EirGrid plc
Annual Report 2014

EirGrid

www.eirgrid.com

Our Mission

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

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EirGrid - It's Your Grid

Working with you for our energy future

Ireland needs a safe, secure electricity network, to power our homes, schools, hospitals, farms and businesses. EirGrid Group is the organisation entrusted with the responsibility of managing the electricity grid in Ireland and Northern Ireland. As the designated Transmission System Operator and Market Operator, we operate the grid throughout the island of Ireland. We also own and operate the 260km East West Interconnector that runs between Ireland and Great Britain. We are a commercially run semi-state company, which operates in the interest of all people on the island.

Our role is to deliver the electricity from where it is generated to where it is needed. We manage the network as safely and efficiently as possible, ensuring there is enough capacity to meet demand at any given time, 365 days of the year.

EirGrid also operates the independent all-island electricity market, facilitating the buying of wholesale electricity by the suppliers who sell to the end user. We don't participate in the wholesale or retail market, as we neither buy nor sell electricity.

A quality electricity network is essential for everyone on the island of Ireland and one which we are proud to manage on your behalf.

Chairperson's Report

John O'Connor
CHAIRPERSON

I am pleased to present the Chairperson's Report having completed my first full year of chairing the EirGrid Board. I believe that 2013/14 was, on the whole, a successful year for the EirGrid Group, and a year in which we made many advances. However, it was also a year that brought significant challenges.

Our fundamental purpose is to ensure that we have a transmission system and an electricity market that supports the delivery of electric power that is safe and reliable and at the most competitive prices possible. This has been successfully achieved during the year under review. Of particular significance is the East West Interconnector, which brought significant benefits in its first full year in operation, including maintaining downward pressure on wholesale electricity prices.

2013/14 was also a successful year from a financial perspective, with a pre-tax profit of €44.2 million and an underlying profit of €18 million. We are pleased to propose a dividend of €3 million in respect of financial year 2013/14.

However, a company with our heavy responsibilities to the people of Ireland and Northern Ireland cannot rest on past or even current performance. We must plan for the future and do so in a way that delivers on national policies in Ireland and in Northern Ireland. That is why we are undertaking major investment to develop a more efficient, integrated single electricity market, in accordance with European requirements and to strengthen the transmission grid to cater for future demand and development in all regions on the island.

Government environment and energy policies coincide around the target of generating 40% of electricity from renewable sources by 2020. We are determined to play our part in achieving that objective.

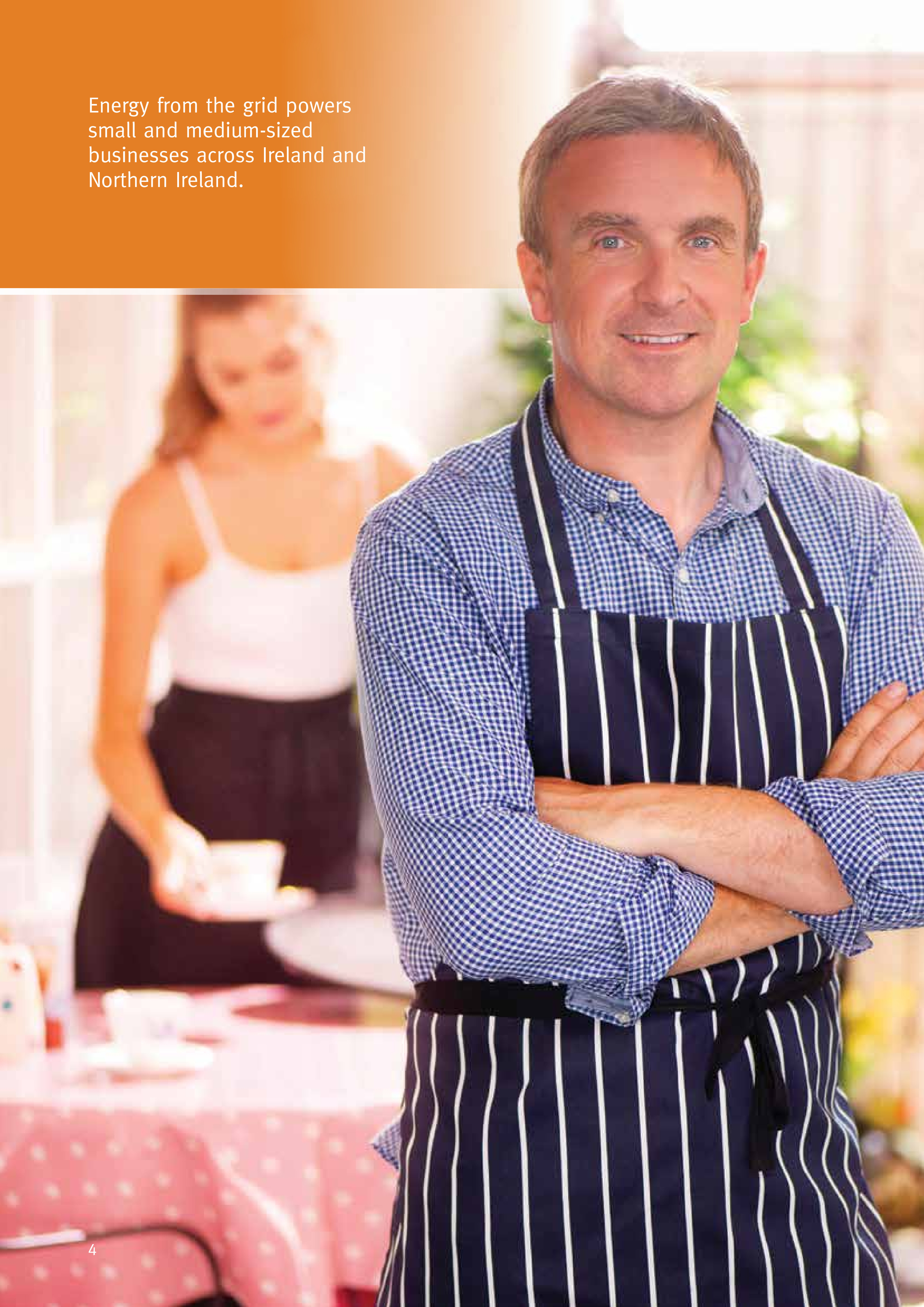
We regularly review our investment plans to ensure they take account of the most up-to-date information and technology. In line with this we are just completing a thorough review of the Grid25 strategy, which sets out the framework for the development of the grid in Ireland over the next decade. The revised strategy will demonstrate EirGrid's commitment to find the best solution and respond to changing circumstances and public feedback.

The review reiterates that the North-South Interconnector is essential to providing efficient access to electricity across Ireland, and is urgently needed to support the grid in Northern Ireland. The Economic and Social Research Institute (ESRI) also highlighted the importance of this infrastructure for Ireland and Northern Ireland. The European Commission has designated the Interconnector as a Project of Common Interest (PCI) which will enable the project to qualify for EU funding. It now needs to be delivered in the shortest possible time-scale.

In 2014, we announced details of a number of major initiatives to respond to concerns from the public in relation to our consultation process. The outcome of these is set out in more detail in the CEO's statement and elsewhere in the report.

Building on our public consultation commitments and moving forward in partnership with communities is a priority for 2015.

Energy from the grid powers small and medium-sized businesses across Ireland and Northern Ireland.



As a company we are very committed to consulting meaningfully with communities affected by proposed projects and our new approach to public consultation commits the company to a participative approach. This involves the interested public, landowners and other stakeholders helping us find the best solutions to identified needs for grid strengthening. Community considerations will be factored in along with engineering at all stages of the consideration of projects. This approach is based on the most up-to-date international best practice but also taking account of uniquely Irish aspects. We have also started a dialogue with stakeholders in Northern Ireland on how SONI can develop a similar community based approach to consultation.

There is an acceptance throughout the Group that this new approach will require changes of practice and culture and these changes are being proactively implemented. The company's strategy and other policy documents have been reviewed to explicitly reflect the weight that must be given to community consultation and the environment in all aspects of our operations.

During 2014 the Board of Directors has considered how best it can contribute to the success of the company. We have made improvements to the way we conduct our business at Board level. These included reviewing the existing Committee structure and introducing a new Public Affairs Committee.

I would like to thank each of my fellow Directors for his or her contribution and support during the year. Dr. Joan Smyth and Richard Sterling completed 5 year terms as Directors during the year and I am very pleased that both agreed to be re-appointed. I would like to pay tribute to the Chief Executive and his Executive team and to the staff of the EirGrid Group for their commitment and diligence throughout the year. I also want to thank the Minister for Communications, Energy and Natural Resources Alex White T.D., his predecessor Pat Rabbitte T.D. and Minister for Enterprise, Trade and Investment in Northern Ireland, Arlene Foster MLA, and officials in both Departments for their support.

Finally, I would like to say that the EirGrid Group is on a constant mission to improve how we do things, to build trusted relationships with our customers, communities and other stakeholders and to give the best possible service to the people who ultimately pay us through their electricity bills. This requires us to embrace change; I believe we are already doing so.

John O'Connor

John O'Connor CHAIRPERSON

Chief Executive's Review

Fintan Slye
CHIEF EXECUTIVE

2014 was a landmark year for the EirGrid Group. We marked a successful first full year in operation of the East West Interconnector, made considerable progress on key projects and began the process of working more closely than ever with individuals, communities, businesses and organisations.

Our role is to operate, maintain and develop the electricity transmission network across the island of Ireland. During the year we continued to deliver on our core remit in the areas of power system operation and wholesale electricity market operation. We must also look to the future, anticipating the demand for electricity in the decades to come and planning the development of the grid to meet that demand in a responsible and sustainable manner. These services are critically and strategically important for people, communities, businesses and customers of the grid across Ireland and Northern Ireland.

While 2014 has seen significant progress across much of the grid development strategy (Grid25), many communities and citizens also raised very serious concerns about some of our major projects. We recognised that we needed to improve our approach and work more closely with those in communities directly impacted by proposed new developments. We have committed to responding and changing appropriately.

Engagement and Consultation

In January 2014, we announced five new initiatives to address public concerns. These are: a review of overhead versus underground options, overseen by a Government-appointed Independent Expert Panel; the introduction of a community gain fund; reports on the specialist areas of tourism, equine and agriculture; a Government initiated expert review of Electric and Magnetic Fields (EMF); and a review of our consultation process.

Our dedicated approaches to tourism, equine and agriculture have recently been published, while we are currently introducing a community gain fund on the relevant projects. The Independent Expert Panel is reviewing the Grid West project, having provided a positive opinion on the North-South Interconnector in July 2014. In December 2014, we published a review of our approach to public consultation. I believe that this review will pave the way for better two-way communication and assist in restoring public trust in our organisation. Our goal for the year ahead is to restore trust and enable greater participation in the decision-making process of our projects. We believe that this is critical if we are to deliver the grid that is needed to service the energy requirements of people, communities and businesses across Ireland and Northern Ireland, now and in the future.

A New Wholesale Electricity Market

We put in place the current wholesale electricity market, the Single Electricity Market (SEM), in 2007 and it has served the interests of customers and the economies well across the island. The market now needs to change and evolve to become more tightly coupled with the wider European electricity market currently being rolled out in Great Britain and across Europe. This should facilitate greater opportunities for trade and increased competition leading to better value for customers. We are working closely with the Regulatory Authorities in Ireland and Northern Ireland on the implementation of this new market (the I-SEM) which will require collaboration and coordination right across the industry to ensure a smooth and seamless go-live in 2017.

Interconnection to UK and Europe

The 260km East West Interconnector, which links the transmission grids of Ireland and Great Britain, has been in full commercial operation since May 2013. Its performance has been very positive to date. Our customer base has expanded to include energy traders between the all-island and Great Britain electricity markets. The East West Interconnector has also opened the Single Electricity Market (SEM) to enhanced competition, delivering downward pressure on the wholesale market price of electricity.

In conjunction with the French transmission system operator, Rté, we are undertaking a feasibility study to investigate the development of an interconnector between Ireland and France, the ‘Celtic Interconnector’. 2014 saw significant steps taken in this study, including the first phase of the marine survey to identify a feasible route. The remainder of the marine surveys are due to be completed in 2015. As with all of our work, community and public stakeholders will be kept fully up-to-date as we move forward with this study.

Transmission Planning for Northern Ireland

In May 2014 SONI, an EirGrid Group company, took over responsibility for the transmission planning function in Northern Ireland. We are working closely with our colleagues at Northern Ireland Electricity to establish the end-to-end process for required new transmission investments that ensures the transmission system in Northern Ireland is developed to meet the needs of the people, communities and businesses in Northern Ireland.

Finance

During 2014 the company continued to perform well financially, with a focus on managing costs to customers to ensure we continued to deliver value for money across all of our roles and responsibilities. Revenue grew from €622.1 million to €668.3 million, reflecting the first full year of operation of the East West Interconnector. Profit before tax was €44.2 million, with underlying profits which excludes regulatory over-recoveries at €18 million. Based on this strong performance I am pleased to say we were able to deliver a dividend of €3 million to the Exchequer. We have outlined the key figures in the section on financial highlights and a full set of financial statements is included later in this report.

Our People

We work hard to ensure that the needs, aspirations and views of our staff are respected and taken into account at all times.

I want to acknowledge the contribution of all of our people across the Group who remain dedicated to ensuring that the electricity network and infrastructure meets the on-going and future needs of our customers and the communities we serve. Our people have demonstrated their professionalism and passion for our work in delivering our strategy and our objectives for this year.

Looking Ahead

The smooth and effective operation of the power system and the wholesale electricity market is essential to communities, businesses and economies across the island of Ireland. We take our responsibility to deliver this very seriously and it will remain a key focus for the company during 2015.

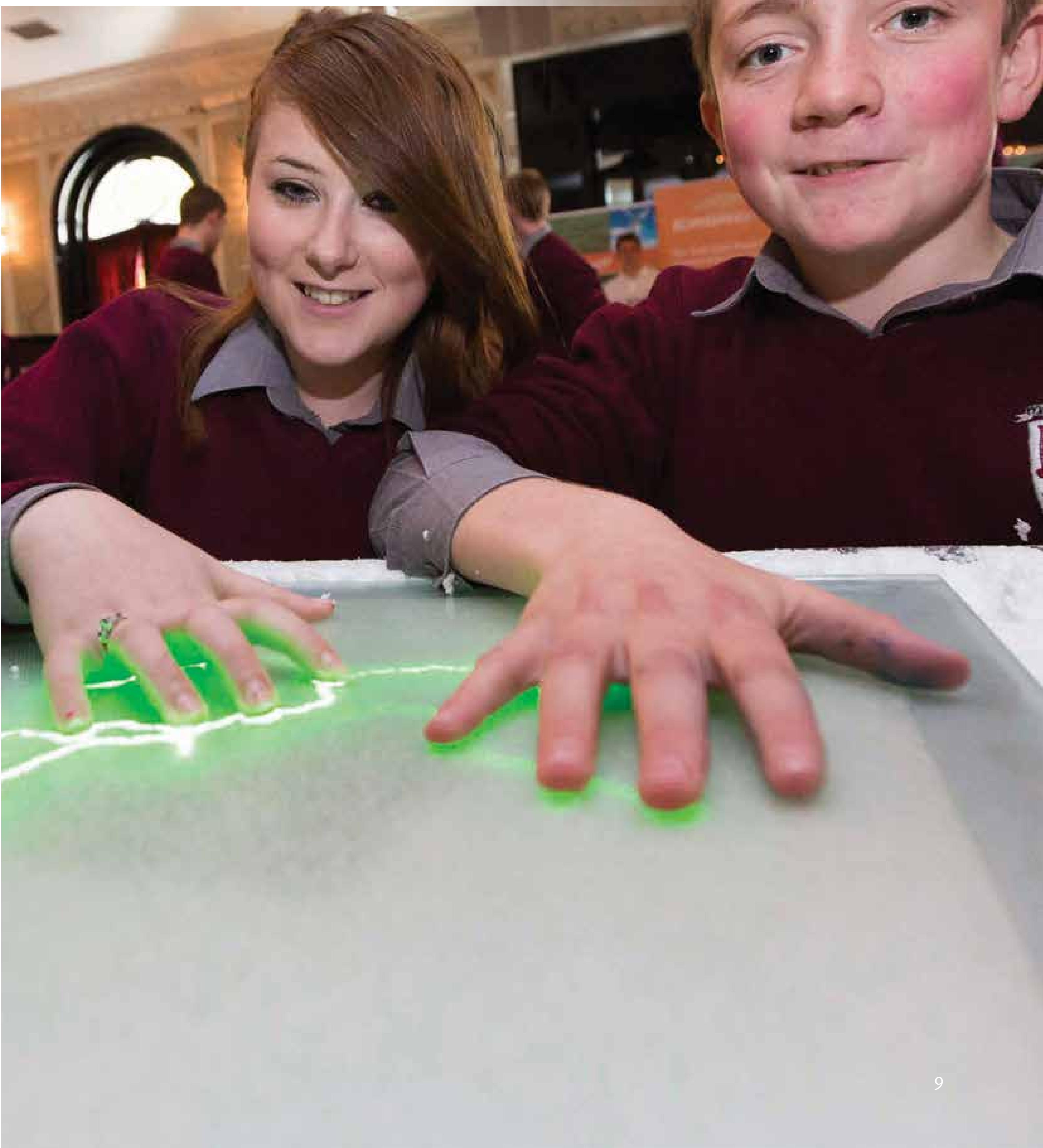
In addition, over the next year there will be a particular focus on building trust and supporting the economy and growth. In Ireland we are currently finalising an update of Grid25 and we will be seeking views and input on this from individuals, communities businesses and other stakeholders. In Northern Ireland, following the transfer of the transmission planning function, we will be setting out the network programme for the next decade, and again we will be looking for input and comment on this publication.

During 2014 we reviewed our approach to consultation and engagement and set out a number of commitments on how we intended to change and improve. Implementation of these changes is well underway and you should see the improvements in your interactions with the company over the coming year.

Finally, I would like to take this opportunity to thank the Board, management and staff of the EirGrid Group for their support and dedication during a challenging year.

Fintan Slye CHIEF EXECUTIVE

Our electricity powers the schools around the country that are educating Ireland's future generation.



Financial Review

Key Financial Highlights €M	2014			2013		
	Non EWIC	EWIC	Total	Non EWIC	EWIC	Total
Revenue	589.3	79.0	668.3	571.1	51.0	622.1
Direct Costs	(501.2)	0.0	(501.2)	(459.2)	0.0	(459.2)
Other Operating Costs	(80.8)	(22.1)	(102.9)	(83.0)	(6.4)	(89.4)
Operating Profits	7.3	56.9	64.2	28.9	44.6	73.5
Finance Costs	(1.2)	(18.8)	(20.0)	(2.3)	(10.6)	(12.9)
Profit Before Tax	**6.1**	**38.1**	**44.2**	**26.6**	**34.0**	**60.6**

Revenues and Profitability

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 in Ireland and Northern Ireland and its share of tariffs as Market Operator for SEM. Revenues are also derived from auction receipts for the sale of capacity on the East West Interconnector (EWIC).

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 a range of services from generators required for the secure operation of the system;
- Constraint costs payable when the secure operation of the system requires changes to be imposed on the market based schedules of generators; and
- The costs of implementing a range of energy demand initiatives.

Other operating costs include operating costs for EWIC, employee costs, professional fees, IT costs, depreciation and other corporate costs.

The Group's revenue for the year to 30 September 2014 of €668.3m was €46.2m (7.4%) higher than the previous year. Higher revenues from the East West Interconnector accounted for €28m of the increase with a further €18.2m coming from the Group's TSO and Market Operator activities. The year to 30 September 2014 was the first full year of operation for EWIC; full operational performance being achieved in May 2013. This was reflected in an increase in auction receipts from €14.6m in 2013 to €35.7m in 2014. There was a corresponding increase in operating costs for the interconnector from €6.4m to €22.1m, as well as a full year charge for finance costs of €18.8m (2013: €10.6m). Approximately €25m of the EWIC operating profits in 2013 was due to the impact of the delayed start-up, of which a significant proportion has since been returned to electricity consumers. Further amounts will be returned in future periods as a result of the strong auction receipts achieved in 2014. The fall in profits for the Group's TSO and Market Operator activities from €26.6m in 2013 to €6.1m in 2014 was largely due to the return to customers in Northern Ireland of prior year regulatory over-recoveries.

The operating profit as reported for the Group for 2014 includes a significant over-recovery on regulated tariffs. This was due to a number of uncertainties that are an inherent aspect of operating in a regulated environment, and the associated accounting treatment of these matters. In accordance with normal regulatory practice, this over-recovery will be corrected for in future tariffs. The Profit before tax for 2014 was €44.2m, however, excluding those over-recoveries management's estimate of the underlying operating profit for 2014 was €18m, subject to regulatory uncertainties.

Regulation

The Group's TSO activities in Ireland and Northern Ireland are regulated by the CER and URegNI respectively. In its role as Market Operator for the SEM, the Group is regulated by the SEM Committee, which comprises the CER, URegNI, an independent member and a deputy independent member. The Group also holds two licences as Interconnector Operator, one from CER and one from Ofgem.

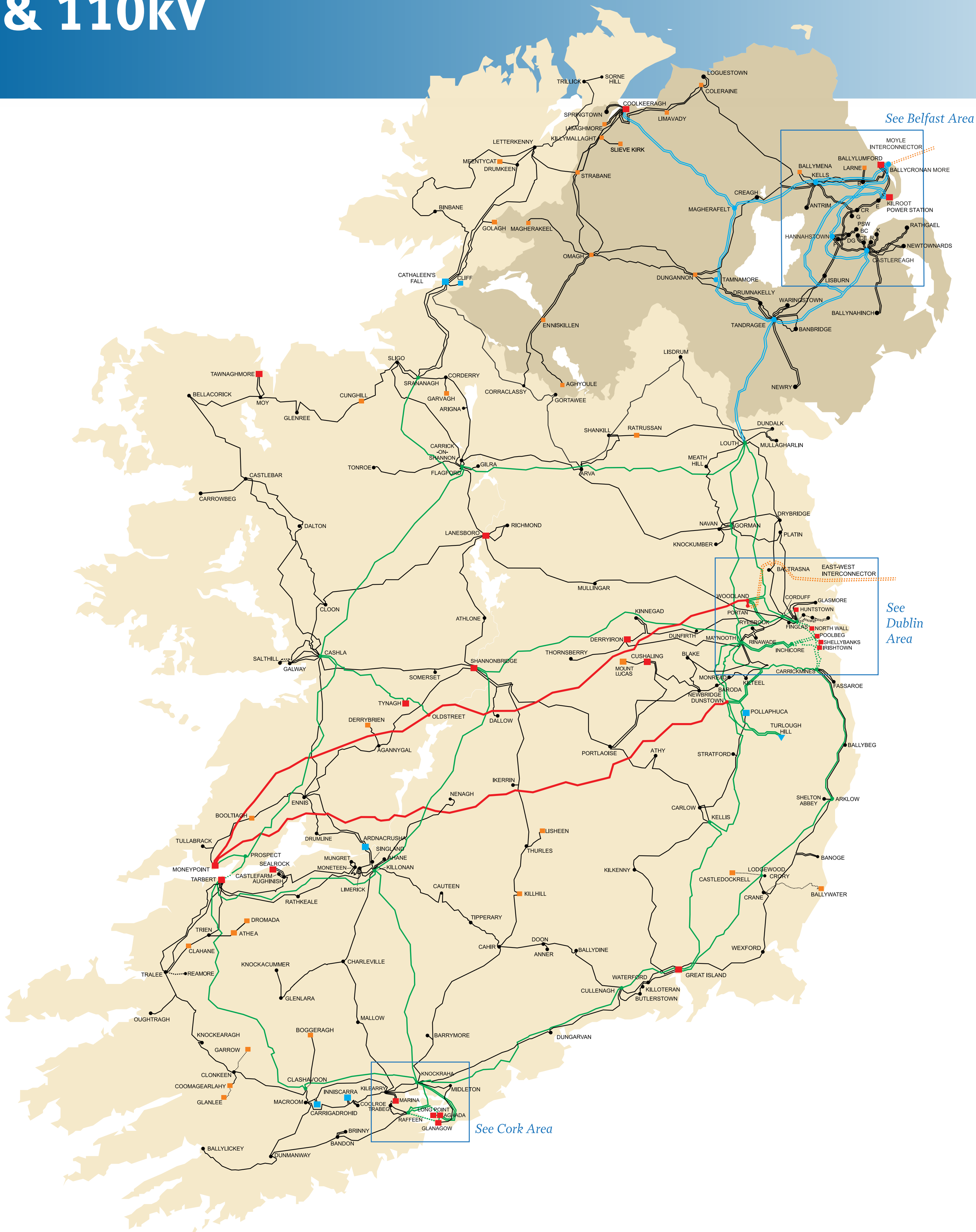
In advance of each tariff period the Group submits forecasts of customer demand, operating costs and other revenue requirements to the relevant regulatory authority. Following a detailed review process the regulator will issue a formal determination of the allowable revenue to be recovered by the business.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

The current Price Controls for the Group's TSO activities in Ireland and Northern Ireland, and also in respect of the operation of EWIC, expire on 30 September 2015. We are currently engaged with CER and URegNI in the process for determining Price Controls for the 5 year period commencing 1 October 2015. The Price Controls for the Group's Market Operator role does not expire until 30 September 2016.

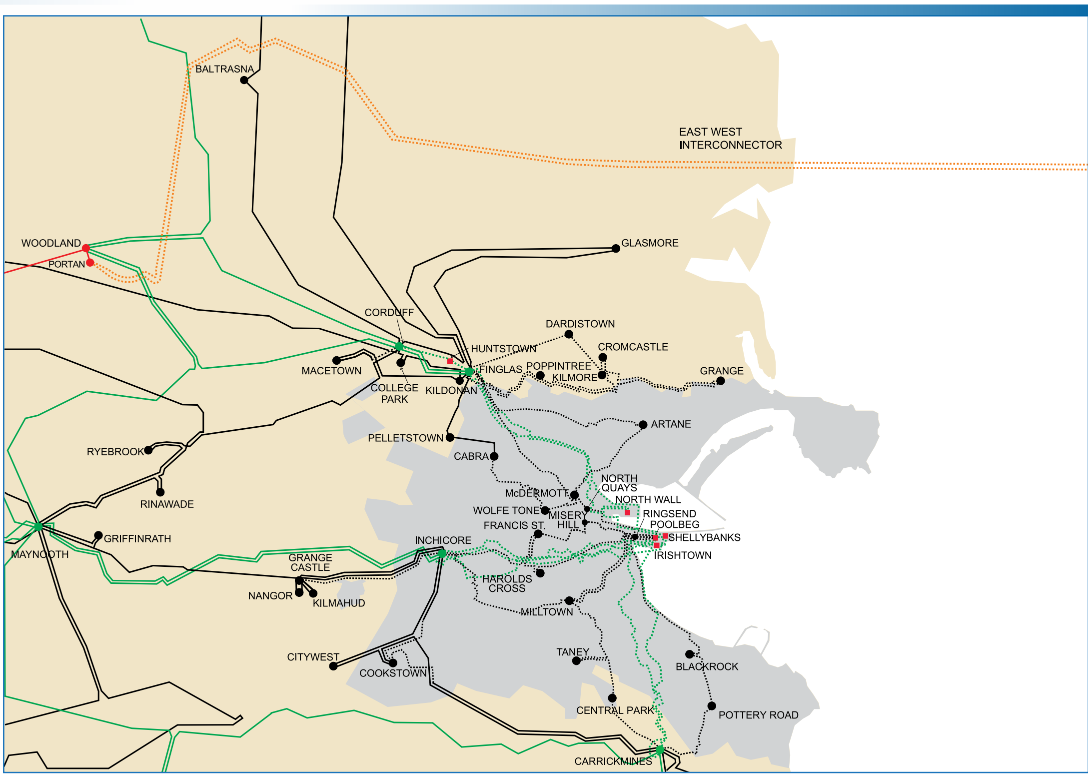
Financing

The Group continues to be in a sound financial position. Its borrowings have long repayment dates and are fully hedged against interest rate fluctuations. Adequate undrawn facilities are also available to manage liquidity risks.

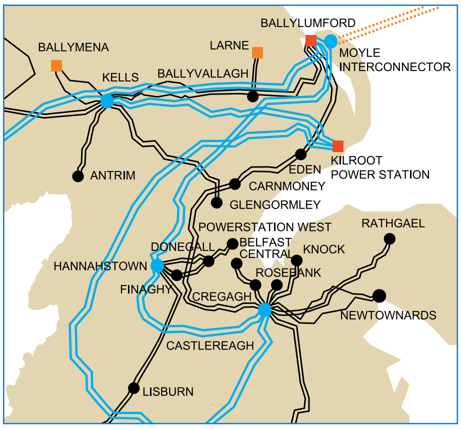
Transmission System 400, 275, 220 & 110kV



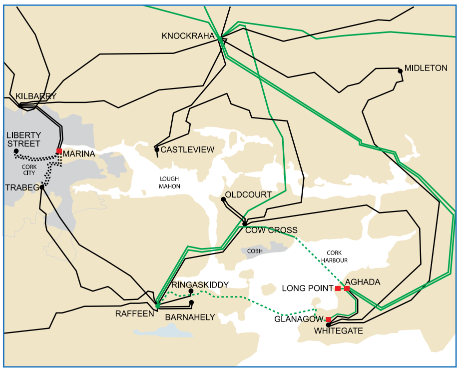
Dublin Area



Belfast Area



Cork Area



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

Transmission Connected Generation

Hydro Generation
Thermal Generation
Pumped Storage Generation
Wind Generation

Operational Highlights

As Transmission System Operator (TSO) in Ireland and Northern Ireland, it is our job to manage electricity supply and the flow of power across the island of Ireland. This work is done primarily from the National Control Centre (NCC) in Dublin and Castlereagh House Control Centre (CHCC) in Belfast.

Electricity is generated through gas, coal and renewables at sites across the island. Our high voltage transmission network is then used to transport electricity to high demand centres, such as cities, large towns and large industrial sites. At EirGrid, we operate the transmission system in a safe, secure and economic manner at all times. European Single Electricity Market principles are further employed to minimise production costs.

Electricity Demand

Demand figures show a slight fall in the 12 month period to September 2014, as compared to previous 12 months. However, the trend in the latter half of the year is towards a return to electricity growth, driven by the economic recovery. This growth trend is expected to continue as the economy stabilises and as the switch to electricity to support decarbonisation of transport and heat gathers momentum.

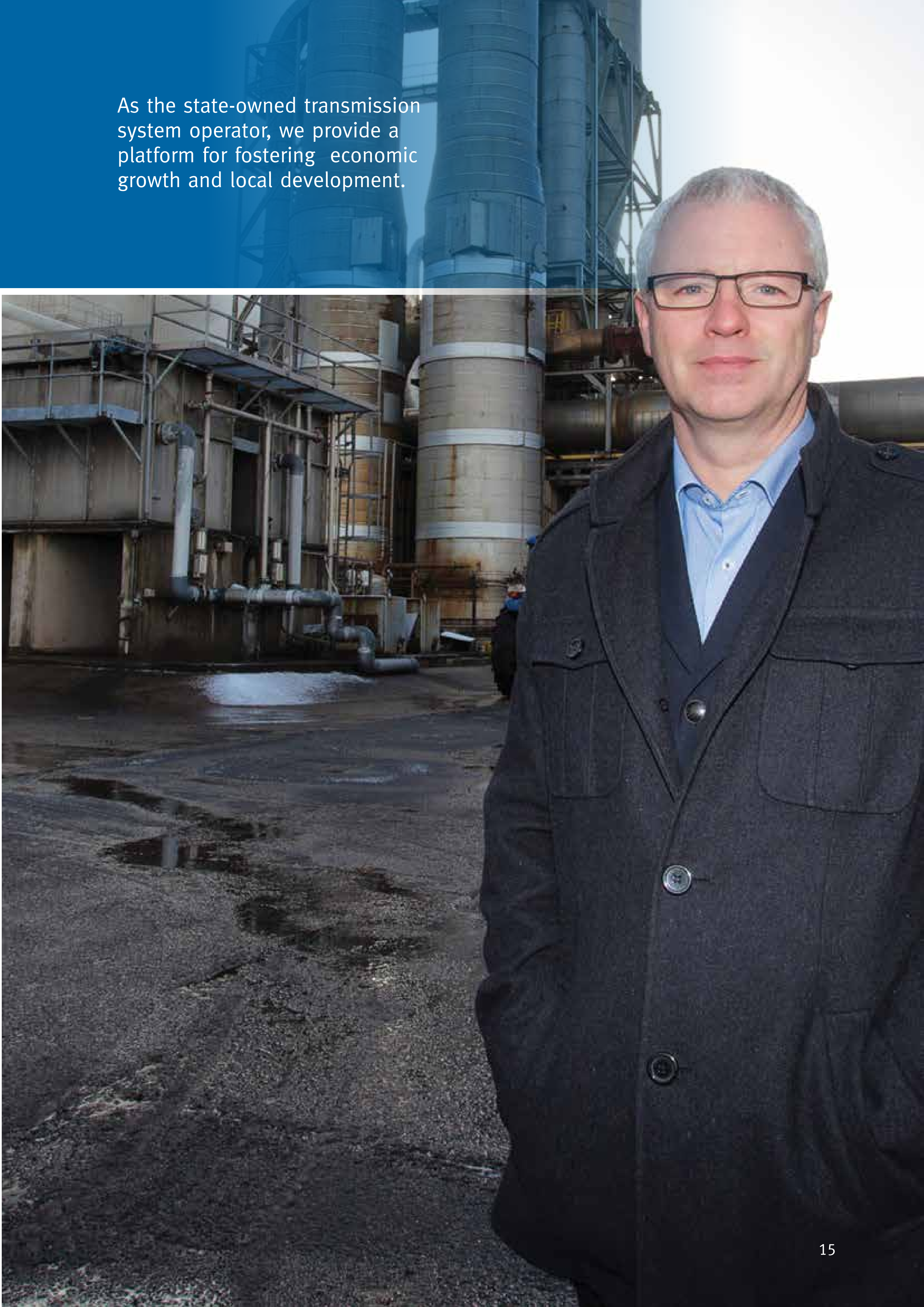
System Performance

The principal measure of system performance and reliability is in terms of 'system minutes lost', an international benchmark that measures the severity of system disturbances relative to system size. System minutes lost reflect the amount of demand not supplied due to faults on the transmission system. From January 2014 to December 2014, the total number of system minutes lost was 2.88 in Ireland and 0.0 in Northern Ireland. The high figure for Ireland is due largely to "Storm Darwin", with severe storm conditions lasting throughout February.

The most challenging day for the transmission system came on 12th February, when there were 71 faults caused by gale-force winds. Repair priorities were agreed with ESB Networks, who worked with EirGrid to restore power in those areas most affected. There was widespread damage to the distribution networks at the same time, resulting in some 290,000 customers being without supply in the south west area.
The maximum loss due to transmission failures was about 75 MW equating to c. 60,000 customers. Maximum duration of interruption of transmission supplies was 3hrs 35mins. Throughout the storm, our higher voltage transmission networks, which are of steel-mast construction, were unaffected.

Generation availability is a measure of the capability of generators to deliver power to the grid. In order for the EirGrid Group to operate the transmission system securely and economically, generators must maintain a high rate of availability. All-island generation availability fell to 83.6% in 2014, from 87.1% in 2013. This was partly due to an increase in the generator forced outage rate from 6.9% to 8.4%. Despite the drop in availability, generation margins remained within standards throughout 2014.

As the state-owned transmission system operator, we provide a platform for fostering economic growth and local development.



Generation Sources

Gas remains the predominant fuel source, with an increasing share of renewables (Ireland 19.7%, Northern Ireland 15.6%, total 18.9%). The necessary changes in policies and tools were implemented to ensure that system security and quality of supply to customers was maintained, in light of changing generation patterns and increase of variable renewable sources. The DS3 programme continues to be a priority and is essential to achieving the public policy targets of 40% energy generation from renewables by 2020.

Northern Ireland Security of Supply

Analysis carried out indicated an unsatisfactory supply/demand balance in Northern Ireland from the beginning of 2016. At the request of the Utility Regulator and DETI, SONI undertook an exercise to procure 250 MW local reserve. Following a competitive procurement exercise, SONI entered into an agreement for the provision of 250 MW Local Reserve from January 2016, for a period of 3 to 5 years. This is expected to address the forecast supply shortfall for that same period.

Constraint Costs

Constraint costs are an inherent part of operating the power system. They are paid to generators in specified circumstances where their commercial market position is altered due to power system limitations or where they provide necessary system services to secure the operation of the power system. Due to external factors outside the control of the TSOs, constraint costs trended significantly upwards in the early part of the year. Through concerted effort, the TSOs introduced a number of operational initiatives which reduced constraint costs notably in the second half of the year. These initiatives will continue to add value and reduce customer costs in the coming years.

East West Interconnector

Completed in 2013, the East West Interconnector, linking Ireland to Great Britain, has successfully operated its first full year in 2014. Our customer base has expanded to include energy traders between the all-island and Great Britain electricity markets. It has opened the Single Electricity Market (SEM) to enhanced competition, delivering downward pressure on the wholesale market price in SEM. There are nine customers registered to trade on the EWIC with strong interest from further potential customers. An additional benefit of our Voltage Source Conversion technology on the East West Interconnector is the ability to provide Black Start* services to the TSOs, which EirGrid has availed of. The East West Interconnector team is in discussions with National Grid (UK) regarding the provision of Black Start services.

Single Electricity Market (SEM)

SEM has added 11 new participants (parties) over the past year. A total of 47 units were also registered, including users of the EWIC and Moyle Interconnector.

*Black Start is the procedure to recover from a total or partial shutdown of the transmission system which has caused an extensive loss of supplies.

Network Codes: In July, EirGrid Group and the Regulatory Authorities jointly held a workshop in Belfast, which updated industry participants on the progress being made in the development of Network Codes. It is expected that additional workshops will be held in 2015.

I-SEM (Integrated Single Electricity Market): The European Market Integration Project (EMIP) is EirGrid's project to develop and implement the systems and business processes needed to support the new I-SEM market in 2017. EirGrid has appointed a Participant Engagement and Market Readiness Manager for the EMIP project who will work with customers and other stakeholders to ensure that this major project is successfully delivered on time.

DS3

The DS3 Programme helps ensure the secure operation of the electricity system, north and south, while working to achieve 2020 renewable electricity targets.

In 2014 the focus of DS3 moved towards implementing changes to system performance, system policy and system tools.

For example, in 2014 Regulatory Authority publications relating to RoCoF (rate of change of frequency) and System Services represented the culmination of significant industry engagement spearheaded by the TSOs via the DS3 Programme. These have resulted in corresponding implementation projects which are important building blocks towards meeting renewable targets.

Similarly, a number of leading edge Control Centre tools were launched in 2014. This includes the wind farm dispatch tool which helps ensure secure system operation and facilitates transparent, clear tracking of wind power reduction for local or system reasons.

We work to ensure that customer-facing businesses can rely on a service that is secure and uninterrupted.

Progress on Grid25 Projects During 2014

We made good progress on a number of Grid25 projects during 2014, uprating over 140km of existing lines. These included the completion of the Cullenagh to Great Island 220kV line in June and the completion of the Cunghill to Glenree 110kV line in July. We also completed the uprating of 110kV lines from Cathaleen's Fall to Srananagh (No. 2 line) and Kilbarry to Knockraha (No. 1 line) in October.

Bruckana Windfarm was connected to the system via a new 110/38kV DSO transformer in Lisheen 110kV station and was energised on the 29th April. We added 65km of new 110kV line to the transmission system with the energisation of the Binbane to Letterkenny 110kV line in May 2014, and we completed the refurbishment of Navan 110kV station in June 2014.

We submitted planning applications for five projects during 2014. These included an application for reactive support at Poolbeg 220kV Station which was submitted in June; permission for an uprate to the Bellacorick to Castlebar 110kV line submitted in August; and an application for the refurbishment of Louth 220kV Station which we submitted in September.

We received planning permission for seven projects in 2014. These included permission for an Aghada 220kV busbar reconfiguration project, a new 400kV station for the Laois to Kilkenny reinforcement project, and the refurbishment of the Tarbert 220kV station.

Celtic Interconnector – Linking Ireland and France

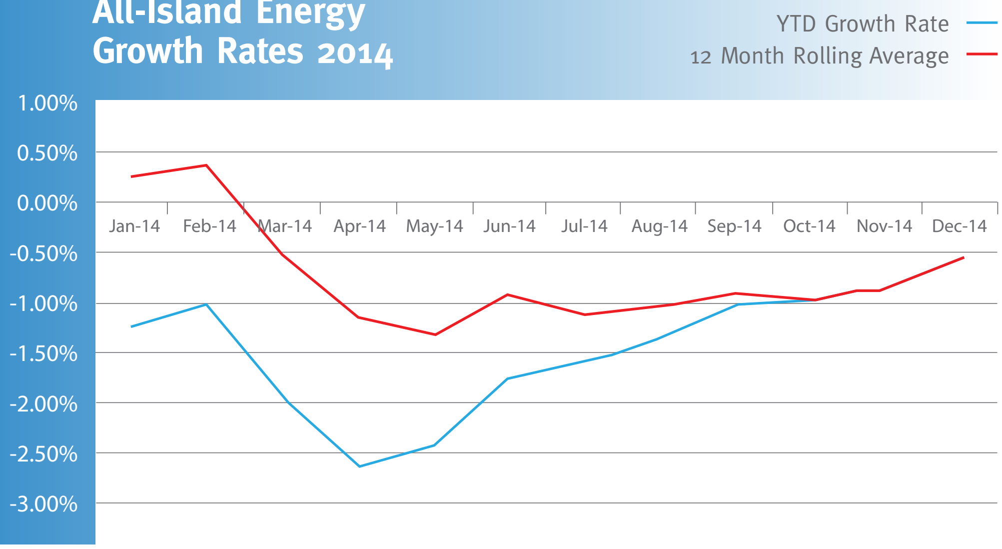
In 2014, we concluded a tender enquiry for a marine survey over two phases in 2014 and 2015. The first phase was completed in summer 2014, with the second phase due in Spring 2015. Interconnection between Ireland and France is a Project of Common Interest and EirGrid is continuing to work closely with Réseau de transport d'électricité (Rté) to complete necessary studies to allow a decision to be made in 2016 as to whether to proceed to project development.

Customer Events in 2014

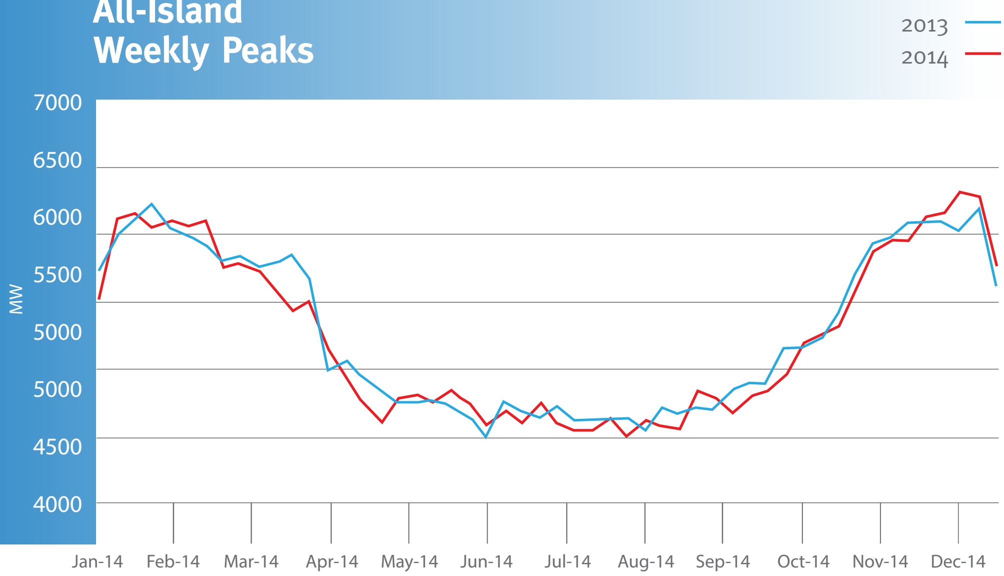
EirGrid hosted a number of events and workshops for customers and stakeholders including: DS3 Industry Forums and Advisory Councils, Market Operator Special Topic Sessions, an all-island Generators' Forum, I-SEM forums in collaboration with the Regulatory Authorities as well as numerous Grid Code working groups.

The EirGrid Group Customer Conference entitled "Delivering Market Integration" was held in Dublin on 22nd October 2014. The conference was attended by over 220 delegates and was formally opened by the Minster for Communications, Energy and Natural Resources, Alex White T.D., Juha Kekkonen, Executive Vice President of Finnish Transmission System Operator Fingrid, provided the keynote address. An engaging panel discussion on the theme of market integration followed before a more detailed discussion of a variety of customer perspectives.

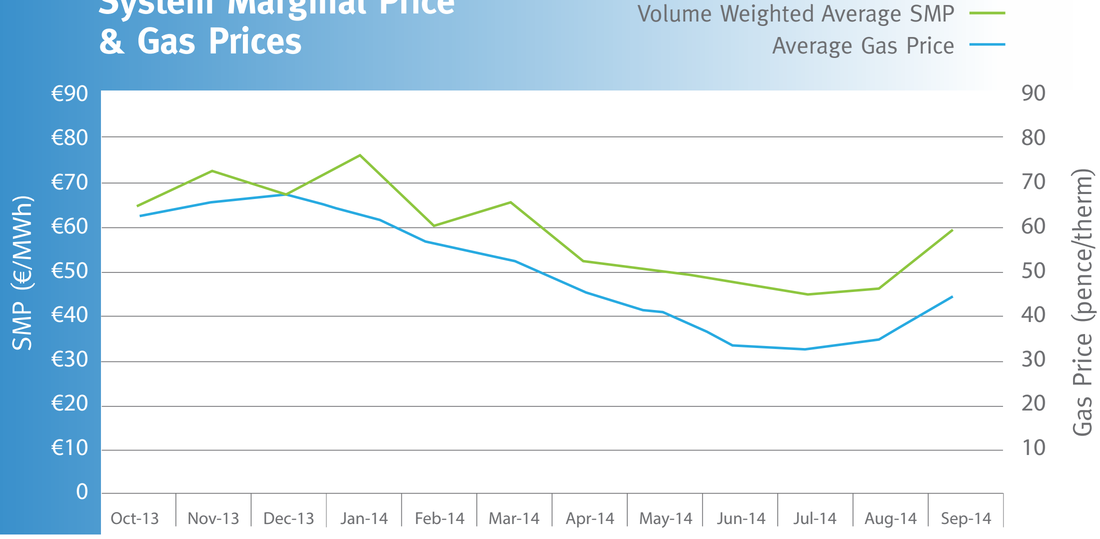
All-Island Energy Growth Rates 2014



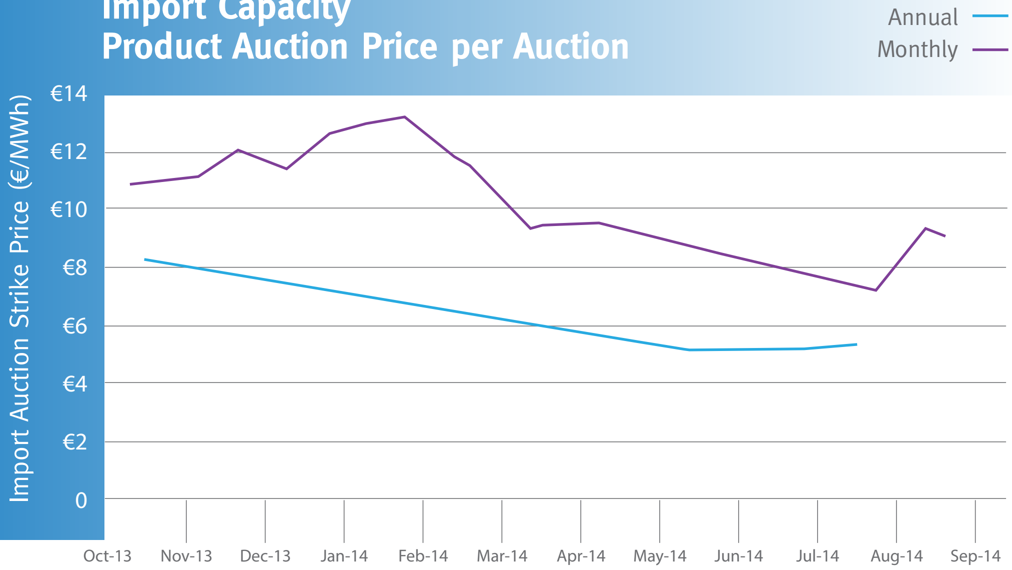
All-Island Weekly Peaks



System Marginal Price & Gas Prices



Import Capacity Product Auction Price per Auction



Grid25 Initiatives

In January 2014, we made a commitment to introduce five new initiatives as part of our Grid25 Strategy. This was in order to fully take account of stakeholder concerns.

These initiatives are:

- Greater consideration of underground versus overhead, the options for which will be reviewed by a Government appointed Independent Expert Panel (IEP);
- The introduction of a community gain fund for communities and for residences located close to new pylons and stations;
- Reports on the specialist areas of tourism, equine and agriculture;
- A Government initiated expert review of Electric and Magnetic Fields (EMF); and
- A review of our consultation process.

Work is continuing on the initiative to give greater consideration to underground versus overhead. The IEP has reported on the North-South Interconnector project, while the Grid West project made its submission to the IEP in February 2015, and awaits their opinion.

We are also working to introduce a community gain fund on each Grid25 project, which has the full support of all project stakeholders.

Our specialist reports on tourism, agriculture and the equine industry were sent to industry stakeholders for feedback in December 2014 and January 2015. The final reports will be fully published when this feedback has been incorporated.

Work is also continuing on the Government initiated expert review of EMF, with publication of this report due in 2015.

In December 2014, EirGrid launched a new approach to public consultation, arising from a comprehensive review of the existing consultation process. This review highlighted the importance of engagement with the public and with communities directly impacted by new grid projects.

EirGrid's new public consultation process is designed for a number of purposes as follows:

- To explain to communities, stakeholders and others with a general interest, the need to enhance the electricity grid;
- To provide a mechanism for these groups and individuals to input into the design and development of the best solutions to meet those needs;
- To provide opportunities for people with concerns about proposed projects to freely express those concerns and have them addressed, to the extent practicable, in the design and implementation of the projects;
- To make available on a widespread basis information that is accurate, intelligible and relevant on proposed projects and their effects;

Our School Science Programme
is inspiring Ireland's next generation
of scientists and engineers.

Irish farms now use the latest, cutting edge agricultural technologies; they rely on a strong, secure electricity supply.

- To outline how collaboration between EirGrid/ESB and farmers, landowners and others affected in relation to the design and implementation of projects, will happen throughout the project design and through to construction and operation;
- To explain EirGrid's policy in relation to community gain/compensation;
- To build the greatest possible level of support for projects that are needed for the common good;
- To meet the requirements of planning consent and relevant legislation; and
- To improve awareness of how the electricity system operates and of EirGrid's role.

EirGrid's new approach to public consultation includes the implementation of 12 recommendations, to be rolled out over the next 3-6 months. These commitments have been grouped under three clear themes:

Theme 1: Develop a Participative Approach

1. **Clear Communications**
   We will ensure that information is presented in a straightforward way.
2. **Process for Consultation in Project Development**
   We will improve the effectiveness of our consultation process to clearly define consultation opportunities, to explain how feedback can be provided and to efficiently assess feedback received.
3. **Consultation Toolkit**
   We will clearly explain the available methods of consultation and involve our stakeholders in developing these methods.
4. **Improved Community Relationships**
   We will locate staff in the regions to facilitate enhanced dialogue with local communities and interest groups and to develop sustained long-term relationships in local areas.
5. **Demonstrate Consideration of Social Impact**
   We will increase the transparency of the consultation and decision making process.

Theme 2: Change our Culture and Processes

6. **Consultation Handbook**
   We will create a consultation handbook that sets out the purpose and principles of our consultation process, to ensure that the highest standards are met.
7. **Consistency of Information**
   We will consistently review a project to ensure the original network need remains, the proposed solution is appropriate and that any changes are communicated in a transparent and consistent manner.
8. **Complaints Process**
   We will immediately put in place a system to manage and investigate complaints or feedback. This will include providing the opportunity to investigate and resolve a complaint.

Theme 3: Encourage Leadership and Advocacy

9. **Support of Policy Makers**
   We will encourage state agencies and other bodies to participate in a broader debate on why new or enhanced electricity infrastructure is required.
10. **Input from Representative Groups into EirGrid's Approach to Grid Development**
    We will establish a structured approach to work more cooperatively with national representative groups, and with the associations who are acknowledged as key influencers.
11. **Regional Discussion Forums**
    We will create forums to allow for meaningful dialogue on different technical and environmental matters when developing the grid.
12. **Independent EMF Monitoring and Compliance**
    We will comply with any recommendations from the separate Department of the Environment, Community and Local Government review of the latest research and developments concerning electric and magnetic fields. We will also investigate the role an independent body could play in the area of monitoring EMF levels for both compliance and reassurance.

EirGrid has committed to implementing these recommendations as soon as possible, with most recommendations due to be in place by mid-2015.

Further detail is available on each of these commitments at www.EirGrid.com.

Every home needs power to fuel modern living. We take care of the electricity, so that you can take care of your family.

Europe

2014 saw the end of one cycle and the beginning of another in Europe. The election of a new European Parliament and European Commission saw changes in the make-up of European institutions. These changes also included the creation of an Energy Union Commissioner, taking in several key capacities (Energy Union, Climate Action & Energy).

Further integration of the European Electricity Market is a key energy policy of the EU and remains a priority for the EirGrid Group. A significant step taken in 2014 was the successful day-ahead price coupling of the South-Western Europe (SWE) and North-Western Europe (NWE) electricity markets on 13 May 2014. This further paves the way for the establishment of a European Internal Electricity Market.

Integration of markets through the 'EU Target Market Model' and through increased physical interconnection will help to make EirGrid part of a wider network and a stronger market across Europe.

EirGrid's European Affairs division, established in 2013, has driven EirGrid's commitment to these initiatives throughout 2014. The increasing scale and importance of such initiatives in EirGrid's day-to-day work has ensured that the 2014 financial year was a significant one for the European Affairs team.

Network Codes

As part of the move towards a European Internal Electricity Market, a new set of rules are currently being developed to govern connection to and operation of transmission systems and electricity markets. The new rules (Network Codes or Guidelines) will be key in developing the electricity market and in achieving a secure, competitive and low-carbon energy sector.

EirGrid Group staff have played a leading role during 2014 in the development of the Network Codes. The work of our staff and our colleagues across Europe saw the first codes progress through the European Commission on 5 December. The remainder are due to follow over the course of 2015. Adoption of the Network Codes will entail significant change for Ireland and for the EirGrid Group.

Target Market Model

The EU Target Model, which includes the Integrated Single Electricity Market (I-SEM), has been scheduled to go live in October 2017. Movement of the current Single Electricity Market (SEM) into the new Integrated Single Electricity Market (I-SEM) poses a significant challenge for the Group, and will require substantial input from EirGrid over the coming years.

The Irish Regulatory Authorities (the Utility Regulator, UR, and the Commission for Energy Regulation, CER) have progressed the high level design of the market through a decision in September 2014. Along with the Regulatory Authorities, EirGrid has initiated trials of the Day Ahead algorithm, named Euphemia, and will continue to refine the details suitable for use in the I-SEM.

Progress has also been made on detailed design, through the establishment of the Rules Liaison Group (RLG), made up from Regulators, participants and EirGrid. EirGrid Group has made a major contribution to the development of detailed rules through this group.

SMEs are the backbone of the Irish economy – we give them the power they need to grow.

Control Centres in Dublin and Castlereagh act as the nerve centres for our grid, distributing power where it's needed, when it's needed, 24 hours a day, 365 days a year.

ENTSO-E

ENTSO-E is the European Network of Transmission System, charged with the coordination of TSOs on a number of policy issues.

Key priorities for ENTSO-E include the development and implementation of the Network Codes, the Ten Year Network Development Plan, Central Information Transparency Platform, Common Information Model (CIM) and e-Highway 2050. Throughout 2014, EirGrid worked with ENTSO-E on areas of strategic importance to Ireland and Northern Ireland. Director of European Affairs, Ann Scully, has represented EirGrid on the Board of ENTSO-E, enhancing and reinforcing our central role in Europe.

TSO Certification

The TSO Certification process for Ireland and Northern Ireland concluded in 2014. As a result, the transmission system planning role in Northern Ireland transferred from Northern Ireland Electricity Limited to SONI Limited on 30th April 2014. This move makes the responsibilities of the Transmission System Operator similar in both jurisdictions.

Further Interconnection

EirGrid and the French transmission system operator, Réseau de transport d'électricité (Rte), are currently undertaking a joint feasibility study to investigate the development of an interconnector between Ireland and France, the "Celtic Interconnector".

An Ireland-France interconnector would, if developed, run between the south coast of Ireland and the north west coast of France, and would comprise a cable length of approximately 600km. We have already conducted studies which indicated that an interconnector could be beneficial for electricity customers in both countries.

In October 2013, an Ireland-France Interconnector was included in the list of Projects of Common Interest published by the European Commission. A decision on whether or not to proceed with the proposed project will not be made until 2016 at the earliest and would be made with our partners on this proposal, Rte.

Corporate Social Responsibility At the heart of everything we do

Responsible, sustainable practices are central to EirGrid's ethos. Corporate Social Responsibility is at the core of the EirGrid Group's strategy, our business planning and our performance management systems.

Corporate Social Responsibility means ensuring that the needs, aspirations and views of the people who work for us and those who use our services are respected and valued.

Inside EirGrid, that means creating an ideal working environment for all staff. Externally, it means ensuring the highest quality of service for our customers and stakeholders. In short, we aim to be a world leading transmission system operator.

Public Consultation – A New Process, A New Clarity

EirGrid has a number of responsibilities, not least of which is to develop the grid to provide a safe, secure and reliable supply of electricity to our communities. This involves the maintenance and improvement of the network. This is a consultative process, involving anyone affected by a project.

In 2014 EirGrid carried out a review of how we consult and announced a number of commitments. These are designed to enable greater participation in the decision-making process of future projects.

Innovation, Research and Development

We continually strive to innovate, to incorporate new technologies and to facilitate advances made by the wider energy industry. Work on Smart Grids is driven via our DS3 Programme. This year also saw the launch of the EirGrid Group Smart Grid Dashboard, which provides a real time view of the power system.

Charity? We mean Business

Each year our staff selects two charities. In 2014 these were Our Lady's Hospice and Marie Curie Cancer Care. The EirGrid Group Cycle, held in memory of our colleague Joanne Kearney, is now in its second year and raises money for Our Lady's Hospice in Harold's Cross.

EirGrid took part in Responsible Business Week to develop understanding of CSR in practice among staff. EirGrid supports staff members who volunteer by donating to initiatives in which employees are involved.

Last year EirGrid sponsored the Euro-Toques Food Awards for the fifth time. Five food producers, from across Ireland, were recognised at the 2014 awards for their outstanding achievements.

Understanding Electricity – from Power Station to Playstation

During the 2013/2014 academic year EirGrid held twelve live, interactive, schools science shows in towns around Ireland. These shows are designed to help students and their teachers prepare science experiments. Between 200 and 400 students attended each show, and participated in lively Q&A sessions.

Educational Outreach

EirGrid operates the EirGrid Smart Learning – Educational Outreach Programme on STEM and Power. This is a multi-element programme for students and teachers.

Employment - from Recruitment to Development

EirGrid is an equal opportunities employer. The gender proportion among staff is 65% male and 35% female, and 6.5% of employees come from outside Ireland. Our Board currently has 55/45 male/female representation.

Last year EirGrid provided 2,200 hours of externally accredited training in the wide variety of technical skills required within our business.

Nineteen employees are availing of approved third level courses through our Education Support programme. This year we had eight people working with us on our Graduate Programme.

We launched an employee survey in March 2014 to get feedback from our staff. This is helping us to strengthen two-way communication throughout the company.

Staff Clubs and Societies

- Social Committee – Two teams arrange monthly activities in the Dublin and Belfast offices, including fundraising for company-nominated charities.
- Tag Rugby – The summer season involved 15-20 members of staff.
- Chess Club – This year has seen the first Chess/Draughts Club established.
- Grow it Yourself – EirGrid is one of the first companies in Ireland to have a Grow It Yourself (GIY) group at work. Activities have included plant swops and growing clinics.
- EirGrid Running Club – The EirGrid Running Club was formed in 2012 to encourage people to take up running and is open to all levels.

Environmental Responsibility

We have implemented a number of successful sustainability initiatives including monitoring energy and water usage, along with introducing efficient waste management and recycling systems. These initiatives are closely monitored and communicated to staff to ensure continued progress.

Extension and refurbishment work to the Belfast offices at Castlereagh House was completed in May 2014. This project will offer a more sustainable working environment for staff located in Belfast.

Safety is Never Compromised

EirGrid Group is committed to achieving and maintaining the highest standards of health, safety and welfare for its entire workforce, and for anyone affected by our activities.

EirGrid operates a Health, Safety and Environmental (HS&E) Management System based on the highest standards.

The Board

Back row left to right

Richard Sterling
Niamh Cahill COMPANY SECRETARY
Dr. Gary Healy
Bride Rosney
Liam O'Halloran
Dr. Joan Smyth

Front row left to right

Doireann Barry
Fintan Slye CHIEF EXECUTIVE
John O'Connor CHAIRPERSON
Regina Moran

The Board

John O'Connor CHAIRPERSON

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

Fintan Slye CHIEF EXECUTIVE

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

Dr. Joan Smyth

Joan Smyth was appointed to the EirGrid Board in June 2009. She is Chairperson of the Progressive Building Society and is 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 served as Chairperson of the Northern Ireland Transport Holding Company from 1 July 1999 to 30 June 2005 and was Chair of the Equal Opportunities Commission for NI from 1992 (Chair & Chief Executive until 1 October 1998) remaining in post until the new Equality Commission was established in October 1999. She was elected to the Board of the British Council in September 1999 and has chaired its Northern Ireland Committee. Dr. Smyth has a BSc (Econ) from Queen's University, Belfast and is a Companion of the Institute of Personnel and Development. 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 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.

Regina Moran

Regina Moran was appointed Chief Executive Officer of Fujitsu (Ireland) Ltd. in 2009. Following her third level education in Engineering undertaken in Waterford and Cork, Regina's career began as an Electronics Engineer with Amdahl, a computer mainframe manufacturer in 1986. She progressed to become a co-founder of the services and consulting group in 1993. In 1997, Regina was co-founder of DMR Consulting Ireland where she held the role of Director of Operations responsible for Project Delivery. DMR Consulting was acquired by Fujitsu, subsequently merging with Fujitsu Services in April 2004. Regina was appointed CEO of Fujitsu Services in August 2006. Regina is the current Chair of ICT Ireland within IBEC and an elected Member of the Council of Dublin Chamber of Commerce. She is a Fellow of the Institute of Engineers of Ireland (FIEI). Regina holds an MBA from Dublin City University and was awarded the 'Sir Charles Harvey Award' for outstanding contribution in her post-graduate studies. She is a member of the Dublin City University Governing Council and sits on the Audit Committee.

Dr. Gary Healy

Dr. Gary Healy is Head of External Affairs at Vodafone Ireland. Dr. Healy was Director of Market Development in the Commission for Communication Regulation (ComReg) and a regulatory consultant with Jacobs & Associates and PriceWaterhouseCoopers. Dr. Healy has advised clients in Ireland on regulatory and public policy and on projects supporting governments in Eastern Europe and the Middle East. Prior to joining ComReg, Dr. Healy was Country Manager with Thomson Reuters and CFO for a Citibank subsidiary in the UK. Dr. Healy has a PhD in Government and Law from DCU, an MBA from DCU, a MA Modern History from Middlesex University and is a qualified accountant.

The Board

Liam O'Halloran

Currently a Director of Premium Power, an energy asset management company, Liam O'Halloran has extensive senior management experience in multinational electronic and telecommunications companies. Liam previously held the positions of Senior Vice President of DEX Europe, a US based company providing Repair and Logistics Services to major electronics multinationals and Vice President of European Operations for Jabil Global Services, a global electronics services company. The owner of Alcomis, a company development consultancy, Liam was also Director of Customer Operations and Regulation at Magnet Networks and later served as Executive Chairman of ALTO, the Association of Alternative Telecommunications Operators.

Bride Rosney

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

Doireann Barry

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

More and more of the electricity
that powers our homes is coming
from renewable technologies.

Organisational Structure

SONI Offices, Castlereagh House, Belfast.

Board of EirGrid
Chairperson
John O'Connor

Chief Executive
Fintan Slye

Group Legal
Niamh Cahill

- SEMO & SONI GM **Robin McCormick**
- Finance **Aidan Skelly**
- Information Systems **Rodney Doyle**
- Operations **Andrew Cooke**
- Public Affairs **Rosemary Steen**

Future Grids
Michael Walsh

Grid Development
John Fitzgerald

European Affairs
Ann Scully

HR
Siobhán Toale

Executive Team

The Executive team is headed up by our Chief Executive, Fintan Slye. A full biography for Fintan is included on page 36.

Niamh Cahill

Lawyer Niamh Cahill is the Company Secretary and Company Lawyer for EirGrid plc the electricity Transmission System Operator and jointly with SONI Ltd the Single Electricity Market Operator for the Island of Ireland. Niamh holds a BA (Hons) and LLB (Hons) from NUI Galway and a BL from King's Inn, 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 where she worked for a wide range of major international private and public companies in the Republic of Ireland and the UK. Prior to joining EirGrid, Niamh worked as a senior commercial lawyer within ESB Group, where she had responsibility for managing and mitigating a wide range of commercial legal risks in the Irish electricity market and for ESB's international investments.

Robin McCormick

Robin McCormick has significant experience in the power industry in a regulated utility environment. He is General Manager for SONI & SEMO responsible for a professional team of staff delivering system and market operation services. Previously he held a number of senior strategic and technical positions in NIE. Robin is a fellow of the Institution of Engineering and Technology and member of the IET Engineering Policy Group – Northern Ireland. He holds an MBA from the University of Ulster, Jordanstown and an MSc from Napier University, Edinburgh.

Aidan Skelly

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

Rodney Doyle

Rodney Doyle became Director of Information Services in February 2013. Prior to this Rodney held a number of management positions in EirGrid most recently as the European Market Integration Manager and before that as Manager of the East West Interconnector business readiness project and Ancillary Services manager. Rodney has across his roles led projects to deliver major systems and policies which are in use today across the electricity market and the TSOs. Before his time with EirGrid and ESB National Grid, Rodney worked as the chief adviser in the networks division of the Competition Authority of New Zealand concentrating on electricity and gas regulation/market design issues and before that worked in consultancy. Rodney is a member of a number of key European TSO and market cooperation groups. Rodney has a BA (Economics), MA (Economics) and an MBA from UCD.

Andrew Cooke

In his role as Director of Operations, Andrew Cooke is responsible for the operation of the power system in Ireland and Northern Ireland, as well as for managing EirGrid and SONI's programme of work to facilitate the integration of world-leading levels of renewables on the power system. Prior to this role, Andrew Cooke held the position of Director of Grid Development, where he was responsible for the planning, development and maintenance of the transmission network and for delivery of the East West Interconnector Project. A graduate of Queens University Belfast, he holds a BSC in Electrical Engineering. He has more than 30 year's experience of working in the areas of transmission system operations and planning, market design and regulation.

Executive Team

Rosemary Steen

Rosemary Steen is Director of Public Affairs. Rosemary joined EirGrid in 2014 and has extensive Corporate Affairs, Government Relations and Corporate Social Responsibility experience from the Telecommunications, Utilities and Business Industry Body sectors. She has previously held senior positions in Vodafone, Shell and IBEC. Rosemary has a BA in Economics and Philosophy from Trinity College Dublin, an MBS in Logistics and Manufacturing from University College Dublin and a Postgraduate Diploma in Legal Studies from Dublin Institute of Technology.

Michael Walsh

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

John Fitzgerald

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

Ann Scully

Ann Scully is EirGrid's Director responsible for European Affairs. Prior to this role, she was Director of Information Services and before that was Director of the All-Island Project. Together with her counterpart in SONI, she was responsible for the programme to achieve the establishment of the all-island Single Electricity Market (SEM) by the agreed 'go live' deadline of 1 November 2007. Prior to taking on this project, she held a number of managerial and project roles in ESB National Grid and ESB, including the establishment of the wholesale electricity market in Ireland in 2000 and CEO of ESBI Alberta Ltd, the Transmission Administrator in Alberta, Canada. A graduate of Trinity College, she holds a degree in Electrical Engineering.

Siobhán Toale

Siobhán Toale is Director, Human Resources. Siobhán joined EirGrid in 2013 and has extensive HR, Leadership Development and Change Management experience from the Telecommunications and Banking Industries. She has previously held senior HR positions in eircom, Telefonica 02 Ireland and Bank of Ireland Group. Siobhán has a BSc(Comp) from Trinity College Dublin and an MSc in Organisational Behaviour from Birkbeck College, University of London.

Our dedicated staff plan the development of the grid to guarantee your energy source now and into the future.

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Directors' Report

The Directors present their annual report and the audited Financial Statements of the Group for the year ended 30 September 2014.

Principal Activities

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

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

Results and Review of the Business

Details of the financial results of the Group are set out in the Consolidated Income Statement on page 60 and the related notes 1 to 30.

The current period being reported on is the year ended 30 September 2014. The comparative figures are for the year ended 30 September 2013. The impact of EWIC on the Income Statement has been split out to aid comparability. Further detail on EWIC is included in Note 7 including the impact on current year reported profit.

On 1 May 2014, the transmission planning function transferred from Northern Ireland Electricity Limited (NIE) to SONI Limited. This followed the signing into law by the Department of Enterprise Trade and Investment (DETI) of changes to SONI's licence to give effect to this transfer. In conjunction with the licence changes, the Utility Regulator Northern Ireland approved the revised Transmission Interface Arrangements.

Commentaries on performance during the year ended 30 September 2014, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Review.

Corporate Governance

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

Principles of Good Governance

Board Members

The Board consists of a non-executive Chairperson, the Chief Executive, in his role as an executive Director, an employee representative Director and seven non-executive Directors. All Directors are appointed by the Minister for Communications, Energy and Natural Resources and their terms of office are set out in writing.

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 2014

The Board has an effective committee structure to assist in the discharge of its responsibilities, consisting of a number of sub committees. The five standing sub committees are: the Audit Committee, the Remuneration Committee, the Grid Infrastructure Committee, the Pensions Committee and the Public Affairs 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 and compliance with laws and regulations including the Code of Practice for the Governance of State Bodies. The Board is satisfied that at all times during the year at least one member of the Committee had recent and relevant financial experience.

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

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

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

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

Attendance at Meetings

Board Meetings

There were twelve Board meetings held during the year ended 30 September 2014. The Board Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson) (appointed 12 November 2013)	11	9
Doireann Barry	12	12
Gary Healy	12	11
Martina Moloney (retired 15 September 2014)	11	10
Regina Moran	12	10
Liam O'Halloran	12	12
Bride Rosney	12	11
Fintan Slye	12	12
Joan Smyth (term expired 15 June 2014, term extended 16 June 2014 to 15 June 2019)	12	11
Richard Sterling (term expired 15 June 2014, term extended 16 June 2014 to 15 June 2019)	12	10

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

Audit Committee

There were six Audit Committee Meetings held during the year ended 30 September 2014. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Richard Sterling (Chairperson)	6	6
Doireann Barry	6	6
Gary Healy	6	5
Joan Smyth (term expired 15 June 2014, term extended 16 June 2014 to 15 June 2019)	6	6

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

Remuneration Committee

There were five Remuneration Committee Meetings held during the year ended 30 September 2014. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
Joan Smyth (Chairperson) (term expired 15 June 2014, term extended 16 June 2014 to 15 June 2019)	5	5
Martina Moloney (retired 15 September 2014)	5	5
Liam O'Halloran	5	5
John O'Connor (appointed 17 September 2014)	0	0

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

Grid Infrastructure Projects Committee

There were six Grid Infrastructure Projects Committee Meetings held during the year ended 30 September 2014. The Committee Members' attendances at these Meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson) (appointed 19 February 2014, appointed Chairperson 4 September 2014)	4	4
Martina Moloney (Chairperson) (retired 4 September 2014)	6	6
Liam O'Halloran	6	6
Bride Rosney	6	5
Richard Sterling (term expired 15 June 2014, term extended 16 June 2014 to 15 June 2019)	6	6

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

Pensions Committee

There were six Pensions Committee Meetings held during the year ended 30 September 2014. The Committee Members' attendance at these Meetings were as set out below:

	Eligible to Attend	Attended
Regina Moran (Chairperson)	6	6
Doireann Barry	6	6
Gary Healy	6	6
Fintan Slye	6	6

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

Public Affairs Committee

The Public Affairs Committee was established on 12 September 2014. There was one Public Affairs Committee Meeting held during the year ended 30 September 2014. The Committee Members' attendance at this Meeting was as set out below:

	Eligible to Attend	Attended
Bride Rosney (Chairperson)	1	1
Liam O'Halloran	1	1
Joan Smyth	1	1

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

Principal Risks and Uncertainties

Risk Management

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

Financial Risk Management

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

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

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

As a regulated business, operating in Ireland and Northern Ireland, the Company's Transmission System Operator activities do not involve any significant pricing or foreign exchange risks. The Group does derive approximately 22% of its revenues from the UK and hence has an exposure to Euro/Sterling currency fluctuations. This risk is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding UK operations using Sterling borrowings.

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

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

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

Operational Risk Management

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

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

Internal Controls

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

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

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

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

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

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

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

Directors' Remuneration

The Financial Statements include €108,000 (2013: €108,000) for Chairperson's and Directors' fees, in accordance with the Department of Finance approved levels of remuneration for the Chairperson and Board Members of State Bodies and the revised arrangements for payment of board fees to public sector employees under the Department of Public Expenditure and Reform's "One Person One Salary" Principle. On 14 May 2009 the Department of Communications, Energy and Natural Resources issued an instruction that Chairperson and Directors' fees be reduced, effective 1 May 2009. Prior to this instruction being issued the Chairperson and Directors had already decided to take a voluntary 10% reduction in their fees. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the year (2013: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2013: €12,600 each per annum).

The only executive Board Member during the year was the Chief Executive, Fintan Slye. The Chief Executive's remuneration is set by the Department of Public Expenditure and Reform and the Department of Communications, Energy and Natural Resources.

The remuneration of the Chief Executive consists of basic salary, taxable benefits and certain retirement benefits. The retirement benefits of the Chief Executive are calculated on basic pay only and aim to provide in retirement a pension of one-eightieth and a gratuity of three-eightieths of salary for each year of service as Chief Executive. The increases in accrued pension and accrued gratuity excluding inflation during the year to 30 September 2014 were €2,125 (2013: €2,125) and €6,375 (2013: €6,375) respectively. The total accrued pension at the end of the year was €14,045 (2013: €11,920) and the total accrued gratuity was €47,285 (2013: €40,910). The transfer value of the relevant increase, net of the Chief Executive's own personal pension contributions was €27,141 (2013: €25,884).

Chief Executive's Remuneration:	**Year to 30 Sep 2014 € '000**	Year to 30 Sep 2013 € '000
Basic salary	170	170
Annual Bonus	-	-
Taxable benefits	18	15
Pension contributions paid	26	26
Director's fees	-	-
Total	**214**	**211**

Dividends

In evaluating the annual dividend that the Group may propose the Board considers the following key factors:

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

Having considered these factors the Directors of the Group propose the payment of a final dividend of €3,000,000 for the year ended 30 September 2014.

Directors' and Secretary's Interest in Shares

The Directors and Secretary who held office between 1 October 2013 and 30 September 2014 had no beneficial interest in the shares of the Group.

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

John O'Connor, Fintan Slye and Niamh Cahill hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform.

Political Donations

The Group does not make political donations.

Going Concern

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

Accounting Records

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

Post Balance Sheet Events

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

Auditors

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

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies for the Parent Company and the Group Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosure when compliance with the specific requirement's 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 Statement's comply with IFRSs as adopted by the European Union; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

On behalf of the Board:

John O'Connor Chairperson

Richard Sterling Chairperson Audit Committee

Fintan Slye Chief Executive

17 December 2014

Independent Auditor's Report to the Members of EirGrid plc

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

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the groups and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- The group's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2014 and of its profit for the year then ended;
- The Parent Company Financial Statements gives a true and fair view, in accordance with IFRS's as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2013, of the state of the Parent company's affairs as at 30 September 2014; and
- The financial statements have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013.

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of accounts have been kept by the parent company.
- The parent company balance sheet is in agreement with the books of account.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.
- The net assets of the parent company, as stated in the parent company balance sheet are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 30 September 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Acts, 1963 to 2013, we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.
- Under the Code of Practice for the Governance of State Bodies ('the Code'), we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

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

17 December 2014

Consolidated Income Statement

for the year to 30 September 2014

	Notes	Non-EWIC Business Year to 30 Sep 2014 € '000	EWIC* Business Year to 30 Sep 2014 € '000	Total Year to 30 Sep 2014 € '000	Non-EWIC** Business Year to 30 Sep 2013 € '000	EWIC* Business Year to 30 Sep 2013 € '000	Total** Year to 30 Sep 2013 € '000
Revenue	3	589,310	79,053	668,363	571,095	50,965	622,060
Direct costs	3	(501,188)	-	(501,188)	(459,175)	-	(459,175)
Gross profit		88,122	79,053	167,175	111,920	50,965	162,885
Other operating costs	5	(80,805)	(22,143)	(102,948)	(82,991)	(6,423)	(89,414)
Operating profit		7,317	56,910	64,227	28,929	44,542	73,471
Interest and other income	6	291	14	305	420	46	466
Finance costs	6	(1,459)	(18,866)	(20,325)	(2,731)	(10,635)	(13,366)
Profit before taxation	8	6,149	38,058	44,207	26,618	33,953	60,571
Income tax (expense)	9			(5,650)			(7,718)
Profit for the year				**38,557**			**52,853**

On behalf of the Board:

John O'Connor Chairperson

Richard Sterling Chairperson Audit Committee

Fintan Slye Chief Executive

17 December 2014

* EWIC Business

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

** As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

Consolidated Statement of Comprehensive Income

for the year to 30 September 2014

	Notes	**Year to 30 Sep 2014 € '000**	Year to 30 Sep 2013 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised (loss)/gain on cash flow hedges	27	(33,976)	22,557
Deferred tax attributable to movement in unrealised gain/(loss) on cash flow hedges	9	4,220	(2,881)
Currency translation differences		(45)	264
Total of items that may be reclassified subsequently to profit or loss		(29,801)	19,940
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	23	(6,248)	12,817
Deferred tax attributable to actuarial gain/(loss)	9	763	(1,506)
Total of items that will not be reclassified to profit or loss		(5,485)	11,311
Profit for the year		38,557	52,853
Total comprehensive income for the year		**3,271**	**84,104**

Company Statement of Comprehensive Income

for the year to 30 September 2014

	Notes	**Year to 30 Sep 2014 € '000**	Year to 30 Sep 2013 € '000*
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised (loss)/gain on cash flow hedges	27	(24,857)	14,883
Deferred tax attributable to movement in unrealised gain/(loss) on cash flow hedges	9	3,107	(1,860)
Total of items that may be reclassified subsequently to profit or loss		(21,750)	13,023
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	23	(6,488)	13,172
Deferred tax attributable to actuarial gain/(loss)	9	811	(1,591)
Total of items that will not be reclassified to profit or loss		(5,677)	11,581
Profit for the year		55,970	23,338
Total comprehensive income for the year		**28,543**	**47,942**

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

Consolidated Balance Sheet

as at 30 September 2014

ASSETS	Notes	30 Sep 2014 € '000	30 Sep 2013 € '000
Non-current assets			
Intangible assets	12	17,079	16,401
Property, plant & equipment	14	598,214	609,567
Deferred tax asset	9	15,276	10,886
Trade and other receivables	15	991	1,093
Total non-current assets		631,560	637,947
Current assets			
Trade and other receivables	15	135,544	132,814
Current tax receivable		418	1,044
Cash and cash equivalents	19	177,131	172,254
Total current assets		313,093	306,112
Total assets		**944,653**	**944,059**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(84,344)	(54,588)
Translation reserve		108	153
Retained earnings		193,696	160,624
Total equity		158,680	155,409
Non-current liabilities			
Derivative financial instruments	26	96,409	62,459
Deferred tax liability	9	11,182	7,647
Deferred income	17	105,368	108,440
Borrowings	25	366,984	383,707
Retirement benefit obligations	23	18,468	10,373
Total non-current liabilities		598,411	572,626
Current liabilities			
Borrowings	25	17,233	18,709
Deferred income	17	3,072	3,072
Trade and other payables	16	167,257	194,243
Total current liabilities		187,562	216,024
Total liabilities		785,973	788,650
Total equity and liabilities		**944,653**	**944,059**

On behalf of the Board:

John O'Connor Chairperson

Richard Sterling Chairperson Audit Committee

Fintan Slye Chief Executive

17 December 2014

Company Balance Sheet

as at 30 September 2014

	Notes	30 Sep 2014 € '000	30 Sep 2013 € '000
ASSETS			
Non-current assets			
Investment in subsidiaries	13	155,711	155,711
Property, plant & equipment	14	43,858	44,338
Deferred tax asset	9	11,237	7,856
Trade and other receivables	15	173,878	130,267
Total non-current assets		384,684	338,172
Current assets			
Trade and other receivables	15	149,009	184,299
Current tax asset		689	1,551
Cash and cash equivalents	19	131,240	116,508
Total current assets		280,938	302,358
Total assets		**665,622**	**640,530**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(58,660)	(36,910)
Retained earnings		178,503	128,210
Total equity		169,063	140,520
Non-current liabilities			
Derivative financial instruments	26	67,040	42,183
Borrowings	25	246,637	254,364
Retirement benefit obligations	23	16,069	9,252
Total non-current liabilities		329,746	305,799
Current liabilities			
Borrowings	25	7,726	7,809
Trade and other payables	16	159,087	186,402
Total current liabilities		166,813	194,211
Total liabilities		496,559	500,010
Total equity and liabilities		**665,622**	**640,530**

On behalf of the Board:

John O'Connor Chairperson

Richard Sterling Chairperson Audit Committee

Fintan Slye Chief Executive

17 December 2014

Consolidated Statement of Changes in Equity

for the year to 30 September 2014

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Translation reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2012	38	49,182	(74,264)	(111)	100,460	75,305
Total comprehensive income for the year	-	-	19,676	264	64,164	84,104
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2013	38	49,182	(54,588)	153	160,624	155,409
Total comprehensive income for the year	-	-	(29,756)	(45)	33,072	3,271
Balance as at 30 September 2014	**38**	**49,182**	**(84,344)**	**108**	**193,696**	**158,680**

Capital Reserve

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

Hedging Reserve

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

Translation Reserve

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

Retained Earnings

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

Company Statement of Changes in Equity

for the year to 30 September 2014

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2012	38	49,182	(49,933)	97,291	96,578
Total comprehensive income for the year	-	-	13,023	34,919	47,942
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2013	38	49,182	(36,910)	128,210	140,520
Total comprehensive income for the year	-	-	(21,750)	50,293	28,543
Balance as at 30 September 2014	**38**	**49,182**	**(58,660)**	**178,503**	**169,063**

Capital Reserve

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

Hedging Reserve

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

Retained Earnings

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

Consolidated Cash Flow Statement

for the year to 30 September 2014

	Notes	**Year to 30 Sep 2014 € '000**	Year to 30 Sep 2013 € '000*
Cash flows from operating activities			
Profit after taxation		38,557	52,853
Depreciation of property, plant and equipment	14	30,104	20,071
Amortisation of grant	17	(3,072)	(768)
Impairment of goodwill and intangible assets	12	678	1,481
Interest and other income		(305)	(466)
Finance costs		20,325	13,366
Pension charge		6,107	5,404
Foreign Exchange		-	30
Income tax expense		5,650	7,718
Pension contributions paid		(5,119)	(5,724)
		92,925	93,965
Movements in working capital			
(Increase)/Decrease in trade and other receivables		(2,628)	31,498
(Decrease)/Increase in trade and other payables		(26,544)	14,984
Cash generated from operations		63,753	140,447
Income taxes paid		(896)	(1,613)
Interest received		305	522
Finance costs paid		(20,324)	(23,767)
Net cash generated from operating activities		42,838	115,589
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,836)	(116,323)
Capital grants received	17	-	33,000
Dividends Paid		(4,000)	-
Net cash used in investing activities		(20,836)	(83,323)
Cash flows from financing activities			
Decrease in bank overdrafts		-	(69)
Proceeds from borrowings		10,746	56,964
Borrowings repaid		(29,211)	(81,221)
Net cash generated from financing activities		(18,465)	(24,326)
Net increase in cash and cash equivalents		3,537	7,940
Cash and cash equivalents at start of year		172,254	164,745
Effect of foreign exchange on cash and cash equivalents		1,340	(431)
Cash and cash equivalents at end of year	19	**177,131**	**172,254**

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

Company Cash Flow Statement

for the year to 30 September 2014

	Notes	**Year to 30 Sep 2014 € ’000**	Year to 30 Sep 2013 € ’000*
Cash flows from operating activities			
Profit after taxation		55,970	23,338
Depreciation of property, plant and equipment	14	11,350	12,556
Interest and other income		(1,120)	(1,240)
Finance costs		4,297	5,834
Pension charge		3,886	4,679
Income tax expense		1,935	125
Pension contributions paid		(4,144)	(5,038)
		72,174	40,254
Movements in working capital			
(Increase)/decrease in trade and other receivables		(8,309)	12,906
(Decrease)/increase in trade and other payables		(23,150)	39,055
Cash generated from operations		40,715	92,215
Income taxes (paid)/received		(534)	346
Interest received		1,109	1,272
Finance costs paid		(4,465)	(5,362)
Net cash generated from operating activities		36,825	88,471
Cash flows from investing activities			
Advances to subsidiary		-	(1,126)
Purchase of property, plant and equipment		(10,284)	(8,071)
Dividends Paid		(4,000)	-
Net cash used in investing activities		(14,284)	(9,197)
Cash flows from financing activities			
Decrease in bank overdrafts		-	(69)
Proceeds from borrowings		8,000	-
Borrowings repaid		(15,809)	(30,150)
Net cash generated from financing activities		(7,809)	(30,219)
Net increase in cash and cash equivalents		14,732	49,055
Cash and cash equivalents at start of year		116,508	67,453
Cash and cash equivalents at end of year	19	**131,240**	**116,508**

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

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 for the island of Ireland. SONI Ltd (a subsidiary of EirGrid plc) is licensed by the Northern Ireland Authority for Utility Regulation as the TSO in Northern Ireland and also holds an MO licence for the island of Ireland. EirGrid Interconnector Ltd (a subsidiary of EirGrid plc) is licensed by the Commission for Energy Regulation and the Office of the Gas and Electricty Markets (Ofgem) as the operator of the East West Interconnector. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

2. Statement of Accounting Policies

Basis of preparation

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for periods ending 30 September 2014 and in the case of EirGrid plc Group and Company accounts, in accordance with the Irish Companies Acts, 1963 to 2013. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the accounts.

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

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

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

The current period being reported on is the year to 30 September 2014. The comparative figures are for the year ended 30 September 2013. Comparative amounts for 2013 have been restated in accordance with the relevant transitional provisions set out in IAS 19. See Note 23 for further details.

Adoption of new standards

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

- IFRS 10 - Consolidated Financial Statements - (Effective 1 January 2014)
- IFRS 11 - Joint Arrangements - (Effective 1 January 2014)
- IFRS 12 - Disclosure of Interests in Other Entities - (Effective 1 January 2014)
- IFRS 13 - Fair Value Measurement - (Effective 1 January 2013)
- IAS 19 - Employee Benefits (2011) (Amendments) - (Effective 1 January 2013)

With the exception of IAS 19 (revised) adoption of the standards and the interpretations above had no significant impact on the results or financial position of the Group during the year ended 30 September 2014.

IAS 19 (revised) Employee Benefits amends the accounting for employee benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost which is calculated based on the net defined benefit liability and the discount rate, measured at the beginning of the year. There is no change in determining the discount rate; this continues to reflect

2. Statement of Accounting Policies (continued)

the yield on high-quality corporate bonds. As a result the adoption of IAS 19 (revised) – Employee Benefits has resulted in an increase in the income statement charge for the year ended 30 September 2013. This has no effect on total comprehensive income as the increased charge in the income statement is offset by an increase in the credit to the statement of other comprehensive income.

There is a new term “remeasurements” . This is made up of actuarial gains and losses and the difference between actuarial investment returns and the return implied by the net interest cost. Remeasurements are reflected in the statement of other comprehensive income.

The retirement benefit obligation as previously reported on the balance sheet has not changed as a result of the above.

The effect of the change in accounting policy on the income statement and statement of comprehensive income is as follows:

	As reported 30 Sep 2013 € ’000	IAS 19 impact 30 Sep 2013 € ’000	Restated 30 Sep 2013 € ’000
Finance costs	12,852	514	13,366
Profit for the year	53,367	(514)	52,853
Remeasurement of net defined benefit liability	12,303	514	12,817

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

- IFRS 2 - Share based Payment (Amendments) - Amended by Annual Improvements to IFRSs 2010-2012 Cycle (definition of vesting condition) - (Effective 1 July 2014)
- IFRS 3 - Business Combinations (Amendments) - Amended by Annual Improvements to IFRSs 2011-2013 Cycle (scope exception for joint ventures) - (Effective 1 July 2014)
- IAS 16 - Property, Plant and Equipment (Amendments) - (Effective 1 July 2014)
- IAS 24 - Related Party Disclosures (Amendments) - (Effective 1 July 2014)

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

Basis of consolidation

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

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

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

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

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;

2. Statement of Accounting Policies (continued)

- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

Joint ventures

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

The adoption of IFRS 11 has not impacted the Group's current accounting policies as the Company's joint venture in place is deemed to be a joint operation and thus is accounted for in line with the prior year using proportionate consolidation, as per IAS 31. In line with this standard the Company's share of results and net assets of the joint operation, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreement stipulating joint control is finalised and derecognised when joint control ceases. The Company combines its share of the joint arrangement, individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's Financial Statements.

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

2. Statement of Accounting Policies (continued)

Business combinations

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

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

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

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

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

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

Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The goodwill impairment tests are undertaken at a consistent time in each annual period. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed following recognition.

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

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

Revenue

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

2. Statement of Accounting Policies (continued)

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

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

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

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

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

Direct costs

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

Operating profit

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

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

Leases

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

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

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

Foreign currencies

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

2. Statement of Accounting Policies (continued)

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

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

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

Retirement benefit costs

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

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

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

Taxation

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

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

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

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

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

2. Statement of Accounting Policies (continued)

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Borrowing costs

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

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

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

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

2. Statement of Accounting Policies (continued)

Intangible assets

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

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

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

Impairment of assets

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

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

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

Grants

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

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

2. Statement of Accounting Policies (continued)

Financial assets and liabilities

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

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

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

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

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

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

Derivative financial instruments

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

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

Fair Value Measurement

The Group has applied IFRS 13 Fair Value Measurement for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application for annual periods beginning on or after 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirement set out in the Standard in comparative information provided for periods before the initial application of the Standard.

In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2013 comparative period (please see notes 15, 16, 19, 23, 26 and 27 for the 2014 disclosures). Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised on the consolidated financial statements.

2. Statement of Accounting Policies (continued)

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, or is included as a base adjustment to a non-financial hedged item.

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

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

Interest-bearing loans and borrowings

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

Finance income and costs

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

2. Statement of Accounting Policies (continued)

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

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

  The depreciation charge for property, plant and equipment depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual value. The useful lives of assets are determined by management at the time the assets are acquired and are reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. With the EWIC becoming operational during the year ended 30 September 2013 the determination of useful lives is a critical judgement. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

- **Retirement benefits obligations**

  The Group operates two defined benefit pension plans. The actuarial valuation of the pension plan liabilities are based on various financial and demographic assumptions about the future including discount rates, inflation, salary increases, pension increases and mortality rates. The Group's obligation in respect of the plans are calculated by independent qualified actuaries and are updated at least annually. The obligation at 30 September 2014 is €136.2m (2013: €102.0m) and the fair value of plan assets is €117.7m (2013: €91.6m). This gives a net pension deficit of €18.5m (2013: €10.4m).

- **Deferred tax**

  Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The net deferred tax asset at 30 September 2014 was €4.1m (2013: net deferred tax asset of €3.2m).

- **Intangible assets**

  The Group tests annually whether its goodwill and licence agreement assets have suffered any impairment. The recoverable amount of the intangible assets allocated to a Cash Generating Unit (CGU) has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2019. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. Intangible assets at 30 September 2014 were €17.1m (2013: €16.4m).

- **Control over subsidiaries**

  The Group has control of the following wholly owned subsidiaries; EirGrid UK Holdings Limited, SONI Limited, EirGrid Interconnector Limited and EirGrid Telecoms Limited. The subsidiaries are discussed further in note 13.

- **Fair value measurement and valuation processes**

  Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised on the consolidated financial statements.

- **Operation of the EWIC**

  EWIC became operational during the year ended 30 September 2013. Full detail on the key judgements in respect of the EWIC is included in Note 7.

3. Segment Information

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

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

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

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

3. Segment Information (continued)

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

Income Statement items	Notes	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total* € '000
Segment revenue		308,824	186,034	108,196	50,965	(31,959)	622,060
Direct costs		(252,458)	(161,760)	(76,916)	-	31,959	(459,175)
Gross profit		56,366	24,274	31,280	50,965	-	162,885
Other operating costs		(51,962)	(16,231)	(14,798)	(6,423)	-	(89,414)
Operating profit		4,404	8,043	16,482	44,542	-	73,471
Interest and other income							466
Finance costs							(13,366)
Profit before taxation							60,571
Income tax expense							(7,718)
Profit for the year							**52,853**
Balance Sheet items							
Segment assets		228,140	79,127	28,171	592,220	-	927,658
Goodwill and intangible assets	12						16,401
Total assets as reported in the Consolidated Balance Sheet							944,059
Segment liabilities		433,331	54,442	25,788	275,089	-	788,650
Total liabilities as reported in the Consolidated Balance Sheet							788,650

Geographical information

	Revenue		Non-current assets	
	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Ireland	518,112	467,355	596,097	607,097
UK	150,251	154,705	35,463	30,850
Total	668,363	622,060	631,560	637,947

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

Information about major customers

Included in EirGrid TSO segment revenues of €340.2m for the year to 30 September 2014 (2013: €308.8m) are revenues of approximately €165.8m (2013: €142.8m), €69.8m (2013: €63.1m), €44.3m (2013: €43.4m) and €36.1m (2013: €30.4m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €169.4m for the year to 30 September 2014 (2013: €186.0m) are revenues of approximately €62.7m (2013: €62.2m), €39.3m (2013: €45.9m), €37.3m (2013: €44.0m) and €14.3m (2013: €16.5m) which arose from sales to the segment's four largest customers. Included in SONI TSO segment revenues of €107.9m for the year to 30 September 2014 (2013: €108.2m) are revenues of approximately €31.0m (2013: €42.8m), €26.9m (2013: €21.5m) and €11.8m (2013: €11.9m) which arose from sales to the segment's three largest customers.

4. Employees

The average number of persons employed by the Group during the year to 30 September 2014 was 400 (2013: 396), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2014 was 60 (2013: 53). The staff costs associated with these employees have been capitalised and totalled €6.1m for the year to 30 September 2014 (2013: €5.9m).

Average number of employees in year by business activity:

	Year to 30 Sep 2014 Number	Year to 30 Sep 2013 Number
EirGrid TSO	234	238
SONI TSO	97	88
SEMO	62	63
EWIC	7	7
Capital projects	60	53
Total	460	449

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

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Wages and salaries	31,018	30,421
Social welfare costs	3,161	3,333
Pension costs	6,564	5,603
Total	40,743	39,357

5. Other Operating Costs

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Employee costs (note 4)	40,743	39,357
Depreciation of non-current assets (note 14)	30,104	20,071
Amortisation of grant (note 17)	(3,072)	(768)
Operations and maintenance	34,495	29,243
Loss/(gain) on derivative financial instruments	-	30
Impairment of intangible assets (note 12)	678	1,481
Total	102,948	89,414

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

6. Interest and Other Income and Finance Costs

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000*
Interest income:		
Interest income on deposits	305	466
Finance costs:		
Interest on borrowings and related interest rate swaps	20,046	12,598
Net pension scheme interest (note 23)	279	768
Total finance costs	20,325	13,366

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

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

7. East West Interconnector Operations

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

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

Revenue for the EWIC for the period comprised the full year regulated tariff of €33.9m (2013: €33.0m). €nil (2013: €11m) of this revenue was in respect of debt service cost on EWIC borrowings which was capitalised during the period of up to 1 May 2013 when the EWIC became fully operational in accordance with the company's accounting policy for capitalising borrowing costs.

The remainder of revenue in respect of the EWIC relates to auction receipts totalling €35.7m (2013: €15.0m) and also income from provision of other system services. Auction receipts are a revenue stream for the Group arising from the operation of the EWIC whereby capacity is sold on the interconnector. Auction receipts form part of the determination of regulatory over recoveries which are returned in future periods. The 2014 tariff rate anticipated auction receipts being €8m (2013: €10m).

Full year Profit Before Tax for EWIC operations was €38.1m (2013: €34.0m). In line with normal practice any regulatory over recovery arising in the year will be returned to consumers in a later tariff period and has not been provided for in the financial statements.

The Group is committed to final expenditure of €9.5m (2013: €8m) (see note 21) in respect of EWIC which will result in total cost of construction of €563.5m.

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

8. Profit Before Taxation

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

	Year to 30 Sep 2014 € ’000	Year to 30 Sep 2013 € ’000
Depreciation (note 14)	30,104	20,071
Amortisation of grant (note 17)	(3,072)	(768)
Operating lease rentals	2,062	1,999
Foreign exchange (gain)/loss	(1,738)	1,016

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

	Year to 30 Sep 2014 € ’000	Year to 30 Sep 2013 € ’000
- for services as a Director	108	108
- for executive manager services	214	211
Total	322	319

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

Group	**Year to 30 Sep 2014 € ’000**	Year to 30 Sep 2013 € ’000
- audit of group companies	131	110
- other assurance services	3	2
- tax advisory services	183	130
- other non-audit services	19	3

Company	**Year to 30 Sep 2014 € ’000**	Year to 30 Sep 2013 € ’000
- audit of individual company accounts	64	45
- other assurance services	3	2
- tax advisory services	43	52
- other non-audit services	19	3

9. Income Taxes

Charge to Income Statement:

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Current tax expense	1,799	3,783
Deferred tax relating to the origination and reversal of temporary differences	3,891	4,500
Effect of changes in tax rates and laws	(40)	(565)
Income tax expense for the year	5,650	7,718

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

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Profit before tax	44,207	60,571
Taxation at standard rate of 12.5% (2013: 12.5%)	5,526	7,571
Effect of higher rates of tax on other income	883	173
Effect of income and expenses excluded in determining taxable profit	(100)	171
Effect of R&D tax credit	(437)	(227)
Effect of capitalised interest allowable for tax	-	(1,342)
Effect on deferred tax balances due to the change in the UK income tax rate	(40)	(565)
Effect of higher rates of tax on (losses)/gains in UK subsidiaries	(101)	1,911
Over provision in prior years	(139)	(95)
Other differences	58	121
Income tax recognised in Income Statement	5,650	7,718

Corporation tax in respect of the Group's UK based operations is calculated at 22% (2013: 23.5%) of the estimated assessable profit for the year. The standard rate of UK corporation tax changed from 23% to 21% with effect from 1 April 2014.

The tax charge in future periods will be impacted by any changes to the corporation tax rate in force in the countries in which the Group operates. In the UK, the Finance Act 2013 included a reduction in the rate of corporate income tax from 23% to 21%. This change was substantively enacted on 2 July 2013. The rate reduction applied from 1 April 2014. Furthermore, the Finance Act 2014 promulgated and substantively enacted on 17 July 2014 a further reduction in the corporate income tax to 20% from 1 April 2015.

Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 20% is reflected in the closing deferred tax balance.

9. Income Taxes (continued)

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

Group	Intangible assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Section 75 payment € '000	Total € '000
Deferred tax (liability)/asset as at 1 October 2012	(4,324)	1,733	2,879	10,732	-	367	11,387
Credit/(charge) to the Income Statement for the year	841	(6,109)	14	-	1,669	(350)	(3,935)
(Charge)/credit to the Statement of Comprehensive Income	-	-	(1,506)	(2,881)	-	-	(4,387)
Exchange differences	202	10	(7)	(14)	-	(17)	174
Deferred tax (liability)/asset as at 30 September 2013	(3,281)	(4,366)	1,380	7,837	1,669	-	3,239
Credit/(charge) to the Income Statement for the year	136	(3,401)	316	-	(942)	-	(3,891)
Charge to the Statement of Comprehensive Income	-	-	763	4,220	-	-	4,983
Exchange differences	(270)	-	31	2	-	-	(237)
Deferred tax (liability)/asset as at 30 September 2014	(3,415)	(7,767)	2,490	12,059	727	-	4,094
Deferred tax asset	-	-	2,490	12,059	727	-	15,276
Deferred tax liability	(3,415)	(7,767)	-	-	-	-	(11,182)
Total	(3,415)	(7,767)	2,490	12,059	727	-	4,094

9. Income Taxes (continued)

Company	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 October 2012	1,924	2,721	7,133	11,778
(Charge)/credit to the Income Statement for the year	(498)	27	-	(471)
Charge to the Statement of Comprehensive Income	-	(1,591)	(1,860)	(3,451)
Deferred tax asset as at 30 September 2013	1,426	1,157	5,273	7,856
(Charge)/credit to the Income Statement for the year	(578)	41	-	(537)
Charge to the Statement of Comprehensive Income	-	811	3,107	3,918
Deferred tax asset as at 30 September 2014	848	2,009	8,380	11,237

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

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Ireland	3,504	6,204	11,237	7,856
UK	590	(2,965)	-	-
Net deferred tax asset	4,094	3,239	11,237	7,856

10. Company Income Statement

As permitted by section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986 the Parent Company is availing of the exemption from presenting its separate Income Statement to the AGM and from filing it with the Companies Registration Office. The consolidated profit for the year to 30 September 2014 includes a profit attributable after tax to the Company of €55,970,000 (2013: €23,338,000).

11. Dividends

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

Dividends to Shareholders	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Equity		
Interim - €133.333 per Ordinary Share	-	4,000
Total	-	4,000

12. Intangible Assets

Group	Goodwill € '000	Licence agreements € '000	Total € '000
Cost			
Balance as at 1 October 2012	4,861	19,871	24,732
Exchange differences	(253)	(1,075)	(1,328)
Balance as at 30 September 2013	4,608	18,796	23,404
Exchange differences	363	1,544	1,907
Balance as at 30 September 2014	4,971	20,340	25,311
Accumulated Impairment Losses			
Balance as at 1 October 2012	4,758	1,066	5,824
Impairment charge	98	1,383	1,481
Exchange differences	(248)	(54)	(302)
Balance as at 30 September 2013	4,608	2,395	7,003
Impairment charge	-	678	678
Exchange differences	363	188	551
Balance as at 30 September 2014	4,971	3,261	8,232
Carrying amount as at 30 September 2014	**-**	**17,079**	**17,079**
Carrying amount as at 30 September 2013	-	16,401	16,401

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

	30 Sep 2014 € '000	30 Sep 2013 € '000
SONI TSO	14,647	13,519
SEMO	2,432	2,882
Total	17,079	16,401

The recoverable amount of the intangible assets allocated to a CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2019. This is the period to which management believe that discrete forecasts regarding expected cash flows can reasonably be made. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and anticipated regulatory recoveries arising from price controls.

The key assumptions used within the calculations include:

- SONI TSO and SEMO profitability levels have been based on the regulatory price controls agreed in 2011 and 2013 respectively. The SONI price control covers the period from 2010-2015, the SEMO price control covers the period from 2013-2016. Estimated regulatory recoveries have been used to forecast profitability levels in the period beyond the current price controls;
- Discount rates of 4.83% and 4.79% (2013: 4.79% and 4.85%) have been assumed for the SEMO and SONI TSO CGUs respectively, based on the regulatory price controls agreed in 2011 and 2013;

12. Intangible Assets (continued)

- Growth rates of 2.0% (2013: 2.0%) have been assumed into perpetuity for SEMO and SONI TSO regulatory asset bases (RAB). A nil% growth rate (2013: nil%) has been assumed into perpetuity for the SEMO and SONI TSO regulatory incentives. These assumptions reflect management's expectation for long-term growth.

At 30 September 2014, before impairment testing, goodwill of €nil and licence agreements of €13.5m were allocated to SONI TSO, which derives its revenue acting as the Transmission System Operator for Northern Ireland. On the basis of the above assumptions the Directors have concluded that there is no impairment charge (2013: €1.5m).

At 30 September 2014, before impairment testing, goodwill of €nil and licence agreements of €2.9m were allocated to SEMO, which derives its revenue acting as the Market Operator for SEM. On the basis of the above assumptions the Directors have concluded that there is an impairment to license agreements of €0.7m (2013: €nil). This impairment loss is recognised within operating costs in the Consolidated Income Statement.

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows and the expected long term growth rates. The Group has conducted a sensitivity analysis on the impairment test of each of the CGU's carrying values. An increase in the discount rate of 0.5% would result in an additional impairment to the value of the licence in the SEMO CGU of €0.9m (2013: €nil) and an impairment to the value of the goodwill and license in the SONI TSO CGU of €nil (2013: €nil) and €nil (2013: €2.6m) respectively. A decrease in the RAB perpetuity growth rate of 1% would result in an additional impairment to value of the licence in the SEMO CGU of €1.0m (2013: €nil) and an impairment to the value of the goodwill and licence in the SONI CGU of €nil (2013: €nil) and €2.2m (2013: €3.5m) respectively.

13. Investment in Subsidiaries

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

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

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

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

The registered office of EirGrid Interconnector Limited and EirGrid Telecoms Limited is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

The registered office of EirGrid UK Holdings Limited and SONI Limited is Castlereagh House, 12 Manse Road, Belfast BT6 9RT.

13. Investment in Subsidiaries (continued)

Investment in Subsidiaries Company	30 Sep 2014 € '000	30 Sep 2013 € '000
Balance at start of year	155,711	161,821
Injections of capital to EirGrid Interconnector Limited	-	423
Injections of capital to EirGrid Telecoms Limited	-	193
Adjustment to capital contribution	-	(6,726)
Balance at end of year	155,711	155,711

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

During the year, the Company advanced €nil (2013: €0.7m) to EirGrid Interconnector Limited via an intercompany loan. The Company has made total advances of €31.7m (2013: €31.7m) to EirGrid Interconnector Limited and on-lent total debt of €285.0m (2013: €285.0m). No interest is payable on these amounts under the intercompany loan agreement. During the year, EirGrid Interconnector Limited made a once off accelerated repayment of on-lent debt of €nil (2013: €15.8m). As a result of this repayment, an adjustment to the capital contribution previously recognised in respect of on-lent debt of €nil (2013: €6.7m) is included above. The Company has recognised an investment of €155.5m (2013: €155.5m) in EirGrid Interconnector Limited, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans.

14. Property, Plant & Equipment

Group	Land and buildings * € '000	Fixtures and fittings € '000	IT, telecommunications equipment and other € '000	Single Electricity Market ** € '000	EWIC € '000	Assets under Construction *** € '000	Total € '000
Cost							
Balance as at 1 Oct 2012	11,981	1,685	77,178	50,063	-	520,168	661,075
Additions	-	-	3,703	-	-	52,247	55,950
Transfers	149	401	10,454	-	554,087	(565,091)	-
Exchange differences	(173)	(2)	(855)	(524)	-	(11)	(1,565)
Balance as at 30 Sept 2013	11,957	2,084	90,480	49,539	554,087	7,313	715,460
Additions	-	7	3,109	-	556	14,060	17,732
Transfers	-	58	5,020	-	-	(5,078)	-
Exchange differences	260	21	1,267	752	-	407	2,707
Balance as at 30 Sept 2014	12,217	2,170	99,876	50,291	554,643	16,702	735,899
Depreciation							
Balance as at 1 Oct 2012	2,299	1,236	36,518	46,799	-	-	86,852
Charge	497	309	13,217	2,543	3,505	-	20,071
Exchange differences	(116)	(1)	(397)	(516)	-	-	(1,030)
Balance as at 30 Sept 2013	2,680	1,544	49,338	48,826	3,505	-	105,893
Charge	502	145	13,878	607	14,972	-	30,104
Exchange differences	175	3	758	752	-	-	1,688
Balance as at 30 Sept 2014	3,357	1,692	63,974	50,185	18,477	-	137,685
Carrying amount as at 30 Sept 2014	**8,860**	**478**	**35,902**	**106**	**536,166**	**16,702**	**598,214**
Carrying amount as at 30 Sept 2013	9,277	540	41,142	713	550,582	7,313	609,567

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

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

*** Assets under Construction consist of the following:

	30 Sep 2014 € '000	30 Sep 2013 € '000
IT and telecommunications equipment	12,783	6,717
Land and buildings	3,919	596
Total	16,702	7,313

14. Property, Plant & Equipment (continued)

Company	Buildings * € '000	Fixtures and fittings € '000	IT, telecommunications equipment and other € '000	Single Electricity Market ** € '000	Assets under Construction *** € '000	Total € '000
Cost						
Balance as at 1 Oct 2012	10,407	1,644	63,961	41,418	9,799	127,229
Additions	-	-	2,014	-	6,641	8,655
Transfers (including intra-Group)	-	193	10,349	-	(10,542)	-
Balance as at 30 Sept 2013	10,407	1,837	76,324	41,418	5,898	135,884
Additions	-	-	2,309	-	8,561	10,870
Transfers	-	58	3,912	-	(3,970)	-
Balance as at 30 Sept 2014	10,407	1,895	82,545	41,418	10,489	146,754
Depreciation						
Balance as at 1 Oct 2012	1,809	1,212	37,454	38,515	-	78,990
Charge	434	303	9,884	1,935	-	12,556
Balance as at 30 Sept 2013	2,243	1,515	47,338	40,450	-	91,546
Charge	433	132	10,330	455	-	11,350
Balance as at 30 Sept 2014	2,676	1,647	57,668	40,905	-	102,896
Carrying amount as at 30 Sept 2014	**7,731**	**248**	**24,877**	**513**	**10,489**	**43,858**
Carrying amount as at 30 Sept 2013	8,164	322	28,986	968	5,898	44,338

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

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

*** Assets under Construction consist of the following:

	30 Sep 2014 € '000	30 Sep 2013 € '000
IT and telecommunications equipment	10,489	5,898

15. Trade and other Receivables

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Amounts due in less than one year:				
Trade receivables	13,975	21,758	10,040	12,717
Prepayments and accrued income	67,463	61,837	63,325	56,197
Unbilled receivables	51,222	49,219	51,222	49,219
Other receivables	2,884	-	2,861	-
Amounts owed by subsidiary undertakings	-	-	21,561	66,166
Total	135,544	132,814	149,009	184,299
Amounts due in more than one year:				
Prepayments and accrued income	991	1,093	-	-
Amounts owed by subsidiary undertakings	-	-	173,878	130,267
	991	1,093	173,878	130,267
Total	136,535	133,907	322,887	314,566

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

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

Group and Company prepayments and accrued income balances include deferred costs in respect of transmission projects of €62.2m (2013: €56.3m), all of which may not be recoverable within twelve months.

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

16. Trade and other Payables

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Trade payables	78,742	81,017	71,005	67,538
Accruals	79,461	87,973	66,147	70,625
Dividends Payable	-	4,000	-	4,000
Taxation and social welfare	9,054	11,253	7,171	11,923
Regulatory over-recoveries	-	10,000	-	10,000
Amounts owed to subsidiary undertakings	-	-	14,764	22,316
Total	167,257	194,243	159,087	186,402

16. Trade and other Payables (continued)

Taxation and social welfare comprises of the following:

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
PAYE/PRSI	1,203	1,120	919	895
VAT	7,538	9,947	5,939	10,846
Withholding tax	313	186	313	182
Total	9,054	11,253	7,171	11,923

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

€38.5m (2013: €18.1m) of the Group trade payables balance and €4.5m (2013: €6.5m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. €38.5m (2013: €18.1m) 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.

As part of the financial close out of the EWIC project an amount of €nil (2013: €10m) has been set aside for specific regulatory over recoveries that arose due to the limited availability of the EWIC asset during the year.

17. Deferred Income

Group

Capital Grants	**€ '000**
Balance as at 1 October 2012	79,280
Grants received	33,000
Amortisation of grant	(768)
Balance as at 30 September 2013	111,512
Amortisation of grant	(3,072)
Balance as at 30 September 2014	108,440

Analysed as:	**€ '000**
Current	3,072
Non-current	105,368
Balance as at 30 September 2014	108,440

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

18. Issued Share Capital

Group and Company	30 Sep 2014 € '000	30 Sep 2013 € '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.

19. Cash and Cash Equivalents

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Cash and cash equivalents	177,131	172,254	131,240	116,508

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

Included in the Group and Company cash balances are amounts of €nil (2013: €10m) relating to the regulatory over-recoveries payable at year end (note 16) and security deposits of €0.8m (2013: €2.9m). Included in the Group's cash balances is €30.6m (2013: €33.8m) which represents cash which can only be used for the purposes of the EWIC asset. Included in the Group's cash balances is a further €28.4m (2013: €31.8m) held on trust for market participants in the SEM and €18.0m (2013: €14.4m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). Included in the Company's cash balances is €21.3m (2013: €23.9m) held on trust for market participants in the SEM and €13.5m (2013: €10.8m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

During the year, the Company advanced interest free loans totalling €nil (2013: €0.6m) to EirGrid Interconnector Limited and injected equity of €nil (2013: €nil). This is classified as an investment in subsidiary in the Company Cash Flow Statement.

The Group had unutilised borrowing facilities of €65.4m (2013: €67.8m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments.

20. Operating Lease Arrangements

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

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Not longer than one year	2,953	3,042	2,953	3,042
Longer than one year and not longer than five years	11,431	11,502	11,431	11,502
Longer than five years	35,311	38,155	35,311	38,155
Total	49,695	52,699	49,695	52,699

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

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

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

21. Capital Commitments

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Expenditure contracted for, but not provided for in the Financial Statements	9,851	12,105	-	-

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

22. Contingent Liabilities

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

23. Retirement Benefits Obligations

Defined Benefit Schemes

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

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

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

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

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

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

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

Expected rate of return on scheme assets is no longer relevant due to the implementation of the amendments to IAS 19 referred to in note 2. The main amendment impacting the plan is the replacement of the interest cost and Expected Return on Plan Assets elements in the Consolidated Income Statement with a single "net interest" figure. While the amendments are effective for periods beginning on or after 1 January 2013, the amendments are applied retrospectively to prior year comparatives and as a result the prior year comparative has been amended to show a net interest cost of €0.8m compared to an expected return of €3.8m and interest cost of €4.1m.

23. Retirement Benefits Obligations (continued)

Principal risks

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

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

Defined Contribution Scheme

As the SONI Focus Plan has been closed to new members since 1998, other than for the purpose of admitting staff as a consequence of the transfer of the planning function in Northern Ireland, the Group also operates an approved defined contribution scheme, the "SONI Options Plan" (which is a defined contribution section of the SONI Pension Scheme for employees of SONI Limited). Contributions are paid by the members and SONI Limited at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the SONI Options Plan are held under trust and are separate from those of the Group.

The only obligation of SONI Limited with respect to the SONI Options Plan is to make the specified contributions and pay administration expenses. Obligations for contributions to the SONI Options Plan are recognised as an expense in the Statement of Comprehensive Income as incurred. The pension charge for the year represents the actual contribution paid by SONI Limited and amounted to €0.5m (2013: €0.2m).

Defined Benefit Schemes - Liabilities

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2014 for both the EirGrid plan and the SONI Focus plan, under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present values of the defined benefit obligations and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

23. Retirement Benefits Obligations (continued)

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

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	136,171	101,947	95,478	74,426
Fair value of Schemes' assets at end of year	(117,703)	(91,574)	(79,409)	(65,174)
Funded Status	18,468	10,373	16,069	9,252
Adjustment for limit on net assets	-	-	-	-
Net Liability recognised in Balance Sheet at end of period	18,468	10,373	16,069	9,252
Deferred tax on net pension obligation (note 9)	(2,490)	(1,380)	(2,009)	(1,157)
Net Liability after Deferred Tax	15,978	8,993	14,060	8,095

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

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000*
Current service cost	5,265	5,581
Net interest expense	279	768
Past Service Costs (effect of transfer in)	1,275	-
Employer pension cost capitalised	(712)	(584)
Amount included in other operating costs relating to defined benefit schemes	6,107	5,765

	Group		Company	
	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000*	**Year to 30 Sep 2014 € '000**	Year to 30 Sep 2013 € '000*
Remeasurement of net defined benefit liability:				
Actuarial (gain)/loss arising on Schemes' assets	8,503	4,833	6,348	2,342
Actuarial (gain)/loss arising from changes in demographic assumptions	9,750	(31)	9,556	-
Actuarial (gain)/loss arising from changes in financial assumptions	(25,934)	6,402	(23,724)	9,449
Actuarial (gain)/loss arising from experience adjustments	1,433	1,613	1,332	1,381
Amount included in the Statement of Comprehensive Income	(6,248)	12,817	(6,488)	13,172

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

23. Retirement Benefits Obligations (continued)

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

	EirGrid plan		SONI Focus plan	
	30 Sep 2014 € '000	30 Sep 2013 € '000*	**30 Sep 2014 € '000**	30 Sep 2013 € '000*
Present value of defined obligation at beginning of year	74,426	76,130	27,521	24,582
Current service cost including contributions by Schemes' participants	5,803	6,501	987	729
Interest cost	3,153	3,036	1,268	1,033
Actuarial (gain)/loss arising from changes in demographic assumptions	(9,556)	-	(194)	31
Actuarial (gain)/loss arising from changes in financial assumptions	23,724	(9,449)	2,210	3,047
Actuarial (gain)/loss arising from experience adjustments	(1,332)	(1,381)	(101)	(232)
Benefits paid	(740)	(411)	(121)	(388)
Past Service Costs (effect of transfer in)	-	-	1,275	-
Transfer in of liabilities met by assets	-	-	5,158	-
Exchange differences	-	-	2,690	(1,281)
Present value of defined benefit obligation at end of year	95,478	74,426	40,693	27,521

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

	EirGrid plan		SONI Focus plan	
	30 Sep 2014 € '000	30 Sep 2013 € '000*	**30 Sep 2014 € '000**	30 Sep 2013 € '000*
Fair value of Schemes' assets at beginning of year	65,174	54,379	26,400	23,884
Interest Income	2,903	2,297	1,239	1,004
Remeasurements gain/(loss):				
Gains/(losses) on Schemes' assets	6,348	2,342	2,155	2,491
Contributions by the Company	4,144	5,038	975	686
Contributions by Schemes' participants	1,580	1,529	132	120
Administration costs	-	-	(188)	(153)
Benefits paid	(740)	(411)	(121)	(388)
Transfer in of assets	-	-	5,158	-
Exchange differences	-	-	2,544	(1,244)
Fair value of Schemes' assets at end of year	79,409	65,174	38,294	26,400

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

23. Retirement Benefits Obligations (continued)

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

	EirGrid plan		SONI Focus plan	
	30 Sep 2014	30 Sep 2013	**30 Sep 2014**	30 Sep 2013
Valuation method	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Discount rate	2.90%	4.25%	4.00%	4.50%
State pension increase	1.40%	1.75%	2.50%	2.70%
Salary increases	1.90% plus scale	2.25% plus scale	4.50%	4.50%
Pension increases	1.90%	2.25%	2.50%	2.70%
Inflation	1.65%	2.00%	3.50%	3.50%
Revaluation CEO benefit	1.40%	1.75%	n/a	n/a
Post-retirement life expectancy for those retiring at age 65 in 2034:				
- Men	25.1 years	26.4 years	24.1 years	24.1 years
- Women	26.1 years	27.7 years	26.6 years	26.8 years

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end were 2.90% (2013: 4.25%) for the EirGrid plan and 4.00% (2013: 4.50%) for the SONI Focus plan. The EirGrid plan discount rate was based on the redemption yield on Euro denominated corporate bonds extrapolated to an approximate duration of 28 years (2013: 27 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated corporate bonds extrapolated to an approximate duration of 20 years (2013: 20 years). This is consistent with the estimated term of the post-retirement benefit obligations.

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. As an indication of the impact of changes in actuarial assumptions, a 50 basis point decrease in discount rates would increase the net pension plan liability by approximately 95%.

Funding Requirements and Future Cash Flows

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

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

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

23. Retirement Benefits Obligations (continued)

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

EirGrid plan	Fair Value	
	30 Sep 2014 € '000	30 Sep 2013 € '000
Equities	46,058	36,381
Bonds	14,520	11,251
Property	2,417	889
Cash	2,086	4,396
Alternatives	10,650	8,793
Annuities	3,678	3,464
Fair value of plan assets	79,409	65,174

SONI Focus plan	Fair Value	
	30 Sep 2014 € '000	30 Sep 2013 € '000
Equities	18,202	15,342
Gilts and bonds	13,145	10,904
Assumed assets in respect of transfer in	5,416	-
Other	1,531	154
Fair value of plan assets	38,294	26,400

The actual return on Group scheme assets was a gain of €12.7m. The actual return on the EirGrid plan scheme assets was a gain of €9.3m and the actual return on the SONI Focus Plan scheme assets was a gain of €3.4m.

The history of experience adjustments is as follows:

	30 Sep 2014 € '000	30 Sep 2013 € '000*
Present value of defined benefit obligation	136,171	101,947
Fair value of plan assets	(117,703)	(91,574)
Deficit	18,468	10,373
Experience adjustments on plan liabilities	(14,751)	7,984
Experience adjustments on plan assets	8,503	4,833

* As restated to reflect the adoption of IAS 19 (revised) – Employee Benefits.

24. Interest in Joint Venture

Group

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

Company

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

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

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

	30 Sep 2014 € '000	30 Sep 2013 € '000
Non-current assets	10,733	13,318
Current assets	66,599	67,286
Total assets	77,332	80,604
Total equity	19,359	15,574
Current liabilities	57,973	65,030
Total liabilities	57,973	65,030
Total equity and liabilities	77,332	80,604

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Revenue	127,026	139,525
Expenses	(123,686)	(133,522)
Operating profit	3,340	6,003

25. Borrowings

	Group		Company	
	30 Sep 2014 € ’000	30 Sep 2013 € ’000	**30 Sep 2014 € ’000**	30 Sep 2013 € ’000
Repayable within one year:				
Bank loans repayable by instalments	17,233	18,709	7,726	7,809
Total current borrowings	17,233	18,709	7,726	7,809
Repayable after more than one year by instalments:				
Between one and two years	13,759	16,937	8,045	7,726
Between two and five years	45,479	43,352	26,289	25,203
In five years or more	307,746	323,418	212,303	221,435
Total non-current borrowings	366,984	383,707	246,637	254,364
Total borrowings outstanding	384,217	402,416	254,363	262,173

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

26. Categories of Financial Assets and Financial Liabilities

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Financial assets classified as loans and receivables:				
Trade receivables	13,975	21,758	10,044	10,613
Amount owed by subsidiary undertakings	-	-	195,439	196,433
Cash and cash equivalents	177,131	172,254	131,240	116,508
Total financial assets	191,106	194,012	336,723	323,554
Financial liabilities classified as other liabilities:				
Trade payables	78,742	81,017	71,005	67,542
Amount owed to subsidiary undertakings	-	-	14,764	22,316
Borrowings and bank overdrafts	384,217	402,416	254,363	262,172
Total	462,959	483,433	340,132	352,030
Financial liabilities designated as hedging instruments:				
Derivative financial instruments (note 27)	96,409	62,433	67,040	42,183
Financial liabilities fair valued through profit and loss:				
Derivative financial instruments	-	26	-	-
Total derivative financial instruments	96,409	62,459	67,040	42,183
Total financial liabilities	559,368	545,892	407,172	394,213

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

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

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

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

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

27. Derivative Financial Instruments and Financial Risk Management

Capital management

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

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

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

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

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

Overview of financial risk management

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

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

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

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

Credit risk management

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

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

The Company discharges its Market Operator obligations through a contractual joint venture with SONI Limited. Under the terms of the Trading and Settlement Code for the SEM each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM Collateral Reserve account. Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by generators and is not borne by the Market Operator. SEMO trade debtors included in Group trade debtors as at 30 September 2014 were €nil (2013: €7.9m). SEMO trade debtors included in Company trade debtors as at 30 September 2014 were €nil (2013: €5.9m).

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

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

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
60 to 90 days	2,450	7	2,450	7
90 to 120 days	10	7	28	7
Greater than 120 days	6,325	247	6,325	241
Total	8,785	261	8,803	255

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

Liquidity risk management

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

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

The Group has access to funding facilities, the total unutilised amount of which was €65.4m at the Balance Sheet date (2013: €67.8m). The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments. The Group expects to meet its other obligations from operating cash flows.

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

Group	**Less than 1 month € '000**	**1 to 12 months € '000**	**1 to 5 years € '000**	**5+ years € '000**	**Total € '000**
30 Sep 2014					
Non interest bearing – trade payables	78,742	-	-	-	78,742
Borrowings and bank overdrafts	-	35,615	125,194	427,041	587,850
Total	78,742	35,615	125,194	427,041	666,592
30 Sep 2013					
Non interest bearing – trade payables	81,017	-	-	-	81,017
Borrowings and bank overdrafts	-	37,895	129,205	458,115	625,215
Total	81,017	37,895	129,205	458,115	706,232

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

Company	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Total € '000
30 Sep 2014					
Non interest bearing – trade payables	71,005	-	-	-	71,005
Borrowings and bank overdrafts	-	18,851	75,246	297,905	392,002
Total	71,005	18,851	75,246	297,905	463,007
30 Sep 2013					
Non interest bearing – trade payables	67,538	-	-	-	67,538
Borrowings and bank overdrafts	-	19,271	75,307	316,695	411,273
Total	67,538	19,271	75,307	316,695	478,811

The cash flow hedges are expected to occur and effect the income statement over a period of 21 years. There are no forecast transactions no longer expected to occur.

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

	Group		Company	
	30 Sep 2014 € '000	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Gains/(losses) arising during the year	(47,771)	6,275	(33,728)	4,861
Reclassified to income statement (included in finance costs)	13,826	8,595	8,871	10,022
Reclassified to Property, Plant and Equipment	-	7,634	-	-
Foreign Exchange	(31)	53	-	-
Total	(33,976)	22,557	(24,857)	14,883

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

Market Risk

Interest rate risk management

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

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

Group	**Average contracted interest rate**		**Notional principal amount**		**Interest rate swap asset/(liability)**	
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:	**30 Sep 2014 %**	30 Sep 2013 %	**30 Sep 2014 € '000**	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Less than one year	4.8%	4.7%	4,059	2,851	(124)	(84)
Between one and two years	-	4.8%	-	6,614	-	(345)
Between two and five years	-	-	-	-	-	-
In five years or more	3.8%	3.8%	383,428	396,035	(96,285)	(62,004)
Total active swap contracts	3.8%	3.8%	387,487	405,500	(96,409)	(62,433)

Company	**Average contracted interest rate**		**Notional principal amount**		**Interest rate swap asset/(liability)**	
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:	**30 Sep 2014 %**	30 Sep 2013 %	**30 Sep 2014 € '000**	30 Sep 2013 € '000	**30 Sep 2014 € '000**	30 Sep 2013 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.7%	3.7%	254,363	261,772	(67,040)	(42,183)
Total active swap contracts	3.7%	3.7%	254,363	261,772	(67,040)	(42,183)

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

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

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

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

Interest rate sensitivity analysis

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

If current and forward interest rates had been 50 (2013: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year to 30 September 2014 would have been impacted by €nil (2013: €0.1m); and
- Other equity reserves would have been impacted by €39.5m (2013: €37.0m), mainly as a result of changes in the fair value of its cash flow hedges.

If current and forward interest rates had been 50 (2013: 50) basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the year to 30 September 2014 would have been impacted by €nil (2013: €nil); and
- Other equity reserves would have been impacted by €11.1m (2013: €25.6m), mainly as a result of changes in the fair value of its cash flow hedges.

Foreign currency exchange risk management

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

Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded an operating loss of €1.7m during the year to 30 September 2014 (2013: €16.5m profit). A 20% increase or decrease has been used when reporting foreign currency exchange risk and represents management's assessment of reasonably possible changes in exchange rates.

If exchange rates had been 20% higher/lower and all other variables were held constant, the Group's profit before tax for the year to 30 September 2014 would be impacted by €5.3m (2013: €6.1m). Other equity reserves would have been impacted by €0.8m (2013: €0.3m).

28. Related Party Transactions

Group

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

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

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

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

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Transmission asset owner charge	194,322	162,501

At 30 September 2014 a total of €37.5m (2013: €31.8m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2014 € '000	30 Sep 2013 € '000
Opening balance	31,841	27,445
Charges during the year	194,322	162,501
Payments made during the year	(188,716)	(158,105)
Closing balance	37,447	31,841

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

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

	Year to 30 Sep 2014 € '000	Year to 30 Sep 2013 € '000
Short-term benefits	188	185
Post-employment benefits	26	26
Total	214	211

28. Related Party Transactions (continued)

Company

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

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

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

At 30 September 2014 €181.1m (2013: €174.2m) was due to the Company from its subsidiaries.

During the year, the Company advanced €nil (2013: €0.7m) to EirGrid Interconnector Limited via an intercompany loan. The Company has made total advances of €31.7m (2013: €31.7m) to EirGrid Interconnector Limited and on-lent total debt of €285.0m (2013: €285.0m). Management estimate that on-lent interest free debt will be repaid on a schedule matching the terms of the on-lent debt. The terms of interest free intercompany debt are such that the intercompany debt portion may only be repaid once commercial funding has been repaid.

The Company has recognised an investment of €155.7m (2013: €155.7m) in EirGrid Interconnector Limited, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans (note 13). Management estimate that on-lent interest free debt will be repaid on a schedule matching the terms of the on-lent debt.

Over the life of these loans notional interest will be charged to EirGrid Interconnector Limited such that by the repayment date the balances reflect the initial amounts lent. During the year €7.8m (2013: €8.5m) was recharged under this arrangement.

28. Related Party Transactions (continued)

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

EirGrid plc has given a Parent Company Undertaking to SONI Limited to the value of £10m (2013: £10m).

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

29. Post Balance Sheet Events

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

30. Approval of Financial Statements

The Board approved the Financial Statements on 17 December 2014.

Group Structure

EirGrid plc

- SoNi System Operator for Northern Ireland *
- semo Single Electricity Market Operator **
- EirGrid Interconnector Limited
- EirGrid UK Holdings Limited
- EirGrid Telecoms Limited

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

Image Bibliography

Front Cover: EirGrid image
Inside Front Cover: EirGrid image
Page 3: Michael Sadlier – Equine Consultant
Page 4: EirGrid image
Page 9: Students using the EirGrid lightning pad
Page 15: Sean Kearns – CEO of Masonite
Page 18: Orla McCarthy – Office Administrator
Page 23: A student at our School Science Programme event
Page 24: Paul Horan – Dairy Farmer
Page 27: EirGrid image
Page 29: Kieran McCarthy – Chief Executive of Donna Italia
Page 30: EirGrid's National Control Centre in Dublin
Page 39: EirGrid image
Page 46: EirGrid staff at The Oval, Ballsbridge.

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

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