Innovative partnerships for a brighter tomorrow

EirGrid plc **Annual Report 2017**

EIRGRID GROUP

The current. The future.

EirGrid Group
Annual Report 2017

The cover shows Jake Bracken, Project Development Manager at Schwungrad Energie and Karen O'Doherty, Senior Lead Engineer from the SONI Innovation team.

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

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

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

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

EirGrid Group includes SEMO - the Single Electricity Market Operator. SEMO operates the wholesale electricity market across the island of Ireland.

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

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

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

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

October **2016**

SONI announces a corporate partnership with the Londonderry Chamber of Commerce. This will deliver meaningful engagement with business and political leaders in the North West.

November **2016**

The winners of our Time is Now competition are announced, to celebrate our role as official timing sponsor for the GAA. One club in each province wins a digital clock and scoreboard for their grounds.

December **2016**

An Bord Pleanála grants planning permission for the North South Interconnector in Ireland. This follows public support for the project from the business community in Ireland and Northern Ireland. The judicial appeals process now starts.

2017
Revenue
in €millions

€579.4

2017 Wind Record

On 25th January, the record for most all-island wind-generation in a single day was broken.

3,088 MW

January 2017

We start a process of consultation for Tomorrow's Energy Scenarios to help plan for the future of the grid. This topic is highlighted at our annual conference.

February 2017

EirGrid wins the overall Plain English Award in recognition of our work to make our communications clear and accessible.

March 2017

As part of our corporate and social responsibility programme, a team of mentors from EirGrid hold a coaching day with transition year students from Margaret Aylward Community College in Dublin.

April **2017**

EirGrid wins an Annual Achievement Award from the Utility Variable-Generation Integration Group. This recognises our success at integrating renewable energy on the grid.

May **2017**

CIGRÉ – the International Council of Large Electric Systems – holds its annual conference in Dublin. This prestigious event validates EirGrid's role as a thought leader and innovator.

June **2017**

SONI brings the mobile information centre to the Armagh agricultural show. This gives a chance for landowners, farmers and locals to find out about our projects in the area.

2017
Profit
Before tax
in €millions

€3.4

2017
Dividend
Proposed to be paid to Irish Exchequer in €millions

€4.0

August **2017**

EirGrid sponsors the Trim Juvenile GAA fundraising cycle. Over 50 members took part in the 20 km and 40 km cycle to raise funds for youth games coaching.

July **2017**

EU-SysFlex, an EirGrid-led consortium of 34 organisations from 15 countries, is awarded €20 million in EU funding. This initiative will research how to add more renewable energy to electricity systems.

September **2017**

At the Siemens Innovation workshop, John Fitzgerald presents ‘The Irish Energy System and Current Challenges’. Other presentations covered innovative topics such as nanotechnology, gas insulated lines and mobile sub stations.

Chairperson's Report

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

John O'Connor, **Chairperson**

I am delighted to present the 2017 EirGrid plc Annual Report under the theme of "Innovative Partnerships for a Brighter Tomorrow".

Our company is at the heart of the electricity network in Ireland and Northern Ireland. We take power from where it is generated, and transport it throughout the island of Ireland using the transmission grid. We also run the single electricity market (SEM) across both jurisdictions.

We must deliver a grid that is capable of flexing towards a low-carbon, smart technology future, which is a collaborative process. To achieve this, EirGrid Group is developing strong partnerships to bring grid innovation to every corner of the island.

Opposite page: The EirGrid team of agricultural liaison officers.

Innovating to integrate renewable energy

This approach is exemplified by our role in the EU-SysFlex project. EirGrid Group is leading this consortium of 34 organisations from 15 countries across Europe. In 2017 this project was awarded over €20 million in EU funding for four years of research into the deployment of renewable energy.

This project is a validation of EirGrid Group's Innovation Programme. This drives us to research, develop and deploy innovative solutions to manage the ever-changing power system.

Interconnection and I-SEM

A shining example of our partnership approach is the proposed Celtic Interconnector. This is a joint initiative with our French counterpart, Rté – the French transmission system operator.

Above: Renewable energy generation.

The interconnector would, for the first time, link the electricity grids in Ireland and France. This will help us integrate to the wider European electricity market. This will improve Ireland's security of supply, competition and the efficient use of renewables.

In 2017, after an assessment process, we identified that the best option for the Celtic Interconnector to connect to the grid is in East Cork. We continue to investigate and consult on the route, and on further details of the project.

We were also pleased to agree a time line for the submission of an investment request to the Irish and French regulatory authorities. This paves the way for EirGrid and Rté to take the project to the next stage.

One of the most significant projects progressed this year is the move to the Integrated Single Electricity Market (I-SEM). The project is a major and complex undertaking for the group. It amounts to a complete reform of the SEM. This is making great demands on resources, but will yield ongoing benefits for both market participants and consumers.

We continue to work closely on this project with our regulatory partners. This includes the Commission for Regulation of Utilities in Ireland, and the Utility Regulator in Northern Ireland. We are also engaging with customers and other key stakeholders to ensure a smooth transition to the new market arrangements.

Another key project has been the North South Interconnector. This was granted full planning permission in Ireland by An Bord Pleanála in December 2016.

We are looking forward to the outcome of two reviews of international practice relating to this project. These were commissioned by the Minister for Communications, Climate Action and Environment.

In Northern Ireland, the Public Inquiry was held in February 2017 for the northern element of the North South Interconnector. The Planning Appeals Commission made their positive recommendation to the Department of Infrastructure in November 2017.

In the year ahead, our staff will work to the greatest possible extent with local communities and landowners. This will help progress this vital piece of national infrastructure.

In conclusion

I would like to thank each of my fellow directors for their significant contribution and support during the year. I was pleased to welcome five new directors to the board: Shane Brennan, Dr Theresa Donaldson, Lynne Crowther, Eileen Maher and John Trethowan.

I especially wish to record my thanks to Richard Sterling, who chaired the audit committee for a significant period, and Doireann Barry, who was the elected staff board representative. They both left the Board in the last financial year after giving outstanding service over many years. I also want to thank the executive directors and all of our staff for their commitment and effort during the year.

Special thanks are also due to Niamh Cahill, who retired after many years of sterling service as company secretary and head of legal services. Niamh made a great contribution to the success of EirGrid, especially in its formative years.

I particularly want to thank and pay special tribute to Fintan Slye, our chief executive, who is leaving the group to take up a challenging new role in Great Britain. Fintan provided dynamic forward-looking leadership to the group over the past five and a half years. The programmes of change and innovation which he championed have left the group in a much better place. I greatly appreciate his help and support to me as chairperson. I wish him well in his future career.

I also wish to thank the Minister for Communications, Climate Action and Environment, Denis Naughten and his officials. Similarly, I wish to thank officials in the Department for the Economy in Northern Ireland. Both departments have provided constructive relationships and support throughout the year.

Stability and innovation for a secure energy future

Fintan Slye, **Chief Executive**

2017 was another year of good performance for EirGrid Group. During 2017, revenue dropped from €672.7m to €579.4m. Profit before tax was €3.4m, with underlying profits at €16.0m. As a result, we can deliver a proposed dividend of €4.0m to the shareholder.

During the year, we continued to operate a safe, secure, reliable power system in Ireland and Northern Ireland. We managed this successfully while dealing with record levels of renewable generation.

Innovating to integrate renewable energy

We saw great progress on our Delivering a Secure and Sustainable Electricity System (DS3) programme. This initiative is helping to make the grid ready for a larger proportion of renewable energy generation.

Opposite page: A survey vessel working on the Celtic Interconnector project.

Electricity from renewable sources – like wind – is not always available when needed, and can't easily be stored. In addition, unlike legacy forms of generation, many renewables don't deliver a predictable, continuous flow of power. These characteristics create considerable challenges for all transmission grids.

EirGrid Group is a world-leader in solving these issues, and so can integrate increasing levels of renewable power on the grid. In March, the SNSP (System Non-Synchronous Penetration) operational limit was increased to 60%.

This means we can securely and economically operate the grid when up to 60% of the power it carries comes from renewable sources. We are now trialling operating at 65% SNSP.


Briggs
SURVEY

Our DS3 Programme puts EirGrid Group on the leading edge in the field of integrating renewable electricity generation to the grid.

We are planning a further evolution of DS3 System Services that sets a clear path to the early 2020s. This will allow us to test new methods of integrating larger amounts of electricity from renewable sources.

The DS3 System Services qualification trial started in March. These trials give new and unproven technologies the opportunity to prove their capabilities. Twelve providers from Ireland and Northern Ireland are taking part, across a range of technologies.

We continued to encourage the integration of new, innovative solutions into how we develop and operate our power system.

For example, there have been several successful tests of 'Power Off and Save'. This pilot project interacts with up to 1,500 residential customers in Ireland, and reduces demand at peak times.

Separately, we finished a trial of a new technology called Smart Valve in 2017. This technology changes the amount of power transmitted on a circuit in real time.

EirGrid was the first in the world to test this concept on a live electricity system. Technologies like this help maximise the use of existing transmission infrastructure.

Planning and developing the grid

In 2017 we significantly changed how we will develop the grid of the future based on a new approach to grid development in Ireland.

This uses a six-step process to explain why and how we develop the grid. More importantly, it also explains how the general public and stakeholders can influence the decisions we make. We are developing a corresponding framework for Northern Ireland and we expect to trial this in the coming months.

We also launched Tomorrow's Energy Scenarios during the year. We ran a broad and inclusive consultation process on these scenarios, as they are a considered view of our energy future. These scenarios, and the responses we received, will help us plan the appropriate development of the transmission grid.

This year, we continued to upgrade and strengthen the grid where necessary. As part of this process, we made live several new and upgraded transmission stations.

These include Ryebrook, Cloghran and Clonee stations as well as the Knockranny – Galway and Kinnegad – Mullingar 110 kV lines. This line was also the first project where we made community gain payments. This is an initiative that supports local communities near new transmission infrastructure.

We acknowledge the challenges faced when building overhead infrastructure. We will work closely with landowners and communities in the coming year to manage these challenges.

Throughout 2017 we partnered some of the biggest companies in the world to foster jobs and prosperity across the island.

In particular, EirGrid has developed the infrastructure and systems needed to supply power to new data centres.

These facilities house networked computer servers that store huge volumes of data. We achieved this despite the challenging time frames for these large connections.

EirGrid Chairperson, John O'Connor, The European Commissioner for Agriculture & Rural Development, Phil Hogan, and Group Chief Executive, Fintan Slye at the EirGrid Group Annual Conference in January 2017.

European market integration

Throughout the year, we operated the Single Electricity Market efficiently and transparently. We did so at the same time as working to deliver a new and more integrated market with the I-SEM project.

This project remains on schedule for go-live in May 2018, and we achieved several key steps towards this goal in the past year. In particular, this includes the commencement of full market trials in December 2017.

This included the completion of a new Trading & Settlement Code and the start of end-to-end testing for the new market systems. We also continue to develop and deliver the complex IT infrastructure necessary to achieve I-SEM.

The first I-SEM capacity auction occurred on schedule on Friday the 15th of December 2017. The auction ran successfully, with 100 capacity market units taking part. This was another step on the road to I-SEM going live in May 2018.

In 2017, we continued to participate actively in ENTSO-E, and to engage with key policy makers and stakeholders in Brussels. This ensures that the European energy sector takes account of the unique circumstances on the island of Ireland.

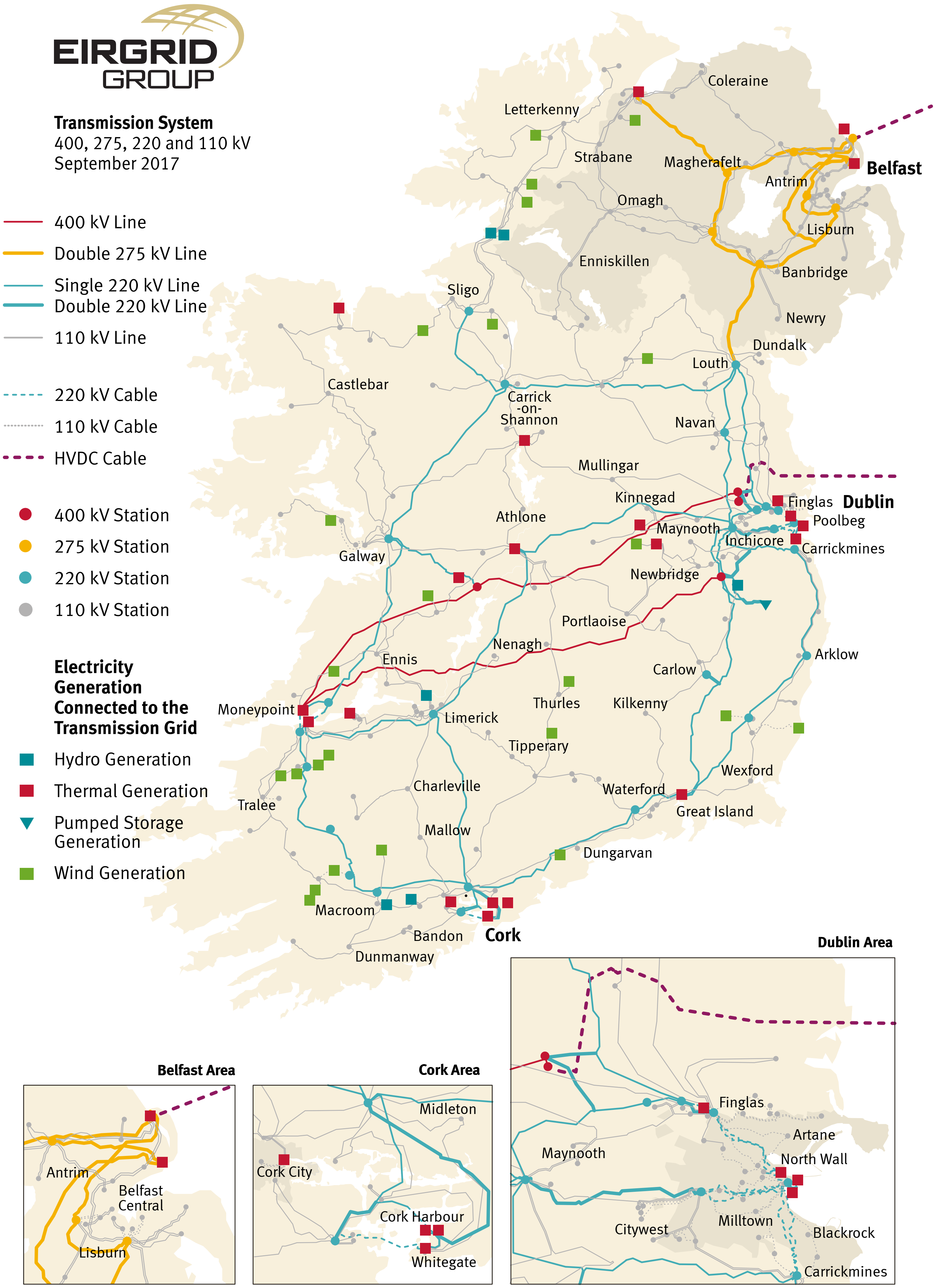
As part of this process, we have assessed the potential impact of Brexit on our business. In response, we put in place an internal working group and a suite of mechanisms. These will monitor developments, engage with stakeholders, and consider potential implications.

Appreciation & thanks

I would like to thank Minister for Communications, Climate Action and Environment, Denis Naughten, for his positive engagement and support. I would also like to thank our regulators, the Commission for Regulation of Utilities, and the Utility Regulator in Northern Ireland. Their feedback and support helps us achieve our shared goals of providing value to electricity consumers across the island.

I want to acknowledge the contribution of all our people, and to commend their hard work and commitment to making each year a success. Their work ensures that the electricity network, market and infrastructure all meet the needs of our customers, and of the communities we serve.

Finally, as this is my last year as Chief Executive, I would like to thank the Chairperson, the Board, the Executive Team and all of the management and staff across the EirGrid Group for all of their support and dedication over the years. I leave the company in good hands and I am confident that it will go from strength to strength and enjoy sustained success for many years to come.


EIRGRID GROUP
Transmission System
400, 275, 220 and 110 kV
September 2017
400 kV Line
Double 275 kV Line
Single 220 kV Line
Double 220 kV Line
110 kV Line
220 kV Cable
110 kV Cable
HVDC Cable
400 kV Station
275 kV Station
220 kV Station
110 kV Station
Electricity Generation Connected to the Transmission Grid
Hydro Generation
Thermal Generation
Pumped Storage Generation
Wind Generation
Coleraine
Letterkenny
Strabane
Magherafelt
Belfast
Antrim
Omagh
Lisburn
Enniskillen
Banbridge
Sligo
Newry
Dundalk
Louth
Castlebar
Carrick -on- Shannon
Navan
Mullingar
Kinnegad
Finglas
Dublin
Poolbeg
Athlone
Maynooth
Inchicore
Carrickmines
Galway
Newbridge
Portlaoise
Nenagh
Arklow
Ennis
Carlow
Moneypoint
Thurles
Kilkenny
Limerick
Tipperary
Wexford
Charleville
Waterford
Great Island
Tralee
Mallow
Dungarvan
Macroom
Bandon
Cork
Dunmanway
Dublin Area
Belfast Area
Cork Area
Midleton
Cork City
Cork Harbour
Whitegate
Antrim
Belfast Central
Lisburn
Finglas
Artane
North Wall
Maynooth
Citywest
Milltown
Blackrock
Carrickmines

Financial Review

Outage of East West Interconnector affects reported profits as underlying performance remains steady

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

Operating profit remained strong for 2017 at €21.8m, however this was a 16% decline on 2016. Profit before tax declined from €7.9m in 2016 to €3.4m in 2017. The outage of the East West Interconnector in the early part of this financial year had a significant impact on profitability.

EirGrid Group is a regulated entity, which means reported profitability is adjusted due to over and under recoveries in prior years. Disregarding such adjustments, underlying profit before tax for the Group was €16.0m in 2017.

Regulation

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

In its role as Market Operator for the SEM, the Group is regulated by the SEM Committee. This comprises the Commission for Regulation of Utilities, the Utility Regulator, an independent member and a deputy independent member. The Group also holds two licences as Interconnector Operator, one from the Commission for Regulation of Utilities and one from Ofgem.

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

Key Financial Highlights **€M**

	All Other Activities	Interconnector East West	Total	All Other Activities	Interconnector East West	Total
			2017			2016
Revenue	549.6	29.8	**579.4**	630.0	42.7	672.7
Direct Costs	(446.7)	0.0	**(446.7)**	(527.5)	0.0	(527.5)
Other Operating Costs	(85.2)	(25.7)	**(110.9)**	(97.3)	(21.8)	(119.1)
Operating Profits	17.7	4.1	**21.8**	5.2	20.9	26.1
Finance Costs	(1.9)	(16.5)	**(18.4)**	(0.7)	(17.5)	(18.2)
Profit Before Tax	**15.8**	**(12.4)**	**3.4**	4.5	3.4	7.9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As with any forecast, there can be variations between the projections and the actual revenue recovery, or cost out-turn. This can result in regulatory under or over recoveries. Any such under or over recoveries are adjusted for in the price determinations for subsequent periods. This can give rise to volatility in the reported statutory earnings of the Group. This is because accounting regulations do not permit results to be smoothed by anticipating under or over recoveries.

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

In 2017, SONI appealed the the Utility Regulator's determination of the SONI Price Control 2015 – 2020 to the Competition and Markets Authority (CMA). In November 2017 the CMA determined the appeal, finding in favour of SONI on several grounds.

Revenues and profitability

The Group's revenue is primarily derived from regulated tariffs. The main revenue is the Transmission Use of System (TUoS) tariff. This is a charge payable by all users of the transmission systems in Ireland and Northern Ireland. We also earn a share of tariffs as Market Operator for SEM. Revenues are also derived from auction receipts for the sale of capacity on the East West Interconnector (EWIC).

Group revenue for the year to 30 September 2017 of €579.4m was €93.3m, (13.9%) lower than the previous year, of which €74.4m was due to a lower imperfections tariff. This reflects a return to market participants in 2017 of previous over recovery of imperfections tariffs.

The profit before tax for 2017 was €3.4m. This is down from €7.9m in 2016, as the outage of the East West Interconnector during the year had a significant impact on profitability.

Excluding the hand back of over recoveries for prior years, management's estimate of the underlying operating profit for 2017 was €16.0m, subject to regulatory uncertainties.

EirGrid paid a dividend of €4.0m in June 2017 in respect of 2015/16. A dividend of €4.0m in respect of 2016/17 is proposed to be paid in early 2018.

Financing

The Group continues to be in a sound financial position. Its borrowings have long repayment dates and are fully hedged against interest rate fluctuations.

EirGrid plc and SONI Limited are currently seeking to put new facilities in place to meet the funding needs of the business over the medium term. This will include the new I-SEM arrangements going live in May 2018.

Opposite page: The SONI team ready to answer questions from the public at the Armagh Agricultural Show.

Above: Philip White, Judy Rudden and Philip Bourke from the HR Corporate Services Team.

Operating efficiently and to a high standard

Our role requires us to manage the flow of power on the grid to balance supply with demand, and to manage the market for wholesale electricity. This ensures that the wholesale cost of electricity reflects the need for power at any given time.

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

Information systems

EirGrid Group uses a suite of highly complex, interdependent IT systems to underpin our core functions. To assess the effectiveness of these critical systems, we measure their availability. This was maintained at 99%+ in 2017.

In 2017, we continued to develop innovative new solutions while operating existing systems. In particular, we made efforts to include greater levels of renewables on the power system. This required us to deliver and support the tools needed to achieve this goal – while still maintaining system stability.

We also delivered a new energy management system platform in 2017. For the first time, this enables the power system to be fully operated on an all-island basis from either Dublin or Belfast.

Cyber security

The security of our computer network and of the electricity control system is an utmost priority. EirGrid Group has continued to invest in protecting our systems and in engaging our staff in Cyber Awareness campaigns. We are committed to ensuring that everyone in our business is vigilant and aware of potential threats.

Delivering for our customers

For EirGrid Group, our customers are those who use or generate large amounts of electricity. It is our responsibility to offer these customers connection to the grid. We have collaborated with ESB Networks and NIE Networks to improve our processes. This allowed us to offer faster delivery timelines to our customers.

This means we can now better accommodate clients if they need to change or upgrade their grid connection equipment. In 2017, our New Connections team connected 590 MW of wind and three new Demand Customers.

New outage planning process

Sometimes we need to disconnect a transmission line or other equipment from the grid. This can happen for maintenance, for connection of new customers, or for testing, and is known as an outage.

To ensure continued supply of electricity to customers, all outages need to be carefully planned. We have completed a joint review with ESB Networks of how we plan outages – with significant input from our customers and stakeholders.

As a result, we have implemented several improvements that enable us to plan outages in a more efficient manner. These include:

- a multi-year outage plan;
- improved communication with customers and stakeholders, and;
- new tools and processes to respond to change.

These allow us to maximise the volume of essential work on the grid, without compromising safety or a secure supply of electricity.

Operating the electricity market – 2017 highlights

The all-island wholesale Single Electricity Market (SEM) has been in place since 2007. The Single Electricity Market Operator (SEMO) runs this market as a joint venture between SONI and EirGrid. It is one of our key responsibilities at EirGrid Group.

In 2017, over €1.6 billion was traded through the energy market, with SEMO handling over 37,500 financial transactions. There have also been an increasing number of market participants registering to buy or sell electricity in the SEM.

Over the past year, 22 new parties were registered with SEMO. In addition, 64 new units have entered the market. This includes 8 demand side units, 30 generators, 5 interconnector users and 21 supply units. These are market participants with the capacity to generate electricity, or who need to consume a great deal of electricity.

External factors that will affect the electricity market

European energy policy is rapidly changing. This is necessary both to meet our climate change objectives and to provide a sustainable energy future. The Paris Agreement announced in October 2016, and the proposed 'Clean Energy Package' will shape new legislation for years to come.

Throughout 2017, Brexit negotiations continued between the UK Government and the European Commission. Because of this, the full impact on energy policy in Ireland and Northern Ireland is yet to be determined.

However, we continue to work with key stakeholders here, in Britain and in Europe to manage and plan for the potential effect of Brexit. This ensures we understand the potential implications of Brexit for our business. It also allows us to safeguard our role as designer, developer and operator of the electricity market in Ireland and Northern Ireland.

Energy Use & Environmental Policies

EirGrid Group has an overall goal of encouraging and facilitating increased energy efficiency. Year on year, we have achieved an energy reduction of 5% for our Dublin sites. Across the group, energy usage can be broken down into electricity and fossil fuel - mainly natural gas for heating.

In 2017 EirGrid consumed 3,779 MWh of energy in our Dublin locations of Ballsbridge and the Business Continuity Centre. This is an off-site location with a fully functional backup of the National Control Centre in Ballsbridge. This energy use can be broken down as follows:

- 3,011 MWh of electricity, and
- 768 MWh of fossil fuels.

In 2017 SONI consumed 2,071 MWh of energy in our Belfast offices. This is broken down as follows:

- 1,639 MWh of electricity, and
- 432 MWh of fossil fuels.

We continue to find ways to reduce our own energy use. In 2017, this included installing a "free cooling" system in our Dublin data centre. This system uses naturally cool air from outside the building to operate in a more energy efficient manner. Thanks to all our energy saving initiatives, we are becoming more energy efficient. This puts us on target to achieve the 2020 public-sector target for energy efficiency improvement of 33%.

Delivering grid infrastructure in an effective and timely way

At EirGrid Group, one of our responsibilities is to make sure that the grid can meet the future needs of all electricity users. This sometimes requires us to develop new grid transmission infrastructure so we can meet these future needs.

Tomorrow's Energy Scenarios

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

We developed these scenarios based on our experience and on input received from several stakeholders. These included government, energy research groups, industry representatives, and the public. Each of the four scenarios describes a different future for the generation and consumption of electricity out to 2040.

Innovating to minimise new grid infrastructure

We balance the need for future grid development against the concerns of those who may be affected by these developments. That's why we welcome innovations that make more of existing infrastructure, and so reduce the need to add to the grid. This has been our particular focus in the past year.

Above:
An uprated single circuit pylon.

We always assess the advantages of these new technologies in the context of our role to ensure a reliable and secure electricity supply. To achieve this, we carefully identify, research and trial potential new technologies. We carry out this work in partnership with industry, with technology innovators, and with other grid operators.

Voltage uprating

One of our innovations is to adapt existing infrastructure to increase capacity without having to add new lines or cables. This is called voltage uprating, and we are currently testing a potential increase from 110 kV to 220 kV and from 220 kV to 400 kV.

In 2017, we completed designs for new 220 kV composite poles that are now part of our technology toolbox. These poles allow for voltage uprate from 110 kV to 220 kV. Before we can start to use these composite poles, they must be proven through type testing. This is scheduled to take place in 2018 and will be followed by a pilot trial that is anticipated in 2019.

A new approach to developing the grid

In 2016, we developed a new approach to developing the grid in Ireland. In line with best practice, this new approach aims to achieve greater levels of engagement on every development project.

Using our new approach, we engage to a greater extent with the public, communities, landowners, and stakeholders. This makes our development process more inclusive and effective.

We successfully piloted this new process across several projects in 2017, and we are now applying it to all grid projects in Ireland. Similarly, we are reviewing the grid development process in Northern Ireland to determine the best approach.

In November 2016 we launched ‘Have Your Say’, a guide for the public to our new approach to consultation. This details our approach to developing the electricity grid. Using the ‘Plain English’ standard, it explains how the public and other stakeholders can influence our plans. This approach will evolve and change for the better as we work more closely with the public and other stakeholders.

In 2017, EirGrid won the overall Plain English Award in recognition of our work to make our communications clear and accessible

Key projects completed in 2017

- A new 110 kV line between Kinnegad and Mullingar was energised in March 2017. This was the first project where we awarded €360,000 worth of grants to local community causes.
- In the south-west, a new 220 kV station was energised at Kilpaddoge in North Kerry in August 2017. This station connects to the existing 400 kV network via sub-sea cables across the Shannon estuary. It makes the connection at the newly refurbished 400 kV station at Moneypoint in Co. Clare. This will allow for the transfer of renewable generation from this region to the east of the country on the existing 400 kV network.

- A new 220 kV station was completed in August 2017 at Clonee, Co. Meath. This will supply a new data centre, and was the first 220 kV station built by a customer. We connected the new station to the existing transmission grid in Co. Meath, and this was completed in 15 months.
- Two new 110 kV stations were completed in Galway. They will enable significant renewable generation in the West of Ireland to connect to the transmission system.
- The Brockaghboy 110 kV line was successfully energised in Northern Ireland in August 2017. This line connects to the 47 MW Brockaghboy wind farm and will allow for future renewable connections of up to 200 MW in the Garvagh area.
- The Omagh to Tamnamore 110 kV line completed construction and was then commissioned in October 2017. This project will enable an increased flow of renewable energy from the West of the province. It will also improve security of supply for customers in the west.

North South Interconnector

This project will enhance security of supply and allow for more renewable electricity across the island. It will make the wholesale electricity market more efficient and enable greater competition. It will also put downward pressure on electricity costs for all electricity users across the island of Ireland.

The project is particularly important for Northern Ireland. Without it, Northern Ireland faces a shortfall of electricity from 2021. The North South Interconnector is an EU Project of Common Interest (PCI). This means it is considered an essential step towards EU policy goals of affordable, secure and sustainable energy. It will also improve the regional network and offer opportunities for inward investment.

We received planning approval in December 2016 for the southern section of the North South Interconnector.

In Northern Ireland, the Public Inquiry was held in February 2017 for the northern element of the North South Interconnector. The Planning Appeals Commission made their positive recommendation in November 2017.

East West Interconnector

EirGrid owns and operates the East West Interconnector that links the grids in Ireland and Great Britain. This helps provide a safe, secure, reliable and affordable energy supply for both systems.

Between September and December 2016, an unplanned outage of the interconnector impacted the Group's financial performance.

In May 2017, the East West Interconnector completed a successful transfer to a new substation in Connah’s Quay, Wales. We are continuing to provide a black start service to National Grid in the UK.

Becoming a leader in smart grids and the integration of renewables

Above:
A Smart Wires dynamic power flow controller installed on the Cashla to Ennis 110 kV line.

EirGrid Group is a global leader in integrating renewable electricity on the grid. Our innovation allows for levels of wind generation that are world-leading for an electricity system of this size. Electricity from renewable sources – like wind – is not always available when needed, and can't easily be stored. In addition, unlike legacy forms of generation, many renewables don't deliver a predictable, continuous flow of power. These characteristics create considerable challenges for all transmission grids.

National and EU policy aims to further reduce carbon emissions by increasing the use of clean energy. We must enable this change to meet binding policy targets. Yet as we do so, we must still deliver the energy security that our customers expect.

Sustainable power systems

Increasing amounts of renewable generation on the island of Ireland requires us to do things differently. We respond to this with a pioneering programme called Delivering a Secure Sustainable Power System, or DS3. This allows us to accommodate increasing levels of renewable electricity generation on the grid.

We are always looking for new solutions to help operate the grid in more innovative, efficient and economic ways. To help find potential new System Service providers, we introduced a qualification trial process. This offers a route for new technologies to prove their ability to deliver new solutions that support the aims of the DS3 Programme.

We completed the first qualification trial process this year. This saw successful demonstrations of new technologies in areas like wind and demand side management. This process provided crucial learnings to us and to the industry at large.

Our success at integrating renewable energy is evident in our system information data. We are managing larger amounts of wind-generated electricity each year. On the 25th of January 2017, there was a record-breaking 3,088 MW of power generated by wind. More importantly, in March of 2017 we increased the limit of renewable generation that the grid can reliably carry to 60%.

EU-SysFlex – Innovating to integrate renewable energy

In 2017, a project called EU-SysFlex showed recognition of our success at integrating renewable energy. EirGrid is leading this consortium of 34 organisations from 15 countries across Europe. Together, we are researching how to add more renewable energy to electricity systems in Europe. In 2017, this project was awarded over €20 million in EU funding. This will allow Ireland and the EU to realise their renewable energy goals into the 21st century.

Smart Wires

In 2017, we carried out a world-first: the deployment of new technology to vary the flow of power in real time on a live high voltage electricity system. We partnered with Smart Wires to trial a dynamic power flow controller. This is used to control the amount of power flowing on individual power lines. By adjusting the power flow, we can maximize the use of the existing transmission system by redirecting power on the network.

The devices – called SmartValve – were deployed on an existing 110 kV overhead line. They remained in place for 12 months and were remotely tested from the National Control Centre in Dublin. This trial needed extensive co-ordination and collaboration with Smart Wires. We also worked closely with ESB Networks, who own the transmission system. All three partners worked to install and test this cutting-edge device to deliver real, operational benefits to the grid.

Power Off & Save

Power Off & Save is a pilot programme run in partnership with Electric Ireland. This initiative encourages energy conservation by domestic electricity customers. This helps us to maintain system security during conditions such as periods of high demand. In 2017, we carried out several demand reduction trials using a test panel of up to 1,500 residential customers.

At the mid-point review in June, these events had resulted in a reduction in approximately 290 kW of demand. This had saved 135,575 g CO2 emissions – the equivalent of switching off 7,250 light bulbs.

This kind of action has significant potential to reduce consumer bills and also benefit the environment. It also supports our role as we balance supply and demand on the grid. The programme was nominated in the Technical Innovation category at the Engineers Ireland Awards 2017.

Earning respect and trust

Above: Eoghan O'Sullivan and Grainne Duffy representing EirGrid at the Ploughing Championships in September 2017.

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

Being a responsible business

In November 2016, Business in the Community Ireland awarded us the Business Working Responsibly Mark for our third year. This independently verifies that we carry out our business in a sustainable and responsible way.

To ensure we continue to be a responsible business, we developed a new corporate social responsibility strategy. This will be implemented across a three-year programme, starting in 2018.

Our new CSR Strategy is based on five pledges for excellence:

- **Principles** – We do the best job in the right way;
- **Power** – We power better lives today and tomorrow;
- **Preservation** – We respect the environment;
- **Positivity** – We value and support positive relationships; and
- **People** – We appreciate our people.

Engagement with public and stakeholders

This year, we opened a new information office in Carrickmacross, Co. Monaghan, while our regional offices in Mayo and Armagh remained open.

In 2016, we launched a mobile information centre, which we continue to bring to towns and villages across Ireland and Northern Ireland. This allows liaison officers to meet with and listen to communities and stakeholders.

We also participated in a number of events that allowed us to discuss our work with rural, landowner and farming communities.

At a political level, we continue to work with elected representatives. This ensures we are accessible and can provide them with the information they and their constituents need.

We appeared at the Oireachtas Committee on Communications, Climate Action and Environment.

In Northern Ireland, we gave evidence to the Economy Committee and to the Infrastructure Committee. In Westminster, we provided evidence to the Northern Ireland Affairs Select Committee. We also addressed the House of Lords Committee on Brexit and Energy Security.

Our support for good causes

Education remains a key interest area for us. We continued to work with the students of Margaret Aylward Community College in Dublin. Our staff members helped students to develop CVs, carry out mock interviews, and to learn about working in an office environment.

In 2017 we also supported the Dublin City University Access Programme. This enables disadvantaged students to receive a scholarship.

Through our partnership with Book Trust NI, we engaged with local communities in Armagh and Dungannon. This event saw us hosting fun family events and gifting over 2,300 beautiful books directly to families.

We continued to focus our support on the teaching of Science, Technology, Engineering and Mathematics (STEM). As part of this, we sponsored the Science and Technology in Action education pack. This helps the teaching of science and related subjects in secondary schools.

Other STEM-related activities included supporting the annual Engineers Ireland conference.

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

Staff in EirGrid also carried out fundraising events to support Our Lady's Hospice and Care Services in Harold's Cross, Dublin. Similarly, staff in SONI participated in the World's Biggest Coffee Morning in aid of MacMillan Cancer Support.

Our sponsorships and supports

EirGrid Group carried out a number of sponsorships in 2017. The aim of these activities is to raise awareness and understanding of what we do, as a step towards earning respect and trust of the wider public.

2017 was the third consecutive year of the EirGrid GAA Football Under-21 All-Ireland Championship. We also continued to be the Official GAA Timing Sponsor.

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

The EirGrid Group also supports community organisations through a sponsorship committee. In 2017, this committee selected a range of good causes to support, including:

- Kilcoole GAA Club,
- Hillsborough Boys Junior Football Club,
- Trim GAA Fundraising cycle,
- AsIAm Cycle, and
- Concern Worldwide.

Employee Engagement

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

We are committed to a diverse workforce that enables all of our people to perform to their best. To mark International Women's Day 2017, we hosted networking events in Dublin and Belfast for our female colleagues. We continue to participate in the 30% club, and we have also become a corporate partner of Professional Women's Network (PWN) Dublin.

Earlier this year, we launched our new company Intranet. Our people can use this to engage in online discussions, and to keep up to date on Group news and updates.

We continue to recognise the people whose work best reflects our values. We do so through our employee recognition programme called "Going the Extra Mile".

Developing our People

The EirSkills staff development programme provides development opportunities across a range of competencies.

In 2017, we also launched a new EirGrid Group graduate programme. This aims to attract a diverse pool of new graduates from a broad range of colleges and disciplines.

Working towards greater European integration

For the past decade, we have successfully operated the wholesale electricity market across the island of Ireland.

In 2017, we made the final preparations to deliver an innovative new electricity market for the island of Ireland. This follows several years of planning, design and consultation.

The Integrated Single Electricity Market (I-SEM) is due to go-live in May 2018 and will deliver a range of benefits compared to the existing market. The most significant benefit will be the integration of our market into the wider European market.

This will open the market for wholesale electricity in Ireland and Northern Ireland to much greater competition. This should benefit all electricity consumers.

As part of this project we continue to collaborate extensively with project partners and stakeholders. This includes the Commission for Regulation of Utilities in Ireland, and the Utility Regulator in Northern Ireland. We also liaise with relevant Government Departments in each jurisdiction on this project.

Above: Gary Nolan from EirGrid and Eric Thebault from Rté working on the Celtic Interconnector.

Above:
Rté Chairperson François Brottes, INEA Director Dirk Beckers, European Commission Director General for Energy Dominique Ristori, and EirGrid Chief Executive Fintan Slye sign an agreement releasing €4m of EU funding for the Celtic Interconnector.

Drivers for change in the electricity market

European energy policy has been the primary driver for change in electricity markets. The third legislative package on energy, released in 2009, was particularly important. It created common rules for electricity markets, and on cross-border transmission of electricity. The transition to I-SEM builds on this foundation. However, we also needed to update our market design to more efficiently manage an evolving energy mix on the island of Ireland.

I-SEM will align our market rules more closely to the common European design, so our market can integrate with the wider European market. This will allow for more efficient cross-border trading.

I-SEM will also allow for more active participation by the demand side and for the continuous trade of power up to gate closure an hour ahead of real time.

As a result, there will be an increase in the efficiency of trading in intermittent renewable generation. These innovative features are expected to reduce costs to the consumer and support the regional security of supply.

Progress towards an Integrated Single Electricity Market

The Single Electricity Market itself was an innovative market design and a global first. This is because it covered two jurisdictions using different currencies. The design of the Integrated Single Electricity Market is even more complex.

In 2016, we worked with regulators and industry partners to deliver the proposed rules and a revised trading and settlement code.

There have been several developments in 2017. These included:

- developments to the trading and settlement code;
- a statement of balancing market principles; and
- and the completion of a new capacity market code.

It was also agreed that our function as the Nominated Electricity Market Operator will be called SEMOpx.

Throughout 2017, we ran ongoing information sessions for stakeholder groups. We also offered training for market participants. These engagements provided necessary and positive feedback to help ensure a smooth transition.

All these milestones are paving the way for go-live in May 2018.

Celtic Interconnector

The Celtic Interconnector is a proposed undersea electricity link between the grids of Ireland and France. This is an EU Project of Common Interest (PCI). This means it is an essential step towards EU policy goals of affordable, secure and sustainable energy.

If undertaken, this project will help security of supply, competition and the efficient use of renewables. During 2017 we continued to develop this project in partnership with Rté, the French Transmission System Operator.

In May 2017, we published several detailed and summary assessments about the project. These reports indicated that the best place for this project to connect to the Irish transmission system was in the East Cork area. Throughout the rest of the year we continued to share this information and invite feedback.

The next steps are to submit an investment request to Irish and French regulatory authorities. This is a significant development step for the interconnector and will see EirGrid and Rté make a submission in mid-2018. This will follow a robust assessment of the project benefits that is currently underway.

We also made an application for project funding to the EU's Connecting Europe Facility (CEF). The application was successful, and the project was awarded €4 million in June 2017. Dominique Ristori, the European Commission Director General for Energy, hosted the signing ceremony for this funding. It represents 50% of the eligible costs of the current stage of the project and is the second set of funding received from the CEF. The project was previously awarded €3.9 million in 2015.

The Board of EirGrid Group

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

Front Row, left to right: Dr Theresa Donaldson, John O'Connor, Dr Joan Smyth, Fintan Slye.

The Board of EirGrid Group

John O'Connor
Chairperson

John O'Connor was appointed Chairperson of the Board of EirGrid with effect from 12 November 2013. From 2000 to 2011, he was the Chairperson of An Bord Pleanála, the independent national tribunal for the determination of planning appeals and strategic infrastructure projects.

Prior to that, he served for 35 years as a civil servant in the Department of the Environment where he occupied senior positions as Finance Officer, Principal Housing Policy and Finance and Assistant Secretary in charge of the Planning and Water Services Division.

He has also served as director of three commercial State Bodies: the Housing Finance Agency, Temple Bar Properties and the Dublin Docklands Development Authority. He is also the Chairperson of the Board of Directors of the Respond Housing Association. He holds a Diploma in Public Administration from UCD.

Dr. Joan Smyth
Deputy Chair of the Board

Dr Joan Smyth was appointed to the Board in June 2009 and reappointed for 5 years in 2014. In September 2015, the EirGrid Board appointed her as Deputy Chairperson.

She currently chairs the Woman's Fund for Northern Ireland and was Chair of the Chief Executives' Forum for more than five years. Previously Dr Smyth was Chairperson of the Progressive Building Society based in Belfast, and a Director of Trinity Housing Association.

She served two terms as Chairman of the Northern Ireland Transport Holding Company from 1 July 1999 to 30 June 2005. She was Chair of the Equal Opportunities Commission for NI from 1992 (Chair & Chief Executive until 1 October 1998). She remained in post until the new Equality Commission was established in October 1999. She was elected to the Board of the British Council in September 1999 and chaired its Northern Ireland Committee.

Dr Smyth has a BSc (Econ) from Queen's University, Belfast and is a Companion of the Institute of Personnel and Development. She is a past Federation President of Soroptimist International of Great Britain and Ireland, and is a member of the International Women's Forum. She is Vice President of the Railway Preservation Society of Ireland, and was awarded a CBE in the 1998 New Year's Honours List.

Fintan Slye
Chief Executive

Fintan Slye was appointed Chief Executive of EirGrid on 1 October, 2012. He had previously held the position of Director of Operations of EirGrid, in which he had responsibility for the operation of the power system in Ireland and Northern Ireland, as well as for managing EirGrid and SONI's programme of work to facilitate the integration of world-leading levels of renewables on the power system.

Before his appointment to that position, Fintan worked for McKinsey & Co in their Dublin office, supporting companies across Ireland, UK and Europe. Prior to that, he held a number of project and management roles in ESB National Grid and ESB International. Fintan completed a Masters in Business Administration from UCD in 2001 and a Masters in Engineering Science in 1993.

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

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

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

Michael is highly qualified in Engineering and Business. He holds a Degree in Civil Engineering from NUIG and a Masters in Business Administration from UCD. In 2014, he was conferred with an Honorary Doctorate by DIT in recognition of his contribution as an engineer, a public servant and as a servant to his community.

He is a Fellow of four professional institutions and is a Chartered Engineer, a Chartered Director and a Chartered Water & Environment Manager.

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The Board of EirGrid Group

Liam O'Halloran
Board Member

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

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

Shane Brennan
Board Member

Shane Brennan was appointed to the board in December 2016 as the EirGrid staff representative. He has over 20 years of engineering experience spanning manufacturing, automation and the semi-conductor industry and commenced employment with EirGrid in 2008 in Grid Development. He is currently the Project Manager for the Northern Ireland element of the North South Interconnector project and has presented on behalf of the company at many public engagements throughout Ireland and Northern Ireland.

He is an engineering graduate from the University of Ulster, holds a post graduate diploma in Environmental Engineering from Trinity College Dublin and is a member of Engineers Ireland.

Lynne Crowther
Board Member

Lynne is a communications consultant, providing guidance and mentoring on social media strategy, implementation and training. She has worked on local, national and international initiatives for companies including: Coca-Cola Europe, National Trust, RAIN (Replenish Africa Initiative) Deloitte, Translink, Belfast City Council, Antrim & Newtownabbey Council, Derry City Council and Red Cross. She is a Board member of the Consumer Council for Northern Ireland and writes an award winning blog.

John Trethowan
Board Member

John Trethowan is a native of County Down. He is a career Banker, and is currently the Head of the Credit Review Office which provides an appeals mechanism for Small Businesses and Farms which have been refused bank credit in Ireland. John has extensive Boardroom experience in Banking, Public Transportation and Public Healthcare.

Eileen Maher
Board Member

Eileen is an experienced strategic advisor having spent the past 30 years in the telecoms industry. She has strong strategic, commercial, transformation, regulatory and legal experience. She was the Director of Strategy and External Affairs in Vodafone where she delivered the Vodafone / ESB partnership for a fibre to the home joint venture and a joint venture between Vodafone and H3G Ireland for network sharing.

While in Eir, she established their wholesale business unit and delivered the liberalisation of Eircom's network in 1998. Eileen is Strategy Director for Mentor Europe and is MD of Warande Consulting in Ireland. She is also a member of the Compliance Committee of the Broadcasting Authority of Ireland. She holds a Bachelor in Commerce and Masters of Business Studies from NUI Galway.

Dr Theresa Donaldson
Board Member

Dr. Theresa Donaldson is Chief Executive of Lisburn & Castlereagh City Council (from 1 June 2014). Prior to this appointment she was Chief Executive of Craigavon Borough Council (2010-2014). From 1985 to 2010 Theresa held a number of positions in health and social care and legal services including: Director of Policy and Civil Service Delivery in the Northern Ireland Legal Services Commission (2004 – 2010); Deputy Director of the Northern Ireland Guardian Ad Litem Agency (1996-2004), and Children's Services Manager with the NSPCC (1985- 1996). Theresa held a public appointment as Chair of a Health and Social Services Research Ethics Committee for 6 years (2004-2010) and a Judicial Appointment as Lay Member Charity Tribunal (2012-2014).

Tom Finn
Company Secretary

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

Our Executive Team

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

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

Rodney also held a number of other positions in EirGrid including European Market Integration Manager; Manager of the East West Interconnector business readiness project, and Ancillary Services Manager. Rodney has across his roles led projects to deliver major systems and policies which are in use today across the electricity market and the TSOs.

Before his time with EirGrid and ESB National Grid Rodney worked as the chief adviser in the networks division of the Competition Authority of New Zealand concentrating on electricity and gas regulation/market design issues and before that worked in consultancy. Rodney is a member of a number of key European TSO and market cooperation groups. Rodney has a BA (Economics), MA (Economics) and an MBA from UCD.

John Fitzgerald
Executive Director – Grid Development and Interconnection

John Fitzgerald was appointed Director of Grid Development & Interconnection in July 2015, having previously held the position of Director of Grid Development since February 2013. Prior to this, John was Project Director of the East West Interconnector, directly connecting the electricity markets of Ireland and Britain for the first time.

Before joining EirGrid, John was involved in the area of business development for ESB International where he held a number of management positions including Business Development Manager, Manager for Trading and Supply (Northern Ireland) and Commercial Manager for Coolkeeragh ESB.

John has been involved in the successful development of major energy infrastructure projects and corporate initiatives in the electricity and gas sectors across Ireland, the United Kingdom and Europe. A graduate of University College Dublin, he is a Bachelor of Electronic Engineering and holds an MBA from the UCD School of Business.

Opposite page: An agricultural liaison officer meets a landowner in Northern Ireland.

Our Executive Team

Robin McCormick

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

Robin McCormick was appointed Director of Operations, Planning & Innovation in July 2015 and is also the General Manager of SONI Ltd. Robin previously held the role of General Manager of the Single Electricity Market Operator (SEMO) and SONI.

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

Aidan Skelly

Executive Director – Finance and Legal

Aidan Skelly was appointed Director of Finance & Legal in July 2015. Aidan previously held the position of Chief Financial Officer since June 2005. He was formerly Finance Director with Waterford Stanley Limited.

He worked with Waterford Crystal from 1987 to 2002, during which time he held a number of finance and commercial positions in Ireland and in the UK. He trained as a Chartered Accountant with PricewaterhouseCoopers and is a Commerce graduate of University College Dublin. He also holds an MBS from Dublin City University.

Rosemary Steen

Executive Director – External Affairs

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

Rosemary has extensive Corporate Affairs, Government Relations and Corporate Social Responsibility experience from the Telecommunications, Utilities and Business Industry Body sectors. She has previously held senior positions in Vodafone, Shell and IBEC.

Rosemary has a BA in Economics and Philosophy from Trinity College Dublin, an MBS in Logistics and Manufacturing from University College Dublin and a Postgraduate Diploma in Legal Studies from Dublin Institute of Technology.

Fintan Slye

Chief Executive

See biography on page 49.

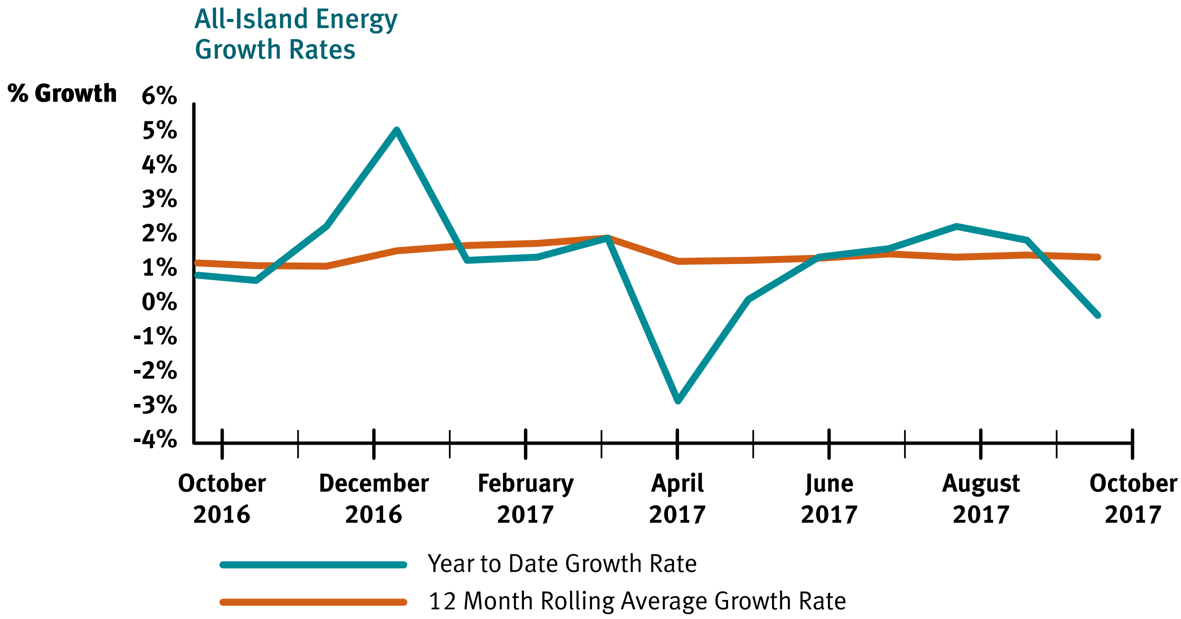
Siobhán Toale

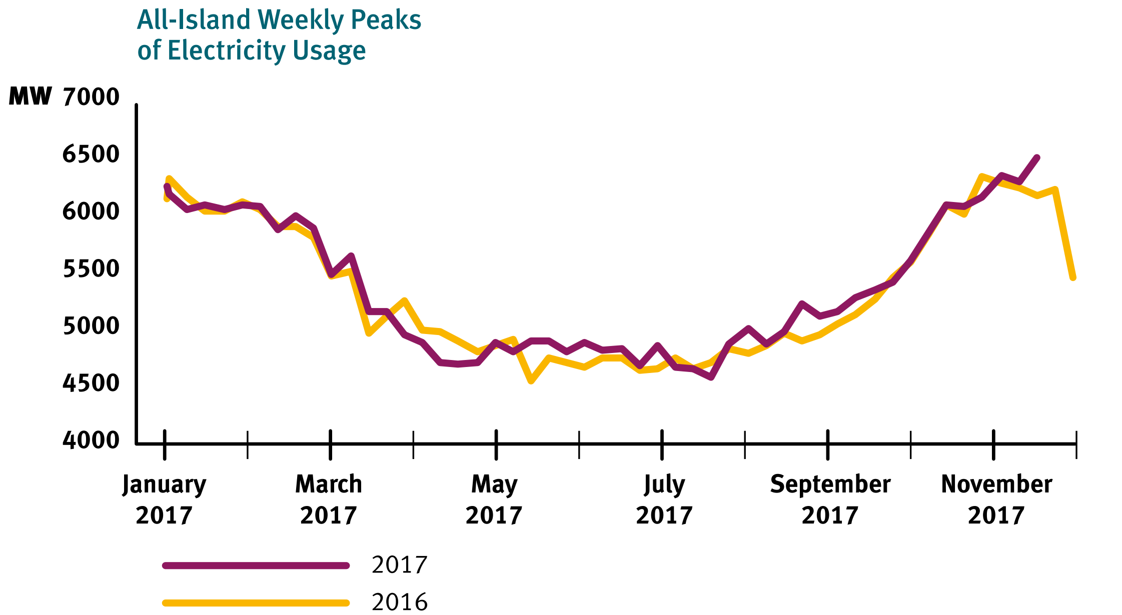
Executive Director – Human Resources and Corporate Services

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

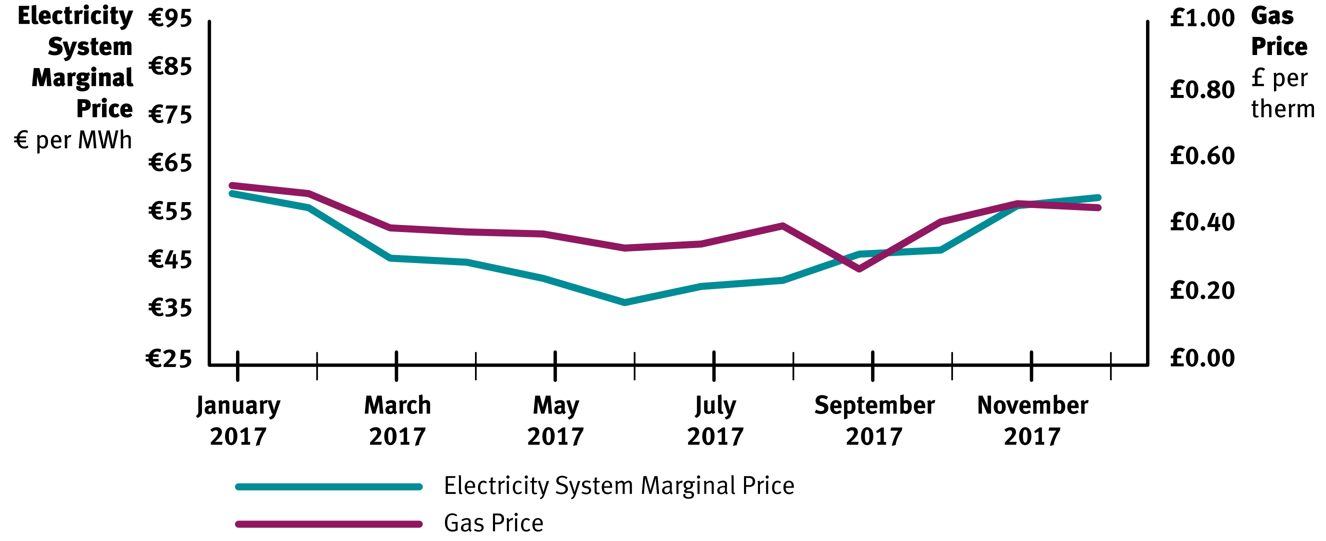
Prior to joining EirGrid, Siobhán held leadership positions in Eir, Telefonica O2 and Bank of Ireland. Siobhán has a BSc in Computer Science from Trinity College Dublin and an MSc in Organisational Behaviour from Birkbeck College, University of London. She is a Chartered Fellow of the Institute of Personnel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

Key Data on Operations

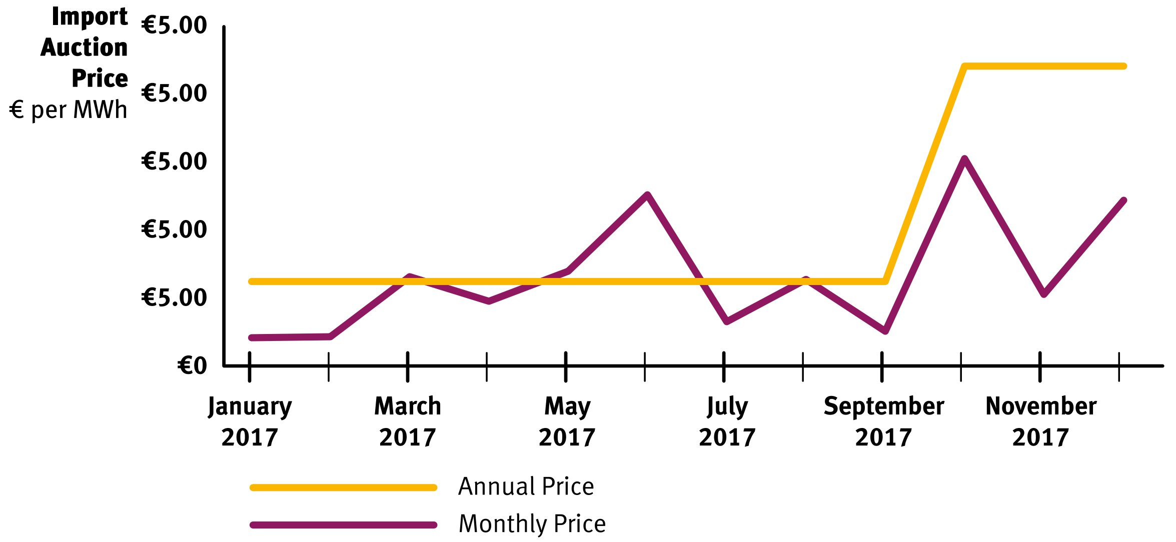




Average Electricity System Marginal Price
Compared to Gas Price



Import Capacity Auction Price:
Monthly vs Annual Prices



Glossary

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

An Bord Pleanála
Ireland's independent national planning authority.

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

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

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

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

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

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

Converter Station
See “substation”.

CSO
Central Statistics Office is the national statistical office of Ireland.

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

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

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

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

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

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

ENTSO-E
An acronym for the European Network of Transmission System Operators for Electricity. This is the representative body for transmission system operators across Europe.

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

Generator
A facility that produces electricity. Power can be generated from various sources, for example, coal-fired power plants, gas-fired power plants and wind farms.

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

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

Grid
See Transmission Network.

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

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

I-SEM
Integrated Single Electricity Market. This term refers to the new standard for operating the Single Electricity Market. When complete, it will allow the SEM to integrate with energy markets across Europe.

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

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

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

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

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

Réseau de Transport d'Électricité (Rté)
Electricity Transmission System Operator of France. It is responsible for the operation, maintenance and development of Europe's largest electricity grid.

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

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

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

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

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

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

System Non-Synchronous Penetration (SNSP)
SNSP measures the largest possible proportion of renewable electricity that the grid can accommodate.

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

Transmission Network or Grid
This is the network of around 6,800 km of high-voltage power lines, cables and substations across Ireland. It links generators of electricity to the distribution network and supplies large demand customers. It is operated by EirGrid and owned by the ESB.

Transmission System Operator (TSO)
The organisation responsible for operating the high-voltage electricity system in a particular region.

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

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

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

Financial Statements
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Directors' Report

The Directors present their annual report and the audited Financial Statements of the Group for the financial year ended 30 September 2017.

Principal Activities

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

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

Results And Review Of The Business

Details of the financial results of the Group are set out in the Consolidated Income Statement on page 68 and the related notes 1 to 30.

The current period being reported on is the financial year ended 30 September 2017. The comparative figures are for the financial year ended 30 September 2016. The impact of EWIC on the Consolidated Income Statement has been split out to aid comparability. Further detail on EWIC is included in Note 7 including the impact on current financial year reported profit.

In December 2015, the Commission for Regulation of Utilities (CRU) in Ireland issued a Final Determination in respect of the EirGrid TSO Price Control for 2016-2020. In February 2016 the Utility Regulator Northern Ireland (URegNI) issued a Final Determination in respect of the SONI TSO Price Control for 2016-2020, followed by publication of the license modifications in March 2017. SONI Limited lodged an appeal to the CMA (Competition and Market Authority) against the Final Determination. The CMA issued a decision on the appeal in November 2017. The appeal was upheld on a number of grounds.

The Group invested further significant resources in the I-SEM project, both financial and non-financial, as we progress towards Go-Live of I-SEM in May 2018.

Commentaries on performance during the financial year ended 30 September 2017, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Review.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. During the year the Group was compliant with the Code of Practice for the Governance of State Bodies ('the Code') issued by the Department of Public Expenditure and Reform in August 2016. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe. Guidance was recently issued by the Department of Public Expenditure and Reform, we will review this guidance for implications on our 2018 annual report and financial statements.

The Group also complies with the corporate governance and other obligations imposed by the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001. The Group also has regard to the principles of the UK Corporate Governance Code revised in September 2014 and the Irish Corporate Governance Annex issued in December 2010.

During the year the Group incurred travel costs in Ireland and Northern Ireland of €1.1m (2016: €1.1m) and overseas travel costs of €0.6m (2016: €0.4m). Legal and settlement costs for the year were €nil (2016: €nil). Staff Welfare costs were €0.2m, of which external relations were €0.03m (2016: €0.2m, of which external relations were €0.02m).

External Support and Specialist Advisory Costs:

	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Electricity Market services	14,998	9,517
Legal services and advice	6,504	4,452
Transmission Network project services	6,054	10,542
IT Systems Support	580	321
Corporate Finance advice	845	1,457
Organisational & Actuarial advice	463	593
Other	690	897
Total	**30,134**	**27,779**
Costs charged to Income Statement	5,765	4,303
Costs capitalised	24,369	23,476
Total	**30,134**	**27,779**

Electricity Market services includes costs of implementing the new all island electricity market arrangements known as I-SEM reflecting the European target model. This target model arises from the EU's Third Energy Package and is a set of harmonised arrangements for the cross border trading of wholesale energy and balancing services across different timeframes throughout Europe.

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

IT Systems Support are external support costs for key systems across the business.

Principles Of Good Governance

Board Members

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

The Board

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

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

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

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

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

Board Committees in 2017

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

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

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

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

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

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

Attendance at Meetings

Board Meetings

There were 10 Board meetings held during the financial year ended 30 September 2017. The Board Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson)	10	10
Doireann Barry (retired 22 December 2016)	3	3
Shane Brennan (appointed 22 December 2016)	7	7
Lynne Crowther (appointed 2 June 2017)	3	3
Theresa Donaldson (appointed 2 June 2017)	3	3
Michael Hand	10	10
Eileen Maher (appointed 2 June 2017)	3	3
Liam O'Halloran	10	9
Fintan Slye	10	10
Joan Smyth	10	10
Richard Sterling (resigned 1 June 2017)	7	6
John Trethowan (appointed 2 June 2017)	3	2

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

Audit Committee

There were 5 Audit Committee meetings held during the financial year ended 30 September 2017. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Richard Sterling (Chairperson) (resigned 1 June 2017)	4	4
Joan Smyth (Chairperson) (appointed Chairperson 19 July 2017)	5	5
Doireann Barry (retired 22 December 2016)	2	2
Michael Hand (appointed 8 February 2017)	3	3
Liam O'Halloran (appointed 8 February 2017)	3	3
John Trethowan (appointed 19 July 2017)	1	1

Members of the Audit Committee at the date of signing of the financial statements were Joan Smyth (Chairperson), Michael Hand, Liam O'Halloran and John Trethowan.

Remuneration Committee

There were 7 Remuneration Committee meetings held during the financial year ended 30 September 2017. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Joan Smyth (Chairperson)	7	7
Liam O'Halloran	7	7
John O'Connor	7	7

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

Grid Infrastructure Projects Committee

There were 4 Grid Infrastructure Projects Committee meetings held during the financial year ended 30 September 2017. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson)	4	4
Michael Hand	4	4
Eileen Maher (appointed 19 July 2017)	1	1
Richard Sterling (resigned 1 June 2017)	3	3
John Trethowan (appointed 19 July 2017)	1	1

Members of the Grid Infrastructure Committee at the date of signing of the financial statements were John O'Connor (Chairperson), Michael Hand, Eileen Maher and John Trethowan.

Public Affairs Committee

There were 4 Public Affairs Committee meetings held during the financial year ended 30 September 2017. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Theresa Donaldson (Chairperson) (appointed to Committee and as Chairperson 19 July 2017)	1	1
Joan Smyth (Chairperson) (retired from Committee and as Chairperson 19 July 2017)	3	3
Doireann Barry (retired 22 December 2016)	1	1
Shane Brennan (appointed 19 April 2017)	2	2
Lynne Crowther (appointed 19 July 2017)	1	0
Eileen Maher (appointed 19 July 2017)	1	1
Liam O'Halloran (retired 19 July 2017)	3	3
Fintan Slye (appointed 8 February 2017) (retired 19 July 2017)	2	2

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

Risk Committee

There were 4 Risk Committee meetings held during the financial year ended 30 September 2017. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson)	4	4
Doireann Barry (retired 22 December 2016)	1	1
Shane Brennan (appointed 19 April 2017)	2	2
Lynne Crowther (appointed 19 July 2017)	1	0
Theresa Donaldson (appointed 19 July 2017)	1	1
Michael Hand (retired 19 July 2017)	2	2
John O'Connor (appointed 8 February 2017) (retired 19 July 2017)	2	2

Members of the Risk Committee at the date of signing of the financial statements were Liam O'Halloran (Chairperson), Shane Brennan, Lynne Crowther and Theresa Donaldson.

Principal Risks And Uncertainties

Risk Management

The Group has in place an appropriate risk management process that identifies the critical risks to which it is exposed and ensures that appropriate risk mitigation measures are taken. The Directors continually carry out robust assessments of the principal risks facing the Group. The Group's internal audit function continually reviews the internal controls and systems throughout the business and makes recommendations for improvement to the Audit Committee. The Group has a Risk Committee in place to oversee and monitor the Risk Management Policy and Risk Management Framework, review EirGrid's risk appetite and review the effectiveness of responses to key risk exposures.

Financial

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

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

As a regulated business, operating in Ireland and Northern Ireland, the Transmission System Operator activities do not involve any significant pricing risks. The Group derives approximately 23% of its revenues from the UK and hence has an exposure to Euro/Sterling currency fluctuations. This risk is partially mitigated by the majority of both revenue and expenditure from UK operations being denominated in Sterling. The Group has sought to further reduce this exposure by funding UK operations using Sterling borrowings.

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

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

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

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

System and Market Operations

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

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

Pensions

EirGrid operates two defined benefit schemes for qualifying employees. Risks to the cost of providing such schemes include changes in interest rates, level of return on pension assets, changes in life expectancies and changes in price and salary inflation. The current IAS19 Employee Benefits deficit included in the financial statements at 30 September 2017, after an asset ceiling has been applied but before deferred tax, is €24.1m (2016: €53.9m).

Network Development

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

Regulated Environment

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

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

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

Cyber Security
EirGrid recognises Cyber Security as a critical risk. We operate a full suite of security policies and standards and have deployed comprehensive perimeter defence mechanisms. Security Awareness training is rolled out to all staff and we have ongoing IT Security monitoring and compliance reporting.

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

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

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

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

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

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

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

Directors' Remuneration

The Financial Statements include €97,000 (2016: €117,000) for Chairperson's and Directors' fees, in accordance with the Department of Finance approved levels of remuneration for the Chairperson and Board Members of State Bodies and the revised arrangements for payment of board fees to public sector employees under the Department of Public Expenditure and Reform's "One Person One Salary" Principle. In 2009 the Department of Communications, Climate Action and Environment issued an instruction that Chairperson and Directors' fees be reduced. Prior to this instruction being issued the Chairperson and Directors had already decided to take a voluntary 10% reduction in their fees. Under the approved remuneration levels, the Chairperson's fees were equivalent to €21,600 per annum during the financial year (2016: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2016: €12,600 each per annum).

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

The remuneration of the Chief Executive consists of basic salary, taxable benefits and certain retirement benefits. The retirement benefits of the Chief Executive are calculated on basic pay only and aim to provide in retirement a pension of one-eightieth and a gratuity of three-eightieths of salary for each year of service as Chief Executive. The increases in accrued pension and accrued gratuity excluding inflation during the financial year to 30 September 2017 were €2,125 (2016: €2,125) and €6,375 (2016: €6,375) respectively. The total accrued pension at the end of the financial year was €20,420 (2016: €18,295) and the total accrued gratuity was €66,410 (2016: €60,035). The transfer value of the relevant increase was €31,889 (2016: €30,406).

Chief Executive's Remuneration:

	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Basic salary	170	170
Annual Bonus	-	-
Taxable benefits	18	18
Pension contributions paid (all defined benefit)	29	29
Director's fees	-	-
Total	**217**	**217**

Dividends

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

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

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

Directors' And Secretary's Interest In Shares

The Directors and Secretary who held office between 1 October 2016 and 30 September 2017 had no beneficial interest in the shares of the Group.

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

John O'Connor, 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.

Political Donations
The Group does not make political donations.

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

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

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

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

Disclosure Of Information To Auditors
So far as each of the Directors in office at the date of approval of the financial statements is aware:

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

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

- Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225 (1) of the Act (the "relevant obligations"); and
- Confirm that each of the following has been done:

  (i). a compliance statement (as defined in section 225(3)(a) of the Act) setting out the Company's policies (that in our opinion, are appropriate to the company) respecting compliance by the Company with its relevant obligations has been drawn-up;

  (ii). appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and

  during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph (ii) above has been conducted.

Directors' Responsibilities Statement

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

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

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

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

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

Approved by the Board and signed on their behalf

John O'Connor, Chairperson
Joan Smyth, Chairperson Audit Committee
Fintan Slye, Chief Executive

20 December 2017

Independent Auditors' Report To The Members Of EirGrid Plc

Report on the audit of the financial statements

Opinion on the financial statements of EirGrid plc (the 'company')

In our opinion the group and parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 30 September 2017 and of the profit of the group and parent company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

the group financial statements:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 30, including a summary of significant accounting policies as set out in note 2.

the parent company financial statements:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Cash Flow Statement; and
- the related notes 1 to 30, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework"). The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework")

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditors' Report To The Members Of Plc (continued)

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

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

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

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

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

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

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

Ciarán O'Brien
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

22 December 2017

Consolidated Income Statement

For The Financial Year To 30 September 2017

	Notes	Non-EWIC Business Year to 30 Sep 2017 € '000	EWIC* Business Year to 30 Sep 2017 € '000	Total Year to 30 Sep 2017 € '000	Non-EWIC Business Year to 30 Sep 2016 € '000	EWIC* Business Year to 30 Sep 2016 € '000	Total Year to 30 Sep 2016 € '000
Revenue	3	549,571	29,844	579,415	629,937	42,679	672,616
Direct costs	3	(446,684)	-	(446,684)	(527,447)	-	(527,447)
Gross profit		102,887	29,844	132,731	102,490	42,679	145,169
Other operating costs	5	(85,221)	(25,753)	(110,974)	(97,288)	(21,771)	(119,059)
Operating profit		17,666	4,091	21,757	5,202	20,908	26,110
Interest and other income	6	240	-	240	423	-	423
Finance costs	6	(2,122)	(16,510)	(18,632)	(1,132)	(17,545)	(18,677)
Profit/(loss) before taxation	8	15,784	(12,419)	3,365	4,493	3,363	7,856
Income tax (expense)/credit	9			(1,388)			866
Profit for the year				**1,977**			**8,722**

*** EWIC Business**

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

Consolidated Statement Of Comprehensive Income

For The Financial Year To 30 September 2017

	Notes	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised gain/(loss) on cash flow hedges	27	33,709	(20,647)
Deferred tax attributable to movement in unrealised loss on cash flow hedges	9	(4,222)	2,590
Currency translation differences		161	272
Total of items that may be reclassified subsequently to profit or loss		29,648	(17,785)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	23	37,100	(24,620)
Deferred tax credit on remeasurement	9	(4,941)	3,347
Impact of SONI defined benefit asset ceiling excluding amounts included in interest expense	23	(2,272)	-
Deferred tax attributable to SONI defined benefit asset ceiling	9	386	-
Total of items that will not be reclassified to profit or loss		30,273	(21,273)
Profit for the financial year		1,977	8,722
Total comprehensive income for the year		**61,898**	**(30,336)**

Company Statement Of Comprehensive Income

For The Financial Year To 30 September 2017

	Notes	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised loss on cash flow hedges	27	24,959	(16,493)
Deferred tax attributable to movement in unrealised loss on cash flow hedges	9	(2,927)	2,062
Total of items that may be reclassified subsequently to profit or loss		22,032	(14,431)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	23	30,320	(21,029)
Deferred tax credit on remeasurement	9	(3,790)	2,628
Total of items that will not be reclassified to profit or loss		26,530	(18,401)
Profit for the financial year		11,148	23,022
Total comprehensive income for the year		**59,710**	**(9,810)**

Consolidated Balance Sheet

As at 30 September 2017

	Notes	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Assets			
Non-current assets			
Intangible assets	12	2,101	2,159
Property, plant & equipment	14	605,076	589,626
Deferred tax asset	9	20,033	24,387
Trade and other receivables	15	37,600	36,760
Total non-current assets		664,810	652,932
Current assets			
Trade and other receivables	15	149,525	132,257
Current tax receivable		7,622	4,678
Cash and cash equivalents	19	194,783	282,255
Total current assets		351,930	419,190
Total assets		**1,016,740**	**1,072,122**
Equity And Liabilities			
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(75,666)	(105,152)
Translation reserve		185	1,299
Retained earnings		229,661	200,135
Total equity		203,400	145,502
Non-current liabilities			
Derivative financial instruments	26	86,475	120,184
Deferred tax liability	9	22,614	17,376
Deferred income	17	96,152	99,224
Borrowings	25	324,271	339,207
Retirement benefit obligations	23	24,103	53,864
Total non-current liabilities		553,615	629,855
Current liabilities			
Borrowings	25	15,149	14,444
Deferred income	17	3,072	3,072
Trade and other payables	16	241,504	279,249
Total current liabilities		259,725	296,765
Total liabilities		813,340	926,620
Total equity and liabilities		**1,016,740**	**1,072,122**

Approved by the Board and signed on their behalf

John O'Connor

John O'Connor, Chairperson

Joan Smyth, Chairperson Audit Committee

Fintan Slye

Fintan Slye, Chief Executive

20 December 2017

Company Balance Sheet

As at 30 September 2017

	Notes	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Assets			
Non-current assets			
Investment in subsidiaries	13	155,711	155,711
Property, plant & equipment	14	77,420	59,663
Deferred tax asset	9	11,682	17,690
Trade and other receivables	15	228,246	217,265
Total non-current assets		473,059	450,329
Current assets			
Trade and other receivables	15	175,168	144,598
Current tax asset		6,755	4,441
Cash and cash equivalents	19	156,272	229,323
Total current assets		338,195	378,362
Total assets		**811,254**	828,691
Equity And Liabilities			
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(54,226)	(76,065)
Retained earnings		244,934	211,063
Total equity		239,928	184,218
Non-current liabilities			
Derivative financial instruments	26	61,973	86,932
Borrowings	25	221,434	230,193
Retirement benefit obligations	23	24,103	49,596
Total non-current liabilities		307,510	366,721
Current liabilities			
Borrowings	25	8,758	8,399
Trade and other payables	16	255,058	269,353
Total current liabilities		263,816	277,752
Total liabilities		571,326	644,473
Total equity and liabilities		**811,254**	**828,691**

Approved by the Board and signed on their behalf

John O'Connor

John O'Connor, Chairperson

Joan Smyth, Chairperson Audit Committee

Fintan Slye

Fintan Slye, Chief Executive

20 December 2017

Consolidated Statement Of Changes In Equity

For The Financial Year To 30 September 2017

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Translation reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2015	38	49,182	(87,095)	376	216,837	179,338
Total comprehensive income for the financial year	-	-	(18,057)	923	(13,202)	(30,336)
Dividends	-	-	-	-	(3,500)	(3,500)
Balance as at 30 September 2016	38	49,182	(105,152)	1,299	200,135	145,502
Total comprehensive expense for the financial year	-	-	29,486	(1,114)	33,526	61,898
Dividends	-	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2017	**38**	**49,182**	**(75,666)**	**185**	**229,661**	**203,400**

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

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

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

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

Company Statement Of Changes In Equity

For The Financial Year To 30 September 2017

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2015	38	49,182	(61,634)	209,942	197,528
Total comprehensive income for the financial year	-	-	(14,431)	4,621	(9,810)
Dividends	-	-	-	(3,500)	(3,500)
Balance as at 30 September 2016	38	49,182	(76,065)	211,063	184,218
Total comprehensive expense for the financial year	-	-	21,839	37,871	59,710
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 September 2017	**38**	**49,182**	**(54,226)**	**244,934**	**239,928**

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

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

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

Consolidated Cash Flow Statement

For The Financial Year To 30 September 2017

	Notes	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Cash flows from operating activities			
Profit after taxation		1,977	8,722
Depreciation of property, plant and equipment	14	31,724	30,752
Loss on disposal	14	412	-
Amortisation of grant	17	(3,072)	(3,072)
Impairment of goodwill and intangible assets	12	-	7,116
Interest and other income		(240)	(423)
Finance costs		18,632	18,677
Retirement benefit cost	23	9,281	7,210
Unrealised foreign exchange loss		1,284	5,286
Income tax expense/(credit)		1,388	(866)
Pension contributions paid		(5,342)	(5,921)
Operating cash flows before movements in working capital		56,044	67,481
Movements in working capital			
Increase in trade and other receivables		(14,340)	(15,508)
(Decrease)/increase in trade and other payables		(40,856)	31,657
Cash from operations		848	83,630
Income taxes paid		(3,256)	(2,466)
Interest received		240	423
Net cash (used in)/from operating activities		(2,168)	81,587
Cash flows from investing activities			
Purchase of property, plant and equipment		(48,138)	(32,231)
Net cash used in investing activities		(48,138)	(32,231)
Cash flows from financing activities			
Dividends paid		(4,000)	(3,500)
Borrowings repaid		(14,444)	(13,545)
Finance costs paid		(18,419)	(18,707)
Net cash used in financing activities		(36,863)	(35,752)
Net (decrease)/increase in cash and cash equivalents		(87,169)	13,604
Cash and cash equivalents at start of year		282,255	270,377
Effect of foreign exchange on cash and cash equivalents		(303)	(1,726)
Cash and cash equivalents at end of year	19	**194,783**	282,255

Company Cash Flow Statement

For The Financial Year To 30 September 2017

	Notes	Year to 30 Sep 2017 € '000	Year to 30 Sep 2016 € '000
Cash flows from operating activities			
Profit after taxation		11,148	23,022
Depreciation of property, plant and equipment	14	9,184	10,621
Interest and other income		(831)	(731)
Finance costs		3,753	3,607
Retirement benefit cost		8,261	6,189
Unrealised foreign exchange loss		421	5,637
Income tax credit		(1,085)	(876)
Pension contributions paid		(4,403)	(4,474)
		26,448	42,995
Movements in working capital			
Increase in trade and other receivables		(37,953)	(37,531)
(Decrease)/increase in trade and other payables		(17,347)	38,198
Cash (used in)/generated from operations		(28,852)	43,662
Income taxes paid		(1,937)	(1,240)
Interest received		831	736
Net cash (used in)/generated from operating activities		(29,958)	43,158
Cash flows from investing activities			
Purchase of property, plant and equipment		(26,941)	(23,326)
Net cash used in investing activities		(26,941)	(23,326)
Cash flows from financing activities			
Dividends paid		(4,000)	(3,500)
Borrowings repaid		(8,399)	(8,044)
Finance costs paid		(3,753)	(3,607)
Net cash used in financing activities		(16,152)	(15,151)
Net (decrease)/increase in cash and cash equivalents		(73,051)	4,681
Cash and cash equivalents at start of year		229,323	224,642
Cash and cash equivalents at end of year	19	156,272	229,323

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	Fair Value 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.

Notes

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