Notes To The Consolidated Financial Statements

1. General Information

EirGrid plc ('the Company') is a public limited company, incorporated in Ireland, established pursuant to S.I. No 445 of 2000 – European Communities (Internal Market in Electricity) Regulations, 2000. The Company is licensed by the Commission for Regulation of Utilities (CRU) as the Transmission System Operator (TSO) in Ireland and as Market Operator (MO) for the wholesale electricity market on the island of Ireland. SONI Limited (a subsidiary of EirGrid plc) is licensed by the Utility Regulator (UR) Northern Ireland as the TSO in Northern Ireland and also holds an MO licence for the island of Ireland. EirGrid Interconnector Designated Activity Company (a subsidiary of EirGrid plc) is licensed by the Commission for Regulation of Utilities (CRU) and the Office of the Gas and Electricity Markets (Ofgem) as the operator of the East West Interconnector. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors' Report on page 72.

2. Statement Of Accounting Policies

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements and have been consistently applied by all Group entities unless otherwise stated. See 'Adoption of new standards' policy below in relation to IFRS 15, Revenue from Contracts with customers and IFRS 9, Financial Instruments.

Basis of preparation

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They are prepared on the basis of all IFRSs and Interpretations that are mandatory for financial year ended 30 September 2019 and in accordance with the Irish Companies Act 2014. The Directors are confident, on the basis of current financial projections and facilities available, that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

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

The Financial Statements have been presented in Euro, rounded to the nearest thousand, unless otherwise specified, and have been prepared on a historical cost basis, except for the revaluation of certain financial instruments which are held at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The current period being reported on is the financial year to 30 September 2019. The comparative figures are for the financial year ended 30 September 2018. Certain amounts in the balance sheet of the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements and there was no adjustment to profit and opening reserves.

2. Statement Of Accounting Policies (continued)

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 1 January 2018):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advanced Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures

The new standards, interpretations and amendments did not result in a material impact on the Groups results. However IFRS 9 and IFRS 15 had implications for the Group so the nature and effect of changes required are described below:

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations. IFRS 15 establishes a five-step model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognised as well as requiring enhanced disclosures. The core principle of the standard requires an entity to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of and obtain substantially all the remaining benefits from a good or service as a result of obtaining control of that good or service.

Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 October 2018. However imperfection revenues and countertrading revenues did not meet the performance obligation criteria under IFRS 15 so revenues could not be recognised. €176.0m of revenue and direct costs would have been recognised in the year ended 30 September 2019 if the old IAS18 standard had been applied. The Group has adopted IFRS 15 from 1 October 2018, using the modified retrospective approach (without practical expedients) and has not restated comparatives for 2018

In accordance with the requirements of IFRS 15, new disclosures outlining the disaggregation of revenue by primary geographic markets and principle activities and services are outlined in note 3 to the consolidated financial statements.

Financial Instruments

IFRS 9, Financial Instruments, is the standard which replaces IAS 39, Financial Instruments: Recognition and Measurement. The Standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and new impairment model for financial assets. The Group has adopted IFRS 9 (without practical expedients) from 1 October 2018 and comparatives for 2018 have not been restated.

The impact of adopting IFRS 9 on our consolidated Financial Statements was not material for the Group and there was no adjustment to retained earnings on application at 1 October 2018.

2. Statement Of Accounting Policies (continued)

Classification and measurement

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, or fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows.

The table below details the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Groups financial assets and financial liabilities.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 – 30 Sep 2018 € '000	Carrying amount under IFRS 9 – 1 Oct 2018 € '000
Financial Assets				
Investments	Fair value through OCI	Fair value through OCI	356	356
Trade & other receivables	Loans and receivables	Amortised cost	42,381	42,381
Deferred project costs	Loans and receivables	Amortised cost	45,383	45,383
Cash and cash equivalents	Loans and receivables	Amortised cost	251,276	251,276
Financial liabilities				
Trade & other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(146,934)	(146,934)
Borrowings and bank overdrafts	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(324,484)	(324,484)
Derivative financial instruments	Fair value through OCI hedging instrument	Fair value through OCI	(77,092)	(77,092)

2. Statement Of Accounting Policies (continued)

Impairment of financial assets

The Group's financial assets measured at amortised cost, the most significant of which are trade receivables, are subject to IFRS 9's new expected credit loss model. The Group's impairment methodology has been revised in line with the requirements of IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision. The inputs to the expected loss calculations are based on forward looking estimates, past history, market conditions and credit management policy. As part of the IFRS 9 transition project, the Group assessed its existing trade and other receivables for impairment, using reasonable and supportable information that is available without undue cost or effort, to determine the credit risk of the receivables at the date on which they were initially recognised and compared that to the credit risk as at 1 October 2018. Given historic loss rates, normal receivable ageing and the significant portion of trade receivables that are within agreed terms, the move from an incurred loss model to an expected loss model has not resulted in any adjustment to trade and other receivables.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. The Group's current hedge relationship qualify as continuing hedges upon the adoption of IFRS 9. Accordingly there has not been a significant impact to the financial position of the Group as a result of adopting IFRS 9.

Standards in issue but not yet effective

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 16 – Leases - (Effective 1 January 2019)

The Directors are currently assessing the impact of this standard on the Financial Statements (effective date: EirGrid plc financial year beginning 1 October 2019):

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

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

Income Statement

Operating expenses will decrease, as the Group currently recognises operating lease expenses in administration expenses. The Group's lease expense for 2019 was €3.8m (2018: €3.6m) and is disclosed in Note 8 to the Consolidated Financial Statements. Depreciation and finance costs as currently reported in the Group's Income Statement will increase, as under the new Standard the right-of-use asset will be capitalised and depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

2. Statement Of Accounting Policies (continued)

Balance Sheet

The Group's commitment outstanding on all leases as at 30 September 2019 is €42.8m (2018: €46.3m) (see Note 19). The Group has been assessing the impact of the new Standard, however, the approximate financial impact of the Standard is as yet unknown, as a number of factors impact the calculation of the liability, such as discount rate, the expected term of leases including renewal options and exemptions for short-term leases and low-value items need to be determined. The Group's commitment as at 30 September 2019 provides an indication of the scale of leases held but this amount should not be used as a proxy for the impact of IFRS 16 on the Consolidated Balance Sheet. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new Standard.

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

Basis of consolidation

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

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.

Investments in subsidiaries are carried at cost less impairment in the financial statements of the Company.

2. Statement Of Accounting Policies (continued)

Joint operations

The Company Financial Statements on page 142 to 154 incorporate the results of the Company, together with its share of the results and assets and liabilities of the joint operation which it participates, using the proportionate consolidation method as permitted under IFRS 11. As the joint operation is a joint arrangement whereby the parties have joint control of the arrangement, and have rights to the assets and obligations for the liabilities relating to the arrangement, the directors recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation.

The Company's share of results and net assets of joint operations, are accounted for on the basis of proportionate consolidation from the date on which the contractual agreements stipulating joint control are finalised, and derecognised when joint control ceases. The Company combines its share of the joint arrangements, individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Company's financial statements.

Equity accounted investments

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investments, until the date on which significant influence or joint control ceases.

Business combinations

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

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the date the Group first acquires control through the Consolidated Income Statement. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration which is deemed to be a financial asset or a financial liability will be recognised in accordance with IFRS 9 in the Consolidated Income Statement.

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

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.

2. Statement Of Accounting Policies (continued)

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.

Revenue

Revenue primarily represents the income derived from the provision of electricity transmission, sale of financial transmission rights (FTRs), EWIC capacity income, congestion income derived from EWIC and Market Operator services to customers during the financial year and excludes value added tax.

The Group is deemed to be the principal in the arrangement when it controls a promised service before transferring them to a customer or satisfies the performance obligation itself, and accordingly recognises revenue on a gross basis.

TSO TUoS Revenue:

The main revenue is the Transmission Use of System (TUoS) tariff which is a charge payable by all users of the transmission systems in Ireland and Northern Ireland. Revenue from provision of electricity transmission (performance obligation) is recorded at a point in time (as and when the electricity is transmitted) based on the MW of electricity transported. Billed revenue is recognised as a trade receivable and unbilled revenues are disclosed separately.

Market Operator Revenue:

The Market Operator's obligation is to facilitate the sale of electricity through the continuous settlement (performance obligation) of the Single Electricity Market. SEMO receives market operator tariffs for these services including fixed charges based on participation in the market and variable charges based on MW of electricity traded in the market.

EirGrid plc and SONI Ltd were designated by the relevant regulatory authorities (CRU and UR) as Nominated Electricity Market Operators (NEMO) for Ireland and Northern Ireland respectively. The NEMO designations allow EirGrid plc and SONI Ltd to provide day-ahead auction and intraday markets for trading (performance obligation) in the Single Electricity Market (SEM) through their contractual joint venture SEMOpx. Revenue is recorded at a point in time as and when the transaction occurs.

EWIC - Capacity Revenue:

EWIC participates in the capacity auctions in the SEM and GB markets where a number of auctions are held during the year. EWIC has been successful in these markets and receives capacity revenue for each MW sold to the market in the auction (performance obligation). The capacity revenue is recognised over time as the auctions are run for a specified capacity year that the generator is required to be available. The timelines account for processes to set capacity requirements, local constraints and unit qualification.

EWIC – Congestion Revenue:

EWIC is compensated for reducing price differences ('congestion') between market regions and it receives congestion revenues. It is derived from transporting the electricity (performance obligation) between Ireland and Great Britain.

2. Statement Of Accounting Policies (continued)

EWIC – Sale of FTRs:

EWIC sells Long Term Transmission Rights in the form of Financial Transmission Rights (FTRs). FTRs are a form of contract for difference which are linked to prices in two interconnected markets and grant the holder (performance obligation) the right to receive the market spread throughout an FTR period. The administration of FTRs is managed by the Joint Allocation Office ("JAO") and EWIC is not a counterparty to the FTR trading. FTRs are sold through an auction platform in advance in monthly, quarterly, seasonal and annual auctions. Revenue is the amount collected by the group from auction of FTR recorded on a time proportionate basis over the period of FTR contract.

Regulatory Adjustments:

Where revenue received or receivable results in an amount that exceeds the targeted amount set by regulatory agreement, adjustments will be made to future tariffs to reflect the over-recovery. No liability is recognised as the regulator will reflect this as reduced tariffs in future periods transmission resulting in lower revenues in those periods. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future tariffs in respect of an under-recovery expected to be offset by future tariff increases.

As Market Operator for the Single Electricity Market, the Group does not act on its own account in the sale or purchase of electricity. 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 revenue

Unbilled income (contract asset) 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.

Deferred income (contract liability) represents deferred income arising from the FTR auctions and Telecom contracts.

Direct costs

Direct costs primarily represent 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, financial transmission right payouts, and ancillary services. Direct costs are recognised as they are incurred.

Operating profit

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

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

Leases

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

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

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

2. Statement Of Accounting Policies (continued)

Foreign currencies

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

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

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

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

Retirement benefit costs

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

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

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

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

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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.

2. Statement Of Accounting Policies (continued)

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

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

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 freehold land which is shown at cost less impairment.

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

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

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

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

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

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

2. Statement Of Accounting Policies (continued)

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

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

Borrowing costs

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

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

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

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

Intangible assets

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

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

Computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

2. Statement Of Accounting Policies (continued)

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met.

The amortisation periods for the principal categories of intangible assets are as follows:

- Integrated Single Electricity Asset: 5 years;
- Other Software: 3 to 8 years.

Software under development is 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 amortisation of these assets commences when the assets are ready for their intended use.

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.

The carrying amount of finite-lived intangible assets are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Impairment of assets

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

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

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

Grants

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

Revenue grants are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended.

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.

2. Statement Of Accounting Policies (continued)

Investments in equity instruments are measured at fair value through other comprehensive income as they are not held for trading.

Trade receivables are measured at initial recognition at invoice value, which approximates to fair value.

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. The Settlement Reallocation process allows Participants to reduce Credit Cover requirements in the Single Electricity Market by offsetting debts and credits and reducing circular flows of money. Settlement Reallocation is an arrangement as specified in the Trading and Settlement Code. The Trading and Settlement Code provides the rules by which the market and its participants may operate, setting out the detailed rules and procedures concerning the sale and purchase of wholesale electricity in the market.

Cash and cash equivalents carried at amortised cost 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. Trade and other payables are non-interest bearing.

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.

Derivative financial instruments

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

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

Hedging instruments

The Group designates its interest rate swaps as cash flow hedges. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. 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.

2. Statement Of Accounting Policies (continued)

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

Note 25 sets out details of the fair values of the Group's current interest rate swaps used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Comprehensive Income.

Impairment of financial assets

IFRS 9 has introduced a new impairment model which requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets at amortised cost, contract assets under IFRS 15, revenue from contract with customers. For trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the expected credit loss calculations, based on the Group's credit risk management policy, past history, existing market conditions and forward looking estimates at the end of each reporting period.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Interest-bearing loans and borrowings

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

Finance income and costs

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

2. Statement Of Accounting Policies (continued)

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

- **Useful lives of property, plant and equipment and intangible assets**
  Property, plant and equipment and intangible assets represent a significant portion of the Group's total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. Management regularly review these useful lives and residual values and change them if necessary to reflect current conditions. 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 and amortisation charge.

  The Group tests annually whether its licence agreement asset has suffered any impairment. The recoverable amount of the intangible assets allocated to a Cash Generating Unit (CGU) has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2025 and are sensitive to the finalisation of price control determinations with regulatory authorities. These calculations require the use of estimates and assumptions, which are discussed in detail in note 12. The licence agreement included in the intangible assets as at 30 September 2019 was €2.0m (2018: €2.0m).

- **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 obligations in respect of the plans are calculated by independent qualified actuaries and are updated at least annually. The obligation at 30 September 2019 is €226.9m (2018: €192.8m) and the fair value of plan assets is €176.3m (2018: €165.9m). A pension asset ceiling had been applied to the SONI pension assets in the year to 30 September 2018 as, under IFRS rules (IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction requirements), SONI does not have an unconditional right to realise the schemes assets at some point during the life of the plan or when the plan is settled. This gives a net pension deficit for the Group before deferred tax, of €50.6m (2018: €32.4m).

- **Deferred tax**
  Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which any unused tax losses and unused tax credits can be utilised. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations. These calculations require the use of estimates. The deferred tax asset at 30 September 2019 was €24.3m (2018: deferred tax asset of €18.9m). The deferred tax liability at 30 September 2019 was €32.5m (2018: deferred tax liability of €27.7m).

3. Segment and revenue 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 five main reportable segments for internal reporting purposes:

- EirGrid Transmission System Operator (EirGrid TSO), which derives its revenue from providing services as the TSO in Ireland and is regulated by the Commission for Regulation of Utilities (CRU). Trading in EirGrid Telecoms Designated Activity Company, the company that manages the license of the commercial fibre optic cable built as part of the East West Interconnector project, has been included in the EirGrid TSO segment due to its relative size.
- Single Electricity Market Operator (SEMO), which derives its revenue from acting as the Market Operator for the wholesale electricity market on the island of Ireland.
- Single Electricity Market Operator Power Exchange ('SEMOpx'), which derives its revenue from providing day-ahead auction and intraday markets for trading in the Single Electricity Market (SEM) following its appointment as the nominated electricity market operator ('NEMO') on the Island of Ireland.
- SONI Transmission System Operator (SONI TSO), which is licensed by the Utility Regulator Northern Ireland (UR) 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 Great Britain.

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 2. Due to the transition method chosen in applying IFRS 15; comparative information has not been restated to reflect the new requirements so SEMO revenues and direct costs are lower in the current year.

3. Segment and revenue information (continued)

The segment results for the financial year ended 30 September 2019 are as follows:

Income Statement items	EirGrid TSO € '000	SEMO € '000	SEMO px** € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue	529,468	17,886	4,116	143,058	99,154	(45,857)	747,825
Direct costs	(410,977)	-	(1,901)	(102,260)	(26,003)	45,857	(495,284)
Gross profit	118,491	17,886	2,215	40,798	73,151	-	252,541
Other operating costs (excluding depreciation and amortisation)	(56,114)	(11,810)	(1,510)	(18,854)	(8,992)	-	(97,280)
Depreciation and amortisation (net of grant amortisation)*	(19,687)	(2,251)	-	(6,229)	(13,752)	-	(41,919)
Total other operating costs	(75,801)	(14,061)	(1,510)	(25,083)	(22,744)	-	(139,199)
Operating profit	42,690	3,825	705	15,715	50,407	-	113,342
Interest and other income							110
Finance costs							(17,490)
Profit before taxation							95,962
Income tax charge							(16,315)
Profit for the year							79,647

Balance Sheet items	EirGrid TSO € '000	SEMO € '000	SEMO px** € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment assets	494,614	187,045	1,458	70,703	491,475		1,245,295
Goodwill and intangible assets (note 12)							2,040
Total assets as reported in the Consolidated Balance Sheet							1,247,335
Segment liabilities	597,909	42,956	370	60,506	245,319		947,060
Total liabilities as reported in the Consolidated Balance Sheet							947,060

*Depreciation (note 13) + intangible amortisation (note 12) - EWIC grant amortisation (note 16). The sysflex grant amortisation has been included in operating costs to match expenditure as it has been incurred.

** EirGrid plc and SONI Ltd implemented the Nominated Electricity Market Operator services through SEMOpx which is a new segment so there are no comparatives stated.

3. Segment and revenue information (continued)

The comparative segment results for the financial year ended 30 September 2018 are as follows:

Income Statement items	EirGrid TSO € '000	SEMO € '000	SONI TSO € '000	EWIC € '000	Eliminations € '000	Total € '000
Segment revenue	423,029	195,209	121,816	60,149	(41,771)	758,432
Direct costs	(331,317)	(184,656)	(97,958)	-	41,771	(572,160)
Gross profit	91,712	10,553	23,858	60,149	-	186,272
Other operating costs (excluding depreciation and amortisation)	(48,690)	(8,183)	(14,840)	(9,096)	-	(80,809)
Depreciation & amortisation (net of grant amortisation)	(5,390)	(1,298)	(1,397)	(14,462)	-	(22,547)
Total other operating costs	(54,080)	(9,481)	(16,237)	(23,558)	-	(103,356)
Operating profit	37,632	1,072	7,621	36,591	-	82,916
Interest and other income						-
Finance costs						(17,098)
Profit before taxation						65,818
Income tax charge						(8,531)
Profit for the year						57,287
Balance Sheet items						
Segment assets	398,240	119,546	56,997	505,516		1,080,299
Goodwill and intangible assets (note 12)						2,049
Total assets as reported in the Consolidated Balance Sheet						1,082,348
Segment liabilities	467,458	88,093	21,024	246,325		822,900
Total liabilities as reported in the Consolidated Balance Sheet						822,900

Geographical information

	Revenue		Non-current assets	
	30 Sep 2019 € '000	30 Sep 2018 € '000	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Ireland	599,266	587,813	572,184	596,608
UK	148,559	170,619	32,021	35,521
Total	**747,825**	758,432	**604,205**	632,129

3. Segment Information (continued)

Information on revenue streams

- EirGrid and SONI TSO revenues consist of Transmission Use of System (TUoS) charges which are necessary for the secure operation of the electricity system.
- The SEMO revenues are SEMO participant market operator charges which are used to recover the costs of administering the market.
- The SEMOpx revenues are SEMOpx participant market charges which allows them to access and trade in the day ahead and intraday markets.
- Revenue for EWIC for the financial year included the financial year regulated tariff of €27.9m (2018: €20.8m). The remainder of revenue in respect of EWIC relates to Financial Transmission Rights (FTRs) auction receipts totalling €23.2m (2018: €nil), congestion income of €24.3m (2018: nil) and income from the provision of other system services €14.0m (2018: €12.4m). EWIC also received €9.8m (2018: €1.2m) of capacity payments in the year.

Information about major customers

Included in EirGrid TSO segment revenues of €529.5m for the financial year to 30 September 2019 (2018: €423.0m) are revenues of approximately €203.1m (2018: €169.3m), €97.4m (2018: €67.8m), €71.9m (2018: €59.6m) and €52.2m (2018: €39.2m) which arose from sales to the segment's four largest customers.

Included in SEMO segment revenues of €17.8m for the financial year to 30 September 2019 (2018: €195.2m) are revenues of approximately €5.7m (2018: €63.7m), €3.4m (2018: €30.3m), €3.7m (2018: €37.0m) and €1.5m (2018: €15.4m) which arose from sales to the segment's four largest customers.

Included in SEMOpx segment revenues of €4.1m for the financial year to 30 September 2019 are revenues of approximately €1.1m, €0.6m, €0.3m and €0.3m which arose from sales to the segment's four largest customers.

Included in SONI TSO segment revenues of €143.1m for the financial year to 30 September 2019 (2018: €121.8m) are revenues of approximately €37.0m (2018: €33.5m), €25.8m (2018: €21.4m), €17.6m (2018: €18.2m) and €23.4m (2018: €14.0m) which arose from sales to the segment's four largest customers.

Contract balances

Included in trade & other receivables (note 14) is €95.2m (2018: €82.9m) related to receivables from contracts with customers.

Included in trade & other payables (note 15) is €2.7m (2018: €4.2m) related to contract liabilities. €2.9m of the prior year contract liabilities were recognised as revenues during the year.

4. Employees

The average number of persons employed by the Group during the year to 30 September 2019 was 437 (2018: 389), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2019 was 79 (2018: 122). The staff costs associated with these employees have been capitalised and totalled €7.3m for the year to 30 September 2019 (2018: €11.8m).

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

	Year to 30 Sep 2019 Number	Year to 30 Sep 2018 Number
EirGrid TSO	262	254
SONI TSO	100	97
SEMO	61	32
SEMOpx	8	0
EWIC	6	6
Capital projects	79	122
Total	**516**	**511**

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Wages and salaries	36,847	37,560
Social insurance costs	4,141	4,021
Other retirement benefit costs	9,173	8,152
Total remuneration paid to employees	**50,161**	**49,733**
Employee costs charged to Income Statement	42,850	37,898
Employee costs capitalised	7,311	11,835
Total remuneration paid to employees	**50,161**	**49,733**

Key management personnel compensation:	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Salaries and short-term employee benefits	1,486	1,451

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

4. Employees (continued)

Employee benefits bands:	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
€50,000 - €75,000	189	177
€75,001 - €100,000	89	83
€100,001 - €125,000	52	55
€125,001 - €150,000	19	22
€150,000 + *	21	16
Total	**370**	353

Employee benefits exclude employer pension costs.

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

5. Other Operating Costs

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Employee costs (note 4)	42,850	37,898
Depreciation of property, plant and equipment (note 13)	23,442	23,832
Amortisation of intangibles (note 12)	21,563	2,028
Amortisation of grant (note 16)	(3,789)	(3,313)
Operations and maintenance	55,133	42,911
Total	**139,199**	103,356

6. Interest Income, Other Income And Finance Costs

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Interest income:		
Interest income on deposits	(110)	-
Finance costs:		
Bank loan and overdrafts	17,062	16,710
Net pension scheme interest (note 22)	428	388
Total finance costs	**17,490**	17,098

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

The East West Interconnector ("EWIC") links the electricity grids in Ireland and Great Britain. As part of new wholesale electricity market arrangements for Ireland and Northern Ireland, the interconnector now provides long-term (or 'forward') transmission rights in the form of Financial Transmission Right Options (FTRs) and has successfully bid into all SEM capacity auctions to date.

8. Profit Before Taxation

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Depreciation (note 13)	23,442	23,832
Amortisation of intangibles (note 12)	21,563	2,028
Amortisation of grant (note 16)	(3,789)	(3,313)
Operating lease rentals	3,838	3,630
Foreign exchange loss	348	794

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
– for services as a Director	122	122
– for Executive Director services	213	221
Total	335	343

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)	40	39

There is only one Director (the Chief Executive) in a pension scheme. This is a defined benefit scheme.

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
– audit of group companies	215	162
– other assurance services	22	4
– tax advisory services	50	128
– other non-audit services	-	11

9. Income Taxes

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Current tax expense	10,555	2,533
Adjustment in respect of prior year	1,280	64
Deferred tax relating to the origination and reversal of temporary differences	4,480	5,934
Income tax expense for the year	16,315	8,531

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Profit before tax	95,962	65,818
Taxation at standard rate of 12.5% (2018: 12.5%)	11,995	8,227
Effect of higher rates of tax on other income	131	148
Effect of income and expenses excluded in determining taxable profit	404	(298)
Effect of R&D tax credit	-	(577)
Effect of higher rates of tax on gains in UK subsidiaries	1,045	420
Adjustments in respect of prior years	1,280	64
Other differences	1,460	547
Income tax expense recognised in Income Statement	16,315	8,531

Factors that may affect future tax rates and other disclosures

No significant change is expected to the standard rate of corporation tax in the Republic of Ireland which is currently 12.5%. The standard rate of tax in the UK is 19%. A UK tax rate of 17% applies with effect from 1 April 2020. Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind. As such, the rate reduction to 17% is reflected in the closing deferred tax balance.

9. Income Taxes (continued)

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

	Intangible assets € '000	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Tax losses € '000	Total € '000
Deferred tax (liability)/asset as at 1 Oct 2017	(334)	(21,288)	3,013	10,809	5,219	(2,581)
Credit/(charge) to the Income Statement for the year	-	(6,116)	241	-	(59)	(5,934)
Credit/(charge) to the Statement of Other Comprehensive Income	-	-	800	(1,173)	-	(373)
Exchange differences	83	(4)	-	-	-	79
Deferred tax (liability)/asset as at 30 Sep 2018	(251)	(27,408)	4,054	9,636	5,160	(8,809)
Credit/(charge) to the Income Statement for the year	-	(4,833)	353	-	-	(4,480)
Credit/(charge) to the Statement of Other Comprehensive Income	-	-	2,022	3,060	-	5,082
Exchange differences	(5)	(3)	-	-	-	(8)
Deferred tax (liability)/asset as at 30 Sep 2019	**(256)**	**(32,244)**	**6,429**	**12,696**	**5,160**	**(8,215)**
Deferred tax asset	-	-	6,429	12,696	5,160	24,285
Deferred tax liability	(256)	(32,244)	-	-	-	(32,500)
Total 30 Sep 2019	**(256)**	**(32,244)**	**6,429**	**12,696**	**5,160**	**(8,215)**
Deferred tax asset	-	-	4,054	9,636	5,160	18,850
Deferred tax liability	(251)	(27,408)	-	-	-	(27,659)
Total 30 Sep 2018	(251)	(27,408)	4,054	9,636	5,160	(8,809)

Analysis of deferred tax (liabilities)/assets by tax jurisdiction:	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Ireland	(8,311)	(8,411)
UK	96	(398)
Net deferred tax liability	(8,215)	(8,809)

10. Dividends

As shown in note 17 the company has one class of share capital in issue, Ordinary Shares. The dividends in respect of this class of share capital are as follows:

Dividends to Shareholders	30 Sep 2019 € '000	30 Sep 2018 € '000
Equity		
Dividend paid - €133.33 per Ordinary Share	4,000	4,000
Total	4,000	4,000

The Directors of the Group propose the payment of a final dividend of €4,000,000 (2018: €4,000,000) for the financial year ended 30 September 2019.

11. Investments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	356	-
Additions	50	356
Balance as at 30 Sep 2019	**406**	356

In 2018 EirGrid acquired a 4.75% equity interest in Joint Allocation Office S.A for €0.2m; a company registered in Luxembourg. Under EU Rules TSOs are obliged to implement a Single Allocation Platform for capacity on interconnectors. EirGrid, as the certified TSO for the East West Interconnector, became a shareholder in the Joint Allocation Office (JAO).

Under the European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it acquired a 5% equity interest in the RSC Coreso SA for €0.1m in 2018; a company registered in Belgium.

On 14 December 2018, EirGrid Celtic Interconnector DAC, a wholly owned subsidiary of EirGrid plc, acquired 50% equity interest in Celtic Interconnector DAC, a company incorporated in Ireland which is a joint venture between EirGrid Celtic Interconnector DAC and Réseau De Transport D'Électricité ('RTE'). The Celtic interconnector project is the proposed undersea electricity link connecting Ireland and France. The purpose of the Joint Venture is to carry out certain designated works during the design and consultation stage of the project. There has been no material activity in the Joint Venture to the 30 September 2019. The Company's net interest in joint ventures equals the investment in share capital.

12. Intangible Assets

	Goodwill €'000	Licence agreements €'000	Integrated Single Electricity Market €'000	Other IT software €'000	Software under development €'000	Total €'000
Cost						
Balance as at 1 Oct 2017	4,426	18,023	-	46,861	-	69,310
Transfer from assets under construction (Note 13)	-	-	90,867	3,193	-	94,060
Exchange differences	(78)	(332)	-	-	-	(410)
Balance as at 30 Sep 2018	4,348	17,691	90,867	50,054	-	162,960
Additions	-	-	-	-	6,372	6,372
Transfer to other assets			4,405	-	(4,405)	-
Transfer from assets under construction (Note 13)	-	-	-	5,345	-	5,345
Exchange differences	12	33	62	42	-	149
Balance as at 30 Sep 2019	4,360	17,724	95,334	55,441	1,967	174,826
Accumulated Amortisation and impairment Losses						
Balance as at 1 Oct 2017	4,426	15,922	-	42,095	-	62,443
Amortisation	-	-	-	2,028	-	2,028
Exchange differences	(78)	(280)	-	-	-	(358)
Balance as at 30 Sep 2018	4,348	15,642	-	44,123	-	64,113
Amortisation	-	-	18,705	2,858	-	21,563
Exchange differences	12	42	(28)	34	-	60
Balance as at 30 Sep 2019	4,360	15,684	18,677	47,015	-	85,736
Carrying amount as at 30 Sep 2019	**-**	**2,040**	**76,657**	**8,426**	**1,967**	**89,090**
Carrying amount as at 30 Sep 2018	-	2,049	90,867	5,931	-	98,847

12. Intangible Assets (continued)

The licence agreement of €2.0m (2018: €2.0m) has been allocated to the SEMO cash-generating units (CGUs) to assess possible impairment. The goodwill and license agreement are not amortised as they have indefinite useful lives.

The recoverable amount of the intangible assets allocated to the CGU has been determined by value in use calculations, which use budgets and forecasts covering the period to 30 September 2025. This is the period to which management believe that discrete forecasts regarding expected cash flows can reasonably be made. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and anticipated regulatory recoveries arising from price controls.

The key assumptions used within the calculations include:

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

Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the assumed gearing ratio achievable, the discount rates applied to those cash flows and the expected long term growth rates. The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying values. An increase in the discount rate of 0.5% would result in an impairment to the value of the licence in the SEMO CGU of €nil (2018: nil). A decrease in the RAB perpetuity growth rate of 1.0% would result in an impairment to value of the licence in the SEMO CGU of €nil (2018: €nil).

The SEM has undergone significant change. EU legislation is driving the coming together of energy markets across Europe with the aim of creating a fully liberated internal electricity market. Significant investment was required in the redesign of the SEM and these costs are defined as the Integrated Single Electricity Market ('I-SEM') asset.

13. Property, Plant & Equipment

	Land and buildings * €'000	Fixtures and fittings €'000	IS, telecoms equipment and other €'000	Single Electricity Market ** €'000	Motor vehicles €'000	EWIC €'000	Integrated Single Electricity Market *** €'000	Assets under construction **** €'000	Total €'000
Cost									
Balance as at 1 Oct 2017	15,551	2,501	75,696	49,160	77	571,084	-	71,711	785,780
Additions	-	-	292	-	-	3,422	-	47,299	51,013
Transfers to Intangibles (Note 12)	-	-	-	-	-	-	-	(94,060)	(94,060)
Transfers to other assets	69	202	5,249	-	-	-	3,995	(9,515)	-
Exchange differences	(122)	-	(377)	(162)	-	-	-	(355)	(1,016)
Balance as at 30 Sep 2018	15,498	2,703	80,860	48,998	77	574,506	3,995	15,080	741,717
Additions	-	-	25	(106)	-	702	(73)	10,088	10,636
Transfers to Intangibles (Note 12)	-	-	-	-	-	-	-	(5,345)	(5,345)
Transfers to other assets	-	788	2,120	-	-	-	-	(2,908)	-
Exchange differences	19	(95)	21	24	-	-	(21)	4	(48)
Balance as at 30 Sep 2019	15,517	3,396	83,026	48,916	77	575,208	3,901	16,919	746,960
Depreciation									
Balance as at 1 Oct 2017	4,994	2,078	60,008	49,054	20	69,316	-	-	185,470
Charge	651	180	5,436	-	15	17,550	-	-	23,832
Exchange differences	(51)	-	(297)	(162)	-	-	-	-	(510)
Balance as at 30 Sep 2018	5,594	2,258	65,147	48,892	35	86,866	-	-	208,792
Charge	643	216	5,279	-	15	16,507	782	-	23,442
Exchange differences	7	-	5	24	-	-	(19)	-	17
Balance as at 30 Sep 2019	6,244	2,474	70,431	48,916	50	103,373	763	-	232,251
Carrying amount as at 30 Sep 2019	**9,273**	**922**	**12,595**	**-**	**27**	**471,835**	**3,138**	**16,919**	**514,709**
Carrying amount as at 30 Sep 2018	9,904	445	**15,713**	106	42	487,640	3,995	15,080	**532,925**

* The cost of the Group's buildings include leasehold improvements.
** This asset relates to costs associated with the SEM prior to the redesign of the new market.
*** This asset relates to costs associated with the redesign of the new SEM market and relates to IT Hardware.

13. Property, Plant & Equipment (continued)

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

	30 Sep 2019 € '000	30 Sep 2018 € '000
IS and telecommunications equipment	6,828	4,401
Celtic Interconnector Project	8,488	5,860
System Services Project	-	3,880
EWIC	678	-
Facilities	925	939
Total	**16,919**	15,080

14. Trade And Other Receivables

	30 Sep 2019 € '000	30 Sep 2018 € '000
Amounts due in less than one year:		
Trade receivables	811	1,166
Prepayments and deferred project costs	17,467	15,242
Unbilled receivables	95,168	82,918
Other receivables	141,562	41,215
	255,008	140,541
Amounts due in more than one year:		
Prepayments and deferred project costs	44,983	38,383
	44,983	38,383
Total	**299,991**	178,924

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. €20.1m (2018: €0.6m) of the other receivables balance relates to payments due from ESB Networks.

Unbilled receivables primarily consist 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.

Other receivables includes €113.1m owed from the SEM balancing market to SEMO in respect of working capital requirements that occurred in the balancing market during the year and was funded by external bank funding provided by EirGrid and SONI through SEMO. (2018: €8.9m [shown as other payables in note 15]) owed by SEMO to the SEM market to be returned to the market via a k-factor tariff adjustment.)

Prepayments and deferred project costs include deferred costs in respect of transmission projects of €51.2m (2018: €45.4m), all of which €45.0m (2018: €38.4m) may not be recoverable within twelve months.

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

15. Trade And Other Payables

	30 Sep 2019 € '000	30 Sep 2018 € '000
Amounts payable in less than one year:		
Trade payables	55,344	64,274
Accruals	127,080	100,125
Deferred income	971	2,919
Taxation and social insurance	15,305	12,918
Other payables	37,499	82,660
	236,199	**262,896**
Amounts payable in more than one year:		
Deferred income	1,749	1,237
	1,749	**1,237**
Total	**237,948**	**264,133**

Taxation and social insurance comprises of the following:

	30 Sep 2019 € '000	30 Sep 2018 € '000
PAYE/PRSI	1,164	1,165
VAT	13,742	11,446
Withholding tax	399	307
Total	**15,305**	**12,918**

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.

€48.5m (2018: €44.2m) of the Group trade payables balance and €3.7m (2018: €3.5m) of the Group accruals balance relates to the charges payable to ESB and NIE as Transmission Asset Owners in Ireland and Northern Ireland respectively. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period.

16. Grants

	€ '000
Balance as at 1 Oct 2017	99,224
Additions	1,246
Amortisation of grant	(3,313)
Balance as at 30 Sep 2018	97,157
Additions	-
Amortisation of grant	(3,789)
Balance as at 30 Sep 2019	**93,368**

Analysed as:	**€ '000**
Current	3,228
Non-current	90,140
Balances at 30 Sep 2019	**93,368**

Capital grants received related to the East West Interconnector project and were received from the EU Commission. The total grant funding available and received from the EU Commission for the project was €112.3m. 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.

In 2018 the Company received an EU-SysFlex grant of €1.2m. The Horizon 2020 EU-SysFlex project represents an opportunity to lead and participate in a pan-European strategic project which is directly aligned with the strategic objective of the EirGrid Group to be a "world leader in smart grids and integration of renewables". The grant is allowable for certain costs set out in the grant agreement and the grant income is released against the expenditure as it is incurred. A failure to comply with the terms and conditions of the EU Commission Grant Agreement could result in a claw back of grant funding received by EirGrid.

17. Issued Share Capital

	30 Sep 2019 € '000	30 Sep 2018 € '000
Authorised:		
30,000 ordinary shares of €1.25 each	38	38
Allotted, called-up and fully paid:		
Called up share capital presented as equity:		
30,000 ordinary shares of €1.25 each	38	38

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

18. Cash And Cash Equivalents

	30 Sep 2019 € '000	30 Sep 2018 € '000
Cash and cash equivalents	318,621	251,276

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

Included in the Group cash balances are security deposits of €10.0m (2018: €9.4m). Included in the Group's cash balances is €9.8m (2018: €8.1m) 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 €11.7m (2018: €21.9m) held on trust for market participants in the SEM and €23.0m (2018: €32.7m) held in SEM collateral reserve accounts (security accounts held in the name of market participants). .

19. Operating Lease Arrangements

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

	30 Sep 2019 € '000	30 Sep 2018 € '000
Within one year	3,832	3,788
In the second to fifth years inclusive	14,431	14,585
After five years	24,487	27,885
Total	**42,750**	**46,258**

The operating lease for the Group's head office building is for a term of 25 years which commenced on 1 March 2007. There was a rental holiday for the first three years of the lease term. The lease cost is based on open market value and is subject to rent review every 5 years. Following a scheduled rent review on 1 March 2017 an adjustment was made to rent payable.

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

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

20. Capital Commitments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Expenditure contracted for, but not provided for in the Financial Statements	-	475

21. Contingent Liabilities

The Group is not aware of any contingent liabilities at the financial year end (2018: €nil).

22. Retirement Benefits Obligations

Defined Benefit Schemes

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

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

EirGrid closed its defined benefit scheme to new entrants from 1st April 2019. New entrants in EirGrid plc are eligible to join a new defined contribution scheme from 1st April 2019.

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

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

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

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

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

22. Retirement Benefits Obligations (continued)

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

Defined Contribution Scheme

As the SONI Focus Plan has been closed to new members since 1998, other than for the purpose of admitting staff as a consequence of the transfer of the planning function in Northern Ireland in prior years, the Group also operates an approved defined contribution scheme, the "SONI Options Plan" (which is a defined contribution section of the SONI Pension Scheme for employees of SONI Limited). Contributions are paid by the members and SONI Limited at fixed rates. The benefits secured at retirement reflect each employee's accumulated fund and the cost of purchasing benefits at that time. Death benefits are insured on a group basis and may be paid in the form of a lump sum and/or survivor's pension. The assets of the SONI Options Plan are held under trust and are separate from those of the Group. The only obligation of SONI Limited with respect to the SONI Options Plan is to make the specified contributions and pay administration expenses. Obligations for contributions to the SONI Options Plan are recognised as an expense in the Income Statement as incurred. The pension charge for the financial year represents the actual contribution paid by SONI Limited and amounted to €1.2m (2018: €0.9m).

22. Retirement Benefits Obligations (continued)

Defined Benefit Schemes - Liabilities

The most recent actuarial valuations of the assets and the present value of the defined benefit obligations were carried out at 30 September 2019 for both the EirGrid plan and the SONI Focus plan, under the requirements of International Accounting Standard 19: Employee Benefits (IAS 19). The present values of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

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

	Total 30 Sep 2019 € '000	**Eir Grid Plan 30 Sep 2019 € '000**	**SONI Focus Plan 30 Sep 2019 € '000**	Total 30 Sep 2018 € '000	EirGrid Plan 30 Sep 2018 € '000	SONI Focus Plan 30 Sep 2018 € '000
Present value of funded defined benefit obligations that are wholly or partly funded	226,902	186,025	40,877	192,831	156,071	36,760
Fair value of Schemes' assets at end of year	(176,260)	(136,860)	(39,400)	(165,896)	(123,696)	(42,200)
Net liability/(asset) before asset ceiling	50,642	49,165	1,477	26,935	32,375	(5,440)
Impact of asset ceiling excluding amounts included in interest expenses	-	-	-	5,440	-	5,440
Net liability recognised in Balance Sheet at end of period after impact of asset ceiling	50,642	49,165	1,477	32,375	32,375	-
Deferred tax on net pension obligation (note 9)	(6,429)	(6,148)	(281)	(4,054)	(4,054)	-
Net liability after deferred tax	**44,213**	**43,017**	**1,196**	28,321	28,321	-

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Current service cost	8,206	7,300
Net interest expense	428	388
Employer pension cost capitalised	(824)	(1,183)
Amount included in other operating costs relating to defined benefit schemes	**7,810**	6,505

22. Retirement Benefits Obligations (continued)

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

Group	Total 30 Sep 2019 € '000	Eir Grid Plan 30 Sep 2019 € '000	SONI Focus Plan 30 Sep 2019 € '000	Total 30 Sep 2018 € '000	EirGrid Plan 30 Sep 2018 € '000	SONI Focus Plan 30 Sep 2018 € '000
Remeasurement of net defined benefit liability:						
Actuarial gain arising on Schemes' assets	9,289	6,503	2,786	4,746	3,599	1,147
Actuarial gain arising from changes in demographic assumptions	(2,075)	-	(2,075)	303	-	303
Actuarial gain/(loss) arising from changes in financial assumptions	(30,601)	(24,270)	(6,331)	(11,047)	(12,048)	1,001
Actuarial gain/(loss) arising from experience adjustments	2,623	4,210	(1,587)	2,883	2,079	804
Asset ceiling release/(restriction)	5,440	-	5,440	(3,168)	-	(3,168)
Amount included in the Consolidated Statement of Comprehensive Income	**(15,324)**	**(13,557)**	**(1,767)**	(6,283)	(6,370)	87

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 2019 € '000	30 Sep 2018 € '000	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Present value of defined obligation at beginning of year	156,071	136,027	36,760	42,463
Current service cost including contributions by Schemes' participants	9,414	8,097	422	717
Interest cost	3,182	2,983	954	1,132
Actuarial gain arising from changes in demographic assumptions	-	-	2,075	(303)
Actuarial (gain)/loss arising from changes in financial assumptions	24,270	12,048	6,331	(1,001)
Actuarial (gain)/loss arising from experience adjustments	(4,210)	(2,079)	1,587	(804)
Benefits paid	(2,702)	(1,005)	(7,327)	(4,737)
Exchange differences	-	-	75	(707)
Present value of defined benefit obligation at end of year	**186,025**	156,071	**40,877**	36,760

22. Retirement Benefits Obligations (continued)

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

	EirGrid Plan		SONI Focus Plan					
	30 Sep 2019 € '000 Total	30 Sep 2018 € '000 Total	30 Sep 2019 € '000 Before Asset Ceiling	30 Sep 2019 € '000 Impact of Asset Ceiling	30 Sep 2019 € '000 Total	30 Sep 2018 € '000 Before Asset Ceiling	30 Sep 2018 € '000 Impact of Asset Ceiling	30 Sep 2018 € '000 Total
Fair value of Schemes' assets at beginning of year	123,696	111,924	42,200	(5,440)	36,760	44,735	(2,272)	42,463
Interest Income	2,591	2,523	1,117	-	1,117	1,204	-	1,204
Gains on Schemes' assets	6,503	3,599	2,786	-	2,786	1,147	-	1,147
Contributions by the Companies	5,204	5,081	608	-	608	684	-	684
Contributions by Schemes' participants	1,568	1,574	62	-	62	75	-	75
Administration costs	-	-	(180)	-	(180)	(134)	-	(134)
Benefits paid	(2,702)	(1,005)	(7,327)	-	(7,327)	(4,737)	-	(4,737)
Impact of asset ceiling excluding amounts included in interest expense	-	-		5,440	5,440	-	(3,168)	(3,168)
Exchange differences	-	-	134		134	(774)	-	(774)
Fair value of Schemes' assets at end of year	**136,860**	123,696	**39,400**	**-**	**39,400**	42,200	(5,440)	36,760

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

	EirGrid Plan		SONI Focus Plan	
Valuation method	**30 Sep 2019 Projected Unit**	30 Sep 2018 Projected Unit	**30 Sep 2019 Projected Unit**	30 Sep 2018 Projected Unit
Discount rate	0.95%	2.05%	1.85%	2.85%
State pension increase	1.05%	1.65%	2.35%	2.45%
Salary increases	1.55% plus scale	2.15% plus scale	3.60% plus scale	3.70% plus scale
Pension increases	1.55%	2.15%	2.35%	2.45%
Inflation	1.30%	1.90%	3.35%	3.45%
Post-retirement life expectancy for those retiring at age 65 in 2039:				
- Men	23.9 years	23.8 years	25.2 years	23.6 years
- Women	26.0 years	25.9 years	26.8 years	25.7 years

22. Retirement Benefits Obligations (continued)

The discount rate used by the plan actuaries in the calculation of the pension liabilities at the year end was 0.95% (2018: 2.05%) for the EirGrid plan and 1.85% (2018: 2.85%) for the SONI Focus plan. The EirGrid plan discount rate was based on the redemption yield on Euro denominated high quality corporate bonds extrapolated to an approximate duration of 27 years (2018: 27 years). The SONI Focus plan discount rate was based on the redemption yield on Sterling denominated high quality corporate bonds extrapolated to an approximate duration of 20 years (2018: 20 years). This is consistent with the estimated term of the post-retirement benefit obligations.

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. As an indication of the impact of changes in actuarial assumptions, a 50 basis point decrease in discount rates would increase the net pension plan liability by approximately 14% (2018: 13%).

Funding Requirements and Future Cash Flows

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

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

An actuarial valuation of the SONI Focus Plan must take place at least every three years. The most recent actuarial valuation was carried as at 31 March 2016. The main purpose of the scheme funding valuation is to agree the contributions payable by SONI Limited so that the SONI Focus Plan is expected to have sufficient assets to pay the benefits promised to members. The Scheme Actuary certifies that the technical provisions have been calculated in accordance with the regulations and the Trustees' Statement of Funding Principles and the Statutory Funding Objective is expected to be met by the end of the period covered by the schedule of contributions. A Section 179 valuation must also be carried out to ensure the SONI Focus Plan has sufficient assets to cover its liabilities in respect of the compensation that would be paid by the Pension Protection Fund.

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

	Fair Value	
EirGrid plan	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Equities	53,923	50,892
Bonds	31,888	23,643
Property	8,896	8,806
Cash	6,843	4,433
Alternatives	29,562	30,364
Annuities	5,748	5,558
Fair value of plan assets	**136,860**	123,696

For the EirGrid plan assets all except annuities €131.2m (2018: €118.1m) have quoted market prices in an active market. The annuities €5.7m (2018: €5.6m) have no quoted market prices in an active market.

22. Retirement Benefits Obligations (continued)

SONI Focus plan	Fair Value 30 Sep 2019 € '000	Fair Value 30 Sep 2018 € '000
Equities	18,040	23,852
Gilts and bonds	21,181	17,640
Other	179	708
Fair value of plan assets	**39,400**	**42,200**

For the SONI Focus plan assets all categories (€39.4m) (2018: €42.2m) have quoted market prices in an active market.

The actual return on Group scheme assets was a gain of €13.0m (2018: €8.4m). The actual return on the EirGrid Plan scheme assets was a gain of €9.1m (2018: €6.2m) and the actual return on the SONI Focus Plan scheme assets was a gain of €3.9m (2018: €2.4m).

The Group expects to pay contributions of €5.1m (2018: €5.5m) for the EirGrid Plan and €0.6m (2018: €1.0m) for the SONI Focus Plan in the financial year to 30 September 2019.

23. Borrowings

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

Repayable by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year:		
Bank loans	19,776	15,886
Total current borrowings	19,776	15,886
Repayable after more than one year		
Between one and two years	20,579	16,629
Between two and five years	63,924	54,931
In five years or more	217,122	237,038
Total non-current borrowings	301,625	308,598
Total borrowings outstanding	**321,401**	**324,484**

23. Borrowings (continued)

Repayable other than by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year:		
Bank loans	-	-
Total current borrowings	-	-
Repayable after more than one year		
Between one and two years	-	-
Between two and five years	109,630	-
In five years or more	-	-
Total non-current borrowings	109,630	-
Total borrowings outstanding	**109,630**	**-**

Total borrowings	30 Sep 2019 € '000	30 Sep 2018 € '000
Included in current liabilities:		
Bank loans	19,776	15,886
Current interest-bearing loans and borrowings	19,776	15,886
Included in non-current liabilities:		
Bank loans	411,255	308,598
Non-current interest-bearing loans and borrowings	411,255	308,598
Total interest-bearing loans and borrowings	**431,031**	**324,484**

Borrowings by the subsidiary undertaking, EirGrid Interconnector DAC are guaranteed by EirGrid plc through a cross-guarantee structure. Bank loans are unsecured loans. A proportion of the loans has been converted from floating interest rate which is based on euribor plus a margin to fixed interest rate by using interest rate swap contracts, see note 25 for further details.

New credit facilities were put in place for the go-live of the new SEM. During the year, EirGrid and SONI drewdown €109.6m from these revolving credit facilities to fund working capital requirements in the balancing market. A term loan of £14.0m was also drawn during the year and £11.2m (2018: €12.6m) remains outstanding at year end. Interest on these borrowings is at floating rates which are based on Euribor and Libor plus a margin.

The Group had unutilised borrowing facilities of €101.6m (2018: €103.5m) 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.

23. Borrowings (continued)

The terms of outstanding loans are as follows:

Total	Currency	Financial year of maturity	Carrying amount € '000
30 Sep 2019			
Unsecured term loan facility	EUR	2030	96,509
Unsecured term loan facility	EUR	2035	212,303
Term loan	STG	2023	12,589
Revolving credit facility	EUR	2023	81,250
Revolving credit facility	STG	2023	28,380
Total			431,031
30 Sep 2018			
Unsecured term loan facility	EUR	2030	103,050
Unsecured term loan facility	EUR	2035	221,434
Total			**324,484**

24. Categories Of Financial Assets And Financial Liabilities

The effect of initially applying IFRS 9 on the Groups financial instruments is described in Note 2. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

Carrying Amount	Financial assets at amortised costs € '000	Financial liabilities at amortised cost € '000	Fair value through OCI € '000	Total € '000
30 Sep 2019				
Investments	-	-	356	356
Trade & other receivables	142,373	-	-	142,373
Deferred project costs	51,204	-	-	51,204
Cash and cash equivalents	318,621	-	-	318,621
Trade & other payables	-	(92,843)	-	(92,843)
Borrowings	-	(431,031)	-	(431,031)
Derivative financial instruments (note 25)	-	-	(101,571)	(101,571)
Total	**512,198**	**(523,874)**	**(101,215)**	**(112,891)**

24. Categories Of Financial Assets And Financial Liabilities (continued)

Carrying Amount	Loans and receivables € '000	Financial liabilities at amortised cost € '000	Fair value through OCI € '000	Total € '000
30 Sep 2018				
Investments	-	-	356	356
Trade & other receivables	42,381	-	-	42,381
Deferred project costs	45,383	-	-	45,383
Cash and cash equivalents	251,276	-	-	251,276
Trade & other payables	-	(146,934)	-	(146,934)
Borrowings	-	(324,484)	-	(324,484)
Derivative financial instruments (note 25)	-	-	(77,092)	(77,092)
Total	339,040	(471,418)	(76,736)	(209,114)

Fair Value	Level 1 € '000	Level 2 € '000	Level 3 € '000	Total € '000
30 Sep 2019				
Investments	-	-	356	356
Trade & other receivables	-	-	-	-
Deferred project costs	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade & other payables	-	-	-	-
Borrowings	-	-	-	-
Derivative financial instruments (note 25)	-	(101,571)	-	(101,571)
Total	**-**	**(101,571)**	**356**	**(101,215)**
30 Sep 2018				
Investments	-	-	356	356
Trade & other receivables	-	-	-	-
Deferred project costs	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade & other payables	-	-	-	-
Borrowings	-	-	-	-
Derivative financial instruments (note 25)	-	(77,092)	-	(77,092)
Total	-	(77,092)	356	(76,736)

24. Categories Of Financial Assets And Financial Liabilities (continued)

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

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

Estimation of fair values

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

Investments

Investments in equity instruments are measured at fair value. There have been no transfers between valuation levels during the year.

Trade & other receivables/payables & deferred project costs

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

Cash and cash equivalents

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

Borrowings

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

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

Derivative financial Instrument (Interest rate swaps)

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

As the derivatives are out of the money there is no exposure to the bank counterparties and therefore no counterparty credit adjustment is required. The banks who hold the derivatives have high credit ratings and therefore even if there was an exposure to them in terms of derivative mark to market valuations, the Group would not consider credit adjustments necessary. The Group has remained in a stable credit and financial position throughout the financial year ended 30 September 2019 and therefore no credit adjustment is required.

25. Derivative Financial Instruments And Financial Risk Management

Capital management

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

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

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

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

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

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

Overview of financial risk management

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

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

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

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

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

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts. The Group mitigates its exposure by spreading funds across a number of financial institutions which have a sovereign guarantee on customer deposits or have a credit rating from an independent rating agency consistent with the treasury policy approved by the Board. The Group is also exposed to counterparty risk on undrawn facilities and interest rate swap instruments. Consistent with our Treasury Policy the Group deals only with counterparties with high credit ratings to mitigate this risk. Management does not expect any significant counterparty to fail to meet its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset.

For the balancing market, 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 market participants and is not borne by the Market Operator. SEMO market participant trade receivables included in Group other receivables as at 30 September 2019 were €3.8m (2018: €33.3m). Other receivables also include €113.1m owed by the market in respect of market deficits arising mainly as a result a mismatch between the budgeted tariff income rate versus actual constraint costs. This will be returned to the market via a k-factor tariff adjustment in future years.

EPEX manages the day ahead and intraday markets for SEMOpx. The European Commodities Clearing (ECC) performs the clearing and settlement of the SEMOpx power exchange and takes financial responsibility for all concluded trades. ECC maintain collateral requirements with the exchange members and their clearing banks with any bad debt borne by ECC as the counterparty.

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

Appropriate arrangements are also in place to effectively manage the Group's credit risk arising from its Transmission System Operator activities. All users must deliver to the Group and subsequently maintain security for payment of all monies due to the Group under the Use of System Agreement ("Security Cover") in the form of a letter of credit or a cash deposit.

FTR market participants are governed by JAO's allocations rules. Those allocation rules mandate either a bank guarantee or cash deposit.

The deferred project costs are recovered from the transmission asset owners which are governed by agreements which facilitates the operational interaction between the TSOs and TAOs. Those agreements ensure that the TSOs are not exposed to any credit risk from the recovery of the project costs.

The Group applies the simplified approach to providing expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Due to the credit risk management policy the loss allowance at 30 September 2019 and 1 October 2018 (on adoption of IFRS 9) was nil.

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

	30 Sep 2019 € '000	30 Sep 2018 € '000
60 to 90 days	-	43
90 to 120 days	-	-
Greater than 120 days	-	-
Total	-	43

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

Liquidity risk management

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

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

The Group has access to funding facilities, the total unutilised amount of which was €101.6m at the Balance Sheet date (2018: €103.5m). 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.

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

	Less than 1 month € '000	1 to 12 months € '000	1 to 5 years € '000	5+ years € '000	Total € '000
30 Sep 2019					
Non-interest bearing – trade & other payables	(92,843)	-	-	-	(92,843)
Borrowings	-	35,216	133,389	271,625	440,230
Total	**(92,843)**	**35,216**	**133,389**	**271,625**	**347,387**
30 Sep 2018					
Non interest bearing – trade & other payables	(138,009)	-	-	-	(138,009)
Borrowings	-	31,286	125,216	302,678	459,180
Total	(138,009)	31,286	125,216	302,678	321,171

The cash flow hedges are expected to occur and affect the income statement over a period of 16 years.

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

	30 Sep 2019 € '000	30 Sep 2018 € '000
Losses arising during the year	(37,657)	(4,393)
Reclassified to income statement (included in finance costs)	13,178	13,776
Total	**(24,479)**	9,383

Market Risk Interest rate risk management

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

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

	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 2019 %**	30 Sep 2018 %	**30 Sep 2019 € '000**	30 Sep 2018 € '000	**30 Sep 2019 € '000**	30 Sep 2018 € '000
Less than one year	-	-	-	-	-	-
Between one and two years	-	-	-	-	-	-
Between two and five years	-	-	-	-	-	-
In five years or more	3.80%	3.80%	311,016	326,902	(101,571)	(77,092)
Total active swap contracts	3.80%	3.80%	311,016	326,902	(101,571)	(77,092)

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

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

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

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

Interest rate sensitivity analysis

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

If current and forward interest rates had been 50 (2018: 50) basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the financial year to 30 September 2019 would have been impacted by €nil (2018: €nil); and
- Other equity reserves would have been impacted by €14.4m/(€15.3m) (2018: €14.3m/(€15.2m)), mainly as a result of changes in the fair value of its cash flow hedges.

Foreign currency exchange risk management

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

Foreign currency exchange sensitivity analysis

The sensitivity analyses below have been determined based on the Group's exposure to its Sterling operations as at the Balance Sheet date. The SONI TSO segment recorded an operating profit of €15.7m during the year to 30 September 2019 (2018: €7.6m). 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 2019 would be impacted by €8.7m (2018: €7.3m). Other equity reserves would have been impacted by €1.6m (2018: €0.4m).

26. Related Party Transactions

EirGrid plc is an Irish commercial semi-state organisation, and as such is a related party of the Government of Ireland. John O'Connor, Mark Foley and Michael Behan hold one share each in the share capital of the Company on behalf of the Minister for Public Expenditure and Reform, one ordinary share of the Company is held by the Minister for Communications, Climate Action and Environment and the remainder of the issued share capital is held by the Minister for Public Expenditure and Reform, or on his behalf.

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

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies such as ESB so the major transactions are disclosed below.

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Transmission asset owner charge	252,002	230,125

At 30 September 2019 a total of €37.6m (2018: €41.0m) was payable to ESB under this Agreement. The movement in this balance was as follows:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Opening balance	41,012	39,378
Charges during the year	252,002	230,125
Payments made during the year	(255,373)	(228,491)
Closing balance	**37,641**	41,012

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

27. Post Balance Sheet Events

On 2nd October 2019 the European Commission announced it was awarding €530.7m funding to the Celtic Interconnector Project from the Connecting Europe Facility (CEF) programme, the EU's financial mechanism supporting trans-European infrastructure. The Celtic Interconnector is a proposed new electrical link between France and Ireland being developed jointly by EirGrid plc and the French TSO - Réseau De Transport D'Électricité ('RTE'). There have been no other significant events affecting the Group since the year end.

28. Approval Of Financial Statements

The Board approved the Financial Statements on 18 December 2019.

Company Balance Sheet

As At 30 September 2019

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Fixed assets			
Investments in subsidiaries	29 (E)	155,761	155,761
Other investments	29 (F)	325	325
Intangibles	29 (H)	63,765	70,638
Property, plant & equipment	29 (I)	35,079	36,877
Total non-current assets		254,930	263,601
Trade and other receivables: amounts falling due after one year	29 (J)	**244,588**	**243,560**
Current assets			
Cash and cash equivalents	29 (K)	271,822	216,765
Trade and other receivables: amounts falling due within one year	29 (L)	249,895	172,189
Total current assets		**521,717**	**388,954**
Trade and other payables: amounts falling due within one year	29 (M)	(269,984)	(295,976)
Net current assets		**251,733**	**92,978**
Total assets less current liabilities		**751,251**	**600,139**
Trade and other payables: amounts falling due after more than one year	29 (N)	(360,776)	(268,526)
Provisions			
Retirement benefit obligation	29 (R)	(49,165)	(32,375)
Net assets after retirement benefit obligations		**341,310**	**299,238**
Capital and reserves			
Called up share capital presented as equity	17	38	38
Capital reserve		49,182	49,182
Hedging reserve		(67,142)	(49,060)
Retained earnings		359,232	299,078
Total equity		**341,310**	**299,238**

Approved by the Board and signed on their behalf:

18 December 2019

Brendan Tuohy
Chairperson

John Trethowan
Chairperson Audit Committee

Mark Foley
Chief Executive

Company Statement Of Changes In Equity

For Financial Year To 30 September 2019

	Issued share capital € '000	Capital reserve € '000	Hedging reserve € '000	Retained earnings € '000	Total attributable to equity holders € '000
Balance as at 1 Oct 2017	**38**	**49,182**	**(54,226)**	**244,934**	**239,928**
Profit for the year	-	-	-	63,718	63,718
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	(5,574)	(5,574)
Cash flow hedge movement net of deferred tax	-	-	5,166	-	5,166
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2018	38	49,182	(49,060)	299,078	299,238
Profit for the year	-	-	-	76,016	76,016
Other comprehensive income					
Remeasurements of defined benefit scheme net of deferred tax	-	-	-	(11,862)	(11,862)
Cash flow hedge movement net of deferred tax	-	-	(18,082)	-	(18,082)
Dividends	-	-	-	(4,000)	(4,000)
Balance as at 30 Sep 2019	**38**	**49,182**	**(67,142)**	**359,232**	**341,310**

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 net of dividends in the current financial year and prior financial years.

Notes to the Company Financial Statements

29 (A). Statement Of Compliance

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

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

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

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

29 (B). General Information

EirGrid plc is a public limited company and is incorporated in Ireland. The registered office of EirGrid plc is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4 (Registration number 338522). The principal activity of the Company is included in the Directors' Report on page 72. The largest group of which the Company was a member and for which group accounts are prepared is EirGrid plc. Copies of the consolidated group accounts of EirGrid plc which are included on page 72 to 141 are available from the Company Secretary, EirGrid plc, 160 Shelbourne Road, Dublin 4.

The Company applies consistent accounting policies to those applied by the Group. Please refer to page 94-107 of the group financial statements for disclosure of the relevant accounting policies

29 (C). Profits attributable to EirGrid Plc

Profit for the year attributable to the Parent Company amounted to €76.0m (2018: €63.7m). In accordance with Section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting. The Company has also availed of the exemption from filing its individual Income Statement with the Registrar of Companies as permitted by Section 304(2) of the Companies Act, 2014.

29 (D). Employees

The average number of persons employed by the Company during the year to 30 September 2019 was 326 (2018: 282), excluding staff engaged on capital projects.

The average number of persons engaged on capital projects during the year to 30 September 2019 was 69 (2018: 98). The staff costs associated with these employees have been capitalised and totalled €6.2m for the year to 30 September 2019 (2018: €9.4m).

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
EirGrid TSO	262	254
SEMO	52	22
SEMOpx	6	-
EWIC	6	6
Capital projects	69	98
Total	**395**	380

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

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Wages and salaries	27,250	28,699
Social insurance costs	3,134	3,022
Other retirement benefit costs	7,846	6,523
Total remuneration paid to employees	**38,230**	**38,244**
Employee costs charged to Income Statement	32,077	28,875
Employee costs capitalised	6,153	9,369
Total remuneration paid to employees	**38,230**	**38,244**

29 (E). Investment In Subsidiaries

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

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

29 (E). Investment In Subsidiaries (continued)

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

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

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

The registered office of EirGrid Interconnector Designated Activity Company, EirGrid Telecoms Designated Activity Company and EirGrid Celtic Interconnector Designated Activity Company is The Oval, 160 Shelbourne Road, Ballsbridge, Dublin 4.

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

Investment in Subsidiaries	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	155,761	155,711
Additions	-	50
Balance as at 30 Sep 2019	155,761	155,761

The Company has made total advances of €31.7m (2018: €31.7m) to EirGrid Interconnector Designated Activity Company, and on-lent total debt of €285.0m (2018: €285.0m). The Company has recognised an investment of €155.5m (2018: €155.5m) in EirGrid Interconnector Designated Activity Company and €0.2m (2018: €0.2m) in EirGrid Telecoms Designated Activity Company, representing the present value estimate of the commercial rate of interest foregone by the Company over the life of these loans.

29 (F). Other Investments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	325	-
Additions	-	325
Balance as at 30 Sep 2019	325	325

In 2018 EirGrid acquired a 4.75% equity interest in Joint Allocation Office S.A for €0.2m; a company registered in Luxembourg. Under EU Rules TSOs are obliged to implement a Single Allocation Platform for capacity on interconnectors. EirGrid, as the certified TSO for the East West Interconnector, became a shareholder in the Joint Allocation Office (JAO) which has been proposed by the TSOs as the Single Allocation Platform.

Under the European rules (Network Codes), EirGrid is obliged to co-operate on a regional basis with at least one 'Regional Security Co-ordinator' (RSC) so it has acquired a 3.7% equity interest in the RSC Coreso SA for €0.1m in 2018; a company registered in Belgium.

29 (G). Interest In Joint Operation

The Single Electricity Market (SEM) is the wholesale electricity market operating in Ireland and Northern Ireland, which came into operation on 1 November 2007. On that date the old wholesale electricity market in Ireland ceased and the new SEM commenced. SEMO was established as the contractual joint operation between the Company and SONI Limited responsible for the operation of the wholesale electricity market for the island of Ireland from 1 November 2007 onwards. The Company has a 75% interest in SEMO.

EirGrid plc and SONI Limited have developed and implemented the NEMO services for Northern Ireland and Ireland through SEMOpx, a 75/25 contractual joint venture between EirGrid plc and SONI Limited. SEMOpx was established on 28 September 2018.EirGrid plc is designated by the Commission for Regulation of Utilities (CRU) as a NEMO for Ireland and SONI Limited is designated by the Utility Regulatory (UR) as a Nominated Electricity Market Operator (NEMO) for Northern Ireland. The NEMO designations allow SONI Limited and EirGrid plc to provide day-ahead auction and intraday markets for trading in SEM.

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

The Company has considered each of these arrangements a joint operation so the 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 and SEMOpx into the Company accounts.

	30 Sep 2019 € '000	30 Sep 2018 € '000
Non-current assets	4,561	1,448
Current assets	152,559	108,796
Total assets	**157,120**	**110,244**
Total equity	24,156	20,755
Current liabilities	132,964	89,489
Total liabilities	132,964	89,489
Total equity and liabilities	**157,120**	**110,244**

	Year to 30 Sep 2019 € '000	Year to 30 Sep 2018 € '000
Revenue	16,501	146,407
Expenses	(13,101)	(145,539)
Operating profit	**3,400**	**868**

29 (H). Intangible Assets

	Integrated Single Electricity Market *€ '000	Other IT Software € '000	Software under development € '000	Total € '000
Cost				
Balance as at 30 Sep 2018	68,286	31,632	-	99,918
Additions	-	-	4,940	4,940
Transfer from other assets	3,465	-	(3,465)	-
Transfer from assets under construction (note 29 (I))	-	4,065	-	4,065
Balance as at 30 Sep 2019	71,751	35,697	1,475	108,923
Amortisation				
Balance as at 30 Sep 2018	-	29,280	-	29,280
Amortisation charge	14,069	1,809	-	15,878
Balance as at 30 Sep 2019	14,069	31,089		45,158
Carrying amount as at 30 Sep 2019	57,682	4,608	1,475	63,765
Carrying amount as at 30 Sep 2018	68,286	2,352	2,352	70,638

*The SEM has undergone significant change. EU legislation is driving the coming together of energy markets across Europe with the aim of creating a fully liberated internal electricity market. Significant investment was required in the redesign of the SEM and these costs are defined as the Integrated Single Electricity Market ('I-SEM') asset.

29 (I). Property, Plant & Equipment

	Buildings * €'000	Fixtures and fittings €'000	IS, telecoms equipment and other €'000	Motor vehicles €'000	Single Electricity Market ** €'000	Integrated Single Electricity Market *** €'000	Assets under construction **** €'000	Total €'000
Cost								
Balance as at 30 Sep 2018	10,407	2,549	77,021	77	41,418	2,996	13,690	148,158
Additions	-	-	18	-	-	(73)	8,127	8,072
Transfer to intangibles (note 29 (H))	-	-	-	-	-	-	(4,065)	(4,065)
Transfer to other classes	-	788	2,531	-	(513)	-	(2,806)	-
Balance as at 30 Sep 2019	10,407	3,337	79,570	77	40,905	2,923	14,946	152,165
Depreciation								
Balance as at 30 Sep 2018	4,411	2,197	63,733	35	40,905	-	-	111,281
Charge	434	216	4,555	15	-	585	-	5,805
Balance as at 30 Sep 2019	4,845	2,413	68,288	50	40,905	585	-	117,086
Carrying amount as at 30 Sep 2019	**5,562**	**924**	**11,282**	**27**	**-**	**2,338**	**14,946**	**35,079**
Carrying amount as at 30 Sep 2018	5,996	352	13,288	42	513	2,996	13,690	36,877

* The cost of the Group's buildings include leasehold improvements.
** This asset relates to costs associated with the SEM prior to the redesign of the new market.
*** This asset relates to costs associated with the redesign of the new SEM market and relates to IT Hardware.
**** Assets under Construction consist of the following:

	30 Sep 2019 €'000	30 Sep 2018 €'000
IS and telecommunications equipment	5,630	3,899
Celtic Interconnector Project	8,488	5,860
System Services Project	-	3,011
Facilities	828	920
Total	**14,946**	13,690

29 (J). Trade And Other Receivables – Amounts Falling Due After More Than One Year

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Prepayments and deferred project costs		30,549	27,605
Amounts owed by subsidiary undertakings		199,244	205,301
Deferred tax	29 (Q)	14,795	10,654
Total		**244,588**	243,560

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

Company prepayments and deferred project costs include deferred costs in respect of transmission projects of €30.5m (2018: €27.6m) respectively, all of which may not be recoverable within twelve months.

29 (K). Cash And Cash Equivalents

	30 Sep 2019 € '000	30 Sep 2018 € '000
Cash and cash equivalents	271,822	216,765

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

Included in the cash balances are security deposits of €7.4m (2018: €9.4m). Included in the cash balances is €8.7m (2018: €16.4m) held on trust for market participants in the SEM and €17.3m (2018: €24.5m) held in SEM collateral reserve accounts (security accounts held in the name of market participants).

29 (L). Trade And Other Receivables – Amounts Falling Due Within One Year

	30 Sep 2019 € '000	30 Sep 2018 € '000
Trade receivables	787	1,073
Prepayments and deferred project costs	12,871	12,567
Unbilled receivables	86,186	75,012
Other receivables	112,337	32,881
Current tax receivables	1,759	65
Amounts owed by subsidiary undertakings	35,955	50,591
Total	**249,895**	172,189

29 (L). Trade And Other Receivables – Amounts Falling Due Within One Year (continued)

€20.1m (2018: €0.6m) of the other receivables balance relates to payments due from ESB as Transmission Asset Owner in Ireland.

Company prepayments and deferred project costs include deferred costs in respect of transmission projects of €7.0m (2018: €7.0m), all of which expected be recoverable within twelve months.

Other receivables includes €84.8m owed from the SEM balancing market to SEMO in respect of working capital requirements that occurred in the balancing market during the year and was funded by external bank funding provided by EirGrid and SONI through SEMO. (2018: €6.7m (shown as other payables in note 29 (M)) owed by SEMO to the SEM market to be returned to the market via a k-factor tariff adjustment).

29 (M). Trade And Other Payables – Amounts Falling Due Within One Year

	Note	30 Sep 2019 € '000	30 Sep 2018 € '000
Trade payables		53,845	63,779
Accruals		112,578	85,779
Deferred income		803	2,804
Taxation and social insurance		13,528	11,397
Other payables		27,114	62,034
Amounts owed to subsidiary undertakings		52,490	60,416
Grants	29 (O)	114	635
Borrowings	29 (P)	9,512	9,132
Total		**269,984**	**295,976**

Taxation and social insurance comprises of the following:

	30 Sep 2019 € '000	30 Sep 2018 € '000
Income tax deducted under PAYE	552	496
Pay-related social insurance	366	441
VAT	12,222	10,158
Withholding tax	388	302
Total	**13,528**	**11,397**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. €48.5m (2018: €44.2m) of the Company trade payables balance relates to the charge payable to ESB as Transmission Asset Owner. Accruals consist mainly of the direct costs of running the transmission system for the last two months of the accounting period.

29 (N). Trade And Other Payables – Amounts Falling Due After More Than One Year

		30 Sep 2019 € '000	30 Sep 2018 € '000
Derivative financial instrument		76,735	56,069
Grants	29 (O)	-	155
Borrowings	29 (P)	284,041	212,302
Total		**360,776**	268,526

29 (O). Grants

	30 Sep 2019 € '000	30 Sep 2018 € '000
Balance as at 1 Oct 2018	790	-
Additions	-	1,002
Amortisation	(676)	(212)
Balance as at 30 Sep 2019	**114**	790
Analysed as:		
Current	114	635
Non-Current	-	155
Balance as at 30 Sep 2019	**114**	790

In 2018 the Company received an EU-SysFlex grant of €1.0m. The Horizon 2020 EU-SysFlex project represents an opportunity to lead and participate in a pan-European strategic project which is directly aligned with the strategic objective of the EirGrid Group to be a "world leader in smart grids and integration of renewables". The grant is allowable for certain costs set out in the grant agreement and the grant income is released against the expenditure as it is incurred. A failure to comply with the terms and conditions of the EU Commission Grant Agreement could result in a clawback of grant funding received by EirGrid.

29 (P). Borrowings

Repayable by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year	9,512	9,132
Repayable within one and two years	9,928	9,512
Repayable within two and five years	32,391	31,073
Repayable greater than five years	160,472	171,717
Total	**212,303**	221,434

29 (P). Borrowings (continued)

Repayable other than by instalments	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year	-	-
Repayable within one and two years	81,250	-
Repayable within two and five years	-	-
Repayable greater than five years	-	-
Total	**81,250**	-

Total Borrowings	30 Sep 2019 € '000	30 Sep 2018 € '000
Repayable within one year	9,512	9,132
Repayable within one and two years	91,178	9,512
Repayable within two and five years	32,391	31,073
Repayable greater than five years	160,472	171,717
Total	**293,553**	221,434

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

The Company had unutilised borrowing facilities of €69.0m (2018: €90.0m) at the Balance Sheet date. The majority of these unutilised borrowings have been arranged in order that the Company has sufficient standby facilities to meet unbudgeted and unexpected constraint payments.

29 (Q). Deferred Tax

	Accelerated tax depreciation € '000	Retirement benefits obligations € '000	Cash flow hedges € '000	Total € '000
Deferred tax asset as at 1 Oct 2017	729	3,013	7,940	11,682
(Charge)/Credit to the Income Statement for the year	(1,131)	238	-	(893)
(Charge)/Credit to the Statement of Other Comprehensive Income	-	796	(931)	(135)
Deferred tax asset as at 30 Sep 2018	(402)	4,047	7,009	10,654
(Charge)/Credit to the Income Statement for the year	(541)	404	-	(137)
(Charge)/Credit to the Statement of Other Comprehensive Income	-	1,695	2,583	4,278
Deferred tax asset as at 30 Sep 2019	**(943)**	**6,146**	**9,592**	**14,795**

29 (R). Retirement Benefit Obligations

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

29 (S). Operating Lease Arrangements

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

	30 Sep 2019 € '000	30 Sep 2018 € '000
Within one year	3,822	3,788
In the second to fifth years inclusive	14,421	14,585
After five years	24,487	27,885
Total	**42,730**	**46,258**

The operating lease for the Company's head office building is for a term of 25 years which commenced on 1 March 2007. There was a rental holiday for the first three years of the lease term. The lease cost is based on open market value and is subject to rent review every 5 years. Following a scheduled rent review on 1 March 2017 an adjustment was made to rent payable. There are no significant or unusual restrictions imposed on the Company by the terms of the operating leases.

29 (T). Capital Commitments

	30 Sep 2019 € '000	30 Sep 2018 € '000
Expenditure contracted for, but not provided for in the Financial Statements	-	475

29 (U). Contingent Liabilities

The Company is not aware of any contingent liabilities at the financial year end (2018: €nil).

29 (V). Related Party Transactions

Borrowings by EIDAC are guaranteed by EirGrid plc through a cross-guarantee structure. The Company has issued letters of support for its EirGrid UK Holdings Limited, EirGrid Interconnector Designated Activity Company and the EirGrid Celtic Interconnector Designated Activity Company subsidiaries.

EirGrid plc has given a Parent Company Undertaking to SONI Limited to the value of £10.0m (2018: £10.0m).

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

29 (V). Post Balance Sheet Events

On 2nd October 2019 the European Commission announced it was awarding €530.7m funding to the Celtic Interconnector Project from the Connecting Europe Facility (CEF) programme, the EU's financial mechanism supporting trans-European infrastructure. The Celtic Interconnector is a proposed new electrical link between France and Ireland being developed jointly by EirGrid plc and the French TSO - Réseau De Transport D'Électricité (RTE). There have been no other significant events affecting the Company since the year end.

29 (X). Approval Of Financial Statements

The Board approved the Financial Statements on 18 December 2019.