



A new electricity market
for a sustainable and
secure future

EirGrid plc **Annual Report 2018**



The current. The future.

EirGrid Group Annual Report 2018



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Introduction

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

We develop, manage and operate the electricity transmission grid through EirGrid in Ireland and through SONI in Northern Ireland.

The transmission grid brings power from where it is generated to where it is needed throughout Ireland and Northern Ireland. We use this grid to supply power to industry and businesses that use large amounts of electricity.



The grid also powers the distribution network. This supplies the electricity you use every day in your homes, businesses, schools, hospitals, and farms.

EirGrid Group includes SEMO –the Single Electricity Market Operator. SEMO operates the wholesale electricity market across the island of Ireland. A new Integrated Single Electricity Market went live at 11pm on 30 September 2018. By integrating the all-island and European electricity markets, it enables the free flow of energy across borders.

EirGrid Group also owns and operates the East West Interconnector, a high voltage link between the electricity grids in Ireland and Great Britain.

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

EirGrid plc is a commercial state-owned company regulated in Ireland by the Commission for Regulation of Utilities. SONI Ltd is a wholly owned subsidiary of EirGrid plc, and is regulated by the Utility Regulator in Northern Ireland.

We work for the benefit and safety of every person in Ireland and Northern Ireland. We follow strict laws and safety standards.

An Overview of 2018



October 2017

EirGrid sponsored the Irish team for the International Rules Series that took place in Australia.

December 2017

EirGrid hosted a Korean TSO (KEPCO) to showcase our world leading strategy for integrating renewables on the power system.



November 2017

EirGrid was accredited for the third time with the 'Business Working Responsibly' mark by Business in the Community.

2018
Revenue
in €millions

€758.4

2018 Wind Record

On 14 March,
the record for
All-Island Wind
Generation
was broken.

3,655 MW



January 2018

Planning Approval was granted for the North South Interconnector in Northern Ireland. The approval followed a positive recommendation from the Planning Appeals Commission (PAC) which reviewed the planning applications and carried out a Public Inquiry into the project.

February 2018

EirGrid won an award in the 'Participation and Engagement' category at the Irish Planning awards. This recognises the new innovative six step approach to building the electricity grid.



March 2018

EU-SysFlex is a consortium of European energy companies, led by EirGrid. It has been awarded over €20 million by the EU to fund research into the deployment of renewable energy.





April 2018

EirGrid Group announced that it is able to handle up to 65% variable renewable energy on the electricity grid securely at any given time. This energy is predominantly made up of wind power, along with contributions from solar and interconnector imports. The power system of Ireland and Northern Ireland is the first in the world to reach this level.

June 2018

We took our mobile information centre to the Armagh County Agricultural Show to engage with landowners and the community in support of the North South Interconnector.



May 2018

Launched the Leaders' Group on Sustainability, a business coalition dedicated to addressing the most pressing sustainability priorities in Ireland.

2018
Profit
Before tax
in €millions

€65.8

2018 Dividend

Proposed to be paid
to Irish Exchequer
in €millions

€4.0

August 2018

SONI launched the SONI Ulster Rugby Premiership. It encompasses twelve domestic rugby teams which take part in the All Ireland League.



July 2018

Members of the SONI engagement team meeting with the community and landowners at the Clogher Valley Show in County Tyrone.

September 2018

EirGrid launched the new electricity market. These new market arrangements integrate the all island electricity market with European electricity markets making optimal use of cross border transmission assets.



Chairperson's Report



Working together to secure the future of electricity throughout the island of Ireland

John O'Connor, **Chairperson**

I am delighted to present the 2018 Annual Report of the EirGrid Group under the theme of “A new electricity market for a sustainable and secure future”.

The past year has seen the electricity industry in a period of rapid transformation.

The energy mix is shifting towards lower-carbon sources, driven by technological advances, growing environmental concerns and national and international policies.

During the year EU energy ministers agreed an ambitious, binding renewable energy target of 32% by 2030, up from the previous goal of 27%.

In Ireland and Northern Ireland we are working towards Government targets of 40% of electricity consumption to come from renewable sources.

This is a challenging target and we are making good progress towards achieving it by the target date of 2020.

However, we cannot rest on our laurels. In July, the Irish Government announced a new “Renewable Electricity Support Scheme” that will provide support to renewable electricity projects in Ireland and raises the target from 40% to 55%.

At the same time, there are increasing levels of customer interaction and building a stronger and better relationship with customers is of growing importance for us.

On the demand side, we are seeing an increase in the adoption of electric vehicles and the switch from gas to electricity for heating residential and commercial buildings.



We also have to make sure that the power system operates securely and efficiently, while facilitating ever higher levels of renewable energy.

Against this backdrop, EirGrid Group is working with the regulators in Ireland and Northern Ireland, and has delivered a fundamental restructuring of the wholesale electricity market on the island.

The Integrated Single Electricity Market project has been completed and the new Single Electricity Market (SEM) represents a significant change to the Irish electricity sector.

The grid in Ireland and Northern Ireland is a relatively small synchronous transmission system, with links to European markets through Great Britain via the Moyle Interconnector to Scotland and the East West Interconnector into Wales.

With the advent of the new SEM, we are now part of a pan-European Internal Energy Market that comprises 20 countries, linked by 38 cross-border interconnectors, representing a total generating capacity of over 3,000 terawatts.

We are hoping to increase the number of interconnectors to 39 with our proposed Celtic Interconnector, a joint venture with our French counterparts RTE and the first direct link to the continent. This project, if it successfully progresses, is expected to go live in 2025.

The North South Interconnector project will provide a vital link between the two grids on the island. Subject to resolving the planning challenges in both jurisdictions, we will be endeavouring to bring this critical project to fruition as quickly as possible. Together with the new SEM, this will enable the Group to realise our ambition of maximising the considerable benefits of an all-island electricity system and market.

The past year has seen a number of notable achievements for the group. We are now managing the grid with up to 65% variable renewable energy; the new SEM is live and performing to expectations; we rolled out our new Enduring Connections Policy that will speed up the connection of renewable energy to the grids; and we continue to invest in the grids.

I would like to thank each of my fellow directors for their significant contribution and support during the year.

I was pleased to welcome Tom Coughlan to the board. Tom has extensive senior management and leadership experience having retired as chief executive of Clare County Council following a career in local government.

I wish to record my thanks to Dr. Joan Smyth who left in the past financial year after giving outstanding service over many years.

I also want to thank the executive directors and all of our staff for their commitment and effort during the year.

Special thanks are due to our former chief executive Fintan Slye, who left in December 2017 to take up a challenging new role in Great Britain. Fintan provided dynamic forward-looking leadership to the group over the past five and a half years. The programmes of change and innovation which he championed have left the group in a much better place. I greatly appreciate his help and support to me as chairperson.

I also wish to thank our Finance and Legal Executive Director Aidan Skelly who stepped in as interim-chief executive following Fintan's departure. I was delighted to welcome Mark Foley who took over as chief executive in June 2018.

Finally, I also wish to thank former Minister Denis Naughten TD, as well as the new Minister for Communications, Climate Action and Environment, Richard Bruton TD, and his officials. Similarly, I wish to thank officials in the Department for the Economy in Northern Ireland. Both departments provided constructive relationships and support throughout the year.

Chief Executive's Review



A new market for a sustainable and secure future

Mark Foley, **Chief Executive**

2018 was another year of good performance for EirGrid Group. During the year, revenue increased from €579.4m to €758.4m. Profit before tax was €65.8m, with underlying profit at €18.7m. As a result, we expect to be in a position to deliver a proposed dividend of €4.0m to the shareholder.

Over the 12 months, we continued to operate a safe, secure, reliable power system in Ireland and Northern Ireland. We managed this successfully while delivering a major restructuring of the all-island electricity wholesale market.

The Integrated Single Electricity Market ('ISEM') project is now complete and is a new wholesale electricity market for Ireland and Northern Ireland and went live on 30 September 2018.

The new market arrangements are designed to integrate the all-island electricity market with European electricity markets, making optimal use of cross-border interconnectors, enhancing security of supply, delivering increased competition and further enabling the integration of renewables onto the system.

For EirGrid and SONI, building and delivering the I-SEM project and operating the new SEM represents a tremendous achievement and is testament to the skill and commitment of our people.

There have been significant developments made on the grid. We are making excellent progress on the Kilpaddoge - Knockanure Cable Project in North Kerry and are working on a significant project that will reinforce the network in the west of Ireland, the North Connacht Project.

In Northern Ireland the Agivey Cluster Project is a major development that will connect a group of wind farms in the North West to the grid. All three projects will help facilitate our transition to a low-carbon energy future.

Opposite page:
Marine surveys
completed
for the Celtic
Interconnector
project in
June 2018.



We continue to progress the North South Interconnector project to strengthen the system across Ireland and Northern Ireland and our Celtic Interconnector project will create a vital link between the Irish and French electricity grids during the next decade.

Over the past two or three years, we have reshaped the way we work with communities and landowners, through early, progressive and meaningful engagement.

It centres on bespoke approaches for engaging with communities in Ireland and Northern Ireland. This new approach puts landowners and communities at the forefront of the conversation when we are seeking to develop new projects.

Since 2017, we have introduced scenario planning into our grid development process.

“Tomorrow's Energy Scenarios” involves examining the range of ways that energy usage may change out to 2040.

The research shows that the electrification of the heating and transport sectors will lead to further increases in electricity demand. Similarly, the electricity generation portfolio will continue to decarbonise, with increasing levels of renewables connecting to the system.

We believe “Tomorrow's Energy Scenarios” will encourage a flexible and robust approach to grid development that will enhance our decision making. It will also allow us to manage uncertainties and prepare for the changes of the future.

Over the coming years we estimate that growth in electricity demand in Northern Ireland will be modest, while in Ireland electricity demand is increasing significantly. This is due to growth in the economy, population growth, new investment in infrastructure and industry and strong growth in new data centres.

Data centres generate major investment in the economy, they strengthen the footprint of major Information Communications Technology (ICT) players in the Irish economy and they create employment. They are providing the backbone for e-commerce and business operations in Ireland and Europe.

Data centres are major consumers of power; notwithstanding the fact that today's cloud computing technology is at the frontier of driving energy efficiency and procuring green energy. Our analysis shows that demand from data centres will most likely increase by a factor of four between 2016 and 2020. A significant proportion of this extra load will materialise in the Dublin region.



We are working closely with the Government, the IDA and other stakeholders to ensure we can accommodate this increased demand in an efficient manner. The network around Dublin will require significant reinforcements over the next five years.

The Government policy statement on data centres published in June is most welcome, particularly its acknowledgement that a more balanced regional development approach is required for future data centre developments.

Renewable energy, primarily on-shore wind, remains the fastest-growing fuel source on the island. Early estimates indicate that we continue to close in on Government targets that 40% of electricity consumption is to be met by renewable energy by 2020 in Ireland and Northern Ireland.

EirGrid and SONI are acknowledged world leaders in meeting the technical challenges involved in running a power system with very high-levels of wind energy.

Above:
Mark Foley attending the Ploughing Championships in Screggan Co Tullamore in September 2018.



Above:
Kildare captain
Aaron Masterson
lifts the cup
after the EirGrid
GAA Football
All-Ireland U20
Championship
final match.
Photo by Daire
Brennan/
Sportsfile.

In April we announced that EirGrid and SONI can successfully manage record-breaking levels of renewable power. There is now up to 65% variable renewable energy being handled on the grids at any given time. This is predominantly made up of wind power, along with contributions from solar and interconnector imports. Our goal is to raise this limit to 75%.

This is an exceptional achievement by scientists and engineers at EirGrid and SONI. Based on this expertise, we are leading a major EU research project into the deployment of renewable energy. EU-SysFlex comprises 34 organisations from 15 countries across Europe and has a budget of €26 million. We look forward to this programme delivering solutions which can enable close to 100% renewables on the system at some point in the future.

Transmission System Map



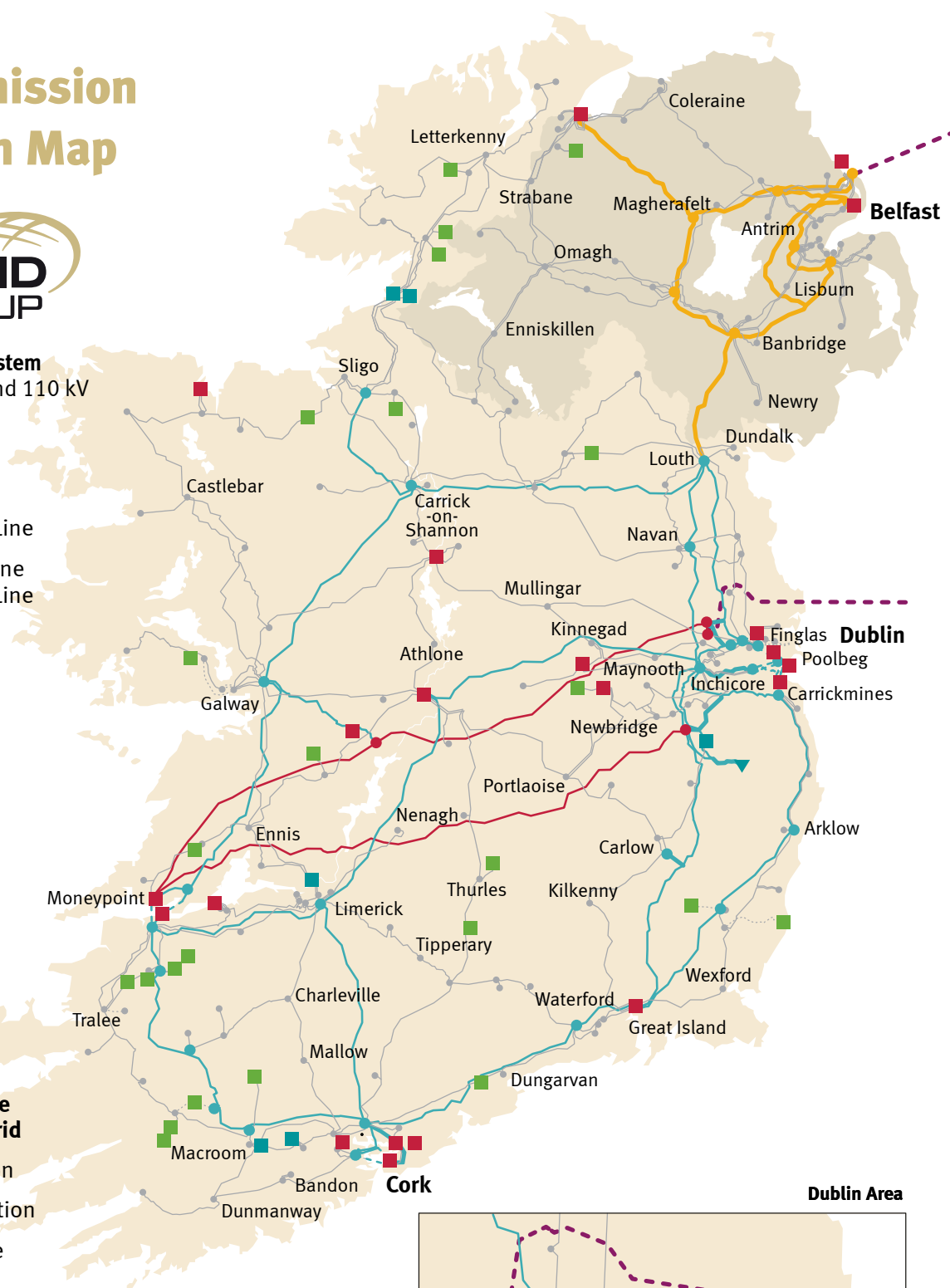
Transmission System
400, 275, 220 and 110 kV
September 2018

- 400 kV Line
- Double 275 kV Line
- Single 220 kV Line
- Double 220 kV Line
- 110 kV Line
- - - 220 kV Cable
- - - - 110 kV Cable
- - - - HVDC Cable

- 400 kV Station
- 275 kV Station
- 220 kV Station
- 110 kV Station

Electricity Generation Connected to the Transmission Grid

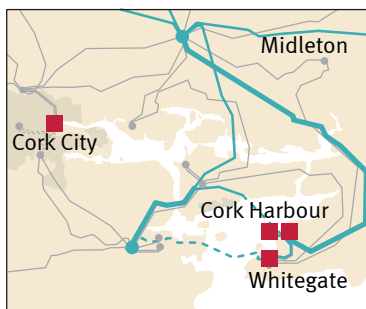
- Hydro Generation
- Thermal Generation
- ▼ Pumped Storage Generation
- Wind Generation



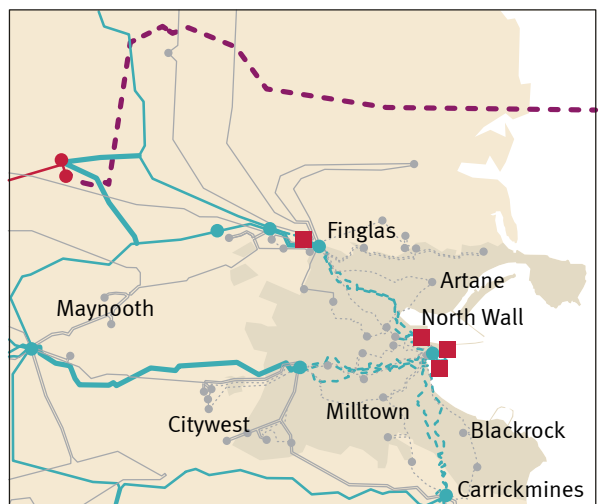
Belfast Area



Cork Area



Dublin Area



Financial Review



Financial Stability to support Future Investment

Aidan Skelly, **Executive Director, Finance & Legal**

Key Financial Highlights

Operating profit increased significantly from €21.8m in 2017 to €82.9m in 2018. Profit before tax also increased significantly from €3.4m in 2017 to €65.8m in 2018. This is mainly as a result of higher demand related tariffs collected during the year and lower than anticipated costs relating to new DS3 System Services arrangements. The lower costs reflect the lower than anticipated level of wind on the system during the exceptional summer weather.

EirGrid Group consists of regulated entities, which means reported profitability is adjusted due to over and under recoveries in prior years. Disregarding such adjustments, underlying profit before tax for the Group was €18.7m in 2018.

Regulation

Our TSO activities in Ireland and Northern Ireland are regulated by the Commission for Regulation of Utilities and the Utility Regulator respectively.

SEMO in its role as Market Operator for the SEM, is regulated by the SEM Committee. This comprises the Commission for Regulation of Utilities, the Utility Regulator, an independent member and a deputy independent member. The Group also holds two licences as Interconnector Operator, one from the Commission for Regulation of Utilities ('CRU') and one from the Office of Gas and Electricity Markets ('Ofgem') in the UK.

In advance of each tariff period, we submit forecasts to the relevant regulatory authority. These cover customer demand, operating costs and other revenue requirements. Following a detailed review process, the regulators issue a formal determination of the allowable revenue that the business can recover.

€'m	2018			2017		
	Non- EWIC	EWIC	Total	Non- EWIC	EWIC	Total
Revenue	698.3	60.1	758.4	549.6	29.8	579.4
Direct Costs	(572.2)	-	(572.2)	(446.7)	-	(446.7)
Other Operating Costs	(79.8)	(23.5)	(103.3)	(85.2)	(25.7)	(110.9)
Operating Profit	46.3	36.6	82.9	17.7	4.1	21.8
Finance costs	(0.9)	(16.2)	(17.1)	(1.9)	(16.5)	(18.4)
Profit Before Tax	45.4	20.4	65.8	15.8	(12.4)	3.4

As with any forecast, there can be variations between the projections and the actual revenue recovery, or cost out-turn. This can result 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. This is because accounting regulations do not permit results to be smoothed by anticipating under or over recoveries.

EirGrid TSO is operating under the 2015-2020 Price Control issued by the Commission for Regulation of Utilities in December 2015. SEMO is operating under the 2016-2019 Price Control, as published by the SEM Committee in August 2016.

SONI's 2015-2020 Price Control was amended during the year to reflect the determination of the Competition and Markets Authority (CMA) findings following SONI's appeal of the Utility Regulator's earlier determination of that Price Control.

Opposite page:
The EirGrid Team,
Agricultural
and Community
Liaison Officers.

Revenues and Profitability

The Group's revenue is primarily derived from regulated tariffs. The main revenue is the Transmission Use of System (TUoS) tariff. This is a charge payable by all users of the transmission systems in Ireland and Northern Ireland. We also earn a 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).

Group revenue for the year to 30 September 2018 of €758.4m was €179.0m (30.9%) higher than the previous year, of which €105.5m was due to a higher imperfections tariff.

The profit before tax for 2018 was €65.8m. This is up from €3.4m in 2017, mainly as a result of higher demand related regulated tariffs collected during the year and lower than anticipated costs relating to new DS3 System Services arrangements.

Excluding the hand back of over recoveries for prior years, management's estimate of the underlying operating profit for 2018 was €18.7m, subject to regulatory uncertainties.

EirGrid paid a dividend of €4.0m in June 2018 in respect of 2016/17. A dividend of €4.0m in respect of 2017/18 is proposed to be paid in early 2019.

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.

During the year EirGrid plc and SONI Ltd finalised €200m revolving credit facilities, effective 1 October 2018 to meet working capital requirements of the new I-SEM arrangements.





Maintaining security of supply and operating efficiently

Above:
“Going the Extra
Mile” winners
August 2018.

This section of our annual report looks at how we manage the day-to-day operation of the grids. It presents also an overview of how we operate the electricity market for the island of Ireland.

Information Systems

EirGrid Group uses a suite of complex, interdependent IT systems to underpin our core functions. To assess the effectiveness of these critical systems, we measure their availability. EirGrid maintained this availability at 99%+ in 2018.

In 2018, we progressed to a service culture to ensure the smooth operation of the new SEM. This involved integrating a suite of new systems designed to operate the new SEM and all existing services.

We updated also our applications portfolio and the surrounding critical service metrics. Maintaining system stability at all times during this process was crucial.

To create the necessary flexibility, we modernised our approach to workforce management. As a top-class Information System (IS) service provider, we procured third-party services to deliver 24/7 on site IT support. We engaged a provider of ‘capacity’ services to increase our agility to source scarce skillsets. Managing our capacity ensures our IT resources can meet current and future business requirements.

Cyber Security

The security of our computer network and the electricity management system is of utmost priority. With this in mind, we invest in protecting our systems and in engaging our staff. EirGrid Group-designed cyber awareness campaigns and a new cyber security strategy play a key role here. This ensures our business is vigilant and aware of potential threats. This included the new regulations on EU Network Information Systems and GDPR.

Operating Efficiently

To make sure the lights stay on throughout the island, a team of staff operates the grids from the National Control Centres (NCCs) in Dublin and Belfast. The NCCs carry out the intricate task of matching electricity production to customer demand. Our main objective is to operate the transmission system in the most economical manner, consistent with safety, security, continuity, quality and environmental standards.

Market Structures for Security and Reliability

We want to make sure that the grid continues to operate securely and efficiently, while facilitating higher levels of renewable energy. To achieve this aim, we are working to obtain a range of services from market participants. These are called “System Services” and they help to stabilise the system. We implemented twelve System Services this year. These range from support provided within milliseconds of a disturbance, to responses which can be sustained for hours. System Services come from a range of new and existing technologies.

These include wind, demand side response, interconnectors and battery storage. The increases in flexibility of conventional methods such as gas units, will also deliver the benefits.

Weathering the Storm

Ireland and Northern Ireland faced many storms over the past year. Amongst these was Storm Ophelia, which set a record as the farthest east occurring major hurricane in the Atlantic Basin.

Such an event required major pre-planning and coordination. The management of control centre, communications and support staff ensured the system was secure. Our emergency communications team maintained regular contact with our key stakeholders. Large thermal generators, large customers, wind farms, energy regulators, and governmental departments were all regularly updated.

A key aspect of balancing the system involved the control of wind farms from our NCCs in Dublin and Belfast. This ensured the grid was balanced as demand levels and wind speeds changed throughout the storm.

Maintaining Security of Supply

Continuity of electricity supply is of critical importance to both domestic and industrial customers. In a highly competitive global marketplace, continuity of supply is crucial to attracting inward investment and ensuring economic growth, especially in the hi-tech sector. A changing generation portfolio with increased penetration of variable renewable generation on the island of Ireland makes it more difficult for EirGrid Group to maintain current high levels of security of supply. When compared with neighbouring systems like that of Great Britain, the system of Ireland and Northern Ireland is leading the way in resolving the complex technical challenges that integration of high levels of renewable generation present. Operational policies and procedures are reviewed on a continuous basis to ensure that the system on the island is operated securely in both jurisdictions.

System Faults

From time to time, faults can occur on the grid for a variety of reasons. To ensure continued supply of electricity to customers, we review all faults to ensure the least disruption to customers. Between 1 October 2017 and 30 September 2018, there were 74 faults on the EirGrid system. The total system minutes lost for the period, attributable to EirGrid, was 0.387. There were seven faults on the SONI system. The total system minutes lost for the period, attributable to SONI, was zero.

Imperfection Costs

Every year, the Single Electricity Market Operator (SEMO) recovers costs in relation to the operation of the grid. These imperfection charges are used to recover charges for constraints on the grid.

Following the implementation of various operational initiatives in 2018, the EirGrid Group has saved €15.3m in imperfection costs.



Delivering grid infrastructure in an effective and timely way

At EirGrid Group, one of our responsibilities is to ensure that the grid can meet the future needs of all electricity users. This sometimes requires us to develop new grid transmission infrastructure or to upgrade existing infrastructure.

We balance the need for future grid development against the concerns of those affected by such developments. That's why we welcome innovations that make more use of existing infrastructure. This continues to be a key focus for the EirGrid Group.

We always assess the advantages of new technologies to ensure a reliable and secure electricity supply. To achieve this, we identify, research and trial potential new technologies.

We do this in partnership with industry, technology innovators and other grid operators. We also do this in consultation with members of the public.

Looking Ahead – Finding the Best Way to Develop the Grid

It is our responsibility to manage the transfer of power across the electricity grid. We forecast when and where electricity is needed; hour-to-hour, day-to-day, and year-to-year. We work to ensure there is enough electricity to allow industry and the public to prosper. We also keep the grid secure and reliable.

We review our grid development plans regularly. Our last major review in 2015 reflected the economic and energy demand forecasts of the time. It took into consideration also the objectives of local, national and European policy. This review reflected the changes that have occurred in the intervening period. Looking forward our draft strategy reflects a changed economic context. It also considers opportunities offered by advanced transmission technologies.

Scenario Planning

The factors that influence the future usage of the electricity grid are changing. The level of uncertainty surrounding each of these factors can be high.

In 2017 we introduced scenario planning as a way of developing the grid. This ensures that it continues to support all-island economic growth and expanding population in the face of an uncertain future. It helps also to maintain required levels of system safety, security and reliability over the long-term.

During 2017 and 2018, we published and ran a public consultation process on ‘Tomorrow’s Energy Scenarios’ (TES). This set out possible views of the future and outlined a range of ways that energy use may change.

The inaugural scenario development cycle, Tomorrow’s Energy Scenarios 2017, came to an end in 2018. It culminated in the publication of the ‘Tomorrow’s Energy Scenarios 2017 Locations report’ and the ‘Tomorrow’s Energy Scenarios 2017 System Needs Assessment’. As part of this project, we developed four possible scenarios for Ireland in consultation with key stakeholders.

The stakeholders included government, energy research groups, industry representatives, and the public.

These reports analysed the arising long-term needs of the electricity grid out to 2040. Identifying long-term needs is a critical part of our grid development process. It provides us with a signpost to where we should develop the electricity grid. This allows us to meet the future needs of society.

Our next scenario development cycle, TES 2019, will include Ireland and Northern Ireland.

Multi-Year Delivery Programme

In July 2018, we developed the Multi-Year Delivery Programme (MYDP) for the years 2019 – 2023. This five-year plan details the delivery of all projects in the Government of Ireland’s Capital Plan.

The Multi-Year Delivery Programme (MYDP) allows EirGrid to plan for delivery in a coordinated manner. This creates greater confidence in commitment dates. These are commitment dates in relation to connection projects and associated transmission reinforcements.

SONI’s Grid Development Process

During 2018, the System Operator for Northern Ireland (SONI) began piloting the new Northern Ireland approach, “SONI’s Grid Development Process”. From 1 October 2018, all new projects will be undertaken with SONI’s new Grid Development Process.

New Connections

- In 2018, 15 new wind farms were connected to the Grid, providing a total of 325 MW of renewable energy.
- One new large demand customer was also connected in Q2 2018. This was facilitated through the energisation of a new 110 kV transmission substation and 2 km of new underground cable circuits.
- Activation of the Kelwin Power Hybrid Wind Farm in Kerry into the existing Kilpaddoge 110 kV station was completed in July 2018. This involved the connection of a 37 MW wind farm, 2.6 MW in battery storage technology and 2 MW in diesel generation. This is the first project of its kind connected to the Irish transmission network.
- In June 2018, the Ardnacrusha substation upgrades were completed. The substation was commissioned in 1929 when the Ardnacrusha Hydro-Electric Power Station was built as a starting point for the rural electrification scheme by the Irish Free State. This upgrade of the substation has made possible the continued supply of renewable energy from the power Ardnacrusha Power station and the further integration of new renewable energy sources into the network.
- A new 400 kV electrical switching station was energised in Moneypoint generating station. This replaced the existing substation, built in the 1980s, which had reached its end of life. This now makes it possible to transfer power from the west to the east of the country via the 400 kV network.
- The uprate of the Bellacorick – Castlebar 110 kV circuit and the Kilpaddoge – Knockanure 220 kV circuit was completed in 2018. This allows for significant extra renewable energy on the network. Uprating adapts existing infrastructure to increase capacity without adding new lines or cables.
- The Cauteen – Tipperary 110 kV line was uprated and energised in September 2018. This project strengthened the 110 kV network between Limerick City and Tipperary. It allows the transmission of large amounts of renewable generation between these areas.
- Curraghamulkin Windfarm in County Tyrone was energised in July 2018. This has added another 90 MW of renewable generation to the grid. The work involved constructing a new 110 kV substation (Drumquin Main), a 9.5 km overhead line and a switching substation (Dromore Main) to connect into the Omagh – Enniskillen overhead line.



Enabling the transition to a sustainable energy sector - being a force for positive environmental change

Above:
EU-SysFlex
General
Assembly
in Lisbon
November 2018.

The electricity sector will play a key role in shaping a sustainable energy future. The EirGrid Group is developing many of the requirements to facilitate this shift.

National and EU policy aims to further reduce carbon emissions and increase the use of clean energy. As Transmission System Operators ('TSO's'), we must enable this change to meet binding policy targets. As we do so, we must always deliver the energy security that all electricity users expect.

EirGrid Group is a global pioneer in integrating renewable electricity on the grid. Our innovation allows for levels of wind generation that are world-leading.

Electricity from renewable sources like wind is not always available when needed. Much like all forms of electricity it's also not easily stored. These characteristics create considerable challenges for all transmission grids. It required us to do things differently.

Integrating Renewables

Throughout 2018, we continued to enable the electricity grid to operate with unprecedented levels of renewable energy. This included over 600 MW of solar and wind farms known as Power Park Modules (PPM). These are an ensemble of generating units connected to the transmission network. The all-island Controllable Power Park Module capacity now stands at 4,276 MW (Wind: 4,162 MW, Solar PV: 114 MW).

We measure the amount of this type of renewable energy on the system using a value called System Non-Synchronous Penetration (SNSP). In March of this year, we increased this from 60% to 65%. This means that the system can operate safely and securely with almost two thirds of demand met by renewable generation at any given time. As a result, we have broken the record for the amount of wind generation on the island several times in the past year.

The target for renewable generation is 40% by 2020. In Northern Ireland, renewable sources accounted for 34.4% of electricity generation. In Ireland this was 29.9%. We are on track to meet the proposed 2020 target.

EU-SysFlex

In 2018, a project called EU-SysFlex showed recognition of our success at integrating renewable energy. EU-SysFlex is a consortium of European energy companies, led by EirGrid. It has been awarded over €20 million by the EU to fund research into the deployment of renewable energy.

This project allows us to share our world-leading experience of including more renewables on the grid. The project provides a great opportunity to learn from our European partners. It also allows us to influence European policy direction. Discussion topics have included the development of future scenarios and services for the European electricity grid.

Unlocking Flexibility from the Demand Side

Demand side management involves users of electricity having the capability to change their usage from their normal or current consumption patterns. It plays an important part in balancing generation and demand on the grid. This includes accommodating increased renewable electricity, along with providing capacity and delivering System Services.

At EirGrid we support the development of a Smart Grid. We have been involved in two projects this year looking to unlock the potential of residential demand. The first, 'Power Off & Save', was a pilot programme in partnership with Electric Ireland. This initiative encouraged energy conservation by domestic electricity customers.

EirGrid was also a partner on RealValue, a Horizon 2020 project. It aimed to realise the benefits of local small-scale thermal energy storage. Up to 550 units were installed, with real-life trials demonstrating the capability to deliver System Services. The lessons on potential opportunities and challenges are extremely useful.

We have also provided operation certification to aggregated generation units/demand side units. These are demand sites that can be instructed by EirGrid Group to reduce electricity demand. The all-island aggregator capacity now stands at 8.6% of system peak demand (483 MW of demand side units and 85 MW of aggregated generation units).

Being a Force for Positive Environmental Change

EirGrid Group itself has an important role in encouraging and making possible increased energy efficiency. Year on year, we have achieved an energy reduction of 3% for our Dublin sites. Across the group, energy usage can be broken down into electricity and fossil fuel. Our fossil fuel usage is mainly natural gas for heating.

In 2018, EirGrid consumed 3,680 megawatt-hours (MWh) of energy in our Dublin locations - Ballsbridge and Deansgrange. This energy use can be broken down as follows:

- 2,949 MWh of electricity, and
- 731 MWh of fossil fuels.

In 2018, SONI consumed 2,128 MWh of energy in our Belfast offices. This is broken down as follows:

- 1,589 MWh of electricity, and
- 539 MWh of fossil fuels.

We continue to find ways to reduce our own energy use. In 2018, these included installing LED lighting in stairways, communications rooms and the datacentre. We also incorporated new, more energy efficient computer room air conditioning units.

In 2019 we plan to continue to make refurbishments to the workspace's including refitting lighting to LED's. This will also involve the replacement of the main chiller to a more energy efficient unit.

In the coming years, we expect to reap the energy efficiency rewards of these projects. This will put EirGrid on target to achieve the 2020 public-sector energy efficiency improvement of 33%.

Environmental Sustainability

Respect for the environment is a key aspect of the development and operation of the electricity grid. Electricity transmission infrastructure (overhead lines, underground cables, substations) interacts with many environmental factors. These include natural habitats, wildlife - especially birds - landscape and cultural heritage.

At EirGrid, we undertake Strategic Environmental Assessments and Natura Impact Statements of our grid implementation plans every five years. This process ensures that environmental considerations are integrated into the preparation of plans.

In 2018, we consulted on the draft 'Grid Implementation Plan' (GIP) for grid development between 2017 and 2022 and associated Strategic Environmental Assessments and Natura Impact Statements. The GIP integrates Ireland's Grid Development Strategy and identifies those parts of the country that need investment in the grid. It also highlights the issues, policies and objectives that will be employed.



Engaging with our stakeholders, our communities and our people

EirGrid Group is committed to being a socially responsible business. We aim to do this across all our relationships. That includes relationships with customers, stakeholders, employees and the wider community.

Being a responsible business

In 2018, we developed a new corporate social responsibility (CSR) strategy. We based this strategy on five pledges for excellence.

We carried out activities as part of a three-year programme underpinning it. Activities included:

- **Principles:** Communicating our CSR strategy on both the EirGrid and SONI websites;
- **Power:** The 'Power Off & Save' programme. This educates consumers on the options that EirGrid uses to manage the grid;

- **Preservation:** EirGrid committed to reducing our Scope 1 and Scope 2* greenhouse gas emission intensity by 50% by 2030. We did this by signing the Business in the Community Ireland Low Carbon Pledge;
- **Positivity:** Through our partnership with Book Trust NI, SONI sponsored 1,000 book packs for students. We also held events in 2018 for families in the Armagh and Garvagh areas; and
- **People:** As part of our diversity focus, International Women's Day activities took place in SONI and EirGrid.

Above: Fergal Keenan, Agricultural Liaison Officer discussing grid development projects at Balmoral Show.

*Scope 1 emissions are those that arise directly from sources that are owned or controlled by the company. For example, fuels used in boilers or the vehicles that the company owns. Scope 2 emissions are those generated by purchased electricity consumed by the company.

Customers

Clear, open and transparent communication with new and existing customers is a key priority for the EirGrid Group. Our customers are those who use or generate large amounts of electricity. Our Connections and Charging team issued 77 connection offers in the 2017/18 financial year.

Our team has also facilitated the first stage of the Enduring Connections Process (ECP-1) in March 2018. This is the new grid connection policy introduced by the Commission for Regulation of Utilities (CRU) in April 2018. The first stage prioritises projects with planning permission that are ready to construct. Projects providing specific DS3 System Services are also favoured.

Large energy users continue to emerge in Ireland, particularly data centres. EirGrid has been engaging with our data centre customers on the challenges of ensuring long term supply and growth in the Dublin area. EirGrid has initiated a working group to collaborate with industry on resolving these issues along with the CRU and the Department of Communications, Climate Action and Environment (DCCAE).

In Northern Ireland, SONI developed a new connections policy in 2018. This has been published to assist customers looking to connect to the transmission system in Northern Ireland.

Stakeholders

EirGrid and SONI have regional offices in Carrickmacross, Castlebar and Armagh along with mobile information centres. These offices are open for anyone with questions about our grid development projects. Our engagement teams support our projects across the regions and at key community events throughout the island.

We continued to engage with elected representatives across the political spectrum throughout Ireland and Northern Ireland and further afield in 2018. EirGrid Group representatives have appeared in parliamentary hearings in the Houses of the Oireachtas and the Palace of Westminster. Significant engagement with the EU Commission and EU Parliament also took place during 2018.

We are committed to working with government, state agencies, and the wider business community to ensure that the strength of the Single Electricity Market is recognised while the Brexit negotiations are ongoing. We continue to navigate uncertainty, working with stakeholders in Dublin, Belfast, Brussels and London.

In Northern Ireland we continued to grow our relationships with the business community. This includes the Northern Ireland (NI) Chamber of Commerce and Industry, the Institute of Directors NI, the Confederation of British Industry, the Federation of Small Business NI, Londonderry Chamber and Retail NI. This led to positive engagement through energy fora, briefings and other events.

2018 has seen the roll-out of EirGrid's 'new six-step approach to developing the grid projects' which underpins our desire to develop the grid in a transparent and inclusive manner. In February 2018, this new approach was recognised by the Irish Planning Institute at the Irish Planning Awards in the 'Participation and Engagement' category.

During the year here are some of the projects that we consulted on:

- The North Connacht Project
- Tomorrow's Energy Scenarios
- Celtic Interconnector
- The Agivey Cluster Project

Employees

We are committed to being a trusted and respected organisation. To achieve this, we support and develop our staff with training opportunities. This ensures they develop to the best of their ability.

In 2018, we enhanced our leadership approach in a manner that reflects the values and behaviours set out in our strategy. To do this we designed a series of leadership masterclasses for our managers. This takes into consideration 360-degree feedback, manager insights and executive input. The leadership masterclasses are an investment in preparation for our managers to lead the company into the future.

The existing Group EirSkills development programme continued to evolve. Reflecting our business development, EirSkills provides development opportunities across a range of competencies. Additionally, we facilitated opportunities to allow staff to learn and grow outside the Group. This included working with external bodies such as the European Network of Transmission System Operators for Electricity (ENTSO-E) and the Australian Energy Market Operator (AEMO).

This year, our staff recognition programme 'Going the Extra Mile' received a number of very high standard nominations at all levels. As part of this programme, there have been numerous excellent examples of staff demonstrating the behaviours that reflect our values.

In September 2018, EirGrid Group held a series of 'Wellness Week' initiatives. Physical and mental wellbeing, as well as driving and cycling safety were the focus. Additionally, EirGrid Group teamed up with a workplace wellness provider to conduct a company challenge. This app-based challenge focused on exercise and movement. The series of workshops, initiatives and guest speakers received a tremendous response from staff.

Promoting an inclusive and diverse workforce

At EirGrid Group, we recognise and celebrate the contribution of a diverse workforce. Creativity, innovation, diversity of thinking and difference in perspectives all help us to meet our goals. This year our men and women celebrated International Women's day through a series of events hosted in Dublin and Belfast. We designed these events to celebrate the participation of women in our organisation. As a corporate partner of Professional Women's Network (PWN) Dublin, EirGrid hosted an event with members of the business community. We based our discussion on how to set ourselves up to succeed, this time focusing on 'Raising Your Profile.'

This year, EirGrid Group held a series of assessment centres to select the 2018/2019 graduates. To secure bright talent for the future, we aim to recruit graduates from a wide range of disciplines. EirGrid Group partnered with occupational psychologists to assess prospective graduates. This involved group discussions, case study presentations and competency interviews.

Communities

The new CSR strategy identified education and community infrastructure as key focus areas. Below we have outlined our education support throughout 2018.

- Continued work with the Margaret Aylward Community College in Dublin. Our staff members helped students to develop CVs, carry out mock interviews, and to learn about working in an office environment.
- Our STEM (Science, Technology, Engineering and Maths) support included sponsorship of an electricity-related lesson in a secondary school teaching pack. This innovative resource published by 'Science and Technology in Action' contains industry-related content developed by leading STEM organisations.
- We held a Business in the Community Northern Ireland 'Work Inspiration Programme' workshop. Fifteen students from eleven secondary and grammar schools across Northern Ireland attended. This programme aims to inspire students to work in particular careers through showcasing a company in that sector.
- We continued our work with the 'School Digital Champion Programme.' This was in partnership with the Department of Communications, Climate Action and Environment. As part of this programme, 13 students visited us to learn about the ways that we utilise technology across the business.
- 'Females in STEM' – We sponsored an Irish Girl Guides Lego robotics camp attended by 25 girls. We also participated in a Women in STEM promotional campaign with the Irish Independent.

EirGrid Group also financially supported community organisations across Ireland and Northern Ireland. These includes Moyvane Development Association, Farney Community Development Group, Women's Fund for Northern Ireland and Lighthouse Belfast.

We launched the EirGrid Knockanure-Duagh Community Fund of €70,500 in North Kerry. As part of this, we invited funding applications from local community groups.

Our people continued to support worthwhile causes. This included support for ElectricAid – the social justice and development fund run by EirGrid and ESB staff.

Staff in EirGrid also carried out fundraising events to support Our Lady's Hospice and Care Services in Harold's Cross, Dublin. As part of this, we organised a Carols by Candlelight fundraising event with the EirGrid choir, Transmission Amp. Similarly, staff in SONI participated in the World's Biggest Coffee Morning in aid of MacMillan Cancer Support.

Sponsorships

EirGrid Group carried out a number of sponsorships in 2018. The aim of these activities is to raise awareness and understanding of what we do. It's important for us to earn the respect and trust of the wider public while giving something back.

2018 was the third consecutive year of the EirGrid GAA Football Championships. This year saw the Championship restructured from a U21 competition to an U20 competition. EirGrid continued to be the Official GAA Timing Sponsor.

In Northern Ireland, we continued our sponsorship of the Ulster Rugby Premiership. We also sustained our sponsorship of the SONI Community Rugby Champions Award. This recognises volunteers at club level throughout the province.

Corporate Social Responsibility (CSR) Progress Update



PRINCIPLES



PUBLIC LAUNCH
of Group
CSR strategy

€4 MILLION
paid to the
Irish Exchequer

ALMOST 90% of tenderers
awarded
SYSTEM SERVICES CONTRACTS
as a result of **EXTENSIVE SUPPLIER ENGAGEMENT**



POWER

POWER OFF & SAVE INITIATIVE
rolled out to end users

NEW APPROACH
to engagement in
developing grid infrastructure
rolled out in
NORTHERN IRELAND



Published
"TOMORROW'S ENERGY SCENARIOS"

scenario planning locations report



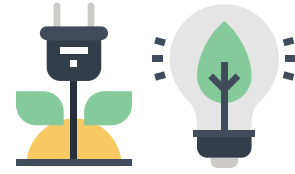
Up to **65%**

variable renewable
energy on the
POWER SYSTEM



577 MW

of new wind connected



PRESERVATION



BIODIVERSITY
policy developed

Electric car CHARGING POINTS
installed in offices

Chaired Business in the
Community Ireland
'LOW CARBON ECONOMY'
Leaders' Group and signed
LOW CARBON PLEDGE
to **ACHIEVE 50% REDUCTION**
in scope 1 and scope 2
greenhouse gas emissions
intensity **BY 2030**



LEADING EU-SYSFLEX

consortium
that is

working to

DE-CARBONISE EUROPE

EirGrid energy consumption
NOW down 39.1%
from 2009
(to end of September)



POSITIVITY

€213,868



donated to charities and community groups across Ireland & Northern Ireland

CORPORATE VOLUNTEERING



26% increase on 2017

CONSULTATION AND ENGAGEMENT



48.5 days of community consultation on key infrastructure projects

AWARDS



Winner of the

Participation and Engagement category at the Irish Planning Institute Awards



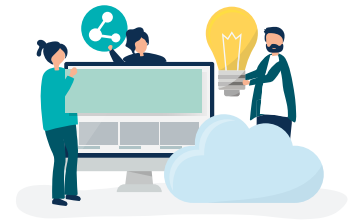
STEM (SCIENCE, TECHNOLOGY, ENGINEERING, & MATHS) EVENTS

attended by **98 students**. Sponsored lesson in **STEM related resource pack** for secondary school students



Sponsored **1,000** family book packs for families in

Armagh & Derry/Londonderry



PEOPLE

0 ZERO workplace accidents

DIVERSITY

Back to work programme for women 
returning from MATERNITY LEAVE

International Women's Day activities in Belfast and Dublin

Partner of **PROFESSIONAL WOMEN'S NETWORK DUBLIN** & **ACTIVE MEMBER** of the 30% club Ireland

SKILLS DEVELOPMENT

ENGINEERING GRADUATE PROGRAMME & new BUSINESS GRADUATE PROGRAMME  to develop our **future talent**

282 STAFF attended  **in-house TRAINING COURSES**



A new electricity market for a sustainable and secure future

Above:
John Boylan,
Agricultural
Liaison Officer
building
relationships/
engaging with
the public/at
Balmoral Show.

Electricity has all the characteristics of a basic need. It is used in our homes, our schools, our workplaces and our hospitals. With this in mind, we have little if any tolerance for interruption of supply. Our role as Transmission System Operator (TSO) is to maintain a reliable supply of electricity to meet demand across the island of Ireland. As the Independent Market Operator, we are also responsible for the effective operation of the electricity wholesale markets. These markets offer a trading platform for buying and selling electricity.

The Changing Face of the Electricity Market

Since 2007, EirGrid Group has operated the wholesale electricity market on the island of Ireland, the Single Electricity Market (SEM). We have endeavoured to fulfil this role to the highest possible standard. We adopt an approach that embraces innovation and harnesses new technology. We do this for the benefit of our customers and electricity users.

Much has changed since the SEM was introduced in 2007. In particular, there is now more generation from renewable sources across the island. The publication of the Third Package for Energy by the EU Commission set out the ambition for greater integration of electricity markets across the EU. Among other drivers, this necessitated the transition to a new Single Electricity Market (SEM).

The I-SEM project is now complete and the new SEM went live on 30 September 2018. Its delivery represents the largest change for the all-island energy industry since the establishment of the SEM in 2007. It replaced the existing market arrangements with multiple markets across Europe.

Adapting to Change - Getting 'Operationally-Ready' for the new SEM

Between the fourth quarter of 2017 and the third quarter of 2018, we made the final preparations to deliver the new electricity market. This followed a period of extensive consultation, planning and design.

In December 2017, the first capacity auction for the new SEM took place. The key objective of the new SEM is to deliver a more competitive electricity generation market. Capacity represents the need to have adequate electricity generating resources to ensure that the demand for electricity can be met at all times.

As part of the new SEM, we continue to collaborate with our key partners and stakeholders. These include the regulatory authorities in Ireland and Northern Ireland and our market participants. We also liaise with relevant government departments in each jurisdiction.

Benefits of the New SEM

Integration with the wider European market enables more efficient cross-border trading. The new SEM also facilitates new technologies, including renewable generation and demand side response. This is to ensure a greener and more secure and sustainable future. The new SEM also provides for more active supplier participation. Additionally, we now have a competitive market for capacity. A more open market leads to greater competition and downward pressure on prices to the benefit of all electricity consumers.

The advent of the new SEM brings fundamental change for the market operator function. Our role as the Single Electricity Market Operator (SEMO) is evolving. It will now incorporate energy balancing and capacity settlement arrangements. Essentially, this is a mechanism to ensure that electricity supply on the Island continues to meet demand. We have also undertaken a new function as a Nominated Electricity Market Operator (NEMO) under a contractual joint venture between EirGrid plc and SONI Ltd called SEMOpX. This will deliver day-ahead and intraday energy trading facilities and represents an exciting new opportunity for us.



Day-ahead trading describes the process in which agreements are made between a seller and a buyer for the supply of electricity for the following day. Additional trading that takes place after the day-ahead market has cleared is generally known as intraday trading.

Throughout 2018, we continued to provide expert analysis and support to industry participants. We will continue engagement with industry on market design and rules and continue to develop our market operations throughout 2019. We are committed to delivering the best possible trading processes and systems.

Working Towards Greater European Integration

The transition to the new SEM is driven by European energy policy. The third legislative package on energy created common rules on the cross-border transmission of electricity for European electricity markets. Going forward, we will continue to integrate European-driven initiatives. This includes XBID, the common cross-border intraday trading solution which is a key component of the energy market. We will also implement the arrangements aimed at integrating balancing markets across Europe.

We will further advance towards a decarbonised and secure energy future. A key aspect of this will be increasing diverse and environmentally friendly technologies. In line with government targets, we will do this in collaboration with industry. Ongoing engagement on the 'Guarantees of Origin and Fuel Mix' disclosure processes including the 'Green Source Product Verification' process will continue. A Guarantee of Origin is an electronic document issued to a producer of electricity generated from renewable energy sources.

The future of energy on the island is full of challenges and opportunities. We are committed to embracing innovative solutions wherever possible. We will continue to engage and partner with stakeholders and customers to this end.

Interconnection - Celtic Interconnector

A shining example of our partnership approach is the proposed Celtic Interconnector. This is a planned undersea electricity link connecting Ireland and France. An important European Union Project of Common Interest, the project completed the Feasibility phase in 2016 with the project currently in the Initial Design & Pre-Consultation Phase. If undertaken, this interconnector will help security of supply, competition and the efficient use of renewables. During 2018, we continued the development of the project in partnership with RTE (Réseau de Transport d'Électricité), our French counterparts.

In September 2018, EirGrid and RTE submitted an investment request to the Irish and French regulators. Within this, the national regulators are requested to make a decision on a 'Cross Border Cost Allocation' for the project. A decision on approval for inclusion of the project in each country's tariffs was also requested. We expect decisions in April 2019. EirGrid and RTE then expect to make an application in 2019 for grant funding under the EU Connecting Europe Facility (CEF).

In parallel with this, the development of the actual project continued throughout 2018. This included further marine assessments, onshore assessments and consultation with the public. EirGrid and RTE are also preparing for the procurement process. This will seek to appoint contractors for the 'Engineering, Procurement and Construction' (EPC) of the interconnector should the project proceed.

East West Interconnector

EirGrid owns and operates the East West Interconnector. This links the grids in Ireland and Great Britain. It helps provide a safe, secure, reliable and affordable energy supply for both systems. In 2018, this interconnector continued to provide a Black Start service to the Grid in the UK and Ireland.

We use Black Start services to restore power in the unlikely event of a total or partial shutdown of the electricity transmission system. This ensures security of supply for the UK and Ireland. As part of the DS3 programme, we completed a technical upgrade of the interconnector. This supports its ability to respond as more renewable generation is delivered.

DS3, 'Delivering a Secure, Sustainable Electricity System' is an EirGrid initiative designed to ensure the secure operation of the grid while achieving renewable energy targets.

Throughout 2018, the interconnector business transitioned to the SEM market arrangements. In August 2018, EirGrid launched a range of East West Interconnector capacity products on the Joint Allocation Platform (JAO). The sale of interconnector capacity in the EU provides transparent and long-term prices. This helps support the successful operation of the SEM market.

North South Interconnector

The North South Interconnector project will provide a second high-capacity electricity interconnector between the two transmission systems on the island of Ireland. This will deliver benefits to householders, communities, businesses and the economy.

It will do this by improving competition in the wholesale electricity market. By improving the efficiency of the Single Electricity Market, it will also enhance the security of electricity supply throughout the island of Ireland. This is essential for economic growth, the creation of jobs and improving the standard of living and quality of life for all. It will also facilitate the connection of more renewable generation right across Ireland. This will help to reduce our production of greenhouse gasses and our reliance on imported fossil fuels. We estimate that these benefits will save electricity users at least €20 million in its first year of service. This will rise to over €40 million per annum by 2030.

We received planning approval in December 2016 for the southern section of the interconnector and in January 2018 for the northern section. The project is currently the subject of ongoing legal challenges in both jurisdictions.

Throughout 2018, we have continued with our landowner and community engagement programme. We are also working with our project partners to ensure that construction can commence once full development consent is achieved.

Testimonial

Juan Perez

Director for Strategy

European Power Exchange

The European Power Exchange ('EPEX SPOT') has supported the EirGrid Group ('EirGrid') in the transition to a new competitive market model for the new SEM, making it compliant with the European Regulations. We are proud of having worked together to deliver a seamless integration of the all-island electricity market with the European electricity market.

In 2016, EirGrid conducted a competitive procurement process that selected EPEX SPOT to manage and operate the trading systems for the day-ahead and intraday markets as part of the new SEM. The project phase was initiated soon afterwards and concluded with the successful operational go-live of the new SEM on 30 September 2018. During this 2+ year period the project naturally encountered external dependencies, as well as technical and regulatory challenges. We have successfully overcome these challenges together, thanks to the cooperative spirit between EirGrid and EPEX SPOT. EPEX SPOT values the innovative, pragmatic and entrepreneurial spirit of the people working at EirGrid. The professionalism of EirGrid staff has been key for the success of the project.

Market participants registered with SEMOpx have access to a wide range of trading opportunities, locally and in connection with Great Britain. The clearing and settlement solutions that SEMOpx offers in cooperation with European Commodity Clearing (ECC) are also highly reliable and secure.

EPEX SPOT leads market integration projects in Europe and provides turnkey services, allowing EirGrid to offer an array of highly reliable spot market solutions (market operations and trading systems) that are coupled to Great Britain and to the European electricity market coupling solutions.

The Board of EirGrid Group



Back Row, left to right: Eileen Maher, Shane Brennan, John Trethowan, Michael Hand, Tom Coughlan, Tom Finn, Liam O'Halloran.

Front Row, left to right: Lynne Crowther, John O'Connor, Dr. Theresa Donaldson, Mark Foley.



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 served as Chairman of the Pyrite Resolution Board from 2013 to 2017. At present, he is also Chairman of the Board of Directors of the Respond Housing Association and chairs the Committee overseeing the implementation of the Cork City boundary extension.

Dr. Theresa Donaldson **Deputy Chairperson & Board Member**

Dr. Theresa Donaldson achieved Chartered Director status with the Institute of Directors in 2018. She was Chief Executive of Lisburn & Castlereagh City Council (June 2014-September 2018) and Chief Executive of Craigavon Borough Council (2010-2014).

Prior to this Theresa held several senior management positions in health and social care and legal services in NI including as Director of Policy and Civil Service Delivery in the Northern Ireland Legal Services Commission. Theresa held a public appointment as Chair of a Health and Social Services Research Ethics Committee for 6 years (2004-2010) and a Judicial Appointment as a Lay Member of the Charity Tribunal (2012-2014).

Shane Brennan **Board Member**

Shane Brennan was appointed to the board in December 2016 as EirGrid staff representative. He is an engineering graduate from the University of Ulster, holds a post graduate diploma in Environmental Engineering from Trinity College Dublin and is a member of Engineers Ireland. He has over 20 years of engineering experience and commenced employment with EirGrid in 2008 as a Project Manager in Grid Development.

He is currently the Senior Project Manager for the Northern Ireland element of the North South Interconnector project and has represented the company at many public engagements throughout Ireland and Northern Ireland.

Tom Coughlan **Board Member**

Tom Coughlan has extensive senior management and leadership experience having retired as Chief Executive of Clare County Council following a career in local government. He has wide experience of the public sector having served as chairman of various committees and boards at national and local levels.

Tom is the Chairperson of the Health and Safety Authority and non-executive Director of Fáilte Ireland. He is a lay member of the Complaints and Client Relations Committee of the Law Society of Ireland, an Associate Tutor with the Institute of Public Administration, and a member of the Institute of Directors of Ireland.

Lynne Crowther **Board Member**

Lynne is an experienced social media consultant who has developed and implemented award winning online content for many blue chip organisations.

She has worked on local, national and international initiatives for a wide range of companies and provides guidance, training, mentoring, activation and evaluation. Lynne also lectures at the University of Ulster on the PGCert/Dip/Masters in Digital Media Communication in the areas of digital strategy and content strategy.

She is a Board member of the Consumer Council for Northern Ireland and writes an award winning blog.

Mark Foley **Board Member**

Mark Foley joined EirGrid Group as chief executive in June 2018, having held the role of Managing Director of Land Solutions in Coillte since January 2016. Previous to that, Mark was Managing Director of Coillte Enterprise where he led the development of new businesses in renewable energy, telecommunications, land development and land sales.

Before that, from November 2000 to August 2008, Mark was Director of Capital Programmes at Dublin Airport Authority. In this role he was responsible for master planning, permitting, planning and delivery of c. €1.5bn in airport infrastructure at Dublin, Shannon and Cork airports. Prior to that Mark held a number of senior executive roles with multinationals in the Speciality Chemicals and Electronics sectors. Mark has a Bachelor of Chemical Engineering Degree from University College Dublin, a Masters in Industrial Engineering from University College Dublin and has attended executive development courses in Penn State University and IMD.

Michael Hand

BE, MBA, PhD(hc), C Eng, Eur Ing, FIEI, FICE, FCIWEM, FIAE, C Dir, M.Inst.D

Board Member

Michael Hand was appointed to the EirGrid Board in July 2015 for a period of five years. Michael has extensive experience over 30 years as a senior leader in the Consulting Engineering and Construction sectors in Ireland. He has acted as Director and Managing Director of private and public companies.

He has also acted as CEO and Director of Grangegorman Development Agency. He has a track record in the design and delivery of major strategic infrastructure projects throughout Ireland. He has also worked with distinction as a volunteer and Director in the voluntary community sector.

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

Eileen Maher

Board Member

Eileen is an experienced strategic advisor having spent the past 30 years in the telecoms industry. She has strong strategic, commercial, transformation, regulatory and legal experience. She has a track record for developing and executing key strategic initiatives and a history of negotiating commercial joint ventures, partnerships and acquisitions. She was the Director of Strategy and External Affairs in Vodafone. She is also a member of the Board of Nama and the Compliance Committee of the Broadcasting Authority of Ireland.

Liam O'Halloran

Board Member

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

Liam was also Director of Customer Operations and Regulation at Magnet Networks and later served as Executive Chairperson of ALTO, the Association of Alternative Telecommunications Operators. He is a Director of Alcomis, a company development consultancy with clients in Software, eLearning and Services sectors.

John Trethowan **Board Member**

John Trethowan is a native of County Down, and is married with one son. He is a career Banker, and is currently the Head of the Credit Review Office, which provides an appeals mechanism for Small Businesses and Farms which have been refused bank credit in Ireland. He is also a Commissioner of the Central Bank of Ireland, where he is a member of its Audit Committee. John chairs the EirGrid Audit Committee, and is a member of the Risk Committee. He has extensive Boardroom experience in Banking, Public Transportation, Public Healthcare and in the Voluntary Sector.

Tom Finn **Company Secretary**

Tom Finn was appointed Company Secretary of EirGrid and its subsidiary companies in October 2016. He also holds the role of Head of Legal for the EirGrid Group. He is an experienced practicing lawyer with over 30 years post-qualification diverse legal and senior management experience within private practice, industry and the public sector. At various stages of his career, Tom has been a practicing Barrister, In-House Lawyer, Solicitor and Legal Manager. He holds a Diploma in Corporate Governance from the Law Society of Ireland.

Our Executive Team



Rodney Doyle
Executive Director – Market Operations and General Manager, SEMO

Rodney Doyle was appointed Director of Market Operations and General Manager, Single Electricity Market Operator (SEMO) in July 2015 having previously held the position of Director of Information Services since February 2013.

Rodney also held a number of other positions in EirGrid including European Market Integration Manager; Manager of the East West Interconnector business readiness project, and Ancillary Services Manager. 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.



Mark Foley
Chief Executive

See biography on page 45.



Robin McCormick
Executive Director – Operations, Planning & Innovation and General Manager, SONI Ltd.

Robin McCormick is Director of Operations, Planning & Innovation and is also the General Manager of SONI Ltd. Robin previously held the role of General Manager of the Single Electricity Market Operator (SEMO).

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



Liam Ryan
Interim Executive Director -
Grid Development &
Interconnection

Liam Ryan was appointed Interim Director of Grid Development & Interconnection in November 2018. Prior to this, Liam was head of the Integrated Single Electricity Market transition, responsible for the overall readiness, transition and deployment of the market solution, which fully integrated the Single Electricity Market to Europe. Liam also held a number of other positions in EirGrid including Head of Transmission Engineering & Maintenance, Head of Market Operations, Head of Power System Operational Planning and Head of Programme Management Office for developing the transmission grid. In all cases he lead the development of policies and innovations which are central to the performance of the market and system operator functions. Before joining EirGrid, Liam held a number of senior engineering roles in Hewlett Packard manufacturing and innovation departments and before that worked in consultancy. Liam is a member of a number of key European TSO corporation groups. A graduate of Trinity College Dublin, he has a PhD and Bachelor of Mechanical Engineering and holds a Masters in Mathematics.



Aidan Skelly
Executive Director –
Finance and Legal

Aidan Skelly was appointed Director of Finance and Legal in July 2015. Aidan previously held the position of Chief Financial Officer since June 2005. He was formerly Finance Director with Waterford Stanley Limited. He worked with Waterford Crystal from 1987 to 2002, during which time he held a number of finance and commercial positions in Ireland and in the UK. He trained as a Chartered Accountant with PricewaterhouseCoopers and is a Commerce graduate of University College Dublin. He also holds an MBS in Corporate Leadership from Dublin City University.

Aidan acted as Interim Chief Executive during the period from January to June 2018.



Rosemary Steen
Executive Director –
External Affairs

Rosemary Steen was appointed Director of External Affairs in July 2015 having previously held the position of Director of Public Affairs since joining EirGrid in 2014. Rosemary also serves on the board of the European Movement. Rosemary 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.

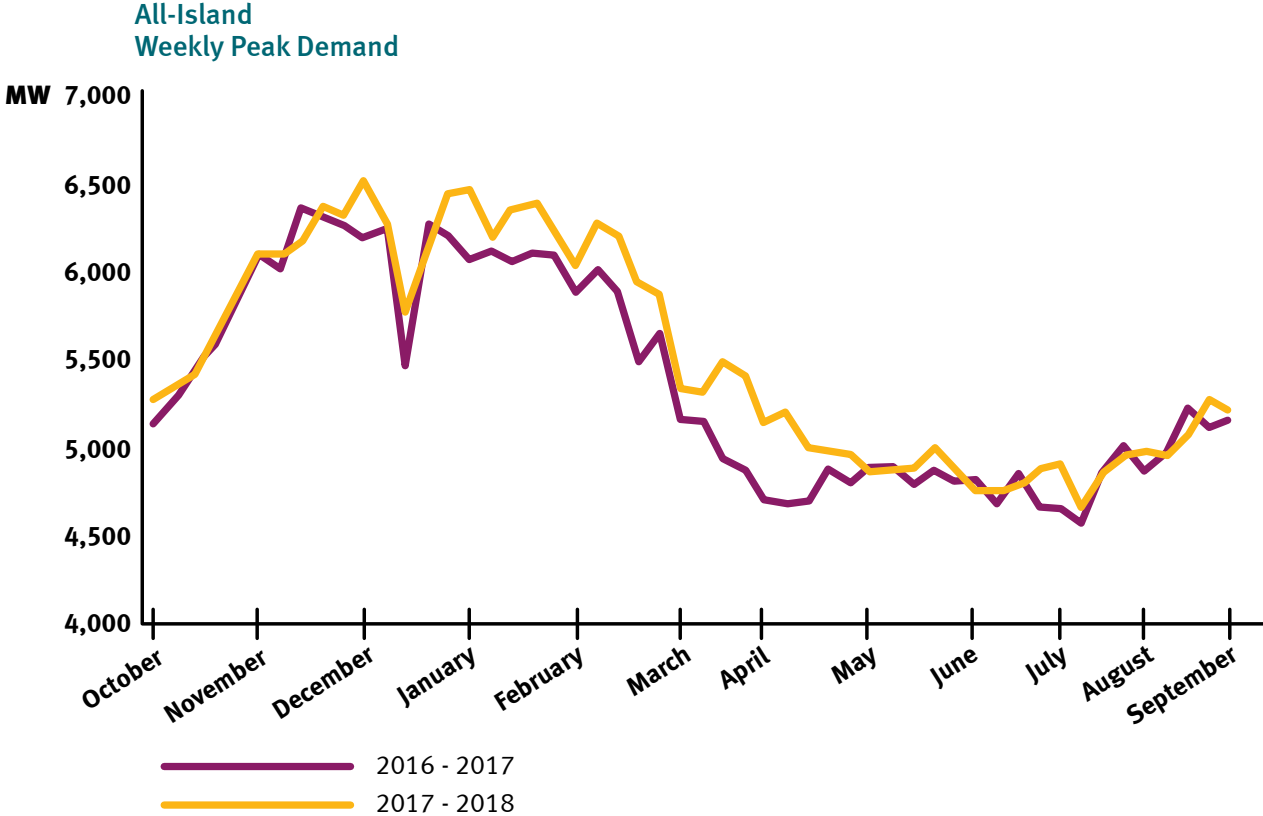
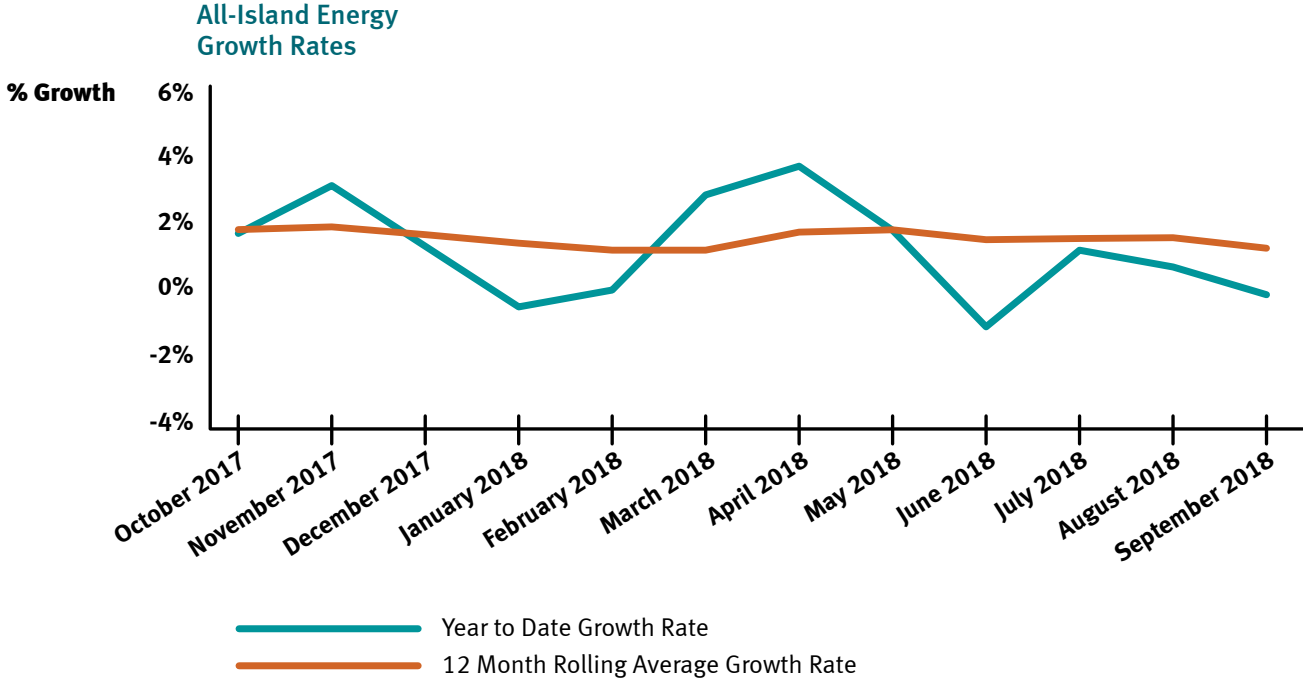


Siobhán Toale
Executive Director – Human
Resources and Corporate Services

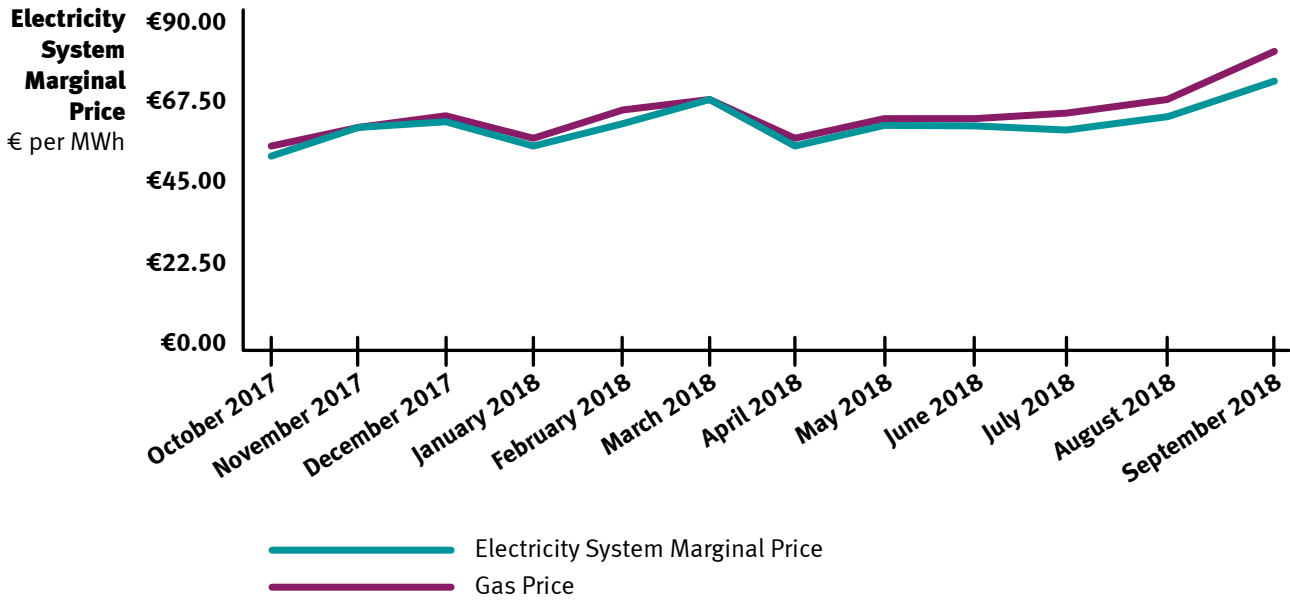
Siobhán Toale was appointed Executive Director Human Resources and Corporate Services in 2015 having previously held the role of HR Director. In this role Siobhán is responsible for Information Systems, HR and Organisation Development with a remit to manage change and improve processes across the organisation.

Prior to joining EirGrid, Siobhán held leadership positions in Eir, Telefonica O2 and Bank of Ireland. Siobhán has a BSc in Computer Science from Trinity College Dublin and an MSc in Organisational Behaviour from Birkbeck College, University of London. She is a Chartered Fellow of the Institute of Personnel Development.

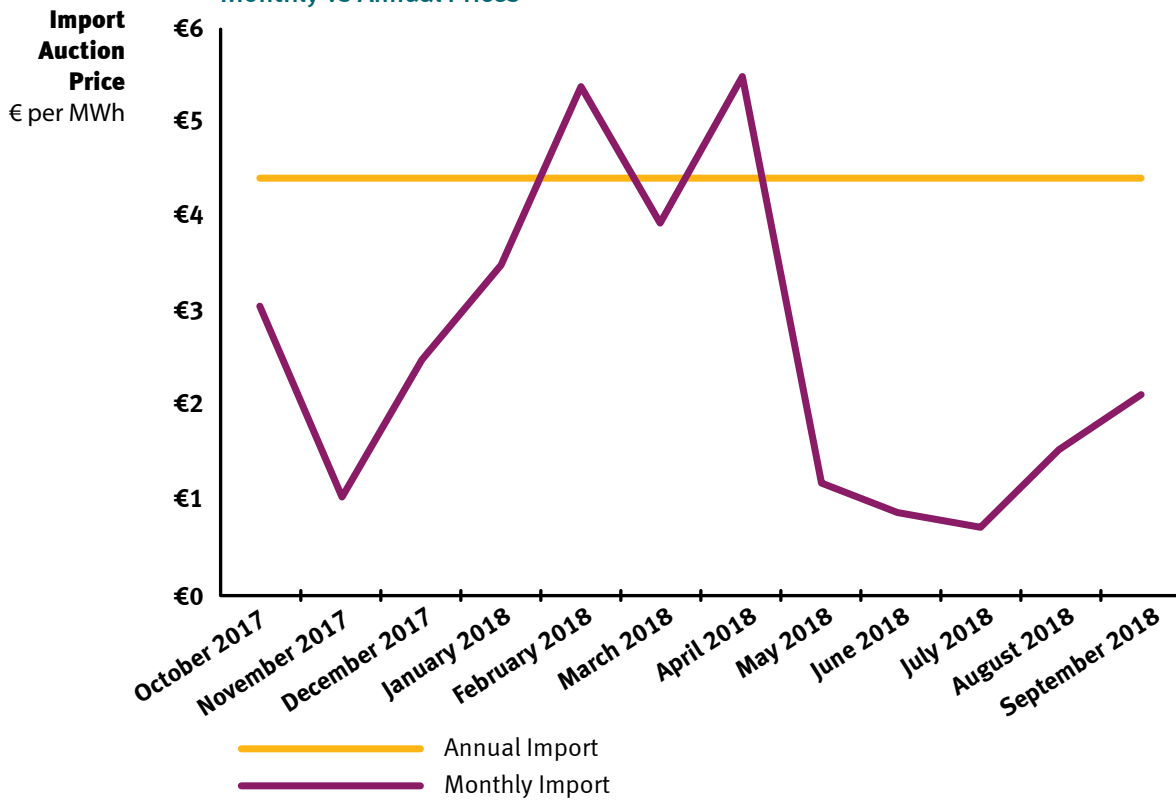
Key Data on Operations



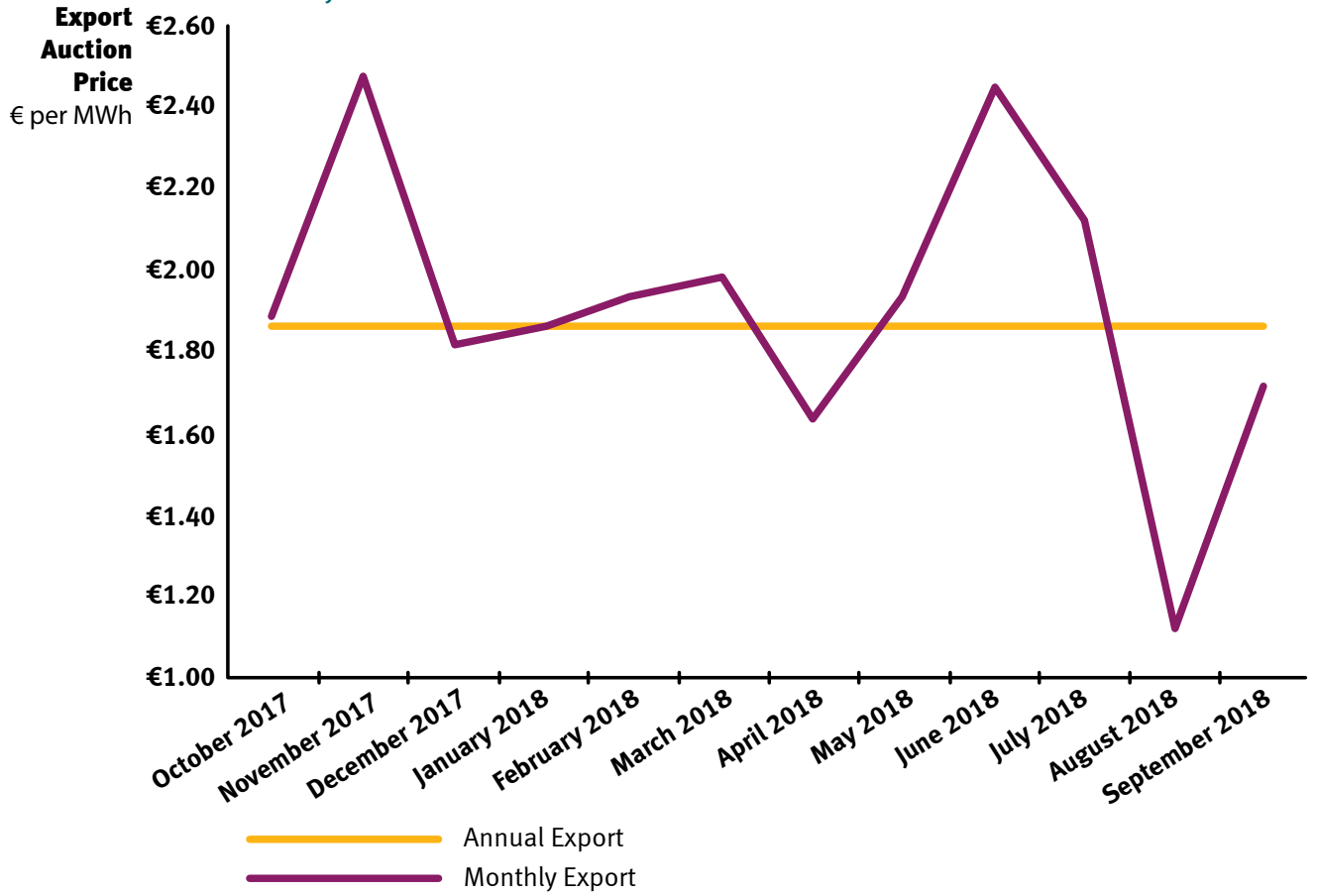
Average Electricity System Marginal Price Compared to Gas Price



Import Capacity Auction Price: Monthly vs Annual Prices



Export Capacity Auction Price:
Monthly vs Annual Prices



Glossary of Technical Terms

An explanation in plain English of some of the technical terms used in this Annual Report.

AEMO

Australian Energy Market Operator performs an array of gas and electricity market, operational, development and planning functions.

An Bord Pleanála

Ireland's independent national planning authority.

Black Start

This is a procedure used to restore power to all or part of the electricity grid, using sources from outside of the area experiencing a power failure.

Capacity

The amount of electricity that can be safely transferred on the system or a circuit.

CRU

The Commission for Regulation of Utilities. This institution regulates our activities in Ireland.

Circuit

The overhead line or underground cable linking two substations. For example, the Moneypoint – Dunstown 400 kV circuit.

Conductors

An object or material that can transfer electricity. For example some metal wires are good conductors of electricity. Conductors are found in underground power cables and overhead lines.

Conventional generation

The generation of electricity using fossil fuels, such as natural gas, coal or peat.

Converter Station

See “Substation”.

CSO

Central Statistics Office is the national statistical office of Ireland.

Day ahead trading

When contracts are made between seller and buyer for the generation and supply of electricity the following day. After the transition to the new SEM, a new division of SEMO will operate the day-ahead market for electricity in Ireland and Northern Ireland.

Data centre

A large group of networked computer servers used for remote storage of information.

Demand

The amount of electrical power that is drawn from the network by those who use electricity. This may be talked about in terms of ‘peak demand’, which is the maximum amount of power drawn throughout a given period.

Distribution Network

This is the lower voltage network, owned and operated in Ireland by the ESB and in Northern Ireland by NIE Networks. It delivers power from the transmission network to households and businesses.

DS3

‘Delivering a Secure, Sustainable Electricity System’ is an EirGrid initiative designed to ensure the secure operation of the grid while achieving renewable energy targets.

Energised

When a newly completed line or cable is fully operational and made a working part of the electricity grid.

ENTSO-E

An acronym for the European Network of Transmission System Operators for Electricity. This is the representative body for Transmission System Operators across Europe.

ESB

Electricity Supply Board is a commercial semi-state organisation in Ireland. This group of companies includes ESB Networks, who operate the electricity distribution system in Ireland.

GDPR

GDPR stands for General Data Protection Regulation and it came into effect on 25 May 2018. It replaced the Data Protection law in Ireland and the EU. GDPR relates only to ‘Personal Data’ and is legally binding for EirGrid and all organisations processing personal data in the EU.

Generator

A facility that produces electricity. Power can be generated from various sources, for example, coal, gas and wind.

Generation Capacity

This is the maximum amount of electricity available to be generated, based on the output potential of electricity generators connected to the grid.

Generation Dispatch

The amount of electricity being produced for the grid by a number of generators at any one time. This will vary as demand for electricity and the amount of renewable energy on the system changes.

Grid

See Transmission Network.

IDA Ireland

Industrial Development Agency (Ireland) is responsible for attracting foreign direct investment to Ireland.

Intraday trading

Also known as day-trading, this is a form of trading where the transaction must be completed on the same day as the contract is made. In the electricity markets, this means supplying an agreed amount of electricity at an agreed price on the same day as the agreement was made. After the transition to new SEM, a new division of SEMO will operate the intraday market for electricity in Ireland and Northern Ireland.

Kilovolt (kV)

Operating voltage of electricity transmission equipment. One kilovolt is equal to one thousand volts. The highest voltage on the Irish transmission system is 400 kV.

Megawatt (MW)

A megawatt is 1,000,000 watts. A watt is the standard unit of power (See below for a definition of Watt).

MYDP

The Multi-Year Delivery Programme (MYDP) is a five year plan detailing the delivery of all projects in the capital programme in Ireland with the objective of ensuring a realistic delivery pipeline for a multi-year programme of projects.

NEMO

Nominated Electricity Market Operator. Each territory in Europe has a NEMO, as designated by their respective energy regulator. The NEMO is responsible for running day-ahead and intraday trading for that electricity market. There can be more than one NEMO serving each territory, as its functions are open to competition. These are commercial services, and are separate from the essential market services required to maintain a functioning electricity market.

PCI

Projects of common interest (PCIs) are key cross border infrastructure projects that link the energy systems of EU countries. They are intended to help the EU achieve its energy policy and climate objectives: affordable, secure and sustainable energy for all citizens, and the long-term decarbonisation of the economy in accordance with the Paris Agreement.

Reinforcement

Increasing capability on the existing electricity grid by building new infrastructure or upgrading existing equipment.

Renewable generation

The generation of electricity using renewable energy, such as hydro, wind, solar, tidal and biomass.

Réseau de Transport d'Électricité (RTE)

Electricity Transmission System Operator of France. It is responsible for the operation, maintenance and development of Europe's largest electricity grid.

SEM

The Single Electricity Market. This market comprises both the Ireland and Northern Ireland. It allows for electricity to be traded and supplied on an all-island basis.

SEMO

Single Electricity Market Operator. This is the EirGrid Group joint venture that runs the Single Electricity Market of Ireland and Northern Ireland. It carries out the essential services required to maintain a functioning market for wholesale electricity.

Smart Grid

An electricity grid that uses information and communication technology and new transmission technology to enable electricity generation and consumption and power flows to be monitored and controlled in real time.

SONI

System Operator for Northern Ireland. This organisation is part of the EirGrid Group. It manages, operates and develops the electricity transmission grid in Northern Ireland.

Stakeholders

These are individuals or organisations that may be affected by, or can influence, the operations of EirGrid Group companies.

Substation

A set of electrical equipment used to interlink circuits and change the voltage being sent down a line or cable.

System Non-Synchronous Penetration (SNSP)

SNSP measures the largest possible proportion of renewable electricity that the grid can accommodate.

Transmission line

A high-voltage power line running at 400 kV, 220 kV or 110 kV on the Irish transmission system. The high-voltage allows delivery of bulk power over long distances with minimal power loss.

Transmission Network or Grid

This is the network of around 6,800 km in Ireland and 2,200km in Northern Ireland of high-voltage power lines, cables and substations. It links generators of electricity to the distribution network and supplies large demand customers. In Ireland, it is operated by EirGrid and owned by the ESB. In Northern Ireland, it is operated by SONI and owned by NIE Networks.

Transmission System Operator (TSO)

The organisation responsible for operating the high-voltage electricity system in a particular region.

UR

The Utility Regulator. This institution regulates our activities in Northern Ireland.

Voltage

Voltage is a measure of the potential strength of the flow of electricity – similar to ‘pressure’ in a water system. Voltage is the measure of electrical charge or potential between two points (in an electrical field) such as between the positive and negative ends of a battery. The greater the voltage, the greater the potential flow of electrical current.

Watt

A watt is the standard unit of power in the International System of Units (SI). A watt measures the rate at which energy is produced or consumed. For example, a high-watt electrical appliance will consume more energy than a low-watt appliance.





Financial Statements

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Directors' Report

The Directors present their annual report and the audited Financial Statements of the Group and Company for the financial year ended 30 September 2018.

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 77 and the related notes 1 to 28.

The current period being reported on is the financial year ended 30 September 2018. The comparative figures are for the financial year ended 30 September 2017. The impact of EWIC on the Consolidated Income Statement has been split out to aid comparability. Further detail on EWIC is included in Note 7 including the impact on current financial year reported profit.

The Group invested further significant resources in the Integrated Single Electricity Market ("I-SEM") project, both financial and non-financial. The I-SEM is the wholesale electricity market for the island of Ireland. The I-SEM went live at 11pm on 30 September 2018 and replaced the Single Electricity Market. Resettlement will continue in the Single Electricity Market until October 2019. The market go-live is the start of new, more competitive trading arrangements and has been achieved by intensive efforts from regulators, transmission system operators ("TSO's") and market participants. It will make best use of all the power on the system and ensure that interconnectors operate in the most efficient way. For consumers too, the I-SEM provides potential benefits for security of supply, increases competition and choice and ensures that consumers get the full benefit of the continued growth in renewable generation and should help place a downward pressure on prices.

Commentaries on performance during the financial year ended 30 September 2018, 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 Public Expenditure and Reform in August 2016. 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 July 2018 and the Irish Corporate Governance Annex issued in December 2010.

During the year the Group incurred travel costs in Ireland and Northern Ireland of €1.1m (2017: €1.1m) and overseas travel costs of €0.4m (2017: €0.6m). Settlement and related legal costs for the year were €nil (2017: €nil). Staff Welfare costs were €0.2m, of which external relations were €0.01m (2017: €0.2m, of which external relations were €0.03m).

External Support and Specialist Advisory Costs:

	Note	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Electricity Market services	(i)	24,095	14,998
Legal services and advice		3,619	6,504
Transmission Network project services	(ii)	5,648	6,054
IT Systems Support	(iii)	323	580
Corporate Finance advice		1,256	845
Organisational & Actuarial advice		520	463
Other		591	690
Total		36,052	30,134
Costs charged to Income Statement		2,972	5,765
Costs capitalised		33,080	24,369
Total		36,052	30,134

Note (i): Electricity Market services include costs of implementing the new all-island electricity market arrangements known as I-SEM reflecting the European target model. This target model arises from the EU's Third Energy Package and is a set of harmonised arrangements for the cross border trading of wholesale energy and balancing services across different timeframes throughout Europe. I-SEM went live at 11pm on 30 September 2018. The Group invested significant resources in this project during the year to 30 September 2018.

Note (ii): Transmission Network project services represents the specialist costs of bringing network projects from initial concept through to the granting of planning permission.

Note (iii): IT Systems Support are external support costs for key systems across the business.

Principles of Good Governance

Board Members

The Board constitutes a non-executive Chairperson, the Chief Executive, in his role as an executive Director, Deputy Chairperson, an employee representative Director and seven non-executive Directors. All Directors are appointed by the Minister for Communications, Climate Action and Environment 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 have individually resolved to comply with, the Group's Code of Business Conduct for Directors.

Annual reviews are conducted 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 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 2018

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

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

EirGrid plc has adhered to Government policy in relation to the total remuneration of the Chief Executive. The Chief Executive's remuneration is set within a range determined by the Department of Public Expenditure and Reform and the Department of Communications, Climate Action and Environment. The Remuneration Committee approves the structure of remuneration for Senior Management.

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

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

The Risk Committee's function is to oversee and monitor the Risk Management Policy and Risk Management Framework, review EirGrid's risk appetite and review the effectiveness of responses to key risk exposures.

Attendance at Meetings

The tables below summarise the attendance of Directors at Board and Committee meetings which they were eligible to attend during the year ended 30 September 2018.

Board Meetings

There were 13 Board meetings held during the financial year ended 30 September 2018. The Board Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson)	13	13
Mark Foley (appointed 25 June 2018)	4	4
Tom Coughlan (appointed 1 July 2018)	4	2
Shane Brennan	13	12
Lynne Crowther	13	12
Theresa Donaldson	13	8
Michael Hand	13	11
Eileen Maher	13	13
Liam O'Halloran	13	12
Fintan Slye (resigned 3 January 2018)	4	4
Joan Smyth (resigned 30 June 2018)	9	8
John Trethowan	13	13

Members of the Board at the date of signing of the financial statements were John O'Connor (Chairperson), Mark Foley, Tom Coughlan, Shane Brennan, Lynne Crowther, Theresa Donaldson, Michael Hand, Eileen Maher, Liam O'Halloran and John Trethowan.

Audit Committee

There were 5 Audit Committee meetings held during the financial year ended 30 September 2018. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John Trethowan (Chairperson) (appointed as Chairperson on 1 July 2018)	5	5
Tom Coughlan (appointed 1 July 2018)	1	0
Michael Hand	5	4
Eileen Maher (appointed 1 July 2018)	1	1
Liam O'Halloran (resigned 30 June 2018)	4	3
Joan Smyth (resigned from Committee and as Chairperson on 30 June 2018)	4	4

Members of the Audit Committee at the date of signing of the financial statements were John Trethowan (Chairperson), Tom Coughlan, Michael Hand and Eileen Maher.

Remuneration Committee

There were 7 Remuneration Committee meetings held during the financial year ended 30 September 2018. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson) (appointed as Chairperson on 1 July 2018)	7	7
Joan Smyth (resigned from Committee and as Chairperson on 30 June 2018)	6	6
Liam O'Halloran	7	7
Theresa Donaldson (appointed 1 July 2018)	1	1

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

Grid Infrastructure Projects Committee

There were 4 Grid Infrastructure Projects Committee meetings held during the financial year ended 30 September 2018. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Michael Hand (Chairperson) (appointed as Chairperson on 1 July 2018)	4	4
John O'Connor (resigned as Chairperson on 30 June 2018 but continued on Committee)	4	4
Tom Coughlan (appointed 1 July 2018)	1	0
Lynne Crowther (appointed 1 July 2018)	1	1
Eileen Maher (resigned 30 June 2018)	3	3
John Trethowan (resigned 30 June 2018)	3	3

Members of the Grid Infrastructure Committee at the date of signing of the financial statements were Michael Hand (Chairperson), John O'Connor, Tom Coughlan and Lynne Crowther.

Public Affairs Committee

There were 4 Public Affairs Committee meetings held during the financial year ended 30 September 2018. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Theresa Donaldson (Chairperson)	4	4
Shane Brennan	4	4
Lynne Crowther	4	4
Eileen Maher	4	4

Members of the Public Affairs Committee at the date of signing of the financial statements were Theresa Donaldson (Chairperson), Shane Brennan, Lynne Crowther and Eileen Maher.

Risk Committee

There were 4 Risk Committee meetings held during the financial year ended 30 September 2018. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson)	4	4
Shane Brennan	4	4
Lynne Crowther (resigned 30 June 2018)	3	3
Theresa Donaldson (resigned 30 June 2018)	3	3
John Trethowan (appointed 1 July 2018)	1	1
John O'Connor (appointed 1 July 2018)	1	1

Members of the Risk Committee at the date of signing of the financial statements were Liam O'Halloran (Chairperson), Shane Brennan, John Trethowan and John O'Connor.

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 Directors continually carry out robust assessments of the principal risks facing the Group. The Group's internal audit function continually reviews the internal controls and systems throughout the business and makes recommendations for improvement to the Audit Committee. The Group has a Risk Committee in place to oversee and monitor the Risk Management Policy and Risk Management Framework, review EirGrid's risk appetite and review the effectiveness of responses to key risk exposures.

Financial

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

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

As a regulated business, operating in Ireland and Northern Ireland, the Transmission System Operator activities do not involve any significant pricing risks. The Group derives approximately 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 EWIC related debt. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

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

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

System and Market Operations

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

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

Pensions

EirGrid operates two defined benefit schemes for qualifying employees. Risks to the cost of providing such schemes include changes in interest rates, level of return on pension assets, changes in life expectancies and changes in price and salary inflation. The current IAS19 Employee Benefits deficit included in the financial statements at 30 September 2018, after an asset ceiling has been applied but before deferred tax, is €32.4m (2017: €24.1m). The Group also operates an approved defined contribution scheme for employees of SONI Limited.

Network Development

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

Regulated Environment

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

East West Interconnector

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

Brexit

A Review Group has been established by EirGrid to monitor risks associated with Brexit. The group reports regularly to the Board.

Cyber Security

EirGrid recognises Cyber Security as a critical risk. We operate a full suite of security policies and standards and have deployed comprehensive perimeter defence mechanisms. Security Awareness training is rolled out to all staff and we have ongoing IT Security monitoring and compliance reporting. We maintain a close working relationship with the National Cyber Security Centre and European TSOs on all cyber matters.

Other – Non Financial Information

EirGrid is committed to achieving and maintaining the highest standards of Health, Safety and Welfare for all of its staff and for any other persons who may be affected by our activities, and to the protection of the Environment.

EirGrid operates a Health, Safety & Environmental (HS&E) Management System based on the requirements of the International Occupational Health & Safety Standard: OHSAS18001:2007 and the Environmental Management Standard ISO14001:2015.

Our HS&E Management System enables us to consider various risks associated with our activities, to staff and others who may be affected by these activities, and those to the environment; and to place these risks in the context of any relevant legal or other requirements, thereby ensuring that preventative & control measures are adequate and meet best practise standards.

We recognise that we have a responsibility to demonstrate sound environmental management and promote sustainability. We have in place a programme to manage our environmental impacts responsibly through setting strategic objectives annually, and will endeavour to implement best practice when practicable. We set strategic objectives annually to support the ‘Preservation’ area of our corporate social responsibility strategy. Our Preservation Pledge is: ‘We respect the environment: We strive for best practice in environmental protection when developing the grid. We enable the grid to carry ever-growing amounts of renewable electricity. We carefully manage our own environmental impacts.

Our commitment is to conduct our activities in an environmentally responsible manner to protect the environment from harm, degradation, prevent pollution and continually improve the management systems performance. We will actively promote awareness among our employees through appropriate communication and training programmes. We also recognise the indirect impacts of 3rd parties in our supply chain and operate our procurement processes in line with local Government Guidelines. Policies actively utilised in managing these processes include Anti Bribery and Modern Slavery Policy.

The Group Health, Safety & Environmental Committee, which is made up of staff members from across the business, is responsible for evaluating and proposing suitable environmental objectives to the Executive Team.

In the context of climate change and the need to decarbonise the electricity supply, EirGrid is playing a key role in connecting high levels of renewable energy and in developing the electricity grid to connect renewable sources, in line with EU and Government targets. EirGrid is developing the Transmission System with due regard for the environment through sound environmental practices and full compliance with its environmental obligations.

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 reports and Financial Statements before submission to the Board;
- Regular performance of a risk management process;
- Procedures to ensure compliance with laws and regulations; and
- A Risk Committee to assist the Board in fulfilling its oversight responsibilities relating to the management of risk.

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 €122,000 (2017: €97,000) for Chairperson's and Directors' fees, in accordance with the Department of Finance approved levels of remuneration for the Chairperson and Board Members of State Bodies and the revised arrangements for payment of board fees to public sector employees under the Department of Public Expenditure and Reform's "One Person One Salary" Principle. In 2009 the Department of Communications, Climate Action and Environment issued an instruction that Chairperson and Directors' fees be reduced. Prior to this instruction being issued the Chairperson and Directors had already decided to take a voluntary 10% reduction in their fees. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the financial year (2017: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2017: €12,600 each per annum).

The executive Board Members during the year were the Chief Executives, Fintan Slye who resigned on the 3 January 2018 and Mark Foley who was appointed on the 25 June 2018. Aidan Skelly was appointed as the interim Chief Executive between 3 January 2018 and 25 June 2018. The Chief Executive's remuneration is set within a range determined by the Department of Public Expenditure and Reform and the Department of Communications, Climate Action and Environment.

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.

Chief Executive's Remuneration:

	Basic salary €'000	Annual bonus €'000	Taxable benefits €'000	Pension contributions paid (all defined benefit) €'000	Director's fees €'000	Total €'000
Fintan Slye	52	-	5	8	-	65
Aidan Skelly	100	-	7	20	-	127
Mark Foley	54	-	3	11	-	68
30 September 18	206	-	15	39	-	260
30 September 17	170	-	18	29	-	217

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 financial 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.
- **Legal Requirements:** The Group must comply with the provisions of the Companies Act 2014 when making distributions.
- **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 €4,000,000 (2017: €4,000,000) for the financial year ended 30 September 2018.

Directors' and Secretary's Interest in Shares

The Directors and Secretary who held office between 1 October 2017 and 30 September 2018 had no beneficial interest in the shares of the Group.

One ordinary share of the Company is held by the Minister for Communications, Climate Action and Environment 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, Mark Foley and Tom Finn hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform.

Political Donations

The Group does not make political donations.

Going Concern

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

Accounting Records

The measures that the Directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the employment of appropriately qualified accounting personnel and the use of suitable accounting systems and procedures. The accounting records are kept at The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

Post Balance Sheet Events

Details of significant post balance sheet events are set forth in Note 27 of the financial statements.

Auditors

The auditors, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Disclosure of Information to Auditors

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

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

Directors' Compliance Statement

For the purposes of section 225 of the Companies Act 2014 (the "Act"), we, the Directors:

- Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225 (1) of the Act (the "relevant obligations"); and
- Confirm that each of the following has been done:
 - i. a compliance statement (as defined in section 225(3)(a) of the Act) setting out the Company's policies (that in our opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations has been drawn-up;
 - ii. appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and
 - iii. during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph (ii) above has been conducted.

Directors' Responsibilities Statement

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

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with FRS 101 reduced disclosure framework (March 2018). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and the Group as at the financial year end date and of the profit or loss of the Group for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Parent company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Approved by the Board and signed on their behalf:



John O'Connor
Chairperson



John Trethowan
Chairperson Audit Committee



Mark Foley
Chief Executive

19 December 2018

Independent Auditors' Report to the Members of EirGrid plc

Report on the audit of the financial statements

Opinion on the financial statements of EirGrid plc (the “company”)

In our opinion the group and parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 30 September 2018 and of the profit of the group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited 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 related notes 1 to 28, including a summary of significant accounting policies as set out in note 2.

the parent company financial statements:

- the Company Balance Sheet;
- the Company Statement of Changes in Equity;
- the Company Cash Flow Statement; and
- the related notes 29(A) to 29(Y), including a summary of significant accounting policies as set out in notes 2 and 29(A).

The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union (“the relevant financial reporting framework applicable to the group”). The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and FRS 101 “Reduced Disclosure Framework” issued by the Financial Reporting Council (“the relevant financial reporting framework applicable to the company”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in those parts of directors' report as specified for our review is consistent with the financial statements and has been prepared in accordance with the Companies Act 2014.

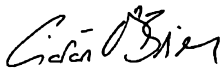
Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in those parts of directors' report that have been specified for our review.

The Companies Act 2014 also requires us to report to you if, in our opinion, the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial year ended 30 September 2018. We have nothing to report in this regard.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us 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 (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal financial control required under the Code of Practice as included in the Corporate Governance Statement in the Directors Report does not reflect the group's compliance with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.



Ciarán O'Brien

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

21 December 2018

Consolidated Income Statement

For the financial year to 30 September 2018

		Non-EWIC Business Year to 30 Sep 2018 € '000	EWIC* Business Year to 30 Sep 2018 € '000	Total Year to 30 Sep 2018 € '000	Non-EWIC Business Year to 30 Sep 2017 € '000	EWIC* Business Year to 30 Sep 2017 € '000	Total Year to 30 Sep 2017 € '000
	Note						
Revenue	3	698,283	60,149	758,432	549,571	29,844	579,415
Direct costs	3	(572,160)	-	(572,160)	(446,684)	-	(446,684)
Gross profit		126,123	60,149	186,272	102,887	29,844	132,731
Other operating costs	5	(79,798)	(23,558)	(103,356)	(85,221)	(25,753)	(110,974)
Operating profit		46,325	36,591	82,916	17,666	4,091	21,757
Interest and other income	6	-	-	-	240	-	240
Finance costs	6	(909)	(16,189)	(17,098)	(2,122)	(16,510)	(18,632)
Profit/(loss) before taxation	8	45,416	20,402	65,818	15,784	(12,419)	3,365
Income tax expense	9			(8,531)			(1,388)
Profit for the year				57,287			1,977

Profit attributable to:

Owners of the Parent Company	57,287	1,977
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*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 Consolidated Income Statement has been shown separately to aid comparability. More detail is provided in Note 7.

Consolidated Statement of Comprehensive Income

For the financial year to 30 September 2018

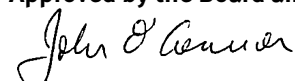
	Note	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised gain on cash flow hedges	25	9,383	33,709
Deferred tax attributable to movement in unrealised loss on cash flow hedges	9	(1,173)	(4,222)
Currency translation differences		34	161
Total of items that may be reclassified subsequently to profit or loss		8,244	29,648
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	22	(3,115)	37,100
Deferred tax credit/(charge) on remeasurement	9	161	(4,941)
Impact of SONI defined benefit asset ceiling excluding amounts included in interest expense	22	(3,168)	(2,272)
Deferred tax attributable to SONI defined benefit asset ceiling	9	639	386
Total of items that will not be reclassified to profit or loss		(5,483)	30,273
Profit for the financial year		57,287	1,977
Total comprehensive income for the year		60,048	61,898
Total comprehensive income attributable to:			
Owners of the Parent Company		60,048	61,898

Consolidated Balance Sheet

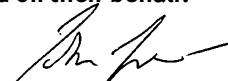
As at 30 September 2018

	Note	30 Sep 2018 € '000	30 Sep 2017 € '000
Assets			
Non-current assets			
Investments	11	356	-
Intangible assets	12	92,916	2,101
Property, plant & equipment	13	538,856	605,076
Deferred tax asset	9	18,850	20,033
Trade and other receivables	14	38,383	37,600
Total non-current assets		689,361	664,810
Current assets			
Trade and other receivables	14	136,355	149,525
Current tax receivable		1,170	7,622
Cash and cash equivalents	18	251,276	194,783
Total current assets		388,801	351,930
Total assets		1,078,162	1,016,740
Equity and Liabilities			
Capital and reserves			
Called up share capital presented as equity	17	38	38
Capital reserve		49,182	49,182
Hedging reserve		(67,456)	(75,666)
Translation reserve		219	185
Retained earnings		277,465	229,661
Total equity		259,448	203,400
Non-current liabilities			
Derivative financial instruments	24	77,092	86,475
Deferred tax liability	9	27,659	22,614
Grants	16	93,407	96,152
Borrowings	23	308,598	324,271
Retirement benefit obligations	22	32,375	24,103
Total non-current liabilities		539,131	553,615
Current liabilities			
Borrowings	23	15,886	15,149
Grants	16	3,750	3,072
Trade and other payables	15	259,947	241,504
Total current liabilities		279,583	259,725
Total liabilities		818,714	813,340
Total equity and liabilities		1,078,162	1,016,740

Approved by the Board and signed on their behalf:



John O'Connor
Chairperson



John Trethowan
Chairperson Audit Committee



Mark Foley
Chief Executive

Consolidated Statement of Changes in Equity

For the financial year to 30 September 2018

	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 2016	38	49,182	(105,152)	1,299	200,135	145,502
Total comprehensive income for the financial year	-	-	29,486	(1,114)	33,526	61,898
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2017	38	49,182	(75,666)	185	229,661	203,400
Total comprehensive income for the financial year	-	-	8,210	34	51,804	60,048
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2018	38	49,182	(67,456)	219	277,465	259,448

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.

Retained Earnings

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

Consolidated Cash Flow Statement

For the financial year to 30 September 2018

	Note	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Cash flows from operating activities			
Profit after taxation		57,287	1,977
Depreciation of property, plant and equipment	13	25,860	31,724
Loss on disposal	13	-	412
Amortisation of grant	16	(3,313)	(3,072)
Interest and other income		-	(240)
Finance costs		17,098	18,632
Retirement benefit cost		6,117	9,281
Unrealised foreign exchange loss		794	1,284
Income tax expense		8,531	1,388
Pension contributions paid		(5,765)	(5,342)
Operating cash flows before movements in working capital		106,609	56,044
Movements in working capital			
Decrease/(increase) in trade and other receivables		14,333	(14,340)
Increase/(decrease) in trade and other payables		6,770	(40,856)
Cash from operations		127,712	848
Income taxes refunded/(paid)		3,838	(3,256)
Interest received		-	240
Net cash from/(used in) operating activities		131,550	(2,168)
Cash flows from investing activities			
Purchase of property, plant and equipment		(40,165)	(48,138)
Investment acquisition		(356)	-
Grants		1,246	-
Net cash used in investing activities		(39,275)	(48,138)
Cash flows from financing activities			
Dividends paid		(4,000)	(4,000)
Borrowings repaid		(15,149)	(14,444)
Finance costs paid		(16,497)	(18,419)
Net cash used in financing activities		(35,646)	(36,863)
Net increase/(decrease) in cash and cash equivalents		56,629	(87,169)
Cash and cash equivalents at start of year		194,783	282,255
Effect of foreign exchange on cash and cash equivalents		(136)	(303)
Cash and cash equivalents at end of year	18	251,276	194,783

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 Regulation of Utilities (CRU) as the Transmission System Operator (TSO) in Ireland and as Market Operator (MO) for the wholesale electricity market on the island of Ireland. SONI Limited (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 Designated Activity Company (a subsidiary of EirGrid plc) is licensed by the Commission for Regulation of Utilities (CRU) and the Office of the Gas and Electricity Markets (Ofgem) as the operator of the East West Interconnector. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors’ Report on page 62.

2. Statement of Accounting Policies

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements and have been consistently applied by all Group entities.

Basis of preparation

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for financial year ended 30 September 2018 and in accordance with the Irish Companies Act 2014. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

The individual financial statements of the Company have been prepared in accordance with FRS 101 Reduced Disclosure Framework (“FRS 101”). A separate Company income statement is not presented in these financial statements as the Company has availed of the exemption provided by section 304 of the Companies Act 2014.

The Financial Statements have been presented in Euro, rounded to the nearest thousand, unless otherwise specified, 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 and have been consistently applied by all group entities.

The current period being reported on is the financial year to 30 September 2018. The comparative figures are for the financial year ended 30 September 2017.

Adoption of new standards

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

- IAS 7 – Disclosure initiative (Amendments) - (Effective 1 January 2017)
- IAS 12 – Recognition of deferred tax assets for unrealised losses - (Effective 1 January 2017)
- IFRS 12 – Disclosure of interests in other entities - (Effective 1 January 2017)

2. Statement of Accounting Policies (Continued)

While the above standards and interpretations adopted by the Group modify certain presentation and disclosure requirements, these requirements are not significantly different than information presented as part of the 30 September 2018 year end financial statements and have no material impact on the consolidated results or financial position of the Group.

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

- IFRS 9 – Financial Instruments - (Effective 1 January 2018)
- IFRS 15 – Revenue from contracts with customers - (Effective 1 January 2018)
- IFRS 16 – Leases - (Effective 1 January 2019)

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

Discussion on the major standards are included below.

IFRS 9 Financial Instruments (effective date: EirGrid plc financial year beginning 1 October 2018):

IFRS 9 Financial Instruments sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group has substantially completed its assessment of the estimated impact that the initial application of IFRS 9 will have on the consolidation financial statements in the following areas:

Impairment – Financial assets

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12 month or lifetime basis. The Group will apply the “simplified” approach and record lifetime expected losses on all trade receivables. The Group has determined that due to the nature of its receivables, the impact of IFRS 9 will not significantly impact the provision for bad debts.

Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedge relationships may be eligible for hedge accounting, as the Standard introduces a more principles-based approach. The Group has performed an initial assessment on the impact of IFRS 9, and it would appear that the Group’s current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

IFRS 15 Revenue from Contracts with Customers (effective date: EirGrid plc financial year beginning 1 October 2018):

This standard will replace IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 was endorsed by the EU in September 2016. The standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It specifies how and when revenue should be recognised as well as requiring enhanced disclosures. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of, and obtain substantially all the remaining benefits from, a good or service as a result of obtaining control of that good or service. The Group continues to perform a detailed analysis of the impact of IFRS 15. This analysis includes a focus on principal versus agent considerations and examining whether any revenue might be deemed to be more appropriately recorded on an agency or net basis, rather than on a gross basis.

2. Statement of Accounting Policies (Continued)

IFRS 16 Leases (effective date: EirGrid plc financial year beginning 1 October 2019):

This standard will replace IAS 17 Leases. IFRS 16 was endorsed by the EU in October 2017. The changes under IFRS 16 are significant and will predominantly affect lessees, the accounting for which is substantially reformed. The main impact on lessees is that almost all leases will be recognised on the balance sheet as the distinction between operating and finance leases is removed for lessees. Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions. More extensive disclosures, both qualitative and quantitative, are also required.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 16. IFRS 16 will impact on the Group's Consolidated Income Statement and Consolidated Balance Sheet as follows:

Income Statement

Operating expenses will decrease, as the Group currently recognises operating lease expenses in administration expenses. The Group's lease expense for 2018 was €3.6m (2017: €3.5m) and is disclosed in Note 8 to the Consolidated Financial Statements. Depreciation and finance costs as currently reported in the Group's Income Statement will increase, as under the new Standard the right-of-use asset will be capitalised and depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

Balance Sheet

The Group's commitment outstanding on all leases as at 30 September 2018 is €46.3 (2017: €50.1m) (see Note 19). The Group has been assessing the impact of the new Standard, however, the approximate financial impact of the Standard is as yet unknown, as a number of factors impact the calculation of the liability, such as discount rate, the expected term of leases including renewal options and exemptions for short-term leases and low-value items need to be determined. The Group's commitment as at 30 September 2018 provides an indication of the scale of leases held but this amount should not be used as a proxy for the impact of IFRS 16 on the Consolidated Balance Sheet. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new Standard.

In addition to the impacts above, there will also be significant increased disclosures when the Group adopts IFRS 16.

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 loses control of the subsidiary. Specifically, the results acquired or disposed of during the financial 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 operations

The Company Financial Statements on page 122 to 133 incorporate the results of the Company, together with its share of the results and assets and liabilities of the joint operation 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 joint control of the arrangement, and have rights to the assets and obligations for the liabilities relating to the arrangement, the directors recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation.

The Company's share of results and net assets of joint operations, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreements stipulating joint control are finalised, and derecognised when joint control ceases. The Company combines its share of the joint arrangements, 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.

2. Statement of Accounting Policies (Continued)

Business combinations

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

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the date the Group first acquires control through the Consolidated 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 Consolidated 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 achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

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

Goodwill

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

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

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

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

2. Statement of Accounting Policies (Continued)

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 financial year and excludes value added tax. Revenue includes the regulatory allowance received for the management of transmission constraint costs and includes the regulatory allowance received in respect of the debt service cost and operation costs of EWIC. Tariff revenue is recognised when receivable from customers, based on metering data.

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

Insurance proceeds relating to EWIC lost revenues as a result of a forced outage have been recognised in revenue.

Where revenue received or receivable exceeds the maximum amount permitted by regulatory agreements and adjustments will be made to future tariffs 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 tariffs 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 tariffs to reflect this over-recovery, a liability will be recognised.

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

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 financial year and excludes value added tax. Direct costs include transmission asset owner charges, transmission system constraint costs, countertrading 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.

2. Statement of Accounting Policies (Continued)

Foreign currencies

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

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

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

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

Retirement benefit costs

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

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

A pension asset ceiling is applied to the pension assets if there is no unconditional right to realise the schemes assets at some point during the life of the plan or when the plan is settled.

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 financial 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.

2. Statement of Accounting Policies (Continued)

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

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

Property, plant and equipment

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

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

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

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

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

- Cables: 40 years;
- Converter stations, warehouse and equipment: 30 years;
- Foreshore licences: 30 years;
- Spare transformer and spare parts: 30 years;
- Converter control system: 15 years;
- IT server equipment: 6 years; and
- Marine Survey: 3 years.

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

The Integrated Single Electricity Market (I-SEM) is the new wholesale electricity market for the island of Ireland. I-SEM is predominately comprised of software development costs which are shown as intangible assets in note 12 but it also consists of computer hardware and servers which are shown as tangible assets in note 13. The I-SEM went live at 11pm on 30 September 2018 and replaced the Single Electricity Market (SEM). The SEM and I-SEM assets are the central IT systems used to settle and administer the wholesale electricity market in the island of Ireland. The SEM market will wind down over a period of 13 months.

2. Statement of Accounting Policies (Continued)

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

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

Borrowing costs

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

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

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

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

Intangible assets

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

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

Intangible assets acquired separately are capitalised at cost. Following initial recognition, intangible assets which have a finite life are carried at cost less any applicable accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the Income Statement. The carrying amount of finite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

The Integrated Single Electricity Market (I-SEM) is the new wholesale electricity market for the island of Ireland. I-SEM is predominately comprised of software development costs which are shown as intangible assets but it also consists of computer hardware and servers which are shown as tangible assets in note 13. The I-SEM went live at 11pm on 30 September 2018. The Integrated Single Electricity Market asset has an expected useful life of 5 years.

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.

2. Statement of Accounting Policies (Continued)

Impairment of assets

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

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

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

Grants

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

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

Financial assets and liabilities

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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

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

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

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

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

Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risk. Further details of derivative financial instruments are disclosed in note 25.

2. Statement of Accounting Policies (Continued)

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

Hedging instruments

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

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

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

Note 25 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 are 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.

- **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 2018 is €192.8m (2017: €178.5m) and the fair value of plan assets is €165.9m (2017: €156.7m). A pension asset ceiling has been applied to the SONI pension assets as, under IFRS rules (IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction requirements), SONI does not have an unconditional right to realise the schemes assets at some point during the life of the plan or when the plan is settled. This gives a net pension deficit for the Group, after the asset ceiling but before deferred tax, of €32.4m (2017: €24.1m).

- **Deferred tax**

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The deferred tax asset at 30 September 2018 was €18.9m (2017: deferred tax asset of €20.0m). The deferred tax liability at 30 September 2018 was €27.7m (2017: deferred tax liability of €22.6m).

- **Intangible assets**

The Group tests annually whether its licence agreement asset has 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 2024 and are sensitive to the finalisation of price control determinations with regulatory authorities. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. The licence agreement included in the intangible assets as at 30 September 2018 was €2.0m (2017: €2.1m).

3. Segment Information

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

- EirGrid Transmission System Operator (EirGrid TSO), which derives its revenue from providing services as the TSO in Ireland and is regulated by the Commission for Regulation of Utilities (CRU). Trading in EirGrid Telecoms Designated Activity Company, the company that manages the license of the commercial fibre optic cable built as part of the East West Interconnector project, has been included in the EirGrid TSO segment due to its relative size.
- Single Electricity Market Operator (SEMO), which derives its revenue from acting as the Market Operator for the wholesale electricity market on the island of Ireland.

3. Segment Information (Continued)

- SONI Transmission System Operator (SONI TSO), which is licensed by the Utility Regulator Northern Ireland (URRegNI) 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 financial year ended 30 September 2018 are as follows:

Income Statement items	Note	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue		423,029	195,209	121,816	60,149	(41,771)	758,432
Direct costs		(331,317)	(184,656)	(97,958)	-	41,771	(572,160)
Gross profit		91,712	10,553	23,858	60,149	-	186,272
Other operating costs (excluding depreciation and amortisation)		(48,690)	(8,183)	(14,840)	(9,096)	-	(80,809)
Depreciation (net of amortisation)		(5,390)	(1,298)	(1,397)	(14,462)	-	(22,547)
Total other operating costs		(54,080)	(9,481)	(16,237)	(23,558)	-	(103,356)
Operating profit		37,632	1,072	7,621	36,591	-	82,916
Interest and other income							-
Finance costs							(17,098)
Profit before taxation							65,818
Income tax charge							(8,531)
Profit for the year							57,287
Balance Sheet items							
Segment assets		394,054	119,546	56,997	505,516	-	1,076,113
Goodwill and intangible assets	12						2,049
Total assets as reported in the Consolidated Balance Sheet							1,078,162
Segment liabilities		463,272	88,093	21,024	246,325	-	818,714
Total liabilities as reported in the Consolidated Balance Sheet							818,714

3. Segment Information (Continued)

The comparative segment results for the financial year ended 30 September 2017 are as follows:

Income Statement items	Note	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue		382,094	89,332	109,993	29,844	(31,848)	579,415
Direct costs		(314,032)	(79,192)	(85,308)	-	31,848	(446,684)
Gross profit		68,062	10,140	24,685	29,844	-	132,731
Other operating costs (excluding depreciation and amortisation)		(47,767)	(7,183)	(17,634)	(9,738)	-	(82,322)
Depreciation (net of amortisation)		(6,258)	(3,993)	(2,386)	(16,015)	-	(28,652)
Other operating costs		(54,025)	(11,176)	(20,020)	(25,753)	-	(110,974)
Operating profit/(loss)		14,037	(1,036)	4,665	4,091	-	21,757
Interest and other income							240
Finance costs							(18,632)
Profit before taxation							3,365
Income tax charge							(1,388)
Profit for the year							1,977
Balance Sheet items							
Segment assets		361,006	106,400	50,160	497,073	-	1,014,639
Goodwill and intangible assets	12						2,101
Total assets as reported in the Consolidated Balance Sheet							1,016,740
Segment liabilities		485,156	77,034	19,702	231,448	-	813,340
Total liabilities as reported in the Consolidated Balance Sheet							813,340

Geographical information

	Revenue		Non-current Assets	
	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Ireland	587,813	447,089	596,608	579,846
UK	170,619	132,326	35,521	27,331
Total	758,432	579,415	632,129	607,177

3. Segment Information (Continued)

Information about major customers

Included in EirGrid TSO segment revenues of €423.0m for the financial year to 30 September 2018 (2017: €382.1m) are revenues of approximately €169.3m (2017: €163.2m), €67.8m (2017: €59.7m), €59.6m (2017: €47.7m) and €39.2m (2017: €36.7m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €195.2m for the financial year to 30 September 2018 (2017: €89.3m) are revenues of approximately €63.7m (2017: €34.0m), €30.3m (2017: €12.9m), €37.0m (2017: €18.4m) and €15.4m (2017: €8.4m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €121.8m for the financial year to 30 September 2018 (2017: €110.0m) are revenues of approximately €47.6m (2017: €40.2m), €21.4m (2017: €25.5m), €18.2m (2017: €21.5m) and €14.0m (2017: €12.0m) which arose from sales to the segment's four largest customers.

4. Employees

The average number of persons employed by the Group during the year to 30 September 2018 was 389 (2017: 360), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2018 was 122 (2017: 112). The staff costs associated with these employees have been capitalised and totalled €11.8m for the year to 30 September 2018 (2017: €11.7m).

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

	Year to 30 Sep 2018 Number	Year to 30 Sep 2017 Number
EirGrid TSO	254	232
SONI TSO	97	96
SEMO	32	26
EWIC	6	6
Capital projects	122	112
Total	511	472

4. Employees (Continued)

Total remuneration including the Executive Directors' salary, comprised:

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Wages and salaries	37,560	35,878
Social insurance costs	4,021	4,225
Other retirement benefit costs	8,152	11,202
Total remuneration paid to employees	49,733	51,305
Employee costs charged to Income Statement	37,898	39,608
Employee costs capitalised	11,835	11,697
Total remuneration paid to employees	49,733	51,305

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Key management personnel compensation:		
Salaries and short-term employee benefits	1,451	1,380

Key management personnel is defined as the Board of Directors, Chief Executive and the six members of the Executive Team.

Employee benefits bands:	Year to 30 Sep 2018 Number	Year to 30 Sep 2017 Number
€50,000 - €75,000	177	185
€75,001 - €100,000	83	84
€100,001 - €125,000	55	51
€125,001 - €150,000	22	28
€150,000 + *	16	20
Total	353	368

Employee benefits exclude employer pension costs.

* In compliance with the Code of Practice for the Governance of State Bodies, salaries above €50,000 are disclosed in bands of €25,000 with the exception of salaries above €150,000 which have been disclosed in a single band in recognition of potential data protection implications. This departure from the Code has been approved by Department of Communications, Climate Action and Environment.

5. Other Operating Costs

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Employee costs (note 4)	37,898	39,608
Depreciation of property, plant and equipment (note 13)	25,860	31,724
Amortisation of grant (note 16)	(3,313)	(3,072)
Operations and maintenance	42,911	42,714
Total	103,356	110,974

6. Interest and Other Income, and Finance Costs

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Interest income:		
Interest income on deposits	-	240
Finance costs:		
Bank loans and overdrafts made to the Group	16,710	17,769
Net pension scheme interest (note 22)	388	863
Total finance costs	17,098	18,632

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

7. East West Interconnector Operations

Due to the significance of the East West Interconnector (“EWIC”) linking the electricity grids in Ireland and Great Britain, the impact of EWIC on the Income Statement has been presented in separate columns on the face of the Income Statement.

EWIC was out of commission for over three months in 2016 due to a fault that occurred when the Interconnector was being returned to service following the annual maintenance outage. The Group had been pursuing options for the recovery of costs associated with the outages and the Board approved the acceptance of an insurance settlement offer of €8.7m comprising of €8.0m lost revenue and €0.7m for additional costs in September 2018. No further information is included due to the prejudicial nature of the matter. The insurance proceeds relating to the lost revenues have been recognised in revenue and the proceeds relating to costs have been recognised in administration expenses.

Revenue for EWIC for the financial year included the financial year regulated tariff of €20.8m (2017: €16.6m).

The remainder of revenue in respect of EWIC relates to auction receipts totalling €17.7m (2017: €6.6m) and also income from the provision of other System Services €12.4m (2016: €6.6m). Auction receipts are a revenue stream for the Group arising from the operation of 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. EWIC also became a UK market participant in the year and received €1.2m of capacity payments.

The financial year Profit Before Tax for EWIC operations was €20.4m (2017: Loss Before Tax €12.4m). In line with normal practice any regulatory over recovery arising in the financial year will be returned to consumers in a later tariff period and has not been provided for in the financial statements.

8. Profit Before Taxation

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

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Depreciation (note 13)	25,860	31,724
Amortisation of grant (note 16)	(3,313)	(3,072)
Operating lease rentals	3,630	3,492
Foreign exchange loss	794	1,284

Aggregate emoluments paid to or receivable by directors in respect of qualifying services are as follows:

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
- for services as a Director	122	97
- for Executive Director services	221	188
Total	343	285

Aggregate contributions paid, treated as paid or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors:

- defined benefit schemes (for Executive Director)	19	29
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There is only one Director (the Chief Executive) in a pension scheme. This is a defined benefit scheme.

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

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
- audit of group companies	162	147
- other assurance services	4	13
- tax advisory services	128	177
- other non-audit services	11	-

9. Income Taxes

Charge to Income Statement:

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Current tax expense	2,597	299
Deferred tax relating to the origination and reversal of temporary differences	5,934	1,089
Income tax expense for the year	8,531	1,388

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

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Profit before tax	65,818	3,365
Taxation at standard rate of 12.5% (2017: 12.5%)	8,227	421
Effect of higher rates of tax on other income	148	88
Effect of income and expenses excluded in determining taxable profit	(298)	(326)
Effect of R&D tax credit	(577)	(394)
Effect of higher rates of tax on gains in UK subsidiaries	420	398
Under provision in prior years	64	253
Other differences	547	948
Income tax expense recognised in Income Statement	8,531	1,388

Corporation tax in respect of the Group's UK based operations is calculated at 19.5% (2017: 19.5%) of the estimated assessable profit for the financial year.

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 (No.2) 2015 included a reduction in the rate of corporate income tax from 20% to 19% from the financial year 2017. This change was substantively enacted on 26 October 2015. The rate reduction applies from 1 April 2017. Furthermore, the Finance Act 2016 included a further reduction in the rate of corporate income tax from 19% to 17% from the financial year 2020. This change was substantively enacted on 6 September 2016. This further rate reduction applies from 1 April 2020.

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 17% is reflected in the closing deferred tax balance.

9. Income Taxes (Continued)

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

	Intangible assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Total € '000
Deferred tax (liability)/asset as at 1 October 2016	(633)	(16,743)	6,993	15,031	2,363	7,011
Credit/(charge) to the Income Statement for the year	-	(4,534)	586	-	2,856	(1,092)
Credit to the Statement of Comprehensive Income	-	-	(4,555)	(4,222)	-	(8,777)
Exchange differences	299	(11)	(11)	-	-	277
Deferred tax (liability)/asset as at 30 September 2017	(334)	(21,288)	3,013	10,809	5,219	(2,581)
Credit/(charge) to the Income Statement for the year	-	(6,116)	241	-	(59)	(5,934)
Credit/(charge) to the Statement of Comprehensive Income*	-	-	800	(1,173)	-	(373)
Exchange differences	83	(4)	-	-	-	79
Deferred tax (liability)/asset as at 30 September 2018	(251)	(27,408)	4,054	9,636	5,160	(8,809)
Deferred tax asset	-	-	4,054	9,636	5,160	18,850
Deferred tax liability	(251)	(27,408)	-	-	-	(27,659)
Total 30 September 2018	(251)	(27,408)	4,054	9,636	5,160	(8,809)
Deferred tax asset	-	992	3,013	10,809	5,219	20,033
Deferred tax liability	(334)	(22,280)	-	-	-	(22,614)
Total 30 September 2017	(334)	(21,288)	3,013	10,809	5,219	(2,581)

*Includes deferred tax on SONI asset ceiling

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

	30 Sep 2018 € '000	30 Sep 2017 € '000
Ireland	(8,411)	(2,844)
UK	(398)	263
Net deferred tax liability	(8,809)	(2,581)

10. Dividends

As shown in note 17 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 2018 € '000	30 Sep 2017 € '000
Equity		
Final 2018 dividend paid - €133.33 per Ordinary Share (Final 2017 dividend paid - €133.33 per Ordinary Share)	4,000	4,000
Total	4,000	4,000

The Directors of the Group propose the payment of a final dividend of €4,000,000 (2017: €4,000,000) for the financial year ended 30 September 2018.

11. Investments

Investments	30 Sep 2018 € '000	30 Sep 2017 € '000
Total	356	-

EirGrid acquired a 4.75% equity interest in Joint Allocation Office S.A for €0.2m; a company registered in Luxembourg. Under EU Rules TSOs are obliged to implement a Single Allocation Platform for capacity on interconnectors. EirGrid, as the certified TSO for the East West Interconnector, became a shareholder in the Joint Allocation Office (JAO) which has been proposed by the TSOs as the Single Allocation Platform.

Under the new European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it has acquired a 5% equity interest in the RSC Coreso SA for €0.1m; a company registered in Belgium.

12. Intangible Assets

	Goodwill € '000	Licence agreements € '000	Integrated Single Electricity Market € '000	Total
Cost				
Balance as at 1 October 2016	4,515	18,397	-	22,912
Exchange differences	(89)	(374)	-	(463)
Balance as at 30 September 2017	4,426	18,023	-	22,449
Transfer from Assets Under Construction (Note 13)	-	-	90,867	90,867
Exchange differences	(78)	(332)	-	(410)
Balance as at 30 September 2018	4,348	17,691	90,867	112,906
Accumulated Impairment Losses				
Balance as at 1 October 2016	4,515	16,238	-	20,753
Exchange differences	(89)	(316)	-	(405)
Balance as at 30 September 2017	4,426	15,922	-	20,348
Exchange differences	(78)	(280)	-	(358)
Balance as at 30 September 2018	4,348	15,642	-	19,990
Carrying amount as at 30 September 2018	-	2,049	90,867	92,916
Carrying amount as at 30 September 2017	-	2,101	-	2,101

12. Intangible Assets (Continued)

The licence agreement of €2.0m (2017: €2.1m) has been allocated to the SEMO cash-generating units (CGUs) to assess possible impairment.

The recoverable amount of the intangible assets allocated to the CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2024. This is the period to which management believe that discrete forecasts regarding expected cash flows can reasonably be made. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and anticipated regulatory recoveries arising from price controls.

The key assumptions used within the calculations include:

- SEMO profitability levels have been based on the regulatory price controls agreed in 2016 and covers the period from 2016-2019 and the I-SEM determination for the period 2018-2021.
- Discount rates of 4.72% and 5.9% (2017: 4.72% and 5.90%) have been assumed for the SEMO CGU based on the above mentioned price controls;
- Growth rates of 2% (2017: 2.0%) have been assumed into perpetuity for SEMO regulatory asset bases (RAB). A nil% growth rate (2017: nil%) has been assumed into perpetuity for the SEMO regulatory incentives. These assumptions reflect management's expectation for long-term growth.

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the assumed gearing ratio achievable, the discount rates applied to those cash flows and the expected long term growth rates. The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying values. An increase in the discount rate of 0.5% would result in an impairment to the value of the licence in the SEMO CGU of €nil (2017: nil). A decrease in the RAB perpetuity growth rate of 1.0% would result in an impairment to value of the licence in the SEMO CGU of €nil (2017: €nil).

The Integrated Single Electricity Market (I-SEM) is the new wholesale electricity market for the island of Ireland. The I-SEM went live at 11pm on 30 September 2018 and replaced the Single Electricity Market which will wind down over the next 13 months. The intangible asset is comprised of software development costs amortised over its estimated useful life of 5 years. The carrying value of I-SEM was reviewed at 30 September 2018 and there was no indication of impairment.

13. Property, Plant and Equipment

	Land and buildings * €'000	Fixtures and fittings €'000	IS, telecomm-unications equipment and other €'000	Single Electricity Market ** €'000	Motor Vehicles €'000	EWIC €'000	Integrated Single Electricity Market *** €'000	Assets under Construction **** €'000	Total €'000
Cost									
Balance as at 1 Oct 2016	15,670	2,466	119,425	49,343	77	558,575	-	40,498	786,054
Additions	-	-	7	-	-	12,176	-	35,955	48,138
Disposals	-	-	-	-	-	(470)	-	-	(470)
Transfers	18	35	3,686	-	-	803	-	(4,542)	-
Exchange differences	(137)	-	(561)	(183)	-	-	-	(200)	(1,081)
Balance as at 30 Sep 2017	15,551	2,501	122,557	49,160	77	571,084	-	71,711	832,641
Additions	-	-	292	-	-	3,422	-	47,299	51,013
Disposals	-	-	-	-	-	-	-	-	-
Transfers to Intangibles (Note 12)	-	-	-	-	-	-	-	(90,867)	(90,867)
Transfers to other assets	69	202	8,442	-	-	-	3,995	(12,708)	-
Exchange differences	(122)	-	(377)	(162)	-	-	-	(355)	(1,016)
Balance as at 30 Sep 2018	15,498	2,703	130,914	48,998	77	574,506	3,995	15,080	791,771
Depreciation									
Balance as at 1 Oct 2016	4,400	1,963	90,593	49,237	5	50,230	-	-	196,428
Charge	646	115	11,804	-	15	19,144	-	-	31,724
Disposal	-	-	-	-	-	(58)	-	-	(58)
Exchange differences	(52)	-	(294)	(183)	-	-	-	-	(529)
Balance as at 30 Sep 2017	4,994	2,078	102,103	49,054	20	69,316	-	-	227,565
Charge	651	180	7,464	-	15	17,550	-	-	25,860
Exchange differences	(51)	-	(297)	(162)	-	-	-	-	(510)
Balance as at 30 Sep 2018	5,594	2,258	109,270	48,892	35	86,866	-	-	252,915
Carrying amount as at 30 Sep 2018	9,904	445	21,644	106	42	487,640	3,995	15,080	538,856
Carrying amount as at 30 Sep 2017	10,557	423	20,454	106	57	501,768	-	71,711	605,076

* 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.

*** The Integrated Single Electricity Market (I-SEM) is the new wholesale electricity market for the island of Ireland. The I-SEM market went live at 11pm on 30 September 2018 and replaced the Single Electricity Market which will wind down over the next 13 months. I-SEM is predominantly made up of software development costs which are disclosed as intangible assets in note 12. It also consists of I-SEM computer hardware and servers which are disclosed above.

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

	30 Sep 2018 €'000	30 Sep 2017 €'000
IS and telecommunications equipment	4,401	8,836
I-SEM Project	-	55,101
Celtic Interconnector Project	5,860	4,642
System Services Project	3,880	2,473
Facilities	939	659
Total	15,080	71,711

14. Trade and Other Receivables

	30 Sep 2018 € '000	30 Sep 2017 € '000
Amounts due in less than one year:		
Trade receivables	42,381	72,573
Prepayments and accrued income	18,910	19,666
Unbilled receivables	75,064	57,286
	136,355	149,525
Amounts due in more than one year:		
Prepayments and accrued income	38,383	37,600
	38,383	37,600
Total	174,738	187,125

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

€0.6m (2017: €44.3m) of the Group trade receivables balance relates to payments due from ESB as Transmission Asset Owner in Ireland.

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

Group prepayments and accrued income balances include deferred costs in respect of transmission projects of €45.4m (2017: €44.6m), all of which may not be recoverable within twelve months.

Prepayments and accrued income due in more than one year consists of (i) an upfront payment made on an operating lease to secure the use of a docklands site in relation to the East West Interconnector asset (further details of the lease are shown in note 19) and (ii) balances related to deferred costs in respect of transmission projects.

15. Trade and Other Payables

	30 Sep 2018 € '000	30 Sep 2017 € '000
Trade payables	142,268	106,354
Accruals	100,125	107,677
Taxation and social insurance	12,918	20,249
Other payables	4,636	7,224
Total	259,947	241,504

Taxation and social insurance comprises of the following:

	30 Sep 2018 € '000	30 Sep 2017 € '000
PAYE/PRSI	1,165	1,101
VAT	11,446	18,549
Withholding tax	307	599
Total	12,918	20,249

15. Trade and Other Payables (Continued)

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.

€44.2m (2017: €40.6m) of the Group trade payables balance and €3.5m (2017: €2.9m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period.

16. Grants

	€ '000
Balance as at 1 October 2016	102,296
Amortisation of grant	(3,072)
Balance as at 30 September 2017	99,224
Additions	1,246
Amortisation of grant	(3,313)
Balance as at 30 September 2018	97,157

Analysed as:

	€ '000
Current	3,750
Non-current	93,407
Balance as at 30 September 2018	97,157

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.

During the year the Company received an EU-SysFlex grant of €1.2m. The Horizon 2020 EU-SysFlex project represents an opportunity to lead and participate in a pan-European strategic project which is directly aligned with the strategic objective of the EirGrid Group to be a “world leader in smart grids and integration of renewables”. The grant is allowable for certain costs set out in the grant agreement and the grant income is released against the expenditure as it is incurred. A failure to comply with the terms and conditions of the EU Commission Grant Agreement could result in a claw back of grant funding received by EirGrid.

17. Issued Share Capital

	30 Sep 2018 € '000	30 Sep 2017 € '000
Authorised:		
30,000 ordinary shares of €1.25 each	38	38
Allotted, called-up and fully paid:		
Called up share capital presented as equity: 30,000 ordinary shares of €1.25 each	38	38

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

18. Cash and Cash Equivalents

	30 Sep 2018 € '000	30 Sep 2017 € '000
Cash and cash equivalents	251,276	194,783

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 cash balances are security deposits of €9.4m (2017: €5.7m). Included in the Group's cash balances is €8.1m (2017: €7.4m) 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 €21.9m (2017: €36.3m) held on trust for market participants in the SEM and €32.7m (2017: €19.0m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

The Group had unutilised borrowing facilities of €103.5m (2017: €103.7m) 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.

19. 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:

	30 Sep 2018 € '000	30 Sep 2017 € '000
Within one year	3,788	3,788
In the second to fifth years inclusive	14,585	14,732
After five years	27,885	31,534
Total	46,258	50,054

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 2017 an 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.

20. Capital Commitments

	30 Sep 2018 € '000	30 Sep 2017 € '000
Expenditure contracted for, but not provided for in the Financial Statements	475	10,600

The Group has contractual commitments arising from the Celtic Interconnector project, which is a proposed electricity link between Ireland and continental Europe.

21. Contingent Liabilities

The Group is not aware of any contingent liabilities at the financial year end (2017: €nil).

22. Retirement Benefits Obligations

Defined Benefit Schemes

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

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

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

The defined benefit schemes are administered by separate trusts that are legally separated from the Group. The trusteeship of the defined benefit schemes is currently executed by members of the defined benefit schemes and comprise of both member appointed and Company appointed trustees. The trustees of the defined benefit schemes are required to act in accordance with the governing trusts documentation and have a fiduciary responsibility to act in the best interests of the beneficiaries of the defined benefit schemes. A non-exhaustive list of trustee duties includes; 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 financial year. A pension asset ceiling has been applied to the SONI pension assets as, under IFRS rules (IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction requirements), SONI does not have an unconditional right to realise the schemes assets at some point during the life of the plan or when the plan is settled.

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.

22. Retirement Benefits Obligations (Continued)

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

Defined Contribution Scheme

As the SONI Focus Plan has been closed to new members since 1998, other than for the purpose of admitting staff as a consequence of the transfer of the planning function in Northern Ireland in prior years, 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 Income Statement as incurred. The pension charge for the financial year represents the actual contribution paid by SONI Limited and amounted to €0.9m (2017: €0.8m).

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 2018 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.

22. 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:

	Total 30 Sep 2018 € '000	EirGrid Plan 30 Sep 2018 € '000	SONI Focus Plan 30 Sep 2018 € '000	Total 30 Sep 2017 € '000	EirGrid Plan 30 Sep 2017 € '000	SONI Focus Plan 30 Sep 2017 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	192,831	156,071	36,760	178,490	136,027	42,463
Fair value of Schemes' assets at end of year	(165,896)	(123,696)	(42,200)	(156,659)	(111,924)	(44,735)
Net Liability/(asset) before asset ceiling	26,935	32,375	(5,440)	21,831	24,103	(2,272)
Impact of asset ceiling excluding amounts included in interest expenses	5,440	-	5,440	2,272	-	2,272
Net Liability recognised in Balance Sheet at end of period after impact of asset ceiling	32,375	32,375	-	24,103	24,103	-
Deferred tax on net pension obligation (note 9)	(4,054)	(4,054)	-	(3,013)	(3,013)	-
Net Liability after Deferred Tax	28,321	28,321	-	21,090	21,090	-

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

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Current service cost	7,300	9,596
Net interest expense	388	863
Employer pension cost capitalised	(1,183)	(1,178)
Amount included in other operating costs relating to defined benefit schemes	6,505	9,281

22. Retirement Benefits Obligations (Continued)

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

	Total Year to 30 Sep 2018 € '000	EirGrid Plan Year to 30 Sep 2018 € '000	SONI Focus Plan Year to 30 Sep 2018 € '000	Total Year to 30 Sep 2017 € '000	EirGrid Plan Year to 30 Sep 2017 € '000	SONI Focus Plan Year to 30 Sep 2017 € '000
Remeasurement of net defined benefit liability:						
Actuarial gain arising on Schemes' assets	4,746	3,599	1,147	8,113	5,919	2,194
Actuarial gain arising from changes in demographic assumptions	303	-	303	5,614	4,320	1,294
Actuarial gain/(loss) arising from changes in financial assumptions	(11,047)	(12,048)	1,001	21,438	18,053	3,385
Actuarial gain/(loss) arising from experience adjustments	2,883	2,079	804	1,935	2,028	(93)
Amount included in the Consolidated Statement of Comprehensive Income	(3,115)	(6,370)	3,255	37,100	30,320	6,780

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

	EirGrid plan		SONI Focus plan	
	30 Sep 2018 € '000	30 Sep 2017 € '000	30 Sep 2018 € '000	30 Sep 2017 € '000
Present value of defined obligation at beginning of year	136,027	148,693	42,463	47,252
Current service cost including contributions by Schemes' participants	8,097	9,961	717	1,107
Interest cost	2,983	2,448	1,132	1,124
Actuarial gain arising from changes in demographic assumptions	-	(4,320)	(303)	(1,294)
Actuarial (gain)/loss arising from changes in financial assumptions	12,048	(18,053)	(1,001)	(3,385)
Actuarial (gain)/loss arising from experience adjustments	(2,079)	(2,028)	(804)	93
Benefits paid	(1,005)	(674)	(4,737)	(1,531)
Exchange differences	-	-	(707)	(903)
Present value of defined benefit obligation at end of year	156,071	136,027	36,760	42,463

22. Retirement Benefits Obligations (Continued)

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

	EirGrid plan		SONI Focus plan			
	30 Sep 2018 € '000	30 Sep 2017 € '000	30 Sep 2018 € '000	30 Sep 2018 € '000	30 Sep 2018 € '000	30 Sep 2017 € '000
			Before Asset Ceiling	Impact of Asset Ceiling	Total	Total
Fair value of Schemes' assets at beginning of year	111,924	99,097	44,735	(2,272)	42,463	42,984
Interest Income	2,523	1,679	1,204	-	1,204	1,030
Remeasurements gain/(loss):						
Gains on Schemes' assets	3,599	5,919	1,147	-	1,147	2,194
Contributions by the Companies	5,081	4,403	684	-	684	939
Contributions by Schemes' participants	1,574	1,500	75	-	75	101
Administration costs	-	-	(134)	-	(134)	(130)
Benefits paid	(1,005)	(674)	(4,737)	-	(4,737)	(1,531)
Impact of asset ceiling excluding amounts included in interest expense	-	-	-	(3,168)	(3,168)	(2,272)
Exchange differences	-	-	(774)	-	(774)	(852)
Fair value of Schemes' assets at end of year	123,696	111,924	42,200	(5,440)	36,760	42,463

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

Valuation method	EirGrid plan		SONI Focus plan	
	30 Sep 2018 Projected Unit	30 Sep 2017 Projected Unit	30 Sep 2018 Projected Unit	30 Sep 2017 Projected Unit
Discount rate	2.05%	2.20%	2.85%	2.85%
State pension increase	1.65%	1.50%	2.45%	2.60%
Salary increases	2.15% plus scale	2.00% plus scale	3.7% plus scale	3.85% -
Pension increases	2.15%	2.00%	2.45%	2.60%
Inflation	1.9%	1.75%	3.45%	3.60%
Post-retirement life expectancy for those retiring at age 65 in 2038:				
- Men	23.8 years	23.7 years-	23.6 years	24.0 years
- Women	25.9 years	25.8 years	25.7 years	26.0 years

22. Retirement Benefits Obligations (Continued)

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end was 2.05% (2017: 2.20%) for the EirGrid plan and 2.85% (2017: 2.85%) for the SONI Focus plan. The EirGrid plan discount rate was based on the redemption yield on Euro denominated high quality corporate bonds extrapolated to an approximate duration of 27 years (2017: 28 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated high quality corporate bonds extrapolated to an approximate duration of 20 years (2017: 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 13% (2017: 14%).

Funding Requirements and Future Cash Flows

An ongoing funding valuation of the EirGrid Plan is required every three years to review the contribution rate required to fund future benefits. The most recent actuarial valuation was carried out as at 1 April 2017. The contribution rate required to fund the future service liabilities for the current active pension members is adjusted to take account of the value of any past service surplus or deficit which exists in the EirGrid Plan.

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

An actuarial valuation of the SONI Focus Plan must take place at least every three years. The most recent actuarial valuation was carried out as at 31 March 2016. The main purpose of the scheme funding valuation is to agree the contributions payable by SONI Limited 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.

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

EirGrid Plan	Fair Value	
	30 Sep 2018 € '000	30 Sep 2017 € '000
Equities	50,892	45,341
Bonds	23,643	20,378
Property	8,806	8,338
Cash	4,433	1,772
Alternatives	30,364	30,573
Annuities	5,558	5,522
Fair value of plan assets	123,696	111,924

22. Retirement Benefits Obligations (Continued)

For the EirGrid plan assets all except annuities €118.1m (2017: €106.4m) have quoted market prices in an active market. The annuities €5.6m (2017: €5.5m) have no quoted market prices in an active market.

SONI Focus plan	Fair Value	
	30 Sep 2018 € '000	30 Sep 2017 € '000
Equities	23,852	26,155
Gilts and bonds	17,640	18,276
Other	708	304
Fair value of plan assets	42,200	44,735

For the SONI Focus plan assets all categories (€42.2m) (2017: €44.7m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €8.4m (2017: €10.8m). The actual return on the EirGrid Plan scheme assets was a gain of €6.2m (2017: €7.6m) and the actual return on the SONI Focus Plan scheme assets was a gain of €2.4m (2017: €3.2m).

The Group expects to pay contributions of €5.5m (2017: €4.9m) for the EirGrid Plan and €1.0m (2017: €1.0m) for the SONI Focus Plan in the financial year to 30 September 2018.

23. Borrowings

	30 Sep 2018 € '000	30 Sep 2017 € '000
Repayable within one year:		
Bank loans repayable by installments	15,886	15,149
Total current borrowings	15,886	15,149
Repayable after more than one year by installments:		
Between one and two years	16,629	15,886
Between two and five years	54,931	52,360
In five years or more	237,038	256,025
Total non-current borrowings	308,598	324,271
Total borrowings outstanding	324,484	339,420

All borrowings by subsidiaries are guaranteed by EirGrid plc through a cross-guarantee structure. Bank loans are unsecured loans. A proportion of the loans has been converted from floating interest rate to fixed interest rate by using interest rate swap contracts, see note 25 for further details.

23. Borrowings (Continued)

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

	30 Sep 2018 € '000	30 Sep 2017 € '000
Included in current liabilities:		
Bank loans	15,886	15,149
Current interest-bearing loans and borrowings	15,886	15,149
Included in non-current liabilities:		
Bank loans	308,598	324,271
Non-current interest-bearing loans and borrowings	308,598	324,271
Total bank loans and overdrafts	324,484	339,420
Total interest-bearing loans and borrowings	324,484	339,420

The terms of outstanding loans are as follows:

	Currency	Financial year of maturity	Carrying amount €'000
As at 30 Sep 2018			
Unsecured term loan facility	EUR	2030	103,050
Unsecured term loan facility	EUR	2035	221,434
Total			324,484
As at 30 Sep 2017			
Unsecured term loan facility	EUR	2030	109,228
Unsecured term loan facility	EUR	2035	230,192
Total			339,420

24. Categories of Financial Assets and Financial Liabilities

Carrying Amount	Loans and receivables € '000	Financial liabilities at amortised cost € '000	Fair value hedging instruments € '000	Total € '000
30 Sep 2018				
Trade receivables	42,381	-	-	42,381
Cash and cash equivalents	251,276	-	-	251,276
Trade payables	-	(142,268)	-	(142,268)
Borrowings and bank overdrafts	-	(324,484)	-	(324,484)
Derivative financial instruments (note 25)	-	-	(77,092)	(77,092)
Total	293,657	(466,752)	(77,092)	(250,187)
30 Sep 2017				
Trade receivables	72,573	-	-	72,573
Cash and cash equivalents	194,783	-	-	194,783
Trade payables	-	(106,354)	-	(106,354)
Borrowings and bank overdrafts	-	(339,420)	-	(339,420)
Derivative financial instruments (note 25)	-	-	(86,475)	(86,475)
Total	267,356	(445,774)	(86,475)	(264,893)

Fair Value	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
30 Sep 2018				
Trade receivables	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade payables	-	-	-	-
Borrowings and bank overdrafts	-	-	-	-
Derivative financial instruments (note 25)	-	(77,092)	-	(77,092)
Total	-	(77,092)	-	(77,092)
30 Sep 2017				
Trade receivables	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade payables	-	-	-	-
Borrowings and bank overdrafts	-	-	-	-
Derivative financial instruments (note 25)	-	(86,475)	-	(86,475)
Total	-	(86,475)	-	(86,475)

24. Categories of Financial Assets and Financial Liabilities (Continued)

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).

Estimation of fair values

The principal methods and assumptions used in estimating the fair values of financial assets and liabilities are explained below.

Trade receivables/payables

For the receivable and payables, a carrying amount less impairment allowances, where appropriate, is a reasonable approximation of fair value.

Cash and cash equivalents

For short term bank deposits and cash and cash equivalents, the carrying value is deemed to reflect a reasonable approximation of fair value.

Borrowings

The fair value is calculated based on discounted future principal and interest cash flows.

Derivative financial Instrument (Interest rate swaps)

The fair value of the Group's interest rate swaps at the reporting date are determined by discounting the future cash flows using market observable interest rate curves at the reporting date and hence are considered to be Level 2 instruments. There have been no transfers between valuation levels during the year.

As the derivatives are out of the money there is no exposure to the bank counterparties and therefore no counterparty credit adjustment is required. The banks who hold the derivatives have high credit ratings and therefore even if there was an exposure to them in terms of derivative mark to market valuations, the Group would not consider credit adjustments necessary. The Group has remained in a stable credit and financial position throughout the financial year ended 30 September 2018 and therefore no credit adjustment is required.

25. Derivative Financial Instruments and Financial Risk Management

Capital management

EirGrid plc, 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 Group. There have been no changes to the core capital of the Group during the financial year. Any changes to the capital structure are subject to approval of the Department of Communications, Climate Action and Environment.

The Group is funded on an ongoing basis through the regulatory tariff regime. The Group 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 Group'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 Group to construct the East West Interconnector and also increased the borrowing powers of the Group to a limit of €750m.

25. Derivative Financial Instruments and Financial Risk Management (Continued)

The Group's policy is to secure a low, stable, acceptable cost of funds over time, subject to acceptable levels of risk. The Group 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

There are no significant concentrations of risk and there has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

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 Regulation of Utilities (CRU) 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.

Management does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

The Company discharges its Market Operator obligations through a contractual joint operation with SONI Limited. Under the terms of the Trading and Settlement Code for the SEM each participant is required to provide credit cover at a level notified to it by the Market Operator. Such credit cover can be provided by means of an irrevocable standby letter of credit or a cash deposit held in a SEM Collateral Reserve account. Any bad debt arising in the SEM, to the extent that it exceeds the available credit cover, is shared by generators and is not borne by the Market Operator. SEMO trade receivables included in Group trade receivables as at 30 September 2018 were €33.3m (2017: €21.7m).

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:

	30 Sep 2018 € '000	30 Sep 2017 € '000
60 to 90 days	43	31
90 to 120 days	-	52
Greater than 120 days	-	1,409
Total	43	1,492

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

25. Derivative Financial Instruments and Financial Risk Management (Continued)

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.

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 €103.5m at the Balance Sheet date (2017: €103.7m). 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.

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Total € '000
30 Sep 2018					
Non interest bearing – trade payables	142,268	-	-	-	142,268
Borrowings and bank overdrafts	-	31,286	125,216	302,678	459,180
Total	142,268	31,286	125,216	302,678	601,448
30 Sep 2017					
Non interest bearing – trade payables	106,354	-	-	-	106,354
Borrowings and bank overdrafts	-	31,299	125,206	333,762	490,267
Total	106,354	31,299	125,206	333,762	596,621

The cash flow hedges are expected to occur and effect the income statement over a period of 17 years.

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

	30 Sep 2018 € '000	30 Sep 2017 € '000
(Losses)/gains arising during the year	(4,393)	19,515
Reclassified to income statement (included in finance costs)	13,776	14,194
Total	9,383	33,709

25. Derivative Financial Instruments and Financial Risk Management (Continued)

Market Risk

Interest rate risk management

The Group 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:

Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	%	%	€ '000	€ '000	€ '000	€ '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.8%	3.8%	326,902	342,051	(77,092)	(86,475)
Total active swap contracts	3.8%	3.8%	326,902	342,051	(77,092)	(86,475)

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

The Group's interest rate swaps settle periodically and the floating rates are reset between a three and six monthly basis. The Group 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 cash flow exposure resulting from variable interest rates on borrowings. The net settlements under the interest rate swaps and the interest payments on the borrowings occur simultaneously. The amount deferred in equity is recognised in profit or loss over the period that the floating rate interest payments on debt impact profit or loss.

Interest rate sensitivity analysis

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

If current and forward interest rates had been 50 (2017: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2018 would have been impacted by €nil (2017: €nil); and
- Other equity reserves would have been impacted by €14.3m/(€15.2m) (2017: €16.1m/(€17.2m)), 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.

25. Derivative Financial Instruments and Financial Risk Management (Continued)

Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded an operating profit of €7.6m during the year to 30 September 2018 (2017: €4.7m). 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 2018 would be impacted by €7.3m (2017: €11.0m). Other equity reserves would have been impacted by €0.4m (2017: €1.5m).

26. Related Party Transactions

EirGrid plc is an Irish commercial semi-state organisation, and as such is a related party of the Government of Ireland. John O'Connor, Mark Foley and Tom Finn 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, Climate Action and Environment 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 Regulation of Utilities (CRU), in relation to the roles of owner and operator of the transmission system. The charges to the Consolidated Income Statements under this Agreement were as follows:

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Transmission asset owner charge	230,125	215,545

At 30 September 2018 a total of €41.0m (2017: €39.4m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2018 € '000	30 Sep 2017 € '000
Opening balance	39,378	39,169
Charges during the year	230,125	215,545
Payments made during the year	(228,491)	(215,336)
Closing balance	41,012	39,378

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

27. Post Balance Sheet Events

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

28. Approval of Financial Statements

The Board approved the Financial Statements on 19 December 2018.

Company Balance Sheet

As at 30 September 2018

	Note	30 Sep 2018 € '000	30 Sep 2017 € '000
Assets			
Fixed assets			
Investment in subsidiaries	29 (E)	155,761	155,711
Other Investments	29 (F)	325	-
Intangible assets	29 (H)	68,286	-
Property, plant & equipment	29 (I)	39,229	77,420
Total non-current assets		263,601	233,131
Trade and other receivables: amounts falling due after more than one year	29 (J)	243,560	293,928
Current assets			
Cash and cash equivalents	29 (K)	216,765	156,272
Trade and other receivables	29 (L)	169,355	181,923
Total current assets		386,120	338,195
Trade and other payables: amounts falling due within one year	29 (M)	(293,142)	(263,816)
Net current assets		92,978	74,379
Total assets less current liabilities		600,139	547,438
Trade and other payables: amounts falling due after more than one year	29 (N)	(268,526)	(283,407)
Provisions			
Retirement benefit obligation	29 (R)	(32,375)	(24,103)
Net assets after retirement benefit obligations		299,238	239,928
Equity and Liabilities			
Capital and reserves			
Called up share capital presented as equity	17	38	38
Capital reserve		49,182	49,182
Hedging reserve		(49,060)	(54,226)
Retained earnings		299,078	244,934
Total equity		299,238	239,928

Approved by the Board and signed on their behalf:



John O'Connor
Chairperson



John Trethowan
Chairperson Audit Committee



Mark Foley
Chief Executive

19 December 2018

Company Statement of Changes in Equity

For the financial year to 30 September 2018

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2016	38	49,182	(76,065)	211,063	184,218
Profit for the year	-	-	-	11,148	11,148
Other comprehensive income					
Remeasurements of defined benefit scheme	-	-	-	26,723	26,723
Cash flow hedge movement	-	-	21,839	-	21,839
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2017	38	49,182	(54,226)	244,934	239,928
Profit for the year	-	-	-	63,718	63,718
Other comprehensive income					
Remeasurements of defined benefit scheme	-	-	-	(5,574)	(5,574)
Cash flow hedge movement	-	-	5,166	-	5,166
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2018	38	49,182	(49,060)	299,078	299,238

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 financial year and prior financial years.

29 A. Statement of Compliance

The individual financial statements of the Company were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (March 2018) (“FRS 101”). The Company financial statements have adopted certain exemptions under FRS 101. These exemptions include:

- a cashflow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

29 B. General Information

EirGrid plc is a public limited company and is incorporated in Ireland. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors’ Report on page 62. The largest group of which the Company was a member and for which group accounts are prepared is EirGrid plc. Copies of the consolidated group accounts of EirGrid plc which are included on page 62-121 are available from the Company Secretary, EirGrid plc, 160 Shelbourne Road, Dublin 4.

The Company applies consistent accounting policies to those applied by the Group. Please refer to page 88-101 of the group financial statements for disclosure of the relevant accounting policies.

29 C. Profit Attributable to EirGrid plc

Profit for the year attributable to the Parent Company amounted to €63.7m (2017: €11.1m). In accordance with Section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting. The Company has also availed of the exemption from filing its individual Income Statement with the Registrar of Companies as permitted by Section 304(2) of the Companies Act, 2014.

29 D. Employees

The average number of persons employed by the Company during the year to 30 September 2018 was 282 (2017: 258), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2018 was 98 (2017: 95). The staff costs associated with these employees have been capitalised and totalled €9.4m for the year to 30 September 2018 (2017: €9.5m).

29 D. Employees (Continued)

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

	Year to 30 Sep 2018 Number	Year to 30 Sep 2017 Number
EirGrid TSO	254	232
SEMO	22	20
EWIC	6	6
Capital projects	98	95
Total	380	353

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

	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Wages and salaries	28,699	27,143
Social insurance costs	3,022	3,105
Other retirement benefit costs	6,523	9,230
Total remuneration paid to employees	38,244	39,478
Employee costs charged to Income Statement	28,875	30,011
Employee costs capitalised	9,369	9,467
Total remuneration paid to employees	38,244	39,478

29 E. 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 Designated Activity Company	Ireland	Interconnection
EirGrid Telecoms Designated Activity Company	Ireland	Telecommunications
EirGrid Celtic Interconnector Designated Activity Company	Ireland	Dormant

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

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

EirGrid Celtic Interconnector Designated Activity Company was incorporated on 12 September 2018 and remained dormant to the end of the financial year.

The registered office of EirGrid Interconnector Designated Activity Company, EirGrid Telecoms Designated Activity Company and EirGrid Celtic Interconnector Designated Activity Company 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.

29 E. Investment in Subsidiaries (Continued)

Investment in Subsidiaries	30 Sep 2018 € '000	30 Sep 2017 € '000
Balance at start of year	155,711	155,711
Additions	50	-
Balance at end of year	155,761	155,711

The Company has made total advances of €31.7m (2017: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2017: €285.0m). No interest is payable on these amounts under the intercompany loan agreement. The Company has recognised an investment of €155.5m (2017: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2017: €0.2m) in EirGrid Telecoms Designated Activity Company, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans.

29 F. Other Investments

	30 Sep 2018 € '000	30 Sep 2017 € '000
Balance at start of year	-	-
Additions	325	-
Balance at end of year	325	-

EirGrid acquired a 4.75% equity interest in Joint Allocation Office S.A for €0.2m; a company registered in Luxembourg. Under EU Rules TSOs are obliged to implement a Single Allocation Platform for capacity on interconnectors. EirGrid, as the certified TSO for the East West Interconnector, became a shareholder in the Joint Allocation Office (JAO) which has been proposed by the TSOs as the Single Allocation Platform.

Under the new European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it has acquired a 3.7% equity interest in the RSC Coreso SA for €0.1m; a company registered in Belgium.

29 G. Interest in Joint Operation

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 operation between the Company and SONI Limited responsible for the operation of the wholesale electricity market for the island of Ireland from 1 November 2007 onwards.

The Company has a 75% interest in SEMO and has considered the arrangements a joint operation. As a result the Company's share of assets, liabilities, income and expenses has been included in the Company Financial Statements on a line by line basis.

EirGrid plc is designated by the Commission for Regulation of Utilities (CRU) as a NEMO for Ireland and SONI Limited is designated by the Utility Regulatory (UR) as a Nominated Electricity Market Operator (NEMO) for Northern Ireland. The NEMO designations allow SONI Limited and EirGrid plc to provide day-ahead auction and intraday markets for trading in I-SEM.

EirGrid plc and SONI Limited have developed and implemented the NEMO services for Northern Ireland and Ireland through SEMOpX, a 75/25 contractual joint venture between EirGrid plc and SONI Limited. SEMOpX was established on 28 September 2018.

Capacity Market Code JV is a 75/25 joint venture between EirGrid plc and SONI Limited, established on 28 September 2018. Its purpose is to administer the Capacity Market Code.

I-SEM did not go live until 11pm on 30 September 2018 so any activity relating to the SEMOpX JV and Capacity Market Code JV is immaterial and has not been included in the Company Financial Statements.

29 G. Interest in Joint Operation (Continued)

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 2018 € '000	30 Sep 2017 € '000
Non-current assets	1,448	2,212
Current assets	108,796	98,098
Total assets	110,244	100,310
Total equity	20,755	19,805
Current liabilities	89,489	80,505
Total liabilities	89,489	80,505
Total equity and liabilities	110,244	100,310
	Year to 30 Sep 2018 € '000	Year to 30 Sep 2017 € '000
Revenue	146,407	66,999
Expenses	(145,539)	(67,776)
Operating profit/(loss)	868	(777)

29 H. Intangible Assets

	Integrated Single Electricity Market € '000
Cost	
Balance as at 30 September 2017	-
Transfer from Assets Under Construction (29 (I))	68,286
Balance as at 30 September 2018	68,286
Amortisation	
Balance as at 30 September 2017	-
Amortisation charge	-
Balance as at 30 September 2018	-
Carrying amount as at 30 September 2018	68,286
Carrying amount as at 30 September 2017	-

The Integrated Single Electricity Market (I-SEM) is the new wholesale electricity market for the island of Ireland. The I-SEM went live at 11pm on 30 September 2018 and replaced the Single Electricity Market which will wind down over the next 13 months. The intangible asset is comprised of software development costs amortised over its estimated useful life of 5 years. The carrying value of I-SEM was reviewed at 30 September 2018 and there was no indication of impairment.

29 I. Property, Plant & Equipment

	Buildings * €'000	Fixtures and fittings €'000	IS, telecomm- unications equipment and other €'000	Motor Vehicles €'000	Single Electricity Market ** €'000	Integrated Single Electricity Market *** €'000	Assets under Construction **** €'000	Total €'000
Cost								
Balance as at 30 Sep 2017	10,407	2,210	100,923	77	41,418	-	56,378	211,413
Additions	-	-	219	-	-	-	36,447	36,666
Transfer to Intangibles (29 (H))	-	-	-	-	-	-	(68,286)	(68,286)
Transfer to other classes	-	339	7,514	-	-	2,996	(10,849)	-
Balance as at 30 Sep 2018	10,407	2,549	108,656	77	41,418	2,996	13,690	179,793
Depreciation								
Balance as at 30 Sep 2017	3,978	2,017	87,073	20	40,905	-	-	133,993
Charge	433	180	5,943	15	-	-	-	6,571
Balance as at 30 Sep 2018	4,411	2,197	93,016	35	40,905	-	-	140,564
Carrying amount as at 30 Sep 2018	5,996	352	15,640	42	513	2,996	13,690	39,229
Carrying amount as at 30 Sep 2017	6,429	193	13,850	57	513	-	56,378	77,420

* The cost of the Company's buildings represents leasehold improvements. See note 29 (S) 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.

*** The Integrated Single Electricity Market (I-SEM) is the new wholesale electricity market for the island of Ireland. The I-SEM went live at 11pm on 30 September 2018 and replaced the Single Electricity Market which will wind down over the next 13 months. I-SEM is predominantly made up of software development costs which are disclosed as intangible assets in note 29 (H). It also consists of I-SEM computer hardware and servers which are disclosed above.

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

	30 Sep 2018 €'000	30 Sep 2017 €'000
IS and telecommunications equipment	3,899	8,114
I-SEM Project	-	41,138
Celtic Interconnector Project	5,860	4,642
System Services Project	3,011	1,910
Facilities	920	574
Total	13,690	56,378

29 J. Trade and Other Receivables - Amounts Falling Due After More Than One Year

	30 Sep 2018 € '000	30 Sep 2017 € '000
Prepayments and accrued income	27,605	29,600
Amounts owed by subsidiary undertakings	205,301	198,646
Deferred tax (note 29 Q)	10,654	11,682
Total	243,560	239,928

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

Company prepayments and accrued income balances include deferred costs in respect of transmission projects of €27.6m (2017: €29.6m) respectively, all of which may not be recoverable within twelve months.

Prepayments and accrued income consists of balances related to deferred costs in respect of transmission projects.

29 K. Cash and Cash Equivalents

	30 Sep 2018 € '000	30 Sep 2017 € '000
Cash and cash equivalents	216,765	156,272

Cash and cash equivalents primarily comprises cash held by the Company 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 cash balances are security deposits of €9.4m (2017: €5.7m). Included in the cash balances is €16.4m (2017: €27.2m) held on trust for market participants in the SEM and €24.5m (2017: €14.3m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

The Company had unutilised borrowing facilities of €90.0m (2017: €90.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Company has sufficient standby facilities to meet unbudgeted/unexpected constraint payments.

29 L. Trade and Other Receivables - Amounts Falling Due Within One Year

	30 Sep 2018 € '000	30 Sep 2017 € '000
Trade receivables	33,954	67,141
Prepayments and accrued income	9,733	10,092
Unbilled receivables	75,012	57,286
Current tax receivables	65	6,755
Amounts owed by subsidiary undertakings	50,591	40,649
Total	169,355	181,923

€0.6m (2017: €44.3m) of the trade receivables balance relates to payments due from ESB as Transmission Asset Owner in Ireland.

Company prepayments and accrued income balances include deferred costs in respect of transmission projects of €7.0m (2017: €10.1m), all of which expected be recoverable within twelve months.

29 M. Trade and Other Payables - Amounts Falling Due Within One Year

	30 Sep 2018 € '000	30 Sep 2017 € '000
Trade payables	120,862	89,195
Accruals	85,779	92,769
Taxation and social insurance	11,397	19,861
Other payables	4,921	7,224
Amounts owed to subsidiary undertakings	60,416	46,009
Grants (note 29 O)	635	-
Borrowings (note 29 P)	9,132	8,758
Total	293,142	263,816

Taxation and social insurance comprises of the following:

	30 Sep 2018 € '000	30 Sep 2017 € '000
Income tax deducted under PAYE	496	468
Pay-related social insurance	441	391
VAT	10,158	18,465
Withholding tax	302	537
Total	11,397	19,861

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. €44.2m (2017: €40.6m) 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.

29 N. Trade and Other Payables - Amounts Falling Due After More Than One Year

	30 Sep 2018 € '000	30 Sep 2017 € '000
Derivative financial instruments	56,069	61,973
Grants (note 29 O)	155	-
Borrowings (note 29 P)	212,302	221,434
Total	268,526	283,407

29 O. Grants

	30 Sep 2018 € '000	30 Sep 2017 € '000
Balance as at 30 September 2017	-	-
Additions	1,002	-
Amortisation	(212)	-
Balance as at 30 September 2018	790	-
Analysed as:		
Current	635	-
Non-Current	155	-
Balance as at 30 September 2018	790	-

29 O. Grants (Continued)

During the year the Company received an EU-SysFlex grant of €1.0m. The Horizon 2020 EU-SysFlex project represents an opportunity to lead and participate in a pan-European strategic project which is directly aligned with the strategic objective of the EirGrid Group to be a “world leader in smart grids and integration of “renewables”. The grant is allowable for certain costs set out in the grant agreement and the grant income is released against the expenditure as it is incurred. A failure to comply with the terms and conditions of the EU Commission Grant Agreement could result in a claw back of grant funding received by EirGrid.

29 P. Borrowings

	30 Sep 2018 € '000	30 Sep 2017 € '000
Repayable within one year	9,132	8,758
Repayable within two and five years	9,512	9,132
Repayable within two and five years	31,073	29,792
Repayable greater than five years	171,717	182,510
Total	221,434	230,192

A proportion of the loans have been converted from floating interest rate to fixed floating interest rate by using interest rate swap contracts. See note 25 of the consolidated financial statements.

29 Q. Deferred Tax

	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 October 2016	624	6,199	10,867	17,690
Credit to the Income Statement for the year	105	604	-	709
Charge to the Statement of Comprehensive Income	-	(3,790)	(2,927)	(6,717)
Deferred tax asset as at 30 September 2017	729	3,013	7,940	11,682
(Charge)/Credit to the Income Statement for the year	(1,131)	238	-	(893)
(Charge)/Credit to the Statement of Comprehensive Income	-	796	(931)	(135)
Deferred tax (liability)/asset as at 30 September 2018	(402)	4,047	7,009	10,654

29 R. Retirement Benefit Obligations

There is one pension scheme held on the balance sheet of EirGrid plc. Information on this pension scheme has been provided in note 22 of the consolidated financial statements. As there are no material differences between the information given in the consolidated notes and the Company information it has been chosen not to reproduce this information.

29 S. Operating Lease Arrangements

Future minimum lease payments under non-cancellable operating leases, which are primarily in respect of the Company's buildings, fall due as follows:

	30 Sep 2018 € '000	30 Sep 2017 € '000
Within one year	3,788	3,788
In the second to fifth years inclusive	14,585	14,732
After five years	27,885	31,534
Total	46,258	50,054

The operating lease for the Company'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 2017 an adjustment was made to rent payable. There are no significant or unusual restrictions imposed on the Company by the terms of the operating leases.

The Company 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.

29 T. Capital Commitments

	30 Sep 2018 € '000	30 Sep 2017 € '000
Expenditure contracted for, but not provided for in the Financial Statements	475	8,000

The Company has contractual commitments arising from the Celtic Interconnector project, which is a new direct energy link between Ireland and continental Europe.

29 U. Contingent Liabilities

The Company is not aware of any contingent liabilities at the financial year end (2017: €nil).

29 V. Related Party Transactions

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, EirGrid Telecoms Designated Activity Company and EirGrid Interconnector Designated Activity Company subsidiaries.

EirGrid plc has given a Parent Company Undertaking to SONI Limited to the value of £10.0m (2017: £10.0m).

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

29 W. Post Balance Sheet Events

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

29 X. Transition to FRS101

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 30 September 2018, the comparative information presented in these financial statements for the year ended 30 September 2017 and in the preparation of an opening FRS 101 balance sheet at 01 October 2016 (the Company's date of transition). The Company have availed of the exemption not to present the Company transition date balance sheet in these financial statements. The policies applied under the Company's previous accounting framework of IFRS are not different to FRS 101 and have not impacted on equity or profit or loss.

29 Y. Approval of Financial Statements

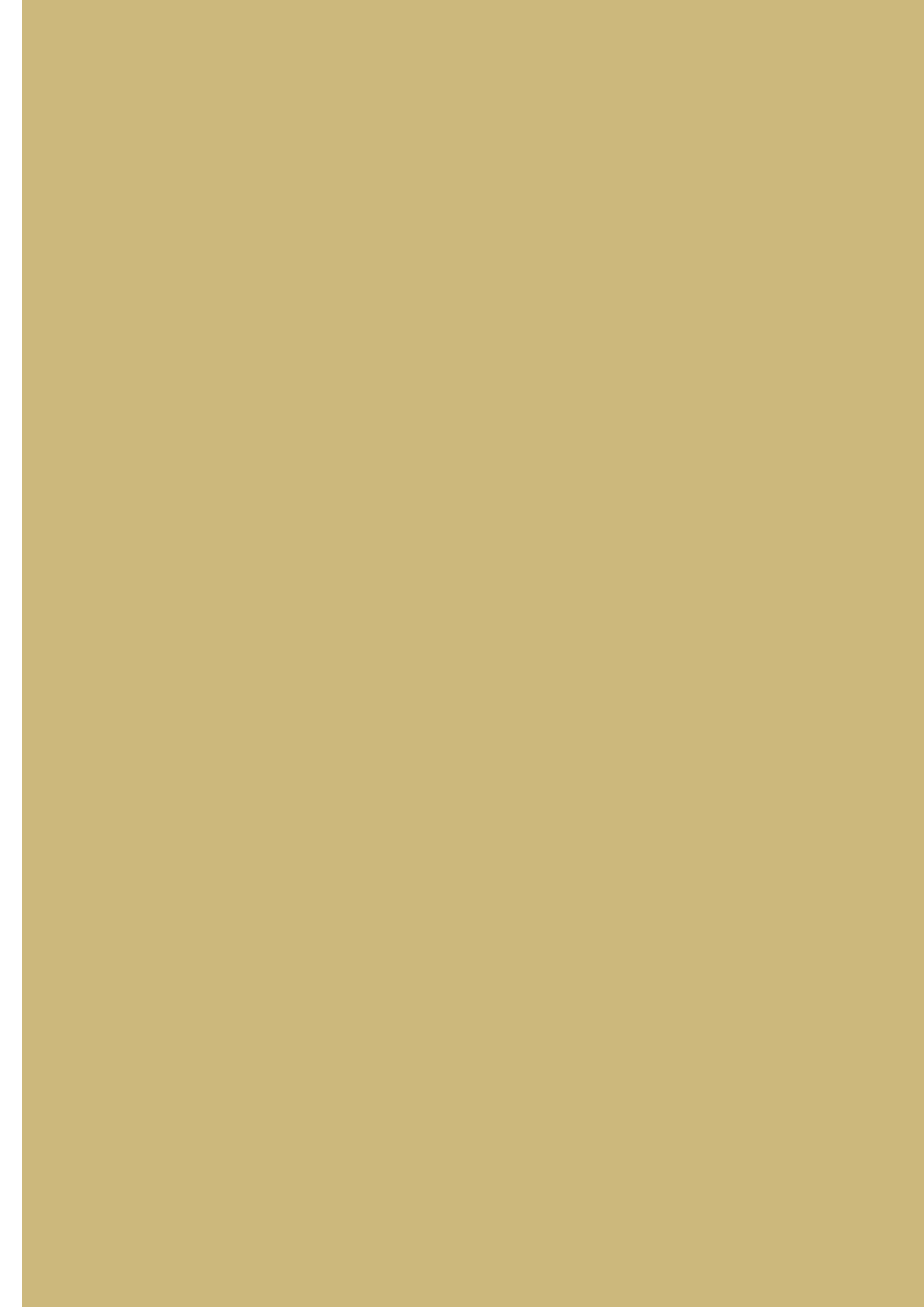
The Board approved the Financial Statements on 19 December 2018.

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