Planning for your Energy Future

EirGrid plc **Annual Report 2016**

EIRGRID GROUP

The current. The future.

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Who are EirGrid Group – and what do we do?

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 SONI in Northern Ireland.

Our 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.

Our 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, and answers to Government and to regulators. We work for the benefit and safety of every person in Ireland and Northern Ireland. We follow strict laws and safety standards.

Planning for your Energy Future

At EirGrid Group, one of our roles is to make sure that the electricity transmission grid is ready for the future. We consider how electricity may be generated and used years from now - and what this means for the electricity grid of today. This year's Annual Report shows how our activities in 2016 supported this role.

We continued to roll-out **our new approach to consultation**. As a result, our liaison team was on the ground to meet people across the island of Ireland.

Revenue
in €millions

€672.7

Across 2016, **the amount of wind-generated electricity on the system reached a peak of 78% of demand**. The DS3 Programme has allowed us to do this in a secure, reliable manner.

In July 2016, we signed a memorandum of understanding with our French counterparts, Rté, to take the next step towards the proposed **Celtic Interconnector**. This would link the electricity transmission grids of France and Ireland with an undersea cable.

We made further progress on the **I-SEM** project this year. When complete, it will see our electricity trading market adopting standards used across Europe. This will open the market to more competition and lower prices.

Profit

Before tax in €millions

€7.9

In the summer, we launched a demand response initiative called **Power Off & Save.** This pilot sees residential customers being rewarded for using less electricity on request. EirGrid is one of the first national grid operators in Europe to trial this idea with consumers.

In September 2016, we welcomed the public to our stand at the **Ploughing Championships.** This allowed us to respond directly to questions or concerns about our projects. Visitors also had the chance to generate their own electricity!

In November 2016, we awarded grants from our first **Community Fund**. These grants, totalling €360,000, were made to local community projects in the Mullingar - Kinnegad region. This followed the completion of a new 110 kV line.

2016 saw the first full year of operation of the AES pilot **battery storage** project in Kilroot, Northern Ireland. We were proud to be involved in this project which, with a capacity of 10 MW, can flexibly store or supply electricity when the grid needs it.

Dividend

Proposed to be paid to Irish Exchequer in €millions

€4.0

Chairperson's Report

A year of accomplishments after a decade of ensuring a secure supply of electricity

John O'Connor, **Chairperson**

I am delighted to present the 2016 EirGrid plc annual report under the theme of "Planning for your Energy Future".

Our Purpose

The goal of the EirGrid group of companies is to provide systems of transmitting and trading electricity that meet the demands of people on the island of Ireland. I am proud to say that all of our work is carried out in the context of an industry that is transitioning towards a low-carbon, smart-technology future. It is our ambition to be at the forefront of that transition.

A Challenging Future

At EirGrid, we are planning for an energy future that supports growth for future generations. This will meet the need for clean energy and limit the impact of climate change. In doing so we face unique challenges as an island isolated from larger markets.

This can be seen through key innovations supporting increased amounts of renewable energy. These are facilitated by an upgraded transmission infrastructure and interconnection to Great Britain and beyond. It can also be seen through our work with new large demand customers. They are coming to Ireland with a clear preference for sustainable sources of energy.

Accommodating More Renewable Energy

We have responded to binding national and European renewable energy targets with a multi-year programme. This meets the challenges of operating the electricity system in a secure manner while achieving these targets. The DS3 programme in Dublin and Belfast is ensuring that we can securely operate the power system with increasing amounts of renewable generation over the coming years.

Achieving this level of renewable integration on a synchronous system such as ours is unprecedented. It presents significant challenges for the real-time operation of the power system.

Public Engagement

The way we engage with local communities is an integral part of future grid development. Previously, EirGrid outlined our commitment to improve how we do things in this regard. We changed how we communicate with communities along proposed new grid development routes. We also made a commitment to earlier and deeper public consultation, putting people at the heart of our grid development strategy.

To support these goals, we recruited new staff to take on the role of community and agricultural liaison officers. This allows us to reach out directly to the people most affected by our plans for new infrastructure. I believe that this is an extremely important role for our staff. They are tasked with getting out on the ground to meet and talk to people. They can then take on board their views and ensure they have a voice and that voice is heard by EirGrid and SONI.

John Boylan, Agricultural Liaison Officer, meets the public at our Mobile Communications Unit in Navan.

North South Interconnector

This important project was to the forefront during 2016, and moved to the planning stage. When completed, it will strengthen the links between the grids of Ireland and Northern Ireland. An oral hearing in the first half of the year gave people the opportunity to make their views known to An Bord Pleanála. The southern element of the project was granted planning approval by An Bord Pleanála in December 2016. Our staff will work hard in the year ahead, not just in progressing the project itself, but also in reaching out to landowners and local communities along the route to discuss their concerns.

Community Fund

Another innovation during 2016 was the introduction of the first EirGrid Community Fund. We made a fund of €360,000 available to community organisations located closest to the Mullingar to Kinnegad 110 kV Project.

When we develop or expand our grid, we acknowledge that this work will affect communities near new transmission lines. This is why we developed the new fund, which recognises the importance of local communities.

There were 37 local organisations selected to receive grants of between €1,000 and €50,000. I am delighted that so many organisations along the project route applied for this funding.

I-SEM Project

During the year we made further progress on the Integrated Single Electricity Market (I-SEM) project. This is a new wholesale electricity market arrangement for Ireland and Northern Ireland. It will integrate the all-island SEM electricity market with European electricity markets.

It will also promote increased competition and efficiency across the industry by enabling the free flow of energy across borders.

Ireland-France Interconnection

In July 2016, we were very proud to sign the Celtic Interconnector Memorandum of Understanding with our French counterparts Rté.

This took place in the presence of the French President François Hollande; An Taoiseach Enda Kenny; and Minister for Communications, Climate Action and Environment, Denis Naughten.

We look forward to progressing with the next phase of initial design and pre-consultation on this project in the year ahead.

In Conclusion

This year, we celebrated EirGrid's tenth year as transmission system operator. Year on year, we have made significant advances - and 2015/2016 was no different.

This report shows the last year was one of real achievement, and solid progress towards delivering on our mandate.

I would like to thank each of my fellow Directors for their significant contribution and support during the year. In particular, I would like to express my appreciation to Gerry Walsh, Bride Rosney, and Gary Healy whose work on the Board concluded over the last year. I also want to thank our Chief Executive, the Executive Team and all of our staff for their commitment and achievements during the year.

I wish to thank the Minister for Communications, Climate Action and the Environment, Denis Naughten and the Minister for the Economy, Simon Hamilton, their predecessors, and their respective officials for their ongoing cooperation and support.

A survey vessel for the proposed new Interconnector between Ireland and France.

Chief Executive's Review

Working for a smarter, more sustainable energy future

Fintan Slye, **Chief Executive**

2016 was another year of steady performance for EirGrid Group. During 2016, revenue dropped slightly from €706.2m to €672.7m. Profit before tax was €7.9m, with underlying profits at €16m. As a result, we were able to deliver a proposed dividend of €4 million to the shareholder.

In an ever-changing energy industry, it is a challenge to manage this change, and to operate a reliable power system. We continue to deliver and operate a safe, secure and reliable supply of electricity. We do so for all the people, communities and businesses in Ireland and Northern Ireland.

Grid Development

In 2016, we changed our approach to developing the electricity grid. This followed a review of our public consultation process. Our new approach 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.

This approach is reflected in our on-going work in 2016 to develop stronger links with the community. Over the last year, our Agricultural and Community Liaison Officers were active and on the ground. They worked closely with communities, local farmers and landowners as we developed the grid in different regions.

Apart from developing new infrastructure, we also upgraded and strengthened the grid where necessary. We made live a number of new transmission stations in 2016. These include Ballyvouskill, Ballynahulla and Knockanure stations in the south-west of Ireland, and Tamnamore station in Northern Ireland.

These stations connect our grid to customers that use or generate large amounts of electricity. They also secured the supply of electricity to homes and businesses across the island.

Jenny Pyper, Utility Regulator Chief Executive, and Fintan Slye, EirGrid Group Chief Executive, at the 2015 Customer Conference held in Belfast.

The United Kingdom's June 2016 referendum on EU membership has introduced new considerations. But regardless of the UK leaving the EU, there will always be many shared benefits of working closely with our nearest neighbours. We aim to maintain a strong relationship between Ireland, Northern Ireland and Great Britain on energy matters.

This includes the North South Interconnector. This is a project that will connect the electricity grids of Ireland and Northern Ireland. It is needed to improve the security of electricity supply across the island of Ireland.

2016 was an important year for the North South Interconnector – undoubtedly the most important infrastructure project on the island. It will help deliver very real benefits to domestic and commercial customers.

However, 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.

An Bord Pleanála finished their oral hearing into the North South Interconnector in May 2016. In December, they granted planning approval for the southern element of the interconnector. In Northern Ireland, a public inquiry into the project began in June.

If granted planning permission, we estimate the North South Interconnector will create savings of €20m each year by 2020. These savings will rise to €40 million - €60 million each year by 2030.

Throughout 2015 and 2016, we worked with some of the biggest companies in the world to foster jobs and prosperity across the island. We also supported the work of the Industrial Development Authority and Invest NI.

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 a huge volume of digital information.

They are a core part of every high-tech company's infrastructure, and need a large amount of electricity to power and cool the servers. Work on the successful connection of such data centres to the grid –under strict deadlines – was a key challenge for the group this year.

These kinds of large-scale developments bring significant benefits to the local and national economies. These include construction jobs, long-term employment and increased council rates that fund local facilities. At EirGrid, we work hard to ensure that the electricity grid can deliver a reliable and secure supply of energy at a competitive price. This is attracting new industry to Ireland and Northern Ireland, and will continue to do so in the future.

Accommodating Renewable Electricity Generation

Last year also 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.

Renewable sources, like wind power, vary depending on factors beyond our control, such as weather. We cannot easily store electricity generated from renewable sources, nor can we "turn on" these sources when we need them. This means we can't automatically match renewable generation of electricity with the overall consumption of electricity.

In 2016, we launched new system services for customers that take part in the electricity market. This took place after an extensive design and procurement process. As a result of this and also of our work to develop new systems, policies and tools, we will be able to increase power system operational limits. This will allow us to continue to securely operate the electricity system using high levels of renewable electricity.

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

Consumer Participation

One of our main aims is to create flexibility in the electricity system, so it can adapt to the ever-changing needs in the energy sector.

We also support government policies that encourage increased participation from energy users. Because our grid serves a small island, this creates an opportunity to do things differently. We explore and deliver solutions that have tangible benefits for our customers and for the wider community.

This year, we launched the Power Off & Save programme in partnership with Electric Ireland. We are piloting this programme over the coming year. We are delighted to be one of the first national grid operators in Europe to trial this idea for residential customers.

We know the system of managing demand works in industry, as it is already in operation for business customers. We believe it will also work for residential customers. This will help them play a role in managing usage – for the benefit of the grid and for the environment.

Further Interconnection

In 2016, we continued to partner our French colleagues, Rté, to progress the Celtic Interconnector project. This is a proposed electricity link between Ireland and France. We signed a new memorandum of understanding with Rté. This will progress the Celtic Interconnector into the next phase of development. This is a key milestone in the development of this project. The agreement was signed in the presence of the French President François Hollande, An Taoiseach Enda Kenny, and Minister Denis Naughten.

If progressed to completion, this project will deliver key benefits. Primarily, it will connect the Irish and French electricity grids to make the supply of electricity more secure on both sides. It will also allow for increased competition in the all-island Single Electricity Market. Finally, it will support the further development of renewable energy, particularly in Ireland.

Towards an Integrated Single Electricity Market

One of the businesses in the EirGrid Group is SEMO, the Single Electricity Market Operator. This "Single Electricity Market" includes both Ireland and Northern Ireland. SEMO allows those who generate or consume large amounts of electricity to buy and sell power across the island of Ireland.

By 2018 the Single Electricity Market will use the same set of common standards as other electricity markets across Europe. This will open our market to greater competition and more opportunities. As an integrated part of a much larger market, we can facilitate greater choice and cheaper energy for homes and businesses.

We are working closely with the regulators in Ireland and Northern Ireland to achieve this goal. We established a dedicated team from SEMO, EirGrid and SONI to manage the change to an integrated market. In 2016, work has progressed on the design and development of new market systems. We also established formal connections with pan-European bodies from the energy industry.

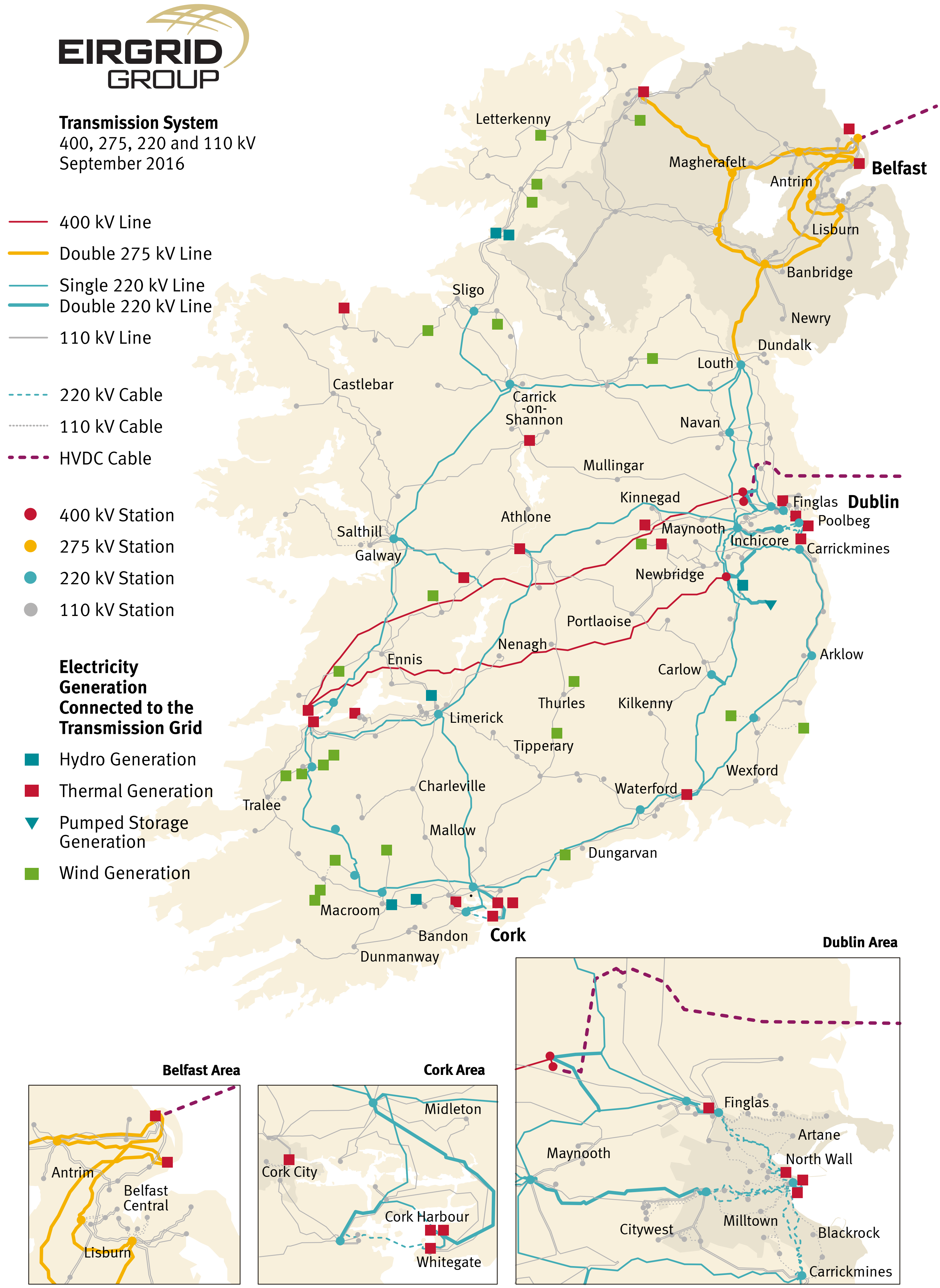
Appreciation & Thanks

I would like to thank Minister for Communications, Climate Action and Environment, Denis Naughten, and Minister for the Economy of Northern Ireland, Simon Hamilton for their positive engagement and support. I would also like to pay tribute to Minister Naughten's predecessor, Alex White and Minister Hamilton's predecessor, Jonathan Bell.

I would like to thank our regulators, the Commission for Energy Regulation (CER) and the Utility Regulator (UR). Their feedback helps us achieve our shared goals of providing value to electricity consumers.

I want to acknowledge the contribution of all of 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 meets the needs of our customers and of the communities we serve.

Finally, I would like to thank the Board, management and staff of EirGrid Group for their effort, support and dedication during the year. We look forward to another year of progress in 2017.



EIRGRID GROUP
Transmission System
400, 275, 220 and 110 kV
September 2016
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
Letterkenny
Magherafelt
Antrim
Belfast
Lisburn
Banbridge
Newry
Dundalk
Louth
Sligo
Castlebar
Carrick -on- Shannon
Navan
Mullingar
Kinnegad
Finglas
Dublin
Poolbeg
Athlone
Maynooth
Inchicore
Carrickmines
Salthill
Galway
Newbridge
Portlaoise
Nenagh
Ennis
Arklow
Carlow
Thurles
Kilkenny
Limerick
Tipperary
Wexford
Tralee
Charleville
Waterford
Mallow
Dungarvan
Macroom
Bandon
Cork
Dunmanway
Belfast Area
Antrim
Belfast Central
Lisburn
Cork Area
Midleton
Cork City
Cork Harbour
Whitegate
Dublin Area
Finglas
Artane
North Wall
Maynooth
Citywest
Milltown
Blackrock
Carrickmines

Financial Review

Key Financial Highlights **€M**

	2016 All Other Activities	2016 East West Interconnector	**2016 Total**	2015 All Other Activities	2015 East West Interconnector	**2015 Total**
Revenue	630.0	42.7	**672.7**	635.4	70.8	**706.2**
Direct Costs	(527.5)	–	**(527.5)**	(535.1)	–	**(535.1)**
Other Operating Costs	(97.3)	(21.8)	**(119.1)**	(91.5)	(19.7)	**(111.2)**
Operating Profits	5.2	20.9	**26.1**	8.8	51.1	**59.9**
Finance Costs	(0.7)	(17.5)	**(18.2)**	(0.4)	(18.8)	**(19.2)**
Profit Before Tax	**4.5**	**3.4**	**7.9**	8.4	32.3	**40.7**

Regulatory adjustments affect reported profits as underlying performance remains steady.

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

While 2016 has been another year of satisfactory performance for the Group, profit before tax declined from €40.7m in 2015 to €7.9m in 2016. EirGrid Group is a regulated entity and its reported profitability is subject to periodic adjustments in respect of prior year over and under recoveries. Excluding such adjustments, underlying profit before tax for the Group was €16m in 2016. This compares to €16.9m in 2015.

Regulation

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

In advance of each tariff period the Group submits forecasts of customer demand, operating costs and other revenue requirements to the relevant regulatory authority. Following a detailed review process the regulators will issue a formal determination of the allowable revenue to be recovered by the business.

As with any forecast there can be variations between the projections and the actual revenue recovery, or cost out-turn, resulting in regulatory under or over recoveries. Any such under or over recoveries are adjusted for in the price determinations for subsequent periods. This can give rise to volatility in the reported statutory earnings of the Group, as current accounting regulations do not permit results to be smoothed through the anticipation of under or over recoveries.

CER published its final decision on the EirGrid 2015-2020 TSO Price Control in December 2015. A revised control for SEMO was also published during the year. We are continuing to engage with UR on the finalisation of the SONI TSO 2015-2020 Price Control.

Revenues and Profitability

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

Group's revenue for the year to 30 September 2016 of €672.7m was €33.5m, (4.7%) lower than the previous year, of which €28.1m was due to lower EWIC revenues. The lower revenue reflects a return to TUoS customers in 2016 of higher than anticipated revenues earned in prior years from EWIC capacity auctions. There was also a decline in actual interconnector receipts earned during the year (dropping by €9.8m in 2016), due to carbon price floor reforms in Great Britain.

The profit before tax for 2016 was €7.9m. This includes a €7.1m impairment charge to the carrying value of the SONI Transmission System Operator (TSO) licence. This reflects the Utility Regulator's current proposals in respect of the SONI TSO Price Control for the period 2015 to 2020. Excluding the return of over-recoveries for prior years and the impairment charge, management's estimate of the underlying profit before tax for 2016 was €16.0m, subject to regulatory uncertainties.

EirGrid paid a dividend of €3.5m in May 2016 in respect of 2014/15. A dividend of €4.0m is proposed to be paid in early 2017.

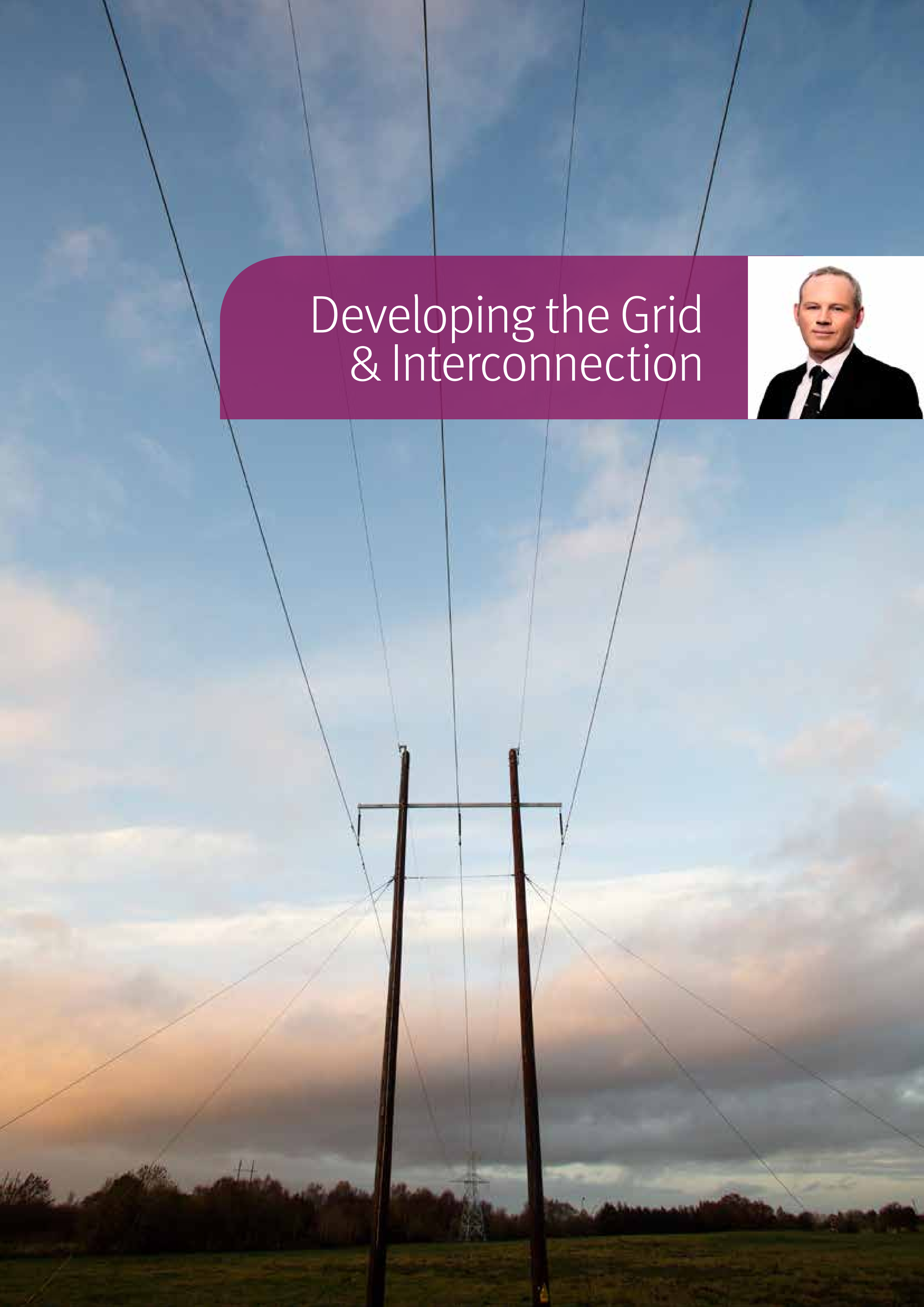
Financing

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.

Grainne Duffy, a Community Liaison Officer, meets a member of the public in our Mobile Communications Unit.


EIRGRID
Community Fund
We're building a more efficient, more effective and more economic electricity network. This can only happen when we work closely with you.
EIRGRID
€360,
EIRGRID
The current. The future.
North South Interconnector

Developing the Grid & Interconnection



Maintaining a strong, flexible grid - and planning for an uncertain future

John Fitzgerald, **Executive Director - Grid Development and Interconnection**

Throughout the year, we worked to ensure that people across this island have a strong, reliable transmission grid. We achieved this with a focus on safety, engagement and innovation. These are our key principles as we develop and maintain the grid.

A New Approach to Grid Development

In 2016, we developed a new approach to developing the grid in Ireland. This is a "beginning-to-end", six-step process that clearly outlines how and why we develop the grid. This process begins as we identify the future needs of the electricity grid. It ends, when necessary, with construction and energisation of a new grid project.

We now aim to apply this approach to all our grid projects in Ireland. We will support this through increased engagement with the public, communities, landowners and stakeholders.

In combination, this will create a more inclusive and effective process for developing the grid.

Next year we will work towards full implementation of this approach across our grid development projects in Ireland.

Developing the Transmission Grid

The oral hearing held by An Bord Pleanála into the North South Interconnector finished in May 2016. This lasted for 11 weeks. The southern element of the North South Interconnector was granted planning approval by An Bord Pleanála in December 2016.

Opposite Page: A section of the new 110 kV line from Mullingar to Kinnegad.

A separate and parallel planning process also resumed in Northern Ireland in 2016. A preliminary module of the public inquiry was held in June 2016. This examined legal issues associated with the proposed development. The proposal moved into the full public inquiry stage, which is due to conclude in February 2017.

Each year Market Operations publishes the Generation Capacity Statement. This document identified the importance of the proposed North South Interconnector. It states that this project, if carried out, will enhance security of supply across the island of Ireland.

This is particularly important for Northern Ireland. Without this new interconnector, Northern Ireland will face a shortfall of electricity over the next decade. This is due to the planned closure of a significant amount of generation plants due to emission restrictions.

The United Kingdom's June 2016 referendum on EU membership does not diminish the need for this project. It also does not lessen the benefits that will accrue across the island of Ireland from this project.

A number of key strategic projects progressed this year. They are as follows:

- **A new 220 kV station is under construction at Belcamp in North County Dublin.** This will relieve load congestion at the existing Finglas 220 kV station.
- In West Dublin, planning consent has been achieved for **a new 220 kV station in the Grangecastle area.** This will supply new demand customers, mainly new data centres.
- In the South-west, **two cables were laid across the Shannon estuary**. These connect the new 220 kV station at Kilpaddoge in North Kerry to Moneypoint 220 kV station in County Clare. This will facilitate the transfer of renewable generation from the region to the east of the country, via the existing 400 kV network.
- Construction has been completed on the new **Mullingar – Kinnegad 110 kV line** in County Westmeath.
- We also received grants of planning permission for two transmission projects in Northern Ireland. These projects are the **Curraghamulkin 110 kV Project** and the **Brockaghboy 110 kV Project**. The Northern Ireland projects are significant for two reasons. First, they allow for the connection of new renewable generation onto the grid. Secondly, they are the first applications to use the planning process now devolved to the new Northern Ireland local Councils. Previously the Department of Environment in Northern Ireland would have decided these applications.

Maximising Existing Infrastructure

One of our main focus areas when it comes to innovating is the integration of new technologies and services. These are designed to complement each other, and to improve the electricity system.

This year, in particular, we focused on using existing infrastructure rather than building new lines. In Waterford, we trialled Smart Wire's Powerline Guardian device. This controls power flows along an existing line using real-time sensing capabilities.

From this, we are now moving to roll-out technology called distributed series reactance by 2018. This will allow us make better and greater use of the capacity on existing lines. In the long term, this will help reduce the need for new infrastructure.

Interconnection

East West Interconnector

EirGrid Group owns and operates the East West Interconnector (EWIC) that links the grids in Ireland and Great Britain. This helps provide a safe, secure, reliable and affordable energy supply for both systems. Auction receipts for electricity transmitted on this interconnector were ahead of forecast this year. This was mainly due to the trend towards higher levels of exports, due to tightening of power supplies in the UK. EWIC also became the first interconnector to provide a black start service to National Grid in the UK in May 2016.

In 2016, we achieved a significant safety milestone of 1,000 days of operation of this interconnector without a lost time injury.

The East West Interconnector is now back in service, after being out of operation for a number of weeks at the end of 2016. This was due to a fault that occurred in early September at the converter station in Meath.

Celtic Interconnector

EirGrid and Rté, the French Transmission System Operator, have completed the feasibility phase for a new interconnector.

Fintan Slye and Rté chairman François Brottes sign a memorandum of understanding on the Celtic Interconnector. The signing ceremony was witnessed by President François Hollande and An Taoiseach Enda Kenny.

This project, if completed, would join the electricity grids in Ireland and France using an undersea cable. We call this project the Celtic Interconnector. We are now considering the initial design and starting the process of pre-consultation.

The Celtic 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 has also been designated as one of a small group of just 25 EU wide projects called “Electricity Highways”, as part of the e-Highway 2050 initiative. These projects are judged to have a positive role in securing Europe’s low-carbon energy future by 2050.

In April 2015, we made an application for project funding to the Connecting Europe Facility (CEF). The application was successful and the project was awarded €3.86 million funding in July 2015. This represents 50% of the eligible costs in the feasibility study stage.

Electricity Markets

Preparing our electricity market for greater European integration

Rodney Doyle, **Executive Director - Market Operations**

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. This is one of our key responsibilities at EirGrid Group.

Over the past year, SEMO has registered 13 new parties who requested access to buy or sell electricity in our market. A total of 39 new units were also registered in 2016. These are market participants with the capacity to generate electricity, or who need to consume a great deal of electricity. These new units included users of the Moyle Interconnector and the East West Interconnector.

We also have a role to develop the future market model. This involves moving towards closer integration with markets across Europe. We do this in collaboration with the Utility Regulator (UR) for Northern Ireland and the Commission for Energy Regulation (CER) in Ireland.

Transition to a new Electricity Market

The European Union (EU) is developing a common internal market for electricity and gas. This is to ensure that Europe's citizens have access to affordable, secure and sustainable energy. The EU has defined how such a market should operate using legislation, network guidelines and harmonised rules. Known as the "EU Target Model", this new approach creates a common standard for the cross-border trade in electricity and gas.

The existing rules that govern the Single Electricity Market (SEM) on the island of Ireland are not compatible with the EU Target Model. Given this, both Governments have asked the SEM Committee to develop the market arrangements so they can meet this new standard. The SEM Committee comprises the CER in Dublin, the UR in Belfast, plus an independent member and a deputy independent member.

The new market design will result in an Integrated SEM (I-SEM). This will allow our market to fully connect with the electricity market in the rest of Europe. I-SEM will ensure that the vision of the EU is effectively implemented in the wholesale electricity market on the island of Ireland. This will benefit all electricity customers.

Regulatory authorities published the high level design for the new I-SEM in September 2014. Now, the I-SEM project has entered its final phase. This is the detailed design and implementation work needed before the new market goes live.

In 2016, EirGrid continued to work with the Regulatory Authorities and key stakeholders on this project. This included developing market rules and aiding industry preparedness for the I-SEM. We also made significant progress on implementing the necessary systems infrastructure and operational arrangements. The systems design phase is now complete and build activities are underway.

We also completed a highly successful trial of Euphemia in 2016. This is the pricing algorithm that governs the European markets for single day-ahead trading. This initiative gave all key stakeholders the opportunity to understand how this algorithm will work in the new market.

The I-SEM design is underpinned by complex sets of rules and regulations. Some of these are outlined in the Trading and Settlement Code set by Regulators in Ireland and Northern Ireland. These new rules were completed in 2016. Significant progress was also made on the development of other market regulations. These include the Capacity Market Code. We also saw the agreement of the rules that will govern I-SEM's status as a NEMO, or Nominated Electricity Market Operator.

A key to I-SEM succeeding will be that market participants and stakeholders play an active part in its design and development. We set up a variety of liaison groups to allow key stakeholders to engage with us. These included the Project Managers' Group, Business Liaison Group, Technical Liaison Group and Rules Working Group. Feedback from these groups so far has been invaluable and engagement has been positive.

System Operation & Planning

Laying the foundations for the future while meeting day-to-day needs

Robin McCormick, **Executive Director - Operations, Planning and Innovation**

One of our biggest challenges is running an increasingly diverse and complex power system. This must be capable – in real time – of accommodating changing demand and growing levels of renewable generation.

At the same time we are always looking ahead. We plan the all-island transmission system to ensure it remains fit for purpose. To achieve this, we must find innovative solutions to planning your energy future.

It is reassuring to look at the degree of all-island energy security achieved by EirGrid Group. In the twelve months to September 2016, the total energy not supplied over the year was the equivalent of only 0.88 minutes of peak demand.

Operations

In March 2016, the new all-island Energy Management System (EMS) was introduced. The EMS is the main operational tool that our control centres use to monitor and manage the transmission system on a real-time basis.

This system integrated the EirGrid and SONI EMS platforms. For the first time, we now have true all-island control of our system from either control centre – Dublin or Belfast.

2016 was also the first year of full operation of the 10 MW battery pilot project at Kilroot. This is the largest storage facility of its type in Ireland and the UK, and it has performed well over the year. It delivers flexible support to the electricity transmission system. It also provides us with valuable experience of an exciting and innovative technology.

The grid control room at SONI offices in Belfast.

January 2016 saw the start of a local reserve contract for 290 MW of generation capacity at Ballylumford Power Station. This contract was awarded to safeguard security of supply in Northern Ireland. This extra capacity in Northern Ireland is needed pending delivery of the North South Interconnector by 2020.

Planning Ireland's Energy Future

One of our roles is to make sure that the electricity transmission grid is ready for the future. The key to this process is that we examine a range of ways that energy use may change. This year, we have gathered data to understand a number of possible energy futures. We did this by working closely with external bodies, state agencies, and government departments. This then allows us to explore and propose solutions for any problems we find.

This approach means we can plan for more than one potential impact, rather than basing our plans on just one assumption. This will make the grid stronger and more flexible. We call this scenario planning.

Innovation

EirGrid Group is working towards facilitating ambitious levels of renewable energy. This is in response to binding National and European targets that are due by 2020.

Most of the newer renewable sources of energy are weather dependent. Growth of this type of generation creates significant uncertainties as we work to ensure energy balance at all times.

Furthermore, the characteristics of this newer generation is electronic rather than electromagnetic. Much of the strength of the grid is due to the characteristics of electromagnetic generation.

With the advent of larger amounts of renewable generation, some of the predictable strength of electromagnetic generation is displaced. This displacement presents unique challenges. Our pioneering DS3 Programme (Delivering a Secure Sustainable Power System) seeks to address these. This multi-year programme has two equal aims. We must achieve our governments' 2020 energy targets, yet also maintain the reliability and security of our power system.

In 2016 there were two significant achievements from the programme. The first was an increase in the maximum limit for System Non-Synchronous Penetration (SNSP) to 60%. This means we can securely operate the power system with up to 60% of the energy coming from newer forms of electronic generation. It also allows us maintain the resilience in the power system that society has come to expect.

To facilitate this increase in SNSP we developed a range of innovative operational policies and tools. We will continue to push the boundaries of renewable integration – we raised the SNSP limit again in November 2016, and have a target of 75% by 2020.

The second achievement under DS3 was the introduction of a new set of arrangements to pay for system services. These are the services, other than energy, that we need to maintain system resilience. The DS3 System Service interim arrangements went live on 1 October 2016. They replaced the Harmonised Ancillary Services that have been in place since 2010.

The new arrangements include an increase in the number of services procured from new and existing service providers from 7 to 11. EirGrid Group has now signed 107 contracts for services. These include generators, demand side participants and other connected parties.

Power Off & Save

The Power Off & Save pilot programme was launched in June 2016 in partnership with Electric Ireland. This initiative rewards residential customers who agree to change their energy use on request. They do this by reducing their use of power when the system experiences peak demand. This allows us to maintain a resilient power system. Under this initiative, we provide residential participants with up to €100 in incentives for the period of the trial. In the long term, this kind of demand-side energy management will help to reduce system services costs.

EirGrid developed the Power Off and Save programme based on an open tender competition in late 2015. The Power Off and Save programme involves 1,500 residential customers over a 12 month period. Those who sign up will be asked to switch off appliances for about 30 minutes on ten occasions. Participants will then be rewarded with €100 off their bill.

Our People & Our Systems

Delivering the people and systems needed to achieve EirGrid Group goals

Siobhán Toale, **Executive Director - Human Resources and Corporate Services**

Human Resources and Corporate Services has a wide and varied remit. Our role is to ensure that the people who work for the Group have the supports that they need to do their jobs.

We provide the Information Systems foundations to our corporate strategy. This is achieved through the design, delivery, and support of application solutions for the business.

We provide line managers with the people they need to deliver the required future organisation, which included developing a future talent pipeline.

We ensure that all our employees have easy access to the services required to carry out their roles effectively. This includes, for example, technology and facilities.

Finally, we deliver our activities in a cost effective way, without compromising the services delivered to our staff.

Employee Engagement

In 2016 we delivered an employee engagement programme aligned to our company values. Our objective is to ensure that staff understand the important part they play in the success of the group.

Our five company values are:

- We deliver on our promises;
- We behave with integrity;
- We recognise that our people are our greatest asset;
- We innovate to drive value for all our customers;
- We behave in a socially responsible manner.

We launched our health and well-being initiative ‘Be Well’ this year and there was a tremendous response from staff. The aims of the programme were to engage and energise staff on their health. We did this by providing insights on how making small changes can have a positive impact on well-being.

The programme was categorised into two areas: Think Well and Live Well. The programme included seminars from experts in the fields of psychology, nutrition and fitness. We also provided some online material in the form of webinars and a stress buster series.

Our staff recognition programme 'Going the Extra Mile', launched in 2015. It continued to be a success with staff in 2016. This year saw a greater emphasis on team nominations. This demonstrates collaboration and teamwork within the Group.

Staff Development

Over 250 staff participated in our skills development programme (EirSkills). This has helped our people develop their professional competencies to carry out their roles.

To further support staff development, we introduced a talent development centre. This will help develop our key talent for their future within the organisation. We have also introduced new leadership development programmes. These help provide our senior leadership team with the supports they need to engage our staff and deliver on the company strategy.

Information Systems

The Information Systems team worked hard in 2016 to maintain the availability of the technology we use to run the business. This is evidenced by the 99%+ availability of critical systems in 2016.

Energy Management System (EMS)

In March of 2016, the Information Systems team implemented a new all-island Energy Management System.

This is used by SONI and EirGrid in the Power System Control Centres in Belfast and Dublin.

The new Energy Management System (EMS) allows for increased use of renewable energy, in support of the 2020 targets.

We have also delivered key telecommunications infrastructure during 2016. This was to facilitate the growth in renewable connections onto the grid in Northern Ireland.

These new connections were driven by the Renewable Obligation Certificate (ROC) incentive scheme.

DS3 (Delivering a Secure Sustainable Energy System)

Work continues to support system services for the DS3 (Delivering a Secure Sustainable Electricity System) Project. These services are the support systems necessary for the secure operation of the electricity system.

I-SEM (Integrated Single Electricity Market)

The Information Systems team continues to provide extensive support to the I-SEM (Integrated Single Electricity Market) project. This work included IS infrastructure, IS applications and IS architecture. I-SEM is a significant business priority for the Group. It will change the way electricity is traded in the European market, resulting in lower bills for consumers.

Energy Use & Environmental Policies

EirGrid has a strategic goal to be a 'World Leader in Smart Grids and the integration of renewables'. We also reflect this goal in the way we manage our own energy use.

In May 2016 we achieved re-certification of the Carbon Trust Standard. This recognises organisations that take a best practice approach to measuring and managing their environmental impacts.

EirGrid Group staff.

EirGrid Group has an overall goal of encouraging and facilitating increased energy efficiency. As part of this, we track and report our own energy use.

Across the group, energy usage can be broken down into electricity, and fossil fuel - mainly natural gas for heating.

In 2016 EirGrid consumed 3,736 MWh of energy in our Dublin locations of Ballsbridge and the Business Continuity Centre (This is an off-site location with a fully functional back up of the National Control Centre in Ballsbridge). This can be broken down as follows:

- 3,165 MWh of electricity;
- 571 MWh of fossil fuels.

In 2016 SONI consumed 2,130 MWh of energy, broken down as follows:

- 1,588 MWh of electricity;
- 541 MWh of fossil fuels.

In 2016 we undertook a number of initiatives to improve energy performance. This included optimising our main chiller in Ballsbridge. This increased the effectiveness and energy efficiency of our cooling system.

We also continue to use a real-time energy management solution in our Ballsbridge offices. It has been a valuable tool in accurately controlling our use of energy. It allows us to improve the performance of heating and cooling to best suit our needs on a daily basis.

External Engagement

Maintaining and improving relationships to improve effectiveness and performance

Rosemary Steen, **Executive Director - External Affairs**

EirGrid is committed to being a socially responsible company. We aim for this standard in our relationships with employees, customers, stakeholders, and the community.

We also work hard to reflect this goal in our environmental footprint. One of our strategic objectives as a business is to be a 'Respected and Trusted Organisation'. This includes a key goal to 'Be Socially Responsible in all our activities'. We are very proud of the fact that EirGrid has held the Business Working Responsibly Mark since 2012. We were re-accredited with this mark in 2016. This is proof of the responsible way in which we do business.

Corporate Social Responsibility

Education is a core interest of ours, and we remained focused on this in 2016. We continued to work with the National Adult Literacy Agency (NALA) to make our documents easier to understand.

Two of our key public facing documents were 'plain English certified' in 2016, and we now use 'plain English' guidelines in everything we do.

Through this partnership we sponsored the EirGrid Family Literacy Project. This initiative provided a reading resource pack for parents of children in Delivering Equality of Opportunity in Schools (DEIS) schools.

We also provided sponsorship and support for Science and Technology in Action. With our help, they developed electricity-related content in a teaching pack for physics teachers.

In Northern Ireland, we launched a partnership with the Book Trust NI to fund their Book Start Baby programme aimed at toddlers in Armagh.

Opposite Page: Our Agricultural Liaison Team

Our staff participated in the Business in the Community Ireland Skills@Work education programme for the third year in a row. This year, we supported the fifth year students from Margaret Aylward Community College in Dublin. Staff from across the company gave workshops to these students on a variety of topics to increase their life and educations skills. We got positive feedback from all of the students that participated.

As well as volunteering, our staff were busy fundraising in 2016 for our two staff-nominated charity partners. This year they were the The Irish Hospice Foundation and Cancer Research UK.

As part of our community engagement, we broadened our relationship with the GAA. As an organisation at the heart of every community, they embody the respect and trust that we strive for. In 2016, we became the first ever Official GAA Timing Sponsor. This primarily involves sponsorship of the Croke Park clock and timer.

This year also marked the second year of the EirGrid GAA Football Under-21 All-Ireland Championship. In conjunction with our Timing Sponsorship, we ran a competition to win a digital clock and scoreboard for local GAA clubs. Four clubs - one per province - were drawn to receive this prize in November 2016.

In Northern Ireland, we continued our partnership with Ulster Rugby. This included our sponsorship of the newly named SONI Ulster Rugby Premiership for the second year. We also increased our involvement in this sport as a result of our partnership. We launched a two-year sponsorship of Armagh Rugby club in December 2015. Then, in May 2016, we launched the SONI Community Rugby Champions Award. This award recognises volunteers involved in rugby at a grassroots level, and was presented at the Ulster Rugby Awards.

Community Fund

A highlight for us this year was the launch of the EirGrid Community Fund for the Mullingar - Kinnegad project. This is a new 110 kV transmission line that runs for 25 km between Mullingar, County Westmeath and Killaskillen, County Meath.

This fund was the first of its kind that EirGrid has launched. The Community Fund recognises the importance of the local communities who support our work. In the case of the Mullingar - Kinnegad project, we created a total fund of €360,000 to support local community projects.

We invited applications for projects under the following themes:

- employment,
- education,
- environment and,
- community facilities.

Thirty-seven projects were chosen for funding. We hope that all of these projects will make a lasting contribution to the Mullingar - Kinnegad region.

A New Approach to Consultation

When we work together, we can create a stronger and better electricity grid with the least possible impact on communities. In 2015, we reviewed our public consultation process. As a result, we promised to improve the way we consult with the public and other stakeholders. Over the past year, we have worked on getting this right.

There is one very important principle that is at the heart of our consultation process: the earlier the public get involved in our projects, the more influence they can have in them. To make sure this message is heard, we have implemented a number of consultation and engagement initiatives over the past year.

In November 2016 we launched 'Have Your Say'. This is an information leaflet that 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 closely with the public and other stakeholders into the future.

Of course, our presence on the ground is important in gathering feedback at the earliest possible stage. This year, we opened a new information office in Armagh. This allows us to invite the public in Northern Ireland to visit, and to ask any questions they might have. Regional offices in Mayo, Leitrim, and Monaghan also remained open.

Minister Denis Naughten and GAA U21 Football player Ultan Harney at the 2016 National Ploughing Championships.

Left to Right:

Fergal Keenan, Agricultural Liaison Officer at the Armagh Agricultural Show.

An image from the launch of the EirGrid timing sponsorship for the GAA.

In April 2016 we launched our mobile unit, which attended many agriculture and trade shows over the summer. This is another useful tool to help us engage with the public and other stakeholders.

In 2016, we attended a number of agricultural shows. These included the National Ploughing Championships, the Clogher Valley Show, and the Armagh Show. Our presence at these events allowed us to directly discuss projects and other areas of our business with those in attendance.

Our Community and Agricultural Liaison Officers have been busy this year. They travelled around the country to meet with the public and stakeholders. This allowed them to provide an update on projects in Ireland and Northern Ireland.

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. In November 2015, we appeared in front of the Oireachtas Committee. This allowed us to brief them on the new and innovative approach that was being adopted to reinforce the electricity network.

Our Customers

The electricity sector continued to evolve this year and there are significant changes on the horizon for us and for our customers. We play an important role in helping our customers influence and implement these changes.

This year we hosted a large number of working groups, advisory council meetings, industry workshops and bilateral consultations. Our 2015 annual conference was held in Belfast.

The theme was ‘Europe’s Energy Roadmap - Putting the Customer at the Heart of Policy’. Over 200 customers and stakeholders attended from across the island.

Our customers from across the business continued to grow this year. For example, there has also been growth in demand side units. This is a new type of customer that “produces” electricity for the grid by reducing their consumption of electricity when asked. They receive market payments for this electricity, in much the same way a generator does.

Shane Brennan (on right) from SONI marks the start of our sponsorship of Ulster Rugby.

The growth in this customer type has been considerable. There is now approximately 400 MW of demand capacity participating in the market.

The continued growth indicates there is an appetite within the demand sector to be less passive users of electricity.

New Connections

EirGrid connected a number of large-scale energy users and renewable electricity generators onto the grid in 2016.

We have made significant progress in the South-West region, with three new major stations now operational. We expect the final station, Kilpaddoge in North Kerry, will be energised next year.

These new stations will allow us to connect renewable energy sources in the area. Several major wind farms were also successfully commissioned and connected to the grid during the year.

2016 saw continued interest in connection from businesses and industries with a high demand for electricity. We call these "demand customers". Many of these are due to the development of major data centre facilities. We are working closely with the IDA to facilitate the connection of these demand customers to the transmission system.

We also continued to find innovative solutions. In this past year, we facilitated and managed the first construction of a station by a demand customer. This is a new 220 kV station sited near Clonee in County Meath.

In 2016, SONI needed to work closely with NIE Networks and industry participants to connect new customers. This was necessary to respond to an unprecedented level of connection applications.

In response, we established an approach that allows the most efficient use of current capacity on the grid. This approach has already enabled the provision of connection offers totalling over 200 MW to new customers.

The Board of EirGrid Group

John O'Connor
Chairman

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

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

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

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. She was also Chairman of the Progressive Building Society based in Belfast, and a Director of Trinity Housing Association.

She served two terms as Chair 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.

Richard Sterling
Board Member

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

Doireann Barry
Board Member

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

Michael Hand
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 and latterly as CEO and Director of Grangegorman Development Agency.

During his career he has played a lead role in the growth and development of PH McCarthy Consulting Engineers, a leading multidisciplinary business as Director, Managing Director and Executive Chairman. Following the merger of the business with WYG Group plc he was Managing Director of the WYG Engineering Ireland business for 3 years before joining GDA in 2010. He has a track record in the design and delivery of major strategic infrastructure projects throughout Ireland.

Michael is highly qualified in engineering and business and is a Chartered Engineer, a Chartered Director and a Chartered Water & Environment Manager. He holds a degree in Civil Engineering and a Masters in Business Administration. In 2014, he was conferred with a 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.

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 Chairman 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.

Our Executive Team

Back Row, Left to right: John Fitzgerald, Rodney Doyle, Fintan Slye, Robin McCormick and Siobhan Toale. Front Row: Rosemary Steen and Aidan Skelly.

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.

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, UK and Europe. A graduate of University College Dublin, he is a Bachelor of Electronic Engineering and holds an MBA from the UCD School of Business.

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 and Vice Chairman of the IET Engineering Policy Group – Northern Ireland. He holds an MBA from the University of Ulster, Jordanstown, and an MSc from Napier University, Edinburgh.

Aidan Skelly
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 AsIAm charity organisation.

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 43.

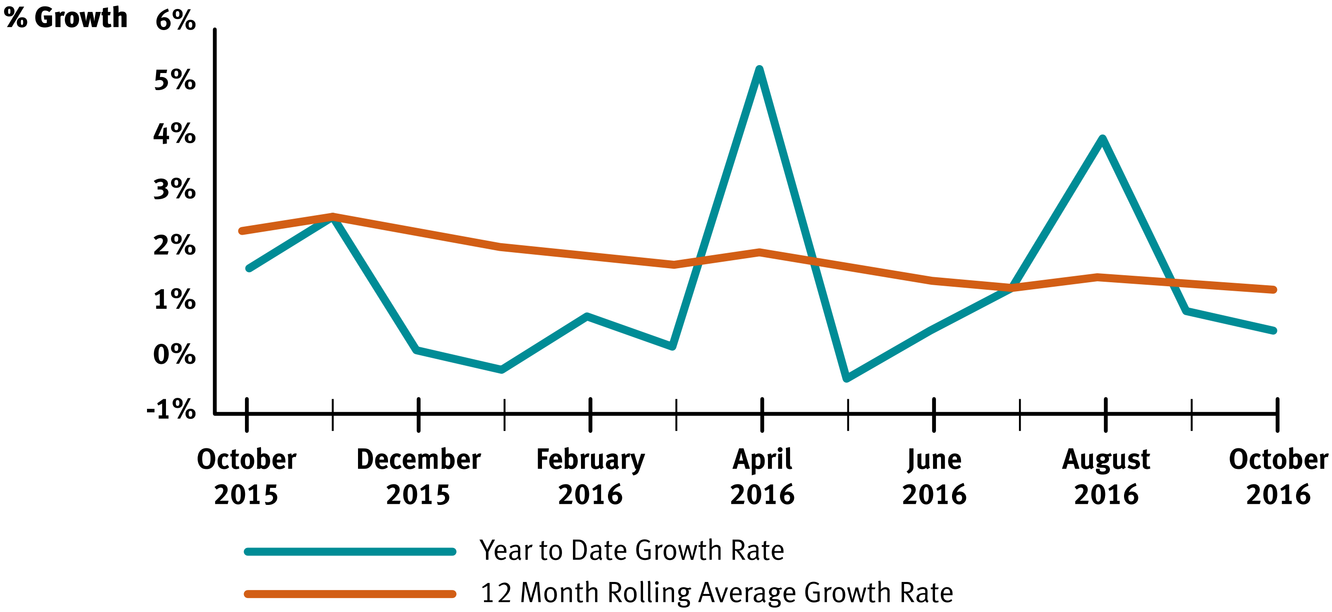
Siobhán Toale
Executive Director – Human Resources and Corporate Services

Siobhán Toale was appointed Director of Human Resources & Corporate Services in July 2015 having previously held the position of Director of Human Resources since joining EirGrid in 2013.

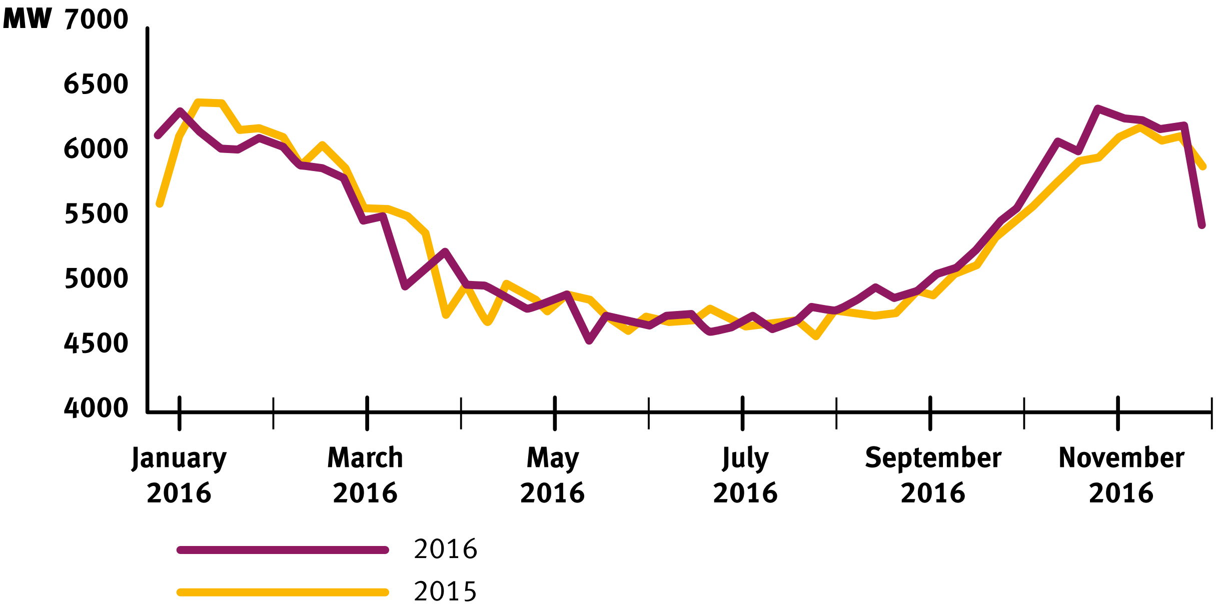
Siobhán has extensive HR, Leadership Development and Change Management experience from the Telecommunications and Banking Industries. She has previously held senior HR positions in eircom, Telefonica 02 Ireland and Bank of Ireland Group. Siobhán has a BSc(Comp) from Trinity College Dublin and an MSc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

Key Data on Operations

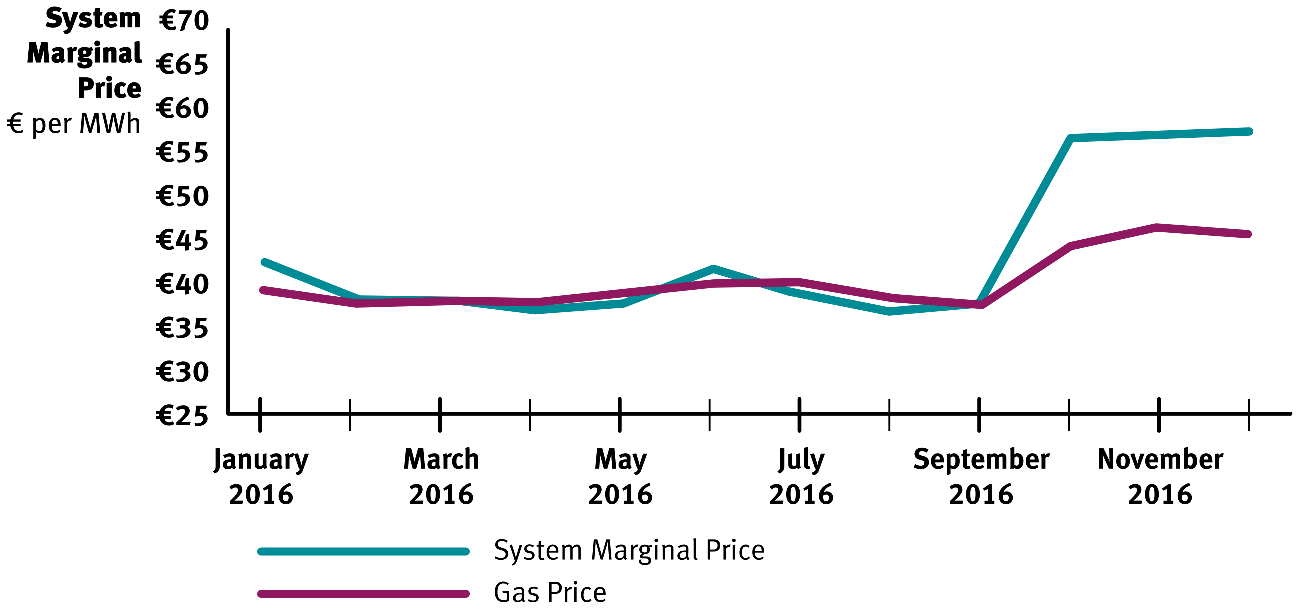
All-Island Energy Growth Rates



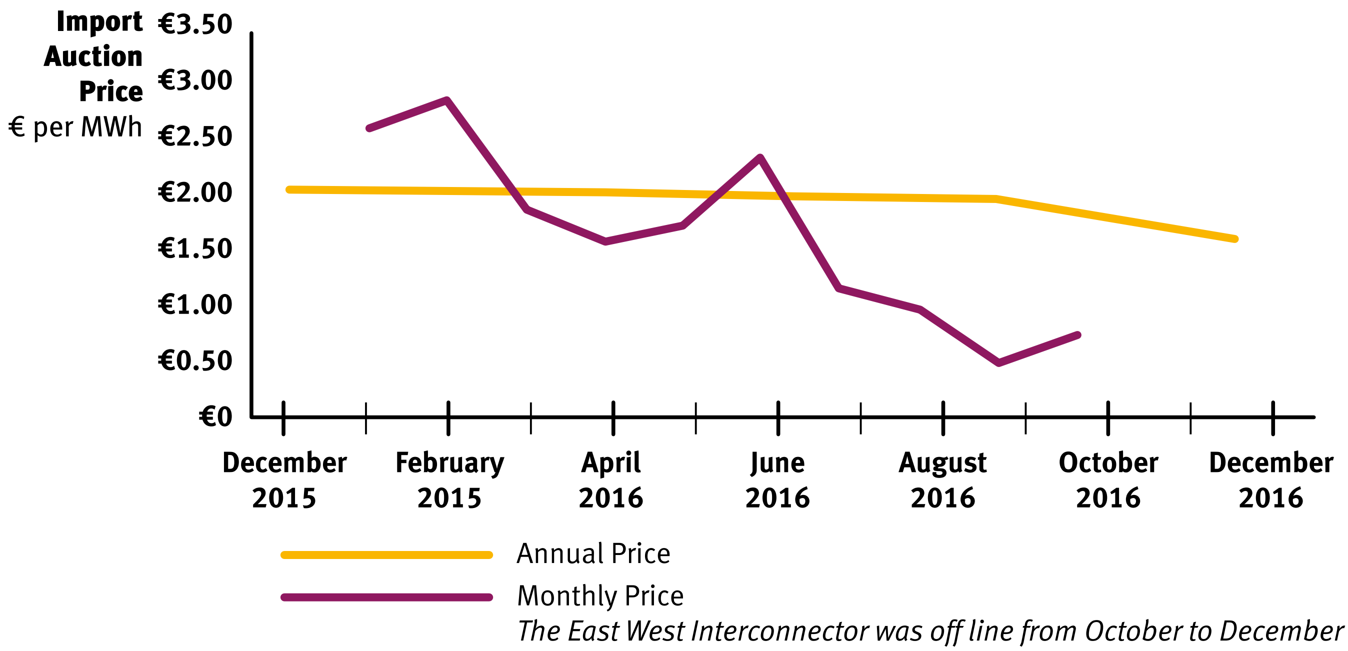
All-Island Weekly Peaks of Electricity Usage



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.

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

CER
The Commission for Energy Regulation. 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.

ESB
Electricity Supply Board is an electricity company in Ireland. It is a commercial semi-state company.

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.

Great Britain and UK
Great Britain is the geographic term for the island that contains England, Scotland and Wales. The United Kingdom is a shortened version of "the United Kingdom of Great Britain and Northern Ireland", which is the official name of that country.

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).

Memorandum of Understanding
An agreement between two or more parties. It defines an agreement on a common set of actions or steps.

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 company 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.

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.

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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 2016.

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 71 and the related notes 1 to 30.

The current period being reported on is the financial year ended 30 September 2016. The comparative figures are for the financial year ended 30 September 2015. The impact of EWIC on the Income Statement has been split out to aid comparability. Further detail on EWIC is included in Note 7 including the impact on current financial year reported profit.

In December 2015, the Commission for Energy Regulation (CER) 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) in Northern Ireland issued a Final Determination in respect of the SONI TSO Price Control for 2016-2020, however, the Licence Modifications are yet to be published.

Commentaries on performance during the financial year ended 30 September 2016, including information on recent events and future developments, are contained in the Chairperson's Report and the Chief Executive's Review.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance. During the year the Group was compliant with the Code of Practice for the Governance of State Bodies ('the Code') issued by the Department of Finance on 15 June 2009. The Code sets out the principles of corporate governance which the Boards of State Bodies are required to observe.

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

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

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

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

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

Board Committees in 2016

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 Pensions Committee, the Public Affairs Committee and the Risk Committee (established 14 April 2016). The Pensions Committee discontinued on 15 June 2016 as the Board deemed responsibility for pension matters was a direct responsibility of the Board. 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 Remuneration Committee, with the consent of the Department of Communications, Climate Action and Environment and the Department of Public Expenditure and Reform, determines the level of the Chief Executive's remuneration. The Committee also approves the structure of remuneration for Senior Management.

The Grid Infrastructure 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 Pensions Committee's function is to monitor the sustainability of the various EirGrid Group pension obligations entered into and the ongoing viability of each of the schemes. The Pensions Committee discontinued on 15 June 2016 as the Board deemed responsibility for pension matters was a direct responsibility of the Board.

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

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

Attendance at Meetings

Board Meetings

There were 12 Board meetings held during the financial year ended 30 September 2016. The Board Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
John O'Connor (Chairperson)	12	12
Doireann Barry	12	12
Michael Hand	12	11
Gary Healy (retired 14 September 2016)	12	11
Liam O'Halloran	12	12
Bride Rosney (retired 14 September 2016)	12	12
Fintan Slye	12	12
Joan Smyth	12	12
Richard Sterling	12	11
Gerry Walsh (resigned 28 May 2016)	8	8

Members of the Board at the date of signing of the financial statements were John O'Connor (Chairperson), Doireann Barry, Liam O'Halloran, Michael Hand, Fintan Slye, Joan Smyth, and Richard Sterling.

Audit Committee

There were 5 Audit Committee meetings held during the financial year ended 30 September 2016. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Richard Sterling (Chairperson)	5	5
Doireann Barry	5	5
Gary Healy (retired 14 September 2016)	5	5
Gerry Walsh (resigned 28 May 2016)	3	3

Members of the Audit Committee at the date of signing of the financial statements were Richard Sterling (Chairperson), Doireann Barry and Joan Smyth (appointed 20 October 2016).

Remuneration Committee

There were 5 Remuneration Committee meetings held during the financial year ended 30 September 2016. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Joan Smyth (Chairperson)	5	5
Liam O'Halloran	5	5
John O'Connor	5	4

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 2016. 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	3
Bride Rosney (retired 14 September 2016)	4	4
Richard Sterling	4	4

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

Pensions Committee

There were 4 Pensions Committee meetings held during the financial year ended 30 September 2016. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Gary Healy (Chairperson)	4	3
Doireann Barry	4	4
Michael Hand	4	4
Fintan Slye	4	4
Joan Smyth	4	4

The Pensions Committee discontinued on 15 June 2016 as the Board deemed responsibility for pension matters was a direct responsibility of the Board.

Public Affairs Committee

There were 4 Public Affairs Committee meetings held during the financial year ended 30 September 2016. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Bride Rosney (Chairperson) (retired 14 September 2016)	4	4
Liam O'Halloran	4	4
Joan Smyth (appointed Chairperson 20 October 2016)	4	4
Gerry Walsh (resigned 28 May 2016)	2	2

Members of the Public Affairs Committee at the date of signing of the financial statements were Joan Smyth (Chairperson), Doireann Barry (appointed 19 October 2016) and Liam O'Halloran.

Risk Committee

The Risk Committee was established on 14 April 2016. There were 3 Risk Committee meetings held during the financial year ended 30 September 2016. The Committee Members' attendances at these meetings were as set out below:

	Eligible to Attend	Attended
Liam O'Halloran (Chairperson)	3	3
Doireann Barry	3	2
Michael Hand	3	2
Gerry Walsh (resigned 28 May 2016)	1	1

Members of the Risk Committee at the date of signing of the financial statements were Liam O'Halloran (Chairperson), Doireann Barry and Michael Hand.

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. During the financial year the Directors have carried out a robust assessment 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. A Risk Committee was established in April 2016 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 24% 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 deficit included in the financial statements at 30 September 2016, before deferred tax, is €53.9m (2015: €27.2m).

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 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 €117,000 (2015: €112,000) 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 (2015: €21,600 per annum). Directors' fees were equivalent to €12,600 each per annum during the year (2015: €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 2016 were €2,125 (2015: €2,125) and €6,375 (2015: €6,375) respectively. The total accrued pension at the end of the financial year was €18,295 (2015: €16,170) and the total accrued gratuity was €60,035 (2015: €53,660). The transfer value of the relevant increase was €30,406 (2015: €28,541).

Chief Executive's Remuneration:

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '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 (2015: €3,500,000) for the financial year ended 30 September 2016.

Directors' and Secretary's Interest in Shares

The Directors and Secretary who held office between 1 October 2015 and 30 September 2016 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. Following the appointment of Tom Finn as Company Secretary, the shareholding previously held by Niamh Cahill (previous Company Secretary) transferred to Tom Finn.

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

On 21 December 2016 An Bord Pleanála granted planning permission, subject to certain conditions, for the Ireland section of the North-South Interconnector. The Group is evaluating the decision. 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

Richard Sterling, Chairperson Audit Committee

Fintan Slye, Chief Executive

21 December 2016

Independent Auditors' Report to the Members Of EirGrid Plc

We have audited the financial statements of EirGrid Plc for the financial year ended 30 September 2016 which comprise the Group Financial Statements: the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the Parent Company Financial Statements: the Company Statement of Comprehensive Income, the Company Balance Sheet, the Company Statement of Changes in Equity and the Company Cash flow Statement and the related notes 1 to 30. The relevant financial reporting framework that has been applied in the preparation of the group and the parent company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("relevant financial reporting framework").

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report for the financial year ended 30 September 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditors' Report to the Members Of EirGrid Plc (continued)

Opinion on financial statements

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 2016 and of the profit of the group for the year then ended; and
- the group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the provisions of the Companies Act 2014 we are required to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.
- Under the Code of Practice for the Governance of State Bodies 2009 ("the Code"), we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the Directors' Report does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

Ciarán O'Brien
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm, Dublin.

22 December 2016.

Consolidated Income Statement

For the Financial Year To 30 September 2016

	Notes	Non-EWIC Business Year to 30 Sep 2016 € '000	EWIC* Business Year to 30 Sep 2016 € '000	Total Year to 30 Sep 2016 € '000	Non-EWIC Business Year to 30 Sep 2015 € '000	EWIC* Business Year to 30 Sep 2015 € '000	Total Year to 30 Sep 2015 € '000
Revenue	3	629,937	42,679	672,616	635,422	70,755	706,177
Direct costs	3	(527,447)	-	(527,447)	(535,048)	-	(535,048)
Gross profit		102,490	42,679	145,169	100,374	70,755	171,129
Other operating costs	5	(97,288)	(21,771)	(119,059)	(91,434)	(19,734)	(111,168)
Operating profit		5,202	20,908	26,110	8,940	51,021	59,961
Interest and other income	6	423	-	423	289	11	300
Finance costs	6	(1,132)	(17,545)	(18,677)	(743)	(18,805)	(19,548)
Profit before taxation	8	4,493	3,363	7,856	8,486	32,227	40,713
Income tax credit/(expense)	9			866			(6,931)
Profit for the year				**8,722**			33,782

*** EWIC Business**

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

Consolidated Statement of Comprehensive Income

For the Financial Year to 30 September 2016

	Notes	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised loss on cash flow hedges	27	(20,647)	(3,128)
Deferred tax attributable to movement in unrealised loss on cash flow hedges	9	2,590	381
Currency translation differences		272	(350)
Total of items that may be reclassified subsequently to profit or loss		(17,785)	(3,097)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	23	(24,620)	(8,007)
Deferred tax credit on remeasurement	9	3,347	980
Total of items that will not be reclassified to profit or loss		(21,273)	(7,027)
Profit for the financial year		8,722	33,782
Total comprehensive income for the year		**(30,336)**	23,658

Company Statement of Comprehensive Income

For the Financial Year to 30 September 2016

	Notes	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Items that may be reclassified subsequently to profit or loss:			
Movement in unrealised loss on cash flow hedges	27	(16,493)	(3,399)
Deferred tax attributable to movement in unrealised loss on cash flow hedges	9	2,062	425
Total of items that may be reclassified subsequently to profit or loss		(14,431)	(2,974)
Items that will not be reclassified to profit or loss:			
Remeasurement of net defined benefit liability	23	(21,029)	(8,281)
Deferred tax credit on remeasurement	9	2,628	1,035
Total of items that will not be reclassified to profit or loss		(18,401)	(7,246)
Profit for the financial year		23,022	41,685
Total comprehensive income for the year		**(9,810)**	31,465

Consolidated Balance Sheet

As at 30 September 2016

	Notes	30 Sep 2016 € '000	30 Sep 2015 € '000
Assets			
Non-current assets			
Intangible assets	12	2,159	10,165
Property, plant & equipment	14	589,626	590,875
Deferred tax asset	9	24,387	16,991
Trade and other receivables	15	36,760	60,460
Total non-current assets		652,932	678,491
Current assets			
Trade and other receivables	15	132,257	92,652
Current tax receivable		4,678	1,895
Cash and cash equivalents	19	282,255	270,377
Total current assets		419,190	364,924
Total assets		**1,072,122**	**1,043,415**
Equity and Liabilities			
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(105,152)	(87,095)
Translation reserve		1,299	376
Retained earnings		200,135	216,837
Total equity		145,502	179,338
Non-current liabilities			
Derivative financial instruments	26	120,184	99,537
Deferred tax liability	9	17,376	16,609
Deferred income	17	99,224	102,296
Borrowings	25	339,207	353,437
Retirement benefit obligations	23	53,864	27,152
Total non-current liabilities		629,855	599,031
Current liabilities			
Borrowings	25	14,444	13,759
Deferred income	17	3,072	3,072
Trade and other payables	16	279,249	248,215
Total current liabilities		296,765	265,046
Total liabilities		926,620	864,077
Total equity and liabilities		**1,072,122**	**1,043,415**

Approved by the Board and signed on their behalf

John O'Connor, Chairperson

Richard Sterling, Chairperson Audit Committee

Fintan Slye, Chief Executive

21 December 2016

Company Balance Sheet

As at 30 September 2016

	Notes	30 Sep 2016 € '000	30 Sep 2015 € '000
Assets			
Non-current assets			
Investment in subsidiaries	13	155,711	155,711
Property, plant & equipment	14	59,663	47,048
Deferred tax asset	9	17,690	12,716
Trade and other receivables	15	217,265	235,745
Total non-current assets		450,329	451,220
Current assets			
Trade and other receivables	15	144,598	88,587
Current tax asset		4,441	2,609
Cash and cash equivalents	19	229,323	224,642
Total current assets		378,362	315,838
Total assets		**828,691**	**767,058**
Equity and Liabilities			
Capital and reserves			
Called up share capital presented as equity	18	38	38
Capital reserve		49,182	49,182
Hedging reserve		(76,065)	(61,634)
Retained earnings		211,063	209,942
Total equity		184,218	197,528
Non-current liabilities			
Derivative financial instruments	26	86,932	70,439
Borrowings	25	230,193	238,591
Retirement benefit obligations	23	49,596	25,777
Total non-current liabilities		366,721	334,807
Current liabilities			
Borrowings	25	8,399	8,045
Trade and other payables	16	269,353	226,678
Total current liabilities		277,752	234,723
Total liabilities		644,473	569,530
Total equity and liabilities		**828,691**	**767,058**

Approved by the Board and signed on their behalf

John O'Connor, Chairperson
21 December 2016

Richard Sterling, Chairperson Audit Committee

Fintan Slye, Chief Executive

Consolidated Statement of Changes in Equity

For the Financial Year to 30 September 2016

	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 2014	38	49,182	(84,344)	108	193,696	158,680
Total comprehensive income for the financial year	-	-	(2,751)	268	26,141	23,658
Dividends	-	-	-	-	(3,000)	(3,000)
Balance as at 30 September 2015	38	49,182	(87,095)	376	216,837	179,338
Total comprehensive expense 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**

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 2016

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 October 2014	38	49,182	(58,660)	178,503	169,063
Total comprehensive income for the financial year	-	-	(2,974)	34,439	31,465
Dividends	-	-	-	(3,000)	(3,000)
Balance as at 30 September 2015	38	49,182	(61,634)	209,942	197,528
Total comprehensive expense 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**

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 2016

	Notes	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Cash flows from operating activities			
Profit after taxation		8,722	33,782
Depreciation of property, plant and equipment	14	30,752	30,819
Amortisation of grant	17	(3,072)	(3,072)
Impairment of goodwill and intangible assets	12	7,116	7,925
Interest and other income		(423)	(300)
Finance costs		18,677	19,548
Retirement benefit cost		7,210	6,080
Unrealised foreign exchange loss/(gain)		5,286	(3,003)
Income tax (credit)/expense		(866)	6,931
Pension contributions paid		(5,921)	(6,753)
Operating cash flows before movements in working capital		67,481	91,957
Movements in working capital			
Increase in trade and other receivables		(15,508)	(13,462)
Increase in trade and other payables		31,657	80,806
Cash generated from operations		83,630	159,301
Income taxes paid		(2,466)	(3,537)
Interest received		423	300
Net cash generated from operating activities		81,587	156,064
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,231)	(22,867)
Net cash used in investing activities		(32,231)	(22,867)
Cash flows from financing activities			
Dividends paid		(3,500)	(3,000)
Borrowings repaid		(13,545)	(17,437)
Finance costs paid		(18,707)	(19,548)
Net cash used in financing activities		(35,752)	(39,985)
Net increase in cash and cash equivalents		13,604	93,212
Cash and cash equivalents at start of year		270,377	177,131
Effect of foreign exchange on cash and cash equivalents		(1,726)	34
Cash and cash equivalents at end of year	19	**282,255**	**270,377**

Company Cash Flow Statement

For the Financial Year to 30 September 2016

	Notes	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Cash flows from operating activities			
Profit after taxation		23,022	41,685
Depreciation of property, plant and equipment	14	10,621	11,292
Interest and other income		(731)	(1,051)
Finance costs		3,607	4,065
Retirement benefit cost		6,189	5,859
Unrealised foreign exchange loss/(gain)		5,637	(3,095)
Income tax credit		(876)	(32)
Pension contributions paid		(4,474)	(4,432)
		42,995	54,291
Movements in working capital			
(Increase)/decrease in trade and other receivables		(37,531)	1,621
Increase in trade and other payables		38,198	67,580
Cash generated from operations		43,662	123,492
Income taxes paid		(1,240)	(1,907)
Interest received		736	1,080
Net cash generated from operating activities		43,158	122,665
Cash flows from investing activities			
Purchase of property, plant and equipment		(23,326)	(14,482)
Net cash used in investing activities		(23,326)	(14,482)
Cash flows from financing activities			
Dividends Paid		(3,500)	(3,000)
Proceeds from borrowings		-	-
Borrowings repaid		(8,044)	(7,726)
Finance costs paid		(3,607)	(4,055)
Net cash used in financing activities		(15,151)	(14,781)
Net increase in cash and cash equivalents		4,681	93,402
Cash and cash equivalents at start of year		224,642	131,240
Cash and cash equivalents at end of year	19	**229,323**	**224,642**

Notes To The Financial Statements

1. General Information

EirGrid plc ('the Company') is a public limited company, incorporated in Ireland, established pursuant to S.I. No 445 of 2000 – European Communities (Internal Market in Electricity) Regulations, 2000. The Company is licensed by the Commission for Energy Regulation as the Transmission System Operator (TSO) in Ireland and as Market Operator (MO) for the wholesale electricity market on the island of Ireland. SONI Limited (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 Energy Regulation 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 2016 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 2016. The comparative figures are for the financial year ended 30 September 2015.

Adoption of new standards

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

- IAS 19 – Employee Benefits (Amendments) - (Effective 1 February 2015)

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

- IFRS 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)

2. Statement of Accounting Policies (continued)

- 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)
- 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)

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 from 1 April 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the 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 Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration which is deemed to be a financial asset or a financial liability will be recognised in accordance with IAS 39 in the Income Statement.

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

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

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

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

Goodwill

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

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

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

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

2. Statement of Accounting Policies (continued)

Revenue

Revenue primarily represents the income derived from the provision of electricity transmission, sale of capacity on the East-West Interconnector and Market Operator services to customers during the financial year and excludes value added tax. Revenue includes the regulatory allowance received for the management of transmission constraint costs. 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.

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.

2. Statement of Accounting Policies (continued)

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.

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.

2. Statement of Accounting Policies (continued)

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

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

Property, plant and equipment

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

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

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

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

2. Statement of Accounting Policies (continued)

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

Borrowing costs

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

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

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

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

Intangible assets

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

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

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.

2. Statement of Accounting Policies (continued)

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

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

Grants

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

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

Financial assets and liabilities

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

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.

2. Statement of Accounting Policies (continued)

Hedging instruments

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

The effective portion of changes in the fair value of interest rate swaps that are designated and qualify as cash flow hedges are 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.

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.

2. Statement of Accounting Policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Financial Statements requires management to make estimates and assumptions 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. Historically, changes in useful lives have not resulted in material changes to the Group's depreciation charge.

- **Retirement benefits obligations**
  The Group operates two defined benefit pension plans. The actuarial valuation of the pension plan liabilities are based on various financial and demographic assumptions about the future including discount rates, inflation, salary increases, pension increases and mortality rates. The Group's obligation in respect of the plans are calculated by independent qualified actuaries and are updated at least annually. The obligation at 30 September 2016 is €196.0m (2015: €156.9m) and the fair value of plan assets is €142.1m (2015: €129.7m). This gives a net pension deficit, before deferred tax, of €53.9m (2015: €27.2m).

- **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 2016 was €24.4m (2015: deferred tax asset of €17.0m). The deferred tax liability at 30 September 2016 was €17.4m (2015: deferred tax liability of €16.6m).

- **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 2021 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 2016 were €2.2m (2015: €10.2m).

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 Energy Regulation. 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 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)
Total 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)

The comparative segment results for the financial year ended 30 September 2015 are as follows:

Income Statement items	Notes	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue		355,538	198,254	115,413	70,755	(33,783)	706,177
Direct costs		(297,763)	(186,619)	(84,449)	-	33,783	(535,048)
Gross profit		57,775	11,635	30,964	70,755	-	171,129
Operating costs		(44,893)	(7,936)	(15,270)	(7,397)	-	(75,496)
Depreciation (net of amortisation)		(7,329)	(5,390)	(2,691)	(12,337)	-	(27,747)
Impairment		-	-	(7,925)	-	-	(7,925)
Other operating costs		(52,222)	(13,326)	(25,886)	(19,734)	-	(111,168)
Operating profit/(loss)		5,553	(1,691)	5,078	51,021	-	59,961
Interest and other income							300
Finance costs							(19,548)
Profit before taxation							40,713
Income tax expense							(6,931)
Profit for the year							33,782
Balance Sheet items							
Segment assets		326,126	136,857	30,642	539,625	-	1,033,250
Goodwill and intangible assets	12						10,165
Total assets as reported in the Consolidated Balance Sheet							1,043,415
Segment liabilities		465,195	111,302	21,188	266,392	-	864,077
Total liabilities as reported in the Consolidated Balance Sheet							864,077

3. Segment Information (continued)

Geographical information

	Revenue		Non-current assets	
	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Ireland	510,734	541,201	569,480	572,089
UK	161,882	164,976	22,305	28,951
Total	672,616	706,177	591,785	601,040

Information about major customers

Included in EirGrid TSO segment revenues of €374.1m for the financial year to 30 September 2016 (2015: €355.5m) are revenues of approximately €170.8m (2015: €168.4m), €59.7m (2015: €63.3m), €45.8m (2015: €46.9m) and €34.6m (2015: €33.0m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €169.5m for the financial year to 30 September 2016 (2015: €198.3m) are revenues of approximately €65.0m (2015: €74.4m), €35.5m (2015: €45.6m), €34.1m (2015: €43.4m) and €14.2m (2015: €15.5m) which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €119.5m for the financial year to 30 September 2016 (2015: €115.4m) are revenues of approximately €47.7m (2015: €49.0m), €30.0m (2015: €30.1m), €20.4m (2015: €10.5m) and €12.0m (2015: €14.2m) 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 2016 was 373 (2015: 398), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2016 was 107 (2015: 82). The staff costs associated with these employees have been capitalised and totalled €10.4m for the year to 30 September 2016 (2015: €8.8m).

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

	Year to 30 Sep 2016 Number	Year to 30 Sep 2015 Number
EirGrid TSO	233	242
SONI TSO	99	97
SEMO	35	53
EWIC	6	6
Capital projects	107	82
Total	480	480

4. Employees (continued)

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

	Group		Company	
	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Wages and salaries	36,746	36,727	28,071	27,626
Social welfare costs	3,912	3,819	2,801	2,785
Other retirement benefit costs	9,155	7,836	7,264	5,859
Other compensation costs – restructuring costs	567	863	567	863
Total remuneration paid to employees	**50,380**	**49,245**	**38,703**	**37,133**
Employee costs charged to Income Statement	39,970	40,413	29,921	30,296
Employee costs capitalised	10,410	8,832	8,782	6,837
Total remuneration paid to employees	**50,380**	**49,245**	**38,703**	**37,133**

5. Other Operating Costs

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Employee costs (note 4)	39,370	40,413
Depreciation of non-current assets (note 14)	30,752	30,819
Amortisation of grant (note 17)	(3,072)	(3,072)
Operations and maintenance	44,893	35,083
Impairment of intangible assets (note 12)	7,116	7,925
Total	119,059	111,168

6. Interest And Other Income, and Finance Costs

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Interest income:		
Interest income on deposits	423	300
Finance costs:		
Bank loans and overdrafts made to the company	18,074	19,115
Net pension scheme interest (note 23)	603	433
Total finance costs	18,677	19,548

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.

The EWIC is currently out of commission due to a fault that occurred when the Interconnector was being returned to service following the annual maintenance outage on 8 September, 2016. The Directors are satisfied, through the combination of vendor warranties and the insurance programme in place, that the EWIC will return to service by the end of December 2016.

Revenue for the EWIC for the financial year comprised the financial year regulated tariff of €19.3m (2015: €38.1m).

The remainder of revenue in respect of the EWIC relates to auction receipts totalling €13.0m (2015: €22.8m) and also income from provision of other system services €10.4m (2015: €9.9m). Auction receipts are a revenue stream for the Group arising from the operation of the EWIC whereby capacity is sold on the interconnector. Auction receipts form part of the determination of regulatory over recoveries which are returned in future periods. The 2016 tariff rate anticipated auction receipts being €2.7m (2015: €3.7m).

The financial year Profit Before Tax for EWIC operations was €3.4m (2015: €32.2m). In line with normal practice any regulatory over recovery arising in the financial year will be returned to consumers in a later tariff period and has not been provided for in the financial statements.

8. Profit Before Taxation

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

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Depreciation (note 14)	30,752	30,819
Amortisation of grant (note 17)	(3,072)	(3,072)
Operating lease rentals	3,286	3,050
Foreign exchange loss/(gain)	5,286	(3,003)

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

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
- for services as a Director	117	112
- for Executive Director services	188	188
Total	305	300

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 2016 € '000	Year to 30 Sep 2015 € '000
- audit of group companies	138	135
- other assurance services	33	3
- tax advisory services	76	95
- other non-audit services	16	38

Company	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
- audit of individual company accounts	65	62
- other assurance services	33	3
- tax advisory services	34	43
- other non-audit services	16	-

9. Income Taxes

(Credit)/charge to Income Statement:

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Current tax (credit)/expense	(311)	2,010
Deferred tax relating to the origination and reversal of temporary differences	(555)	4,924
Effect of changes in tax rates and laws	-	(3)
Income tax (credit)/expense for the year	(866)	6,931

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

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Profit before tax	7,856	40,713
Taxation at standard rate of 12.5% (2015: 12.5%)	982	5,089
Effect of higher rates of tax on other income	88	146
Effect of income and expenses excluded in determining taxable profit	8	1,030
Effect of R&D tax credit	(421)	(302)
Effect on deferred tax balances due to the change in the UK income tax rate	(85)	(3)
Effect of higher rates of tax on (losses)/gains in UK subsidiaries	(1,051)	898
Over provision in prior years	(937)	(544)
Other differences	550	617
Income tax (credit)/expense recognised in Income Statement	(866)	6,931

Corporation tax in respect of the Group's UK based operations is calculated at 20% (2015: 20.5%) of the estimated assessable profit for the financial year.

The tax charge in future periods will be impacted by any changes to the corporation tax rate in force in the countries in which the Group operates. In the UK, the Finance Act (No.2) 2015 included a reduction in the rate of corporate income tax from 20% to 19% from the financial year 2017. This change was substantively enacted on 26 October 2015. The rate reduction applies from 1 April 2017. Furthermore, the Finance Act 2016 included a further reduction in the rate of corporate income tax from 19% to 17% from the financial year 2020. This change was substantively enacted on 6 September 2016. This further rate reduction applies from 1 April 2020.

Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 17% is reflected in the closing deferred tax balance.

9. Income Taxes (continued)

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

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 2014	**(3,415)**	**(7,767)**	**2,490**	**12,059**	**727**	**4,094**
Credit/(charge) to the Income Statement for the year	-	(5,252)	3	-	325	(4,924)
Charge to the Statement of Comprehensive Income	-	-	980	381	-	1,361
Exchange differences	(202)	27	25	1	-	(149)
Deferred tax (liability)/asset as at 30 September 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
Charge 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**
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**
Deferred tax asset	-	-	3,498	12,441	1,052	16,991
Deferred tax liability	(3,617)	(12,992)	-	-	-	(16,609)
Total 30 September 2015	**(3,617)**	**(12,992)**	**3,498**	**12,441**	**1,052**	**382**

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 2014	848	2,009	8,380	11,237
(Charge)/credit to the Income Statement for the year	(159)	178	-	19
Charge to the Statement of Comprehensive Income	-	1,035	425	1,460
Deferred tax asset as at 30 September 2015	689	3,222	8,805	12,716
(Charge)/credit to the Income Statement for the year	(65)	349	-	284
Charge 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

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

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Ireland	5,557	(55)	17,690	12,716
UK	1,454	437	-	-
Net deferred tax asset	7,011	382	17,690	12,716

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 2016 includes a profit attributable after tax to the Company of €23,022,000 (2015: €41,685,000).

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 2016 € '000	30 Sep 2015 € '000
Equity		
Final 2016 dividend - €116.67 per Ordinary Share	3,500	3,000
Total	3,500	3,000

The Directors of the Group propose the payment of a final dividend of €4,000,000 (2015: €3,500,000) for the financial year ended 30 September 2016.

12. Intangible Assets

Group	Goodwill € '000	Licence agreements € '000	Total € '000
Cost			
Balance as at 1 October 2014	4,971	20,340	25,311
Exchange differences	281	1,194	1,475
Balance as at 30 September 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
Accumulated Impairment Losses			
Balance as at 1 October 2014	4,971	3,261	8,232
Impairment charge	-	7,925	7,925
Exchange differences	281	183	464
Balance as at 30 September 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
Carrying amount as at 30 September 2016	**-**	**2,159**	**2,159**
Carrying amount as at 30 September 2015	-	10,165	10,165

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 2016 € '000	30 Sep 2015 € '000
SONI TSO	-	6,431
SEMO	2,159	3,734
Total	2,159	10,165

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 2021. 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. SONI profitability levels have been based on the SONI final determination paper, released February 2016 covering the 2015-2020 price control period. 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% (2015: 4.51% and 5.42%) have been assumed for the SEMO and SONI TSO CGUs respectively, based on the SEMO regulatory price control agreed in 2016 and the SONI final determination paper, released February 2016 covering the 2015-2020 price control period;
- Growth rates of 2.0% (2015: 2.0%) have been assumed into perpetuity for SEMO and SONI TSO regulatory asset bases (RAB). A nil% growth rate (2015: 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 2016, before impairment testing, goodwill of €nil and licence agreements of €5.4m 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 an impairment to license agreements of €5.4m (2015: €7.9m). This impairment loss (along with a foreign exchange loss of €0.6m) is recognised within operating costs in the Consolidated Income Statement.

At 30 September 2016, before impairment testing, goodwill of €nil and licence agreements of €3.2m were allocated to SEMO, which derives its revenue acting as the Market Operator for SEM. On the basis of the above assumptions the Directors have concluded that there is an impairment to license agreements of €1.0m (2015: €nil). This impairment loss (along with a foreign exchange loss of €0.1m) is recognised within operating costs in the Consolidated Income Statement.

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows (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 €0.2m (2015: €1.0m) and an additional impairment to the value of the goodwill and license in the SONI TSO CGU of €nil (2015: €nil) and €nil (2015: €2.8m) 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 (2015: €1.1m) and an additional impairment to the value of the goodwill and licence in the SONI CGU of €nil (2015: €nil) and €nil (2015: €4.0m) 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 2016 € '000	30 Sep 2015 € '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 (2015: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2015: €285.0m). No interest is payable on these amounts under the intercompany loan agreement. The Company has recognised an investment of €155.5m (2015: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2015: €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 2014	12,217	2,170	99,876	50,291	-	554,643	16,702	735,899
Additions	-	-	1,456	-	-	3,735	17,676	22,867
Transfers	4,366	266	6,868	-	-	-	(11,500)	-
Exchange differences	200	16	1,010	582	-	-	153	1,961
Balance as at 30 Sept 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
Depreciation								
Balance as at 1 Oct 2014	3,357	1,692	63,974	50,185	-	18,477	-	137,685
Charge	669	131	14,546	-	-	15,473	-	30,819
Exchange differences	116	3	647	582	-	-	-	1,348
Balance as at 30 Sept 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
Carrying amount as at 30 Sept 2016	**11,270**	**503**	**28,832**	**106**	**72**	**508,345**	**40,498**	**589,626**
Carrying amount as at 30 Sept 2015	12,641	626	30,043	106	-	524,428	23,031	590,875

* 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 2016 € '000	30 Sep 2015 € '000
IS and telecommunications equipment	7,304	13,308
I-SEM Project	25,790	5,383
Celtic Interconnector Project	5,056	4,149
System Services Project	1,474	191
EWIC	874	-
Total	**40,498**	**23,031**

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 2014	10,407	1,895	82,545	-	41,418	10,489	146,754
Additions	-	-	768	-	-	13,714	14,482
Transfers	-	266	6,304	-	-	(6,570)	-
Balance as at 30 Sept 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
Depreciation							
Balance as at 1 Oct 2014	2,676	1,647	57,668	-	40,905	-	102,896
Charge	434	118	10,740	-	-	-	11,292
Balance as at 30 Sept 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
Carrying amount as at 30 Sept 2016	**6,863**	**273**	**19,644**	**72**	**513**	**32,298**	**59,663**
Carrying amount as at 30 Sept 2015	7,297	396	21,209	-	513	17,633	47,048

* 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 2016 € '000	30 Sep 2015 € '000
IS and telecommunications equipment	6,747	9,092
I-SEM Project	19,357	4,201
Celtic Interconnector Project	5,056	4,149
System Services Project	1,138	191
Total	**32,298**	**17,633**

15. Trade and Other Receivables

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	**30 Sep 2016 € '000**	30 Sep 2015 € '000
Amounts due in less than one year:				
Trade receivables	21,574	10,155	18,159	9,369
Prepayments and accrued income	53,225	19,201	45,271	16,649
Unbilled receivables	57,458	63,296	57,458	55,517
Amounts owed by subsidiary undertakings	-	-	23,710	7,052
Total	132,257	92,652	144,598	88,587
Amounts due in more than one year:				
Prepayments and accrued income	36,760	60,460	26,700	56,900
Amounts owed by subsidiary undertakings	-	-	190,565	178,845
	36,760	60,460	217,265	235,745
Total	169,017	153,112	361,863	324,332

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

Unbilled receivables primarily consists of income for the final two months of the 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 €74.3m (2015: €73.9m) and €69.3m (2015: €70.8m) 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 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Trade payables	154,610	141,365	126,155	115,979
Accruals	108,956	88,625	92,056	74,762
Taxation and social welfare	12,641	14,064	11,391	11,186
Other payables	3,042	4,161	3,028	4,118
Amounts owed to subsidiary undertakings	-	-	36,723	20,633
Total	279,249	248,215	269,353	226,678

Taxation and social welfare comprises of the following:

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
PAYE/PRSI	254	384	1	63
VAT	11,845	13,365	10,846	10,826
Withholding tax	542	315	544	297
Total	12,641	14,064	11,391	11,186

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.

€40.5m (2015: €38.3m) of the Group trade payables balance and €3.6m (2015: €3.0m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. €40.5m (2015: €38.3m) 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 2014	108,440
Amortisation of grant	(3,072)
Balance as at 30 September 2015	105,368
Amortisation of grant	(3,072)
Balance as at 30 September 2016	102,296

Analysed as:	**€ '000**
Current	3,072
Non-current	99,224
Balance as at 30 September 2016	102,296

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 2016 € '000	30 Sep 2015 € '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 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Cash and cash equivalents	282,255	270,377	229,323	224,642

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 €5.9m (2015: €6.7m). Included in the Group's cash balances is €15.0m (2015: €12.9m) 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 €98.7m (2015: €87.4m) held on trust for market participants in the SEM and €11.6m (2015: €22.7m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). Included in the Company's cash balances is €74.0m (2015: €65.6m) held on trust for market participants in the SEM and €8.7m (2015: €17.0m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

The Group had unutilised borrowing facilities of €64.0m (2015: €66.2m) 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 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Within one year	3,454	3,103	3,454	3,103
In the second to fifth years inclusive	13,476	11,874	13,476	11,874
After five years	31,549	32,468	31,549	32,468
Total	48,479	47,445	48,479	47,445

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

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

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

21. Capital Commitments

	Group		Company	
	30 Sep 2016 €'000	30 Sep 2015 €'000	30 Sep 2016 €'000	30 Sep 2015 €'000
Expenditure contracted for, but not provided for in the Financial Statements	26,800	7,940	11,000	-

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

22. Contingent Liabilities

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

23. Retirement Benefits Obligations

Defined Benefit Schemes

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

23. Retirement Benefits Obligations (continued)

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

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

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 €0.5m (2015: €0.5m).

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 2015 for both the EirGrid plan and the SONI Focus plan, under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present values of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

23. Retirement Benefits Obligations (continued)

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

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	195,945	156,920	148,693	112,321
Fair value of Schemes' assets at end of year	(142,081)	(129,768)	(99,097)	(86,544)
Net Liability recognised in Balance Sheet at end of period	53,864	27,152	49,596	25,777
Deferred tax on net pension obligation (note 9)	(6,993)	(3,498)	(6,199)	(3,222)
Net Liability after Deferred Tax	46,871	23,654	43,397	22,555

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

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Current service cost	7,914	6,870
Net interest expense	603	433
Employer pension cost capitalised	(1,307)	(1,223)
Amount included in other operating costs relating to defined benefit schemes	7,210	6,080

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

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Remeasurement of net defined benefit liability:				
Actuarial gain/(loss) arising on Schemes' assets	11,284	(1,127)	4,867	(746)
Actuarial gain/(loss) arising from changes in demographic assumptions	6,095	(163)	4,256	-
Actuarial loss arising from changes in financial assumptions	(47,670)	(10,167)	(34,101)	(10,257)
Actuarial gain arising from experience adjustments	5,671	3,450	3,949	2,722
Amount included in the Consolidated Statement of Comprehensive Income	(24,620)	(8,007)	(21,029)	(8,281)

23. Retirement Benefits Obligations (continued)

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 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Present value of defined obligation at beginning of year	112,321	95,478	44,599	40,693
Current service cost including contributions by Schemes' participants	8,295	7,072	1,210	1,316
Interest cost	2,855	2,760	1,591	1,694
Actuarial (gain)/loss arising from changes in demographic assumptions	(4,256)	-	(1,839)	163
Actuarial loss/(gain) arising from changes in financial assumptions	34,101	10,257	13,569	(90)
Actuarial gain arising from experience adjustments	(3,949)	(2,722)	(1,722)	(728)
Benefits paid	(674)	(524)	(2,996)	(756)
Exchange differences	-	-	(7,160)	2,307
Present value of defined benefit obligation at end of year	148,693	112,321	47,252	44,599

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

	EirGrid Plan		SONI Focus Plan	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Fair value of Schemes' assets at beginning of year	86,544	79,409	43,223	38,294
Interest Income	2,279	2,382	1,565	1,639
Remeasurements gain/(loss): Gains/(losses) on Schemes' assets	4,867	(746)	6,417	(381)
Contributions by the Companies	4,474	4,432	1,447	2,321
Contributions by Schemes' participants	1,607	1,591	120	149
Administration costs	-	-	(137)	(222)
Benefits paid	(674)	(524)	(2,996)	(756)
Exchange differences	-	-	(6,655)	2,178
Fair value of Schemes' assets at end of year	99,097	86,544	42,984	43,222

23. Retirement Benefits Obligations (continued)

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

	EirGrid Plan		SONI Focus Plan	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Valuation method	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Discount rate	1.65%	2.55%	2.45%	3.90%
State pension increase	1.40%	1.40%	2.40%	2.40%
Salary increases	1.90% plus scale	1.90% plus scale	4.40%	4.40%
Pension increases	1.90%	1.90%	2.40%	2.40%
Inflation	1.65%	1.65%	3.40%	3.40%
Revaluation CEO benefit	1.65%	1.40%	n/a	n/a
Post-retirement life expectancy for those retiring at age 65 in 2036:				
- Men	23.6 years	25.2 years	24.2 years	24.2 years
- Women	25.7 years	26.2 years	26.4 years	26.9 years

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end were 1.65% (2015: 2.55%) for the EirGrid plan and 2.45% (2015: 3.90%) 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 29 years (2015: 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 (2015: 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 16%.

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 out at 31 March 2014. The contribution rate required to fund the future service liabilities for the current active pension members is adjusted to take account of the value of any past service surplus or deficit which exists in the EirGrid Plan.

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

23. Retirement Benefits Obligations (continued)

An actuarial valuation of the SONI Focus Plan must take place at least every three years. The most recent actuarial valuation was carried out at 31 March 2013. 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 2016 € '000**	**30 Sep 2015 € '000**
Equities	45,977	47,549
Bonds	17,207	15,265
Property	7,868	5,329
Cash	1,747	1,985
Alternatives	21,630	13,427
Annuities	4,668	2,989
Fair value of plan assets	99,097	86,544

For the EirGrid plan assets all except annuities €94.4m (2015: €83.6m) have quoted market prices in an active market. The annuities €4.7m (2015: €3.0m) have no quoted market prices in an active market hence are level 2.

	Fair Value	
SONI Focus plan	**30 Sep 2016 € '000**	**30 Sep 2015 € '000**
Equities	22,843	22,962
Gilts and bonds	19,298	18,315
Other	843	1,945
Fair value of plan assets	42,984	43,222

For the SONI Focus plan assets all categories (€43.0m) (2015: €43.2m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €14.5m (2015: €2.9m). The actual return on the EirGrid plan scheme assets was a gain of €7.2m (2015: €1.6m) and the actual return on the SONI Focus Plan scheme assets was a gain of €7.3m (2015: €1.3m).

The Group expects to pay contributions of €4.6m (2015: €4.8m) for the EirGrid plan and €1.3m (2015: €1.5m) for the SONI Focus plan in the financial year to 30 September 2017.

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.

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 2016 € '000	30 Sep 2015 € '000
Non-current assets	5,128	7,893
Current assets	129,347	115,393
Total assets	134,475	123,286
Total equity	20,300	18,519
Current liabilities	114,175	104,767
Total liabilities	114,175	104,767
Total equity and liabilities	134,475	123,286

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Revenue	127,121	148,690
Expenses	(124,910)	(149,953)
Operating profit/(loss)	2,211	(1,263)

25. Borrowings

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Repayable within one year:				
Bank loans repayable by instalments	14,444	13,759	8,399	8,045
Total current borrowings	14,444	13,759	8,399	8,045
Repayable after more than one year by instalments:				
Between one and two years	15,149	14,444	8,758	8,399
Between two and five years	49,947	47,664	28,572	27,402
In five years or more	274,111	291,329	192,863	202,790
Total non-current borrowings	339,207	353,437	230,193	238,591
Total borrowings outstanding	353,651	367,196	238,592	246,636

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 2016 € '000	30 Sep 2015 € '000
Included in current liabilities:		
Bank loans	14,444	13,759
Current interest-bearing loans and borrowings	14,444	13,759
Included in non-current liabilities:		
Bank loans	339,207	353,437
Non-current interest-bearing loans and borrowings	339,207	353,437
Total bank loans and overdrafts	353,651	367,196
Total interest-bearing loans and borrowings	353,651	367,196

25. Borrowings (continued)

The terms of outstanding loans are as follows:

	Currency	Financial year of maturity	Carrying amount € '000
As at 30 Sep 2016			
Unsecured term loan facility	EUR	2030	115,059
Unsecured term loan facility	EUR	2035	238,592
			353,651
As at 30 Sep 2015			
Unsecured term loan facility	EUR	2030	122,596
Unsecured term loan facility	EUR	2035	244,600
			367,196

26. Categories of Financial Assets and Financial Liabilities

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Financial assets classified as loans and receivables:				
Trade receivables	21,574	10,155	18,159	9,369
Amount owed by subsidiary undertakings	-	-	214,275	185,897
Cash and cash equivalents	282,255	270,377	229,323	224,642
Total financial assets	303,829	280,532	461,757	419,908
Financial liabilities classified as other liabilities:				
Trade payables	154,610	141,365	126,155	115,979
Amount owed to subsidiary undertakings	-	-	36,723	20,633
Borrowings and bank overdrafts	353,651	367,196	238,592	246,636
Total	508,261	508,561	401,470	383,248
Financial liabilities designated as hedging instruments:				
Derivative financial instruments (note 27)	120,184	99,537	86,932	70,439
Financial liabilities fair valued through profit and loss:				
Derivative financial instruments	-	-	-	-
Total derivative financial instruments	120,184	99,537	86,932	70,439
Total financial liabilities	628,445	608,098	488,402	453,687

26. Categories of Financial Assets and Financial Liabilities (continued)

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

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

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 by 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, market (including interest rate) and capital risk both arising from day to day operations and from key capital expenditure projects.

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

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

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

Credit risk management

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

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

The Company discharges its Market Operator obligations through a contractual joint 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 2016 were €11.8m (2015: €0.9m). SEMO trade receivables included in Company trade debtors as at 30 September 2016 were €8.9m (2015: €0.7m).

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

	Group		Company	
	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
60 to 90 days	644	671	644	671
90 to 120 days	8	6	8	6
Greater than 120 days	858	630	858	630
Total	1,510	1,307	1,510	1,307

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.

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

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

The Group has access to funding facilities, the total unutilised amount of which was €64.0m at the Balance Sheet date (2015: €66.2m). The majority of these unutilised borrowings have been arranged in order that the Group has sufficient standby facilities to meet unbudgeted/unexpected constraint payments. The Group expects to meet its other obligations from operating cash flows.

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

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Group Total € '000
Group					
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
30 Sep 2015					
Non interest bearing – trade payables	141,365	-	-	-	141,365
Borrowings and bank overdrafts	-	31,301	125,185	395,961	552,447
Total	141,365	31,301	125,185	395,961	693,812

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Group Total € '000
Company					
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
30 Sep 2015					
Non interest bearing – trade payables	115,979	-	-	-	115,979
Borrowings and bank overdrafts	-	18,827	75,184	279,140	373,151
Total	115,979	18,827	75,184	279,140	489,130

The cash flow hedges are expected to occur and effect the income statement over a period of 19 years. There are no forecasted transactions expected to occur.

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 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Losses arising during the year	(34,848)	(17,206)	(25,931)	(12,631)
Reclassified to income statement (included in finance costs)	14,201	14,085	9,438	9,232
Foreign Exchange	-	(7)	-	-
Total	(20,647)	(3,128)	(16,493)	(3,399)

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 2016 %	30 Sep 2015 %	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.8%	3.8%	356,495	370,254	(120,184)	(99,537)
Total active swap contracts	3.8%	3.8%	356,495	370,254	(120,184)	(99,537)

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 2016 %	30 Sep 2015 %	30 Sep 2016 € '000	30 Sep 2015 € '000	30 Sep 2016 € '000	30 Sep 2015 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.7%	3.7%	238,592	246,637	(86,932)	(70,439)
Total active swap contracts	3.7%	3.7%	238,592	246,637	(86,932)	(70,439)

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 (2015: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2016 would have been impacted by €nil (2015: €nil); and
- Other equity reserves would have been impacted by €19.2m/(€21.0m) (2015: €23.9m/(€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 (2015: 50) basis points higher/lower and all other variables were held constant, the Company's:

- Profit for the financial year to 30 September 2016 would have been impacted by €nil (2015: €nil); and
- Other equity reserves would have been impacted by €14.3m/(€15.7m) (2015: €14.0m/(€15.4m)), 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 loss of €9.0m during the year to 30 September 2016 (2015: €5.1m profit). A 20% increase or decrease has been used when reporting foreign currency exchange risk and represents management's assessment of reasonably possible changes in exchange rates.

If exchange rates had been 20% higher/lower and all other variables were held constant, the Group's profit before tax for the year to 30 September 2016 would be impacted by €6.0m (2015: €6.1m). Other equity reserves would have been impacted by €2.8m (2015: €0.6m).

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. Following the appointment of Tom Finn as Company Secretary, the shareholding previously held by Niamh Cahill (previous Company Secretary) transferred to Tom Finn.

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

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

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

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Transmission asset owner charge	210,352	202,353

At 30 September 2016 a total of €39.2m (2015: €37.4m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2016 € '000	30 Sep 2015 € '000
Opening balance	37,363	37,447
Charges during the year	210,352	202,353
Payments made during the year	(208,546)	(202,437)
Closing balance	39,169	37,363

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

28. Related Party Transactions (continued)

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

	Year to 30 Sep 2016 € '000	Year to 30 Sep 2015 € '000
Short-term benefits	188	188
Post-employment benefits	29	29
Total	217	217

Company

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

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

Year to 30 September 2015	Interest receivable €'000	Charges received from related party €'000	Amounts owed by related party €'000
SONI Limited	352	13,131	5,710
EirGrid Interconnector Designated Activity Company	-	-	145,288
EirGrid UK Holdings Limited	594	16	13,578
EirGrid Telecoms Designated Activity Company	-	-	1,439
	946	13,147	166,015

28. Related Party Transactions (continued)

At 30 September 2016 €183.2m (2015: €166.0m) was due to the Company from its subsidiaries.

The Company has made total advances of €31.7m (2015: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2015: €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 (2015: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2015: €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 (2015: €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 (2015: £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

On 21 December 2016 An Bord Pleanála granted planning permission, subject to certain conditions, for the Ireland section of the North-South Interconnector. The Group is evaluating the decision.

30. Approval of Financial Statements

The Board approved the Financial Statements on 21 December 2016.

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