Group had total borrowings of €123.9m.

EirGrid’s security of supply standards were met throughout the period and there was no disruption to supplies at any point due to shortages in generation capacity.

OPERATING IRELAND'S POWER SYSTEM

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

EirGrid has a number of teams responsible for the management and operation of the power system in Ireland. These teams enable EirGrid to ensure continuous delivery of high quality electricity supply that meets all applicable voltage, frequency and reliability standards.

The responsibility for operating the power system in real time is managed by the National Control Centre (NCC). The primary role of the NCC is to ensure that power flows safely through the high-voltage transmission network and that the demand for electricity is matched at all times by the generation of electricity at power stations across the country. Electricity cannot be stored in bulk and therefore the generation of electricity must exactly match demand instantaneously throughout the day and night. The NCC manages this demand-supply balance by dispatching power stations in economic merit order to increase or decrease their MW output and by managing the flow of power across the interconnector between Ireland and Northern Ireland.

EirGrid is committed to optimising the use of renewable energy whilst utilising sophisticated IT systems to determine the most economic power stations to dispatch. EirGrid works with SONI to dispatch the power system in accordance with the Single Electricity Market principles. EirGrid facilitates the operation of the Single Electricity Market by providing SEMO with the relevant data required to settle the electricity market.

Electricity Demand

During the period from January to December 2009, system demand decreased, due to the economic downturn. Energy consumption for the period totalled approximately 27TWh (terawatt hours) representing a 5.52% decease on the 12-month period from September 2007 to September 2008. The all-time maximum system demand of 4,906MW, which occurred on 18 December 2007, was not exceeded during the reporting period.

No new conventional thermal generation was connected to the system. The total installed capacity of fully-dispatchable generation remained at 6,246MW. This figure included Poolbeg Unit 3 (242MW) which is on long-term outage.

System Performance

EirGrid's security of supply standards were met throughout the period and there was no disruption to supplies at any point due to shortages in generation capacity.

There was an improvement in the system generation Forced Outage Rate this year compared to the same period in the previous year (reducing from 11% to 8%). Overall system generation availability, which includes both forced and scheduled outages, improved during this period from 79% to 85% on a rolling 52-week basis.

From September 2008 to September 2009, the number of lost 'System Minutes' (an industry standard index which measures the severity of each system disturbance) was 0.43, which was well below the yearly system standard of 3.5 System Minutes. Lost 'System Minutes' occur when customer demand is not served because of a disturbance on the transmission system (e.g. due to faults or plant failure).

Transmission outage plans, required to facilitate maintenance and new works, were managed throughout the year in accordance with the needs of demand customers, generators and ESB, as Transmission Asset Owner and Distribution System Operator (DSO).

Generator outage plans were also managed by EirGrid, taking into consideration the outage requirements of all generators and EirGrid's security of supply standards.

Renewables

The primary renewable energy generation sources, which export electricity to the Irish power system, are hydro and wind. In December 2008, the maximum export capacity (MEC) of the wind generation installed on the system was 1,027MW. As the year progressed, this increased by 23%, such that by December 2009 there was an installed capacity of 1,260MW of wind generation connected to the system. The maximum wind generation output in 2009 was 1,064MW, occurring at 13:52 on Saturday 24 October 2009.

OPERATING IRELAND'S POWER SYSTEM

In accordance with EirGrid's Renewables Policy, EirGrid is focused on becoming a world leader in the facilitation of renewable energy. EirGrid is committed to working proactively with its stakeholders and customers to ensure that the national renewable target for electricity consumption of 15 per cent and EU indicative target of 13.2 per cent by the end of 2010 are achieved. Furthermore, EirGrid will facilitate these targets while ensuring the continuous operation and management of a safe, secure and reliable transmission system.

Update on 2008-2009 Key Projects

- All-Island Harmonised Ancillary Services, Other System Charges and Generator Performance Incentives were scheduled to be implemented by EirGrid and SONI in October 2009. However, the Regulatory Authorities have postponed harmonisation until February 2010 to allow participants additional time to prepare for the new arrangements;
- EirGrid and SONI have jointly undertaken a suite of technical studies with a view to developing a comprehensive operational strategy for managing the all-island power system to accommodate large amounts of renewable generation. These studies are examining issues such as dynamic stability, voltage control and frequency performance and the results will assist in identifying what the limiting factors of the power system might be with large amounts of renewable generation and how these may be addressed;
- EirGrid has been working with ESB and Bord Gáis to manage the connection of two Combined Cycle Gas Turbine (CCGT) power plants near Midleton, Co. Cork;
  - Aghada CCGT, which is a 431MW Alstom Ltd CCGT, is owned by ESB Power Generation. It is commissioning at present and is expected to be commercially available during Q1 2010.
  - Whitegate CCGT, which is a 445MW General Electric CCGT, is owned by Bord Gáis. The unit will become commercially available following the completion of commissioning tests. This is expected to be during Q2 2010.

Focus Areas for 2009-2010

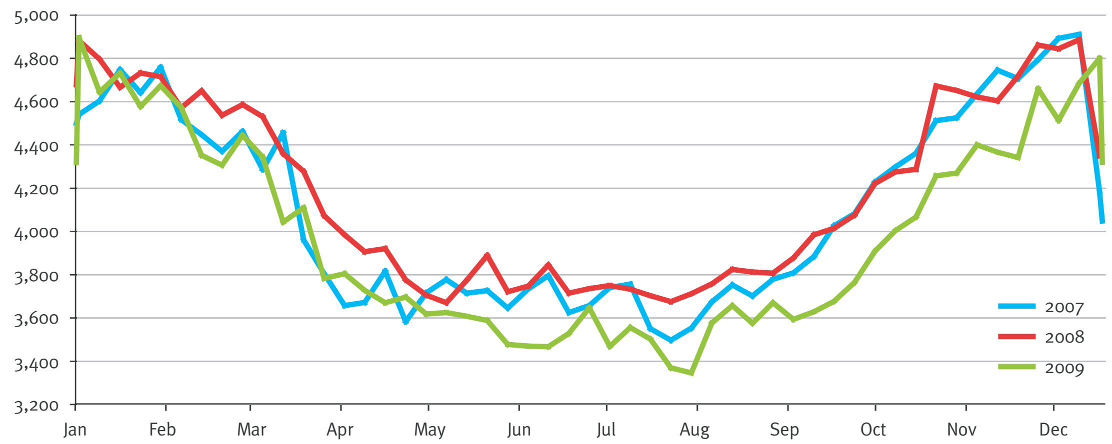
Key areas of focus for 2010 include:

- The **All-Island Harmonised Ancillary Services Arrangements** were developed by EirGrid and SONI in consultation with the Regulatory Authorities in Ireland and Northern Ireland. The arrangements are due for implementation on 01 February 2010 and will include key elements around incentivising performance and Grid Code compliance in both jurisdictions. This is one of the next steps following the successful implementation of the All-Island Single Electricity Market;
- The deployment in the National Control Centre of a **Wind Security Assessment Tool (WSAT),** which will help Grid Controllers manage the increasing levels of wind generation in real-time, is due to take place in early 2010. Using powerflow data from the Energy Management System (EMS), wind forecast data and market data, it checks for thermal overloads, and voltage and transient stability problems that might occur if wind generation were to increase. Phase 2 of this project will extend to incorporate SONI;
- EirGrid will also be implementing systematic **Performance Monitoring of Generators** to ensure that Generators are meeting their compliance obligations with all codes and standards and to assist in optimising the management of the power system;
- A key development on the transmission system in 2010 will be the introduction of a trial scheme to utilise **Dynamic Line Rating** to maximise the use of existing transmission assets.[1] Dynamic Line Rating will inform Grid Controllers of the amount of power that can be reliably transmitted on these lines, potentially minimising constraints and ensuring more reliable operation. This trial will initially be deployed on a small number of key 220kV overhead lines. If the trial proves to be useful in maximising the use of existing transmission assets a more extensive roll-out project will be initiated.

---

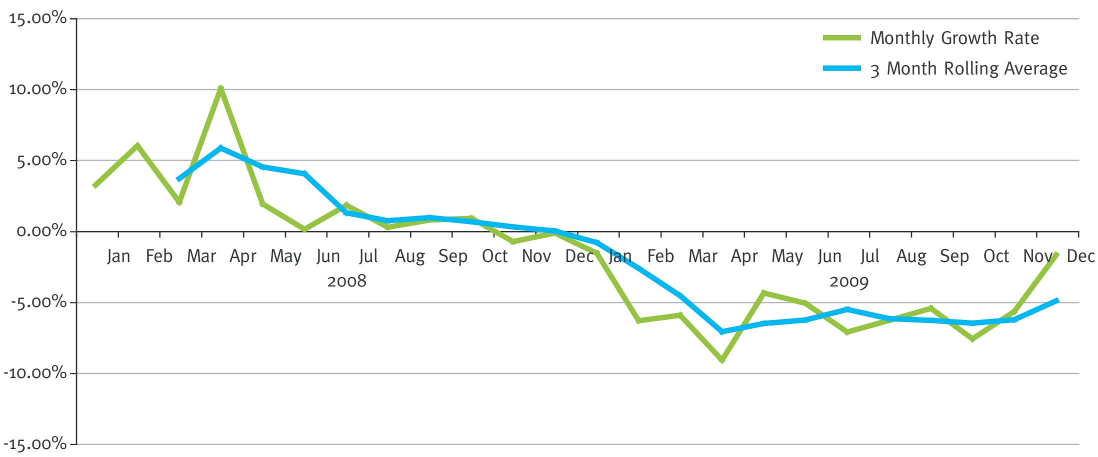
1 Dynamic Line Rating is a method of calculating the rating of a transmission line using real time monitoring of key physical aspects of the line such as line strain

Weekly Demand Peaks (MW)

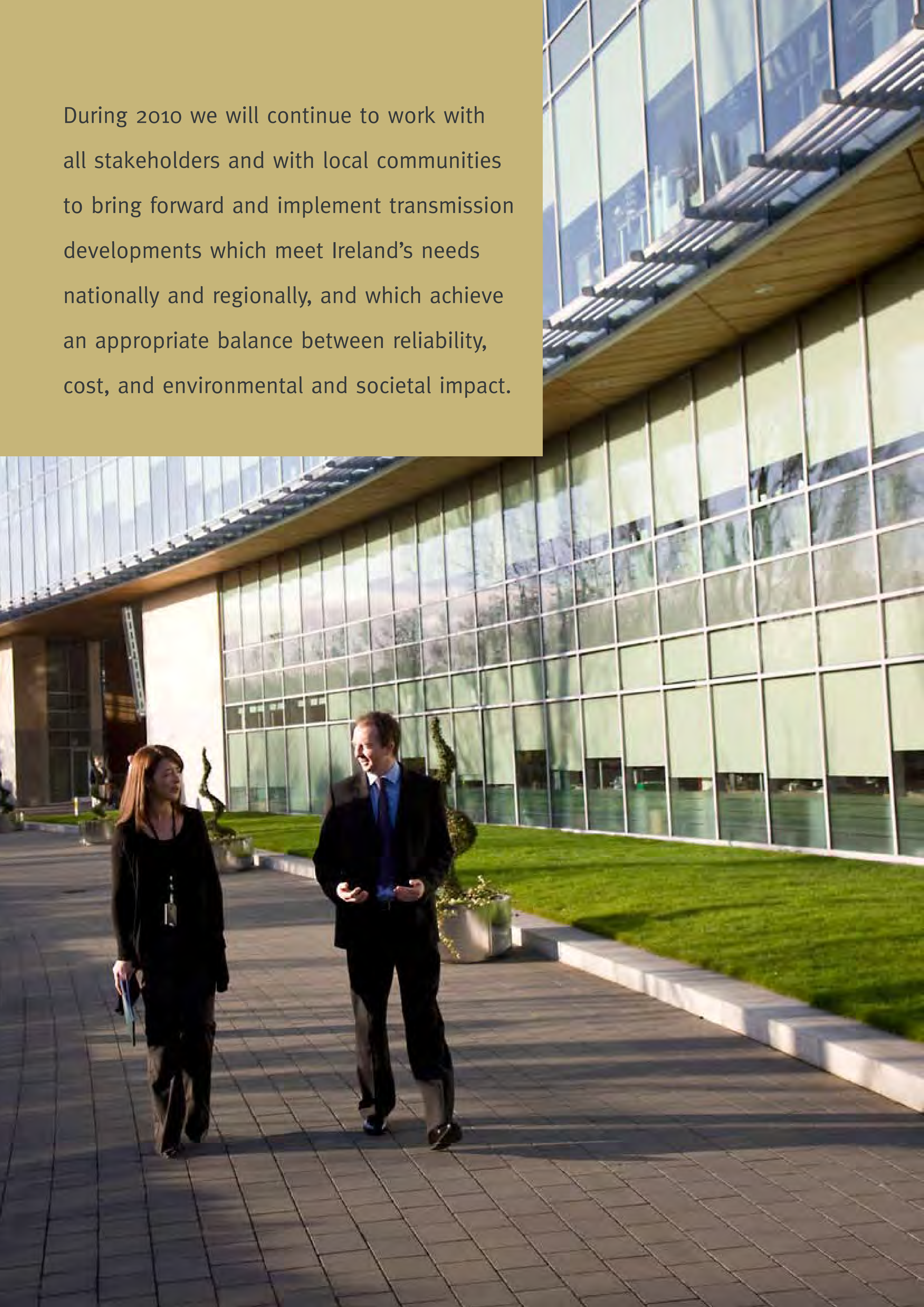


Generation Availability (% Available)

Energy Growth Rates (%)



During 2010 we will continue to work with all stakeholders and with local communities to bring forward and implement transmission developments which meet Ireland's needs nationally and regionally, and which achieve an appropriate balance between reliability, cost, and environmental and societal impact.



DEVELOPING IRELAND'S TRANSMISSION INFRASTRUCTURE

A robust electricity transmission system is a basic necessity to support economic wellbeing. Industrial, commercial and domestic activity cannot function reliably without it. The need for a transmission system which is designed and developed to meet Ireland's future needs, with due regard for the environment and delivered at a competitive cost, is even more prevalent in light of the current economic recession. This is recognised by the inclusion of EirGrid's Grid**25** strategy for the development of the transmission system in the Framework for Sustainable Economic Renewal.

EirGrid is responsible for developing and maintaining the transmission system, thereby ensuring security and quality of supply and connection opportunities to all customers. In developing the transmission system, EirGrid is guided by its statutory mandate to develop a safe, secure, reliable, economic and efficient electricity transmission system. EirGrid ensures that its staff and appointed project contractors and subcontractors carry out their work safely at all times.

Transmission planning

During the past year EirGrid has worked assiduously on putting in place the necessary plans and capabilities to enable the advancement of the Grid**25** programme. A number of studies have been undertaken to ensure that we have fully up-to-date knowledge of best available technology solutions, and are able to select the optimum solutions to each transmission project requirement. A key element of Grid**25** is uprating existing transmission circuits and during 2009 we have investigated and identified an alternative solution to traditional uprating methods, by means of a High-Temperature-Low-Sag conductor. This has the potential to achieve uprating of existing lines at significantly lower cost than previously possible with a potential saving of several hundreds of million euro in investment costs.

We have continued to refine and optimise the transmission new-build and uprate requirements, and have also engaged proactively with stakeholders in industry and business communities to develop awareness of the critical nature of transmission infrastructure. During 2010 we will continue to work with all stakeholders and with local communities to bring forward and implement transmission developments which meet Ireland's needs nationally and regionally, and which achieve an appropriate balance between reliability, cost, and environmental and societal impact.

With moves toward integration of energy markets and networks at European level, it is becoming increasingly important to consider transmission not only within the boundaries of Ireland, but on an international level. In addition to developing the East-West Interconnector between Ireland and Wales, we are actively participating in a number of initiatives to investigate the possible development of further interconnection and off-shore grids. As a member of the recently formed European Network of Transmission System Operators in Electricity (ENTSO-E), EirGrid is an active participant in the development of a Regional Network Plan for the North-Sea Region, and of the Ten Year Network Development Plan for Europe.

Additionally, EirGrid annually produces and publishes its Transmission Forecast Statement, which provides data on the expected flows of power across the system and information on opportunities for customers to connect to the system, and its Transmission Development Plan which details the proposed transmission developments and upgrades for the next five years. The Transmission Forecast Statement published in December 2009 was Volume 1 of a two volume statement addressing the period from 2010 to 2016. It is intended to publish the second volume containing further information in quarter one of 2010. The Transmission Development Plan for the period 2008 to 2012 was published for consultation in April 2009, and subsequently approved by the Commission for Energy Regulation in August 2009. The Development Plan is typically delivered at the end of each calendar year; however, publication of this plan was delayed so that it could build on the Grid**25** Development Strategy that was published in late 2008.

New connections

The year to date saw the completion of new connections to transmission windfarm customers including Lisheen, Coomagearlahy extension and Coomacheo extension, and also to two large gas-

DEVELOPING IRELAND'S TRANSMISSION INFRASTRUCTURE

fired combined cycle combustion turbine (CCGT) plants at Aghada and Whitegate in Cork. A number of other wind connection projects are in progress, with some of these due to be completed before the end of 2009. Our assessment indicates that with the planned wind farm connections for the remainder of 2009 and for 2010, Ireland will exceed its 2010 target of 15% of electricity consumed to be generated from renewable sources.

The "Gate 3" connection offer process which will provide offers for connection to the transmission and distribution systems for approximately 4,000 MW of wind generation and a significant amount of conventional generation, is well underway. This is a major, and priority, undertaking for EirGrid and a rigorous planning exercise was undertaken to ensure that the appropriate procedures and resources were in place to deliver the project. We are working actively with CER, ESB Networks as Distribution System Operator, and the industry to ensure its successful completion. Additionally we are now planning for the next phases of the Gate 3 process through to connection delivery, in recognition that new processes and capabilities will be necessary to enable a successful outcome. We will engage with CER, generation developers and other stakeholders on this in the near future.

Major transmission system projects

A number of key projects were granted planning permission in 2009 including the Donegal 110kV project by An Bord Pleanála on the 27 October. This is the first overhead transmission line to be processed through the new Strategic Infrastructure Act. The objective of the project is to reinforce the electricity transmission and distribution infrastructure of Donegal. The project will provide a robust solution to existing deficiencies in relation to system security and reliability and consists of two main elements, a transmission line form Binbane to Letterkenny (68km) and a new distribution line (31km) from a new 110kV substation at Tievebrack to a new 110/38kV substation in Gweedore. Other key projects granted planning in 2009 included a number of reactive compensation projects in Drumline and Mullingar.

Public consultation has also commenced on a number of new transmission projects including the Laois-Kilkenny reinforcement project and Mullingar Reinforcement project with the publication of a number of newspaper notices looking for input into the constraints mapping for the projects.

In Sligo the Srananagh 220/110kV substation was added to the network along with 5 new 110kV lines totalling 49km in length. In addition a new 110kV substation at Athy was energised with an interim tail 110kV line.

Throughout 2009, there were a number of line up-ratings and refurbishment works carried out on the 110kV and 220kV network, including refurbishment of Gorman-Louth 220kV line, the uprating of the Kilbarry-Mallow 110kV line and a new cable installed between Poolbeg-Shellybanks. Construction is also underway on a number of projects including the Newbridge 110kV loop which will now be ready for energisation in 2010, Cushaling-Thornsberry 110kV line, Dalton-Galway 110kV loop, Lodgewood 220/110kV Project, Athy Loop, Banoge Loop and Flagford 220kV line.

Intensive consultation with stakeholders continued during 2009 on the Meath-Tyrone 400kV Interconnector development project. The preferred route for the overhead line was selected and the Environmental Impact Statement and planning application was finalised. The project is vital for securing future power supplies to the North-East and for enhancing power transfer capability between Ireland and Northern Ireland. It is also required to improve the efficient operation of the Single Electricity Market and to accommodate a greater quantity of renewable generation, particularly wind generation, on the island of Ireland.

Interconnection with Great Britain

EirGrid is developing a 500MW HVDC Interconnector between Ireland and Great Britain (the East-West Interconnector) which will be owned and operated by EirGrid and is due to be completed in 2012. This is a high profile project and an important part of implementing the Government strategy for security of supply, competitiveness and sustainability of energy.

Helicopter patrols play a key role in the maintenance of the transmission system.

The East-West Interconnector Project was significantly advanced during 2009 and remains on target for completion in 2012.

In Q1 2009, EirGrid received Government and CER approval to proceed with a project budget of €601m. In March 2009, the procurement competition to secure the construction of the interconnector concluded with the award of an Engineering Procurement Construction (EPC) contract to the successful tenderer ABB. The interconnector will employ ABB's HVDC lite technology, a form of Voltage Sourced Conversion connected by two XLPE DC cables. Subsequent to contract award, project structures for the execution phase of the Project were put in place and advanced route and system design commenced.

Negotiations with landowners in Ireland and Wales were initiated and agreements for the converter station sites were secured. Planning approval for the HVDC scheme was received in September 2009 from the Strategic Infrastructure Division of An Bord Pleanála. In Wales, also in September 2009, planning permission was received from Flintshire County Council, for the HVDC converter station at Shotton. In the UK, a Foreshore Lease agreement was secured from the Crown Estates and a Foreshore Licence was granted by the Marine Fisheries Agency.

A European Energy Programme for Recovery (EEPR) grant application for funding of circa €110m was submitted in July 2009. A loan agreement for €300m was executed with the European Investment Bank in September 2009. A funding competition with commercial banks for the balance of debt funding for the Project was carried out by Finance with support as required. Works on the project commenced in Britain, ducting was installed at pinch points along the terrestrial route and the site remediation and enabling works at Shotton commenced.

Maintenance

EirGrid is responsible for ensuring the maintenance of the transmission system, including the development and review of maintenance policies and standards. Policies are subject to periodic review, reflecting the performance and condition of the transmission assets and the development of maintenance technology and best practice. In addition, EirGrid maintains a continuous focus on ageing plant as well as options for plant refurbishment or replacement.

EirGrid completed a review of the System Protection element of the maintenance policy in 2009. This was carried out in cooperation with ESB Networks, which as transmission asset owner is responsible for the carrying out of maintenance works. This work will continue in 2010 with a review of further elements of the policy. As in previous years, EirGrid identified, prioritised and provided outages for maintenance activities designed to ensure that the transmission system continues to operate in a safe and secure manner.

The performance of SEMO central market systems was satisfactory with high levels of availability throughout the year.

OPERATING THE SINGLE ELECTRICITY MARKET

The Single Electricity Market (SEM) is the wholesale electricity market operating in Ireland and Northern Ireland. As a gross mandatory pool physical market operating with dual currencies and in multiple jurisdictions the SEM represents the first market of its kind in the world.

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

The market encompasses approximately 2.5 million electricity consumers, 1.8 million in Ireland and 0.7 million in Northern Ireland.

The Single Electricity Market Operator (SEMO) facilitates the continuous operation and administration of the SEM. SEMO is a contractual joint venture between EirGrid plc and SONI Limited.

About SEMO

SEMO is the market operator responsible for the administration of the SEM. The organisation is managed as a contractual joint venture between EirGrid, the Transmission System Operator for Ireland, and the System Operator for Northern Ireland (SONI). SEMO is licensed and regulated cooperatively by the Commission for Energy Regulation (CER) in Ireland and the Northern Ireland Authority for Utility Regulation (NIAUR). SEMO is part of the EirGrid group.

Market Operations

During its second financial tariff period 01 October 2008 to 30 September 2009, the market operated in line with expectations and prices have been reflective of supply and demand and the reduction in international fuel prices, particularly gas. The performance of SEMO central market systems was satisfactory with high levels of availability throughout the year.

This year, SEMO oversaw the processing of energy invoicing and settlement totalling approximately €1.968 billion in addition to processing capacity settlement totalling approximately €595 million. SEMO publishes market prices on a half-hourly basis every day of the year through its web-based market systems.

SEMO calculates a price in the days following the time that the energy has been physically generated and consumed, when necessary metered information has been collected. This is called the System Marginal Price (SMP), and is for each half hour in a 24 hour period starting from 06:00 hours to 06:00 hours the following day. The graph overleaf shows the average monthly SMP from January to December 2009, and a comparison to wholesale gas prices.

Market Development

Market Development is responsible for the administration and maintenance of the Trading and Settlement Code (TSC). During the year a significant amount of modifications, 49 for the period from 01 October 2008 to 30 September 2009, were processed for the Modifications Committee with the Regulator approving 52 (including 3 from the previous tariff year).

SEMO continues to work closely with the Regulators and has fulfilled all of its licence requirements.

Another significant achievement during 2009 was the delivery of the Day 1+ project which has been completed on time and under budget, and was deployed on the 16 January 2009.

Stakeholder Management

SEMO presented at the Association of Power Exchanges (APEx) conference on the second year of operation of SEM. In October 2010 SEMO will be hosting the 15th annual APEx conference in Dublin.

OPERATING THE SINGLE ELECTRICITY MARKET

SEMO remains proactive in managing the requirements of market participants. In the last tariff year SEMO has organised, facilitated and presented in 8 general Market Operator User Groups, 3 Market Operator Single Topic Sessions and numerous bi-lateral participant conference calls. SEMO continues to provide each participant with individual controller contact as required, in order to ensure smooth market operation. By delivering greater transparency and information to market participants, the SEM serves to provide a basis for the further development of a competitive, sustainable and reliable electricity market. Furthermore SEMO has presented at the EirGrid Group customer conference, IWEA and Meitheal na Gaoithe annual conferences.

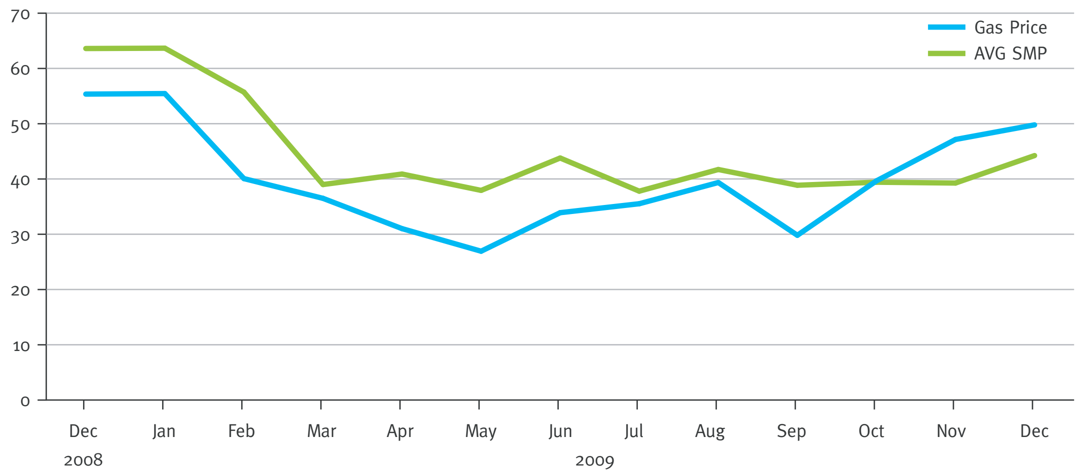
Challenges for 2010

During this second year, the market has operated smoothly, transparently setting prices, invoicing participants in a timely fashion and transferring funds securely. It remains fully collateralised with over 50 participants.

The challenge for our third year of operation remains to continue to operate and improve energy market services using the best of our talent and expertise in an open manner.

We aim to achieve this by engaging our stakeholders, maintaining the trust of our customers, developing our people, driving efficiency and innovation in our business, operating on a commercial basis and working proactively with our parent organisations.

Wholesale Market Prices (€)



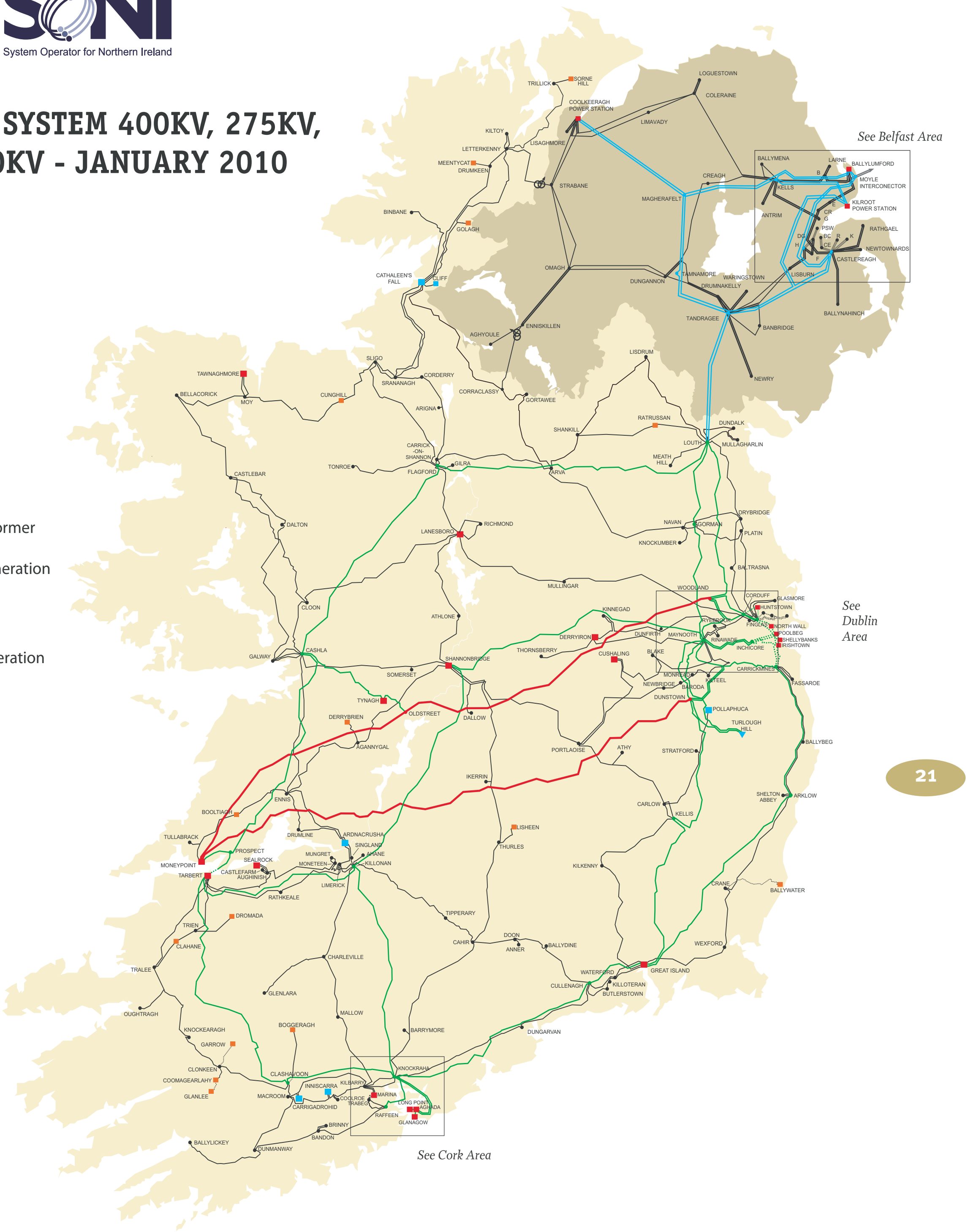
System Operator for Northern Ireland

TRANSMISSION SYSTEM 400KV, 275KV, 220KV AND 110KV - JANUARY 2010

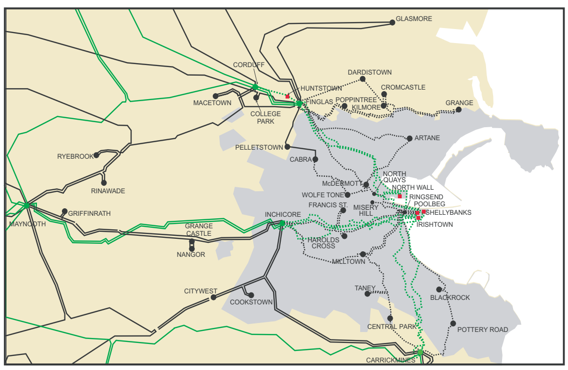
- 400kV Lines
- 275kV Lines
- 220kV Lines
- 110kV Lines
- 220kV Cables
- 110kV Cables
- 400kV Stations
- 275kV Stations
- 220kV Stations
- 110kV Stations
- Phase Shifting Transformer

Transmission Connected Generation

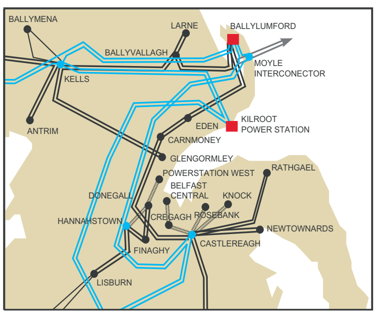
- Hydro Generation
- Thermal Generation
- Pumped Storage Generation
- Wind Generation



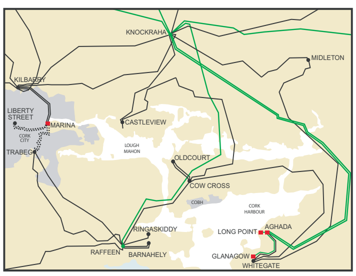
Dublin Area



Belfast Area



Cork Area



SONI employs 76 personnel who are responsible for the management and operation of the transmission system in Northern Ireland. Managing the dispatch system through a specialised IT and telecommunications structure, SONI personnel ensure the continuous delivery of electricity across NI which literally means "keeping the lights on".

SYSTEM OPERATOR FOR NORTHERN IRELAND (SONI)

Business Overview

On 11 March 2009, SONI Limited, (System Operator for Northern Ireland) became a wholly owned subsidiary of EirGrid plc.

The purchase of SONI by EirGrid realised a unique opportunity to acquire a quality, regulated TSO asset, which was already licensed to work in conjunction with EirGrid to co-ordinate the scheduling and dispatch of high-voltage electricity across the island of Ireland. Through SEMO it has an established relationship with EirGrid to operate the Single Electricity Market.

Located in southeast Belfast, SONI's primary responsibility as the Transmission System Operator in Northern Ireland is to ensure the safe, secure, reliable, economic and efficient operation of the transmission system in its area of operation. This includes:

- The scheduling and dispatch of generating plant;
- Management of transmission network outages;
- Levying system support services charges;
- Levying transmission use of system (TUoS) charges;
- Operation of settlements;
- Managing the power flow on the NI transmission network and the Moyle Interconnector with Scotland;
- Meeting demand for electricity in NI and maintaining the operating security standard.

It holds a licence to participate in the transmission of electricity ("TSO Licence") from the Department for Enterprise, Trade and Investment. It also holds a licence to conduct its Single Electricity Market (SEM) through its licence in NI and a corresponding licence exemption in Ireland, as part of an unincorporated contractual joint venture between SONI and EirGrid.

Transmission & Distribution

With 40 large-scale power plants and a generating capacity of c.9,000MW and an additional 1,200MW of capacity from small-scale and renewable generation across the island of Ireland, the all-island transmission networks carry electricity from generation plants to the distribution network via high-voltage conductors.

The NI transmission network is owned by NIE and operated by SONI and comprises approximately 2,100 km of circuits including 400 km of 275kV double circuit lines and 1,700 km of 110kV double and single circuit lines, which link NI's three principal power stations and external connectors to 30 main sub-stations across NI. It is connected to Scotland via the high voltage direct current Moyle Interconnector which is owned by Mutual Energy and operated by SONI under an Agency Agreement.

SONI employs 76 personnel who are responsible for the management and operation of the transmission system in Northern Ireland. Managing the dispatch system through a specialised IT and telecommunications structure, SONI personnel ensure the continuous delivery of electricity across NI which literally means "keeping the lights on".

In terms of structure, key teams within SONI are Grid Operations – Real Time; Grid Operations – Near Time; Grid Operations – Planning; Commercial; and the Financial and Administration Team, HR and Joint Projects specialists.

The Grid Operations Real Time team manages the real-time operation of the NI transmission network and the Moyle Interconnector on a 24 hour/7 day basis. The Grid Operations Near Time team manage activities including transmission and generation outage planning, produce forecasts (of both electricity demand and wind generation) and provide information to the Single Electricity Market Operator (SEMO). Meanwhile, the Grid Operations Planning team is involved in a broad range of long-term strategic transmission/generation planning activities including preparation of Seven Year Generation and Transmission Capacity Statements and shorter-term market driven activities, such as the annual Capacity Payment mechanism.

The responsibilities of the Commercial team include managing regulatory affairs, agreeing tariffs with the Regulator, setting charges and associated invoicing as well as managing the ancillary services arrangements in NI and performing the role of Interconnector Administrator for the Moyle Interconnector in the SEM and GB Markets and IT and telecommunications services.

Pictured at the opening of the SONI Control Room facility are Brendan Woods, Manager Near Time; Robin McCormick, Executive Director SONI and Alex Baird, Manager Real-Time Operations, with Arlene Foster, MLA Minister of Enterprise, Trade and Investment, Northern Ireland.

Developments in past year

Since the move to ownership by EirGrid on 11 March 2009, SONI has undergone a number of changes aimed at achieving an independent infrastructure and meeting customer requirements as a stand alone business.

In respect of organisational capability, SONI is a growing business, committed to recruiting and training new staff. The number of staff has grown by 4% during 2009 and includes the recruitment of a HR Manager, charged with providing a complete HR and business support service. A number of finance functions, including; treasury, payables, and taxation, transferred to SONI following divestment. As part of the divestment, SONI has also set up its own pension plan provision to mirror the benefits of the legacy arrangements for its members, creating The SONI Limited Pension Scheme.

In respect of the IT and telecommunications networks, c.£400k has also been invested in separating the SONI IT infrastructure from the legacy arrangements, continuing to ensure the organisation has provision of IT hardware and software required to discharge its licensed responsibilities.

Near Time operations engineers from SONI hosted a Safe Wind conference in September 2009. The conference in Belfast included sessions on data assimilation, advanced wind modelling and forecasting with emphasis on extreme weather situations for a safe large-scale wind power integration. Experts from universities, research bodies and utilities from Europe and from as far away as Australia attended this important conference.

New Energy Management System (EMS) Launch

On 21 October 2009, Arlene Foster MLA the Minister for Enterprise, Trade and Investment in NI, formally opened the SONI Control Room facility. The new EMS represents a £4.5m investment in the key tool for effective operation of the NI transmission grid. In her remarks the Minister welcomed the investment in the control of the grid emphasising its role in enabling the integration of increasing levels of renewable energy sources into the all-island electricity market.

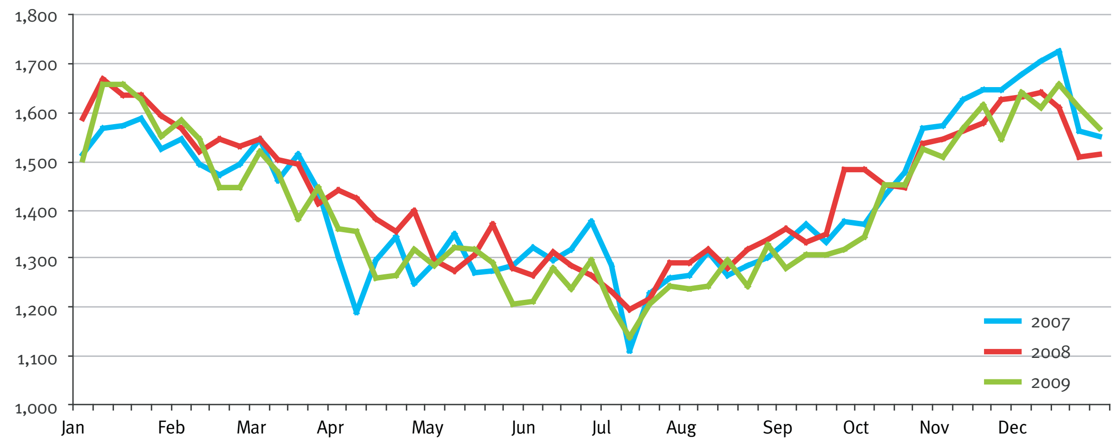
Electricity Demand

Electricity consumption from October 2008 to October 2009 decreased over the previous year due to a reduction in demand over the winter months and the prevailing difficult economic conditions. February 2009 and April 2009 witnessed an 11% drop in demand compared to the same periods in 2008.

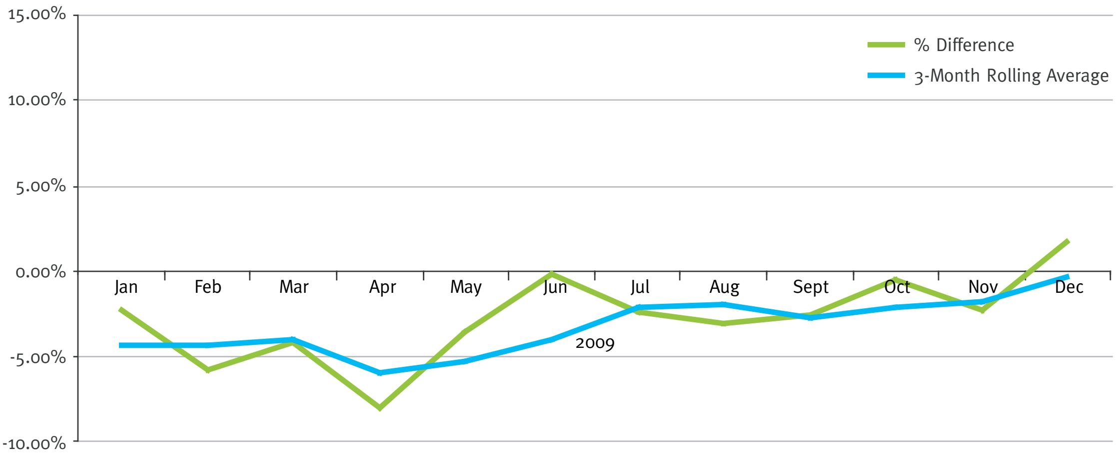
System demand across NI decreased during the period from January to October 2009, with average monthly energy production falling by 3.69%.

SYSTEM OPERATOR FOR NORTHERN IRELAND (SONI)

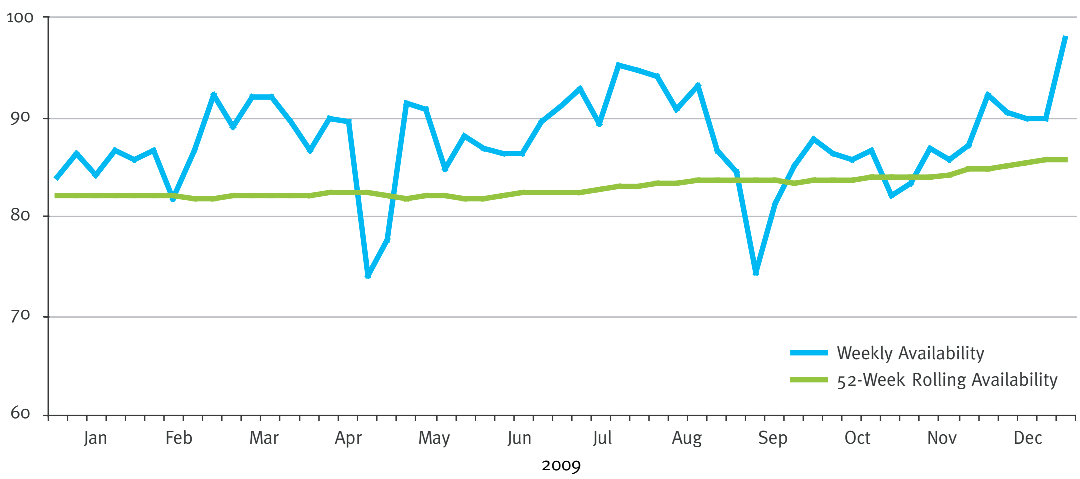
Weekly Peaks (MW)



Energy Growth Rates (%)



Generation Availability (% Available)



SYSTEM OPERATOR FOR NORTHERN IRELAND (SONI)

System Availability

In 2008 the average generator availability was 82.2%; in 2009 the average system availability was 85.4%. The average system availability has increased by 3.2% from 2008.

Renewables

Wind remains the primary renewable energy generation source in NI. The wind farm connected capacity to October 2009 was 301MW and the average total wind output for the period October 2008 to September 2009 was 76MW.

The maximum instantaneous wind generation output from October 2008 to September 2009 was 248MW; this occurred at 20:00 hours on Tuesday 5 May 2009.

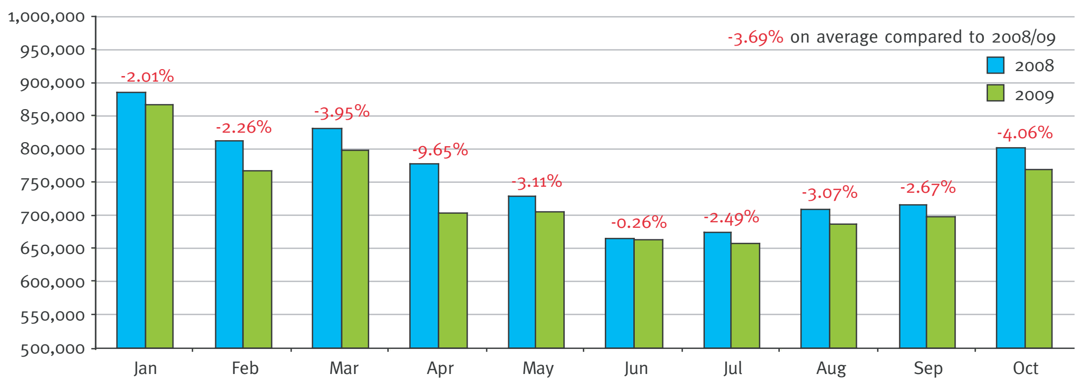
Demonstrating SONI's commitment in this field, it is currently the only TSO utilising the Anemos wind forecasting tool in real time system operation. This is the type of innovation that will be required to help us deal with the impact of high levels of wind generation.

Focus for 2010

The safe, secure, reliable and economic operation of the transmission system remains the key driver for SONI, together with continuing to further integrate renewable energy sources. SONI will continue to work with NIAUR to ensure the continued provision of a reliable electricity supply and we look forward to working with the Regulator to agree a 6 month extension to the existing price control and also a subsequent five year price control that continues to provide value for money. We will also deliver on the implementation of the EU 3rd Energy Directive and the DETI Strategic Energy Framework.

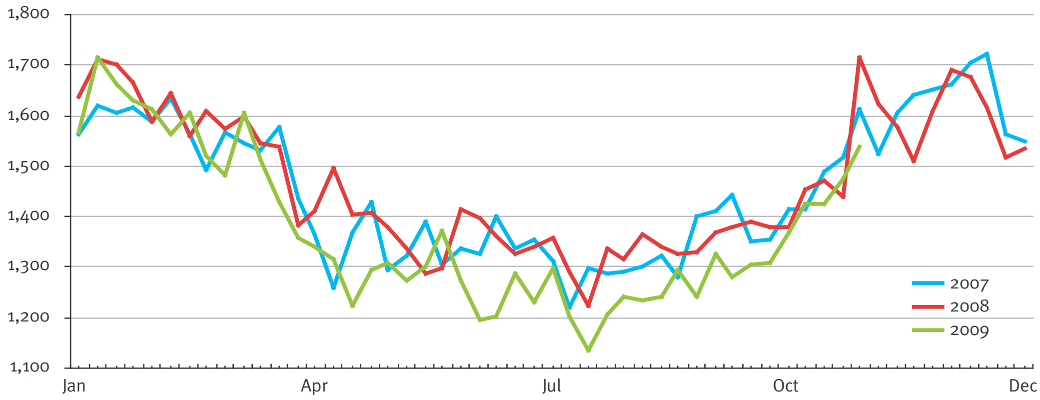
Overall the 2009 weekly demand peaks are lower than in previous years.

Annual Energy Production – Monthly Comparisons of 2009 with 2008 Units (MWh)



**Feb 2008 Corrected to 28 Days*

Weekly Demand Peaks (NI) (MW)



CORPORATE AND SOCIAL RESPONSIBILITY

At EirGrid we believe our role goes beyond fulfilling our legal and business obligations.

As a national organisation, EirGrid has a responsibility to engage proactively with the communities in which we live, work and do business. We view Corporate and Social Responsibility as an important part of living our core values – to be a great company, a great place to work, great to do business with and an authoritative independent voice in the industry.

It is a priority for us to take into account the effect of our activities on the environment, consumers, communities, employees and other stakeholders.

We aim to ensure that we conduct our business in our areas of operation honestly, ethically, legally, and safely, and in an environmentally and socially responsible manner while, at the same time, delivering real value for money for consumers.

As transmission system operator in Ireland and Northern Ireland and operator of the Single Electricity Market, EirGrid plays a crucial role in the economy and society, prioritising the delivery of safe, reliable and economic transmission services and efficient and secure market services to all of our customers. Homes, farms, businesses, schools, medical facilities and many other consumers rely upon the services provided by the transmission system, and there are also major benefits from the transparent and equitable operation of the power market.

EirGrid believes that its activities in the area of Corporate and Social Responsibility (CSR) are an important part of its business and because of this, it has in the past year expanded its CSR work, with a dedicated group of staff and managers established to coordinate and report on this area, headed by Executive Director Sean Mc Goldrick.

How We Do Business

In the company's Memorandum of Association, the company commits to minimising costs to final customers and protecting the interests of consumers of electricity in Northern Ireland and Ireland. The company conducts its business in an impartial, non-discriminatory and transparent manner and provides comprehensive information on its websites in relation grid connections, market data, information of demand and renewable energy. We provide services 24 hours a day, every day of the year. We have initiated surveys and consultations with customers and a company-wide initiative to improve the efficiency of our service to customers is underway, as well as operating a customer conference annually. The company has strong corporate governance and risk management processes in place. EirGrid has a clear Code of Ethics governing the conduct of staff and covering integrity, loyalty, fairness and confidentiality and clear and fair processes for purchasing and procurement.

How We Work with our Employees

EirGrid is committed to equal opportunities in its recruitment and operations and to being a great place to work in line with our vision statement. It is committed to open two-way communications with employees and is a participant in the Great Place to Work Institute Ireland process. Within EirGrid we support education, training and development for employees. The company provides many benefits including the Employee Assistant Programme, and health and well being programmes that encourage work-life balance for employees. Staff and management participate in forums aimed at engaging staff in improving the overall company environment. Safety of our staff, the public and customers is a priority.

How We Play Our Role in the Community

EirGrid is conscious that in developing vital transmission infrastructure, it must take into account the effects on the environment and communities. It consults widely on potential infrastructure projects and works within all regulations and meets all planning and environmental standards. The company is a supporter of the principle of community gain in relation to “giving something back” in terms of facilities or investment as a project develops and has committed to contributions to local projects in North Co Dublin and Co Meath, where the East-West Interconnector is being developed.

During 2009, we completed a project to ensure the donation of personal computers to St Mary’s School, Haddington Road, Ballsbridge, Dublin, a local primary school, for use by pupils and in a centre for the provision of IT and other training for parents.

EirGrid provides support for community initiatives involving organisations in the sporting and health areas nominated by staff. EirGrid is a main sponsor of the Electric Aid organisation which provides financial assistance to a range of projects in Ireland and abroad. The company annually provides opportunities for secondary school students to visit its facilities to learn about engineering as a career, and EirGrid engineers also give talks and lectures to primary school pupils on technological issues.

How We Care for the Environment

Renewable energy is used first by EirGrid in dispatching generation on the power system and rapid progress has been made in recent years in integrating larger quantities of wind power onto the electricity system. During 2008 and 2009 strong progress was made towards Ireland’s renewable targets. The company engages in programmes to encourage national energy efficiency and has been a strong supporter of the Power of One campaign, and the Earth Hour campaign. Specific measures it implements include the Winter Peak Demand Reduction Scheme and the PowerSave scheme. EirGrid has an Environment Management System in place. It is committed to being compliant with environmental legislation and regulations and submits environmental studies/reports in relation to new projects. It promotes recycling and energy efficiency in its buildings. A management and staff group has been formed to look at reduction in the company’s carbon footprint.

OUR CUSTOMERS

The EirGrid Group aims to deliver high quality services to all electricity customers. We define a customer as anyone to whom we provide a service. This includes all Demand customers, Renewable Generators and Conventional Generators, Suppliers, market participants, Stakeholders and all other interested parties in both jurisdictions. We are committed to the efficient, professional and non-discriminatory handling of all our customer needs and in doing so, strive to understand the requirements of our different customer groups and identify and provide the appropriate services required.

Our customers can be broken into 5 main categories:

- **Generators** This includes all those customers connected to or in the process of connecting to the transmission system, including renewable and non-renewable generators. This includes Viridian, SSE Renewables, ESB Power Generation, Coolkeeragh ESB, Premier Power, AES, SWS, Endesa, Bord Gáis, ESB Wind Development and many others. It also includes large generators connected to the Distribution System liable for Transmission Use of System charges.

  New Generation Customers – In 2009 there were four new wind farm connections to the Transmission System. These are:

  - Lisheen Wind Farm, Co. Tipperary, (55 MW)
  - Coomacheo II, Co. Kerry, (18 MW)
  - Coomagearlahy II & III, Co. Cork (Total: 38.5 MW);

- **Demand** Large industrial customers connected to or in the process of connecting to the transmission system. This includes Intel, Aughinish Alumina, Irish Cement, Wyeth, Xerox and many others;
- **Suppliers** Licensed Suppliers of electricity. This includes Bord Gáis, Energia, Airtricity, ESB Customer Supply, ESBIE and many others. In 2009, 8 new participants joined the SEM;
- **Stakeholders** Industry bodies such as the CER, NIAUR, DCENR, DETI, IWEA, IBEC, IDA, SEI and many others. This also includes the general public, universities and students who have an interest or requirement for information pertaining to the electricity industry;
- **Partners** Key partners who enable us to deliver on our organisational objectives, including ESB Networks, NIE and many others.

2009 Annual Customer Conference

We held our Annual Customer Conference in October 2009, which was the first as the EirGrid Group. The main day included a Ministerial Address from An Tánaiste, Mary Coughlan TD and key speakers from the energy industry including Dermot Byrne, Chief Executive, EirGrid; Marcel Bial, ENTSO-E, Michael Tutty, Chairman, CER, and Iain Osborne, Chief Executive, NIAUR. 207 people attended the main conference and 107 attended the half day workshop which focused on a collaborative approach to 2020 and beyond. Feedback from delegates was very positive in relation to both days with 95% of attendees rating it most satisfactory.

Industry Workshops

We organised a number of industry workshops throughout 2008/2009 to present on issues of interest to the industry and facilitate discussion and feedback. These included:

Sept 2009	Winter Peak Demand Reduction Scheme (WPDRS) Workshops
June 2009	Locational Charges Methodology Options Workshop
June 2009	Renewables Facilitation Forum
May 2009	Short Term Active Response (STAR) Workshop
April 2009	Transmission Access Planning for Gate 3 Workshop
Mar 2009	Locational Signals Workshop
Feb 2009	Renewables Facilitation Forum

Publications and Information

We produce regular publications and information. In 2009 we produced among other publications:

EirGrid

- Generation Adequacy Report 2009-2015 and Generation Adequacy Report 2009-2015 – Update;
- Monthly Availability Reports;
- Monthly Electricity Statistics;
- Quarterly Reviews;
- Transmission Development Plan 2008-2012;
- Transmission System Performance Report 2008;
- Winter Outlook Report;

SONI

- SONI Seven Year Generation Capacity Statement 2009-2015;
- Network Performance Report.

as well as numerous consultation reports, booklets and guides, and provided comprehensive system and market information on our websites.

Gate 3 Communications

As part of the Gate 3 project, a detailed communications plan is in place to ensure that regular information is provided to all key parties during the Gate 3 project. The external communications plan includes:

- Participation in the monthly Liaison Group Meeting;
- Facilitation of Initial Meetings for transmission customers and Sub-Group Connection Method briefing meetings for both transmission and distribution customers in advance of the issuing of the offers;
- Issuing of Monthly Update Emails to all applicants and stakeholders in the Gate 3 Project.

Feedback from the industry regarding all aspects of Gate 3 Communications has been very positive. Both applicants and stakeholders have indicated that regular updates and industry involvement has had a significant positive impact on their involvement in the Gate 3 process.

Customer Service

We place strategic importance on the provision of high quality customer service to all our customers. Our dedicated Customer Relations and Customer Services teams in SEMO and EirGrid aim to provide professional, reliable and efficient assistance and support to all our customers. We manage a dedicated customer line and market helpdesk, and dedicated email addresses to manage all enquiries efficiently, as well as providing high quality system information and market data on our website.

THE BOARD

Bernie Gray (Chairperson)

Bernie Gray was appointed to the Board of EirGrid in September 2005 for a five-year term. She was appointed Chairperson in April 2006. She formerly worked with Eircom between 1984 and 2002, holding 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 of the company between 1988 and 1992. Ms. Gray is currently Chairperson of EirGrid and a member of the Board of the Public Appointments Service, and works as 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. A graduate of University College Dublin he holds a Masters in Electrical Engineering and a Masters in Business Administration. Dermot has extensive senior management experience in the electricity industry in Ireland and abroad. From 1993 to 1997 he was Manager, Power System Operation in ESB National Grid. In the late 1990s 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.

In his role as Chief Executive, Dermot has developed EirGrid into a group structure with responsibilities in Northern Ireland and Ireland, comprising EirGrid TSO, System Operator Northern Ireland (SONI), and the Single Electricity Market Operator (SEMO).

He is a Fellow of Engineers Ireland and he is also a distinguished member of the international electricity body CIGRE.

Emer Daly

Emer Daly was first appointed to the Board in March 2001. She was appointed for a second term of three years in March 2005, and was reappointed for a third term in April 2008. Emer is a Chartered Accountant with 25 years experience in both practice and industry who works as an independent non-executive director and consultant. She is Chairperson of the Dublin Dental School and Hospital, a Director and Chairperson of the Audit Committee of Payzone plc and Friends Provident International Limited, a Director of the Property Registration Authority and a member of the Audit Committee of the Department of Justice, Equality and Law Reform. She holds a Diploma in Corporate Governance from UCD and lectures in risk management at the Michael Smurfit Graduate Business School in UCD. Her career from 1984 to 2006 included six years as a Director with AXA Insurance with responsibility for Finance, Strategic Planning and Risk Management and fourteen years with PricewaterhouseCoopers where she gained a wide experience of audit, due diligence and consultancy work.

William Egenton

William Egenton was appointed to the Board in April 2006 for a period of five years. Currently, he is Managing Director of Dromone Engineering Ltd, Co Meath. He has also held a number of senior roles in multinational companies including Raychem Corporation, Tyco Electronics and Ingersol Rand. He has carried out numerous international assignments across Europe, North America, South Africa and the Asia Pacific region. He holds a Bachelor in Engineering from Dublin Institute of Technology, Bolton Street, a Masters in Industrial Engineering from National University Ireland, Galway and a Masters in Business Administration from London Business School. He is a Chartered Engineer and is a corporate member of the Institute of Engineering Technology.

Cormac MacDonnchadha

Cormac MacDonnchadha was appointed to the Board in December 2006 for a period of five years, following his election as the EirGrid staff representative. He has been involved in the electricity industry since 1993. Cormac has worked with the Transmission System Operator (TSO) since 1999 mainly in the power system planning and power system operation areas. A graduate of University College Dublin, he holds an Honours Degree in Electrical Engineering, as well as a Diploma in Accounting and Finance from the ACCA and a Diploma in Project Management from Trinity College Dublin.

David Mackey

David Mackey was first appointed to the Board in March 2001. He was appointed for a second term of three years in March 2005, and was reappointed for a third term in April 2008. 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, and reappointed for a further five year term in September 2009. A career official in the local government sector, she currently holds the position of County Manager with Galway County Council: it serves more than 160,000 people, has an annual spend in excess of €350 million, and has a staff of 1,400. Prior to joining Galway County Council, she worked with six other local authorities; these included Louth County Council where she held the position of County Manager, and Galway City Council where she was Director of Services with responsibility for corporate services, community and enterprise. She holds a BA in Public Administration and an MA in Public Management. She is a member of the Institute of Accounting Technicians. She is also a board member of both the Heritage Council and Irish Water Safety.

Dr Joan Smyth

Joan Smyth was appointed to the EirGrid Board in June 2009 for a five year term. She is Chairperson of the Progressive Building Society for the past five years and a Director of Trinity Housing Association. She is also President of the Red Cross, Northern Ireland. In 2009 she completed more than five years in office as Chair of the Chief Executives' Forum. She has served two terms as Chair of the Northern Ireland Transport Holding Company from 01 July 1999 to 30 June 2005 and was Chair of the Equal Opportunities Commission for NI from 1992 (Chair & Chief Executive until 01 October 1998) remaining in post until the new Equality Commission was established in October 1999. She was elected to the Board of the British Council in September 1999 and has chaired its Northern Ireland Committee. Dr Smyth has a BSc (Econ) from Queen's University, Belfast and is a Companion of the Institute of Personnel and Development. She was awarded an Honorary Doctor of Laws from the University of Ulster in 2000. She is an Independent Assessor for Public Appointments. Dr Smyth is also a past Federation President of Soroptimist International of Great Britain and Ireland. She was awarded a CBE in the 1998 New Year's Honours List.

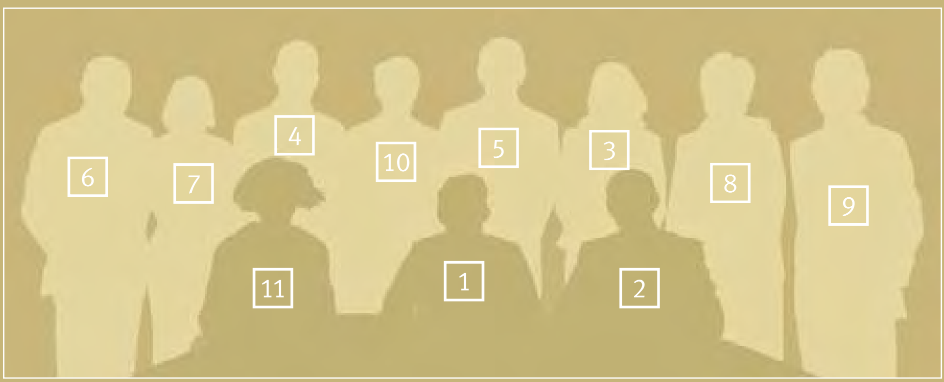
Richard Sterling

Richard Sterling was appointed to the EirGrid Board in June 2009 for a five year term. He is former Managing Director of Coolkeeragh Power Limited based in Derry and is a past President of Londonderry Chamber of Commerce. He was appointed a Board Member of Ilex, the Urban Regeneration Company for the Derry City Council area in 2003, and during his six year term he served as Acting Chairman and Deputy Chairman. Richard was awarded an OBE in 2003 for services to the Basic Skills Committee and to business in Northern Ireland.

Jane Williams

Jane Williams was appointed to the Board in April 2006 for a period of five years. She is currently the Chief Executive of Forfás, the national policy advisory body for enterprise and science, holding that position on an interim basis for 6 months. Prior to this role, Jane was the managing director of the Sia Group, a business she founded in 1988. She holds a Bachelor in Business Studies from Trinity College Dublin and a Masters in Psychology from Colombia University, New York. She has submitted her thesis for a PhD to Trinity College Dublin on the topic of gender in public decision-making. Her career to date has included two years as a financial engineer in international banking with Banque Nationale de Paris; nine years as a financial analyst and in international marketing and sales with the Industrial Development Authority, both in Dublin and New York; a year with DL Taffner, a New York-based TV production and animation company, and 21 years in business and organisational consultancy with the Sia Group. Her specialist expertise includes strategy formulation and implementation, entrepreneurship policy and practice, and group process facilitation. She is a member of the Board of Forfás, a member of the Government's Decentralisation Implementation Group, and a Director of a number of private companies.

THE BOARD



1. **Bernie Gray**
   (Chairperson)
2. **Dermot Byrne**
   (Chief Executive)
3. **Emer Daly**
4. **William Egenton**
5. **Cormac MacDonnchadha**
6. **David Mackey**
7. **Martina Moloney**
8. **Dr Joan Smyth**
9. **Richard Sterling**
10. **Jane Williams**
11. **Niamh Cahill**
    (Company Secretary)

ORGANISATION STRUCTURE

- **Board of EirGrid**
  Chairperson Bernie Gray
  - **Chief Executive**
    Dermot Byrne
    - **Finance** – Aidan Skelly
    - **Legal** – Niamh Cahill
    - **Grid Development and Commercial** – Andrew Cooke
    - **Operations** – Fintan Slye
    - **Human Resources** – John Cloonan
    - **SEMO*** – Sean Mc Goldrick
    - **Information Services** – Ann Scully
    - **SONI** – Robin McCormick

*SEMO is a contractual joint venture between EirGrid and SONI Limited

EXECUTIVE TEAM

The EirGrid Executive Team is headed by Dermot Byrne, Chief Executive (biographical details on page 32).

Niamh Cahill,
Company Secretary and Company Lawyer

Niamh Cahill is the Company Secretary and Company Lawyer for EirGrid plc the electricity Transmission System Operator and jointly with SONI Limited the Single Electricity Market Operator for the Island of Ireland. Niamh is a graduate of NUI Galway BA (Hons) and LL B (Hons) and holds a BL from King's Inns, Dublin. She was called to the Bar in Ireland in 1985 and the UK Bar (Middle Temple Inn) in 1988. She has extensive experience both in private practice (Four Courts, Ireland) and as an in-house legal Counsel worked for a wide range of major international private and public companies in Ireland and the UK. Prior to joining EirGrid, Niamh worked for 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.

John Cloonan, Director, Human Resources

John Cloonan joined EirGrid in 2002 as Human Resources Director. Prior to taking up this position, he worked for a number of years as Human Resources Director of Lucent Technologies, where his role also encompassed a number of European-wide responsibilities. Prior to that, he worked with AT&T, Amdahl and EG&G in various management positions including operations and human resources. In conjunction with his current role as Human Resources Director of EirGrid, he also holds responsibility for the Company's communications and facilities functions.

Andrew Cooke, Director,
Grid Development and Commercial

In his role as Director, Grid Development and Commercial, Andrew Cooke is responsible for the planning, development and maintenance of the transmission grid including the Ireland-Wales interconnector project. He is responsible for the design and implementation of transmission access and tariff arrangements, and for customer relations. A graduate of Queens University Belfast, he holds a BSC in Electrical Engineering. He has more than 30 years' experience of working in the areas of transmission system operations and planning, market design, and regulation.

Robin McCormick, Director, SONI Limited

In his role as Director, SONI Limited, Robin McCormick is responsible for both the safe, secure, economic and reliable operation of the transmission grid and for fulfilling the obligations of the System Operator and Market Operator licences in Northern Ireland. He has previously held a number of senior management positions within NIE including Business Strategy, Transmission Planning & Projects and Customer Service. He is a graduate of Queens University Belfast from which he holds a BSc in Electrical and Electronic Engineering. He also holds an MBA from University of Ulster and an MSc in Corporate Leadership from Napier University. He is a Fellow and active participant in the Institution of Engineering and Technology.

Sean Mc Goldrick, General Manager, SEMO

Sean Mc Goldrick is General Manager of the Single Electricity Market Operator for the island of Ireland. He has over 20 years experience working on Electrical Power Systems covering such diverse fields as research & development, construction, operation and planning of large scale transmission systems, management contracting, design, development and operation of electricity markets. He has worked, managed and consulted for utilities, transmission system operators and regulators in Ireland, Great Britain, Greece, Canada, Guyana, Croatia, Kazakhstan, Cyprus, Georgia and Kosovo. He is a former member of the WSCC reliability committee where he represented Canada. He is a member of the Institution of Engineers in Ireland.

At present he is responsible for the operation of the Irish Single Electricity Market (SEM) the first physical, gross mandatory, dual currency, electricity market in the world.

Ann Scully, Director, Information Services

Prior to becoming EirGrid's Director of Information Services, Ann Scully was Director of the All-island Project. Together with her counterpart in SONI, she was responsible for the programme to achieve the establishment of the all-Island Single Electricity Market (SEM) by the agreed 'go live' deadline of 01 November 2007. Prior to taking on this project, she held a number of managerial and project roles in ESB National Grid and ESB, including establishing the wholesale electricity market in Ireland in 2000 and CEO of ESBI Alberta Ltd, the Transmission Administrator in Alberta, Canada. A graduate of Trinity Collage, she holds a degree in Electrical Engineering.

Aidan Skelly, Chief Financial Officer

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

Fintan Slye, Director, Operations

Fintan Slye assumed the position of Director of Operations at EirGrid in January 2007, having previously worked for McKinsey & Co in their Dublin office. Prior to that, he held a number of project and management roles in ESB National Grid and ESB International. He is a graduate of University College Dublin, from which he holds a Masters in Engineering Science and a Masters in Business Administration.

FINANCIAL STATEMENTS CONTENTS

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group for the year ended 30 September 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND REVIEW OF THE BUSINESS

Details of the financial results of the Group are set out in the Income Statement on page 52 and the related notes.

The current period being reported on is the year ended 30 September 2009. The comparative figures are for the nine month period ended 30 September 2008. The financial period was changed in the previous period to align it with the regulatory tariff period which runs from 01 October to 30 September every year.

Commentaries on performance during the year ended 30 September 2009, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Report.

CORPORATE GOVERNANCE

During the year the Group was compliant with the Code of Practice for the Governance of State Bodies ('the Code') approved by the Government on 02 October 2001. This Code was replaced by the Revised Code issued by the Government on 15 June 2009. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe. The Group is also compliant with the Revised Code. The Group also complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

The Group conforms as far as possible, and on a voluntary basis, with the principles of the Combined Code of Corporate Governance ('the Combined Code'). The Combined Code sets out the principles of Good Governance and a code of Best Practice. Companies listed on the Irish Stock Exchange are required to report on compliance with all provisions of the Combined Code as part of the listing rules. The Group 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:

- The Group is accountable to the Minister for Communications, Energy and Natural Resources;
- Appointments to the Board are a matter for Government and accordingly the Group does not have a Nomination Committee;
- Board members are appointed by Government and, therefore, are not subject to re-election to the Board;
- The Group'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 eight non-executive Directors. Two new non-executives, Dr Joan Smyth and Mr Richard Sterling, were appointed to the Board on 16 June 2009 following the acquisition of SONI Limited. One of the non-executive Directors is an employee of the Group, who acts as employee representative on the Board. All Directors are appointed by the Minister for Communications, Energy and Natural Resources and their terms of office are set out in writing.

The Board

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

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

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

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

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

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

Board Committees in 2009

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

The Audit Committee's function is to assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, the system of internal control, the audit process, monitoring the independence of the auditors, compliance with laws and regulations and the Code of Practice for the Governance of State Bodies. The Board is satisfied that at all times during the year at least one member of the Committee had recent and relevant financial experience. The members of the Audit Committee are Emer Daly (Chairperson), William Egenton, Cormac MacDonnchadha, Martina Moloney and Joan Smyth.

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

DIRECTORS' REPORT

Attendance at Meetings

There were 13 Board Meetings held during the year ended 30 September 2009. The Board Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Bernie Gray (Chairperson)	13	13
Dermot Byrne (Chief Executive)	13	13
Emer Daly	13	12
William Egenton	13	10
Cormac MacDonnchadha	13	13
David Mackey	13	9
Martina Moloney	13	13
Joan Smyth (appointed 16 June 2009)	3	1
Richard Sterling (appointed 16 June 2009)	3	2
Jane Williams	13	11

There were 5 Audit Committee Meetings held during the year ended 30 September 2009. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Emer Daly (Chairperson)	5	5
William Egenton	5	4
Cormac MacDonnchadha	5	5
Martina Moloney	5	4
Joan Smyth (appointed 16 September 2009)	-	-

There were 7 Remuneration Committee Meetings held during the year ended 30 September 2009. The Board Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Bernie Gray (Chairperson)	7	7
David Mackey	7	5
Jane Williams	7	6

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

Financial Risk Management

The main financial risks faced by the Group relate to liquidity risk, commodity price movements, interest rate movements and credit risk. Policies to protect the Group from these are regularly reviewed, revised and approved by the Board as appropriate.

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

The Group is exposed to changes in commodity prices, principally copper, through its contractual commitment to undertake the East-West Interconnector project. The Group uses an option to manage the commodity price risk arising from its commitments to the project, this transaction is non-speculative.

The Group discharges its Market Operator obligations through a contractual joint venture with SONI Limited, which was acquired by the Group on 11 March 2009. Under the terms of the Trading and Settlement Code for the Single Electricity Market (SEM) each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM collateral reserve account (security accounts held in the name of market participants). Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by generators and is not borne by the Market Operator. Appropriate arrangements are also in place to effectively manage the Group's credit risk arising from its Transmission System Operator activities.

As a regulated business, operating in Ireland, the Company's Transmission System Operator activities do not involve any significant pricing or foreign exchange risks. However, following the acquisition of SONI Limited, the Group derives approximately 12% of its revenues from the UK and hence has an increased exposure to Euro/Sterling currency fluctuations. This risk is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding Northern Irish operations using Sterling borrowings.

The Group funds some of its operations using borrowings and uses interest rate instruments to manage interest rate risks that arise from its operational and financial activity. All transactions in financial instruments are non-speculative.

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group's policy is to limit its exposure by spreading funds across a number of financial institutions whose credit ratings meet levels approved by the Board.

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

Operational Risk Management

The Group is responsible for the secure operation of the Transmission System. A complete programme is in place to discharge this responsibility. This includes:

- Back-up sites for the Control Centres in Dublin and Belfast, which are regularly tested;
- Comprehensive power system operational procedures which are regularly reviewed and are in line with best international practice;
- Grid maintenance standards and policies, supported by a detailed Infrastructure Agreement with ESB as the Transmission Asset Owner in Ireland, which are in line with best international practice;
- Appropriate arrangements with Northern Ireland Electricity (NIE), the Transmission Asset Owner in Northern Ireland; and
- Continuous management focus on all aspects of health and safety. A Safety Management System (certified to OHSAS 8001) has been approved and implemented.

DIRECTORS' REPORT

INTERNAL CONTROLS

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

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

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

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

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

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

The Group has had an Internal Audit and Compliance function since January 2003. It is also the Group's aim, at all times, to comply with agreed reporting requirements of Government departments as required on a timely and accurate basis.

The Board is satisfied that the direction and control of the Group is firmly in its hands.

DIRECTORS' REMUNERATION

The Financial Statements include €120,201 (9 months to 30 September 2008: €91,500) 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. On 14 May 2009 the Department of Communications, Energy and Natural Resources issued an instruction that Chairperson and Directors' fees be reduced, effective 01 May 2009. Prior to this instruction being issued the Chairperson and Directors had already decided to take a voluntary 10% reduction in their fees. Under the approved remuneration levels, the Chairperson's fees were equivalent to €24,000 per annum during the first seven months of year, reducing to €21,600 per annum for the final five months of the year (2008: €24,000 per annum). Directors' fees were equivalent to €14,000 each per annum during the first seven months of the year, reducing to €12,600 each per annum for the final five months of the year (2008: €14,000 each per annum).

The only executive Board Member is the Chief Executive, Dermot Byrne. The Chief Executive's remuneration is set within a range determined by the Department of Finance and the Department of Communications, Energy and Natural Resources. It is determined annually, within this range, 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 pay, taxable benefits and certain retirement benefits. The performance related pay provides for a bonus payment of up to 35% of basic salary, of which up to 15% is related to multi-annual objectives. The level of performance related pay is determined by the Remuneration Committee, based on an evaluation of performance against an agreed set of objectives. In his role as a Board Member the Chief Executive also receives a fee, as determined by the Minister for Communications, Energy 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 to 30 September 2009 were €2,845 (9 months to 30 September 2008: €2,031) and €8,535 (9 months to 30 September 2008: €6,093) respectively. The total accrued pension at the end of the year was €12,080 (30 September 2008: €8,790) and the total accrued gratuity was €27,705 (30 September 2008: €26,730). The transfer value of the relevant increase was €81,782 (30 September 2008: €52,245).

Chief Executive's Remuneration:	**Year to 30 Sep 2009 €'000**	**9 months to 30 Sep 2008 €'000**
Basic salary	228	162
Less: 10% voluntary reduction (from 01 January 2009)	(17)	-
Performance related pay:		
– Long term incentive (for the three year period ended 31 December 2008)	57	-
– Annual bonus (net of 10% voluntary reduction from 01 January 2009)	40	30
Taxable benefits	18	14
Pension contributions paid	68	51
Director's fees	13	11
Total	407	268

DIVIDENDS

The Directors of the Group do not propose the payment of a dividend for the year (2008: €nil).

DIRECTORS' AND SECRETARY'S INTEREST IN SHARES

The Directors' and Secretary who held office at 30 September 2009 and 30 September 2008 had no beneficial interest in the shares of the Group.

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

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

POLITICAL DONATIONS

The Group does not make political donations.

DIRECTORS' REPORT

GOING CONCERN

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

ACCOUNTING RECORDS

The measures that the Directors have taken to ensure that proper books of account are kept are the employment of competent persons and the use of suitable systems and procedures. EirGrid Plc's books of account are kept at The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

AUDITORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare such Financial Statements in accordance with IFRSs, the Companies Acts, 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992. International Accounting Standard 1 requires that Financial Statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

Directors are also required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State that the Financial Statements comply with IFRSs as adopted by the European Union; and
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which comply with the requirements of the Companies Acts, 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992.

The Directors are responsible for the maintenance and integrity of the Group's website. 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   Dermot Byrne

Bernie Gray
Chairperson

Dermot Byrne
Chief Executive

16 December 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EIRGRID PLC

We have audited the Group and Parent Company financial statements ('the financial statements') of EirGrid Plc for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Recognised Income and Expense, the Company Statement of Recognised Income and Expense, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and the related Notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditor, 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 Group Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992. 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 is 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 given 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 misstatements or material inconsistencies with the financial report. The other information comprises only the Chairperson's Report, the Chief Executive's Report, the Financial Review and the Directors' 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 and the Group'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 Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the affairs of the Group as at 30 September 2009 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992;
- the Parent Company's Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the Parent Company's affairs as at 30 September 2009; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company. The Company's Balance Sheet is in agreement with the books of account.

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

The net assets of the Company, as stated in the Company 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 30 September 2009 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

16 December 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR TO 30 SEPTEMBER 2009

	Notes	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Revenue	3	410,694	282,707
Direct costs	3	(330,686)	(227,198)
Gross profit		80,008	55,509
Other operating costs	5	(70,631)	(46,948)
Operating profit		9,377	8,561
Interest income		2,171	3,481
Finance costs	6	(2,144)	(1,052)
Profit before taxation	7	9,404	10,990
Income tax expense	8	(784)	(1,774)
Profit for the period		**8,620**	**9,216**

On behalf of the Board:

Bernie Gray
Chairperson

Dermot Byrne
Chief Executive

16 December 2009

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR TO 30 SEPTEMBER 2009

	Notes	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Actuarial gain/(loss) on retirement benefit schemes	21	5,060	(5,232)
Deferred tax attributable to actuarial gain/(loss)	8	(608)	654
Unrealised (loss)/gain on cash flow hedges	27	(1,901)	497
Deferred tax attributable to unrealised (loss)/gain on cash flow hedges	8	238	(62)
Net income/(expense) recognised directly in equity		2,789	(4,143)
Profit for the period		8,620	9,216
Total recognised income and expense for the period		11,409	5,073

COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR TO 30 SEPTEMBER 2009

	Notes	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Actuarial gain/(loss) on retirement benefit scheme	21	5,218	(5,232)
Deferred tax attributable to actuarial gain/(loss)	8	(682)	654
Unrealised (loss)/gain on cash flow hedges	27	(1,901)	497
Deferred tax attributable to unrealised (loss)/gain on cash flow hedges	8	238	(62)
Net income/(expense) recognised directly in equity		2,873	(4,143)
Profit for the period		8,275	9,216
Total recognised income and expense for the period		11,148	5,073

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2009

	Notes	30 Sep 2009 €'000	30 Sep 2008 €'000
ASSETS			
Non-current assets			
Intangible assets	10	25,739	-
Property, plant & equipment	12	110,406	74,273
Deferred tax asset	8	3,088	3,033
Derivative financial instruments	27	1,732	497
Total non-current assets		140,965	77,803
Current assets			
Trade and other receivables	13	80,838	79,128
Current tax asset		1,426	-
Cash and cash equivalents	17	153,904	98,763
Total current assets		236,168	177,891
Total assets		**377,133**	**255,694**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	15	38	38
Capital reserve	22	49,182	49,182
Hedging reserve	22	(1,228)	435
Translation reserve	22	(36)	-
Retained earnings	16	42,376	29,304
Total equity		90,332	78,959
Non-current liabilities			
Derivative financial instruments	27	1,404	-
Deferred tax liability	8	3,827	-
Borrowings	25	50,252	28,500
Retirement benefit obligation	21	22,288	24,555
Total non-current liabilities		77,771	53,055
Current liabilities			
Borrowings	25	73,622	8,471
Trade and other payables	14	135,408	113,321
Current tax liability		-	1,888
Total current liabilities		209,030	123,680
Total liabilities		286,801	176,735
Total equity and liabilities		**377,133**	**255,694**

On behalf of the Board:

Bernie Gray
Chairperson

Dermot Byrne
Chief Executive

16 December 2009

COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2009

	Notes	30 Sep 2009 €'000	30 Sep 2008 €'000
ASSETS			
Non-current assets			
Investments	11	-	-
Property, plant & equipment	12	98,088	74,273
Deferred tax asset	8	3,088	3,033
Derivative financial instruments	27	1,732	497
Total non-current assets		102,908	77,803
Current assets			
Trade and other receivables	13	86,603	79,128
Current tax asset		1,360	-
Cash and cash equivalents	17	141,464	98,763
Total current assets		229,427	177,891
Total assets		**332,335**	**255,694**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	15	38	38
Capital reserve	22	49,182	49,182
Hedging reserve	22	(1,228)	435
Retained earnings	16	42,115	29,304
Total equity		90,107	78,959
Non-current liabilities			
Derivative financial instruments	27	1,404	-
Borrowings	25	24,967	28,500
Retirement benefit obligation	21	19,950	24,555
Total non-current liabilities		46,321	53,055
Current liabilities			
Borrowings	25	69,214	8,471
Trade and other payables	14	126,693	113,321
Current tax liability		-	1,888
Total current liabilities		195,907	123,680
Total liabilities		242,228	176,735
Total equity and liabilities		**332,335**	**255,694**

On behalf of the Board:

Bernie Gray
Chairperson

Dermot Byrne
Chief Executive

16 December 2009

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR TO 30 SEPTEMBER 2009

	Notes	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Cash flows from operating activities			
Profit after taxation		8,620	9,216
Loss on disposal of property, plant and equipment		79	76
Depreciation of property, plant and equipment	12	15,645	9,567
Interest income		(2,171)	(3,481)
Finance costs		2,144	1,052
Pension charge		4,072	2,557
Income tax expense		784	1,774
Pension contributions paid		(4,141)	(1,946)
Impact of fair value movements on derivative financial instruments		762	-
		25,794	18,815
Movements in working capital			
Decrease in trade and other receivables		9,866	5,332
Decrease in trade and other payables		(3,012)	(15,773)
Cash generated from operations		32,648	8,374
Income taxes paid		(3,758)	-
Interest received		2,449	3,653
Finance costs paid		(2,458)	(1,052)
Net cash generated by operating activities		28,881	10,975
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	23	(30,467)	-
Purchase of property, plant and equipment		(27,538)	(27,685)
Net cash used by investing activities		(58,005)	(27,685)
Cash flows from financing activities			
Decrease in bank overdrafts		(729)	(1,267)
Proceeds from borrowings		93,943	38,000
Borrowings repaid		(6,311)	(1,900)
Purchase of derivative financial instruments		(2,494)	-
Net cash generated in financing activities		84,409	34,833
Net increase in cash and cash equivalents		55,285	18,123
Cash and cash equivalents at start of period		98,763	80,640
Effect of foreign exchange on cash and cash equivalents		(144)	-
Cash and cash equivalents at end of period	17	**153,904**	**98,763**

COMPANY CASH FLOW STATEMENT

FOR THE YEAR TO 30 SEPTEMBER 2009

	Notes	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Cash flows from operating activities			
Profit after taxation		8,275	9,216
Loss on disposal of property, plant and equipment		79	76
Depreciation of property, plant and equipment	12	14,327	9,567
Interest income		(2,137)	(3,481)
Finance costs		1,504	1,052
Pension charge		3,708	2,557
Income tax expense		1,707	1,774
Pension contributions paid		(3,881)	(1,946)
Impact of fair value movements on derivative financial instruments		762	-
		24,344	18,815
Movements in working capital			
(Increase)/decrease in trade and other receivables		(9,308)	5,332
Increase/(decrease) in trade and other payables		6,831	(15,773)
Cash generated from operations		21,867	8,374
Income taxes paid		(3,758)	-
Interest received		2,415	3,653
Finance costs paid		(1,818)	(1,052)
Net cash generated by operating activities		18,706	10,975
Cash flows from investing activities			
Investment in subsidiary	11	-	-
Purchase of property, plant and equipment		(30,721)	(27,685)
Net cash used by investing activities		(30,721)	(27,685)
Cash flows from financing activities			
Decrease in bank overdrafts		(729)	(1,267)
Proceeds from borrowings		64,250	38,000
Borrowings repaid		(6,311)	(1,900)
Purchase of derivative financial instruments		(2,494)	-
Net cash generated in financing activities		54,716	34,833
Net increase in cash and cash equivalents		42,701	18,123
Cash and cash equivalents at start of period		98,763	80,640
Cash and cash equivalents at end of period	17	**141,464**	**98,763**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and also in accordance with IFRSs as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for periods ending 30 September 2009, the European Communities (Companies: Group Accounts) Regulations, 1992 and in the case of EirGrid Plc, in accordance with the Irish Companies Acts, 1963 to 2009. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

The Financial Statements have been presented in Euro and have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which are held at fair value.

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

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

The current period being reported on is the year to 30 September 2009. The comparative figures are for the 9 month period ended 30 September 2008 and hence are not entirely comparable with the results for the financial year. The previous financial period was changed to align it with the regulatory tariff period which runs from 01 October to 30 September each year.

Adoption of new standards

The Group has chosen to voluntarily adopt the provisions of IFRS 8. IFRS 8 replaces IAS 14 (Segment Reporting) and requires a "Management Approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Whilst the application of IFRS 8 will result in amendments to the segment information note, this amendment has not led to any changes in the Group's accounting policies.

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

- IAS 1 (Amendment) – Presentation of financial statements (Effective 01 January 2009);
- IAS 23 (Amendment) – Borrowing costs (Effective 01 January 2009);
- IAS 24 (Revised) – Related party transactions (Effective 01 January 2011);
- IAS 27 (Amendment) – Consolidated and separate financial statements (Effective 01 July 2009);
- IAS 32 & IAS 1 (Amendment) – Puttable financial instruments & obligations arising on liquidation (Effective 01 January 2009);

2. STATEMENT OF ACCOUNTING POLICIES (continued)

- IAS 32 (Amendment) – Classification of rights issues (Effective 01 February 2010);
- IAS 39 (Amendment) – Eligible hedged items (Effective 01 July 2009);
- IFRS 1 (Amendment) – First time adoption of financial reporting standards (Effective 01 July 2009);
- IFRS 1 & IAS 27 (Amendment) – Cost of investment in subsidiary, jointly controlled entity or associates (Effective 01 January 2009);
- Amendments to IFRS 1 – Additional exemptions for first-time adopters (Effective 01 January 2010);
- IFRS 2 (Amendment) – Vesting conditions and cancellations (Effective 01 January 2009);
- Amendments to IFRS 2 – Group cash-settled share-based payment transactions (Effective 01 January 2010);
- IFRS 3 – Business combinations (Effective 01 July 2009);
- Improvements to IFRSs 2008 (Effective 01 January 2009);
- Improvements to IFRSs 2009 (Some improvements are effective from 01 July 2009, others are effective from 01 January 2010);
- IFRS 7 (Amendment) – Improving disclosures about financial instruments (Effective 01 January 2009);
- IFRIC 14 (Amendment) – Prepayments of a Minimum Funding Requirement (Effective 01 January 2011);
- IFRIC 15 – Agreement for construction of real estate (Effective 01 January 2009);
- IFRIC 16 – Hedges of net assets in a foreign operation (Effective 01 October 2008);
- IFRIC 17 – Distribution of non-cash assets to owners (Effective 01 July 2009);
- IFRIC 18 – Transfers of assets from customers (Effective 01 July 2009);
- IFRIC 19 – Extinguishing Liabilities with Equity Instruments (Effective 01 July 2010).

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

Basis of consolidation

Following the acquisition of SONI Limited (note 23), EirGrid Plc is presenting Consolidated Financial Statements for the first time. The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

Joint ventures

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

Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the business combination is measured at the date of exchange as the aggregate of the fair values of assets given and liabilities incurred or assumed in exchange for control of the entity, together with any directly attributable costs. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Revenue

Revenue primarily represents the income derived from the provision of electricity transmission and Market Operator services to customers during the year and excludes value added tax. Revenue includes the regulatory allowance for the management of transmission constraint costs. Other than in the circumstances of a fundamental change in market design, where transmission 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.

Revenue streams relating to collection of customer credit charges, the public service obligation levy and renewable energy feed in tariffs are not recognised in the Financial Statements of the Group. In these situations the Group acts as an agent rather than a principal, assuming neither risks nor rewards on these revenue-cost neutral activities.

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

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

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

Direct costs

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

Operating profit

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

2. STATEMENT OF ACCOUNTING POLICIES (continued)

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

Leases

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

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

Foreign currencies

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

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

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

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

Retirement benefit costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF ACCOUNTING POLICIES (continued)

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Property, plant and equipment

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

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

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

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

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

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

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

2. STATEMENT OF ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

All other borrowing costs are expensed to the Income Statement in the period in which they are incurred.

Intangible assets

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

The Directors are of the view that TSO and MO license agreements for Northern Ireland have indefinite lives. The following key factors were considered in determining the useful lives of the above license agreements; expected usage, typical product life cycles of similar assets used in a similar way, stability of the industry in which the asset is operated, period of control over the asset and expiry dates of license agreements. The Directors consider it unlikely that the above licenses will be cancelled and as the licenses are open-ended and renewable, an indefinite life assumption is reasonable.

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

Impairment of assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement.

Financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF ACCOUNTING POLICIES (continued)

Trade receivables are measured at initial recognition at invoice value, which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the carrying value of the asset exceeds the recoverable amount.

Where market participants have entered into Settlement Reallocation Agreements the related receivables and payables are stated net.

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

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

Derivative financial instruments

The Group enters into interest rate swaps and commodity contracts to manage its exposure to interest rate risk and commodity price risks respectively. Further details of derivative financial instruments are disclosed in note 27.

Interest rate swaps and commodity contracts are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Balance Sheet date. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the interest rate curves at reporting date and the credit risk inherent in the contract. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedging instruments

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

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

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

Note 27 sets out details of the fair values of the Group's current interest rate swaps used for hedging purposes. Movements in the hedging reserve in equity are also detailed in note 22.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value which approximates amortised cost and subsequently carried at amortised cost.

Finance costs

Finance costs, which comprise interest on borrowings and related hedging interest rate swaps, are recognised as an expense in the period in which they are incurred.

2. STATEMENT OF ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The nature of estimation means that actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

- **Useful lives of property, plant and equipment**
  The depreciation charge for property, plant and equipment depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual value. The useful lives of assets are determined by management at the time the assets are acquired and are reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.
- **Business combinations**
  The Group uses the purchase method of accounting for acquisitions which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of the purchase method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using discount rates and revenue forecasts as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired. These calculations require the use of estimates, which have been in the first instance been assessed by a professional firm and then subjected to review by management. Intangible assets arising from business combinations as at 30 September 2009 totalled €25.7m (30 September 2008: €nil).
- **Retirement benefits obligations**
  The Group operates two defined benefit pension plans. The actuarial valuation of the pension plan liabilities are based on various financial and demographic assumptions about the future including discount rates, inflation, salary increases, pension increases and mortality rates. The Group's obligation in respect of the plans are calculated by independent qualified actuaries and are updated at least annually. The obligation at 30 September 2009 is €65.3m (30 September 2008: €47.2m) and the fair value of plan assets is €43.0m (30 September 2008: €22.6m), giving a net pension deficit of €22.3m (30 September 2008: €24.6m).
- **Deferred tax**
  Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The net deferred tax liability at 30 September 2009 was €0.7m (net deferred tax asset at 30 September 2008: €3.0m).

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

For the first time the Group has chosen to include segmental analysis in the Financial Statements, and have voluntarily adopted the provisions of IFRS 8 operating segments, as the Directors believe that the adoption of the accounting policy will provide users with reliable and more relevant information to assess their performance. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

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

- EirGrid Transmission System Operator ("EirGrid TSO"), which derives its revenue from providing services as the TSO in Ireland and is regulated by the Commission for Energy Regulation;
- Single Electricity Market Operator ("SEMO"), which derives its revenue acting as the Market Operator for the wholesale electricity market on the island of Ireland;
- SONI Transmission System Operator ("SONI TSO"), which is licensed by the Northern Ireland Authority for Utility Regulation and derives its revenue acting as the TSO in Northern Ireland. SONI TSO segment results are those following the acquisition of SONI Limited on 11 March 2009 (note 23). Trading from SONI Limited's share of the SEMO contractual joint venture has been included in the SEMO segment from the date of acquisition.

The segment results for the year ended 30 September 2009 are as follows:

	EirGrid TSO €'000	SEMO €'000	SONI TSO €'000	Total €'000
Income Statement items				
Segment revenue	261,142	121,212	28,340	410,694
Direct costs	(204,031)	(101,919)	(24,736)	(330,686)
Gross profit	57,111	19,293	3,604	80,008
Other operating costs	(50,981)	(15,756)	(3,894)	(70,631)
Operating profit/(loss)	6,130	3,537	(290)	9,377
Interest income				2,171
Finance costs				(2,144)
Profit before taxation				9,404
Income tax expense				(784)
Profit for the period				8,620
Balance Sheet items				
Segment assets	259,213	72,640	19,541	351,394
Goodwill and intangible assets				25,739
Total assets as reported in the Consolidated Balance Sheet				377,133
Segment liabilities	214,205	35,956	23,443	273,604
Interest bearing borrowings				13,197
Total liabilities as reported in the Consolidated Balance Sheet				286,801

3. SEGMENT INFORMATION (continued)

The comparative segment results for the 9 month period ended 30 September 2008 are as follows:

	EirGrid TSO €'000	SEMO €'000	SONI TSO €'000	Total €'000
Income Statement items				
Segment revenue	205,983	76,724	-	282,707
Direct costs	(162,921)	(64,277)	-	(227,198)
Gross profit	43,062	12,447	-	55,509
Other operating costs	(35,275)	(11,673)	-	(46,948)
Operating profit	7,787	774	-	8,561
Interest income				3,481
Finance costs				(1,052)
Profit before taxation				10,990
Income tax expense				(1,774)
Profit for the period				9,216
Balance Sheet items				
Segment assets	226,567	29,127	-	255,694
Total assets as reported in the Consolidated Balance Sheet				255,694
Segment liabilities	149,185	27,550	-	176,735
Total liabilities as reported in the Consolidated Balance Sheet				176,735

Geographical information

	Revenue		Non-current assets	
	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Ireland	362,932	282,707	97,487	77,803
UK	47,762	-	43,478	-
Total	410,694	282,707	140,965	77,803

Information about major customers

Included in EirGrid TSO segment revenues of €261.1m for the year to 30 September 2009 (9 months to 30 September 2008: €206.0m) are revenues of approximately €160.3m (9 months to 30 September 2008: €145.1m) and €38.5m (9 months to 30 September 2008: €31.9m) which arose from sales to the segment's two largest customers.

NOTES TO THE FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (continued)

Included in SEMO segment revenues of €121.2m for the year to 30 September 2009 (9 months to 30 September 2008: €76.7m) are revenues of approximately €59.7m (9 months to 30 September 2008: €39.2m) and €31.8m (9 months to 30 September 2008: €20.2m) which arose from sales to the segment's two largest customers.

Included in SONI TSO segment revenues of €28.3m for the year to 30 September 2009 (9 months to 30 September 2008: €nil) are revenues of approximately €20.5m and €3.5m which arose from sales to the segment's two largest customers.

4. EMPLOYEES

The average number of persons employed by the Group during the year to 30 September 2009 was 267 (9 months to 30 September 2008: 225), excluding staff engaged on capital projects.

Their total remuneration, including executive Director's salaries, comprised:

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Wages and salaries	22,253	14,778
Social welfare costs	1,857	1,137
Pension costs (note 21)	4,072	2,557
Total	28,182	18,472

Included within the average number of employees are staff seconded from ESB. The charge for the year to 30 September 2009 for the seconded staff was €1.1m (9 months to 30 September 2008: €1.5m) and is included within the wages and salaries figure above. As at the year end there were no employees seconded from ESB and the arrangement to second staff from ESB had been terminated.

The average number of persons engaged on capital projects during the year to 30 September 2009 was 38 (9 months to 30 September 2008: 26). The staff costs associated with these employees have been capitalised and totalled €4.0m for the year to 30 September 2009 (9 months to 30 September 2008: €1.7m).

5. OTHER OPERATING COSTS

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Employee costs (note 4)	28,182	18,472
Depreciation of non-current assets	15,645	9,567
Operations and maintenance	26,042	18,909
Loss on commodity contract	762	-
Total	70,631	46,948

The loss on commodity contract has arisen from a reduction in the fair value of a copper option acquired by the Group during the year in connection with the East-West Interconnector project. The Group and Company acquired this option to manage the commodity price risk arising from their commitment to the project. This transaction is non-speculative, refer to note 27 for details.

6. FINANCE COSTS

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Interest on borrowings and related interest rate swaps	2,144	1,052

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging the following:

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Depreciation	15,645	9,567
Directors' remuneration		
– fees	120	92
– other emoluments	284	257
Auditors' remuneration		
– fees	141	85
– non audit services	95	5
Operating lease rentals	2,380	1,608
Foreign exchange loss	39	20

Auditors' remuneration – non audit services excludes amounts capitalised in Assets under Construction (note 12). Non audit services excludes an amount of €90,000 incurred as a result of the acquisition of SONI Limited (note 23). This amount has been included within direct costs relating to the acquisition.

8. INCOME TAXES

Charge to Income Statement:

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Current tax expense	2,040	2,244
Deferred tax relating to the origination and reversal of temporary differences	(1,256)	(470)
Income tax expense for the period	784	1,774

NOTES TO THE FINANCIAL STATEMENTS

8. INCOME TAXES (continued)

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

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Profit before tax	9,404	10,990
Taxation at standard rate of 12.5% (30 September 2008: 12.5%)	1,176	1,374
Effect of higher rates of tax on other income	267	277
Effect of income, expenses and credits excluded in determining taxable profit	(68)	123
Effect of higher rates of tax on losses in UK subsidiaries	(246)	-
Overprovision in prior years	(131)	-
Other differences	(214)	-
Income tax recognised in Income Statement	784	1,774

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

Group	Intangible assets €'000	Accelerated tax depreciation €'000	Retirement benefits obligations €'000	Cash flow hedges €'000	Tax losses €'000	Other differences €'000	Total €'000
Deferred tax (liability)/asset as at 01 January 2008	-	(333)	2,304	-	-	-	1,971
Credit to the Income Statement for the period	-	358	112	-	-	-	470
Credit to the Statement of Recognised Income and Expense	-	-	654	(62)	-	-	592
Deferred tax asset/(liability) as at 30 September 2008	-	25	3,070	(62)	-	-	3,033
Arising on acquisition	(4,774)	(885)	573	-	382	46	(4,658)
(Charge)/credit to the Income Statement for the period	(85)	685	114	-	445	97	1,256
(Charge)/credit to the Statement of Recognised Income and Expense	-	-	(608)	238	-	-	(370)
Deferred tax (liability)/asset as at 30 September 2009	(4,859)	(175)	3,149	176	827	143	(739)

8. INCOME TAXES (continued)

Company	Accelerated tax depreciation €'000	Retirement benefits obligations €'000	Cash flow hedges €'000	Total €'000
Deferred tax (liability)/asset as at 01 January 2008	(333)	2,304	-	1,971
Credit to the Income Statement for the period	358	112	-	470
Credit/(charge) to the Statement of Recognised Income and Expense	-	654	(62)	592
Deferred tax asset/(liability) as at 30 September 2008	25	3,070	(62)	3,033
Credit to the Income Statement for the period	394	105	-	499
(Charge)/credit to the Statement of Recognised Income and Expense	-	(682)	238	(444)
Deferred tax asset as at 30 September 2009	419	2,493	176	3,088

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

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Ireland	3,088	3,033	3,088	3,033
UK	(3,827)	-	-	-
Net deferred tax (liability)/asset	(739)	3,033	3,088	3,033

9. COMPANY INCOME STATEMENT

As permitted by section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986 the Parent Company is availing of the exemption from presenting its separate Income Statement in these Financial Statements. The consolidated profit for the year to 30 September 2009 includes a profit attributable to the Company of €8,275,000 (9 months to 30 September 2008: €9,216,000). They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective for accounting periods ending on or before 30 September 2009.

NOTES TO THE FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

Group	Goodwill €'000	License Agreements €'000	Total €'000
Cost			
Balance as at 30 September 2008	-	-	-
Acquisition of businesses (note 23)	8,249	17,051	25,300
Exchange differences	135	304	439
Balance as at 30 September 2009	8,384	17,355	25,739
Amortisation			
Balance as at 30 September 2008 and 30 September 2009	-	-	-
Carrying amount as at 30 September 2009	8,384	17,355	25,739
Carrying amount as at 30 September 2008	-	-	-

At the Balance Sheet date, the value of capitalised goodwill and license agreements have been allocated to the Group's cash generating units to assess possible impairment. A summary of intangible asset allocation by principal cash generating unit is as follows:

	30 Sep 2009 €'000	30 Sep 2008 €'000
SEMO	20,404	-
SONI TSO	5,335	-
Total	25,739	-

The recoverable amount of the intangible assets allocated to a cash generating unit has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2013. Key assumptions used within the calculations include:

- Year on year SEMO revenue assumed to increase 2% in the 2009/10 financial year, then remain static across the following 4 financial years to 2013;
- Year on year SONI TSO revenue assumed to decrease by 7% in the 2009/10 financial year, then remain static across the following 4 financial years to 2013;
- Growth rate of 2% assumed into perpetuity;
- SONI TSO and SEMO profitability levels have been based on anticipated regulatory recoveries;
- Discount rates of 5.8% and 6.3% respectively have been assumed for the SEMO and SONI TSO cash generating units.

On the basis of the above assumptions the Directors have concluded that there is no goodwill or intangible asset impairment.

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows and the expected long term growth rates. While it is conceivable that a key assumption in the calculation could change, the Directors believe that no reasonably foreseeable changes to key assumptions would result in an impairment of goodwill, such is the margin by which the estimated fair value exceeds the carrying amount.

11. INVESTMENTS

Company	30 Sep 2009 €	30 Sep 2008 €
Investment in subsidiary	2	-

Movements in the year relate to the incorporation of EirGrid UK Holdings Limited, a holding company incorporated in Northern Ireland to facilitate the acquisition of SONI Limited (note 23).

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

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

EirGrid UK Holdings Limited is owned directly by the Company, SONI Limited is owned by EirGrid UK Holdings Limited. The registered office of both subsidiaries is Castlereagh House, 12 Manse Road, Belfast.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT & EQUIPMENT

Group	Buildings*	Fixtures & fittings	IT, telecommunications equipment & other	Single Electricity Market**	Assets under Construction***	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
Balance as at 01 January 2008	-	42	22,671	34,043	7,290	64,046
Additions	-	-	1,771	194	25,720	27,685
Disposals	-	-	(345)	-	-	(345)
Transfers	9,865	1,169	5,759	-	(16,793)	-
Balance as at 30 September 2008	9,865	1,211	29,856	34,237	16,217	91,386
Additions	370	59	7,544	2,285	24,781	35,039
Acquired through business combinations	1,048	14	2,958	7,184	5,491	16,695
Disposals	-	-	(3,409)	-	-	(3,409)
Transfers	-	-	5,200	5,124	(10,324)	-
Exchange differences	50	-	186	-	196	432
Balance as at 30 September 2009	11,333	1,284	42,335	48,830	36,361	140,143
Depreciation						
Balance as at 01 January 2008	-	6	6,674	1,135	-	7,815
Charge	102	53	4,270	5,142	-	9,567
Disposals	-	-	(269)	-	-	(269)
Balance as at 30 September 2008	102	59	10,675	6,277	-	17,113
Charge	458	241	6,883	8,063	-	15,645
Disposals	-	-	(3,330)	-	-	(3,330)
Exchange differences	30	-	279	-	-	309
Balance as at 30 September 2009	590	300	14,507	14,340	-	29,737
Carrying amount as at 30 September 2009	**10,743**	**984**	**27,828**	**34,490**	**36,361**	**110,406**
Carrying amount as at 30 September 2008	9,763	1,152	19,181	27,960	16,217	74,273

* The cost of the Group's buildings represents leasehold improvements. See note 18 for details of the lease.

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

*** Assets under Construction consist of the following:

	30 Sep 2009 €'000	30 Sep 2008 €'000
IT and telecommunications equipment	3,655	3,232
East-West Interconnector project (Note A)	32,706	8,435
SEMO IT system	-	4,550
Total	36,361	16,217

Note A: Included in the additions to the East-West Interconnector project are fees of €637,000 (9 months to 30 September 2008: €40,000) paid to the Group's auditors in respect of non-audit services.

12. PROPERTY, PLANT & EQUIPMENT (continued)

Company	Buildings* €'000	Fixtures & fittings €'000	IT, telecommunications equipment & other €'000	Single Electricity Market** €'000	Assets under Construction*** €'000	Total €'000
Cost						
Balance as at 01 January 2008	-	42	22,671	34,043	7,290	64,046
Additions	-	-	1,771	194	25,720	27,685
Disposals	-	-	(345)	-	-	(345)
Transfers	9,865	1,169	5,759	-	(16,793)	-
Balance as at 30 September 2008	9,865	1,211	29,856	34,237	16,217	91,386
Additions	363	52	777	7,102	29,927	38,221
Disposals	-	-	(164)	-	-	(164)
Transfers	1,658	-	3,484	5,286	(10,428)	-
Balance as at 30 September 2009	11,886	1,263	33,953	46,625	35,716	129,443
Depreciation						
Balance as at 01 January 2008	-	6	6,674	1,135	-	7,815
Charge	102	53	4,270	5,142	-	9,567
Disposals	-	-	(269)	-	-	(269)
Balance as at 30 September 2008	102	59	10,675	6,277	-	17,113
Charge	411	238	6,061	7,617	-	14,327
Disposals	-	-	(85)	-	-	(85)
Balance as at 30 September 2009	513	297	16,651	13,894	-	31,355
Carrying amount as at 30 September 2009	**11,373**	**966**	**17,302**	**32,731**	**35,716**	**98,088**
Carrying amount as at 30 September 2008	9,763	1,152	19,181	27,960	16,217	74,273

* The cost of the Company's buildings represents leasehold improvements. See note 18 for details of the lease.

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

*** Assets under Construction consist of the following:

	30 Sep 2009 €'000	30 Sep 2008 €'000
IT and telecommunications equipment	3,010	3,232
East-West Interconnector project (Note A)	32,706	8,435
SEMO IT system	-	4,550
Total	35,716	16,217

Note A: Included in the additions to the East-West Interconnector project are fees of €637,000 (9 months to 30 September 2008: €40,000) paid to the Company's auditors in respect of non-audit services.

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Trade receivables	10,899	24,650	10,194	24,650
Prepayments and accrued income	27,366	12,567	22,087	12,567
Unbilled receivables	39,784	38,039	39,784	38,039
VAT recoverable	-	87	-	87
Other receivables	2,789	3,785	2,378	3,785
Amounts owed by subsidiary undertakings	-	-	12,160	-
Total	80,838	79,128	86,603	79,128

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

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

Group and Company prepayments and accrued income balances include deferred costs in respect of transmission projects of €20.6m (30 September 2008: €12.1m), all of which may not be recoverable within twelve months.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Trade payables	79,775	61,469	71,174	61,469
Accruals	46,820	40,652	42,310	40,652
Taxation and social welfare	6,733	800	5,670	800
Regulatory over-recoveries	2,080	10,400	2,080	10,400
Amounts owed to subsidiary undertakings	-	-	5,459	-
Total	135,408	113,321	126,693	113,321

14. TRADE AND OTHER PAYABLES (continued)

Taxation and social welfare comprises of the following:

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
PAYE/PRSI	777	501	661	501
VAT	4,128	-	3,181	-
Withholding tax	1,828	299	1,828	299
Total	6,733	800	5,670	800

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

€33.7m (30 September 2008: €29.0m) of the Group trade payables balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. €29.2m (30 September 2008: €29.0m) of the Company trade payables balance relates to the charge payable to ESB as Transmission Asset Owner. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period and sums due to pass through capital costs of grid development.

The liability in respect of regulatory over-recoveries relates to costs which were over-recovered during 2007 and which are being returned to customers over the 2008, 2009 and 2010 tariff periods. The over-recovery occurred in the context of the termination of the wholesale electricity market arrangements that were in place prior to the commencement of the SEM on 01 November 2007. The CER issued an instruction that the sum of €35.4m was to be returned to customers. €8.3m of this amount was returned in the year to 30 September 2009 (nine months to 30 September 2008: €25.0m).

15. ISSUED SHARE CAPITAL

Group and Company	30 Sep 2009 €'000	30 Sep 2008 €'000
Authorised:		
30,000 ordinary shares of €1.25 each	38	38
Allotted, called-up and fully paid:		
30,000 ordinary shares of €1.25 each	38	38

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

NOTES TO THE FINANCIAL STATEMENTS

16. RETAINED EARNINGS

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Balance at beginning of period	29,304	24,666	29,304	24,666
Profit for the period	8,620	9,216	8,275	9,216
Actuarial gain/(loss) (note 21)	5,060	(5,232)	5,218	(5,232)
Deferred tax on actuarial gain/(loss)	(608)	654	(682)	654
Balance at end of period	42,376	29,304	42,115	29,304

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Cash and cash equivalents	153,904	98,763	141,464	98,763

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

Included in the Group and Company cash balances are amounts of €3.3m (30 September 2008: €10.4m) relating to the regulatory over-recoveries payable at year end (note 14) and security deposits of €0.9m. Included in the Group's cash balances are a further €28.1m (30 September 2008: €7.3m) held on trust for market participants in the SEM, of which €4.1m (30 September 2008: €6.6m) is held in SEM collateral reserve accounts (security accounts held in the name of market participants), with an equivalent amount included in trade payables.

The Group had unutilised borrowing facilities of €85.9m (30 September 2008: €20.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group have sufficient facilities in place to fund the East-West Interconnector project.

18. OPERATING LEASE ARRANGEMENTS

Future minimum lease payments under non-cancellable operating leases, which are in respect of the Group's building and vehicle fleet, fall due as follows:

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Not longer than one year	2,685	2,692	2,685	2,692
Longer than one year and not longer than five years	10,490	10,496	10,490	10,496
Longer than five years	32,366	34,973	32,366	34,973
Total	45,541	48,161	45,541	48,161

The operating lease for the Group's office building is for a term of 25 years which commenced on 01 March 2007. There is a rental holiday for the first three years of the lease term. The lease cost is based on open market value and is subject to rent review every 5 years.

The operating leases for the Group's vehicle fleet are typically for terms of 3.5 years per vehicle.

19. CAPITAL COMMITMENTS

Expenditure contracted for, but not provided for in the Financial Statements is as follows:

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
East-West Interconnector	18,570	915	18,570	915
SEMO IT system	-	2,850	-	2,850
Total	18,570	3,765	18,570	3,765

The Group and Company have significant contractual commitments arising from the East-West Interconnector, a project to link the electricity grids of Ireland and Britain. The above reflects the contractual commitment to the project as at 30 September 2009, estimated total capital spend on the project is €601m.

20. CONTINGENT LIABILITIES

The Group has issued a letter of credit of €4.9m in respect of its commitments to the East-West Interconnector project. The Group does not expect any material loss to arise from this contingent liability.

NOTES TO THE FINANCIAL STATEMENTS

21. RETIREMENT BENEFITS OBLIGATIONS

The Group operates a defined benefit pension plan for employees of the Company and the executive Director ("EirGrid plan"). A second defined benefit pension plan ("SONI Focus plan") is operated for employees of SONI Limited, a company acquired during the year (note 23). Retirement benefits payable are based on salary and length of service.

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2009 for both the EirGrid plan and SONI Focus plan, under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present values of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

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

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Present value of funded defined pension obligations	65,285	47,188	48,168	47,188
Fair value of plan assets	(42,997)	(22,633)	(28,218)	(22,633)
Net liability before deferred tax	22,288	24,555	19,950	24,555
Deferred tax on net pension obligation (note 8)	(3,149)	(3,070)	(2,493)	(3,070)
Net liability after deferred tax	19,139	21,485	17,457	21,485

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

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Current service cost	3,635	2,382
Interest cost	3,149	1,790
Expected return on plan assets	(1,925)	(1,325)
Employer pension cost capitalised	(787)	(290)
Amount included in other operating costs (note 4)	4,072	2,557

21. RETIREMENT BENEFITS OBLIGATIONS (continued)

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

	Group		Company	
	Year to 30 Sep 2009 €'000	**9 months to 30 Sep 2008 €'000**	**Year to 30 Sep 2009 €'000**	**9 months to 30 Sep 2008 €'000**
Actuarial gains/(losses)	5,060	(5,232)	5,218	(5,232)
Amount included in Statement of Recognised Income and Expense	5,060	(5,232)	5,218	(5,232)

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

	EirGrid plan Year to 30 Sep 2009 €'000	**EirGrid plan 9 months to 30 Sep 2008 €'000**	**SONI Focus plan Year to 30 Sep 2009 €'000**
Opening defined benefit obligation	47,188	43,564	-
Assumed through business combinations	-	-	12,477
Current service cost including employee contributions	4,656	3,283	290
Interest cost	2,708	1,790	441
Actuarial (gains)/losses	(6,207)	(1,118)	3,834
Benefits paid	(177)	(331)	-
Benefits received	-	-	-
Exchange differences	-	-	75
Closing defined benefit obligation	48,168	47,188	17,117

NOTES TO THE FINANCIAL STATEMENTS

21. RETIREMENT BENEFITS OBLIGATIONS (continued)

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

	EirGrid plan Year to 30 Sep 2009 €'000	EirGrid plan 9 months to 30 Sep 2008 €'000	SONI Focus plan Year to 30 Sep 2009 €'000
Opening fair value of plan assets	22,633	25,077	-
Acquired through business combinations	-	-	10,429
Expected return on plan assets	1,623	1,325	303
(Losses)/gains on plan assets	(989)	(6,296)	3,676
Employer contributions	3,881	1,957	260
Employee contributions	1,247	901	64
Benefits paid	(177)	(331)	-
Benefits received	-	-	-
Exchange differences	-	-	47
Closing fair value of plan assets	28,218	22,633	14,779

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

	EirGrid plan 30 Sep 2009	EirGrid plan 30 Sep 2008	SONI Focus plan 30 Sep 2009
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate	5.50%	5.75%	5.50%
State pension increase	3.50%	4.00%	3.25%
Salary increases	3.50%	4.00%	4.75%
	plus scale	plus scale	plus scale
Pension increases	3.50%	4.00%	3.25%
Inflation	2.50%	3.00%	3.25%
Post-retirement life expectancy for those retiring at age 65:			
– Men	24.0 years	24.0 years	24.1 years
– Women	26.4 years	26.4 years	26.6 years

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end were 5.50% (30 September 2008: 5.75%) for both the EirGrid and SONI Focus plans. The EirGrid plan rate was based on the redemption yield on Euro denominated corporate bonds with an approximate duration of 20 years (30 September 2008: 20 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated corporate bonds with an approximate duration of 15 years. The Directors believe that this is consistent with the estimated term of the post-retirement benefit obligations.

21. RETIREMENT BENEFITS OBLIGATIONS (continued)

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. As an indication of the impact of changes in actuarial assumptions, a 50 basis point decrease in discount rates would increase the net pension plan liability by approximately 30%.

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

EirGrid plan	Expected Return		Fair Value	
	30 Sep 2009 %	30 Sep 2008 %	30 Sep 2009 €'000	30 Sep 2008 €'000
Equities	7.00%	7.50%	16,958	12,613
Government bonds	4.00%	4.75%	4,477	3,021
Corporate bonds	5.50%	5.75%	4,053	4,249
Property	5.50%	6.00%	713	913
Cash	3.00%	4.00%	2,017	1,837
Fair value of plan assets			28,218	22,633

SONI Focus plan	Expected Return 30 Sep 2009 %	Fair Value 30 Sep 2009 €'000
Equities	5.50%	10,640
Bonds	4.00%	2,660
Cash	0.50%	139
Fair value of plan assets		13,439

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

During the year ending 30 September 2010 the Group expects to contribute approximately €4.8m to its defined benefit plans.

The history of experience adjustments is as follows:

	2009 €'000	2008 €'000	2007 €'000	2006 €'000	2005 €'000
Present value of defined benefit obligation	65,285	47,188	43,564	39,149	1,969
Fair value of plan assets	(42,997)	(22,633)	(25,077)	(18,187)	(1,933)
Deficit	22,288	24,555	18,487	20,962	36
Experience adjustments on plan liabilities	2,373	1,064	2,215	(1,164)	(97)
Experience adjustments on plan assets	2,687	(6,296)	1,820	1,171	(10)

NOTES TO THE FINANCIAL STATEMENTS

21. RETIREMENT BENEFITS OBLIGATIONS (continued)

As the SONI Focus plan has been closed to new members since 1998, the Group also operates an approved defined contribution scheme, "SONI Options plan" for employees of SONI Limited. Contributions are paid by the members and employer at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the scheme are held in a separate trustee administered fund. The pension charge for the year represents the defined employer contribution and amounted to €0.1m (2008: €nil).

22. STATEMENT OF CHANGES IN EQUITY

Group	Share capital €'000	Capital reserve €'000	Hedging reserve €'000	Translation reserve €'000	Retained earnings €'000	Total €'000
Balance as at 01 January 2008	38	49,182	-	-	24,666	73,886
Total recognised income and expense for the period	-	-	-	-	4,638	4,638
Gain recognised on cash flow hedges	-	-	435	-	-	435
Balance as at 30 September 2008	38	49,182	435	-	29,304	78,959
Total recognised income and expense for the period	-	-	-	-	13,072	13,072
Loss recognised on cash flow hedges	-	-	(1,663)	-	-	(1,663)
Currency translation differences	-	-	-	(36)	-	(36)
Balance as at 30 September 2009	38	49,182	(1,228)	(36)	42,376	90,332

Capital Reserve

The Capital Reserve arose on the vesting of the TSO operations from ESB to the Company under the Transfer Scheme dated 01 July 2006. There have been no movements in the reserve since this date.

Hedging Reserve

The Hedging Reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

Translation Reserve

The Translation Reserve represents foreign exchange differences arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits and losses of such operations from the average rate for the year to the closing rate at the Balance Sheet date.

Retained Earnings

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

23. BUSINESS COMBINATIONS

On 11 March 2009 the Company acquired SONI Limited, the TSO in Northern Ireland, acquiring 100% of the equity voting capital. The Group believed that through shared ownership and closer working relationships, synergies and benefits across operations, planning and investment decisions may be delivered. Further to this, the governance and management of the Single Electricity Market would be simpler and more efficient.

Details of net assets acquired and goodwill arising from the above business combination are as follows:

	€'000
Purchase consideration:	
– Cash paid	32,775
– Direct costs relating to the acquisition	1,496
– Amounts due from acquiree to acquirer	596
Total purchase consideration	34,867
Fair value of assets acquired	(26,618)
Goodwill (note 10)	8,249

Included within goodwill is the assembled workforce acquired as part of the business and the strategic acquisition synergies, both of which are specifically excluded by IFRS 3 in the identification of intangible assets on acquisition.

The assets and liabilities arising from the acquisition are as follows:

	Provisional fair value €'000	Acquiree's carrying amount €'000
Intangible assets (note 10)	17,051	-
Property, plant & equipment	16,695	16,695
Trade and other receivables	13,409	13,409
Cash and cash equivalents	4,400	4,400
Deferred tax	(4,658)	117
Trade and other payables	(18,230)	(18,826)
Net pension deficit	(2,049)	(2,049)
Net assets acquired	26,618	13,746

NOTES TO THE FINANCIAL STATEMENTS

23. BUSINESS COMBINATIONS (continued)

The post acquisition impact of SONI Limited, including its share of the SEMO joint venture, on Group results for the financial year was as follows:

	2009 Acquisition €'000	Group excluding acquisition €'000	Consolidated Group including acquisition €'000
Revenue	47,077	363,617	410,694
(Loss)/profit before taxation	(471)	10,278	9,807

The estimated revenue and profit for the financial year determined in accordance with IFRS 3 – Business Combinations as though the acquisition date for the business affected during the year had been at the beginning of the year, would be as follows:

	2009 Acquisition €'000	Group excluding acquisition €'000	Pro forma Group including acquisition €'000
Revenue	101,478	363,617	465,095
Profit before taxation	2,427	10,278	12,705

This information is not necessarily indicative of the results of operations that would have occurred had the purchase been made at the beginning of the year or the future results of the combined operations.

24. INTEREST IN JOINT VENTURE

The Company has a 75% interest in SEMO, which came into operation on 01 November 2007. On that date the old wholesale electricity market in Ireland ceased and the new Single Electricity Market (SEM) commenced. SEMO was established as the contractual joint venture between the Company and SONI Limited responsible for the operation of the wholesale electricity market for the island of Ireland from 01 November 2007 onwards. The Company's share of assets, liabilities, income and expenses has been included in the Company Financial Statements using the proportionate consolidation method. The Group achieved control of SEMO during the year through its acquisition of SONI Limited on 11 March 2009 (note 23). From the effective date of the acquisition 100% of the results of SEMO are included in the Consolidated Income Statement.

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

	30 Sep 2009 €'000	30 Sep 2008 €'000
Property, plant and equipment	25,890	3,846
Current assets	28,590	25,280
Total assets	54,480	29,126
Total equity	2,663	1,576
Current liabilities	51,817	27,550
Total liabilities	51,817	27,550
Total equity and liabilities	54,480	29,126

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Revenue	110,310	77,040
Expenses	(106,937)	(73,913)
Operating profit	3,373	3,127

NOTES TO THE FINANCIAL STATEMENTS

25. BORROWINGS

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Repayable within one year:				
Bank overdrafts	142	871	142	871
Bank loans repayable by instalments	73,480	7,600	69,072	7,600
Total current borrowings	73,622	8,471	69,214	8,471
Repayable after more than one year by instalments:				
Between one and two years	13,230	19,000	8,822	19,000
Between two and five years	33,538	9,500	16,145	9,500
In five years or more	3,484	-	-	-
Total non-current borrowings	50,252	28,500	24,967	28,500
Total borrowings outstanding	123,874	36,971	94,181	36,971

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

26. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
Financial assets classified as loans and receivables:				
Trade receivables	10,899	24,650	10,194	24,650
Cash and cash equivalents	143,073	98,763	133,341	98,763
Total	153,972	123,413	143,535	123,413
Financial assets fair valued through profit and loss:				
Derivative financial instruments	1,732	-	1,732	-
Total	155,704	123,413	145,267	123,413
Financial liabilities classified as other liabilities:				
Trade payables	79,775	61,469	71,174	61,469
Borrowings and bank overdrafts	123,874	36,971	94,181	36,971
Total	203,649	98,440	165,355	98,440
Financial liabilities/(assets) designated as hedging instruments:				
Derivative financial instruments	1,404	(497)	1,404	(497)
Total	205,053	97,943	166,759	97,943

27. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital Management

The Company, on vesting of the transmission system operator, had capital introduced under the Transfer Scheme dated 01 July 2006. This capital forms the core capital of the Company. There have been no changes to the core capital of the Company during the year. Any changes to the capital structure are subject to approval of the Department of Communications, Energy and Natural Resources.

The Company is funded on an ongoing basis through the regulatory tariff regime. The Company has put in place bank facilities to manage liquidity and cash flow to allow for timing mismatches between regulatory tariff receipts and working capital requirements. Capital expenditure projects are funded through external borrowings and subject to approval by the Department.

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

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

During the year, the Company has entered into a number of new borrowing facilities including specific borrowings related to the acquisition of SONI and the East-West Interconnector project. Further details of the borrowing facilities and the related hedging strategies are set out below.

Overview of Financial Risk Management

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

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

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

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

Credit risk management

The Group monitors its credit exposure on its cash and cash equivalents and financial instruments to counterparties via their credit ratings (where applicable) and through its policy, thereby limiting its exposure to any one party to ensure that they are within approved limits and that there are managed concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts in the Balance Sheet.

The Group discharges its Market Operator obligations through a contractual joint venture with SONI Limited. Under the terms of the Trading and Settlement Code for the SEM each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM Collateral Reserve account. Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by generators and is not borne by the Market Operator. SEMO trade debtors included in Group trade debtors as at 30 September 2009 were €2.2m (30 September 2008: €10.4m). SEMO trade debtors included in Company trade debtors as at 30 September 2009 were €1.7m (30 September 2008: €10.4m).

NOTES TO THE FINANCIAL STATEMENTS

27. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

	Group		Company	
	30 Sep 2009 €'000	30 Sep 2008 €'000	30 Sep 2009 €'000	30 Sep 2008 €'000
60 to 90 days	879	537	879	537
90 to 120 days	-	3,973	-	3,973
Greater than 120 days	4,953	-	4,953	-
Total	5,832	4,510	5,832	4,510

Liquidity risk management

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

Trade payables are paid at the end of the month following the month of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. All trade payables at the reporting date are within this credit timeframe.

The Group has access to funding facilities, the total utilised amount of which was €85.9m at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group have sufficient facilities in place to fund the East-West Interconnector project. The Group expects to meet its other obligations from operating cash flows.

In addition, on 28 September 2009 the Company entered into a credit agreement with the European Investment Bank for a maximum of €300m to part finance the East-West Interconnector project. The completion of the agreement is subject to certain conditions including the approval of the Minister for Communications, Energy and Natural Resources.

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

27. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Group	Less than 1 month €'000	1 to 12 months €'000	1 to 5 years €'000	5+ years €'000	Total €'000
30 Sep 2009					
Non interest bearing	79,775	-	-	-	79,775
Borrowings and bank overdrafts	240	76,860	51,107	3,609	131,816
Total	80,015	76,860	51,107	3,609	211,591
30 Sep 2008					
Non interest bearing	61,469	-	-	-	61,469
Borrowings and bank overdrafts	871	9,455	35,455	-	45,781
Total	62,340	9,455	35,455	-	107,250

Company	Less than 1 month €'000	1 to 12 months €'000	1 to 5 years €'000	5+ years €'000	Total €'000
30 Sep 2009					
Non interest bearing	71,174	-	-	-	71,174
Borrowings and bank overdrafts	240	71,608	26,634	-	98,482
Total	71,414	71,608	26,634	-	169,656
30 Sep 2008					
Non interest bearing	61,469	-	-	-	61,469
Borrowings and bank overdrafts	871	9,455	35,455	-	45,781
Total	62,340	9,455	35,455	-	107,250

Market Risk

Commodity price risk management

The Group and Company are exposed to changes in commodity prices, principally copper prices, through their contractual commitment to undertake the East-West Interconnector project. The Group and Company use a copper option to manage the commodity price risk arising from their commitment to the project, this transaction is non-speculative.

The fair value of commodity contracts at the reporting date is determined by reference to a quoted market price at the Balance Sheet date, being the present value of the quoted forward copper price. The resulting gain or loss is recognised in profit or loss immediately. A loss of €762,000 resulting from a reduction in the commodity option's mark to market value as at 30 September 2009 has been recognised within operating expenses.

The derivative is presented as a non-current asset as the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

27. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The following option was in place at the year end:

	30 Sep 2009 €'000	30 Sep 2008 €'000
Derivatives that are fair valued through the Income Statement:		
Commodity contract asset	1,732	-
Notional volume of commodity	5,568 Metric Tonnes	-

Under the terms of the commodity option, the Group and Company have the option to purchase copper at a specified price, on or before 31 October 2010. This option enables the Group and Company to partially mitigate the risk on the commodity price exposure arising from their commitment to the East-West Interconnector project.

Commodity price sensitivity analysis

The sensitivity analyses below have been determined based on the combined exposure to commodity prices for copper and the Group's copper option at the Balance Sheet date. A 20% price increase or decrease is used when reporting commodity price risk and represents management's assessment of the reasonably possible changes in copper prices.

If copper prices had been 20% higher or lower and all other variables were held constant, the Group's and Company's profit for the year to 30 September 2009 would increase or decrease by €1.8m and €1.3m respectively (9 months to 30 September 2008: €nil), as a result of changes in the fair value of its copper option.

Interest rate risk management

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

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

	30 Sep 2009 €'000	30 Sep 2008 €'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Interest rate swap (liability)/asset	(1,404)	497
Notional amount of interest rate swaps	30,189	36,100

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

The interest rate swaps expire in 2013 and settle on a six monthly basis. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

27. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Group has entered into two further swap contracts which have a start date in 2011, with a combined notional value of €16.0m. Such contracts enable the Group to partially mitigate the risk of future cash flow exposure to variable rate interest on its borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the combined exposure to interest rates for borrowings and derivative instruments at the Balance Sheet date. A 100 basis point increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible changes in interest rates.

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

- Profit for the year to 30 September 2009 would be impacted by €300,000 (9 months to 30 September 2008: €nil); and
- Other equity reserves would be impacted by €400,000 (9 months to 30 September 2008: €400,000), mainly as a result of changes in the fair value of its cash flow hedges.

Foreign currency exchange risk management

The Group is exposed to foreign currency risk through the operations of its two subsidiaries incorporated in Northern Ireland, which have a Sterling functional currency. This risk is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding Northern Irish operations using Sterling borrowings. As a result the Group does not hedge everyday foreign currency transactions.

Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded an operating loss of €0.3m during the year to 30 September 2009 (note 3). A 20% increase or decrease has been used when reporting foreign currency exchange risk and represents management's assessment of the reasonably possible changes in exchange rates.

If exchange rates had been 20% higher/lower and all other variables were held constant, the Group's profit for the year to 30 September 2009 would be impacted by €200,000 (9 months to 30 September 2008: €nil)

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTY TRANSACTIONS

Group

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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

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

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Transmission asset owner charge	153,889	114,907

At 30 September 2009 a total of €29.2m (30 September 2008: €29.0m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2009 €'000	30 Sep 2008 €'000
Opening balance	29,009	25,692
Charges during the period	153,889	114,907
Payments made during the period	(153,744)	(111,590)
Closing balance	29,154	29,009

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

Board members had no beneficial interest in the Group 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 Group) during the year was as follows:

	Year to 30 Sep 2009 €'000	9 months to 30 Sep 2008 €'000
Short-term benefits	1,779	1,270
Post-employment benefits	199	148
Total	1,978	1,418

Company

At 30 September 2009 €11.2m (30 September 2008: €nil) was due to the Company from its subsidiaries.

29. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the Financial Statements on 16 December 2009.

The Oval,
160 Shelbourne Road,
Ballsbridge,
Dublin 4.

Tel +353 (0)1 677 1700
Fax +353 (0)1 661 5375

The Oval,
160 Bóthar Shíol Bhroin,
Droichead na Dothra,
Baile Átha Cliath 4.

Teil +353 (0)1 677 1700
Faics +353 (0)1 661 5375

info@eirgrid.com
www.eirgrid.com

PRN A10/0122