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.

2. Statement Of Accounting Policies

Basis of preparation

The Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for financial year ended 30 September 2017 and in accordance with the Irish Companies Act 2014. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

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

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

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

The current period being reported on is the financial year to 30 September 2017. The comparative figures are for the financial year ended 30 September 2016.

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):

- IFRS 10 – Consolidated Financial Statements (Amendments) - (Effective 1 January 2016)
- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (Amendments) - (Effective 1 January 2016)
- IFRS 12 – Disclosure of interest in other entities (Amendments) - (Effective 1 January 2016)
- IAS 1 – Presentation of Financial Statements (Amendments) - (Effective 1 January 2016)
- IAS 16 – Property, Plant and Equipment (Amendments) - (Effective 1 January 2016)
- IAS 27 – Separate Financial Statements (Amendments) - (Effective 1 January 2016)
- IAS 28 – Investment in Associates and Joint Ventures (Amendments) - (Effective 1 January 2016)
- IAS 38 – Intangible Assets (Amendments) - (Effective 1 January 2016)

2. Statement Of Accounting Policies (continued)

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

- IAS 7 – Statement of Cash Flows (Amendments) - (Effective 1 January 2017)
- IAS 12 – Income Taxes (Amendments) - (Effective 1 January 2017)
- 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.

Basis of consolidation

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses 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.

2. Statement Of Accounting Policies (continued)

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 Financial Statements 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, 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.

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.

2. Statement Of Accounting Policies (continued)

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the date the Group first acquires control through the 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.

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. Revenue, from 1 October 2012, includes the regulatory allowance received in respect of the debt service cost and operation costs of the EWIC. Tariff revenue is recognised when receivable from customers, based on metering data.

2. Statement Of Accounting Policies (continued)

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

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

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, ancillary services and interruptible load. Direct costs are recognised as they are incurred.

Operating profit

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

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

Leases

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

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

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

Foreign currencies

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

2. Statement Of Accounting Policies (continued)

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

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

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

Retirement benefit costs

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

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

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

Taxation

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

The tax currently payable is based on taxable profit for the 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.

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.

2. Statement Of Accounting Policies (continued)

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

Property, plant and equipment

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

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

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

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

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

- Cables: 40 years;
- Converter stations, warehouse and equipment: 30 years;
- Foreshore licences: 30 years;
- Spare transformer and spare parts: 30 years;
- 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 Single Electricity Market asset is the central IT system used to settle and administer the wholesale electricity market in the island of Ireland.

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

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

Borrowing costs

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

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

2. Statement Of Accounting Policies (continued)

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

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

Intangible assets

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

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

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

Impairment of assets

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

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

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

Grants

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

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

2. Statement Of Accounting Policies (continued)

Financial assets and liabilities

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

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

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

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

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

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

Derivative financial instruments

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

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

Hedging instruments

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

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

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

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

2. Statement Of Accounting Policies (continued)

Interest-bearing loans and borrowings

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

Finance income and costs

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

- **Useful lives of property, plant and equipment**
  The depreciation charge for property, plant and equipment depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual value. The useful lives of assets are determined by management at the time the assets are acquired and are reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

- **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 2017 is €178.5m (2016: €196.0m) and the fair value of plan assets is €156.7m (2016: €142.1m). 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, after the asset ceiling but before deferred tax, of €24.1m (2016: €53.9m).

2. Statement Of Accounting Policies (continued)

- **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 2017 was €20.0m (2016: deferred tax asset of €24.4m). The deferred tax liability at 30 September 2017 was €22.6m (2016: deferred tax liability of €17.4m).

- **Intangible assets**
  The Group tests annually whether its goodwill and licence agreement assets have suffered any impairment. The recoverable amount of the intangible assets allocated to a Cash Generating Unit (CGU) has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2023 and are sensitive to the finalisation of price control determinations with regulatory authorities. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. Intangible assets at 30 September 2017 were €2.1m (2016: €2.2m).

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.
- SONI Transmission System Operator ('SONI TSO'), which is licensed by the Utility Regulator Northern Ireland (URegNI) and derives its revenue from acting as the TSO in Northern Ireland. Trading in EirGrid UK Holdings Limited, the holding company of the SONI subsidiary, has been included in the SONI segment.
- Operation and the ownership of East-West Interconnector ('EWIC'), being the link between the electricity grids of Ireland and Britain.

3. Segment Information (continued)

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

Income Statement items	Notes	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
Operating costs		(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 credit							(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

3. Segment Information (continued)

The comparative segment results for the financial year ended 30 September 2016 are as follows:

Income Statement items	Notes	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue		374,108	169,494	119,509	42,679	(33,174)	672,616
Direct costs		(304,945)	(153,641)	(102,035)	-	33,174	(527,447)
Gross profit		69,163	15,853	17,474	42,679	-	145,169
Operating costs		(51,023)	(7,948)	(16,729)	(8,563)	-	(84,263)
Depreciation (net of amortisation)		(6,916)	(4,958)	(2,598)	(13,208)	-	(27,680)
Impairment		-	-	(7,116)	-	-	(7,116)
Other operating costs		(57,939)	(12,906)	(26,443)	(21,771)	-	(119,059)
Operating profit/(loss)		11,224	2,947	(8,969)	20,908	-	26,110
Interest and other income							423
Finance costs							(18,677)
Profit before taxation							7,856
Income tax credit							866
Profit for the year							8,722
Balance Sheet items							
Segment assets		363,412	151,840	40,099	514,612	-	1,069,963
Goodwill and intangible assets	12						2,159
Total assets as reported in the Consolidated Balance Sheet							1,072,122
Segment liabilities		527,901	122,690	24,687	251,342	-	926,620
Total liabilities as reported in the Consolidated Balance Sheet							926,620

3. Segment Information (continued)

Geographical information

	Revenue		Non-current assets	
	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Ireland	447,089	510,734	579,846	569,480
UK	132,326	161,882	27,331	22,305
Total	579,415	672,616	607,177	591,785

Information about major customers

Included in EirGrid TSO segment revenues of €382.1m for the financial year to 30 September 2017 (2016: €374.1m) are revenues of approximately €163.2m (2016: €170.8m), €57.9m (2016: €59.7m), €47.7m (2016: €45.8m) and €36.7m (2016: €34.6m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €89.3m for the financial year to 30 September 2017 (2016: €169.5m) are revenues of approximately €34.0m (2016: €65.0m), €12.9m (2016: €35.5m), €18.4m (2016: €34.1m) and €8.4m (2016: €14.2m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €110.0m for the financial year to 30 September 2017 (2016: €119.5m) are revenues of approximately €40.2m (2016: €47.7m), €25.5m (2016: €30.0m), €21.5m (2016: €20.4m) and €12.0m (2016: €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 2017 was 360 (2016: 373), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2017 was 112 (2016: 107). The staff costs associated with these employees have been capitalised and totalled €11.7m for the year to 30 September 2017 (2016: €10.4m).

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

	Year to 30 Sep 2017 Number	Year to 30 Sep 2016 Number
EirGrid TSO	232	233
SONI TSO	96	99
SEMO	26	35
EWIC	6	6
Capital projects	112	107
Total	472	480

4. Employees (continued)

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

	Group		Company	
	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000	**Year to 30 Sep 2017 € '000**	Year to 30 Sep 2016 € '000
Wages and salaries	35,878	35,679	27,143	27,003
Social welfare costs	4,225	3,912	3,105	2,801
Other retirement benefit costs	11,202	9,155	9,230	7,264
Other compensation costs – restructuring costs	-	567	-	567
Total remuneration paid to employees	**51,305**	49,313	**39,478**	37,635
Employee costs charged to Income Statement	39,608	38,903	30,011	28,853
Employee costs capitalised	11,697	10,410	9,467	8,782
Total remuneration paid to employees	**51,305**	49,313	**39,478**	37,635

Key management personnel compensation:	**Year to 30 Sep 2017 € '000**	Year to 30 Sep 2016 € '000
Salaries and short-term employee benefits	1,380	1,432

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 2017 € '000**	Year to 30 Sep 2016 € '000
€50,000 - €75,000	185	183
€75,001 - €100,000	84	90
€100,001 - €125,000	51	57
€125,001 - €150,000	28	29
€150,000 + *	20	22
Total	**368**	381

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

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Employee costs (note 4)	39,608	38,903
Depreciation of property, plant and equipment (note 14)	31,724	30,752
Amortisation of grant (note 17)	(3,072)	(3,072)
Operations and maintenance	42,714	45,810
Impairment of intangible assets (note 12)	-	7,116
Total	**110,974**	119,059

6. Interest And Other Income, And Finance Costs

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Interest income:		
Interest income on deposits	240	423
Finance costs:		
Bank loans and overdrafts made to the Group	17,769	18,074
Net pension scheme interest (note 23)	863	603
Total finance costs	**18,632**	18,677

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 during the year, from the 8 September 2016 to 23 December 2016, due to a fault that occurred when the Interconnector was being returned to service following the annual maintenance outage on 8 September, 2016. EWIC was out of commission again from 17 March 2017 to 24 March 2017 due to the same fault. The Group is currently pursuing options for the recovery of costs associated with the outages. These include negotiations with the contractor and with our insurers. No further information is included due to the prejudicial nature of the matter.

Revenue for the EWIC for the financial year comprised the financial year regulated tariff of €16.6m (2016: €19.3m).

The remainder of revenue in respect of the EWIC relates to auction receipts totalling €6.6m (2016: €13.0m) and also income from provision of other system services €6.6m (2016: €10.4m). Auction receipts are a revenue stream for the Group arising from the operation of the EWIC whereby capacity is sold on the interconnector. Auction receipts form part of the determination of regulatory over recoveries which are returned in future periods.

7. East-West Interconnector Operations (continued)

The financial year Loss Before Tax for EWIC operations was €12.4m (2016: Profit Before Tax €3.4m). 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:

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Depreciation (note 14)	31,724	30,752
Amortisation of grant (note 17)	(3,072)	(3,072)
Operating lease rentals	3,492	3,286
Foreign exchange loss	1,284	5,286

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

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
– for services as a Director	97	117
– for Executive Director services	188	188
Total	285	305

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)	29	29

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:

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
– audit of group companies	147	138
– other assurance services	13	33
– tax advisory services	177	76
– other non-audit services	-	16
Company		
– audit of individual company accounts	65	65
– other assurance services	13	33
– tax advisory services	142	34
– other non-audit services	-	16

9. Income Taxes

Charge/(credit) to Income Statement:

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Current tax expense/(credit)	299	(311)
Deferred tax relating to the origination and reversal of temporary differences	1,089	(555)
Effect of changes in tax rates and laws	-	-
Income tax expense/(credit) for the year	1,388	(866)

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

Group	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Profit before tax	3,365	7,856
Taxation at standard rate of 12.5% (2016: 12.5%)	421	982
Effect of higher rates of tax on other income	88	88
Effect of income and expenses excluded in determining taxable profit	(326)	8
Effect of R&D tax credit	(394)	(421)
Effect on deferred tax balances due to the change in the UK income tax rate	-	(85)
Effect of higher rates of tax on gains/(losses) in UK subsidiaries	398	(1,051)
Under/(over) provision in prior years	253	(937)
Other differences	948	550
Income tax expense/(credit) recognised in Income Statement	1,388	(866)

Corporation tax in respect of the Group's UK based operations is calculated at 19.5% (2016: 20%) 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:

Group	Intangible assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Total € '000
Deferred tax (liability)/asset as at 1 October 2015	**(3,617)**	**(12,992)**	**3,498**	**12,441**	**1,052**	**382**
Credit/(charge) to the Income Statement for the year	2,675	(3,675)	244	-	1,311	555
Credit to the Statement of Comprehensive Income	-	-	3,347	2,590	-	5,937
Exchange differences	309	(76)	(96)	-	-	137
Deferred tax (liability)/asset as at 30 September 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)
Charge 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)**
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)**
Deferred tax asset	-	-	6,993	15,031	2,363	24,387
Deferred tax liability	(633)	(16,743)	-	-	-	(17,376)
Total 30 September 2016	**(633)**	**(16,743)**	**6,993**	**15,031**	**2,363**	**7,011**

*Includes deferred tax on SONI asset ceiling

9. Income Taxes (continued)

Company	Accelerated tax depreciation € '000	Retirement benefits obligation € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 October 2015	689	3,222	8,805	12,716
(Charge)/credit to the Income Statement for the year	(65)	349	-	284
Credit to the Statement of Comprehensive Income	-	2,628	2,062	4,690
Deferred tax asset as at 30 September 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

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

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Ireland	(2,844)	5,557	11,682	17,690
UK	263	1,454	-	-
Net deferred tax (liability)/asset	(2,581)	7,011	11,682	17,690

10. Company Income Statement

As permitted by section 304(2) of the Companies Act 2014, the Parent Company is availing of the exemption from presenting its separate Income Statement and from filing it with the Companies Registration Office. The consolidated profit for the financial year to 30 September 2017 includes a profit attributable after tax to the Company of €11,148,000 (2016: €23,022,000).

11. Dividends

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

Dividends to Shareholders	30 Sep 2017 € '000	30 Sep 2016 € '000
Equity		
Final 2017 dividend paid - €133.33 per Ordinary Share (Final 2016 dividend paid - €116.67 per Ordinary Share)	4,000	3,500
Total	4,000	3,500

The Directors of the Group propose the payment of a final dividend of €4,000,000 (2016: €4,000,000) for the financial year ended 30 September 2017.

12. Intangible Assets

Group	Goodwill € '000	Licence agreements € '000	Total € '000
Cost			
Balance as at 1 October 2015	5,252	21,534	26,786
Exchange differences	(737)	(3,137)	(3,874)
Balance as at 30 September 2016	4,515	18,397	22,912
Exchange differences	(89)	(374)	(463)
Balance as at 30 September 2017	4,426	18,023	22,449
Accumulated Impairment Losses			
Balance as at 1 October 2015	5,252	11,369	16,621
Impairment charge	-	7,116	7,116
Exchange differences	(737)	(2,247)	(2,984)
Balance as at 30 September 2016	4,515	16,238	20,753
Exchange differences	(89)	(316)	(405)
Balance as at 30 September 2017	4,426	15,922	20,348
Carrying amount as at 30 September 2017	**-**	**2,101**	**2,101**
Carrying amount as at 30 September 2016	-	2,159	2,159

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

	30 Sep 2017 € '000	30 Sep 2016 € '000
SONI TSO	-	-
SEMO	2,101	2,159
Total	2,101	2,159

12. Intangible Assets (continued)

The recoverable amount of the intangible assets allocated to a CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2023. 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 draft determination for the period 2018-2021.
- SONI profitability levels have been based on the SONI final determination paper, released February 2016 covering the 2015-2020 price control period and the outcome of the CMA appeal published in November 2017. Estimated regulatory recoveries have been used to forecast profitability levels in the period beyond the current price controls;
- Discount rates of 4.72% and 5.90% (2016: 4.72% and 5.90%) have been assumed for the SEMO and SONI TSO CGUs respectively, based on the above mentioned price controls;
- Growth rates of 2.0% (2016: 2.0%) have been assumed into perpetuity for SEMO and SONI TSO regulatory asset bases (RAB). A nil% growth rate (2016: nil%) has been assumed into perpetuity for the SEMO and SONI TSO regulatory incentives. These assumptions reflect management's expectation for long-term growth.

At 30 September 2017, before impairment testing, goodwill of €nil and licence agreements of €nil were allocated to SONI TSO, which derives its revenue acting as the Transmission System Operator for Northern Ireland. On the basis of the above assumptions the Directors have concluded that there is no impairment charge (2016: €5.4m).

At 30 September 2017, before impairment testing, goodwill of €nil and licence agreements of €2.1m were allocated to SEMO, which derives its revenue acting as the Market Operator for SEM. On the basis of the above assumptions the Directors have concluded that there is no impairment charge (2016: €1.0m).

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows (which are subject to final Price Control outcomes), the assumed gearing ratio achievable, the discount rates applied to those cash flows and the expected long term growth rates. The Group has conducted a sensitivity analysis on the impairment test of each of the CGU's carrying values. An increase in the discount rate of 0.5% would result in an impairment to the value of the licence in the SEMO CGU of €nil (2016: €0.2m) and an additional impairment to the value of the goodwill and license in the SONI TSO CGU of €nil (2016: €nil) and €nil (2016: €nil) respectively. A decrease in the RAB perpetuity growth rate of 1% would result in an impairment to value of the licence in the SEMO CGU of €nil (2016: €nil) and an additional impairment to the value of the goodwill and licence in the SONI CGU of €nil (2016: €nil) and €nil (2016: €nil) respectively.

13. Investment In Subsidiaries

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

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

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.

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

Investment in Subsidiaries Company	30 Sep 2017 € '000	30 Sep 2016 € '000
Balance at start of year	155,711	155,711
Balance at end of year	155,711	155,711

The Company has made total advances of €31.7m (2016: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2016: €285.0m). No interest is payable on these amounts under the intercompany loan agreement. The Company has recognised an investment of €155.5m (2016: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2016: €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.

14. Property, Plant & Equipment

Group	Land and buildings * €'000	Fixtures and fittings €'000	IS, telecoms equipment and other €'000	Single Electricity Market ** €'000	Motor Vehicles €'000	EWIC €'000	Assets Under Construction *** €'000	Total €'000
Cost								
Balance as at 1 Oct 2015	16,783	2,452	109,210	50,873	-	558,378	23,031	760,727
Additions	-	-	1,062	-	77	197	30,895	32,231
Transfers	34	14	12,218	-	-	-	(12,266)	-
Exchange differences	(1,147)	-	(3,065)	(1,530)	-	-	(1,162)	(6,904)
Balance as at 30 Sept 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 Sept 2017	15,551	2,501	122,557	49,160	77	571,084	71,711	832,641
Depreciation								
Balance as at 1 Oct 2015	4,142	1,826	79,167	50,767	-	33,950	-	169,852
Charge	673	137	13,657	-	5	16,280	-	30,752
Exchange differences	(415)	-	(2,231)	(1,530)	-	-	-	(4,176)
Balance as at 30 Sept 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 Sept 2017	4,994	2,078	102,103	49,054	20	69,316	-	227,565
Carrying amount as at 30 Sept 2017	**10,557**	**423**	**20,454**	**106**	**57**	**501,768**	**71,711**	**605,076**
Carrying amount as at 30 Sept 2016	11,270	503	28,832	106	72	508,345	40,498	589,626

* The cost of the Group's buildings include leasehold improvements.
** The Single Electricity Market asset is the central IT system used to settle and administer the wholesale electricity market in the island of Ireland.
*** Assets under Construction consist of the following:

	30 Sep 2017 €'000	30 Sep 2016 €'000
IS and telecommunications equipment	8,836	6,948
I-SEM Project	55,101	25,790
Celtic Interconnector Project	4,642	5,056
System Services Project	2,473	1,474
Facilities	659	356
EWIC	-	874
Total	**71,711**	**40,498**

14. Property, Plant & Equipment (continued)

Company	Buildings * €'000	Fixtures and fittings €'000	IS, telecoms equipment and other €'000	Motor Vehicles €'000	Single Electricity Market ** €'000	Assets under Construction *** €'000	Total €'000
Cost							
Balance as at 1 Oct 2015	10,407	2,161	89,617	-	41,418	17,633	161,236
Additions	-	-	797	77	-	22,362	23,236
Transfers	-	14	7,683	-	-	(7,697)	-
Balance as at 30 Sept 2016	10,407	2,175	98,097	77	41,418	32,298	184,472
Additions	-	-	5	-	-	26,936	26,941
Transfers	-	35	2,821	-	-	(2,856)	-
Balance as at 30 Sept 2017	10,407	2,210	100,923	77	41,418	56,378	211,413
Depreciation							
Balance as at 1 Oct 2015	3,110	1,765	68,408	-	40,905	-	114,188
Charge	434	137	10,045	5	-	-	10,621
Balance as at 30 Sept 2016	3,544	1,902	78,453	5	40,905	-	124,809
Charge	434	115	8,620	15	-	-	9,184
Balance as at 30 Sept 2017	3,978	2,017	87,073	20	40,905	-	133,993
Carrying amount as at 30 Sept 2017	**6,429**	**193**	**13,850**	**57**	**513**	**56,378**	**77,420**
Carrying amount as at 30 Sept 2016	6,863	273	19,644	72	513	32,298	59,663

*The cost of the Company's buildings represents leasehold improvements. See note 20 for details of the lease.
**The Single Electricity Market asset is the central IT system used to settle and administer the wholesale electricity market in the island of Ireland.
*** Assets under Construction consist of the following:

	30 Sep 2017 €'000	30 Sep 2016 €'000
IS and telecommunications equipment	8,114	6,747
I-SEM Project	41,138	19,357
Celtic Interconnector Project	4,642	5,056
System Services Project	1,910	782
Facilities	574	356
Total	**56,378**	32,298

15. Trade and Other Receivables

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Amounts due in less than one year:				
Trade receivables	72,573	21,574	67,141	18,159
Prepayments and accrued income	19,666	53,225	10,092	45,271
Unbilled receivables	57,286	57,458	57,286	57,458
Amounts owed by subsidiary undertakings	-	-	40,649	23,710
Total	149,525	132,257	175,168	144,598
Amounts due in more than one year:				
Prepayments and accrued income	37,600	36,760	29,600	26,700
Amounts owed by subsidiary undertakings	-	-	198,646	190,565
	37,600	36,760	228,246	217,265
Total	187,125	169,017	403,414	361,863

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

€44.3m (2016: €1.2m) of the Group and Company 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 and Company prepayments and accrued income balances include deferred costs in respect of transmission projects of €44.6m (2016: €74.3m) and €36.6m (2016: €69.3m) respectively, all of which may not be recoverable within twelve months.

Prepayments and accrued income due after more than one year consists of (i) an upfront payment made on an operating lease to secure the use of a docklands site in relation to the East-West Interconnector asset (further details of the lease are shown in note 20) and (ii) balances related to deferred costs in respect of transmission projects.

16. Trade And Other Payables

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	**30 Sep 2017 € '000**	30 Sep 2016 € '000
Trade payables	106,354	154,610	89,195	126,155
Accruals	107,677	108,956	92,769	92,056
Taxation and social welfare	20,249	12,641	19,861	11,391
Other payables	7,224	3,042	7,224	3,028
Amounts owed to subsidiary undertakings	-	-	46,009	36,723
Total	241,504	279,249	255,058	269,353

Taxation and social welfare comprises of the following:

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	**30 Sep 2017 € '000**	30 Sep 2016 € '000
PAYE/PRSI	1,101	254	859	1
VAT	18,549	11,845	18,465	10,846
Withholding tax	599	542	537	544
Total	20,249	12,641	19,861	11,391

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.

€40.6m (2016: €40.5m) of the Group trade payables balance and €2.9m (2016: €3.6m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. €40.6m (2016: €40.5m) of the Company trade payables balance relates to the charge payable to ESB as Transmission Asset Owner. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period.

17. Deferred Income

	€ '000
Group	
Capital Grants	
Balance as at 1 October 2015	105,368
Amortisation of grant	(3,072)
Balance as at 30 September 2016	102,296
Amortisation of grant	(3,072)
Balance as at 30 September 2017	99,224

Analysed as:	**€ '000**
Current	3,072
Non-current	96,152
Balances at 30 September 2017	99,224

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

18. Issued Share Capital

	30 Sep 2017 € '000	30 Sep 2016 € '000
Group and Company		
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.

19. Cash And Cash Equivalents

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Cash and cash equivalents	194,783	282,255	156,272	229,323

Cash and cash equivalents primarily comprises cash held by the Group and 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 Group and Company cash balances are security deposits of €5.7m (2016: €5.9m). Included in the Group's cash balances is €7.4m (2016: €15.0m) 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 €36.3m (2016: €98.7m) held on trust for market participants in the SEM and €19.0m (2016: €11.6m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). Included in the Company's cash balances is €27.2m (2016: €74.0m) held on trust for market participants in the SEM and €14.3m (2016: €8.7m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

The Group had unutilised borrowing facilities of €103.7m (2016: €64.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments.

20. Operating Lease Arrangements

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

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Within one year	3,788	3,454	3,788	3,454
In the second to fifth years inclusive	14,732	13,476	14,732	13,476
After five years	31,534	31,549	31,534	31,549
Total	50,054	48,479	50,054	48,479

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.

21. Capital Commitments

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	**30 Sep 2017 € '000**	30 Sep 2016 € '000
Expenditure contracted for, but not provided for in the Financial Statements	10,600	26,800	8,000	11,000

The Group has contractual commitments arising from the I-SEM project and in respect of the East-West Interconnector project, linking the electricity grids in Ireland and Great Britain.

22. Contingent Liabilities

The Group is not aware of any contingent liabilities at the financial year end (2016: €nil).

23. Retirement Benefits Obligations

Defined Benefit Schemes

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

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

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

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

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

23. Retirement Benefits Obligations (continued)

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.

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 €0.8m (2016: €0.8m).

23. Retirement Benefits Obligations (continued)

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 2017 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.

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

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	178,490	195,945	136,027	148,693
Fair value of Schemes' assets at end of year	(156,659)	(142,081)	(111,924)	(99,097)
Net Liability before asset ceiling	21,831	53,864	24,103	49,596
Impact of asset ceiling excluding amounts included in interest expenses	2,272	-	-	-
Net Liability recognised in Balance Sheet at end of period after impact of asset ceiling	24,103	53,864	24,103	49,596
Deferred tax on net pension obligation (note 9)	(3,013)	(6,993)	(3,013)	(6,199)
Net Liability after Deferred Tax	21,090	46,871	21,090	43,397

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

	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Current service cost	9,596	7,914
Net interest expense	863	603
Employer pension cost capitalised	(1,178)	(1,307)
Amount included in other operating costs relating to defined benefit schemes	9,281	7,210

23. Retirement Benefits Obligations (continued)

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

	Group		Company	
	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000	**Year to 30 Sep 2017 € '000**	Year to 30 Sep 2016 € '000
Remeasurement of net defined benefit liability:				
Actuarial gain arising on Schemes' assets	8,113	11,284	5,919	4,867
Actuarial gain arising from changes in demographic assumptions	5,614	6,095	4,320	4,256
Actuarial gain/(loss) arising from changes in financial assumptions	21,438	(47,670)	18,053	(34,101)
Actuarial gain arising from experience adjustments	1,935	5,671	2,028	3,949
Amount included in the Consolidated Statement of Comprehensive Income	37,100	(24,620)	30,320	(21,029)

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 2017 € '000	30 Sep 2016 € '000	**30 Sep 2017 € '000**	30 Sep 2016 € '000
Present value of defined obligation at beginning of year	148,693	112,321	47,252	44,599
Current service cost including contributions by Schemes' participants	9,961	8,295	1,107	1,210
Interest cost	2,448	2,855	1,124	1,591
Actuarial gain arising from changes in demographic assumptions	(4,320)	(4,256)	(1,294)	(1,839)
Actuarial (gain)/loss arising from changes in financial assumptions	(18,053)	34,101	(3,385)	13,569
Actuarial (gain)/loss arising from experience adjustments	(2,028)	(3,949)	93	(1,722)
Benefits paid	(674)	(674)	(1,531)	(2,996)
Exchange differences	-	-	(903)	(7,160)
Present value of defined benefit obligation at end of year	136,027	148,693	42,463	47,252

23. 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 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000 Before Asset Ceiling	30 Sep 2017 € '000 Impact of Asset Ceiling	30 Sep 2017 € '000 Total	30 Sep 2016 € '000
Fair value of Schemes' assets at beginning of year	99,097	86,544	42,984	-	42,984	43,223
Interest Income	1,679	2,279	1,030	-	1,030	1,565
Remeasurements gain/(loss):						
Gains on Schemes' assets	5,919	4,867	2,194	-	2,194	6,417
Contributions by the Companies	4,403	4,474	939	-	939	1,447
Contributions by Schemes' participants	1,500	1,607	101	-	101	120
Administration costs	-	-	(130)	-	(130)	(137)
Benefits paid	(674)	(674)	(1,531)	-	(1,531)	(2,996)
Impact of asset ceiling excluding amounts included in interest expense	-	-	-	(2,272)	(2,272)	-
Exchange differences	-	-	(852)	-	(852)	(6,655)
Fair value of Schemes' assets at end of year	111,924	99,097	44,735	(2,272)	42,463	42,984

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

	EirGrid Plan		SONI Focus Plan	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Valuation method	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Discount rate	2.20%	1.65%	2.85%	2.45%
State pension increase	1.50%	1.40%	2.60%	2.40%
Salary increases	2.00% plus scale	1.90% plus scale	3.85%	4.40%
Pension increases	2.00%	1.90%	2.60%	2.40%
Inflation	1.75%	1.65%	3.60%	3.40%
Revaluation CEO benefit	1.75%	1.65%	n/a	n/a
Post-retirement life expectancy for those retiring at age 65 in 2037:				
- Men	23.7 years	23.6 years	24.2 years	24.3 years
- Women	25.8 years	25.7 years	26.3 years	26.5 years

23. Retirement Benefits Obligations (continued)

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end was 2.20% (2016: 1.65%) for the EirGrid plan and 2.85% (2016: 2.45%) for the SONI Focus plan. The EirGrid plan discount rate was based on the redemption yield on Euro denominated corporate bonds extrapolated to an approximate duration of 28 years (2016: 29 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated corporate bonds extrapolated to an approximate duration of 20 years (2016: 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 14%.

Funding Requirements and Future Cash Flows

An on-going funding valuation of the EirGrid Plan is required every three years to review the contribution rate required to fund future benefits. The most recent actuarial valuation was carried as at 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 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:

	Fair Value	
EirGrid plan	**30 Sep 2017 € '000**	30 Sep 2016 € '000
Equities	45,341	45,977
Bonds	20,378	17,207
Property	8,338	7,868
Cash	1,772	1,747
Alternatives	30,573	21,630
Annuities	5,522	4,668
Fair value of plan assets	111,924	99,097

For the EirGrid plan assets all except annuities €106.4m (2016: €94.4m) have quoted market prices in an active market. The annuities €5.5m (2016: €4.7m) have no quoted market prices in an active market hence are level 2.

23. Retirement Benefits Obligations (continued)

SONI Focus plan	Fair Value 30 Sep 2017 € '000	30 Sep 2016 € '000
Equities	26,155	22,843
Gilts and bonds	18,276	19,298
Other	304	843
Fair value of plan assets	44,735	42,984

For the SONI Focus plan assets all categories (€44.7m) (2016: €43.0m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €10.8m (2016: €14.5m). The actual return on the EirGrid plan scheme assets was a gain of €7.6m (2016: €7.2m) and the actual return on the SONI Focus Plan scheme assets was a gain of €3.2m (2016: €7.3m).

The Group expects to pay contributions of €4.9m (2016: €4.6m) for the EirGrid plan and €1.0m (2016: €1.3m) for the SONI Focus plan in the financial year to 30 September 2018.

24. Interest In Joint Operation

Group

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

Company

The Single Electricity Market (SEM) is the wholesale electricity market operating in Ireland and Northern Ireland, which came into operation on 1 November 2007. On that date the old wholesale electricity market in Ireland ceased and the new SEM commenced. SEMO was established as the contractual joint 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.

24. 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 2017 € '000	30 Sep 2016 € '000
Non-current assets	2,212	5,128
Current assets	98,098	129,347
Total assets	100,310	134,475
Total equity	19,805	20,300
Current liabilities	80,505	114,175
Total liabilities	80,505	114,175
Total equity and liabilities	100,310	134,475

	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Revenue	66,999	127,121
Expenses	(67,776)	(124,910)
Operating (loss)/profit	(777)	2,211

25. Borrowings

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Repayable within one year:				
Bank loans repayable by instalments	15,149	14,444	8,758	8,399
Total current borrowings	15,149	14,444	8,758	8,399
Repayable after more than one year by instalments:				
Between one and two years	15,886	15,149	9,132	8,758
Between two and five years	52,360	49,947	29,792	28,572
In five years or more	256,025	274,111	182,510	192,863
Total non-current borrowings	324,271	339,207	221,434	230,193
Total borrowings outstanding	339,420	353,651	230,192	238,592

25. Borrowings (continued)

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

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

	30 Sep 2017 € '000	30 Sep 2016 € '000
Included in current liabilities:		
Bank loans	15,149	14,444
Current interest-bearing loans and borrowings	15,149	14,444
Included in non-current liabilities:		
Bank loans	324,271	339,207
Non-current interest-bearing loans and borrowings	324,271	339,207
Total bank loans and overdrafts	339,420	353,651
Total interest-bearing loans and borrowings	339,420	353,651

The terms of outstanding loans are as follows:

	Currency	Financial year of maturity	Carrying amount € '000
As at 30 Sep 2017			
Unsecured term loan facility	EUR	2030	109,228
Unsecured term loan facility	EUR	2035	230,192
			339,420
As at 30 Sep 2016			
Unsecured term loan facility	EUR	2030	115,059
Unsecured term loan facility	EUR	2035	238,592
			353,651

26. Categories Of Financial Assets And Financial Liabilities

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Financial assets classified as loans and receivables:				
Trade receivables	72,573	21,574	67,141	18,159
Amount owed by subsidiary undertakings	-	-	239,295	214,275
Cash and cash equivalents	194,783	282,255	156,272	229,323
Total financial assets	267,356	303,829	462,708	461,757
Financial liabilities classified as other liabilities:				
Trade payables	106,354	154,610	89,195	126,155
Amount owed to subsidiary undertakings	-	-	46,009	36,723
Borrowings and bank overdrafts	339,420	353,651	230,192	238,592
Total	445,774	508,261	365,396	401,470
Financial liabilities designated as hedging instruments:				
Derivative financial instruments (note 27)	86,475	120,184	61,973	86,932
Financial liabilities fair valued through profit and loss:				
Derivative financial instruments	-	-	-	-
Total derivative financial instruments	86,475	120,184	61,973	86,932
Total financial liabilities	532,249	628,445	427,369	488,402

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

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

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

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

27. Derivative Financial Instruments And Financial Risk Management

Capital management

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

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

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

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

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

Overview of financial risk management

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

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

The Group manages its liquidity and capital risk for day to day operations through the regulatory process for establishing tariffs with the Commission for 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.

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

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

The Company discharges its Market Operator obligations through a contractual joint 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 2017 were €21.7m (2016: €11.8m). SEMO trade receivables included in Company trade receivables as at 30 September 2017 were €16.3m (2016: €8.9m).

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

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
60 to 90 days	31	644	31	644
90 to 120 days	52	8	52	8
Greater than 120 days	1,409	858	1,015	858
Total	1,492	1,510	1,098	1,510

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

Liquidity risk management

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

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 €103.7m at the Balance Sheet date (2016: €64.0m). The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments. The Group expects to meet its other obligations from operating cash flows.

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

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

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Group Total € '000
Group					
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
30 Sep 2016					
Non interest bearing – trade payables	154,610	-	-	-	154,610
Borrowings and bank overdrafts	-	31,307	125,193	364,860	521,360
Total	154,610	31,307	125,193	364,860	675,970

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Group Total € '000
Company					
30 Sep 2017					
Non interest bearing – trade payables	89,195	-	-	-	89,195
Borrowings and bank overdrafts	-	18,807	75,050	241,645	335,502
Total	89,195	18,807	75,050	241,645	424,697
30 Sep 2016					
Non interest bearing – trade payables	126,155	-	-	-	126,155
Borrowings and bank overdrafts	-	18,822	75,118	260,384	354,324
Total	126,155	18,822	75,118	260,384	480,479

The cash flow hedges are expected to occur and effect the income statement over a period of 18 years.

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

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

	Group		Company	
	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Gains/(losses) arising during the year	19,515	(34,848)	15,479	(25,931)
Reclassified to income statement (included in finance costs)	14,194	14,201	9,480	9,438
Total	33,709	(20,647)	24,959	(16,493)

Market Risk

Interest rate risk management

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

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

Group	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:	30 Sep 2017 %	30 Sep 2016 %	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.8%	3.8%	342,051	356,495	(86,475)	(120,184)
Total active swap contracts	3.8%	3.8%	342,051	356,495	(86,475)	(120,184)

Company	Average contracted interest rate		Notional principal amount		Interest rate swap asset/(liability)	
Derivatives that are designated and effective as hedging instruments carried at fair value, expiring in:	30 Sep 2017 %	30 Sep 2016 %	30 Sep 2017 € '000	30 Sep 2016 € '000	30 Sep 2017 € '000	30 Sep 2016 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.7%	3.7%	230,192	238,592	(61,973)	(86,932)
Total active swap contracts	3.7%	3.7%	230,192	238,592	(61,973)	(86,932)

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

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

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

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

Interest rate sensitivity analysis

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

If current and forward interest rates had been 50 (2016: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2017 would have been impacted by €nil (2016: €nil); and
- Other equity reserves would have been impacted by €16.1m/(€17.2m) (2016: €19.2m/(€21.0m)), mainly as a result of changes in the fair value of its cash flow hedges.

If current and forward interest rates had been 50 (2016: 50) basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the financial year to 30 September 2017 would have been impacted by €nil (2016: €nil); and
- Other equity reserves would have been impacted by €12.1m/(€12.9m) (2016: €14.3m/(€15.7m)), mainly as a result of changes in the fair value of its cash flow hedges.

Foreign currency exchange risk management

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

Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded an operating profit of €4.7m during the year to 30 September 2017 (2016: €9.0m loss). A 20% increase or decrease has been used when reporting foreign currency exchange risk and represents management's assessment of reasonably possible changes in exchange rates.

If exchange rates had been 20% higher/lower and all other variables were held constant, the Group's profit before tax for the year to 30 September 2017 would be impacted by €11.0m (2016: €6.0m). Other equity reserves would have been impacted by €1.5m (2016: €2.8m).

28. Related Party Transactions

Group

EirGrid plc is an Irish commercial semi-state organisation, and as such is a related party of the Government of Ireland. John O'Connor, Fintan Slye and 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 and Company Income Statements under this Agreement were as follows:

	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Transmission asset owner charge	215,545	210,352

At 30 September 2017 a total of €39.4m (2016: €39.2m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2017 € '000	30 Sep 2016 € '000
Opening balance	39,169	37,363
Charges during the year	215,545	210,352
Payments made during the year	(215,336)	(208,546)
Closing balance	39,378	39,169

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

28. Related Party Transactions (continued)

Company

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

Year to 30 September 2017	Interest receivable €'000	Charges received from related party €'000	Amounts owed by related party €'000
SONI Limited	201	16,062	14,662
EirGrid Interconnector Designated Activity Company	-	-	154,899
EirGrid UK Holdings Limited	451	11	22,117
EirGrid Telecoms Designated Activity Company	-	-	1,612
	652	16,073	193,290

Year to 30 September 2016	Interest receivable €'000	Charges received from related party €'000	Amounts owed by related party €'000
SONI Limited	166	18,765	11,466
EirGrid Interconnector Designated Activity Company	-	-	148,230
EirGrid UK Holdings Limited	194	10	22,071
EirGrid Telecoms Designated Activity Company	-	-	1,350
	360	18,775	183,117

At 30 September 2017 €193.3m (2016: €183.2m) was due to the Company from its subsidiaries.

The Company has made total advances of €31.7m (2016: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2016: €285.0m). Management estimate that on-lent interest free debt will be repaid on a schedule matching the terms of the on-lent debt. The terms of interest free intercompany debt are such that the intercompany debt portion may only be repaid once commercial funding has been repaid.

The Company has recognised an investment of €155.5m (2016: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2016: €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 (note 13). Management estimate that on-lent interest free debt will be repaid on a schedule matching the terms of the on-lent debt.

Over the life of these loans notional interest will be charged to EirGrid Interconnector Designated Activity Company such that by the repayment date the balances reflect the initial amounts lent. During the financial year €7.8m (2016: €7.8m) was recharged under this arrangement.

All borrowings by subsidiaries are guaranteed by EirGrid plc through a cross-guarantee structure. The Company has issued letters of support for its EirGrid UK Holdings Limited, 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 £10m (2016: £10m).

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

29. Post Balance Sheet Events

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

30. Approval Of Financial Statements

The Board approved the Financial Statements on 20 December 2017.