Annual Report and
Financial Statements
2022

Strategic report

Governance report

Financial statements

Strategic report

Ervia is a commercial semi-state company, established under the Gas Act 1976, (as amended) providing strategic national gas and broadband infrastructure and services that underpin the growth of the Irish economy. We have a pivotal role to play in enhancing the environment, leading the transition to a low carbon energy system and increasing network security, capacity and flexibility.

In 2022, Uisce Éireann was part of the Ervia Group. Information relating to Uisce Éireann's performance in 2022 can be found in the Uisce Éireann Annual Report and Financial Statements at www.water.ie

Gas Networks Ireland owns and operates Ireland's gas network, delivering the gas flows upon which our customers depend and providing resilience and diversity for Ireland's energy system.

Aurora Telecom owns and operates an extensive national backhaul dark fibre network providing secure, high-speed connectivity solutions for carriers and enterprise.

Headquarters
Gasworks Road, Cork, T12 RX96

The Chairperson's Report

Transition to a low carbon energy system

Kevin Toland
Chairperson

As Chairperson, I want to express my enormous gratitude, in what has been an exceptionally challenging year, to all of our staff and partners for their ongoing contribution and dedication to the provision of safe and secure supply of gas that underpin our economy.

The invasion of Ukraine has impacted on the European Energy System causing huge uncertainty in 2022. We are committed to working with Government and the CRU to respond to these challenges. Following the invasion of Ukraine in February, Gas Networks Ireland established a Crisis Management Team to monitor and manage the impact across a number of areas, including the security of gas supply, network operations, supply chain, cyber security and fuel pricing. A comprehensive response ensured continuity of service throughout the year, which is a testament to our robust business continuity plans and the dedication and hard work of our staff and service providers.

Although the energy crisis has seen unprecedented highs in wholesale market gas prices at times during 2022, Ireland's physical gas supplies remained secure. Ireland benefits from a reliable connection to the United Kingdom (UK) via a twinned interconnector system. The UK market is in turn well supplied from indigenous gas production, Norwegian gas production, underground gas storage (UGS) and Liquefied Natural Gas (LNG) which provides access to a worldwide gas market. The Corrib gas field provides an indigenous supply of gas, which supplied 26% of the gas requirements for the Republic of Ireland in 2022.

The primary objective of Gas Networks Ireland is the safe, reliable and efficient operation, maintenance and decarbonisation of the gas network and the interconnectors. We remain fully committed to working with the Department of Housing, Local Government and Heritage, the Department of Environment, Climate and Communications, and the Commission for Regulation of Utilities to utilise the gas network to its full extent and ensure security of supply in the transition to a low carbon energy system.

With the lifting of public health restrictions in February, Gas Networks Ireland undertook a phased return of staff to office buildings before moving to a new hybrid working model which has proved very successful for the company. We continue to manage our operations in line with COVID-19 public health guidelines.

During 2022, Gas Networks Ireland's Combined Lost Time Incident Frequency Rate for staff and key service providers increased slightly from 2021, although still representative of excellent safety performance. GNI continues to promote gas related safety messages via a number of high-profile internal and external safety campaigns. I am delighted to say that GNI was named as the winner in the Public Sector category at the annual Health & Safety Excellence Awards and our Tommy McAnairey Campaign won the Gas Safety Award category at the Institution of Gas Engineers and Managers (IGEM) Gas Industry Awards.

In 2022 we continued to create economic benefit for our employees, shareholders, contractors, partners and investors. Some of the value created is retained in the organisation to maintain and replace assets. Detailed information on how Gas Networks Ireland created value for our stakeholders is laid out on pages 8-17 of this report. A dividend of €30m was paid in 2022 to the Exchequer.

We will continue to develop and deliver our capital investment plans to align with the policy initiatives laid out in Project Ireland 2040, the National Development Plan 2021-2030 and the Climate Action Plan 2023. To this end we will maintain our ongoing engagement with customers, regulators, our shareholders and the public to understand the emerging needs as our country and economy develops.

Natural gas is of key strategic importance to the Irish economy, representing approximately 32% of Ireland's primary energy mix and generating approximately 48% of Ireland's electricity. Gas electricity generation peaked at 92% of demand in 2022, providing essential back-up and flexibility for the electricity grid, an increasingly important feature as intermittent renewable electricity generation continues to grow. Transitioning to a clean energy system requires a balance between sustainability, security and affordability. By gradually replacing natural gas with renewable gases, such as biomethane and hydrogen, the gas network will continue to play an integral role in Ireland's cleaner energy future.

Across the year, the Board continued to prioritise corporate governance in line with best practice, emerging regulation, government policy and transparency. We comply with the applicable provisions of the Code of Practice for the Governance of State Bodies. Risks are formally reviewed and monitored on an ongoing basis to ensure appropriate mitigations and controls exist. As Chairperson, I am satisfied that the appropriate internal controls exist and are managed effectively to meet our governance requirements.

The Board continues to ensure that Ervia's strategic objectives and operations are both sustainable and socially responsible. We have undertaken significant work to achieve compliance as appropriate with the relevant principles, requirements and guidelines of the Public Spending Code.

The change programme embarked on in 2021 to stand up two independent utilities (Gas Networks Ireland and Uisce Éireann) resulted in the successful completion of the 'Operational Separation' phase in December 2021. During 2022 both utilities operated independently of each other. Ervia continued to govern Uisce Éireann and Gas Networks Ireland until Uisce Éireann was established as a standalone, publicly owned, regulated utility on 1 January 2023. Work will continue in 2023 to progress the integration of Ervia into Gas Networks Ireland, subject to the enactment of the Gas (Amendment) Bill 2023. My thanks to the Director's and prior Ervia Board for their efforts in delivering this significant programme of work.

I would like to thank the Ministers and officials in the Department of Housing, Local Government and Heritage and the Department of Environment, Climate and Communications for their support throughout the year. I would also like to extend my gratitude to the officials at NewERA whom we deal with on governance matters on a regular basis.

I express my appreciation to my colleagues on the Board and the Executive Team for their continued commitment, support and effective governance of the business in 2022. I would like to thank former Chairman Tony Keohane and the former Ervia Board members, Fred Barry, Chris Banks and Liz Joyce, and wish them success in their roles in Uisce Éireann; and to Finbarr Kennelly who retired from the Board in December.

As Chairperson, I want to express my enormous gratitude, in what has once again been an exceptionally challenging year, to all of our staff and partners for their ongoing contribution and dedication to provide the safe and secure supplies of gas that underpin our economy.

Kevin Toland
Chairperson

The Chief Executive Officer's review

Creating value for the people of Ireland

Cathal Marley
Chief Executive Officer

Our principal activity is the transportation of natural gas on behalf of over 713,000 business and residential gas customers' regardless of which natural gas supply company they choose. As a vital national asset, the gas network transported 32% of Ireland's primary energy needs in 2022.

We own, operate, build and maintain the natural gas network in Ireland. This includes over 14,669 km of pipelines, including two sub-sea interconnectors and pipelines in Scotland, Northern Ireland and the Isle of Man. We also provide wholesale telecom fibre services under the business name Aurora Telecom.

Gas continues to be a major contributor to electricity supplies, generating 48% of Ireland's electricity in 2022. The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 92% of demand during 2022, reiterating the importance of having a flexible and reliable gas supply. Gas accounted for 40% of direct energy used in heat. In 2022, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was approximately 75.9 TWh.

We attach great importance to ensuring that our investment policies are aligned to the national strategic outcomes outlined in the National Development Plan 2021–2030, the Climate Action Plan 2023 and the Government's wider energy policy.

I am personally very conscious of the importance of balancing economic objectives such as profitability and shareholder value creation, alongside socio-economic and environmental objectives, in order to promote sustainable long-term value growth.

How we create value over the longer term is impacted by macro trends and developments in the wider economy, some of which are outlined on page 13. Sometimes these trends create uncertainty for us, our customers and wider stakeholders. Details on our key risks and the mitigating actions we are taking can be found on pages 24-31.

In response to the invasion of Ukraine, we worked closely with National Gas (formally National Grid) and with other Transmission System Operators across Europe to monitor the security of gas supply. We carried out a number of emergency exercises to test the resilience of the network. Exercise DARA was held in conjunction with EirGrid and ESB in the National Emergency Coordination Centre in Government buildings, the exercise simulated the effect of a gas restriction on the electricity grid. The exercise was attended by all the major government agencies and emergency services.

Performance in 2022

Once again, we had an excellent safety performance in 2022. Our 'Work Safe Home Safe' programme continues to promote the right behaviours and drives our safety culture supported by the increasing safety management system. In May, Gas Networks Ireland's Tommy McAnairey Carbon Monoxide Campaign won the Gas Safety Award category at the Institution of Gas Engineers and Managers (IGEM) Gas Industry Awards in London against competition from Hong Kong and the UK. The following month, Tommy McAnairey once again tasted success, this time along with Gas Networks Ireland's other safety advertising campaigns, which together won the Public Sector category at the Health and Safety Excellence Awards in Dublin.

In 2018, the Government announced that in 2023 Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities. In June of 2020 we commenced the work programme to establish two standalone independent utilities. The 'Operational Separation' phase was completed in December 2021. During 2022, both utilities operated independently of each other. A significant work programme was carried out during 2022 which implemented the legal separation of Uisce Eireann from the Ervia Group as of 1 January 2023. The Ervia Board continued to remain the ultimate governing authority for Uisce Éireann until full legal separation on 1 January 2023.

Action 169 from Ireland's Climate Action Plan 2021 aims to "Develop Renewable Gas in the Gas Grid". One of the steps identified as necessary for delivery of this action is to "test the technical feasibility of safely injecting green hydrogen blends in the gas grid" with a proposed output by the end of Q4 2022. This action was assigned to Gas Networks Ireland, as the operator of Ireland's natural gas network.

Over the course of 2022, Gas Networks Ireland, assisted by global energy consultancy DNV, undertook a number of technical assessments of its assets, processes, procedures and arrangements and a review of international studies and trials. In December 2022, Gas Networks Ireland submitted its technical and safety feasibility study report on injecting green hydrogen blends into Ireland's gas network which indicated that it will be both safe and feasible to utilise the existing gas network to transport blended hydrogen. However, before injecting hydrogen into the network, further detailed research will be required.

The Chief Executive Officer's review (continued)

Time to Talk is our organisational Mental Health programme which aims to provide a structured approach to mental health initiatives in our workplace. The aim of the programme is to build a positive work environment, through our individual and collective actions and behaviours and to help to break the stigma associated with mental health issues in the workplace. I am pleased that this programme continued to gain momentum in 2022. We also continued to deliver other health and wellbeing initiatives and we stood up our Gas Networks Ireland ibelong Diversity and Inclusion programme. In addition, we established a Neurodiversity Working Group to expand our programme further.

We are proud of the fact that we are one of only 41 companies in Ireland to hold the Business Working Responsibly (BWR) mark and are committed to ensuring that sustainability is at the forefront of everything we do and help Ireland to reduce its carbon emissions. During 2022, we continued to embed sustainability across our business. We refined our sustainability strategy to ensure we continue to focus our attention in the right areas. As part of the process, we carried out a materiality assessment with our employees and external stakeholders.

Despite the challenges presented by the ongoing invasion of Ukraine, very significant progress was made on our climate action, sustainability, growth, on capital and operational work programmes. Items to note this year include:

- Developed a new strategy, purpose and vision, following operational separation.
- Completed Contact Centre Contract tender process.
- Submitted our revised five-year Price Control submissions, which is currently under review by the Commission for Regulation of Utilities.
- Completed the GNI (UK) price control.
- Submitted a technical and safety feasibility study report on injecting green hydrogen blends into Ireland's gas network which indicated that it will be both safe and feasible to utilise the existing gas network to transport blended hydrogen.
- Won the ESG Award for "Best campaign or case study to improve education or access to education".
- Won the prestigious Green Public Sector Organisation of the Year 2022.
- Have been appointed as the body responsible for issuing Guarantees of Origin for renewable gases in line with European Union (Renewable Energy) Regulations 2022, which has passed into Irish law.
- Aurora has extended its fibre network for the 8th year in a row, continuing to be the most modern, lowest latency network in the country.
- Completed an extensive capital progamme.
- Completed and commissioned capacity upgrade of Collinstown and Diswell AGIs.
- Continued upgrade of Drumgill AGI.
- Upgraded the heating system at Gormanston AGI, a landfall station.
- Commenced project to replace air intakes on 7 turbines in Scotland compressor stations.
- Continued works to replace the Turbine Control System on units at Brighouse Bay Compressor Station.
- Commenced work to replace Insulation Joint at Brownsbarn AGI.
- Commenced work on major security upgrades of the Compressor Stations in Scotland.

You can read the full 2022 operating review on pages 40-57.

2023 strategic priorities

We will work closely with our shareholder and stakeholders to understand and address the issues which are most important to them.

We will create meaningful value for the people of Ireland by playing a key role in the transition to a low carbon energy system. Our focus will be on continued engagement with all stakeholders, including DECC on the role of renewable gases in supporting national decarbonisation targets and the Climate Action Plan 2023, the Security of Supply Review underway and the Hydrogen Strategy being developed.

In 2023 we will carry out further detailed research on the technical and safety feasibility of injecting green hydrogen into Ireland's gas network, specifically we will test the functionally and compatibility of network components, further develop our hydrogen safety and technical roadmap and prepare for a future hydrogen injection trial on the gas network.

We will continue to work towards delivering the Government target of 5.7TWh of biomethane on our network by 2030.

We are committed to putting customers at the core of our business and delivering excellent customer service. As guardians of Ireland's natural gas infrastructure, we aim to deliver our service in a sustainable manner that contributes to the protection of the environment while supporting the social and economic development of communities we operate in as well as the wider economy. We are currently engaging on our five-year Price Control process and agreement with the Commission for Regulation of Utilities, the outcome of which is expected to conclude in 2023.

Gas Networks Ireland worked closely with Eirgrid and the Commission for Regulation of Utilities throughout 2022 on the issue of security of electrical supply for the country. Multiple transmission gas connection contracts were secured to connect new Power Generation facilities supporting the increase in power generation capacity required during the coming years. These new transmission connections are critical to Ireland's current and future demands for electrical capacity and the development of multiple new flexible gas-fired power generation plants will ensure that Ireland remains open to new developments and keeps the lights on for existing customers. More projects are expected in 2023 as the projected electrical demands require additional capacity to meet Ireland's residential, commercial and industrial needs into the future.

We will continue to develop, operate and maintain a gas network that is both economic and efficient to ensure security of supply and competitiveness during the transition to decarbonisation.

The current energy crisis has highlighted the importance of Security of Supply. In 2023, we will continue to ensure security of supply by actively participating in the Security of Supply Review and progressing our proposal on strategic gas storage.

For more information on our 2023 priorities please see page 56.

Acknowledgements

I want to acknowledge the services of the members of the Board. They provide vital oversight, governance and guidance and I am very grateful for their support. I also extend my appreciation to the members of the Executive team for their energy, professionalism and leadership during the year.

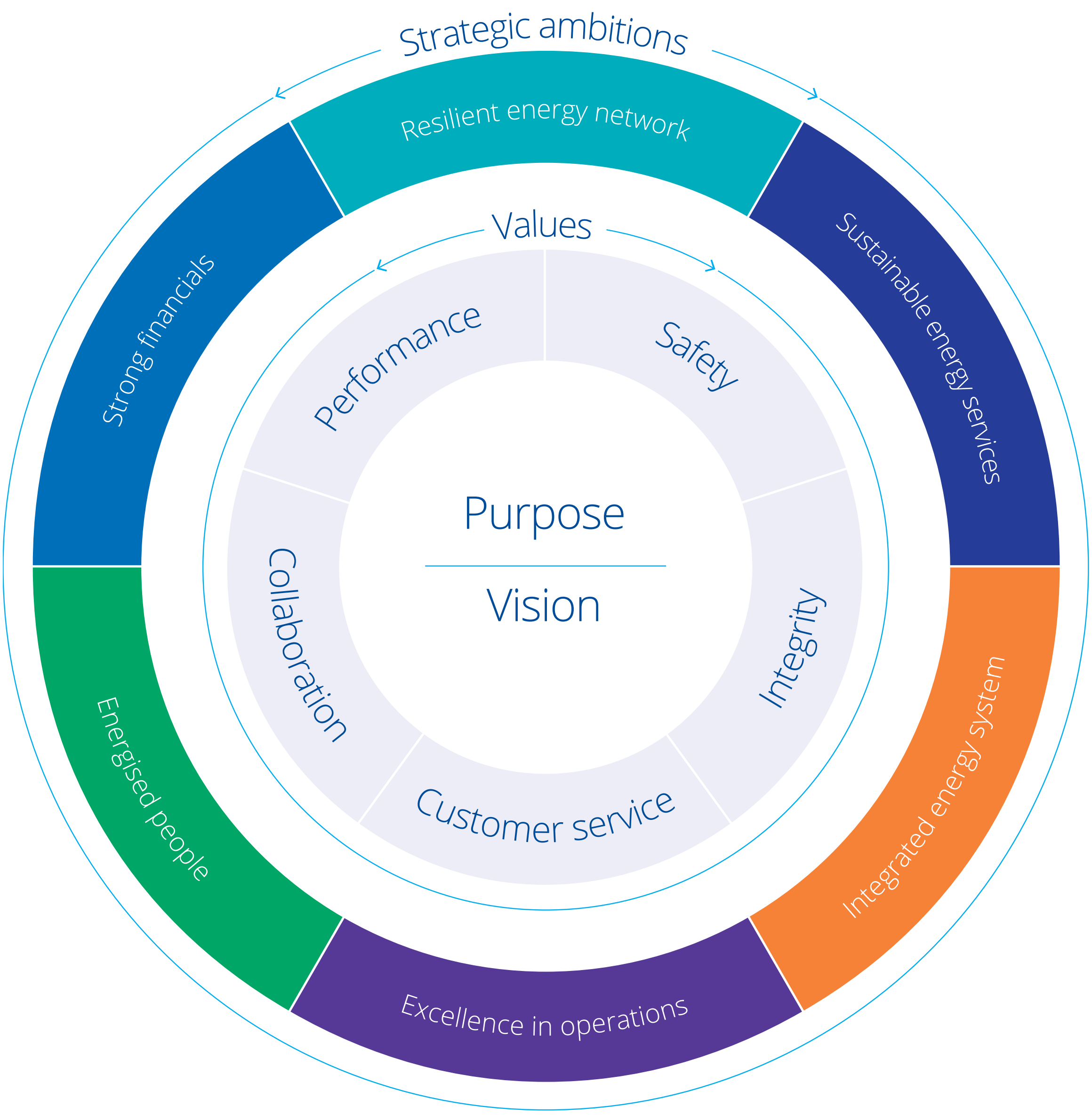
Finally, and most importantly, I would like to express my sincere gratitude to all our staff and delivery partners for their hard work and commitment. I am proud of the way in which we responded to the challenges and the progress we made in 2022.

Cathal Marley
Chief Executive Officer

How we create value

Our strategic framework

Our Strategic Framework comprises our Purpose, Vision, Values and Strategic Ambitions. Together, these guide our decision making, provide a sense of direction to our people and clarify our role and contribution for our key stakeholders.



Our purpose, vision and story

Our purpose

Keeping Ireland's energy moving

Our vision

To be at the heart of Ireland's energy future

Our purpose and vision underscore who we are as a company, where we have come from, our central role in Ireland's energy system and where we are going. We know we need to continue to perform today for our customers and stakeholders while also transforming our network for a decarbonised future. Our simple but powerful company narrative tells the story of our dedicated proud people, our proven legacy and our ambition for the future.

Our role

As we look to the future, it's appropriate to define our role and develop a new vision for Ervia. We will use our experience, expertise and culture of collaboration and change to work towards a sustainable tomorrow. The plans we put in place now will ensure we continue to have an integral role at the heart of Ireland's energy system.

Our people

We have a dedicated, loyal, talented and proud team. Our gas network is kept strong by individual acts of care and professionalism with a focus on serving our customers and playing our part in meeting Ireland's energy needs. We take pride in our ambition to help energise Ireland towards a sustainable future.

Our legacy

We have a proven legacy of knowing how to evolve, always towards a cleaner environment. Our consistency and reliability have spanned decades – we transformed from town gas to natural gas, and our experience and expertise will enable us to do so again, from natural gas to renewable gases. We manage a modern, world-class infrastructure and provide vital services 365 days a year, while also providing vital support to intermittent renewables.

Our ambition

We understand that industry-wide leadership, partnership and change are required. Our network must be repurposed to transport renewable gases, biomethane and hydrogen, at scale. This will require collaboration with other energy partners to collectively ensure net zero carbon. Our organisation and its network are uniquely placed to deliver the necessary change, and we're already working hard towards these goals.

Our values

We are guided by five core values that define the character of our organisation. They guide our actions and decisions and provide a framework for how we communicate with each other, our customers and our stakeholders.

Performance

We strive to be a high performing utility, continuously delivering quality services and infrastructure.

Integrity

We are open and honest in everything we do. We treat each other, our customers, our assets and the natural resources we rely on with respect.

Safety

We put safety at the heart of what we do.

Collaboration

We work together to get results, sharing and learning from each other.

Customer Service

Our goal is to provide quality services for our customers. We listen to their needs and strive to exceed their expectations.

Strategic ambitions

Our strategy is that of a business focused on performing while transforming. The new strategy sets out how we will continue to operate, maintain and invest in our gas network to ensure safe, reliable and secure supplies while preparing for a future in which networked gas enables an integrated energy system to achieve net-zero carbon.

Ervia has identified six strategic ambitions that will set the foundation for our future success and provide a clear roadmap to deliver on our purpose and vision.

1. Resilient energy network

Transport energy safely and securely today and enable the transition to a decarbonised future.

2. Sustainable energy services

Deliver reliable and affordable energy solutions for our customers, transitioning together to transport networked renewable gases at scale.

3. Integrated energy system

Collaborate with key stakeholders for a future in which networked gas enables an integrated energy system.

4. Excellence in operations

Operate in an innovative, efficient and sustainable manner.

5. Energised people

Leverage our past and energise our people to deliver the future of our network.

6. Strong financials

Maintain financial strength to facilitate future development of a resilient and sustainable network.

Value Creation

Ervia operates in an ever-changing environment which presents challenges and opportunities for our business. Agility in identifying, reviewing and responding to these challenges and opportunities remains vital to the success of Ervia and its ability to create value for its shareholder, stakeholders and customers.

	The challenge is to	The opportunity is to	We will create value by
Security of supply	Increase security of supply, given uncertainties arising from the ongoing invasion of Ukraine.	Maintain and extend the reliability and flexibility of the gas network for energy users.	• Engaging with the Government on security of supply progress through consultation. Continuing to invest in the network.
Climate action	Reduce carbon emissions in Ireland by 50% by 2030 in line with Climate Action Plan targets.	Replace natural gas with networked renewable gases.	• Helping to realise the government's biomethane and hydrogen production targets through support for those industries and innovating and readying the network to transport renewable gases.
Customer sentiment	Ensure gas is considered a long-term sustainable energy option. Ensure our tariffs have a focus on energy affordability.	Develop offerings and experience to enduringly meet customers' energy needs and expectations. Effectively manage our cost base in an environment of rising costs and inflation to ensure gas tariffs remain as competitive and affordable for all energy customers as possible.	• Introducing new gases, new services and new channels to offer sustainable solutions for customers, maximising customer satisfaction and minimising customer effort.
Economic competitiveness	Realise Ireland's National Economic and Development Plans with a focus on efforts to address climate change.	Provide a reliable, affordable and sustainable gas network.	• Investing in infrastructure and innovation to support sustainable national, regional and local economic development of our network.
Sustainability	Ensure ethical business operations that protect the environment, respect resources and value employees and communities.	Embed sustainable ethical business practices, ensuring that environmental, social and governance principles are at the core of our business decisions.	• Operating a sustainable and ethical business, minimising our emissions and waste, enhancing biodiversity and supporting our people and communities.

Ervia's Business Model

How we create value

Working together, our people and partners build, maintain and operate our gas and fibre networks to provide essential services to our customers, communities and the economy.

Inputs

Financial

We earn a return on a mix of regulated and unregulated assets.

Total assets	
Gas Networks Ireland	€2.7bn
Aurora Telecom	€36.1m

Networks

Our gas and telecoms networks cover the length and breadth of the country.

Km Of networks	
Gas Networks Ireland	14,669 km
Aurora Telecom	1,560 km

People and partners

Working together and using our combined expertise allows us to sustain and grow our business.

708 employees

Stakeholders

We consult with and actively seek the opinion of the communities we work in: our customers, regulators, government and investors.

Natural resources

We work to protect our environment in the transition to a low carbon energy system.

Business activities

Operate the systems

- Continuous quality supply
- Safety
- Grid control
- Respond to reports of gas leaks

Continuously improve our offering

- Compressed Natural Gas
- Blended Hydrogen
- Biomethane

Serve our customers well

- Easy to work with
- New connections

Maintain our asset base

- System security
- Asset strategy
- Maintenance programmes

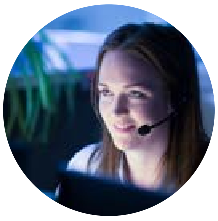
Invest in assets

- Refurbishment
- Capacity
- Security of Supply

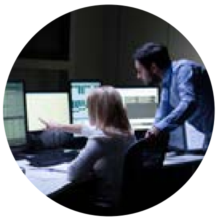
Develop and fund the future plans

- Effective business planning
- Investment prioritisation
- Climate action focus

Outputs



Efficient, cost effective and customer centric services



Robust and resilient infrastructure

Benefits

Customers

- Serving over 713,000 gas customers.
- Providing continuous, safe, high quality supplies
- Delivering increasingly efficient services

Employees

- Learning and Development
- Health and Wellbeing
- Diversity and Inclusion

Communities

- Protecting the environment and supporting biodiversity
- Climate Action
- Supporting local communities

Regulators

- Improving performance versus regulatory standards

Shareholder

- Dividends

Economy

- Enabling economic development
- Supporting employment
- Investing in infrastructure

Stakeholder engagement

At Gas Networks Ireland, we take the nature and quality of our relationships with all our stakeholders very seriously. We work closely to understand their views, to deliver our projects in partnership and respond to their interests as we progress our plans.

	Representative bodies include	Priorities
General public communities	Individuals, communities, environmental groups, consumer groups, business interest groups, farming bodies etc.	• Ensure safe, secure and reliable supplies of natural and renewable gas. • Maintain competitiveness. • Support social and economic growth.
Partners	Partners, shippers, suppliers and third-party service providers.	• Work effectively together to deliver quality services. • Encourage innovation.
Regulators	Commission for Regulation of Utilities (Republic of Ireland), Utility Regulator (Northern Ireland), Office of Gas and Electricity Markets.	• Deliver initiatives to implement energy and climate policies. • Operate efficiently. • Deliver on our regulatory commitments.
Shareholders	Department of Housing, Local Government and Heritage, Department of Environment, Climate and Communications, Department of Public Expenditure and Reform.	• Implement Government policy. • Aid the achievement of Government decarbonisation targets by increasing the percentage of renewable gases on the network. • Communicate accurately and transparently and demonstrate progress against plans.

Response	Surveys	Face to Face	Information events	Working groups	Website	Social media	Multi-stakeholder meetings
• Focus on engagement at local and community level for both existing natural gas supplies and emerging renewable gas supplies. • Maintain our excellent performance in responding promptly to reports of escaped gas. • Enhance public engagement on safety through safety messaging and advertising. • Engagement in industry safety fora such as construction safety week and contractor safety events. • Responsible road opening operation with minimum public disruption. • Provide infrastructure to facilitate economic growth.					●	●	●
• Close collaboration with shippers and suppliers in addressing the evolving needs of gas users. • Work in partnership with key industry parties to increase the percentage of renewable gases on our network. • Hold frequent performance reviews and forward-looking planning discussions with our service partners to ensure alignment on delivery of integrated energy strategy.	●	●	●	●	●	●	●
• Deliver on Gas Networks Ireland's Climate Action Plan commitments in cooperation with key industry participants. • Invest in biomethane, hydrogen and compressed natural gas projects. • Work with all relevant bodies on gas security of supply and emergency planning. • Operate effectively and efficiently to deliver on our regulatory commitments.		●		●			
• Operate, maintain, develop and decarbonise a safe, reliable and efficient network. • Develop and deliver business plans that are aligned with Government decarbonisation targets. • Work with our Shareholder and other key industry participants on security of energy supply to further enhance reliability of the gas network on foot of the energy crisis arising from the invasion of Ukraine. • Issue regular performance reports and updates to monitoring and oversight bodies.	●	●	●	●	●	●	●

Delivering on Our Strategy


Networks
Ireland
1800 20 50 50
24hr emergency service

Highlights

	GAS	WIND	COAL
January	**Total 45%** Peak 74% Low 12%	Total 33% **Peak 76%** Low 1%	Total 14% Peak 25% Low 6%
February	Total 28% Peak 60% Low 10%	**Total 53%** **Peak 77%** Low 8%	Total 11% Peak 22% Low 5%
March	**Total 41%** **Peak 77%** Low 8%	Total 33% Peak 76% Low 0%	Total 14% Peak 28% Low 4%
April	**Total 52%** **Peak 89%** Low 17%	Total 32% Peak 75% Low <1%	Total 6% Peak 22% Low 2%
May	**Total 53%** **Peak 88%** Low 24%	Total 33% Peak 69% Low <1%	Total 5% Peak 13% Low 2%
June	**Total 57%** **Peak 86%** Low 15%	Total 30% Peak 77% Low 1%	Total 5% Peak 15% Low 2%
July	**Total 64%** **Peak 87%** Low 24%	Total 21% Peak 62% Low <1%	Total 10% Peak 19% Low 0%
August	**Total 64%** **Peak 92%** Low 20%	Total 19% Peak 71% Low 0%	Total 10% Peak 21% Low 0%
September	**Total 55%** **Peak 81%** Low 16%	Total 25% Peak 74% Low <1%	Total 11% Peak 21% Low 4%
October	Total 39% **Peak 79%** Low 15%	**Total 45%** Peak 75% Low <1%	Total 7% Peak 23% Low 3%
November	**Total 45%** **Peak 83%** Low 12%	Total 39% Peak 76% Low <1%	Total 6% Peak 19% Low <1%
December	**Total 45%** Peak 73% Low 11%	Total 33% **Peak 76%** Low 1%	Total 12% Peak 26% Low 5%

Highest monthly totals highlighted
Peak & Low – based on 15-minute resolution figures

Gas remained the backbone of Ireland's energy mix

In 2022, gas generated 48% of Ireland's electricity a 2% increase from 2021. Wind's share of electricity generation increased from 29% in 2021 to 38% in 2022, and coal's generation fell from 11% in 2021 to 9% in 2022.

At their peak, gas and wind powered up to 92% and 77% of Ireland's electricity needs respectively. The intermittent nature of wind saw it drop lower than 1% at times. Coal provided as much as 28%.

New connections

A total of 420 small-to-medium-enterprises, 33 large industrial customers, circa 2,300 homes and 13 apartment blocks contracted to be connected to the gas network in 2022. The associated offtake for this customer base is shown below.

- 2,851 GWh - 33 large industrial users
- 51 GWh - 420 commercial businesses
- 23 GWh – 1,935 mature homes
- 3 GWh - 364 new homes
- 12 GWh – 13 new apartment blocks

€135m Capital Investment in Ireland's gas network as it transitions to a cleaner energy future

Efficiently incurred capital investment of €135m in critical gas infrastructure was delivered in 2022. In line with our counterparts in the UK and Europe, our focus is on transitioning our gas supply to renewable technologies such as biomethane and hydrogen.

Increased volumes of biomethane on the network

The volume of indigenously produced biomethane seamlessly flowing into Ireland's gas network at the country's only purpose-built gas injection facility in Cush, Co. Kildare saw an eight-fold increase to 41 GWh in 2022 versus 2021.

Natural gas

20% hydrogen blend

Hydrogen research

At our Network Innovation Centre in west Dublin, we have collaborated University College Dublin's Energy Institute (UCDEI) to understand the full potential of hydrogen and to ensure Ireland's gas network is capable of safely transporting and storing this vital carbon free gas. In November 2022, a report on the findings of the initial part of our research into testing blends of hydrogen and natural gas was published, proving that Irish domestic appliances can operate on blends of 20% hydrogen and reduce emissions.

Responding within the hour, every hour

In 2022 we responded to 14,550 suspected gas escapes, carbon monoxide issues and incidents within an average of 28 minutes.

Renewable gas certification scheme launched

We were appointed as the body responsible for issuing Guarantees of Origin for renewable gases in line with European Union (Renewable Energy) Regulations 2022 and in accordance with a supervisory framework to be established by the Commission for Regulation of Utilities. Producers of renewable gas will be issued with a Guarantee of Origin for every megawatt hour of renewable gas injected into Ireland's national gas network.

Customer care

We continued to improve our customer journeys which saw our Net Promoter Score (NPS) increase eight points to 48 year-on-year and our Net Easy Score (NES) increase nine points to 52 over the same period.

Aurora Telecom

Aurora Telecom, our division which specialises in dark fibre and colocation services is now the carrier-neutral provider of choice to top global content and application providers. In 2022, we extended our national backhaul fibre network by over 10% and strengthened Ireland's international and digital footprint by continuing our capital expenditure programme to provide secure, resilient, dual-feed connectivity to both terrestrial and subsea cable networks.

STEM education programmes

Over the past 13 years, more than 400 of our employees have volunteered to facilitate and deliver STEM education programmes to over 30,000 senior cycle primary students nationwide. These programmes include 'Energize' - a programme to encourage sixth class pupils to continue science subjects in second level education, 'Time to Count' – a numeracy support primary school programme, and the 'World of Work' education and career support secondary school programme. In recognition of our STEM education programmes we were named as the winner of the 'Best ESG Campaign or Case Study to Improve Education or Access to Education' at the ESG awards in 2022.

Fourth sustainability report

In 2022 we published our fourth annual sustainability report in alignment with the United Nations Sustainability Development Goals, outlining progress in implementing the principles of sustainable development across all aspects of our operations. The report also met the Global Reporting Initiative standard for sustainability reporting.

Green Public Sector Organisation of the year 2022

Following another successful year delivering on our holistic sustainability programme, we were named the Green Public Sector Organisation of the Year at the 2022 Green Awards. Additionally, as a result of our ongoing commitment to sustainability, we achieved a climate change B rating in the carbon disclosure project (CDP) which demonstrates we are taking coordinated action on climate change.

Response to the COVID-19 pandemic

Our COVID-19 controls remained in place at the beginning of 2022, and our robust and tested procedures ensured that Ireland's essential gas network continued to operate safely and without disruption. In March, employees started to return to the office on a phased basis as we began transitioning from our pandemic working-from-home arrangements to our hybrid working model.

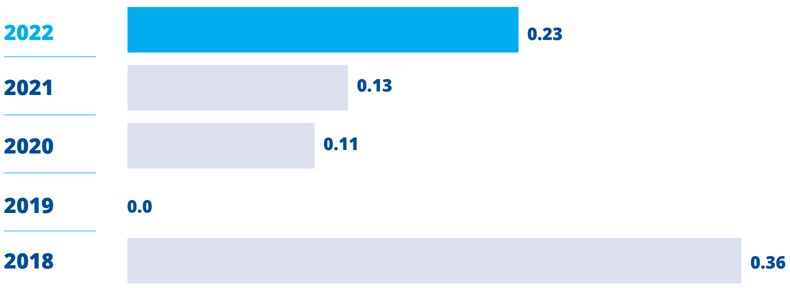
Hardware donations to Ukraine

Answering Ukraine's gas distribution and transmission system operators' calls for support, we worked with the Ukrainian authorities and the European Commission to, together with our main contractors, donate over €165,000 worth of vital equipment, hardware, fittings and materials to our Ukrainian counterparts to help them to repair and maintain their gas system.

Gas Networks Ireland Operating Performance

Safety

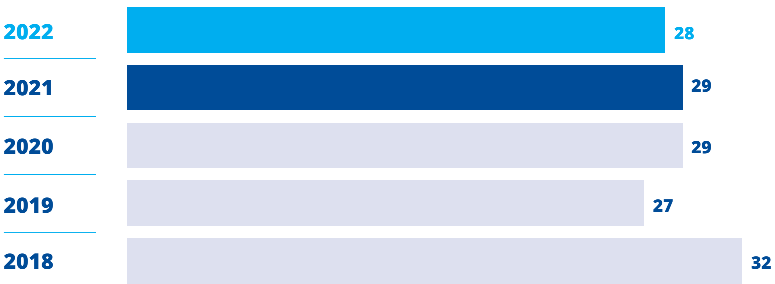
Total LTIFR – Employees (>1 day)#/100k hours



- We use the Lost Time Incident Frequency Rate (LTIFR) to track the # of employee accidents per 100,000 hours worked that result in a staff member needing to take >1 day off work.
- Safety is a core value at Ervia. The Work Safe Home Safe safety culture programme has been in place since 2015 and we continue to work to improve our safety performance.

Safety

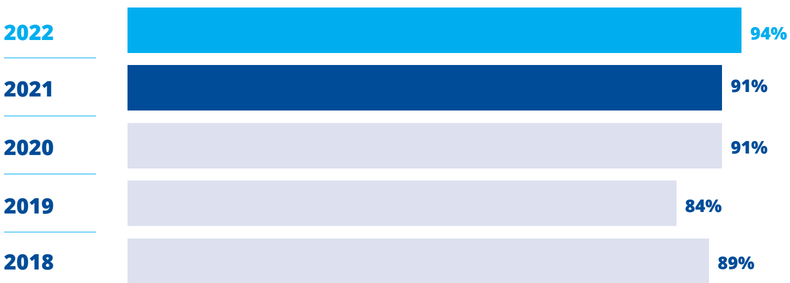
Average # mins to respond to public reports of escapes



- This measure tracks how quickly we respond, on average, to reports of gas escapes as reported by the public.
- Our agreed metric with the CRU is 97% response within 1 hour, in 2022, a 100% compliance rate was achieved.
- This is a core safety metric. Maintaining these high-performance standards consistently over time shows how important this is to us.

Customer service

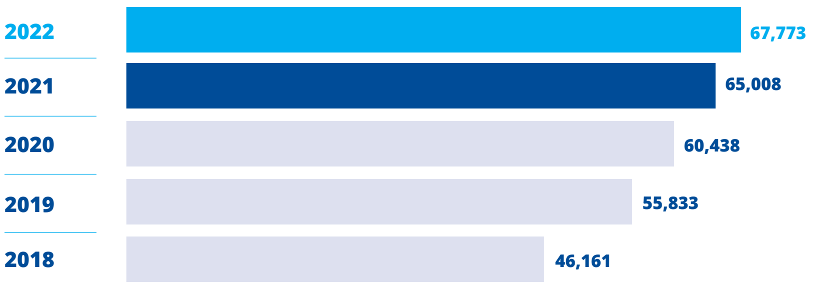
First contact resolution



- We review a sample of our customer contacts each month across a range of different call types. A selection of calls are surveyed independently to validate the scores.
- This measure tells us how often we are able to resolve a customer's request on that first contact, without the need to get further information, escalate to the back office, create a complaint or follow up.

Growth

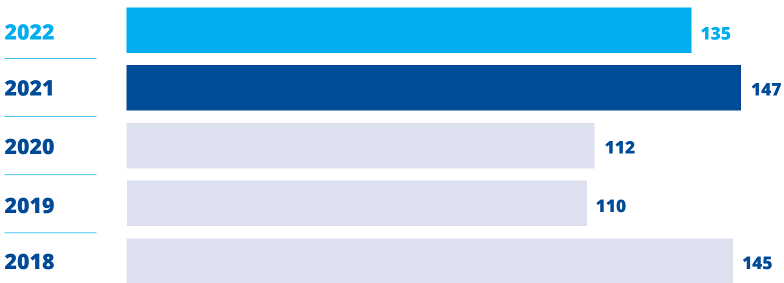
New connections Meter Orders cumulative 2014–2021



- We measure the increase in network utilisation as a result of new connections.
- While we continue to see growth in new connections, the volume is primarily driven by industrial customers and businesses.

Capital expenditure

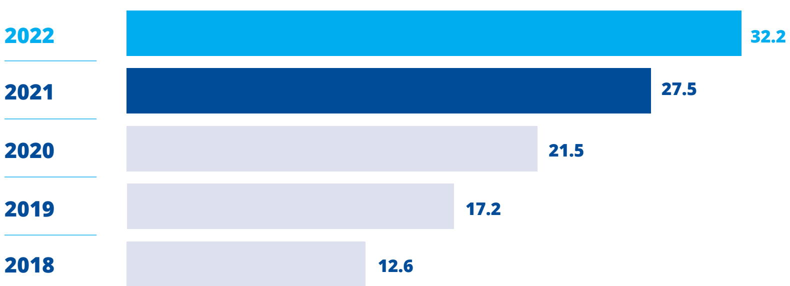
Capex €m



- We include infrastructure spend on plant, property, equipment and intangible assets.
- Delivering capital programmes is central to our ability to develop and maintain our networks.

Cumulative operating efficiencies

Opex efficiencies €m



- We drive efficiencies in how we deliver our services on an ongoing basis.

Risk management

Our risk management activities

Day to Day

Operational areas
Identify, manage, challenge and report risks.

Integrating with strategy & process

Operational areas
Risk assessment is integral to strategic planning, investment prioritisation and project appraisal.

Governance

Operational areas
Functional and Executive Risk Committees support the Audit and Risk Committee.

Risk management supports Gas Networks Ireland to navigate challenges and seize opportunities in order to develop and implement our strategy. Proactive risk management allows us to create added value for our shareholders, customers and the wider community. The risk management landscape for the organisation is ever evolving. Risk management including the effective identification, management and mitigation of risks is an integral part of all our activities.

The nature of our business operations is long term, resulting in many of our risks being enduring in nature. These risks can develop and evolve over time, as their potential impact and/or likelihood changes in response to internal and external developments. At the same time, new risks continue to emerge. Managing safety risk continues to be a priority for Gas Networks Ireland with proactive identification and mitigation occurring.

The 2022 risk landscape was volatile, principally driven by the energy crisis arising from the invasion of Ukraine. Through the continued use of a defined risk management process Gas Networks Ireland managed its risks effectively. The geopolitical environment meant there was ongoing crisis management activity throughout the year to ensure we prepared for and responded to any possible disruptive factors, thereby ensuring security of supply and service delivery. The external environment was closely monitored for any adverse impact to Gas Networks Ireland such as an increased cyber security threat, security of supply, climate risks, inflation, Covid-19, and gas price volatility.

Other challenges facing Gas Networks Ireland are highlighted in the principal risk section.

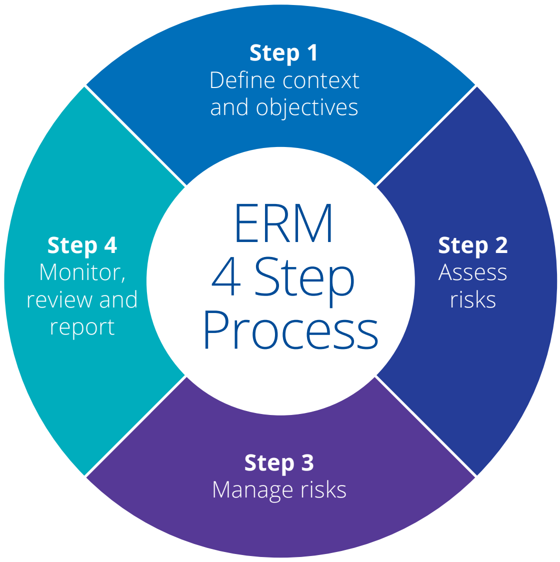


Figure 1.1 - ERM 4 Step Process

Risk management framework

Gas Networks Ireland has a governance structure in place which includes a comprehensive risk management process to identify, manage, monitor, report and challenge the principal risks and uncertainties that could impact our ability to deliver our strategic objectives. The risk management framework supports a consistent risk management approach across the organisation including assessing the impact on the business and likelihood of the risk occurring.

The Ervia Board has ultimate responsibility for risk management, supported by the Ervia Audit and Risk Committee. The risk appetite is set by the Board to determine the nature and extent of the risks we are willing to accept in pursuit of our strategic objectives. The Board supported a deep dive of the top organisational risks during 2022.

Risk management activities also take place at all levels across the organisation to ensure the proactive and effective day-to-day management of existing, emerging and high impact low probability risks.

A dedicated risk team and, a top-down, bottom-up risk governance committee model reinforces an effective risk management environment. This model ensures that there is clarity of ownership and responsibility for risk management including controls and mitigating actions.

The focus on ensuring an ongoing proactive risk management, risk aware and a speaking up culture at all organisational levels is enhanced by the delivery of risk training to new joiners and managers along with regular engagement across the business.

Second and third line functions collaborated during the year to ensure an aligned approach for the overall internal control framework.

Gas Networks Ireland uses a simple Enterprise Risk Management (ERM) four-step process to ensure the consistent identification, assessment, response and monitoring of risk across the organisation. (See figure 1.1.)

Risk management (continued)

The principal risks and uncertainties and key mitigations

Risk	Context	Mitigation
Resilient energy network		
Health, safety, environment		
A major health and safety or environmental incident resulting in significant impact and harm to an employee, contractor or the public	All health, safety and environmental legislation and arrangements must be adhered to in order to protect staff, contractors, and the public from injury or fatality and avoid potential prosecutions, financial loss and reputational damage.	• The Board oversees Health and Safety performance. • Certified to ISO45001 Safety Management System and ISO14001 Environmental Management System. • Internal and external assurance activity, audits, training, emergency exercises and reviews.
Security of supply		
The security of Ireland's natural gas supply is dependent on its ability to access imports and the capacity and integrity of the supply infrastructure. A significant disruption to energy supply or to Gas Network Ireland's physical infrastructure could have a serious impact on Gas Network Ireland's business and operations and on Ireland's economy.	Ireland's economy depends on continued secure supplies of natural gas as it meets circa 32% of Ireland's primary energy needs. The invasion of Ukraine has led to wholesale gas price instability and has put increased focus on the resilience of Europe's supply of natural gas. The UK remains the principal supply source for Ireland. Any disruption to the UK's energy supply, or any failure or disruption to the operation of our gas infrastructure, could have a serious impact on Gas Networks Ireland's business and operations.	• Twinned onshore gas pipeline in Scotland reinforces security of supply for Ireland. • Corrib gas field provides an indigenous supply of gas. • Regular modelling of future demand and supply scenarios (ROI and All Island). • Established Gas Emergency Management plan that is regularly tested. • Member of DECC Energy Security Emergency Group. • GNI (UK) and National Gas (formally National Grid) have a voluntary protocol in place which provides for the occurrence of a Gas Supply Emergency. An inter-governmental gas treaty in place since 1993 between Ireland and the UK provides for the development of a framework between the Irish and the UK governments to deal with any disruptions to gas supplies. • Support the government's review of Security of Supply including the development of mitigating measures. • Comprehensive asset inspection and maintenance programmes. • Network Development Plan and Network Capacity Management Plan. • Capital investment plan and projects. • The National Risk Assessment (NRA) is required under Article 7 of Regulation (EU) 2017 / 1938 (Gas Security of Supply). Gas Networks Ireland worked with the CRU to complete this risk assessment in 2022.

Risk	Context	Mitigation
Network capacity		
Failure to get regulatory approval and to develop adequate future network capacity could impact on Gas Networks Ireland's reputation and impact on the ability of the network to meet future energy needs.	In 2022, Gas Networks Ireland published a gas forecast statement. A key input in this is EirGrid's electricity demand projection. EirGrid projects significantly increased electricity demand resulting in a requirement for new gas-powered generation to meet this demand. In addition, a large increase in new gas connections in the industrial and commercial sector has also emerged. Network analysis has been completed based on the best available information which indicates that additional investment will be required to provide additional infrastructure to meet this demand at peak times.	• Demand side management measures – interruptible capacity products being explored. • Ongoing engagement with EirGrid in relation to its demand forecasts. • Detailed study completed to determine what operational and physical measures can be put in place to increase the technical capacity at the Moffat Entry Point to meet the demand increase in the short and medium term. • Ongoing engagement with the CRU in relation to the forecasted information. • Ongoing support of the Government's review of security of supply including providing options and solutions for security of supply and resilience of the network. • Ensure that the preventative action plan arising from the National Risk Assessment, which may include strategic storage and/or additional gas entry points, are considered as a solution for future capacity requirements. • Network Development Plan and Network Capacity Management Plan.
Capital delivery		
Failure to meet capital delivery requirements including capital works associated with new power station connections.	EirGrid and CRU have highlighted the shortfall in thermal power generation in Ireland in the short, medium and long term for electricity security of supply. The volume of work required to support the delivery of these critical projects will be significant. This coincides with increased demand from other sectors which may require prioritisation of projects leading to potential financial and reputational damage for Gas Networks Ireland.	• Tri-party meetings between Gas Networks Ireland, EirGrid and CRU and strong collaboration on projects. Early engagement with contractor and other key stakeholders consenting process: Early and ongoing engagement with key stakeholders. • Construction: Resource and supply chain planning to expediate delivery of projects.
Renewable gases - network readiness		
Risk that Gas Networks Ireland is not network ready for the transport of renewable gases.	Developing hydrogen and biomethane are identified as a key priority to achieve the EU Green Deal and clean energy transition. To ensure long-term business viability, Gas Networks Ireland needs to ensure it has the network capability and competency to be a key enabler of energy transition.	• Ensure sufficient innovation allowances for testing and development of hydrogen and biomethane capacity. • Hydrogen research and testing at our Research and Innovation Centre in Citywest, Dublin. • Enhance training and technical competency. • Build strategic partnerships within academia and other gas industry stakeholders. • Develop safety cases for each stage of hydrogen development.
Climate change – impact on infrastructure		
Physical risk that extreme or unusual weather events could impact on our infrastructure.	Increase in the severity of extreme weather events e.g. flooding, storms because of climate change could cause malfunctions or unexpected interruptions to services. A prolonged interruption during extreme weather events such as a period of extreme cold weather has the potential to cause significant social and economic disruption where businesses and households cannot access power or heat.	• Development of robust emergency response plans and procedures. • Identification of future areas of vulnerability and relocation of assets where appropriate. • Winter preparedness planning and storm hardening. • Tools for monitoring/controlling infrastructure. • Address identified risks to network infrastructure via regulatory submissions.

Risk management (continued)

Risk	Context	Mitigation
Sustainable energy services		
Affordability		
A loss of competitiveness, risk that networked gas becomes uncompetitive/unaffordable for customers.	The impact of continuing high gas prices risks natural gas becoming uncompetitive versus other energy sources leading to customers and policy makers looking to alternative energy solutions.	• Continue to focus on reducing network costs through innovation, supply chain optimisation and best practice cost management. • Continue to advocate for measures to enhance Ireland's security of supply reducing the risk of supply shocks including the increased deployment of renewable gases. • Vulnerable customer supports. • Customer supports including availability of Pay as You Go (PAYG) meters, facilitating switching of energy suppliers.
Future of gas		
Failure to successfully implement and deliver Gas Networks Ireland's long-term growth strategy for natural and renewable gas in an integrated energy system.	Gas Networks Ireland fails to provide solutions for networked gas to be a viable energy source in a decarbonised Irish energy future. An inability to decarbonise the network risks a decrease in future utilisation of that network and could lead to tariff increases and potentially stranded assets.	• Support development of a pathway towards the full decarbonisation of the gas network and support innovation activities related to the gas network assets. • Work with Government to support it meeting its 2023 Climate Action Plan target to deliver up to 5.7 TWh of indigenously produced biomethane by 2030. • Work with customers and large users to provide solutions with a pathway to decarbonisation. • Continue the development and rollout of the CNG network and support the development of BioCNG as it becomes available. • Support transformation of the gas network to facilitate green hydrogen injection and future blended hydrogen.
Integrated energy system		
Energy policy		
Failure to secure a role for natural gas and renewable gases in Ireland's energy transition.	Decarbonisation of energy remains one of the biggest challenges facing the world. EU and Irish energy climate action policies are targeting the long-term reduction in fossil fuels, including natural gas (which is the cleanest burning fossil fuel). An inability to secure supportive policy for renewable gases risks a decrease in future utilisation of the network and could lead to tariff increases and potentially stranded assets.	• Ensure that the role a decarbonised gas network can play in Ireland's future energy system is recognised, understood and appreciated by key stakeholders. • Dedicated policy team who focuses on continued engagement with all stakeholders on the development of energy policy. • Build close collaborative relationships with parties across the entire value chain. • Convey Gas Network Ireland's message in public discussions of the energy transition.

Risk	Context	Mitigation
Excellence in operations		
Supply chain		
An inability to fully deliver current or future Capital Investment Plans, due to supply chain challenges including cost increases, capacity within the construction industry, delays in receipt of materials or a failure of a key supplier, could result in failure to meet network capacity or sustain asset health through planned maintenance activities.	Volatility in world economies and changes in the geo-political environment globally is accelerating the need for Gas Networks Ireland to proactively develop plans to manage the supply chain risk. This risk is arising from cost increases of services and materials, material shortages, longer lead times on projects and viability of key suppliers.	• Engagement with CRU on future spend and targets. • Relationship management model in place. • Internal supply chain expertise and proactive supply chain interactions. • New construction and engineering contracts will ensure partners are right sized for Gas Networks Ireland's workload. • Co-ordination across the teams to build awareness and ownership. • Suppliers of key contracts monitored.
Sustainable operations		
Failure of Gas Networks Ireland to become a leading sustainable Irish business.	To meet societal and stakeholder expectations, Gas Networks Ireland needs to minimise its own emissions and waste, enhance biodiversity and support its people and communities.	• Sustainability performance and strategy with clear governance and monitoring. • Transparent Environmental Social and Governance (ESG) performance. • Committed to 50% reduction in greenhouse gas emissions intensity by 2030. • Biodiversity Action Plan. • Maintaining certification to the Business Working Responsibly Mark standard. • Commit to methane emissions reduction plan. • Reduce-Your-Use Campaign rolled out across Gas Networks Ireland.
Cyber security		
A risk of a cyber-attack to our Information Technology resulting in the potential for a significant loss of systems and services, major impact to business operations, data leakage, financial loss and reputational damage	The volume and complexity of cyber security threats are increasing and are constantly evolving. An incident could result in potential business delivery suspension, disruption, safety issues, reputational damage or potential regulatory fines. This could have a potential impact on gas and electricity customers and on the Irish economy.	• Policies, strategy and operational model in place. • On-going cyber awareness and user training programmes. • Collaboration with the National Cyber Security Centre. • Ongoing monitoring against National Institute of Standards and Technology (NIST) standards. • Ongoing investment in prevention and pro-active controls across all critical systems. • Business continuity contingency arrangements. • Security Operations Centre in place (24*7 monitoring). • Ongoing risk assessments. • Operational scenarios and stress tests on critical processes.
Pandemics		
Significant employee health risk or business disruption due to potential impact of a pandemic.	Large scale employee illness due to an epidemic or pandemic (e.g., COVID-19) that affects Ireland's population, potentially impacting employee health and wellbeing, operations, service delivery and supply chain.	• Pandemic response plan in place. • Business continuity contingency arrangements developed. • Engagement with key stakeholders (HSE, HSA, CRU, government departments etc.) and peer utility benchmarking.

Risk management (continued)

Risk	Context	Mitigation
Legal		
Failure to comply with legal obligations imposed by law, regulation or licence.	The business activities carried on by Gas Networks Ireland are subject to a broad range of laws and regulations. Legal obligations and regulations are greatly increasing the complexity of doing business in Gas Networks Ireland. Policies and training may fail to keep up with the pace of change. A failure by Gas Networks Ireland to comply with relevant Irish, United Kingdom and European Union laws and regulations could result in penalties and/or sanctions being imposed that could have a material adverse effect on its business, operational results, prospects, and/or financial condition	• Compliance review completed annually and ongoing in respect of the Code of Practice obligations for the Governance of State Bodies and any failures to comply are identified and addressed as appropriate • Comprehensive policies and procedures in place to ensure compliance with key legal obligations • Ongoing monitoring of legislative developments • Bi-annual review of Directors' Compliance Policy Statement • Ongoing engagement with relevant external stakeholders.
Fraud		
Catastrophic fraud event impacting organisation viability and reputation.	If there is a breakdown in the control environment, a fraud can occur which could result in reputational damage, financial loss as well as tax implications for Gas Networks Ireland.	• Policy awareness and fraud training. • Strong control and speak up culture. • Fraud awareness programmes including Doing the Right Thing. • Cyber security awareness training. • Segregation of duties.
Energised people		
People		
Failure to develop, retain or attract people with the right skills and capabilities to deliver our strategy.	Our ability to implement our strategy depends on the capabilities, values, behaviours and performance of our employees. It also depends on the agility and ability of our people to adapt to the changing external environment and the ongoing expectations from our stakeholders. The failure to have a sufficient skilled workforce at the right time and in the right place could negatively impact the organisation's ability to deliver our strategy.	• Strategic headcount planning and organisational design and development. • Engagement and culture initiatives including regular surveys and continuous improvement processes in place. • Health and wellbeing programme in place to support staff. • Human Resource Initiatives such as an ibelong diversity, equity and inclusion programme, hybrid working and development programmes. • Developing and empowering employees through Learning and Development and Performance Management. • Identifying and nurturing future leaders and key successors through Talent Management and Talent Development programmes. • Continued monitoring of key workforce metrics including attrition and turnover, employee and workforce stability indices.

Risk	Context	Mitigation
Strong financials		
Financial risk		
Failure to deliver adequate financial performance due to global macroeconomic and financial risks – inflation, commodity price volatility, credit risk, liquidity risk, currency and interest rate risks.	Our ability to successfully implement our business plans is dependent on our ability to manage financial and macroeconomic risks. Rising cost of doing business. Risk of divergence between costs incurred and costs allowed under the regulatory model.	• Highly rated regulatory model with a record of stable and transparent cost recovery. • Strict framework of controls and procedures. Defined risk limits, delegations of authority and exposure monitoring in place. • Minimum level of debt at fixed rates, foreign currency exposure management, maintaining minimum liquidity. • Close monitoring and impact assessment for any macroeconomic events e.g., COVID-19, the invasion of Ukraine. • Continue to engage with key suppliers to understand and help mitigate key cost pressures • Continuous engagement with regulator to ensure they are aware of the costs Gas Networks Ireland is incurring and to seek to ensure that efficiently incurred costs are recovered in a timely manner.
Financial strength		
Failure to preserve financial strength to facilitate future development of a resilient and sustainable network.	The successful implementation of Gas Network Ireland's strategy is dependent upon its ability to source and maintain appropriate funding. Gas Networks Ireland will need to maintain a strong balance sheet to manage the potential rise in decarbonisation investments over a relatively short period of time.	• Strong investment grade rating. • Ongoing dialogue and strong relationships with key stakeholders including Government, funding providers and potential investors. • Linking of financing and sustainability Strategy.
Regulatory settlements		
Failure to achieve an adequate and/or timely regulatory decision and settlement.	The Commission for the Regulation of Utilities (CRU) regulates relevant revenues of Gas Networks Ireland under a revenue cap framework. A failure to agree an adequate allowance for operational and capital expenditure and for a return on capital invested, which includes support for biomethane and hydrogen could impact the businesses' ability to deliver on its strategic objectives and impact its operations, prospects, and/or financial condition.	• Active engagement with regulatory authorities and other stakeholders to ensure business requirements are recognised and understood.

Performance in 2022

Financial review

A satisfactory financial performance

Ronan Galwey
Group Chief Financial Officer

Ervia delivered a satisfactory financial performance during 2022, particularly in the context of significant inflationary cost pressures mainly as a result of energy uncertainty linked to the ongoing invasion of Ukraine.

Ervia recorded a Profit before Tax of €68m and made an annual dividend payment of €30m to the Exchequer. Capital investment of €135m in critical gas infrastructure was delivered.

Gas Networks Ireland, an Ervia subsidiary, maintained its investment grade credit ratings with Moody's and S&P in 2022. This strong credit rating enables Gas Networks Ireland to access a wide range of funding sources and ensures its continued access to competitively priced funding.

Key highlights 2022

Revenue
€499m

EBITDA
€224m

Profit before income tax
€68m

Capex
€135m

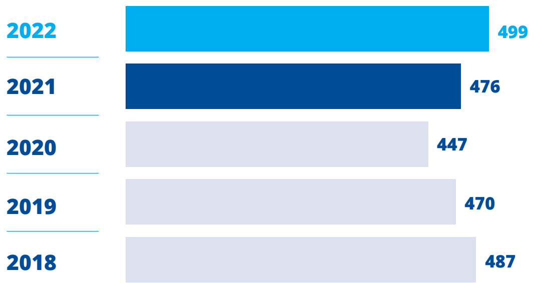
Dividends paid
€30m

Net debt
€874m

Key Financial Trends

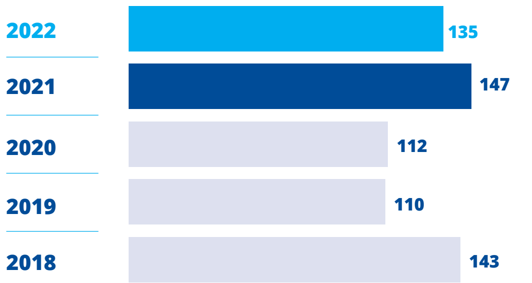
Revenue

€m



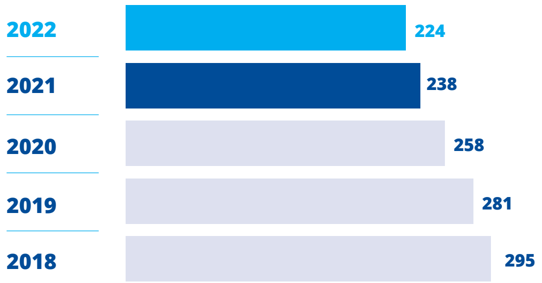
Capex*

€m



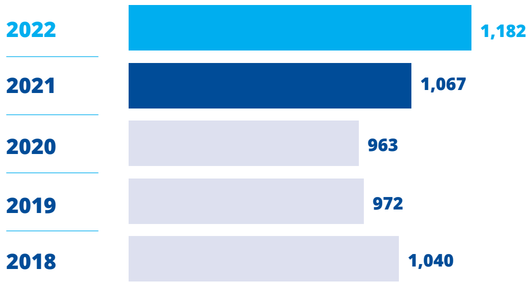
EBITDA

€m



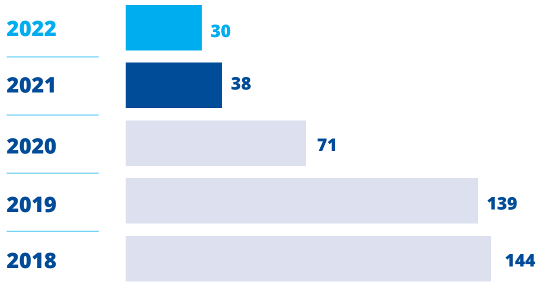
Net Assets

€m



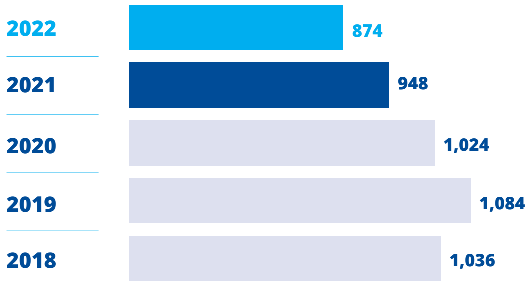
Dividends

€m



Net Debt

€m



Financial review (continued)

Summary income statement

	2022 €m	2021 €m
Revenue	**499**	476
Operating costs net	**(274)**	(238)
EBITDA	**224**	238
Depreciation and amortisation	**(142)**	(141)
Finance costs	**(14)**	(16)
Profit before income tax	**68**	82
Dividend paid to Exchequer	**30**	38

Rounding differences may apply when compared to a visual calculation of totals in the tables contained herein

Revenue

Revenue was €499m for the year to December 31st 2022, increasing by €23m compared to 2021. This increase was due to regulated revenue increases driven principally by higher demand for capacity and higher transportation tariffs.

Operating costs

Operating costs (net) of €274m have increased by €36m compared to 2021. This is primarily due to higher external market costs such as gas commodity and carbon costs used in the operation of compressor stations, higher energy costs and general inflationary cost pressures, offset by the delivery of further operating cost efficiencies. Day ahead wholesale gas prices have been, and continue to be, extremely volatile, reaching a peak in August of over 570 p/therm, while reducing to 155 p/therm in late December.

Depreciation

Depreciation and amortisation of €142m is in line with the prior year and is reflective of the continuing investment profile associated with the delivery of critical gas and telecoms infrastructure.

Profit before tax

Profit before tax decreased by €14m to €68m for 2022 due to:

- Higher operating costs of €36m, partially offset by
- Higher revenues of €23m and lower finance costs of €1m, primarily due to lower levels of financing costs during 2022.

Summary balance sheet

	2022 €m	2021 €m
Infrastructure assets	**2,469**	2,499
Other assets	**267**	233
Total assets	**2,736**	2,732
Borrowings and other debt	**(1,023)**	(1,035)
Pension liability (IAS 19)	**(11)**	(109)
Other liabilities	**(520)**	(521)
Total liabilities	**(1,554)**	(1,666)
Net assets	**1,182**	1,067
Net debt	**(874)**	(948)

Rounding differences may apply when compared to a visual calculation of totals in the tables contained herein

Dividends

An annual dividend of €30m was paid in 2022, compared to €38m in the prior year. The annual dividend is based on 45% of the previous year's profit before certain exceptional items.

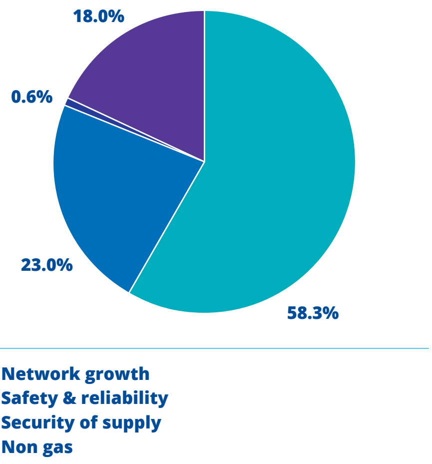
Infrastructure assets and capital expenditure 2022 details

Ervia continued the delivery of its planned capital programme with total investments of €135m in 2022.

This investment included a continuation of rolling refurbishment and upgrade capital programmes, progressing large new Power Generation and Industrial & Commercial connections, progression on a number of key strategic projects including the upgrades to the physical security of the network installations, as well as extension of Aurora Telecom's national fibre network.

Capex

%



Financial review (continued)

Net Debt and Cash Flows 2022 details

- Net debt was €874m at December 31st 2022, compared to €948m in the prior year.
- Operating cash flows available to the group of €230m were primarily used to fund critical capital investments in gas infrastructure, repay borrowings and fund the dividend payment to the exchequer.
- Capital expenditure in cash outlay terms was €142m.
- Ervia made an annual dividend payment to the Exchequer of €30m.

Net Pension Deficit 2022 Details

Ervia Group has an accounting pension deficit (IAS 19) of €11m as of December 31st 2022, a decrease in deficit of €98m compared to 2021. In accordance with IAS 19 requirements, corporate bond yields are used as the basis to determine an appropriate discount rate to calculate the present value of long-term pension scheme liabilities irrespective of the nature of the scheme's assets or their expected returns.

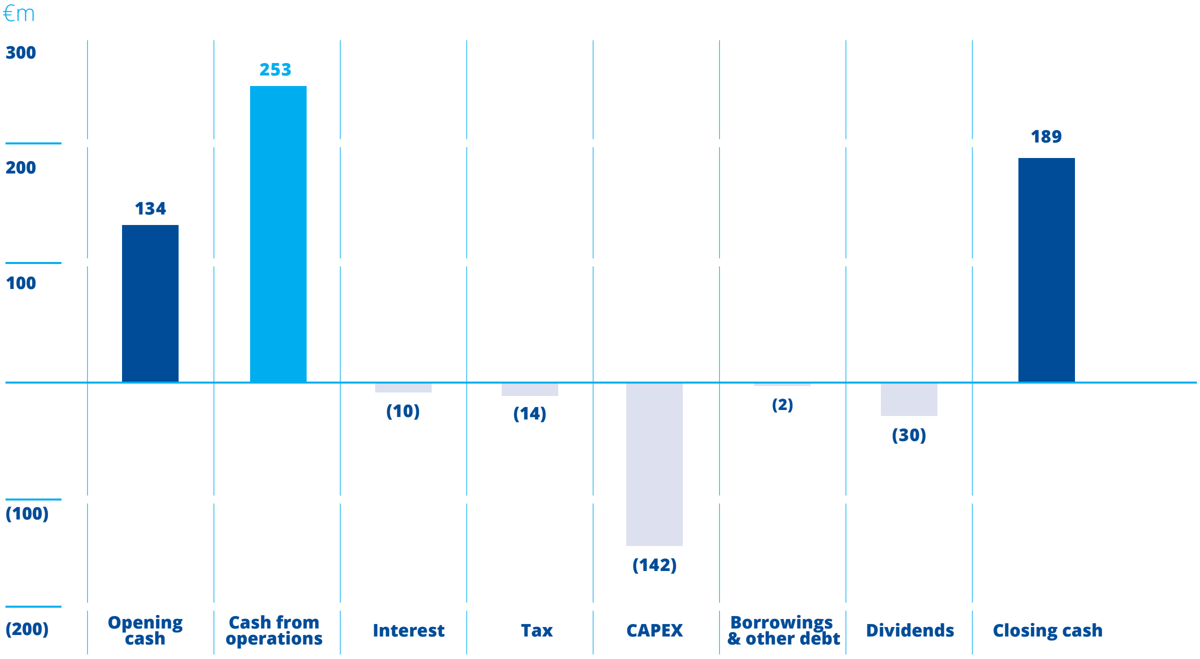
The significant improvement in the accounting pension deficit was due to a 2.45% increase in discount rates, reflecting changes in market conditions, partly offset by a 0.6% increase in market implied price inflation and negative market driven investment asset performance.

Capital Resources and Treasury Governance 2022 Details

Capital Resources

Ervia had total borrowings and other debt of €1,023m at December 31st 2022 (2021: €1,035m). There were undrawn committed facilities of €312m and €149m of cash and cash equivalents at December 31st 2022. 90% of Gas Networks Ireland's debt (excluding lease liabilities) was at fixed rates at December 31st 2022 (2021: 90%). The weighted average interest rate on Gas Networks Ireland's portfolio of outstanding borrowings was 1.20% (2021: 0.98%) and the average maturity of its debt was 5.05 years (2021: 6.05 years). In 2022, Gas Networks Ireland maintained its long-term credit rating with Moody's Investors Services at A2 and maintained its long-term credit rating of A with Standard & Poor's.

How Cash Was Used in 2022



In January 2022, Gas Networks Ireland entered a new €300m RCF with a syndicate of international and domestic banks. The new five-year facility has an initial maturity date of January 2027 and will be used for general corporate purposes.

Treasury Governance 2022 Details

In 2022, Ervia, through Gas Networks Ireland, operated a centralised treasury function. The responsibility for treasury activity and its performance rested with the Ervia Board, which exercised its responsibility through regular review. The Ervia Audit and Risk Committee provided oversight of the risk and control environment on behalf of the Ervia Board. Gas Networks Ireland complied with the requirements and conditions of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992.

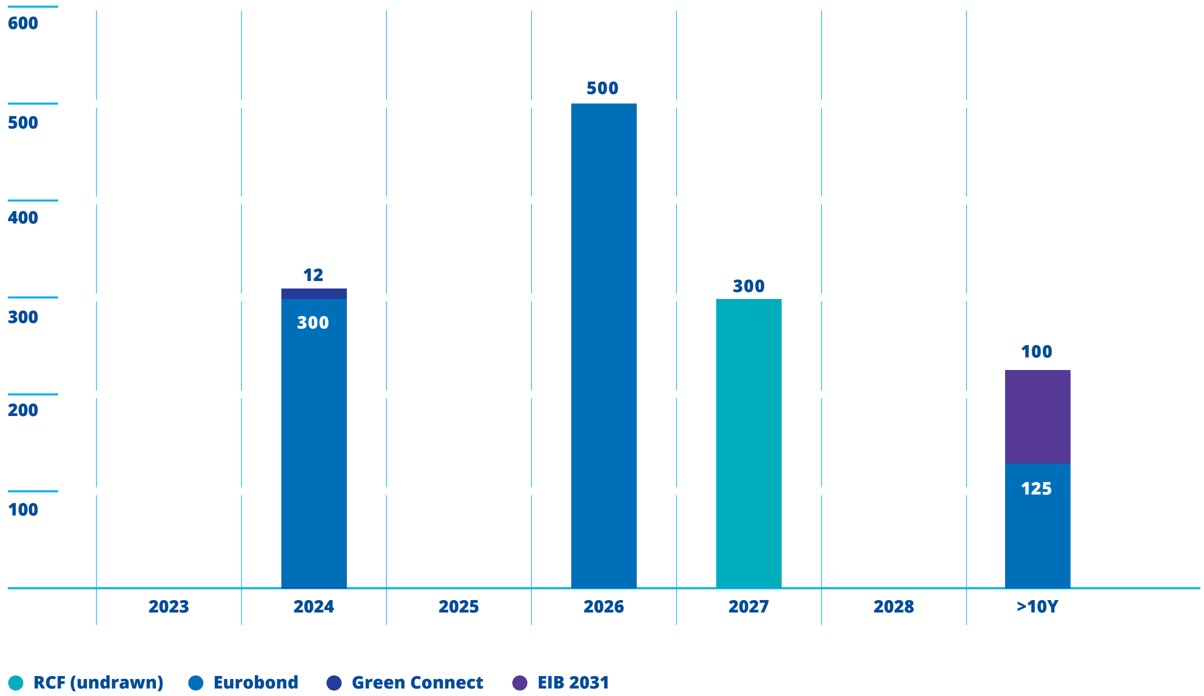
Gas Networks Ireland treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited. Further details of our treasury governance financial risk management policies are set out in the Financial Statements note 23.

Financial Outlook

Ervia, through its principal subsidiary, Gas Networks Ireland, will continue to play a key role in the programme for national economic development in future years. Gas Networks Ireland submitted a revised five-year Price Control submission in Q4 2022, for the period of 2022 - 2027, which is currently under review by the Commission for Regulation of Utilities.

Debt Maturity Profile

at 31 December 2022 €m



Operating review

Deliver a safe, efficient and reliable gas network

Denis O'Sullivan
Chief Operating Officer Gas Networks Ireland

In 2022, the invasion of Ukraine impacted on the European energy system. Gas Networks Ireland set up a Crisis Management Team to monitor its impact. A number of emergency, crisis management and business continuity training events and exercises were undertaken over the course of the year. In September, Gas Networks Ireland participated in Exercise DARA, a multi-agency exercise involving EirGrid, ESB Networks, the Commission for Regulation of Utilities and the Department of Environment, Climate and Communications to test the co-ordinated strategic national response to an electricity supply emergency in Ireland exacerbated by a reduction in natural gas availability. Although the energy crisis has seen unprecedented highs in wholesale market gas prices at times during 2022, Ireland's physical gas supplies remained secure.

Despite the challenges arising from the invasion of Ukraine and a volatile wholesale gas market, we continued to operate, maintain and develop the network safely, economically and efficiently. We delivered €135 million of critical investment infrastructure including completing and commissioning the capacity upgrade of Collinstown and Diswell AGIs and commencing construction on a capacity upgrade of Drumgill AGI, along with a comprehensive programme of fieldworks.

During 2022, following extensive engagement with GNI(UK) and public consultation, the Utility Regulator in Northern Ireland published a final determination for the next price control period in Northern Ireland. Gas Networks Ireland submitted a revised five-year Price Control submission in Q4 2022 for the period of 2022 - 2027, which is currently under review by the Commission for Regulation of Utilities.

In November, a report was published on testing the operation and performance of household appliances with varying levels of hydrogen and natural gas blends at our network innovation centre in Dublin and the UCD integrated Energy Lab. The research found that the domestic gas appliances tested operated safely and effectively with various hydrogen blends ranging from 2% to 20% hydrogen by volume. This project has provided important data needed to understand how adding hydrogen to the gas network can be effectively and safely utilised by existing gas appliances to ensure a smooth transition with minimal cost and disruption to consumers.

Through our ongoing commitment to sustainability, we maintained our B rating in the carbon disclosure programme (CDP). In addition, we won the ESG Award for "Best campaign or case study to improve education or access to education" and the prestigious Green Public Sector Organisation of the Year 2022.

We continue to focus on delivering the highest health and safety standards and promoting public safety awareness. Our Carbon Monoxide campaign won the Gas Safety Award category at the Institution of Gas Engineers and Managers (IGEM) Gas Industry Awards. Gas Networks Ireland also won the Public Sector category at the Health and Safety Excellence Awards.

Aurora has extended its fibre network for the eight year in a row, continuing to be the most modern, lowest latency network in the country.

As a vital national asset, the gas network transported 32% of Ireland's primary energy needs. Gas continues to be a major contributor to electricity supplies, generating 48% of Ireland's electricity. The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 92% of demand during 2022, reiterating the importance of having a flexible and reliable gas supply.

Overview

Gas Networks Ireland owns, operates and maintains the natural gas network in Ireland. Our gas network is one of the most modern and safest in the world and comprises 14,669 km of gas pipelines including two sub-sea interconnectors.

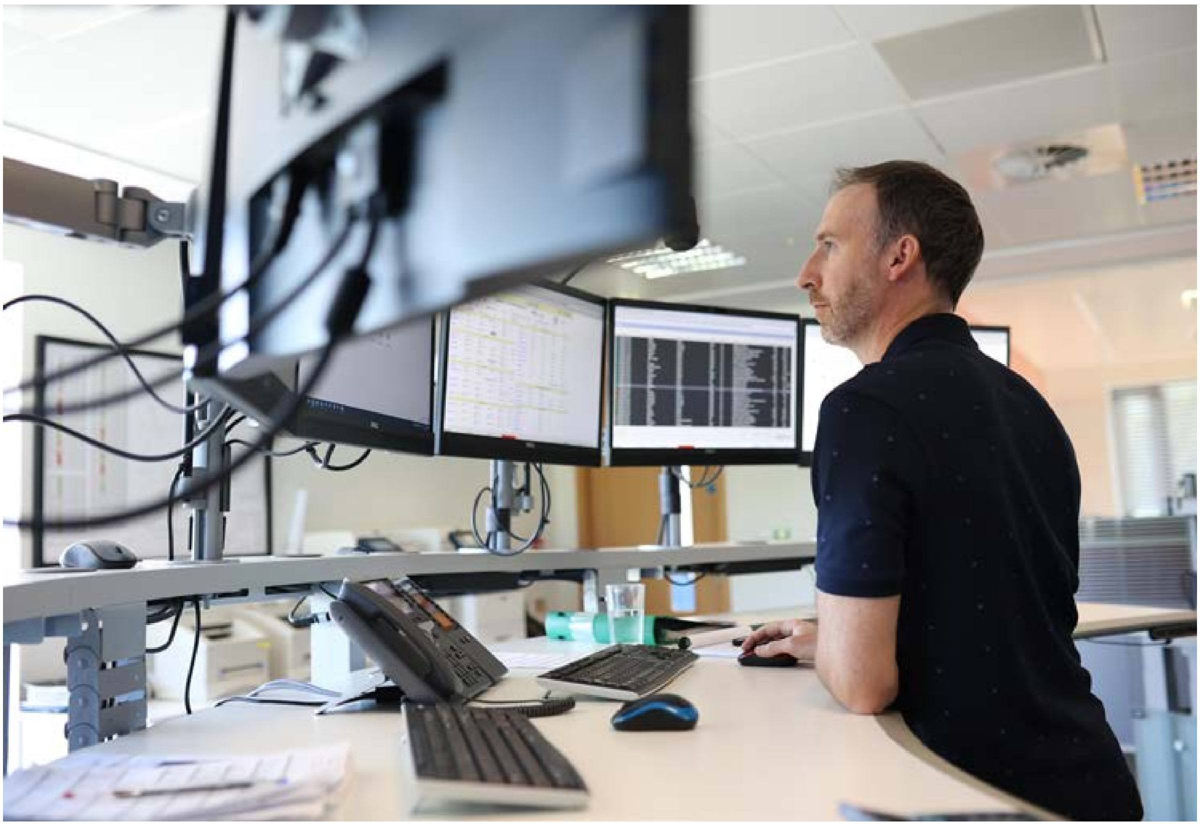
The safe, reliable transportation of natural gas and the delivery of a consistently excellent, cost-effective service that benefits all our customers is at the core of what we do.

Currently over 713,000 homes and businesses avail of a safe, efficient and secure supply of natural gas every day. As an energy source, natural gas is of strategic importance to Ireland and facilitates job creation and economic growth. The gas network is a vital national asset and plays a critical role in Ireland's economy, delivering 32% of the country's primary energy needs. On average 48% of Ireland's annual electricity is produced using natural gas.

Natural gas is also the ideal partner for renewable energies such as wind and solar. The large energy storage capability and flexibility of the network mean it can ramp up to meet high heat demand during extreme cold periods, or it can provide extra fuel for power generation when the wind doesn't blow. The gas network's ability to respond to changing profiles is an increasingly important feature for the electricity grid as the penetration of intermittent renewable electricity generation continues to grow.

Gas Networks Ireland has continued to deliver a safe, efficient and reliable gas network by focusing on security of supply and safe operations while also pursuing opportunities to optimise the network as part of Ireland's transition to a net zero carbon economy.

Operating review (continued)



Operating environment

Demand and supply

Despite the difficult market conditions experienced in 2022 following the invasion of Ukraine, gas demand in Ireland was 2.2% higher than in 2021 when gas demand was impacted by COVID-19 restrictions. During the year, 26% of all gas requirements in the Republic of Ireland were supplied by the Corrib gas field, while imports from the United Kingdom (UK) met 74% of demand. A small volume of renewable gas was also delivered through the biomethane injection point in Co. Kildare.

Although the energy crisis has seen unprecedented highs in wholesale market gas prices at times during 2022, Ireland's physical gas supplies remained secure. Ireland benefits from a reliable connection to UK via a twinned interconnector system. The UK market is in turn well supplied from indigenous gas production, Norwegian gas production, gas storage facilities and liquefied natural gas (LNG).

Regulation

The Commission for Regulation of Utilities regulates all assets on the Irish Transmission and Distribution gas networks including the subsea interconnectors and the onshore assets in Scotland. The Utility Regulator regulates the GNI (UK) pipelines in the Northern Ireland transmission system. Gas Networks Ireland and GNI (UK) also hold UK interconnector licences from Ofgem in respect of the subsea interconnectors to Scotland.

The European Commission published its 'Fit for 55' package in July 2021, in which 13 revisions and initiatives linked to the EU Green Deal climate actions were presented. In December 2021, the European Commission published its much-awaited gas legislative review i.e. the Hydrogen and Gas Decarbonisation Package. The Package as proposed sets out ambitious plans to facilitate renewable gases in the existing gas networks across Europe and the development of a framework for hydrogen networks. During 2022, the Commission also set out their proposed RePowerEU plan, along with several associated legislative proposals in response to the current energy crisis and the need to reduce dependency on Russian gas in the short term. These proposals identify the need to rapidly increase the use of renewable gases in Europe over the next decade. All of these initiatives are still being debated and progressed through the EU institutions and this work will continue into 2023.

During 2022, Gas Networks Ireland continued to actively participate in various EU gas association and working groups in Europe including European Network of Transmission System Operators for Gas (ENTSOG), Eurogas, Gas Infrastructure Europe (GIE) and Gas Distributors for Sustainability (GD4S)) all of whom are focused on supporting the development and implementation of EU energy and climate policy, such as the gas legislative review and inputting into associated technical and regulatory work programmes. Gas Networks Ireland also held representation as President of Marcogaz and as a Board member of ENTSOG during 2022.

Tariffs

The transmission tariffs for 22/23 reflect a circa 12% (nominal) increase on the previous year, which is primarily driven by inflation along with the increased cost of shrinkage and carbon. These factors also drove a circa 4% (nominal) increase in the distribution tariffs for 22/23.

Gas Networks Ireland price control

Gas Networks Ireland operates transmission and distribution assets in Ireland and Scotland under a price control regime determined by the Commission for Regulation of Utilities (CRU). A new price control regime is set every five years by the regulator and this process sets out the allowed revenues for Gas Networks Ireland. The Price Control Review process for 2022 – 2027 was expected to conclude in 2022, however due to wider macroeconomic factors it was ongoing with our regulator in ROI to update and resubmit our Price Control submission in Q4 2022. The Price Control Review is expected to conclude in 2023, with an objective of maintaining a strong financial position and ability to fund future investment, including delivering on planned climate action initiatives.

Safety

Like many businesses in Ireland, 2022 commenced with most Gas Networks Ireland staff working from home due to the ongoing COVID-19 pandemic. Critical processes were maintained and monitored by the Crisis Management Team ensuring that key services such as control rooms, emergency response services and key construction projects continued whilst protecting staff, customers and service providers from the spread of the virus.

With the lifting of public health restrictions in February 2022, Gas Networks Ireland undertook a phased return of office-based staff to office buildings before moving to it's a new hybrid model under which now remains in place.

Upon the invasion of Ukraine in February 2022, Gas Networks Ireland established a Crisis Management Team to monitor and manage the impact on a number of areas including the security of gas supply, operations, sanctions (and the impact on Gas Networks Ireland and gas market participants), supply chain, cyber security and fuel prices. The Crisis Management Team meets weekly or fortnightly as required.

As the operator of Ireland's gas network, we have robust and tested procedures in place to maintain security of gas supply to our customers and to ensure that staff and customer welfare is protected. As the National Gas Emergency Manager Gas Networks Ireland continuously undertakes planning for the purposes of the National Gas Emergency Plan in consultation with the gas industry and electricity industry, the CRU and Government.

During 2022, Gas Networks Ireland reviewed and updated its Crisis Management Plan to take account of lessons learned during the COVID-19 crisis, and to incorporate findings from emergency, crisis management and business continuity exercises. A number of emergency, crisis management and business continuity training events and exercises were undertaken over the course of the year. In September 2022, Gas Networks Ireland participated in Exercise DARA, a multi-agency exercise involving EirGrid, ESB Networks, the CRU and the Department of Environment, Climate and Communications and representatives for other government departments and all emergency services to test the co-ordinated strategic national response to a natural gas supply emergency in Ireland and the knock-on impact on electricity generation.

Delivering the highest health and safety standards

Gas Networks Ireland is committed to the highest possible safety standards and during 2022, we continued to manage all aspects of operations in a safe and environmentally responsible manner. Our comprehensive Safety, Environmental, Quality, Energy and Asset Management Systems, independently certified to ISO 45001, ISO 14001, ISO 9001, ISO 50001 and ISO 55001, ensure our activities are managed in accordance with international best practice. In 2022, Gas Networks Ireland retained certification of all five ISO systems during a surveillance audit by the National Standards Authority of Ireland.

Operating review (continued)

Our Combined Lost Time Incident Frequency Rate for staff and key service providers stood at 0.23 at the end of 2022, up slightly from 0.13 at the end of 2021 although still representative of excellence safety performance. We recorded over 370 Safety Leadership Conversations and undertook 38 internal management system audits along with over 930 safety and technical inspections.

During 2022, Gas Networks Ireland worked on several safety improvement initiatives including an app which allows field staff to report details of encroachments - unauthorised excavations close to the high-pressure gas transmission network. Each year, Gas Networks Ireland detects around 40 such incidents which require reporting and investigation to ensure that the nearby pipeline has not been damaged. The app allows field-staff to record and submit details of encroachments, such as grid co-ordinates and photographs, directly from site. Gas Networks Ireland also launched new software for the management and co-ordination of non-routine operations and work permits. Around 100 Non-Routine Operations – non-standard engineering works which require elevated levels of planning and supervision – are undertaken each year. The new software allows better planning and oversight of these operations and enables real-time updates on the work status from tablet devices.

The development of renewable gas in the gas grid is the focus of action 169 from Ireland's Climate Action Plan 2021. One of the steps identified as necessary for delivery of this action is to "test the technical feasibility of safely injecting green hydrogen blends in the gas grid" with a proposed output of a "completed assessment of the impacts on network operation, integrity, and end-users' appliances" by the end of Q4 2022. This action was assigned to Gas Networks Ireland.

To address this action, Gas Networks Ireland assembled an internal cross-functional technical and safety working group assisted by global energy consultancy DNV which, over the course of 2022, undertook several technical assessments of its assets, processes, procedures and arrangements and a review of international studies and trials. In December 2022, Gas Networks Ireland submitted its technical and safety feasibility study report on injecting green hydrogen blends into Ireland's gas network. This report indicated that it will be both safe and feasible to utilise the existing gas network to transport blended hydrogen. However, before injecting hydrogen into the network, further detailed work is required to establish best practice processes to ensure the continued safety, quality and reliability of the network. Gas Networks Ireland will continue to work closely with the Department of Environment, Climate and Communications and the Commission for Regulation of Utilities as a national strategy for Hydrogen is developed.

Throughout the year, Gas Networks Ireland has continued to promote public safety awareness via a range of campaigns, including the Gas Emergency Service, Dial-Before-You-Dig, Meter Tampering, Always Use a Registered Gas Installer and Carbon Monoxide campaigns. During 2022, a new campaign, featuring the banjo-playing canary character "Tommy McAnairey" was launched for carbon monoxide awareness, promoting the steps to take when a carbon monoxide alarm goes off. The latest consumer awareness research conducted on behalf of Gas Networks Ireland at the end of 2022 found that 54% of all Irish adults can now spontaneously name two correct actions they should take, should their carbon monoxide alarm go off which was 7% above our yearly target, and 10% more than in 2021.

In May, the Tommy McAnairey Campaign won the Gas Safety Award category at the Institution of Gas Engineers and Managers (IGEM) Gas Industry Awards in London against competition from Hong Kong and the UK. The Gas Industry Awards are hosted by the Institution of Gas Engineers and Managers (IGEM) and the Energy and Utilities Alliance (EUA); and recognise the contribution of the gas industry's most innovative, dedicated and outstanding individuals and organisations.

The following month, Tommy McAnairey once again tasted success, this time along with Gas Networks Ireland's other safety advertising campaigns, which together won the Public Sector category at the Health and Safety Excellence Awards in Dublin.

Business delivery

Operating and maintaining our network 24/7 continuously across the year in an efficient and economic manner is a key element of our strategy. In 2022, we dispatched over 46,612 planned maintenance work orders on the transmission and distribution networks.

97% of all planned maintenance was completed, including two Turbine exchanges in our compressor stations in southwest Scotland. Over the year we transported 75.9TWh, including 41GWh of biogas, and there were no gas quality non-conformances.

We responded to 14,550 publicly reported escapes of gas, 100% within the one-hour criteria. We completed remedial works on 21 multi occupancy buildings and carried out leakage surveys on 2,040km of Mains and services. We took over 1.6 million meter reads on behalf of gas suppliers.

In response to appeals form the Ukrainian gas system operator and in conjunction with our business partners, we donated badly needed spare parts and materials to assist in the repair of the Ukrainian gas network.

We undertook a capital expenditure programme of €135 million which included ongoing programmes to improve the safety and reliability of the network.

Key projects 2022:

Capacity upgrade of Collinstown and Diswell AGIs completed and commissioned.

Capacity upgrade of Drumgill AGI commenced construction.

Upgrade of the heating system at Gormanston AGI, a landfall station.

Commenced project to replace air intakes on seven turbines in Scotland compressor stations – commissioning completed on 1 unit at Beattock Compressor Station.

Project ongoing to replace the turbine control system on the units at Brighouse Bay Compressor Station with replacement completed on 2 out of 3 units in 2022.

Commenced construction on project to replace Insulation Joint at Brownsbarn AGI.

Design & build contract to carry out major security upgrades of the Compressor Stations in Scotland mobilised in November 2022.

Distribution network key asset replacements covering domestic meters, multi occupancy building pipework replacement, network reinforcement projects and large number of similar programs to a value of €20m.

Operating review (continued)

Customers

Delivering excellent customer services

We delivered high quality services to over 713,000 domestic and commercial customers during 2022. There were:

55,729 customer appointments made with 100% compliance rate 55,446 customer appointment kept with 100% compliance rate.

1.6 million meter reads.

507,912 customer contacts handled by our Contact Centre, inbound and outbound.

We have continued to see the benefits of collaboration with Gas Networks Ireland stakeholders and our business partners Fexco, GMC and Murphy's which have seen strong performance this year in customer experience (CX) metrics and key customer operational KPI's. We met our customer satisfaction score targets across all activities surveyed and there has been a reduction of 7% in complaints made by our customers compared to 2021. Continued focus this year on our commercial journeys have seen an increase on CX scores across all journeys with Net Promoter Score at 48 up 8 points from 2021. Customers have also found it easier to deal with us with our Net Easy score at 52 up from 43 last year. Gas Networks Ireland and CRU complaint resolution targets have been exceeded with 96% compliance across all complaints. The CRU carried out an audit of Gas Networks Ireland's complaints process in Q1 2022 with no findings on areas for improvement.

We continued to be recognised externally by our peers with two nominations received this year: CX Impact in Utilities and Services category; Best Outsource Partnership with Fexco in CCMA Irish Customer Contact and Shared Services Awards.

We developed a new CX strategy; changing landscapes both internally and externally, calls for a revaluation of priorities and the embedding of a renewed customer mindset, supported by an engaged company culture. We interviewed internal stakeholders to understand the business's priorities and interviewed customers to better understand their needs. This helped us prioritise the customer segments that needed most focus. We conducted customer journey mapping workshops of large connection journeys (Powergen, Data Centres, and Large Industrial and Commercial) along with renewable gas producers and farmers. These sessions helped us identify 130 initiatives, of which 34 are prioritised for delivery in 2023. We also commenced work on developing our Customer Relationship Management Strategy for delivery in 2023 and beyond.

We received in excess of 1,600 compliments in recognition of excellent customer service delivered by Gas Networks Ireland staff and our business partners - Fexco, Murphy Group, GMC, and CPM.

We identified 187 Initiatives to improve the service we deliver and implemented 27 in 2022.

We continued to strengthen our partnership with Age Action with several events organised including the clean-up of gardens of elderly clients identified by Age Action in Dublin and Cork. We also donated circa €12k via our customer survey incentive programme to Age Action along with a further circa €10k to Irish Red Cross to aid humanitarian efforts in Ukraine

In 2022, two surveys were conducted (one operational survey, one management) at year-end to assess the performance of Gas Networks Ireland as perceived by gas shippers and suppliers. Both the Operational and Management survey results demonstrated strong satisfaction with the service provided. The operational satisfaction score was 8.6/10, increasing from 8.3/10 in 2021. The management survey results saw a sharp increase out-turning at an excellent score of 8.2/10, increasing from 7.7/10 in 2021. Respondents identified Gas Networks Ireland's helpfulness, responsiveness, and high levels of customer service as strong points in 2022. We also saw an increase in respondent's views of Gas Networks Ireland across our 5 Brand Value, with all scores increasing from the previous year apart from safety which remained the same at a high score of 9.2/10. There was strong agreement that Gas Networks Ireland was performing in accordance with its values, particularly in relation to Collaboration (85% in 2022, up from 80% in 2021), Performance (84% in 2022, up from 79% in 2021) and Integrity (92% in 2022, up from 89% in 2021). These positive scores were achieved in a very challenging year as a result of the war in Ukraine and the subsequent impact on the gas market and the overall EU energy landscape where security of supply and gas prices were a significant concern throughout the year.

Gas Networks Ireland facilitates the process of gas customers switching from one gas supplier to another. During 2022, over 128,000 gas customers changed supplier. Since the gas market opened to competition in 2004, over 1.5 million changes of supplier have been processed. In 2022, there were 9 competing retail suppliers active in the Irish gas market. However, given the volatility experienced in the year two suppliers exited the market during the year under the Supplier of Last Resort process which was co-ordinated by Gas Networks Ireland and involved the transfer of c.18,000 gas customers from the exiting suppliers to Bord Gáis Energy Supply, the appointed Supplier of Last Resort.

Climate action

The gas network is crucial to Ireland's energy mix and imperative to achieving climate action targets. Our vision is for a net zero carbon gas network by 2050, by replacing natural gas with renewable gases, such as carbon neutral biomethane made from agricultural and food waste and carbon free green hydrogen. Decarbonising the gas network will complement the development of renewable electricity, reduce emissions across all sectors of the economy including those that are traditionally difficult to decarbonise such as industry, agriculture and heavy transport, and further enhance the security and diversity of Ireland's energy supply.

Biomethane is fully compatible with the national gas network and existing appliances, technologies and vehicles. It seamlessly replaces natural gas to reduce emissions in heating, industry, transport and power generation, while also supporting the decarbonisation of the agri-food sector. Structurally identical to natural gas, biomethane is a carbon neutral renewable gas that can be made from farm and food waste through a process known as anaerobic digestion.

Operating review (continued)

The Government has set an increased target of 5.7TWh of biomethane on the national gas network by 2030. The EU Green Deal highlighted biomethane as a vital tool in decarbonising European agriculture and energy systems, and the European Commission has identified Ireland as having the highest potential for biomethane production per capita in Europe - due in part to Ireland's large agricultural sector.

During 2022, there has been growth in renewable gas injected into our network, with circa 41GWh biomethane on our network. In late October, we issued a Request for Information (RFI) from biomethane producers. This RFI will identify new and feasible biomethane production projects to supply biomethane to the Irish gas network. This information will be used to prepare plans for gas network developments to facilitate both the most economic delivery of biomethane to our customers and the most economic connections to producers.

Gas Networks Ireland is expected to begin construction of Ireland's first large-scale renewable gas injection facility in the near future. Planning permission for the Central Grid Injection (CGI) facility has already been granted by An Bord Pleanála and Cork County Council.

This forms part of the €30 million Green Renewable Agricultural Zero Emissions (GRAZE) renewable gas project. Led by Gas Networks Ireland, the GRAZE project is supported by more than €8.4 million in funding from the Climate Action Fund, as part of the Government's National Energy Security Framework.

In August 2022, Ireland took another significant step towards meeting its climate action targets, with a formal certification process now in place for renewable gases entering the national network.

With an increased focus on the need for renewable gases, such as biomethane and hydrogen, to replace natural gas in Ireland's energy mix and enhance Ireland's security and diversity of supply in light of recent climate reports and the invasion of Ukraine, the establishment of a national Renewable Gas Registry is both timely and critical to the industry's success.

Gas Networks Ireland has been appointed as the body responsible for issuing Guarantees of Origin for renewable gases in line with European Union (Renewable Energy) Regulations 2022, which has passed into Irish law. We will issue Guarantees of Origin in accordance with a supervisory framework to be established by the

Commission for Regulation of Utilities, meaning that producers of renewable gas will be issued with a Guarantee of Origin for every megawatt hour of renewable gas injected into Ireland's national gas network.

Each certificate represents Gas Networks Ireland's guarantee that the equivalent amount of renewable gas has been injected into the gas network. By providing an objective means of tracking the commercial transactions of renewable gas through the supply chain, Ireland's Renewable Gas Registry will help establish trust in the market and confidence in the renewable gas sector, supporting the expansion of production, providing certainty for customers and providing an incentive for gas producers to inject renewable gas into the network.

There are currently seven Compressed Natural Gas (CNG) stations operational in Ireland. The country's four publicly accessible, fast-fill CNG stations, form part of the developing national network of CNG stations aimed at providing clean fuel to the HGV sector. Strategically located to support prominent haulier routes, the state-of-the-art stations have the capacity to fill 50 Heavy Good Vehicles (HGVs) a day, with each fill taking no more than five minutes. The new stations allow hauliers and fleet operators in the region to begin the journey to sustainable transport by switching their fuel from diesel to CNG today and ultimately transition to networked renewable gases, including biomethane and hydrogen, in the future. Twenty-four new CNG HGV vehicles were registered in 2022 bringing the total number to 108 CNG vehicles registered in Ireland.

Case study: Flynn's Red Tomatoes Go Green with Renewable Gas

Ireland's largest tomato grower, MF Nurseries has switched to renewable gas under a new trial project with Gas Networks Ireland. MF Nurseries, which trades as Flynn's Irish Tomatoes, continues to lead the way in agri-food sustainability as it switches from growing its renowned red tomatoes with natural gas to renewable gas in the company's innovative greenhouse system. MF Nurseries will receive a formal certification from Gas Networks Ireland to show that the gas it is using is renewable.

Almost 90% of MF Nurseries carbon emissions are captured and absorbed by the tomato plants in its innovative greenhouse system. The renewable gas will offset the remaining 10%.

The renewable gas, known as biomethane, is a carbon neutral gas being produced from farm and food waste by Green Generation in Nurney, Co. Kildare, and injected into the national gas network via a dedicated renewable gas entry point in Cush, Co. Kildare. MF Nurseries Managing Director said introducing renewable gas into the food production process allows the company to deliver on its business sustainability objectives. This is the latest step in the agri-food leaders' sustainable energy journey.

MF Nurseries invested €1.8m in a major expansion of its tomato growing facility at Balheary, Swords, Co. Dublin in 2020, which included the development of two new greenhouse facilities spread over three acres, and a two-kilometre connection to the national gas network.

MF Nurseries was established in 2014 and now employs 25 people across a range of disciplines.

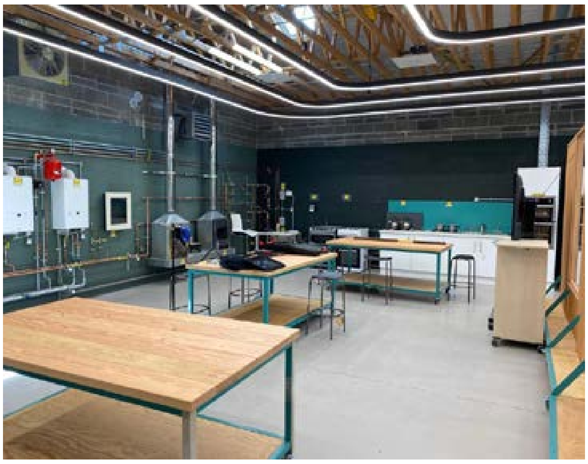
The company is a major supplier of tomatoes to the Irish retail market and will supply over 10 million packs of the Flynn's Irish Tomatoes range to Aldi stores nationwide over a period of five years, with a range of varieties including Vine, Plum, Piccolo, Sunstream, Baby Vine, Cherry Vine and Rainbow Mix.

Operating review (continued)

Innovation

Leveraging innovation to operate our gas network in a more efficient and sustainable manner continues to be a priority for Gas Networks Ireland. In 2022, Gas Networks Ireland established a new Innovation Delivery team and invested in a Network Innovation Centre located in Citywest, Dublin.

The Networks Innovation Centre is playing a key role in supporting our hydrogen development initiatives, enabling research on the introduction of green hydrogen on to the gas network and testing end user appliance utilisation of hydrogen. Innovation on the existing gas network is also a core activity at the Network Innovation Centre, supporting initiatives that will improve how we operate and manage the gas network both now and into the future. Gas Networks Ireland has established a number of strategic research partnerships with academia including Ulster University, University College Dublin (UCD) Energy Institute and AMBER an SFI Centre for Advanced Materials and Bioengineering Research. Gas Networks Ireland is an industry co-funding partner of NexSys (Next Generation Energy Systems), an all-island multidisciplinary energy research programme and a member of GERG, the European Gas Research Group.



Gas Networks Ireland operate the CRU approved Gas Innovation Fund (GIF), through which over €4.1 million of innovation funding has been allocated over the price control period 2017 to 2022. The aim of the GIF is to provide support for research and demonstration projects in the gas industry. Over the period the fund was supported by the advice of the Gas Innovation Advisory Group (GIAG) comprising of representatives from academia, industry and policy makers.

Network Innovation Centre

- Research and testing
- Hydrogen compatibility, functionality and operational procedures
- Partnerships, collaborations and academic input
- On-network related innovation
- Evidence base for hydrogen safety case
- Training, skills and knowledge

Case Study: Testing Blends of Hydrogen and Natural Gas

Hydrogen is a carbon free flammable gas that can be produced from renewable electricity and is well suited to storage, making it an attractive option to decarbonise energy systems and a driver for a cleaner energy future for Ireland.

The "Testing of Blends of Hydrogen and Natural Gas (HyTest)' report[1] on the first phase of hydrogen testing at the Network Innovation Centre was published at the Hydrogen Ireland Conference in November of 2022. Led by Gas Networks Ireland's Innovation Delivery team, together with Dr Ali Ekhtiari and Dr Eoin Syron from University College Dublin's Energy Institute (UCDEI) the research team tested the operation and performance of household appliances with varying levels of hydrogen and natural gas blends.

The research team utilised a range of hydrogen concentrations from 2% to 20% hydrogen blended with natural gas. The test gas appliances included gas cooker, hobs, gas fire and domestic boilers. The measured parameters to test the operation of the appliances included the heating value, flue gas analysis, flame temperature and flame picture, pressure drop, minimum operating pressure, and safety and leak tests. All work was carried out at the recently refurbished Network Innovation Centre located at Citywest, Dublin and the UCD Integrated Energy Lab.

The research found that the domestic gas appliances tested operated safely and effectively with various hydrogen blends ranging from 2% to 20% hydrogen by volume. There was a substantial emissions reduction obtained by blending hydrogen with natural gas. No leakage was detected during pre-testing or operations for all pipework, connections, fittings, and valves at operating pressure. The flame motion and colour of the hydrogen gas mixtures stayed similar to that of natural gas.

The decarbonisation of Ireland's gas network is essential if we are to transition to a net-zero energy system in Ireland by 2050. This project has provided important data needed to understand how adding hydrogen to the gas network can be effectively and safely utilised by existing gas appliances to ensure a smooth transition with minimal cost and disruption to consumers.

[1] https://www.gasnetworks.ie/docs/hydrogen-blend.pdf

Operating review (continued)

Sustainability

As guardians of Ireland's natural gas infrastructure, Gas Networks Ireland aims to deliver its services in a sustainable manner that contributes to the protection of the environment while supporting the social and economic development of the communities we operate in, as well as the wider economy

For more detail on our commitment to sustainability please see pages 58-66.

Our people

Leverage our past and energise our people to deliver the future of our network

During 2022, Gas Networks Ireland focused on the organisational stand up, following operational separation, with an emphasis on the support, development and wellbeing of all our employees. With a new Executive in place and a new strategy, purpose and vision combined with changed ways of working there were many engagements, and supports, throughout the year including regular all staff briefings, focused round table sessions, monthly employee forums and expert led sessions on areas of particular focus. In 2022, we saw a welcome return to some physical events which was a great opportunity to meet face to face with our colleagues.

Throughout the year, our key focus was the establishment, in Gas Networks Ireland, of previously centralised people programmes as a standalone organisation. Time to Talk is our organisational Mental Health programme which aims to provide a structured approach to mental health initiatives in our workplace over the coming years. We are working on new initiatives to address areas which can be improved, and our Mental Health First Aiders are embedded across the organisation, working closely as a supportive network. We want our people to understand the importance of mental health, to take time to focus on it, and to talk and listen to each other about it. We also continued to deliver other health and wellbeing initiatives including nutrition awareness, fitness programmes and mindfulness sessions.

We also stood up our Gas Networks Ireland ibelong Diversity and Inclusion programme in 2022. This included the establishment of a new council and our four Employee Resource Groups; Women's, Rainbow, Family and Ethnicity & Culture network to support our colleagues. In addition, we established a Neurodiversity working group to further expand our programme. The growth of this programme and the refresh of the diversity and inclusion strategy is a key area of focus across the organisation.

Our commitment to our early career programmes continues with the completion of our 2018 apprenticeships following COVID-19 delays, the commencement of our most recent apprenticeship programme in October 2022 alongside our 2023 graduate recruitment drive which is open until December 2023. These programmes are imperative to nurturing and growing our core skills and capabilities to deliver the future of our network. We continue to invest in the development of our staff with many development programmes delivered throughout 2022 including our technical training programmes, further education supports, bespoke learning initiatives and our quarterly bite size training calendar.

Technical training

The technical training and technical competency development programmes were successfully delivered for Gas Networks Ireland personnel during 2022. Training was delivered via a mix of face-to-face training, online virtual training, e-learning modules, practical workshops and on-site assessments.

The technical training programme supported Gas Networks Ireland's technical staff, engineering service providers and our contractor partners. The Gas Networks Ireland Technical Training Centre is accredited with Technological University Dublin (TU Dublin), where accredited training courses are delivered by our experienced trainers. Practical training delivered in the Technical Training Centre included leak management procedures, gas distribution specialist training, pressure control training and electrical, instrumentation & communications training. Each of these training programmes have a positive safety, efficiency and environmental impact.

The Gas Networks 'LearnWorks' Learning Management System (LMS) underwent a significant upgrade in 2022 bringing it up to the level of industry best practice, providing greater employee and manager interactivity. An IT systems training programme was also rolled out supporting systems users of Gas Networks Ireland's desktop applications for work management and on-site hand-held technologies, improving the efficiency of our business processes. Our competency assurance programme consisted of competency assessments of both Gas Networks Ireland technicians and contractor technicians working on the gas network.

Fifteen additional apprentices were recruited into the Gas Networks Ireland apprenticeship scheme in 2022. A further seven apprentices are entering their final phases six and seven of their apprenticeships of Plumbing, Mechanical Automation and Maintenance Fitting, and Electrical Instrumentation and are due to complete their apprenticeship in 2023.

A total of 1,595 technical training days were delivered in 2022 to Gas Networks Ireland staff, engineering service providers and our contractor partners.

Operating review (continued)

Aurora

Aurora Telecom specialises in Dark Fibre services for telecommunications carriers, corporate organisations and government services. A division of Gas Networks Ireland, Aurora consistently exceeds expectations to represent the organisation on the global tech stage, being the carrier neutral provider of choice to top global content and application providers. In an extremely competitive market, this has been achieved as a result of holding an impeccable record of network availability, boasting zero unplanned outages, whilst consistently delivering against budgets and timelines. We also hold great pride in the company's role in supporting Ireland's economic and social progress. Our national and metro networks enable Irish rural economies to diversify into new sectors and capitalise on emerging job opportunities that are facilitated through high-speed broadband.

In 2022, we expanded our national network footprint by 10%, exceeding financial and operational targets. We have extended on our network for the eight year in a row, continuing to be the most modern, lowest latency network in the country. This ensures we deliver for our broad-spectrum of clients across terrestrial carriers; hyperscale operators; subsea carriers; government and datacentres.

During 2022, Aurora has covered significant ground in strengthening Ireland's international and digital footprint. This has been achieved by continuing our significant capital expenditure to provide secure, resilient, dual-feed connectivity via subsea cable networks that span to mainland Europe, as well as transatlantic to the United States.

Aurora Telecom's sustained growth and position as a leading telecommunications infrastructure provider in the Irish market has provided a springboard to capitalise and secure new business when engaging with major international carriers.

GNI (UK) Ltd

A wholly owned subsidiary of Gas Networks Ireland, GNI (UK) Ltd operates and part owns the high-pressure pipelines running from Moffat, in Scotland, to Ireland and the Isle of Man, via subsea pipelines which supply the Republic of Ireland, Northern Ireland and Isle of Man.

It also owns and operates two pipelines in Northern Ireland, the South North pipeline running from Gormanston, Co.Meath to Co. Antrim and the North West pipeline running from Carrickfergus to the Coolkeeragh power station.

GNI (UK) Ltd is regulated by the CRU in relation to the Republic of Ireland network and the Utility Regulator in Northern Ireland and Ofgem, in the UK.

During 2022, following extensive engagement with GNI (UK) and public consultation, the Utility Regulator published its final determination on GNI (UK)'s allowed costs for the next five-year price control period, which will cover the period from 1st October 2022 to 30th September 2027 inclusive. This decision formed the basis for the Utility Regulator's decision on GNI (UK) tariffs from 1st October 2022.

Key projects for 2023

EU's Hydrogen and Gas Markets Decarbonisation Package (i.e. Gas Legislative Review).

Focus on continued engagement with all stakeholders, including DECC on the role of renewable gases in supporting national decarbonisation targets, Climate Action Plan 2023, the Security of Supply Review underway and the Hydrogen Strategy being developed.

Supporting Gas Network Ireland's participation in the Government's interdepartmental hydrogen working group.

The completion of the CRU Price Control for the ROI (PC5).

Continue to invest in the development and wellbeing of our staff.

Continue to listen to our customers and our stakeholders in understanding their needs in the changing energy environment and delivering excellent customer service.

Progress a number of capital works including:

Capacity upgrades of Poolbeg and Ringsend AGIs to facilitate a new Power Station connection.

Construction of 0.6km Transmission pipeline and a new AGI at Corduff, Co. Dublin, to facilitate a new Power Station connection.

Commencement of construction on implementing pressure and flow control on the Baldrumman and Goatisland AGIs to facilitate the Southern Area Reinforcement project.

Completion of capacity upgrades at Kilshane and Ardree AGIs.

Continuation of Distribution network asset replacement programmes.

Sustainability

Economic

Social

Environment

We are ever mindful of our sustainability responsibilities and aim to contribute to the protection of the environment while supporting the social and economic development of the communities we operate in. We are proud of the fact that we are one of only 41 companies in Ireland to hold the Business Working Responsibly (BWR) mark and are committed to ensuring that sustainability is at the forefront of everything we do and help Ireland to reduce its carbon emissions.

As a leading utility company sustainability is defined by our role in delivering an affordable and clean energy future for the people of Ireland through the decarbonisation of our network and the reduction of emissions across all sectors of Irish society.

During 2022, we continued to embed sustainability across our business. Our sustainability strategy has three pillars; Environment, Social and Economic, and is aligned with the United Nations' Sustainable Development Goals. We are committed to ensuring that sustainability is at the core of our business decisions and business strategy. In 2022, we commenced the process to refine our sustainability strategy to ensure we are continuing to focus our attention in the right areas. As part of the process, we carried out a materiality assessment with our employees and external stakeholders.

2022 Highlights

Sustainability in Action

Published our fourth annual sustainability report "Sustainability in Action" highlighting progress in implementing the principles of the UN Sustainable Goals. The report is aligned to the Global Reporting Initiative Standard for Sustainability reporting.

Carbon Disclosure Project (CDP)

Participated in the Carbon Disclosure Project (CDP) for the third time. We retained our climate change rating of a B which demonstrates we are taking co-ordinated action on climate change.

Business Working Responsibly Mark

Retained our certification to the ISO26000 Business Working Responsibly Mark for responsible and sustainable business practices.

Five ISO Management Systems

Retained certification to our five ISO Management Systems, ISO14001 Environmental Management System, ISO50001 Energy Management, ISO45001 Occupational Health and Safety, ISO9001 Quality Management System and ISO55001 Asset Management.

Improve education or access to education

Won the 2022 ESG Award for "Best campaign or case study to improve education or access to education".

Green Public Sector Organisation of the Year

Won the prestigious 2022 Green Public Sector Organisation of the Year Award

Community projects

Supported 59 community initiatives and provided €206,672 in financial support.

Sustainability (continued)

Environmental impact

Investment in leading edge asset management systems and processes will contribute to enhanced network asset performance and energy efficiency. In 2022, Gas Networks Ireland maintained certification to ISO14001 and ISO50001 along with ISO systems, ISO45001, ISO55001 and ISO9001.

Gas Networks Ireland has adopted an iterative multi-year approach to reducing the environmental impact of its business activities. Significant milestones on this journey have been the implementation of an Environmental Management System (certified to ISO14001) successfully since 2012, achieving the Energy Management System certification (ISO50001) in 2014 and being one of the first companies in the country to achieve the Asset Management System Standard ISO55001 in 2015.

The company continued to publish the annual Sustainability Report in alignment with the United Nations Sustainability Development Goals in 2022, outlining progress in implementing the principles of sustainable development across all aspects of our operations.

Gas Networks Ireland won the Green Public Sector Organisation of the Year Award at the 2022 Green Awards.

Our GHG inventory was independently verified to ISO14064-3:2019 specifications with guidance for the Validation and Verification of Greenhouse Gas Statements.

The sustainability team continues to promote an integrated and strategic approach to environmental and energy management across the business and asset base. Bespoke in-house design toolkits and environmental guidance assist our designers, planners and operations colleagues to apply a standardised approach to environmental management.

In 2022, we continued to focus on areas including biodiversity, greenhouse gas (GHG) emissions/carbon management, waste, energy and procurement.

Biodiversity

Biodiversity in Ireland ranges from the tiny organisms that improve our soils and pollinate our crops, to larger animals and plants that control our pests, provide carbon sinks and food protection. All provide valuable ecosystem services and are an essential component of sustainability and are under threat from the impact of human activities.

With a significant national underground infrastructure network, plus over 200 above ground installations (AGIs) and office locations, we recognise our role and responsibility to respond and act to protect and restore Ireland's biodiversity. We also recognise the potential to create a network of pollinator friendly habitats across the country and to share our knowledge with other businesses.

Our 'Seeds for Nature' Pledge, signed in 2019, includes several important commitments; to manage all of our infrastructure, asset base and office locations (on the island of Ireland and in Scotland) to support, scale up and fast-track the implementation of the National Biodiversity Action Plan.

We are a business partner of the All-Ireland Pollinator Plan and the global Business for Nature Call to Action that calls for ambitious and collective action on nature. In early 2021 we developed a Biodiversity Initiative as a key part of our Sustainability Strategy. This was presented to Ervia and Gas Networks Ireland Boards and led to the development of a Biodiversity Action Plan, to define the actions we need to take to achieve our goals;

- Continue to develop and embed biodiversity measures into our business;
- Support our Staff to deliver the Biodiversity Action Plan;
- Continue to engage our colleagues and work with our communities on biodiversity initiatives;
- Collaborate with our stakeholders for broader biodiversity success;
- Honour our biodiversity pledges by implementing biodiversity best practice, and
- Strive to have a net positive impact on biodiversity in all our operations and infrastructure projects by 2025.

In order to measure the company's performance in achieving biodiversity best practice at our sites, we also developed a science-based biodiversity measurement method that evaluates and scores their habitats and biodiversity potential. This method provides valuable information to help us benchmark and grow our biodiversity asset base in 2022 and beyond.

In 2022, we continued to refine our Biodiversity Action Plan which outlines action to be taken by the business to help achieve its Biodiversity Commitments. Examples of actions taken in 2022 include the implementation of Gas Networks Ireland Landscape Guidelines to help support the business with regards to management and maintenance of our facilities including our AGIs, offices and compressor stations as well as the introduction of a hedge cutting and tree pruning permitry.

In 2022, we continued to assist Dublin City Council (DCC) with a PhD research project that is investigating the biodiversity potential of different management regimes on green roofs.

Climate change and Carbon Disclosure Project (CDP)

For the third year in a row Gas Networks Ireland has been recognised for taking coordinated action on climate issues.

Improving on its inaugural climate change rating of a 'B-' in 2020 to scoring a 'B' in 2021, Gas Networks Ireland retained a CDP climate change rating of a 'B' in 2022.

CDP's annual climate disclosure and scoring process is respected as the gold standard of corporate environmental transparency. It ranks companies on a scale of A to D-, based on their comprehensiveness of disclosure, level of transparency, awareness and management of both environmental risks and opportunities; as well as their demonstration of best practices and setting ambitious and meaningful targets.

CDP
DRIVING SUSTAINABLE ECONOMIES

Sustainability (continued)

Greenhouse gas emissions and carbon performance

Sustainability and decarbonisation principles are at the core of our business and strategic decisions. We are a signatory to the Low Carbon Pledge, a Business in the Community Initiative for Irish business to invest time and resources into creating a more sustainable operation, by increasing energy efficiency and reducing carbon usage. The Low Carbon Pledge was initially focused on recording and reducing Scope 1 and Scope 2 emissions sources however Gas Networks Ireland is actively focusing on emission sources beyond this.

In 2022, Gas Networks Ireland's greenhouse inventory was independently verified according to the ISO 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

Waste reduction

Gas Networks Ireland is committed to reducing waste in support of the circular economy. Monthly KPIs are recorded and reported, and the company's medium-term target is zero waste to landfill by 2025. We audit our waste management practices to assess operational practice and to ensure adherence to Gas Networks Ireland's standards. Our service providers, including our two main contractors who also report monthly on their waste KPIs, are also striving to meet Gas Networks Ireland's target of zero waste to landfill by 2025.

Energy

We are an active participant in the Government's Public Sector Monitoring and Reporting initiative (PSMR).

Measures to achieve energy savings include metering and energy efficiency drives that are taking place at all office locations along with the replacement of inefficient lighting and heating solutions. Older inefficient vehicle fleet have been replaced with efficient vehicles which are subject to enhanced inspection procedures and programmes to increase employee awareness of fuel consumption. Future renovations to company buildings will encompass sustainability considerations, energy efficiency and resource management.

In 2022, we signed up a joint Sustainable Energy Authority of Ireland / Office of Public Works "Reduce Your Use Campaign". We implemented changes to reduce our office energy by 15% in Winter 2022/2023. By reducing daily energy consumption, we can save money and limit our reliance on imported fossil fuel. We also ran an awareness campaign for staff and provided energy saving tips to help employees reduce their daily energy use at home.

Social impact

We focus our social sustainability activities around the communities we serve, our workplace and marketplace, and the environment we work hard to protect.

In 2022, Gas Networks Ireland retained certification to the Business Working Responsibly Mark standard, in line with ISO26000, from Business in the Community Ireland (BITCI). The Mark is the only independently audited standard for Corporate Responsibility and Sustainability practices in Ireland. As holders of the Mark, we are a member of the Leaders Group on Sustainability and co-chair of the Low Carbon Economy Group.

In addition to our Green Award for Public Sector Organisation of the Year, Gas Networks Ireland was also presented with an ESG Award for "Best campaign or case study to improve education or access to education" for our school engagement initiatives, which include Junior Achievement's 'Energize', BITCI's Time to Count and World of Work, involvement with 'I Wish' and BT Young Scientist, and events during science week and biodiversity week.

Community

Education

Gas Networks Ireland deliver several STEAM (Science, Technology, Engineering, Arts and Maths) education programmes throughout the academic year, along with a specific focus on promotion of women in STEM and engineering roles. We also endeavoured to promote environmental education through our partnership with Leave No Trace Ireland.

Energize

In 2022, we continued with our STEAM education programme, Energize, in partnership with Junior Achievement Ireland in primary schools across the country.

The Energize programme was recently redeveloped to include a sustainability module, encouraging the students' interest in climate action, biodiversity, and sustainable development. 2022 marked the thirteenth year of our partnership with Junior Achievement Ireland with over 400 Gas Networks Ireland staff volunteering on Junior Achievement programmes to date, working with over 30,000 students nationwide.

Through Energize's art competition element, students design a poster promoting carbon monoxide awareness. Through this activation method students learn the

important message of carbon monoxide awareness, and in turn convey that message in their own homes, promoting Gas Networks Ireland's goal of 100% of homes having a carbon monoxide alarm.

Time to Count

Time to Count is a BITCI programme, allowing Gas Networks Ireland staff to provide numeracy support to 8-9-year-old children from local DEIS (designated disadvantaged) primary schools. This programme replaced our previous Time to Read initiative but ran with our long-term partner schools Mother of Divine Grace in Finglas and Scoil Aiséirí Christ in Cork. Volunteers visit the schools weekly over an 8-12 week programme and assist the students with math skills through fun, interactive games and activities.

World of Work

In 2022, Gas Networks Ireland continued to support the World of Work programme which promotes an insight into working life for secondary school students. Our colleagues deliver the programme in Nagle College Cork and Beneavin College in Finglas and have been partnered with these schools for 16 and 13 years respectively. In partnership with BITCI, Gas Networks Ireland sponsored the development of a new sustainability module for the programme, which will prepare students for the new Leaving Certificate subject on Climate Action and Sustainable Development which will be introduced in 2024. The programme and sustainability module will be delivered nationwide by BITCI partner organisations.

Sustainability (continued)

I Wish
I Wish is an award-winning initiative to inspire, encourage and motivate secondary school female students to consider careers in STEM. I Wish is a unique volunteer led coalition of local government, higher education and industry with a common goal to improve female participation in STEM through direct high impact, fun and inspirational engagement. In 2022, Gas Networks Ireland sponsored a panel event focused on sustainability.

Science Week
Gas Networks Ireland joined forces with one of Ireland's leading science communicators and European Space Agency champion, Dr Niamh Shaw, to host a free online 'My Place in Space' webinar to celebrate Science Week in November. Dr Shaw shared her experience of taking a zero-gravity parabolic flight, participating in a simulated mission to Mars in the Utah desert and witnessing a launch from the Baikonur Cosmodrome in Kazakhstan. Webinar attendees were invited to enter an art competition depicting "Ireland in Space"; winners were awarded space themed children's books. Dr Shaw also visited our partner primary schools in Cork and Dublin to address the students about her recent adventures in a STEM based career.

Biodiversity Week
To mark Biodiversity week in May, Gas Networks Ireland sponsored a school outreach biodiversity workshop at Scoil na gCeithre Máistrí, Athlone, facilitated by Midlands Science. Students conducted experiments to learn about biodiversity and climate action – activities included taking soil samples to compare sods from different parts of the school and using tools representing different types of bird beaks to assess the suitability of different bird beaks to eat different foods.

Litter Pick
To support An Tasice's National Spring Clean, the sustainability team undertook a litter pick in Portlaoise's River Triogue park. Gas Networks Ireland is committed to making a positive impact in the communities where we operate, and this type of activity allows us to make a tangible impact on the environment and in the community.

Workplace

Elevate pledge
The BITCI Elevate Pledge is an initiative to support businesses to build more inclusive workplaces. As an Elevate Pledge signatory, we are one of 52 organisations committed to driving inclusivity in our workplace and supporting the broader values of inclusion, equality and opportunity in society. The first Elevate Report was published in May 2022, measuring the diversity profile of Irish workplaces and sharing some of the initiatives that can lead to real change.

Employee resource groups
Following separation from Ervia, Gas Networks Ireland commenced establishment of Diversity and Inclusion Employee Resource Groups (ERGs) for our standalone business. Our ERGs include the Women's network, the Rainbow network, the Family Network and the Cultural and Ethnicity network.

Alongside the Family network, the health, safety and quality (HSQ) team, human resources (HR) team and the Sustainability team worked to introduce breastfeeding supports for staff. Facilities were established in both of our main offices to accommodate breastfeeding or expressing, and a voluntary buddy system is facilitated by the Family network to pair up parents who would like breastfeeding advice or support from a colleague who has experience.

Employee engagement

The sustainability team communicates with staff regularly via our internal newsletter and company intranet. In 2022 our communication focus was on driving awareness of the many aspects of sustainability and encouraging our staff to adopt sustainable practices and make small changes in their ways of working and personal lives.

These communications are also a platform to make staff aware of volunteer opportunities. All our staff can volunteer with any of our school programmes and Corporate Social Responsibility (CSR) activities. Staff committed 618 hours this year to volunteer activities, and our programmes delivered 44,745 social impact hours.

Staff fund, in kind donations, and internal fundraising

In 2022, we relaunched our staff charitable fund with a simplified application process and an accessible and transparent platform – all employees can request a donation once a year to go to a worthy cause of their choice. Through this fund, Gas Networks Ireland supported 27 community causes, and donated €10,000 on behalf of our staff.

Gas Networks Ireland worked with the Ukrainian authorities and the European Commission to establish the Ukrainian gas system's specific needs and coordinated two shipments of essential supplies worth a total of €74,000. The supplies included mobile generators, drills, saws, welding equipment, large storage containers and 20 one thousand litre water containers.

Throughout 2022 our staff undertook fundraising initiatives to support the Irish Red Cross Ukraine Crisis Appeal, St. Vincent de Paul, Team Hope Christmas Shoebox Appeal, the Irish Cancer Society, Cork Penny Dinners, Cork Simon Community, Merchants Quay, and 'Movember'. In total, €18,091 was raised.

Marketplace

Accessibility

Gas Networks Ireland works closely with Age Action to demonstrate our dedication to protecting society's most vulnerable and to supporting accessibility and inclusion.

In 2022, we were able to relaunch our gardening blitz, having not been able to complete same since 2019 due to the COVID-19 pandemic. The gardening blitz supports Age Action Ireland's "Care and Repair" programme, which enables their clients to continue to live independently in their homes.

Employees from both Cork and Dublin offices spent a day working at the homes of elderly clients of Age Action, undertaking some light gardening and outdoor tidy-up to get clients' gardens winter ready.

We also continue to donate proceeds to Age Action for each customer survey completed, by both private and commercial customers.

Stakeholder engagement

Gas Networks Ireland understands and values the critical role stakeholders play in its business. The company has a comprehensive stakeholder engagement plan that takes a holistic, pragmatic approach to stakeholder engagement based on the internationally recognised Stakeholder Engagement Standard (AA1000SES).

The importance of holding stakeholder sessions and supporting the community in towns where the gas network is developed is paramount. Gas Networks Ireland works with communities to ensure that construction projects in the locality cause minimum disruption providing regular updates in local newspapers and on local radio.

Public sustainability webinars

Gas Networks Ireland co-sponsored the third year of Cork Chamber's Sustainable Cork Programme webinar series. The webinar series' intention is to set a vision for a more sustainable and resilient Cork City, empowered by a thriving business community. The topics included 'City Centre Revitalisation', 'Electric Mobility - Redefining our City', 'Fuelling Business - Opportunity in Crisis', and 'Keeping Diversity, Inclusion and Equity on Track in a Hybrid Workplace'.

Press features

The Gas Networks Ireland sustainability team was featured in the Irish Examiner and in Business Plus magazine's Corporate Social Responsibility special. Both features detailed our continuous journey to reduce emissions and support and promote biodiversity within the communities where we operate.

Sustainability (continued)

Sustainable procurement

We are driving enhanced sustainability practices through our entire supply chain. Environmental and sustainability requirements are embedded in the procurement processes from inception right through to delivery stage of the contract. Larger contractors are required to provide us with monthly reports on their performance against a range of environmental KPIs in relation to waste management and energy use. In addition, our contracts incentivise best environmental practice throughout project delivery.

Shortlisted for National Procurement Awards
Gas Networks Ireland was named as a finalist in two categories of the Sustainable Procurement awards – Best Green Procurement Project of the Year and Best Public Sector, Semi-State or Government Procurement Project of the Year. Launched in 2010, these awards provide a platform which celebrates the most impressive and transformative procurement projects over the past 12 months and the teams who drive them.

Environment

Leave No Trace

We continued our partnership with Leave No Trace in 2022 following a successful pilot the previous year. The Leave No Trace Hot Spot programme is an initiative designed to address areas impacted by outdoor activities and heavy use so they can be restored and thrive again, benefitting biodiversity and the local community.

Importantly, the programme also teaches people how to make responsible decisions when participating in outdoor activities, to promote a sense of stewardship for the natural world and an understanding of how to reduce one's carbon footprint.

Our chosen Hot Spot in 2022 was Turvey Nature Reserve and the Rogerstown Estuary in north Dublin, close to our Dublin office. Gas Networks Ireland staff volunteered at the site to pick litter, identify and record species present, and clear undergrowth to prepare for tree planting. A further CSR day was undertaken in Cork at Marlogue Woods, close to Midleton compressor station.

This type of activity allows Gas Networks Ireland to demonstrate our commitment to promoting the importance of biodiversity, not only amongst our stakeholders but with our colleagues and the communities in which we work.

Avian conservation projects

In 2022, we continued our support of Wildlife Management Services' birdlife conservation by sponsoring their Kestrel Project, having previously provided vital funds to assist in the establishment of the Laois Barn Owl Project. Our funding will provide nest sites, promote public awareness, and facilitate fieldwork to ensure breeding success.

We have also commissioned swift nesting boxes and a call system to be installed at our Cork office to support this vulnerable bird species. These nesting sites will be established ahead of the 2022 breeding season.

Promoting biodiversity awareness

We actively sought to promote biodiversity awareness in the community through education initiatives and publication sponsorship.

We engaged Midlands Science to conduct a workshop with primary school children during Biodiversity Week. Students conducted experiments to learn about biodiversity and climate action – some of the activities included taking soil samples to compare sods from different parts of the school and using tools representing different types of beaks to assess the suitability of different bird beaks to eat different foods. Gas Networks Ireland's sponsorship of this initiative fosters an interest in STEM and biodiversity in young people.

In 2022, we continued our annual sponsorship of the National Biodiversity Data Centre's sustainability supplement in the Irish Examiner. This year's subject, "Getting to grips with Biodiversity", focused on driving awareness of Ireland's biodiversity and habitats, and the importance of conservation and species recording.

Governance report

The Board

Kevin Toland (Chairperson)

Kevin Toland was appointed to the Board in January 2023 and is Chairperson of the Remuneration Committee. He is an experienced Non-Executive Director/Chair after a 30-year career where he had significant CEO and management experience in the food, nutrition, beverage, aviation and retail sectors globally with a wide breadth of business skills and deep experience in commercial, finance, strategy and transformation with a proven track record in building and leading strong teams that successfully drove business growth and value. Currently Kevin serves as a Non-Executive Director and Chair of the Audit Committee for Dole plc, and as Chair of Invert Robotics. Kevin previously was CEO of Aryzta AG from 2017 to 2020 and chaired Identigen. Prior to this he was CEO of daa plc, the airport services group and Chairperson of ARI from 2013 to 2017. Previously Kevin had been with Glanbia plc in a number of roles from 1999 to 2012, notably as CEO and President of their Global Nutrition and US Cheese businesses and was an Executive Director on the plc Board from 2003 to the end of 2012. Kevin is a Fellow of the Chartered Institute of Management Accountants and has a Diploma in Applied Finance from the Irish Management Institute.

Fiona Egan

Fiona Egan (FCA, B.Comm) was appointed to the Board in July 2022 and is a member of the Remuneration Committee, the Audit and Risk Committee and the Finance and Investment Committee. Fiona is currently Managing Director of Rabobank Ireland. She is an experienced Managing Director with over 20 years' experience working as a CEO, Corporate and Investment Banker and Non-Executive Director in a number of leadership, execution and governance roles. Prior to joining Rabobank, where she has worked for 18 years, Fiona worked with Goodbody Corporate Finance for 7 years after training and qualifying as a Chartered Accountant with KPMG. Fiona also holds a Bachelor of Commerce degree from University College Dublin and a Diploma in Professional Accounting from Smurfit Business School. Fiona served on the Board of a midsized media group from 2011 to 2018.

Fiona has completed several Leadership Development Programmes in business schools across Europe and the US including Harvard Business School, Chicago Booth, Ashridge Business School (London) and IESE Business School in Barcelona.

Saoirse Fahey

Saoirse Fahey (ACA, B. Elec Eng) was appointed to the Board in January 2023 and is a member of the Audit and Risk Committee and the Safety, Sustainability and People Committee. Saoirse is currently Head of Finance and Strategy for Stripe EMEA and APAC. She is an experienced finance leader with over 20 years' experience in leadership, execution and governance roles. Prior to joining Stripe in 2020, Saoirse worked with Phorest Salon Software as the CFO and COO. She worked with Microsoft for 20 years, in Finance, Marketing, Sales and Operations leadership roles, in both Global and European roles, after training and qualifying as a Chartered Accountant with PricewaterhouseCoopers. Saoirse holds a Bachelor of Engineering degree from University College Cork and a Diploma in Professional Accounting from Dublin City University. Saoirse serves on several Boards in Stripe. Saoirse has completed several Leadership Development Programmes in business schools across Europe and the US including Kellogg School of Management (Chicago), Ashridge Business School (London) and IESE Business School in Barcelona.

Keith Harris

Keith Harris was appointed to the Board in July 2016 and was re-appointed to the Board in July 2019. Keith is Chairperson of the Audit and Risk Committee and a member of the Finance and Investment Committee. He is a Board Director at South Staffordshire plc, Industry Partner at AIP Asset Management and an associate of OXERA LLP. He also is the owner of the private infrastructure advisory business, LorraineHouse, specialising in energy generation and distribution investments. Prior to these appointments Keith spent 20 years at Wessex Water, including a period of time at ENRON / AZURIX where he was global head of Regulation. At Wessex Water Plc he held various senior Executive and Board positions at Group, utility and unregulated levels, including CFO and deputy CEO.

Sean Hogan

Sean Hogan was appointed to the Board in January 2015 and was re-appointed in January 2020. Mr. Hogan is a Chartered Director and is Chairperson of the Safety, Sustainability and People Committee a member of the Remuneration Committee. He was Chairperson of Northern Ireland Water Limited from March 2011 to March 2015 and is currently the Chairperson of WRAS Ltd in the UK and Chairs the expert advisory committee on bovine tuberculosis for the Department of Agriculture, Environment and Rural affairs in Northern Ireland.

Geraldine Kelly

Geraldine Kelly was appointed to the Board in October 2021 and is Chairperson of the Finance and Investment Committee and a member of the Audit and Risk Committee. Geraldine is an experienced Non-Executive Director with a successful international career and a proven track record of delivering results. She has over 25 years board experience contributing to successful businesses in Technology, Energy and Clean Technology sectors with the ability to optimise technology and digital strategies to develop sustainable business solutions.

Geraldine currently serves as a non-executive Chair of Accountant Online Limited and SnapDragon Monitoring Limited. Her previous experience includes serving as Chair of Plan Ireland and Microfinance Ireland as well as a non-executive director of Cenergise Energy Trading Limited, Gaelectric Limited and Tyndall National Institute.

Geraldine is a graduate of University College Galway (Maths & Economics), a postgraduate of University College Dublin (MA Economics). She is a Chartered Director with the Institute of Directors and a Certified Bank Director with the Institute of Banking

Cathal Marley

Cathal Marley was appointed to the Board in August 2020 and is a member of the Finance and Investment Committee. He joined Ervia in 2016 as Chief Financial Officer and was appointed CEO in 2020. He has over 20 years' experience in the utilities and infrastructure sector, having worked in senior roles across the electricity, water and gas sectors. He holds an MBA from Michael Smurfit Business School, UCD, is a Fellow of the Institute of Chartered Accountants, a member of the DCU Governing Authority, a member of the Board of the Irish Management Institute (IMI) and a Board member of Swim Ireland. His early career was spent with EY in Dublin and Eastern Europe.

Joe O'Flynn

Joe O' Flynn was appointed to the Board in November 2008 and subsequently reappointed in November 2013, January 2015, July 2018 and June 2021. Mr. O' Flynn is a member of the Remuneration Committee and the Safety, Sustainability and People Committee. He is the Chairperson of the One Cork Group and a member of the Cork Airport Development Council. He was appointed a member of the executive board of the International Transport Federation in October 2018. He is a former General Secretary of SIPTU, a former Lord Mayor of Cork and former City Councillor. He is a former director of two SIPTU affiliated bodies- the Institute for the Development of Employment Advancement Services and the Larcon Centre- the controlling body for the Liberty Hall Centre for Performing Arts. He is also a former Treasurer of the Irish Congress of Trade Unions and a former member of its Executive Council.

Keara Robins

Keara Robins was appointed to the Board in January 2023 and is a member of the Safety, Sustainability and People Committee and the Finance and Investment Committee. Keara has significant non-executive experience on boards in the state sector, regulated energy investment funds and the voluntary sector. She is currently a board member of the National Oil Reserves Agency (NORA) and an independent director to 4D Global Energy Funds. She has worked globally in the oil and gas sector working with Shell International as a petroleum engineer, contracts engineer, and senior project engineer. She subsequently worked in the sector as an independent consultant for Governments, independent oil companies, Foundations, and the UN on a range of energy challenges. She has proven experience and an understanding across the energy sector value chain with particular interest in the challenges of the green transition and energy decarbonization. She is an engineering graduate (BA BAI) of Trinity College, Dublin.

Report of the Board

Governance Statement

Ervia is a statutory body existing under the laws of Ireland and established pursuant to the Gas Act 1976 (as amended).

Governance

In 2018, the Government announced that in 2023 Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities. In June 2020 the work programme commenced to establish two standalone independent utilities. The 'Operational Separation' phase was completed in December 2021. During 2022, both utilities operated independently of each other on a day-to-day basis. Uisce Éireann was established as a standalone, publicly owned, regulated utility on 1 January 2023. Work will continue in 2023 to progress the integration of Ervia into Gas Networks Ireland, subject to the enactment of the Gas (Amendment) Bill 2023.

Uisce Éireann remained part of the Ervia Group in 2022 until Legal Separation on 1st January 2023 and was subject to the governance and oversight of the Ervia Board.

The Ervia Board ("the Board") is accountable to the Minister for Housing, Local Government and Heritage ("the Minister") for the overall performance of the Group and for ensuring good governance.

This report outlines how Ervia has applied the principles and complied with the applicable provisions of the Code of Practice for the Governance of State Bodies ("the Code"). Ervia recognises that good corporate governance is pivotal to its success and to this end we continuously review and update our policies and procedures to comply with best practice. The Board is satisfied that Ervia has complied with the applicable requirements of the Code throughout the year under review.

As a statutory body, Ervia is not subject to the provisions of the Companies Act 2014. For details of the principal legislation under which Ervia operates and to access the key documentation which underpins Ervia's corporate structure, refer to our website at www.ervia.ie.

Roles and Responsibilities of the Board

The Board is responsible for leading and directing Ervia's activities that are implemented within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board takes all significant strategic decisions, retaining full and effective control of the Group's organisation's activities, while delegating regular day-to-day management to the Chief Executive Officer and his Executive Team.

The Chief Executive Officer and Executive Team are required to implement the strategic direction set by the Board and to ensure the Board has a clear understanding of the key activities, decisions and performance results and of any significant risks likely to arise. The Chief Executive Officer acts as a direct liaison between the Ervia Board and management.

The Board has put in place a corporate governance structure which delegates authority to its Committees to carry out certain tasks on its behalf so that it can give the right level of attention and consideration to those and other matters. Ervia's Board Committees are outlined in further detail on pages 73-74.

The activity of the Board and its Committees is planned annually to ensure that there is effective supervision and control of the Group's business. The work and responsibilities of the Board are set out in the Ervia Governance Framework. The framework also contains the matters specifically reserved for Board decision, as summarised below.

Standing items considered by the Board at each meeting include:

- Declaration of any conflicts of interests.
- Reports from Committees.
- Financial reports/management accounts.
- Chief Executive's Report.
- Safety report.

Formal Schedule of Matters Reserved for the Ervia Board

The Formal Schedule of Matters reserved for the Board, as set out in the Ervia Governance Framework, includes, in respect of all group entities approval of the following:

- Safety policy.
- Annual budgets.
- Multi-annual business plans.
- All contracts and expenditure with a value in excess of €10m.
- Annual Reports and Annual Financial Statements.
- Appointment/removal of auditors.
- Treasury matters.
- Significant amendments to pension schemes.
- Terms of employment of senior management.
- Code of Business Conduct.
- Enterprise Risk Management Policy, Anti-Fraud Policy, Protected Disclosures Policy and Anti-Bribery and Anti-Corruption Policy.
- Approval of the release for consultation of key policy documents of strategic importance.

Matters Considered by the Board in 2022

Strategy	• Strategic Direction of Ervia, Gas Networks Ireland and legal separation of Uisce Éireann in 2023. • Board transition arrangements for integration/separation. • Updates on Project 23. • Updates on Uisce Éireann Transformation programme. • Security of supply. • 2022 Balanced Scorecards. • Ongoing dialogue with Ervia's shareholder on strategic issues. • Updates on the Climate Action Plan. • Climate Action Framework. • Customer strategy. • Communications strategy. • Price Control Submissions for Gas Networks Ireland and GNI (UK) Limited. • Water Supply Project and Abstraction legislation.
Safety	• Monthly health and safety metrics for the Group. • Implementation of mental health awareness initiative across the organisation. • Bi-annual safety updates.
Operations	• CEO's Operations Report including Key Performance Indicators. • Capital investment evaluations. • Delivery of critical projects safely • Water leakage performance updates.
Corporate Governance	• Annual Board evaluation. • Review of Board and Board Committee Terms of Reference. • Monitoring compliance with the Code of Practice for the Governance of State Bodies. • Appointment of Directors to Gas Networks Ireland and Uisce Éireann. • Revised constitutions for Gas Networks Ireland and Uisce Éireann. • Review of the Code of Business Conduct Anti-Fraud Policy. • Protected Disclosures Policy and Anti-Bribery and Anti-Corruption Policy. • Review of Governance framework and associated policies in preparation for legal separation of Uisce Éireann from the Ervia Group.
Finance	• Annual published results. • Monthly trading results including performance versus budget and forecast. • Annual budget and funding. • Quarterly re-forecasts. • Updates on efficiencies. • Dividends. • Business Plans.

Board Responsibilities Statement for the Annual Report and Financial Statements

The Board is responsible for the preparation of the Annual Report and the accompanying Financial Statements, which in the opinion of the Board, give a true and fair view of the state of affairs and profit of Ervia for the year. The Board is responsible for the maintenance and integrity of certain corporate and financial information included in the organisation's website www.ervia.i.e. Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The Board has prepared the Financial Statements in accordance with applicable Irish law and International Financial Reporting Standards as adopted by the European Union. The Board maintains adequate accounting records in compliance with the obligations imposed by the Gas Act 1976 (as amended).

The Board is also responsible for reviewing the effectiveness of the system of internal controls comprising financial, operational, compliance and risk management controls and for reporting thereon to the Minister. Finally, the Board is responsible for safeguarding the assets of Ervia and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing the Financial Statements, the Board is satisfied that:

- Suitable accounting policies have been selected and applied consistently.
- Judgements and estimates used are reasonable and prudent.
- Preparation of the Financial Statements on a going concern basis is appropriate.
- The Financial Statements give a true and fair view of the financial position of Ervia at 31 December 2022 and for the year ended.

Report of the Board (continued)

The Board

Details on current Board members are outlined on pages 68-69.

Board Composition

The Board's composition is a matter for the government on advice of the Minister. Decisions regarding the appointment and re-appointment of Board members are made by the Minister in accordance with the Guidelines on Appointments to State Boards as published by the Department of Public Expenditure and Reform. The Chairperson engages with the Minister in advance of Board appointments to highlight the specific skills and experience that are required on the Board.

Board Members have a blend of skills and experience and the necessary competence to support effective decision making.

The Board is led by the Chairperson, Kevin Toland, who is responsible for ensuring its effectiveness in all aspects of its role. The Company Secretary is responsible for ensuring that Board procedures are complied with and for advising the Board, through the Chairperson, on governance matters generally.

Changes to Board Composition and Board Committees

During 2022, as the company progressed the separation of the Uisce Éireann business from the Ervia group ('legal separation'), the new operational structures in Uisce Éireann and Gas Networks Ireland remained subject to the overall governance of the Ervia board. As part of the separation of Uisce Éireann from the Ervia Group, some of the existing Ervia Board members moved to the board of Uisce Eireann and new Board members were appointed to the Ervia Board pursuant to the Public Appointment Service process with effect from 01 January 2023, the date of legal separation.

The following members of the Ervia Board moved to the Board of Uisce Eireann on 1st January 2023- Tony Keohane Chairperson, Fred Barry, Chris Banks and Liz Joyce, Finbarr Kennelly's term of office on the Ervia Board expired on 11th December 2022. The following new members were appointed to the Ervia Board with effect from 1st January 2023 – Kevin Toland Chairperson, Saoirse Fahey and Keara Robins.

Prior to Legal Separation on 1st January 2023 the Ervia Board had the following Committees- Audit and Risk, Remuneration, Investment/Infrastructure and Project 23. With effect from Legal Separation the Project 23 Committee was stood down and a Safety, Sustainability and People Committee was established, the Investment/ Infrastructure Committee was replaced with a Finance and Investment Committee with the Audit and Risk Committee and Remuneration Committee remaining in place.

Induction and Development of New Board Members

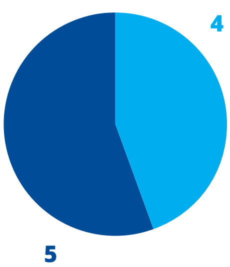
On appointment, Board Members are provided with detailed briefing documents covering governance, financial and operational information, and an opportunity to be briefed by the Executive team on the various aspects of the business of the Group.

Board Members have access to training programmes and their ongoing development needs are kept under review.

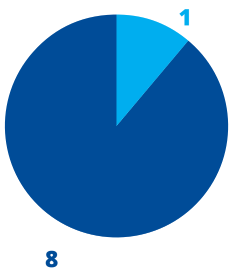
Independence

The Board is satisfied that the non-executive Board members are independent of management, in character and judgement, and free from relationships or circumstances that could affect, or appear to affect, their judgement and ability to meet the requirements of the role. Each Board member brings independent judgement to bear on issues of strategy, performance, resources

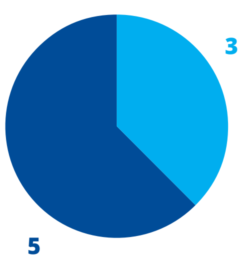
Board Gender



Executive and non-executive Board Members



Non-executive Board Member tenure



and standards of conduct. Board members must declare any interest or relationship which could interfere with the exercise of their independent judgement. A declaration of any conflicts of interest is a standing item on the agenda for all Board and Committee meetings.

Board Members' Remuneration, Expenses and Attendance

The Minister determines the fees payable to Board members. A schedule of attendance at the Board and Committee meetings for 2022 is set out below, including the fees and expenses received by each member in 2022. The table outlines the fees and attendance of the Board members who sat on the Ervia Board during the year under review. The new Board members appointed as a result of the legal separation of Uisce Éireann from the Ervia Group did not attend meetings or receive fees during 2022 as these appointments were effective from 01 January 2023.

Board Member	Remuneration (€)	Expenses (€)	Board (attended/ eligible)	Audit and Risk (attended/ eligible)	Remuneration (attended/ eligible)	Investment/ Infrastructure (attended/ eligible)	Project 23 (attended/ eligible)
Tony Keohane (Board and Remuneration Committee Chairperson)	31,500	132	14/14	-	6/6	-	-
Chris Banks	15,750	434	13/14	-	-	11/11	5/5
Fred Barry (Investment/ Infrastructure Chairperson)	15,750	132	12/14	-	-	10/11	4/5
Fiona Egan (appointed 12th July 2022)	7,411	132	6/6	2/2	-	4/4	-
Keith Harris (Audit and Risk Committee Chairperson)	15,750	2,171	14/14	5/5	6/6	-	4/5
Sean Hogan (Project 23 Committee Chairperson)	15,750	647	13/14	5/5	1/1	-	5/5
Liz Joyce	15,750	115	13/14	-	1/1	-	5/5
Geraldine Kelly	15,750	132	13/14	5/5	-	10/10	-
Finbarr Kennelly (retired 11 December 2022)	14,862	-	10/13	4/4	4/5	-	-
Cathal Marley (CEO)	Note 1	-	14/14	-	-	11/11	1/1
Joe O'Flynn	15,750	504	13/14	-	-	10/11	3/5

Note 1 – Did not receive a Board fee in compliance with Guidelines on Contracts, Remuneration and Other Conditions of Chief Executives and Senior Management of Commercial State Bodies.

Board and Committee Effectiveness and Evaluation

The Board conducts an annual evaluation of its own performance and that of its Committees. The evaluation relates to the Board's and Committees' collective performance. The evaluation methodologies applied by the Board to determine its effectiveness are as follows:

Internal Evaluation	• The Board self-assessment questionnaire as provided in the Code is circulated to the Board. The questionnaire incorporates an analysis of the gender, diversity and skills mix within the Board based on the Annex to the Code on Gender Balance, Diversity and Inclusion as published by the Minister for Public Expenditure and Reform in September 2020. Completed questionnaires, include views on performance and recommendations for improvement. The Board formally concludes on its own performance, on the performance of Committees, and that of the Chairperson, CEO and Company Secretary.
External Evaluation	• In order to comply with the provisions of the Code, an external performance evaluation of the Board and its Committees is conducted every 3 years. An external evaluation was facilitated in 2021 and the outputs from the evaluation were considered by the Board in February 2022.
Non-executive Board Member Evaluation	• Non-Executive Board members carry out a performance evaluation of the Chairperson considering the views of the CEO.

Report of the Board (continued)

Board Committees

The overall governance structure of the group remained unchanged during 2022. The existing Ervia sub-committees continued to support the Ervia and subsidiary boards until the legal separation of Uisce Éireann from the Ervia Group, on 01 January 2023.

The Board has an effective Committee structure in place to assist in the discharge of its responsibilities. During 2022, four committees of the Board assisted in the discharge of its responsibilities and were delegated specific responsibilities by the Board as set out in their Terms of Reference.

Audit and Risk Committee

Activities undertaken by the Audit and Risk Committee in 2022 are outlined in the Audit and Risk Committee Report on page 82 The Audit and Risk Committee held 5 meetings during the year.

Investment/Infrastructure Committee

The Investment/Infrastructure Committee's responsibilities are set out in its Terms of Reference. The Investment/ Infrastructure Committee held 11 meetings during the year.

Key activities undertaken by the Investment/ Infrastructure Committee in 2022 include the review of:

- Capital project evaluation and investment planning approach.
- Updates on Major Projects and related cost estimates.
- All capital expenditure proposals in excess of €10m.
- Upcoming tenders.
- Early contractor involvement programme.
- Quarterly updates on critical assets.
- Portfolio planning and investment prioritisation.
- Post project reviews.

Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference, which is available at www.ervia.ie. The Remuneration Committee held 6 meetings during the year.

Key activities undertaken by the Remuneration Committee in 2022 include:

- Review of the CEO's and other senior managers' performance for 2022.
- Review of the Ervia pay model.
- Set and review performance as per 2022 scorecards.
- Consideration of the results of the employee engagement survey.
- Annual review of executive pay.
- Single Public Utility pension implications.
- Project 23 pension implications.

Project 23 Committee

The Project 23 Committee was established by the Board to consider the development of a separation plan further to the Government decision that Uisce Éireann would become a standalone, publicly owned, commercial, regulated utility separated from the Ervia Group during 2023. The Project 23 Committee worked to ensure that the separation plan addresses the legal, financial, governance and operational issues involved in the creation of both Uisce Éireann, and the remaining energy business, as standalone fully functioning entities capable of delivering on their respective purposes. The Committee met 5 times during the year.

Key activities undertaken by the Project 23 Committee in 2022 include:

- Stakeholder engagement.
- Updates on Project 23.
- Updates on pension in the context of Project 23.
- Updates on the Uisce Éireann Transformation.

Disclosures Required by the Code of Practice for the Governance of State Bodies

The Board is responsible for ensuring that Ervia has complied with the requirements and disclosures of the Code. The following financial disclosures are required by the Code to be outlined in the Annual Report. These disclosures relate to Ervia and Gas Networks Ireland, but do not include Irish Water. Refer to the Irish Water Annual Report for the relevant disclosures in respect of Uisce Éireann.

Impact of Operational Separation on Disclosures

The legal separation of Ervia and Uisce Éireann was completed on 01 January 2023. As part of the change programme to stand up the two independent utilities (Gas Networks Ireland and Irish Water), the 'Operational Separation' phase was completed effective from 01 January 2022, in preparation for legal separation. The implementation of "Operational Separation" included the transfer to Irish Water of certain centralised functions that were previously provided by Ervia, including the relevant employees necessary to carry out these functions. Accordingly, the comparability of the 2022 disclosures below against the corresponding 2021 disclosures has been impacted by Operational Separation, as certain operating costs were incurred directly by Uisce Éireann during 2022 that were previously incurred by Ervia.

The relevant operating costs for 2022 are therefore reported in the Irish Water Annual Report whereas the corresponding operating costs for 2021 are reported in the disclosures below.

Analysis of Employee Benefits

Details of the number of employees whose total employee benefits (excluding employer pension costs and termination benefits) for the financial year for each band of €25,000 from €50,000 upwards are set out below. The implementation of operational separation included the transfer to Uisce Éireann of certain centralised functions that were previously provided by Ervia. The related employees of these functions also transferred to Uisce Éireann, resulting in a year-on-year decrease in employee numbers from 2021 to 2022.

	2022	2021
€50,000-€75,000	**232**	415
€75,001-€100,000	**205**	285
€100,001-€125,000	**96**	141
€125,001-€150,000	**40**	58
€150,001-€175,000	**20**	24
€175,001 and above	**18**	36

Note 1: All short-term employee benefits in relation to services rendered during the reporting period are included in the disclosure above. Refer to note 5 of the Financial Statements for further analysis of the various benefits included.

Consultancy Costs

Consultancy costs include the directly incurred cost of external advice. They are defined as engagements to provide intellectual or knowledge-based services (e.g., expert analysis and advice) through delivering reports, studies, assessments, recommendations, proposals, etc. that contribute to decision or policymaking for a limited time period to carry out a specific finite task. They exclude outsourced 'business-as-usual' functions. Where consultancy work was contracted by Ervia on behalf of Uisce Éireann, the related costs are included in the Uisce Éireann disclosure only.

	2022 €'000	2021 €'000
Legal advice	**281**	83
Financial advice	**414**	550
Business improvement/change	**1,173**	1,978
Other	**438**	252
Total consultancy costs	**2,306**	2,863
Capitalised	**-**	-
Income statement	**2,306**	2,863
Total consultancy costs	**2,306**	2,863

Legal Costs and Settlements

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs, settlements, conciliation and arbitration proceedings. This does not include expenditure incurred in relation to general legal advice, as this is included in consultancy costs above.

	2022 €'000	2021 €'000
Legal fees & costs	**891**	1,535
Settlements	**705**	599
Total	**1,596**	2,134
Number of legal cases	**10**	23

Note 1: This disclosure note excludes payments made following claims under policies of insurance taken out by Ervia.

Note 2: The number of cases relate to legal proceedings initiated by Ervia or legal proceedings taken against it.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2022 €'000	2021 €'000
Domestic		
Board *	**11**	-
Employee	**1,178**	884
International		
Board	**-**	-
Employee	**168**	22
Total	**1,357**	906

* Includes travel and subsistence of €4,399 paid directly to Board members in 2022 (2021: €nil). The balance of €7,097 (2021: €153) relates to expenditure paid by Ervia on behalf of the Board members. Travel and subsistence expenditure incurred by the executive Board member is deemed to be incurred in their capacity as an employee.

Hospitality

The income statement includes the following hospitality expenditure:

	2022 €'000	2021 €'000
Staff hospitality	**131**	146
Client hospitality	**87**	17
Total	**218**	163

Transparency

Ervia, as a commercial state body, is an open organisation which strives to be accountable and transparent to the public. Ervia is committed to improving the public's understanding of how the organisation operates and our role in delivering important national infrastructure and services to support the social and economic development of Ireland.

Report of the Board (continued)

Protected Disclosures and Raising Concerns

The mechanism whereby Ervia's employees and management may raise concerns, or make disclosures in the public interest, in accordance with the Protected Disclosures Act 2014, is outlined in the Protected Disclosures Policy. Further guidance on raising concerns for management and employees is outlined in the Code of Business Conduct, the Anti-Fraud Policy and the Anti-Bribery and Anti-Corruption Policy.

Ervia confirms that in the year ending 31 December 2022, there was no protected disclosure reported.

Regulation of Lobbying

Ervia and its subsidiary, Gas Networks Ireland, are registered on the lobbying register maintained by the Standards in Public Office Commission and have made the required submissions for the return periods in 2022 in accordance with the requirements of the Regulation of Lobbying Act 2015.

Prompt Payments

Appropriate internal financial controls are in place within Ervia to ensure compliance with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2012-2016.

Ervia is a signatory to the Prompt Payment Code as launched by the Government in 2015 and, pursuant to its provisions, undertakes to pay suppliers on time, to give clear guidance to suppliers on payment procedures and to encourage the adoption of the code by suppliers within their own supply chains.

Model Publication Schemes

Section 8 of the Freedom of Information Act 2014 requires Ervia's subsidiary company, Gas Networks Ireland, to conform with the model publication scheme published by the Department of Public Expenditure and Reform. Under the scheme, Gas Networks Ireland publishes as much information as possible in an open and accessible manner on a routine basis outside Freedom of Information requests, having regard to the principles of openness, transparency and accountability as set out in the Act.

The Publication Scheme for Gas Networks Ireland is published on www.gasnetworks.ie. Although Ervia is not itself subject to Freedom of Information legislation, it strives to apply the principle of transparency and therefore adheres to the model publication scheme by publishing relevant information on its website, www.ervia.ie

Gender Balance, Diversity and Inclusion Ervia, Diversity and Inclusion 2022

The organisation remains committed to creating and supporting a diverse and inclusive working environment for all our teams and individuals. As a result of operational separation of Uisce Éireann and Gas Networks during this period, a key piece of work was undertaken to ensure that our ibelong program and strategy were transitioned to both. This resulted in a need to re-establish or reconfigure both Diversity Council and Employee Resource Groups in each of the business areas.

It is very positive and an indication of how relevant this is to our teams, that membership of both key networks has continued to strengthen and indeed become more diverse over the course of 2022. These networks continue to provide networking and information sharing opportunities across our businesses for both members and allies but are also a keyway for the organisation to have an opportunity to identify areas of improvement.

Ervia continued during 2022 to deepen its partnership with Business in the Community, participating in the first extensive Ireland D&I survey and are considering how to take the learning from this to inform its approaches to Diversity and Inclusion across the business based on emerging best practices within peer companies.

Ervia remains committed to ensuring that its recruitment and selection processes reach and attract diverse talent pools and continue to challenge ourselves in this area. During 2022 Ervia also undertook a number of significant early talent, Internship, Graduate and Apprentices programs which have afforded access to more diverse talent.

In 2022, Gas Networks reported formally for the first time on Gender Pay Gap reporting which is on the following link https://www.gasnetworks.ie/docs/corporate/freedom-of-information/gender-pay-gap-report.pdf

Ervia acknowledges that both companies are reporting a gender pay gap, but action plans are in place which are informed by the existing ibelong areas of focus including talent acquisition, development, and representation.

Statement on the System of Internal Controls

Scope of Responsibility

The Board acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it and can only therefore provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in Ervia for the year ended 31 December 2022 and up to the date of approval of the Financial Statements.

Management of Risk and control environment

All employees of Ervia and Gas Networks Ireland are responsible for the effective management of risk, which includes designing, operating and monitoring the systems of internal control. The Ervia Group Chief Executive Officer is the accountable executive with ultimate responsibility. The Ervia Group Chief Executive Officer delegates clear roles and responsibilities for effective risk management and for ensuring the systems of internal control are operating effectively to his Executive Team and their reports.

Risk and Control Environment

The Board ensures that it has appropriate systems of internal control and risk management in place through use of the following structures and systems:

Audit and Risk Committee

A unitary Board structure has been adopted by Ervia which takes ultimate responsibility for the governance of Ervia and its subsidiaries including Gas Networks Ireland. Appropriate Committees are in place at the Ervia Group level.

Ervia has an Audit and Risk Committee ("the ARC") comprising 4 non-executive Board members who have the necessary expertise for the role. The ARC provides oversight of the risk and control environment on behalf of the Board and is responsible for assisting the Board in discharging its responsibilities as they relate to this area. On a quarterly basis, the ARC performs, on behalf of the Ervia Board a substantive review of the Gas Networks Ireland risk profile, prepared by management, ensuring oversight of the key and emerging risks and reviewing the effectiveness of management's responses to key risk exposures facing Gas Networks Ireland as the principal operating entity in the Ervia Group. The ARC also reviews the overall integrity of the risk management system including the effectiveness of the risk and internal audit functions.

Integrated Assurance Forum

Ervia has a responsibility under the Code to ensure effective systems of internal control are maintained and operated. An assessment of the effectiveness of these controls is required annually. In order to address this requirement, the Ervia Group developed the Integrated Assurance Forum ("IAF").

The IAF meets quarterly to confirm assurance activities and required signoffs are co-ordinated and evidenced in a structured manner. This culminates with the IAF providing assurance to the Board on the effectiveness of the controls at year end. The IAF process, along with numerous other governance, risk and control activities across the Ervia Group, supports the Board in signing-off on the Statement on the System of Internal Control. The Integrated Assurance Forum framework further consolidates and co-ordinates in a structured manner assurance activities in the organisation across the "Three Lines Model". This ensures that Ervia maximises risk and governance oversight and control to build organisational resilience. The ARC is appraised of the results of the IAF on a quarterly basis.

Internal Audit

Ervia has an established internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC for the entire Ervia Group, including Gas Networks Ireland. The Gas Networks Ireland Head of Internal Audit reports directly to the ARC and to the Gas Networks Ireland Chief Financial Officer.

The Internal Audit function provides a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's governance, risk management and internal control.

The Internal Audit function:

- Evaluates risk exposure relating to the achievement of Gas Networks Ireland's strategic objectives.
- Evaluates the systems established to ensure compliance with policies, plans, procedures, laws and regulations.

Report of the Board (continued)

- Evaluates the means of safeguarding assets.
- Monitors and evaluates the effectiveness of risk management processes.
- Performs advisory services related to governance, risk management and control as appropriate.

Risk Management Function

Ervia has an established Risk Management function which is adequately resourced and is responsible for the design and implementation of an Enterprise Risk Management Framework and for ensuring that sufficient risk management experience and skills are available throughout Gas Networks Ireland.

The Gas Networks Ireland Head of Risk Management reports to the Gas Networks Ireland Chief Financial Officer and attends ARC meetings. In addition, the Gas Networks Ireland Risk Management Committee chaired by the GNI Chief Executive Officer, meets quarterly.

In particular, the risk management function:

- Ensures that adequate and consistent processes and oversight are in place for identifying, measuring, managing, monitoring, challenging and reporting the risks to which Gas Networks Ireland is exposed.
- Ensures that oversight is maintained, and an assessment is undertaken of the Gas Networks Ireland risk profile including principal key risks, emerging and trending risks and high impact/low probability risks, including a description of these risks, clear ownership and associated mitigation measures.
- Embeds an appropriate risk management culture led out by a risk aware tone from the top and a bottom-up reporting process.

Elements of Control Environment

In addition to the key structures referred to above, the Board confirms a control environment, containing the following elements, is in place in Gas Networks Ireland:

- Responsibility by management at all levels within Gas Networks Ireland for internal control and risk management;
- A Corporate Governance Framework, including financial control and risk assessment. This is monitored by the Gas Networks Ireland Executive and by the Gas Networks Ireland Internal Audit and Risk functions;
- Clearly defined organisational structure, with defined authorisation limits and reporting mechanisms to higher levels of management and to the Gas Networks Ireland Board and the Ervia Board;
- A comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require Ervia Board approval and are closely monitored on an ongoing basis by the Ervia Finance and Investment Committee (in 2022, the Investment and Infrastructure Committee);
- Established processes to identify and evaluate business risks by identifying the nature, extent and financial implication of risks facing the Group including the extent and categories which it regards as acceptable. Other processes to identify and evaluate business risks include assessing the likelihood of identified risks occurring and assessing the Company's ability to manage and mitigate the risks that do occur through associated mitigation plans and strategies.
- Appropriate segregation of duties and documentation of processes and controls that are focused on preventing and detecting fraud;
- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the Gas Networks Ireland Board and the Ervia Board;
- A comprehensive system of financial reporting;
- A comprehensive set of management information and performance indicators is produced quarterly, enabling progress against longer-term objectives and annual budgets to be monitored;
- Internal policies requiring all employees to act with integrity and maintain the highest ethical standards. These policies include the Code of Conduct, Anti-Fraud Policy, Anti-Bribery and Anti-Corruption Policy, Regulation of Lobbying Policy and Protected Disclosures Policy;
- A comprehensive anti-fraud programme including anti-fraud policy, training and communication and a fraud response plan;
- Systematic reviews of internal financial and operational controls by Gas Networks Ireland internal audit and risk management. In these reviews, emphasis is focused on areas of greater risk as identified by risk assessment; and
- An internal control framework assessment that involves undertaking an extensive risk assessment, reviewing the operation and effectiveness of key control policies and processes, internal control self-assessment reporting, monthly performance reporting, supported by the assurance activities of Risk, Internal and External Audit.

Ongoing Monitoring and Review

Ervia has a robust framework to review the adequacy and monitor the effectiveness of internal controls covering financial, operational and compliance as well as risk management processes.

The Ervia Board and the Directors of Gas Networks Ireland are satisfied that the system of internal control in place is appropriate for the business. The monitoring and review of the effectiveness of the system of internal control in respect of Gas Networks Ireland is informed by the work of managers within the Company who have responsibility for the development and maintenance of the internal control framework. This is supplemented by the ARC who oversee the work of the Gas Networks Ireland Risk and Governance functions, the work of Gas Networks Ireland Internal Audit and comments made by the external auditor in their management letter and/or other reports. Control deficiencies are communicated to those responsible for taking corrective action and to management and the Board of Ervia and Gas Networks Ireland, where relevant, in a timely way.

Ongoing monitoring by Gas Networks Ireland management includes:

- Review and consideration of the programme of internal audit and consideration of its reports and findings in respect of Gas Networks Ireland. The programme of Internal Audit for Gas Networks Ireland is also reviewed by the ARC.
- Review of regular reporting from internal audit on the status of the internal control environment in Gas Networks Ireland, and the status of issues raised previously from their own reports. Reports are also reviewed by the ARC.
- Participation in the Integrated Assurance Forum.
- Participation in the Gas Networks Ireland Risk Management Committee.
- Monthly meetings with the Gas Networks Ireland Executive to discuss financial, risk, internal audit and operational matters pertaining to Gas Networks Ireland.

Ongoing monitoring by the Gas Networks Ireland Board includes;

- Review of the Gas Networks Ireland Risk Profile.
- Review and consideration of the report from the GNI Chairperson on the effectiveness of the operation of the systems of internal control, both financial and operational.
- Review of reports from the external auditor, which contain details of any material financial control issues.

Ongoing monitoring by the ARC includes;

- Review of the Integrated Assurance Forum reports over the system of internal control in Gas Networks Ireland. This is performed on a quarterly basis as part of the review of the Gas Networks Ireland results of the Integrated Assurance Forum.
- Review of the Gas Networks Ireland Risk Profile on a quarterly basis.
- Review of reports from the external auditor, which contain details of any material internal financial control issues.
- Review and consideration of the report from the Ervia Group Chief Executive Officer on the effectiveness of the operation of the systems of internal control, both financial and operational.

Capital and Operational Expenditure

Robust and effective systems are in place to ensure compliance, as appropriate, with the relevant principles, requirements and guidelines of the Public Spending Code. Transitioning activity related to the updated Public Spending Code (2019) continued during 2022 to ensure compliance with the additional requirements of the Public Spending Code (2019) is achieved.

The Ervia Procurement Policy (PD02) details the procedures to be followed by the Ervia Group to support procurement requirements in the organisation. Application of PD02 ensures that value for money is obtained in procurement practices, EU and Irish laws relating to public procurement are adhered to, tender processes are appropriately managed, and governance and management oversight of the procurement process is maintained across the Ervia Group.

The Ervia Expenditure and Contract Approval Policy (PD03) sets out the financial expenditure and contract governance framework including the authorisation process and authority levels for capital and operational expenditure in each of Ervia, Gas Networks Ireland and its subsidiaries. All expenditure and contract approvals must comply with the requirements of the Ervia/Gas Networks Ireland Governance Framework and PD03.

The financial expenditure and contract governance framework is aligned with the value for money criteria in the updated Public Spending Code, as published by the Department of Public Expenditure and Reform in December 2019.

All capital expenditure must have regard to national and EU procurement requirements, in addition to compliance with any requirements that may be set by the CRU, environmental and planning related requirements and national, regional and local infrastructural priorities. Appropriate investment appraisal methods are used in respect of capital projects and programmes in order to facilitate effective decision making. Captial projects and programmes are assessed and delivered using a robust 5 stage approval process.

Report of the Board (continued)

The capital commitments process for Gas Networks Ireland operates on the basis that the Company requests the relevant Ministerial consents in advance for an overall envelope of capital commitments to be entered into during the following financial year. Separate Ministerial consents are requested by Gas Networks Ireland in advance of committing to any individual capital project costing €20m or greater for regulated expenditure and €10m or greater for unregulated expenditure. Ministerial consents are submitted to the parent Department and other relevant government departments involved in the consenting process for the specific application. In addition, requests for Ministerial approval are submitted to NewERA who provide project specific financial and commercial advice to DHLGH, prior to the granting of Ministerial consent.

Capital investments including contracts with a value in excess of €3.5m are presented to the (executive) Gas Networks Ireland Expenditure Approval Committee (EAC) for detailed review and approval. All capital expenditure greater than €10m requires the approval of the Ervia Board and the Gas Networks Ireland Board.

The Board is kept appraised of the status of capital projects and programmes as they progress including updates on implementation against plan, timescales and quality. Budget and variance reporting is also presented to the Board.

All projects have specific objectives against which they are measured. Tenders and subsequent contracts include strict delivery requirements as well as KPIs which are used to measure performance throughout the course of the contract. Post project reviews and financial close reports are presented to the EAC, the Gas Networks Ireland Board, the Ervia Finance and Investment Committee and the Ervia Board for evaluation, depending on the value of the project or programme.

Project close out meetings and annual project reviews facilitate a key 'lessons learned' approach which are then assessed, tracked and implemented as part of existing and future projects across the organisation as appropriate.

General Data Protection Regulation (GDPR)

The Gas Networks Ireland Data Protection Officer has not raised any significant areas of concern regarding non-compliance with regards to legislative requirements under GDPR.

Review of effectiveness

The Board has reviewed the effectiveness of the system of internal control up to the date of approval of the Financial Statements, covering financial, operational and compliance controls and risk management systems for 2022 and will ensure a similar review is performed in 2023. A detailed review was performed by the ARC, which reported on its findings to the Ervia Board.

Internal Control issues

No weaknesses in internal control were identified in relation to 2022 that require disclosure in the financial statements.

Conclusion

Going Concern

Financial Statements are prepared on a going concern basis once the Board, after making appropriate enquiries, is satisfied that Ervia has adequate resources to continue in operation for the foreseeable future. Further details of this going concern assessment and Group's liquidity position are provided in notes 1 and 23 respectively of these Financial Statements.

Risk Management

The Board carried out a robust assessment of the principal risks facing the organisation throughout 2022. These risks and mitigating controls or actions are set out on pages 24-31.

Shareholder Relationship

Ervia operates independently from its parent Department (the Department of Housing, Local Government and Heritage), but engages in active and ongoing consultation with its parent Department as required by legislation and the Code.

Board Members' Interests

The Board Members had no interest in Ervia or its subsidiary companies during the year. The Board is satisfied that its members are free from any business or other relationships that could materially affect, or could appear to affect, the exercise of their independent judgement.

Board members may hold directorships, executive positions or have interests in third party companies, including banks and financial institutions, some of which (or their affiliates) may, in the normal course of business, undertake transactions on an arm's length basis with Ervia. All Board members disclose any interest and recuse themselves from Board discussions and decisions where they are conflicted or have a direct or indirect interest as required by the Code. In such cases, a separate record (to which the Board Member does not have access) is maintained.

Performance Evaluation

The Board approves an annual budget that supports the corporate plans. Actual performance versus plan and budget is evaluated annually. Detailed consideration is provided in the Financial and Operating Reviews on pages 34 & 40.

Accounting Records

The Board members believe that they have provided appropriate systems and resources, including the appointment of suitably qualified accounting personnel with appropriate expertise, to maintain adequate accounting records throughout the organisation to ensure compliance with Ervia's obligation to keep adequate accounting records. The books of account of Ervia are held at Gasworks Road, Cork.

External Auditor

Following receipt of ministerial consent, Deloitte Ireland LLP was originally appointed as auditors to the Ervia Group in 2014. Ministerial consent was received on 25 March 2019 to appoint Deloitte Ireland LLP as external auditors to the Ervia Group for the years 2019, 2020 and 2021, following completion of a tender process. Ministerial consent was received on 24 November 2021 on the extension of the appointment of Deloitte Ireland LLP as external auditors to the Ervia Group for the years 2022 and 2023.

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board
Date: 12 April 2023

Audit and Risk Committee Report

As Chairperson of the Ervia Audit and Risk Committee, I am pleased to present the Audit and Risk Committee Report for the year ended December 31st 2022.

Keith Harris
Chair of the Committee

In accordance with the unitary board structure in place in Ervia, the Audit and Risk Committee ("the Committee") is established at the Ervia Group level and acts in respect of Ervia and its subsidiaries ("the Group"). This report provides an insight into the workings of the Committee over the last 12 months and details how the Committee has met its responsibilities under its Terms of Reference and under the Code of Practice for the Governance of State Bodies ("the Code").

During the year the Committee dedicated significant time to fulfilling its key oversight responsibilities. It has engaged regularly with senior management, internal audit, risk management and the Group's statutory auditor. In addition, in order to discharge its duties effectively, it has pursued a full agenda of reviews in its meetings throughout the year. In fulfilling his key oversight responsibilities, the Chairperson of the Committee meets separately with senior management, internal audit, risk management and the Group's statutory auditor on a regular basis.

Role and responsibilities of the Audit and Risk Committee

The role of the Committee is to support the Ervia Board in relation to its responsibilities for the following matters:

- Financial reporting
- Risk management
- Internal controls
- Internal audit
- External audit

Other related activities, including policies and procedures on protected disclosures, anti-fraud and anti-bribery and anti-corruption.

The Chairperson of the Committee reports to the Ervia Board on the matters addressed at each Committee meeting, and the Board receives all of the Committee's minutes. The Committee's Terms of Reference set out the Committee's roles and responsibilities in detail and are available on Ervia's website (www.ervia.ie). These are reviewed annually.

Membership

The Committee comprises four independent Non-Executive Ervia Board Members. Members of the Committee are appointed by the Ervia Board in consultation with the Chairperson of the Committee. For details of membership and attendance at meetings in 2022 see the Report of the Board on page 73. The Committee is independent from the management of the Group.

Financial Reporting

The Committee is responsible, on behalf of the Ervia Board, for monitoring the integrity of the preparation of the Group's Financial Statements and for reviewing the financial reporting judgements contained therein. The Financial Statements are prepared on behalf of the Board by a finance team with the appropriate qualifications and expertise.

During the year the Committee reviewed the draft financial statements before recommending their approval by the Ervia Board. The Committee also reviewed the financial statements of Gas Networks Ireland, prior to their approval by the subsidiary board. The Committee considered, and discussed with the Chief Executive Officer, Chief Financial Officer and the external auditor, the appropriateness of the significant accounting standards and policies, estimates and judgements applied in preparing these financial statements, together with the clarity and completeness of the disclosures in the Annual Report and Financial Statements.

Risk Management

The Committee is responsible, on behalf of the Ervia Board, for monitoring the Group's risk management activities, developments in key risks and progress in delivery of the target risk profile, enabling the Ervia Board to confirm annually that it has carried out an assessment of the Group's principal risks.

During the year the Committee reviewed, in conjunction with senior management, the risk profile, risk management policies, high impact/ low probability exposures and risk appetite and target profile for approval by the Ervia Board. The Committee reviewed presentations on a selection of principal risks and discussed with senior management the material internal controls that exist to mitigate these risks.

Internal Controls

The Committee is responsible, on behalf of the Ervia Board, for reviewing the appropriateness and completeness of the Group's system of internal control and reviewing whether the system of internal control operated effectively during the reporting period and gives appropriate early warning of any failures and emerging risks.

Ervia has a responsibility under the Code for ensuring that an effective system of internal control is maintained and operated. Ervia pursues this responsibility across its business units through senior management and through its "Integrated Assurance Forum", a management body which collates evidence from the various control activities performed across the Group organisation to build a comprehensive picture of internal control and risk. Reporting to the Chief Financial Officer, the Integrated Assurance provides a greater understanding of the assurance activities in place and makes recommendations for their enhancement, in order to mitigate risk and maximise governance oversight, helping also to identify and remediate any assurance gaps.

Internal Audit

The Committee is responsible, on behalf of the Board, for monitoring and reviewing the effectiveness and scope of the internal audit function including its plans, activities and resources so as to ensure it can effectively review the operation of the Group's controls over significant risks within the Group organisation.

During 2022, the Committee reviewed the plans and work undertaken throughout the year by Gas Networks Ireland and Uisce Éireann Internal Audit and the consequent actions to be taken by management. The Committee was informed regularly by the Gas Networks Ireland and the Uisce Éireann Head of Internal Audit of the findings of internal audit reviews. The Committee also considered management's progress in addressing relevant issues, including the nature, extent and timeliness of its responses. The Committee reviewed and agreed a risk-based internal audit annual plan for 2023, including the resources required, and considered the alignment of internal audit focus and key risk areas.

During 2022, the organisation continued to promote the integrity value and to emphasise the importance of ethical behaviour across the organisation through the roll-out of the 'Doing the Right Thing' campaign.

Audit and Risk Committee Report (continued)

The campaign involves a number of initiatives including updates to the suite of ethics related corporate policies, distribution of guidance booklets to employees and quarterly integrity conversations focusing on topical integrity topics.

External Audit

The Committee is responsible, on behalf of the Ervia Board, for monitoring the external audit process. The Committee monitored the integrity of the Group's financial statements and reviewed the appropriateness of the accounting policies and financial reporting issues contained therein having regard to matters communicated to it by the external auditor. The Committee also reviewed the external auditor's audit plans, reports and findings in relation to the audit, and discussed them with the auditor. The Committee reviewed the external auditor's post-audit management letter and management's responses.

The Committee is also responsible, on behalf of the Ervia Board, for the initiation of audit tenders and the selection process for the external auditor, reviewing and monitoring the independence and remuneration of the external auditor. The Committee takes appropriate steps to ensure that an objective and professional relationship is maintained with the external auditor.

During the year the Committee carried out an assessment of auditor independence and objectivity which included reviewing:

- the nature and extent of the services provided, and fees earned, for external audit and non-audit work carried out by the external auditor.
- compliance with the Group's policy governing the provision of non-audit services to the Group whereby clear rules and limits are in place, permitting non-audit services which do not present a conflict of interest.
- assurances provided by the external auditor in this regard.

Audit and non-audit service fees are set out in Note 4 of the Financial Statements. There were no instances during the year where the external auditor was engaged to provide services which were deemed to give rise to a conflict of interest. The Committee also monitored the external auditor's compliance with relevant regulatory, ethical and professional guidance. The Committee is satisfied that Deloitte Ireland LLP is both independent and objective.

The effectiveness of the external auditor is reviewed annually. The evaluation focuses on such areas as the robustness of the audit process, audit team, communications and governance. Overall, the review was satisfactory. During the year it was agreed that the external auditors did not need to meet privately with the Committee with no members of management present.

Ervia's subsidiary, Gas Networks Ireland, is a Public Interest Entity ('PIE') as it has debt listed on a regulated market. As a result, its auditor may provide only those non-audit services which are permissible for PIEs in line with EU Directive (2006/43/ EC as amended by Directive 2014/56 EU). Compliance with this rule is monitored throughout the year. The Committee adheres strictly to the 70% non-audit services fee cap prescribed in Article 4 of Regulation (EU) No 537/2014.

Audit and Risk Committee Effectiveness

The Committee completes an annual review of its own effectiveness. For 2022, the review was conducted internally through the completion of self-evaluation questionnaires and the overall review was satisfactory. On behalf of the Audit and Risk Committee:

Keith Harris
Chairperson, Audit and Risk Committee
12 April 2023

Financial Statements

Independent Auditor's Report to the Members of Ervia

Report on the audit of the financial statements

Opinion on the financial statements of Ervia

In our opinion the Group and Parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Parent company as at 31 December 2022 and of the profit of the Group and Parent company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Gas Acts 1976 to 2009.

The financial statements we have audited comprise:

the Group financial statements:

- the Group Income Statement;
- the Group Statement of Other Comprehensive Income;
- the Group Balance Sheet;
- the Group Statement of Changes in Equity;
- the Group Statement of Cash Flows; and
- the related notes 1 to 28, including a summary of significant accounting policies as set out in note 1.

the Parent company financial statements:

- the Parent Income Statement;
- the Parent Statement of Other Comprehensive Income;
- the Parent Balance Sheet;
- the Parent Statement of Changes in Equity;
- the Parent Statement of Cash Flows; and
- the related notes 29A to 29Q, including a summary of significant accounting policies as set out in note 1 of the the Group notes.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively , may cast significant doubt on the Group and Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Board

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report

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

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

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

Use of our report

This report is made solely to the members of Ervia, as a body, in accordance with Section 15 of the Gas Act 1976. Our audit work has been undertaken so that we might state to the Parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ervia and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Honor Moore

Honor Moore
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
No. 6 Lapp's Quay
Cork
Date: 13 April 2023

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Boards but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Group Income Statement
for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Continuing operations			
Revenue	3	**498,600**	476,197
Operating costs net (excluding depreciation and amortisation)	4	**(274,317)**	(238,295)
Operating profit before depreciation and amortisation (EBITDA)		**224,283**	237,902
Depreciation and amortisation	6	**(141,727)**	(140,811)
Operating profit		**82,556**	97,091
Finance income	7	**210**	667
Finance costs	7	**(14,426)**	(16,233)
Net finance costs	7	**(14,216)**	(15,566)
Profit before income tax		**68,340**	81,525
Income tax	8	**(11,929)**	(16,624)
Profit for the year		**56,411**	64,901
Profit attributable to:			
Owners of the Parent		**56,411**	64,901
Profit for the year		**56,411**	64,901

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	12 April 2023
Chairperson	Member of the Board	Date of Approval

Note: As described in note 26, the financial statements of Uisce Éireann are not consolidated with the results of the Group.

Group Statement of Other Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Profit for the year		**56,411**	64,901
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains	18	**107,175**	83,162
Remeasurement of other pension assets	18	**(2,506)**	46
Deferred tax relating to defined benefit obligations	8	**(13,084)**	(10,401)
Total items that will not be reclassified to profit or loss		**91,585**	72,807
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		**(2,711)**	2,993
Fair value gains/(losses) on cash flow hedges		**-**	1,370
Deferred tax on cash flow hedge movement	8	**-**	(171)
Total items that may be reclassified subsequently to profit or loss		**(2,711)**	4,192
Total other comprehensive income for the year		**88,874**	76,999
Total comprehensive income for the year		**145,285**	141,900
Total comprehensive income attributable to:			
Owners of the Parent		**145,285**	141,900
Total comprehensive income for the year		**145,285**	141,900

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	12 April 2023
Chairperson	Member of the Board	Date of Approval

Note: As described in note 26, the financial statements of Uisce Éireann are not consolidated with the results of the Group.

Group Balance Sheet
as at 31 December 2022

	Notes	31-Dec-22 €'000	31-Dec-21 €'000
Assets			
Non-current assets			
Property, plant and equipment	9	**2,434,460**	2,470,170
Investment properties	10	**7,363**	-
Intangible assets	12	**27,030**	29,089
Derivative financial instruments	23	**58**	378
Total non-current assets		**2,468,911**	2,499,637
Current assets			
Trade and other receivables	13	**75,826**	97,351
Cash and cash equivalents - available to group	14	**149,077**	87,297
Cash and cash equivalents - restricted deposits	14	**40,248**	46,348
Derivative financial instruments	23	**912**	896
Current tax assets	8	**-**	249
Inventories	16	**568**	463
Total current assets		**266,631**	232,604
Total assets		**2,735,542**	2,732,241
Equity and liabilities			
Equity			
Share Capital		**-**	-
Retained earnings		**(1,181,229)**	(1,063,053)
Translation reserve		**(939)**	(3,650)
Total equity		**(1,182,168)**	(1,066,703)
Liabilities			
Non-current liabilities			
Borrowings and other debt	17	**(1,022,695)**	(1,034,241)
Retirement benefit obligations	18	**(10,721)**	(108,804)
Deferred revenue	19	**(50,527)**	(47,469)
Grants	20	**(57,971)**	(64,883)
Provisions	21	**(5,905)**	(6,198)
Trade and other payables	22	**(7,859)**	(15,751)
Derivative financial instruments	23	**(111)**	(189)
Deferred tax liabilities	8	**(199,471)**	(190,215)
Total non-current liabilities		**(1,355,260)**	(1,467,750)
Current liabilities			
Borrowings and other debt	17	**(219)**	(1,188)
Deferred revenue	19	**(34,319)**	(12,937)
Grants	20	**(6,590)**	(6,638)
Provisions	21	**(1,511)**	(1,613)
Trade and other payables	22	**(153,338)**	(174,988)
Derivative financial instruments	23	**(966)**	(424)
Current tax liabilities	8	**(1,171)**	-
Total current liabilities		**(198,114)**	(197,788)
Total liabilities		**(1,553,374)**	(1,665,538)
Total equity and liabilities		**(2,735,542)**	(2,732,241)

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	12 April 2023
Chairperson	Member of the Board	Date of Approval

Note: As described in note 26, the financial statements of Uisce Éireann are not consolidated with the results of the Group..

Group Statement of Changes in Equity

for the year ended 31 December 2022

		Retained earnings €'000	Translation reserve €'000	Cash flow hedge reserve €'000	Total €'000
At 1 January 2021		(963,783)	(657)	1,199	(963,241)
Profit for the year		(64,901)	-	-	(64,901)
Other comprehensive income for the year		(72,807)	(2,993)	(1,199)	(76,999)
Total comprehensive income for the year		(137,708)	(2,993)	(1,199)	(141,900)
Dividends	25	38,438	-	-	38,438
At 31 December 2021		(1,063,053)	(3,650)	-	(1,066,703)
Profit for the year		**(56,411)**	**-**	**-**	**(56,411)**
Other comprehensive income for the year		**(91,585)**	**2,711**	**-**	**(88,874)**
Total comprehensive income for the year		**(147,996)**	**2,711**	**-**	**(145,285)**
Transfer under common control transaction	29P	**(292)**	**-**	**-**	**(292)**
Dividends	25	**30,112**	**-**	**-**	**30,112**
At 31 December 2022		**(1,181,229)**	**(939)**	**-**	**(1,182,168)**

All attributable to owners of the Parent.

Note: As described in note 26, the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Cash Flows
for the year ended 31 December 2022

	Notes	2022 €'000	2021 Restated[1] €'000
Net cash from operating activities	15	**229,612**	277,399
Cash flows from investing activities			
Payments for property, plant and equipment		**(136,656)**	(124,637)
Payments for intangible assets		**(5,518)**	(10,367)
Grants received	20	**643**	1,327
Net cash used in investing activities		**(141,531)**	(133,677)
Cash flows from financing activities			
Proceeds from borrowings		**-**	40,000
Repayment of borrowings		**-**	(151,200)
Payment of other financing costs	17	**(1,200)**	-
Repayment of lease liabilities	11	**(238)**	(1,200)
Dividends paid	25	**(30,112)**	(38,438)
Net cash used in financing activities		**(31,550)**	(150,838)
Net increase/(decrease) in cash and cash equivalents	14	**56,531**	(7,116)
Cash and cash equivalents at 1 January	14	**133,645**	140,490
Effect of exchange rate fluctuations on cash held	14	**(851)**	271
Cash and cash equivalents at 31 December	14	**189,325**	133,645

[1] See Note 1 for details of restatement

Note: As described in note 26, the financial statements of Uisce Éireann are not consolidated with the results of the Group.

Notes to the Group Financial Statements

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies

Basis of preparation
Ervia is a corporate body established under the Gas Act 1976 and is domiciled in Ireland.

The Group financial statements consolidate the financial statements of the Parent and its subsidiaries, (together referred to as 'the Group'), up to 31 December each year. In accordance with IFRS, non-controlled undertakings (including Uisce Éireann), as set out in note 26, are not consolidated.

The Group and Parent financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) agenda decisions, as endorsed by the EU, and effective for accounting periods beginning on or after 1 January 2022. The financial statements are presented in euro, rounded to the nearest thousand and are prepared on a historical cost basis, except for certain derivative financial instruments which are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These policies have been consistently applied to all years presented in these financial statements with the exception of adoption of new standards and IFRS interpretations commitee agenda decisions published (as set out below). In the process of applying these accounting policies, judgements and estimates are necessarily used which affect the amounts recognised in the financial statements. Details of the most significant accounting judgements and estimates applied are set out below.

Going concern
The Group and Company financial statements are prepared on the going concern basis of accounting.

The Group and Company have considerable financial resources and the Directors believe that the Group is well placed to manage its risks successfully. The Group has significant available resources, including €149 million of cash and cash equivalents available to group at 31 December 2022 (2021: €87 million) and committed undrawn bank facilities of €312 million at 31 December 2022 (2021: €462 million). Further details of the Group's liquidity position are provided in note 23 (ii) of these financial statements.

In 2018 the Government announced that Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities during 2023. Uisce Éireann was established as a standalone, publicly owned, regulated utility, on 01 January 2023 and work is ongoing to progress the integration of Ervia into Gas Networks Ireland, subject to the enactment of the Gas (Amendment) Bill 2023. The functions, activities, and the residual assets and liabilities of the Ervia Parent will transfer to Gas Networks Ireland as part of this legal process and the Ervia Parent will be dissolved on completion and therefore the going concern basis of accounting remains appropriate for the Ervia Parent.

The Board has a reasonable expectation that the Group has sufficient resources to continue in operation for at least twelve months from the date of approval of the financial statements.

When completing the going concern assessment, the Board has considered the principal risks and uncertainties as detailed in the Operating Review Report, including the ongoing war in Ukraine and the impacts of Climate Change.

New IFRS accounting standards effective for the year ended 31 December 2022
The Group has adopted the following amendments to standards, which have had no material impact on the Group's results or financial statement disclosures:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

1. Statement of Accounting Policies (continued)

IFRS Interpretations Committee final agenda decisions published

In April 2022, the IFRS Interpretations Committee issued an agenda decision clarifying that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. The title of the agenda decision is Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flow).

Prior to this clarification, the Group had presented certain amounts held in demand deposit accounts with banks as "restricted cash" on the balance sheet and these cash balances was excluded from cash and cash equivalents in the statement of cash flows. Heretofore, the Group had applied this policy where the cash was not available for use by the Group, due to contractual or regulatory license conditions. The agenda decision confirms that such cash arrangements should be presented as cash and cash equivalents in the statement of cash flows.

The Group considers these cash balances to not be available to the Group and will continue to disaggregate these cash balances from the cash balances that are available to the Group in the Statement of Financial Position, for presenation purposes in accordance with IAS 1 paragraph 55.

In accordance with this clarification, the Group has made a change in accounting policy and now presents restricted cash balances in cash and cash equivalents for the purpose of its statement of cash flows and has restated the prior period accordingly as follows:

Group - Statement of Cash Flows

	31 Dec 2021 As previously Reported €'000	31 Dec 2021 Reclassification €'000	31 Dec 2021 Restated €'000
Net cash from operating activities [1]	248,654	28,745	277,399
Net cash used in investing activities	(133,677)	-	(133,677)
Net cash used in financing activities	(150,838)	-	(150,838)
Net decrease in cash and cash equivalents	**(35,861)**	**28,745**	**(7,116)**
Cash and cash equivalents at 1 January	122,887	17,603	140,490
Effect of exchange rate fluctuations on cash held	271	-	271
Cash and cash equivalents at 31 December	**87,297**	**46,348**	**133,645**

[1] The restatement of cash and cash equivalents to include "restricted cash" has resulted in an increase of €28.7m to reported net cash from operating activities for 2021. The increase, as set out in note 15 refects that "change in trade and other payables" has been increased by €28.7m (from €18.8m to €47.5m). The restatement of €28.7m represents the increase in trade and other payables associated with the corresponding increase in "restricted cash" balances during 2021, from €17.6m as at 01 January 2021 to €46.3m as at 31 December 2021.

New IFRS accounting standards and interpretations not yet adopted

The following new accounting standards and amendments to existing standards have been issued but are not yet effective for this accounting period or have not yet been endorsed by the EU:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- Amendments to IAS 1 Presentation of Financial Statements: Non-current liabilities with Covenants
- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendements to IFRS 17
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

It is anticipated that application of the above IFRS amendments and annual improvements, in issue at 31 December 2022, but not yet effective, will not have a significant impact on the Group's financial statements.

Significant Accounting Policies

a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. In the Parent financial statements, investments in subsidiaries are carried at cost less any impairment charges.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Group financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date (i.e. when control is transferred to the Group).

Goodwill is measured at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount of the identifiable assets acquired, and liabilities assumed.

When the excess is positive this is recognised as goodwill. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary and any components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

Transfer of assets and liabilities from an entity under common control

Where assets and liabilities are transferred between entities that are under common control at the date of the transfer, the assets and liabilities are not measured at their fair values and instead are measured based on the carrying values. Differences between the consideration paid and the aggregate carrying value of the assets and liabilities (as of the date of the transaction) acquired are included in equity as a capital contribution. The book values reflect appropriate provision for impairment at the acquisition date.

1. Statement of Accounting Policies (continued)

b) Property, Plant and Equipment

Recognition

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses thereon. Cost includes direct costs (including directly attributable labour and overhead costs), decommissioning or restoration costs and interest incurred in financing the construction of the asset when construction takes a substantial period of time to complete. Assets under construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use.

Subsequent expenditure

Subsequent expenditure, for example, the cost of replacing a component of an item of property, plant and equipment, is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use.

The charge for depreciation is primarily calculated to write down the cost of property, plant and equipment, less estimated residual value, on a straight-line basis over their expected useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Major asset classifications and their estimated useful lives are:

Distribution pipelines	60 years
Transmission pipelines	25 - 40 years
Compressor stations	20 years
Turbines	30,000 - 48,000 hours
Meters	15 years
Buildings	40 years

Depreciation is not charged on land or assets under construction. Depreciation method, useful lives (including production hours) and residual values are reviewed at each reporting date and adjusted if appropriate.

Borrowing costs

Borrowing costs are capitalised as a cost of an asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of interest ceases when the asset is commissioned or where active development has been interrupted for an extended period.

c) Investment Properties

Investment Property includes an office building and legacy gasworks sites not occupied by the Group. Investment properties are carried at historical cost less accumulated depreciation and impairment. Transfers are made to (or from) investment property only when there is a change in use. Transfers to (or from) investment property from (or to) owner-occupied are accounted for at historical cost less accumulated depreciation and impairment. Investment properties are derecognised either when they have been disposed of or when they are permenantly withdrawn from use and no future economic benefit is expected from their disposal.

d) Intangible Assets

Software and software under development

Software costs include both internally developed and externally purchased assets.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

Internally developed software refers to costs directly associated with the production of identifiable and unique software products which are controlled by the Group. Intangible assets are recognised when they meet the definition of an intangible asset IAS 38 para 8 and the recognition criteria in IAS 38 para 21-23. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific assets, provided the costs meet the criteria in IAS 38 for capitalising.

Amortisation of intangible assets
Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. Amortisation is not charged on development assets that are not yet available for use. Software and other intangible assets are amortised, on a straight-line basis, over their estimated useful lives of up to seven years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Borrowing costs
Refer to accounting policy b) above

e) Impairment of Assets

Assets that are not subject to amortisation
Intangible assets, with an indefinite useful life or which are not yet ready for use, and goodwill are tested annually for impairment.

Assets that are subject to depreciation/amortisation
The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated.

Recognition of an impairment loss
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Reversal of an impairment loss
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a CGU shall be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. The reversal is recognised immediately in profit or loss. Using the asset's revised carrying amount, depreciation/amortisation is provided on a straight-line basis over the estimated remaining useful life.

f) Foreign Currency

These financial statements are presented in euro, which is both the functional currency of the Parent and the presentational currency of the Group and the Parent.

1. Statement of Accounting Policies (continued)

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at rates ruling at the reporting date. The resulting foreign currency gain or loss arising on translation is recognised in profit or loss. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction and are not subsequently retranslated.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The results of foreign operations are translated to euro at average exchange rates for the period, when they represent a reasonable approximation of the actual rates incurred. Exchange differences on retranslation of the opening net assets and the results are recognised in other comprehensive income and presented as a separate component of equity (translation reserve).

g) Revenue

The Group's revenues are principally derived from gas transportation services, in both regulated and unregulated markets. The Group develops, operates and maintains the natural gas transmission and distribution networks in Ireland and provides gas transportation services to suppliers and shippers. The Group also operates and owns the two interconnector gas pipelines between Scotland and Ireland and has network infrastructure assets in Northern Ireland and the Isle of Man. The Group's revenue also includes operating lease income, which is recognised in accordance with IFRS 16 (see h below).

Revenue is measured based on the consideration which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when or as the performance obligations, as set out in the contract, are satisfied. Transportation capacity revenue (billed and unbilled) is recognised over time as the performance obligation is fulfilled being the provision of network capacity, while any related commodity revenue is recognised based on throughput for the period for each customer. Customer contributions in respect of gas network connections are recognised in deferred revenue when received and are released to the income statement in accordance with the fulfilment of performance obligations. A single performance obligation is identified as the connection works and revenue is recognised over time as the connection works are completed.

If it is considered that the criteria for revenue recognition are not met for a contract, revenue recognition is delayed until such time as collectability is considered probable. Where required, promised amount of consideration is discounted to reflect a financing element of the transaction and the interest unwind is presented annually as a credit to the income statement.

A number of the Group’s sources of revenue are dependent on being approved by the industry regulator, the Commission for Regulation of Utilities (CRU). Certain circumstances may result in the regulatory “allowed” revenue being over or under recovered in the year. For example, as part of our regulatory agreement, the Group is entitled to recover any under recovery of certain pass-through costs such as gas system shrinkage through future revenue tariff adjustments. Any over or under recovery of “allowed” revenue may therefore be included, within certain parameters, in the calculation of the subsequent years’ regulatory revenue. However, no adjustment is made for over or under recoveries in the year that they arise as the recoveries are subject to future tariff changes being applied to future transportation services and therefore such adjustments do not qualify for recognition as assets or liabilities at the reporting date.

h) Leases

The Group as Lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. At the inception of a lease contract the Group assesses whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an asset for a period of time in exchange for consideration, it is recognised as a lease.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

To assess the right to control an asset, the Group considers the following:

- does the contract contain an identifiable asset
- does the Group have the right to obtain substantially all of the economic benefits of the asset
- does the Group have the right to operate the asset throughout the period of the contract.

The lease liability (presented within 'Borrowings and other debt') is initially measured at the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets (presented within 'Property, plant and equipment') are measured on initial recognition at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. IAS 36 is applied to determine whether a right-of-use asset is impaired and the Group accounts for any identified impairment loss as described in policy e Impairment of assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life."

For short-term (lease term less than 12 months) and low value leases (value of the asset when new is less than $5,000), the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed. The Group had no such leases during the reporting or comparative periods.

The Group as Lessor
Leases for which the Group is the lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The Group enters into lease agreements as a lessor with respect to some of its investment properties and its pipelines, these leases are classified as operating leases. Rental income from pipeline operating leases is recognised as revenue on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed. Rental Income from investment properties is recognised in ""other income"" on a straight-line basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

1. Statement of Accounting Policies (continued)

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

i) Retirement Benefit Obligations

The Group operates both defined benefit and defined contribution pension schemes.

Defined benefit pension scheme

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme, which is detailed below.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial reviews being carried out at each reporting 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 other comprehensive income.

Past service cost is recognised immediately. The current service cost and gains and losses on settlements and curtailments are charged to operating costs, or to provisions in the instances where the associated costs were provided for initially as part of the recognition of a restructuring provision. The pension net interest cost is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation of the scheme and the fair value of the scheme's assets.

The fair value of the reimbursement rights is recognised when the Group is entitled to recover the cost of funding prior pensionable service from other public sector bodies where qualifying employees transfer their pensionable service entitlements, arising from service with other public sector bodies, to the Ervia scheme in accordance with the Public Service Transfer Network, which is governed by Section 4 of the Superannuation and Pensions Act 1963.

Defined contribution pension scheme

A defined contribution scheme is a post-employment scheme under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions payable under the defined contribution schemes are charged to profit or loss in the periods during which services are rendered by employees.

j) Grants

A grant is recognised as a liability initially on the balance sheet when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same years in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are amortised to the income statement on a systematic basis over the useful life of the asset to match the depreciation charge.

k) Provisions and Contingent Liabilities

The Group evaluates its exposures to contingent liabilities relating to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or Government regulation. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis of the individual matter. Analysis includes assessing the likelihood that a pending claim will succeed, or a liability will arise, and the point of recognition for the associated liability.

Matters that either are possible obligations or do not meet the recognition criteria for a provision are recognised as contingent liabilities, unless the possibility of transferring economic benefits is remote.

Provisions determined may change in the future due to new developments and as additional information becomes available. Reflecting the inherent uncertainty in this evaluation process actual costs may be different from the estimated provision. Details of provisions are disclosed in note 21.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

l) Inventories
Inventories are measured at the lower of cost and net realisable value, using the first-in, first-out (FIFO) cost formula in line with IAS 2 Inventories. Cost comprises purchase price and all direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the actual or estimated selling price less all costs to be incurred prior to disposal. Specific allowance is made for damaged, deteriorated, obsolete and unusable items where appropriate.

m) Financial Assets and Liabilities
Derivative financial instruments
Foreign exchange forward contracts are the only derivative financial instruments used by the Group to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 23.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each 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.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both current legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Borrowings
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings that are not in a fair value hedging relationship are stated at amortised cost using the effective interest rate method. Borrowings designated in a fair value relationship are measured at fair value for hedged risks, with any gains or losses arising on changes in fair value recognised in profit or loss, unless these changes are attributable to the Group's own credit risk, in which case these are recognised within other comprehensive income.

Trade and other receivables
Trade and other receivables are initially recognised at the transaction price receivable and are subsequently carried at this value as there is no significant financing component less an appropriate allowance for expected credit losses. Impairment losses are provided for using a lifetime expected credit loss model, with the expected impairment being recognised as an expense in operating costs. Where required, the expected credit loss amount is calculated by applying expected loss rates, based on actual historical cash collection performance, to the aged debt profile with future macro-economic factors and factors specific to the debtors taken into consideration.

Amounts due from subsidiary companies (Parent)
Amounts due from subsidiary company undertakings are non-derivative financial assets which are not quoted in an active market. They are included in current trade and other receivables in the Parent balance sheet, except for those with an expectation of collection greater than twelve months after the balance sheet date, which are included in non-current trade and other receivables. These are initially recorded at transaction price and subsequently accounted for at amortised cost less expected credit loss.

Impairment is assessed using the expected credit loss model. In determining the impairment loss, amounts dues from subsidiaries are held as amounts repayable on demand, low credit risk receivables and amounts for which there has been a substantial increase in credit risk since initial recognition. In determining an expected credit loss, regard is given to historic performance as well as forward looking information for the relevant subsidiary including detailed discounted cash flow forecasts, where appropriate and macro-economic factors.

1. Statement of Accounting Policies (continued)

Cash and cash equivalents
Available to group
Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Where the conditions and intention for offset exists, cash balances are combined with overdraft balances and this combined balance is presented on the balance sheet.

Restricted deposits
Restricted deposits are third party monies, held under financial security or regulatory arrangements, that are not available for operational purposes under the GNI Code of Operations, nor are they held for the purpose of meeting short-term cash commitments. The monies are held in deposit accounts held with banks, the monies meet the definition of cash and cash equivalents.

Trade and other payables
Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount plus any directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are classified at FVTPL when the financial asset is (i) held for trading, (ii) designated as at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner set out in note 24.

Financial guarantee contract liabilities
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above).
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

n) Net Finance Income/Costs
Finance costs comprise effective interest on borrowings, financing charge on provisions (recognised following assessment if material), fair value movements on financing instruments classified as fair value through profit or loss and net pension interest costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. The pension net interest cost is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset.

Finance income comprises fair value movements on financing instruments classified as fair value through profit or loss, any interest income on funds invested and dividends received. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Fair value adjustments on financing instruments that are recognised in profit or loss are presented as finance income or finance costs, as appropriate.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

o) Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured, at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

p) Operating Profit

Operating profit is stated before net finance costs and taxation.

q) Common control transactions

Transactions between entities under common control are accounted for at carrying value, with any differences between that and the consideration paid/received being recognised in equity as capital contribution/distribution.

r) Non-GAAP Measures

EBITDA is defined as earnings before interest, tax, depreciation and amortisation. Net debt is defined as total borrowings and other debt adjusted for impact of fair value hedges less cash and cash equivalents. The Group uses these non-GAAP measures to provide useful performance and financing information to management, stockholders and external stakeholders.

Critical Accounting Judgements and Estimates

In the process of applying these accounting policies, the Group is required to make certain estimates, assumptions and judgements that it believes are reasonable based on the information available. These are assessed in the preparation of these financial statements. The Group has considered the ongoing conflict between Russia and Ukraine and the resulting continuing economic uncertainty caused by wholesale gas price volatility, energy market uncertainty and inflationary cost pressures. The Group has also considered the implications of climate change on its operations and activities, further details of which are set out below.

1. Statement of Accounting Policies (continued)

These estimates, assumptions and judgements affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these estimates could have a material effect on the financial statements.

On an ongoing basis, the Group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from these estimates, the effect of which is recognised in the period in which the facts that give rise to the revision becomes known.

(i) Significant judgements in applying the Group's accounting policies
The following are the significant judgements apart from those involving estimates (which are dealt with separately below) that the Group has made in the process of applying these accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification of costs between operating expenditure and capital expenditure
The classification of expenditure as capital or operating expenditure can require significant judgements, particularly in instances where projects include elements of both enhancement (capital) and maintenance (operating) activities. The Group has appropriate policies, controls and procedures in place to mitigate against the risks of ineligible expenditure being capitalised.

(ii) Estimation uncertainty
The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

(a) Infrastructure assets and the assets we use in our business
As of 31 December 2022, the aggregate of the Group’s property, plant and equipment, investment properties and intangible assets was €2,468.9 million (2021: €2,499.3 million), which accounted for the majority of the Group’s assets. Therefore, the estimates and assumptions made in determining the carrying value are critical to the financial statements because the recoverability of the amounts, or lack thereof, could significantly affect the Group’s future financial performance and position.

The Group recognises depreciation and amortisation charges annually (2022: €141.7 million and 2021: €140.8 million) which are primarily calculated to write down the cost of property, plant and equipment and intangible assets over their expected useful economic lives (UELs).

In the case of property, plant and equipment in particular, the determination of estimated UELs of assets requires significant judgement, that are based on experience, expectations about the future and other factors. The estimated UELs for major asset classifications are set out in these accounting policies. The Group reviews assets' UELs annually and any required changes are adjusted prospectively. This review includes consideration of the Group's decarbonisation ambitions and consideration of Government policies and plans in the area of climate action and greenhouse gas emissions targets. We believe that our gas network will continue to play a crucial role in maintaining security, reliability and affordability of energy beyond 2050 as well as contributing to greenhouse gas emissions reductions targets by displacing coal and oil from electricity generation. The Group has concluded that the asset lives identified continue to be the best estimate of the assets UELs. Due to the significance of asset investment by the Group, variations between actual and estimated UELs could have a material impact on future results, either positively or negatively. Historically, no changes in asset lives have been identified by the Group that have had a material impact on operating results. See note 9 for a sensitivity analysis of the impact were shorter UELs presumed for the Group's plant, pipeline and machinery.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

(b) Retirement benefit obligations
The Group's projected benefit cashflows underpinning its defined benefit obligation are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Significant judgement is also required when deriving the yield curve at longer terms as the number of long dated high quality corporate bonds is sparse at longer durations. Sensitivities regarding the principal assumptions used to measure the scheme liabilities are detailed in note 18.

(c) Provisions and other liabilities
The assessments of the financial outcome of uncertain commercial and legal positions involves estimation uncertainty and requires the use of judgement, estimation and assumptions. The amounts recognised as a provision are the Group's best estimate of the expenditure required to settle present obligations at the reporting date. In assessing the likely outcome, the Group bases its assessment on available facts, historical experience, advice from legal advisors and other experts and additional relevant factors that are believed to be reasonable in the circumstances. A revised estimate is established at each reporting date to ensure that the amounts accrued correspond to the best estimate of the costs eventually to be borne by the Group. The required provision may change in the future due to new developments and as additional information becomes available. Given the nature of these provisions and the estimation uncertainty involved, further sensitivity analysis on these amounts is not deemed practicable.

(iii) Climate change
The Group continues to develop its assessment of the potential long-term impacts of climate change on the assets and liabilities in its financial statements. The impact of climate change has been considered in the preparation of these financial statements across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the Group, as described in (a) above.

As outlined in the Directors' Report, the Group believes that it has a clear role in addressing net zero emissions targets by facilitating an efficient energy transition, through the development of proposals for decarbonising the gas network, while continuing to provide safe, reliable gas flows, preserving energy security and delivering efficiently for customers.

2. Divisional Information

During 2015, the Parent transferred all debt to its newly incorporated subsidiary company, Gas Networks Ireland. Consequently, the Group is no longer within the scope of IFRS 8 Operating Segments, however, has chosen to present the following divisional information.

Division	Geographical location	Description of products and services
Gas Networks Ireland	Ireland and UK	The Gas Networks Ireland business develops, operates and maintains the natural gas transmission and distribution networks in Ireland and provides gas transportation services to suppliers and shippers. The Gas Networks Ireland business division also operates and owns the two Interconnector gas pipelines between Scotland and Ireland and has network infrastructure assets in Northern Ireland and the Isle of Man. Revenues are principally derived from gas transportation services. The Aurora Telecom business, which provides high quality dark fibre broadband infrastructure, is also included within this division.
Ervia Parent	Ireland	Operational separation between Gas Networks Ireland and Uisce Éireann was implemented as at January 2022, in preparation for planned legal seperation in 2023. The implementation of operational separation included the transfer to Gas Networks Ireland and Uisce Éireann of certain centralised functions (and employees) as described below, that were previously provided centrally by Ervia. As a consequence, the level of transactional and support service costs provided by Ervia parent to Gas Networks Ireland and Uisce Éireann during 2022 reduced significantly in comparison to prior years and consisted of certain limited Group Services and pension costs. During 2021, the operations of Ervia Parent included areas not falling within the Gas Networks Ireland business division, including; • Business Services, providing support services to the Group in the areas of Transactional Services, Finance, HR, IT, Insurance, Facilities and Project Support. • Group Centre consisting of the Group Chief Executive Officer's office, Group Finance, Group HR, Legal, Strategy and Commercial Regulation, and • Major Projects, a centre of excellence for the delivery of key strategic gas and water infrastructure projects. • Supply Chain also provide support for the entire Group. Costs in respect of Ervia Parent are recharged to the Gas Networks Ireland and Uisce Éireann business divisions. The operating costs of this division set out below are net of these recharges and primarily represent non-cash pension costs."

In accordance with IFRS 10, the financial statements of Uisce Éireann are not consolidated with the results of the Group (as further explained in note 26). Consequently, Uisce Éireann is not included in this note.

(a) Revenue by geographic location

	2022 €'000	2021 €'000
Ireland	**460,628**	433,189
UK (including Northern Ireland and Isle of Man)	**37,972**	43,008
Total	**498,600**	476,197

Notes to the Group Financial Statements (continued)

2. Divisional Information (continued)

Included in the Group's total revenue are revenues of €131.8 million (2021: €127.8 million), €82.6 million (2021: €75.7 million) and €50.8 million (2021: €49.9 million) which arose from sales to the Group's three largest customers.

(b) Capital expenditure

	Capital additions to property, plant and equipment (note 9)		Capital additions to intangible assets (note 12)	
	2022	2021	2022	2021
	€'000	€'000	€'000	€'000
Gas Networks Ireland	**130,832**	135,850	**3,688**	11,174
Ervia Parent	**-**	165	**-**	-
Total	**130,832**	136,015	**3,688**	11,174

(c) Non-current assets by geographic location

	31-Dec-22	31-Dec-21
	€'000	€'000
Ireland	**2,120,026**	2,130,726
UK (including Northern Ireland and Isle of Man)	**348,827**	368,533
Total	**2,468,853**	2,499,259

Non-current assets for this purpose consists of property, plant and equipment and intangible assets. Derivative financial instruments are excluded.

			a			b	a + b = c
	Gas Networks Ireland (Statutory results)	Consolidation and eliminations	Gas Networks Ireland (Segment results)	Ervia Parent (Statutory results)	Consolidation and eliminations	Ervia Parent (Segment results)	Ervia Group (Statutory results)
	2022	2022	2022	2022	2022	2022	2022
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
		Note (i)			Note (ii)		
Revenue	498,600	-	498,600	-	-	-	498,600
Operating costs net	(268,650)	-	(268,650)	(5,667)	-	(5,667)	(274,317)
Operating profit/(loss) before depreciation and amortisation (EBITDA)	229,950	-	229,950	(5,667)	-	(5,667)	224,283
Depreciation and amortisation	(145,623)	3,896	(141,727)	-	-	-	(141,727)
Operating profit/(loss)	84,327	3,896	88,223	(5,667)	-	(5,667)	82,556
Finance income	195	-	195	20,127	(20,112)	15	210
Finance costs	(12,876)	-	(12,876)	(1,550)	-	(1,550)	(14,426)
Net finance (costs)/income	(12,681)	-	(12,681)	18,577	(20,112)	(1,535)	(14,216)
Profit before income tax	71,646	3,896	75,542	12,910	(20,112)	(7,202)	68,340

2. Divisional Information (continued)

			a			b	a + b = c
	Gas Networks Ireland (Statutory results) 31-Dec-22 €'000	Consolidation and eliminations 31-Dec-22 €'000 Note (i)	Gas Networks Ireland (Segment results) 31-Dec-22 €'000	Ervia Parent (Statutory results) 31-Dec-22 €'000	Consolidation and eliminations 31-Dec-22 €'000 Note (iii)	Ervia Parent (Segment results) 31-Dec-22 €'000	Ervia Group (Statutory results) 31-Dec-22 €'000
Infrastructure assets	2,519,332	(50,479)	2,468,853	-	-	-	2,468,853
Other assets	249,398	-	249,398	717,467	(700,176)	17,291	266,689
Total assets	2,768,730	(50,479)	2,718,251	717,467	(700,176)	17,291	2,735,542
Borrowings and other debt	(1,022,914)	-	(1,022,914)	-	-	-	(1,022,914)
Retirement benefit obligations	-	-	-	(10,721)	-	(10,721)	(10,721)
Other liabilities	(533,645)	7,849	(525,796)	(5,821)	11,878	6,057	(519,739)
Total liabilities	(1,556,559)	7,849	(1,548,710)	(16,542)	11,878	(4,664)	(1,553,374)
Net assets	1,212,171	(42,630)	1,169,541	700,925	(688,298)	12,627	1,182,168
Net debt	(890,530)		(890,530)	16,692	-	16,693	(873,837)

Note (i): Certain assets were previously subject to intra-group disposals to entities within the Gas Networks Ireland Group at market value for consideration in excess of the net book value at the date of sale. From an Ervia Group perspective the unrealised intra-group gains were eliminated on consolidation when the related assets were sold to entities within the Gas Networks Ireland Group and subsequently the depreciation uplift recognised in the Gas Networks Ireland Group financial statements are also eliminated on consolidation (2022: €3.9 million, 2021: €3.9 million). The carrying value of the relevant assets included in the Gas Networks Ireland Group financial statements, that are subject to elimination on consolidation was €50.5 million as at 31 December 2022 (2021: €54.4 million). The deferred tax liability on these assets, subject to elimination on consolidation, was €7.8 million as at 31 December 2022 (2021: €8.4 million).

Note (ii): The intra-group dividend declared from Gas Networks Ireland to Ervia Parent of €20.1 million for the year ended 31 December 2022 is eliminated at an Ervia Group level (2021: €15.4 million)."

Note (iii): During 2022, the following Ervia Parent assets are either eliminated or reclassified (offset) on consolidation:

- The Ervia Parent investment in Gas Networks Ireland of €688.3 million is eliminated against the Gas Networks Ireland net assets (equity). Refer to note 29H.
- The Ervia Parent intercompany receivable from Gas Networks Ireland Group of €11.9 million is eliminated against the corresponding liability in Gas Networks Ireland Group. Refer note 29I.

Notes to the Group Financial Statements (continued)

3. Revenue

	2022 €'000	2021 €'000
Regulated	**448,845**	425,240
Unregulated - transportation contracts	**25,336**	27,337
Unregulated - new connections contracts	**6,202**	4,368
Unregulated - other	**18,217**	19,252
Total	**498,600**	476,197

Regulated revenue is commodity and capacity revenue earned and regulated by the Commission for Regulation of Utilities ("CRU") and the Northern Ireland Authority for Utility Regulation ("NIAUR"). Unregulated other primarily relates to revenue from the Aurora telecommunications business and sales for operational services that are ancillary to the use of the gas transportation system.

Refer to note 1 g) for details of the Group's revenue accounting policy and revenue streams. Refer to note 13 for details of the Group's trade receivables from these revenue streams.

4. Operating Costs Net (excluding depreciation and amortisation)

		2022 €'000	2021 €'000
Employee benefit expense		**(73,690)**	(100,831)
Hired and contracted services		**(8,999)**	(11,747)
Materials, maintenance and sub-contractor costs		**(64,916)**	(69,246)
Rates and facilities		**(36,930)**	(33,988)
Gas system shrinkage and gas losses		**(63,801)**	(41,523)
Other operating expenses		**(28,435)**	(30,164)
Recharges to Uisce Éireann [1]	27	**1,259**	49,320
Cloud computing transition adjustment	12	**-**	(3,616)
Other operating income[2]		**1,195**	3,500
Total		**(274,317)**	(238,295)

[1] Operational separation between Gas Networks Ireland and Uisce Éireann was implemented as at January 2022, in preparation for planned legal separation in 2023. The implementation of operational separation included the transfer to Gas Networks Ireland and Uisce Éireann of certain centralised functions (and employees) that were previously provided centrally by Ervia. The relevant operating costs were therefore incurred directly by Uisce Éireann in 2022.

[2] Other operating income includes rental income earned of €1.2m in FY22.

Operating costs are stated after charging:

(a) Auditor's remuneration

	2022 €'000	2021 €'000
Audit of the Group financial statements[1]	**(184)**	(172)
Other assurance services	**(52)**	(63)
Tax advisory services	**-**	-
Other non-audit services	**(11)**	(18)
Total	**(247)**	(253)

[1] The audit of the Group financial statements includes the audit of subsidiary companies.

4. Operating Costs Net (excluding depreciation and amortisation) (continued)

(b) Board members' emoluments

	2022 €'000	2021 €'000
Fees	**(164)**	(149)
Remuneration of the Group Chief Executive Officer	**(279)**	(278)
Total	**(443)**	(427)

Details of the all-in cost of the remuneration package of the Group Chief Executive Officer is as follows:

	2022 €'000	2021 €'000
Basic salary	**(225)**	(225)
Other short-term employee benefits	**(14)**	(13)
Post-employment benefits - pension contributions	**(40)**	(40)
Total	**(279)**	(278)

5. Employee Benefits

(a) Aggregate employee benefits

	2022 €'000	2021 €'000
Staff short-term benefits	**(61,573)**	(92,311)
Termination benefits	**(382)**	-
Post-employment benefits - defined benefit scheme	**(13,698)**	(15,723)
Post-employment benefits - defined contribution scheme	**(2,124)**	(4,149)
Social insurance costs	**(6,831)**	(10,138)
	(84,608)	(122,321)
Capitalised payroll	**10,918**	11,910
Other payroll transfers	**-**	9,580
Employee benefit expense charged to profit or loss	**(73,690)**	(100,831)

(b) Staff short-term benefits

	2022 €'000	2021 €'000
Wages and salaries	**(57,759)**	(87,593)
Overtime	**(1,259)**	(1,204)
Allowances	**(1,075)**	(1,202)
Other[1]	**(1,480)**	(2,312)
Total	**(61,573)**	(92,311)

[1] Other short-term employee benefits primarily include permanent life insurance benefits and taxable travel allowances.

The average monthly number of employees providing services to the Group for the year was 735 (2021: 1,112).

Operational separation between Gas Networks Ireland and Uisce Éireann was implemented on 01 January 2022 in preparation for planned legal separation. The implementation of operational separation included the transfer to Gas Networks Ireland and Uisce Éireann of certain centralised functions (and employees) that were previously provided centrally by Ervia. The relevant operating costs were therefore incurred directly by Uisce Éireann in 2022.

Notes to the Group Financial Statements (continued)

6. Depreciation and Amortisation

		2022 €'000	2021 €'000
Depreciation of property, plant and equipment	9	**(138,005)**	(140,119)
Impairment of property plant and equipment	9	**(3,739)**	-
Depreciation of investment properties	10	**(437)**	-
Depreciation of right-of-use assets	11	**(409)**	(1,374)
Amortisation of intangible assets	12	**(5,752)**	(6,465)
Cloud computing transition adjustment	12	**-**	564
Grant amortisation	20	**6,615**	6,583
Total		**(141,727)**	(140,811)

7. Net Finance Costs

		2022 €'000	2021 €'000
Before remeasurements			
Interest and finance costs		**(12,699)**	(13,891)
Interest Income on short-term deposits		**210**	-
Interest capitalised		**396**	716
Lease liability finance charge	11	**(87)**	(337)
Net interest on the net defined benefit liability	18	**(1,380)**	(1,297)
Net interest on other pension assets	18	**112**	63
Total before remeasurements		**(13,448)**	(14,746)
Remeasurements			
Net changes in fair value of undesignated derivatives		**(768)**	667
Net changes in fair value of financial instruments designated in a fair value hedging relationship		**-**	(1,487)
Total remeasurements		**(768)**	(820)
Total			
Finance income		**210**	667
Finance costs		**(14,426)**	(16,233)
Net finance costs		**(14,216)**	(15,566)

8. Tax

Income tax

	2022 €'000	2021 €'000
Current tax		
Current tax	**(14,751)**	(17,210)
Adjustments in respect of previous years	**(227)**	(276)
	(14,978)	(17,486)
Deferred tax		
Origination and reversal of temporary differences	**4,067**	(208)
Adjustments in respect of previous years	**(1,018)**	1,070
	3,049	862
Total income tax	**(11,929)**	(16,624)

Reconciliation of effective tax rate

	2022 €'000	2021 €'000
Profit before tax	68,340	81,525
Taxed at 12.5% (2020: 12.5%)	(8,543)	(10,191)
Depreciation on capital expenditure that is not deductible for tax purposes	(1,481)	(1,780)
Other expenses not deductible for tax purposes	(335)	(499)
Income not taxable	498	496
UK subsidiary profits taxed at higher rates	(631)	(1,287)
Effect of tax rate change[1]	-	(4,277)
Exchange adjustments	(192)	120
Adjustments in respect of previous years	(1,245)	794
Total income tax	(11,929)	(16,624)

Refer to the Group statement of other comprehensive income for details of the tax impacts therein.

[1] The UK Corporation tax rate will increase from 19% to 25% from April 2023. The deferred tax calculations for the UK subsidiary are apportioned for the relevant periods at the applicable rate (as enacted in legislation).

Current tax assets and liabilities

	31-Dec-22 €'000	31-Dec-21 €'000
Current tax assets/(liabilities)	**(1,171)**	249

Notes to the Group Financial Statements (continued)

8. Tax (continued)

Deferred tax assets and liabilities

	Pension obligations €'000	Derivative financial instruments €'000	Accelerated tax depreciation €'000	Interest charges payable €'000	Other €'000	Total €'000
At 1 January 2021	22,980	171	(202,215)	(779)	(3)	(179,846)
Recognised in income statement	1,169	-	(609)	435	(133)	862
Recognised in equity	(10,401)	(171)	-	-	-	(10,572)
Exchange adjustments	-	-	(974)	315	-	(659)
At 31 December 2021	13,748	-	(203,798)	(29)	(136)	(190,215)
Recognised in income statement	**684**	**-**	**1,862**	**544**	**(41)**	**3,049**
Recognised in equity	**(13,084)**	**-**	**-**	**-**	**-**	**(13,084)**
Exchange adjustments	**-**	**-**	**1,350**	**(529)**	**-**	**821**
Transferred under common control transaction	**-**	**-**	**-**	**-**	**(42)**	**(42)**
At 31 December 2022	**1,348**	**-**	**(200,586)**	**(14)**	**(219)**	**(199,471)**

The following deferred tax assets have not been recognised in the balance sheet as it is not probable that they will be recovered for the foreseeable future. There is no expiry date as to when tax losses can be utilised.

	2022 €'000	2021 €'000
Capital losses	**2,118**	3,600

Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas subsidiary which were €174.0 million as at 31 December 2022 (2021 €169.5 million).

9. Property, Plant and Equipment

		31-Dec-22 €'000	31-Dec-21 €'000
Property, plant and equipment - owned assets		**2,429,952**	2,453,306
Property, plant and equipment - right-of-use assets	11	**4,508**	16,864
Property, plant and equipment - as presented on the balance sheet		**2,434,460**	2,470,170

Property, plant and equipment - owned assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Assets under construction €'000	Total €'000
Cost				
At 1 January 2021	89,336	4,473,519	70,016	4,632,871
Additions	-	10,437	125,578	136,015
Disposals	-	(5,027)	-	(5,027)
Transfers	-	126,957	(126,957)	-
Effect of movement in exchange rates	-	14,834	199	15,033
At 31 December 2021	89,336	4,620,720	68,836	4,778,892
Additions	**-**	**11,196**	**119,636**	**130,832**
Disposals	**-**	**(5,643)**	**-**	**(5,643)**
Transfers	**2,740**	**110,415**	**(113,155)**	**-**
Transferred to investment properties	**(22,496)**	**(655)**	**-**	**(23,151)**
Effect of movement in exchange rates	**-**	**(12,494)**	**(224)**	**(12,718)**
At 31 December 2022	**69,580**	**4,723,539**	**75,093**	**4,868,212**
Accumulated depreciation and impairment losses				
At 1 January 2021	(41,316)	(2,140,011)	-	(2,181,327)
Depreciation charge	(1,884)	(138,235)	-	(140,119)
Disposals	-	4,781	-	4,781
Effect of movement in exchange rates	-	(8,921)	-	(8,921)
At 31 December 2021	(43,200)	(2,282,386)	-	(2,325,586)
Depreciation charge	**(1,401)**	**(136,604)**	**-**	**(138,005)**
Impairment charge	**-**	**(2,677)**	**(1,062)**	**(3,739)**
Disposals	**-**	**5,643**	**-**	**5,643**
Transferred to investment properties	**14,883**	**468**	**-**	**15,351**
Effect of movement in exchange rates	**-**	**8,076**	**-**	**8,076**
At 31 December 2022	**(29,718)**	**(2,407,480)**	**(1,062)**	**(2,438,260)**
Carrying amounts				
At 31 December 2021	46,136	2,338,334	68,836	2,453,306
At 31 December 2022	**39,862**	**2,316,059**	**74,031**	**2,429,952**

Notes to the Group Financial Statements (continued)

9. Property, Plant and Equipment (continued)

Impairment losses recognised in respect of plant and machinery in the year amounted to €2.7 million. These losses are attributable to greater than anticipated wear and tear. The impairment loss of €1.06m in respect of assets under construction relates to development projects which will no longer proceed.
The carrying value of property, plant and equipment includes assets that are subject to operating lease arrangements as described in note 10 'The Group as Lessor'. The carrying value of these assets at 31 December 2022 was €58.0 million (31 December 2021: €70.0 million) and is included in plant, pipeline and machinery.

Depreciation sensitivity

Given it is an area of estimation uncertainty, as described in note 1, below we provide a sensitivity analysis on the depreciation charge increase were a shorter useful economic life (UEL) presumed:

	2022 €'000	2021 €'000
UEL limited to 2050	**13,085**	12,149
UEL limited to 2060	**3,467**	3,160
UEL limited to 2070	**638**	533

10. Investment Properties

	31-Dec-22 €'000
Cost	
At 1 January 2022	**-**
Transferred from property, plant & equipment (note 9)	**23,151**
At 31 December 2022	**23,151**
Accumulated depreciation and impairment losses	
At 1 January 2022	**-**
Transferred from property, plant & equipment (note 9)	**(15,351)**
Depreciation charge	**(437)**
At 31 December 2022	**(15,788)**
Carrying amounts	
At 31 December 2022	**7,363**
Fair value	
At 31 December 2022	**16,100**

The Group's investment properties consist primarily of an office building leased to Uisce Éireann. (Refer to note 27 for further details of this related party transaction), also included are legacy gasworks sites, one of which is leased to a third party. The fair value of the of investment properties as at 31 December 2022 was €16.1m. The fair value measurement was performed by Avison Young Independent valuers not related to the Group. The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value, based on the inputs to the valuation technique used (see note 24).

Rental income recognised by the Group during 2022 was €1.2m and is included in "other operating income" see note 4.

11. Lease Assets and Liabilities

The Group as Lessee

The Group has entered into various leasing arrangements which generally relate to the rental of buildings, land and telecommunications assets. There are no significant or unusual restrictions imposed by the terms of these leases. All lease arrangements are at an arm's length basis.

Amounts recognised on the balance sheet

Right-of-use assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Cost			
At 1 January 2021	15,444	4,629	20,073
Additions	-	907	907
At 31 December 2021	15,444	5,536	20,980
Transferred under common control transaction	**(14,878)**	**-**	**(14,878)**
Disposals	**(156)**	**-**	**(156)**
At 31 December 2022	**410**	**5,536**	**5,946**
Accumulated depreciation and impairment losses			
At 1 January 2021	(2,212)	(530)	(2,742)
Depreciation charge	(1,106)	(268)	(1,374)
At 31 December 2021	(3,318)	(798)	(4,116)
Depreciation charge	**(81)**	**(328)**	**(409)**
Disposal	**60**	**-**	**60**
Transferred under common control transaction	**3,027**	**-**	**3,027**
At 31 December 2022	**(312)**	**(1,126)**	**(1,438)**
Carrying amounts			
At 31 December 2021	12,126	4,738	16,864
At 31 December 2022	**98**	**4,410**	**4,508**
Lease liabilities			
At 1 January 2021	(13,498)	(2,955)	(16,453)
Interest expense	(247)	(90)	(337)
Lease payments	1,297	240	1,537
At 31 December 2021	(12,448)	(2,805)	(15,253)
Disposal	**92**	**-**	**92**
Interest expense	**(2)**	**(85)**	**(87)**
Lease payments	**85**	**240**	**325**
Transferred under common control transaction	**12,185**	**-**	**12,185**
At 31 December 2022	**(88)**	**(2,650)**	**(2,738)**

Notes to the Group Financial Statements (continued)

11. Lease Assets and Liabilities (continued)

Analysed as follows:

	2022 €'000	2021 €'000
Non-current	**(2,519)**	(14,065)
Current	**(219)**	(1,188)
Total	**(2,738)**	(15,253)

Lease liabilities are monitored within the relevant business functions. The Group does not face significant liquidity risk with regard to its lease liabilities. Refer to note 17 for a maturity analysis of lease liabilities.

The Group as Lessor

The Group has entered into operating leases on its investment property (see Note 10). Rental income recognised by the Group in other operating income (see Note 4) during the year is €1.2m.

The Group enters into operating lease arrangements to allow third parties the use of parts of the Gas Network Transportation system. In accordance with the Group's accounting policy all receipts from these arrangements are deemed to be earned as part of the Group's core operations and accordingly this lease income is recognised as revenue in the income statement. During 2022, lease income pertaining to the transportation system of €21.5 million was recognised (2021: €22.1 million). Below is a profile of undiscounted non-cancellable future operating lease income to be recognised as revenue and other operating income in future years. The unexpired lease terms range from 1 to 12 years (2021: 1 to 6 years).

Maturity analysis

	31-Dec-22 €'000	31-Dec-21 €'000
Year 1	**18,740**	21,019
Year 2	**9,459**	16,806
Year 3	**6,829**	8,296
Year 4	**3,899**	6,741
Year 5	**1,703**	3,909
Year 6 onwards	**-**	48
Total	**40,630**	56,819

12. Intangible Assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2021	157,513	8,503	166,016
Additions (including internally developed)	3,522	7,652	11,174
Transfers	5,457	(5,457)	-
Cloud computing transition adjustment[1]	(3,472)	(144)	(3,616)
Effect of movement in exchange rates	120	4	124
At 31 December 2021	163,140	10,558	173,698
Additions (including internally developed)	**-**	**3,688**	**3,688**
Transfers	**10,194**	**(10,194)**	**-**
Effect of movement in exchange rates	**(110)**	**16**	**(94)**
At 31 December 2022	**173,224**	**4,068**	**177,292**
Amortisation			
At 1 January 2021	(138,611)	-	(138,611)
Amortisation charge	(6,465)	-	(6,465)
Cloud computing transition adjustment[1]	564	-	564
Effect of movement in exchange rates	(97)	-	(97)
At 31 December 2021	(144,609)	-	(144,609)
Amortisation charge	**(5,752)**	**-**	**(5,752)**
Effect of movement in exchange rates	**99**	**-**	**99**
At 31 December 2022	**(150,262)**	**-**	**(150,262)**
Carrying amounts			
At 31 December 2021	18,531	10,558	29,089
At 31 December 2022	**22,962**	**4,068**	**27,030**

In April 2021 the IFRS Interpretations Committee published a final agenda decision clarifying how to recognise certain configuration and customisation expenditures related to cloud computing arrangements. Costs that do not meet the capitalisation criteria should be expensed as incurred. The Group changed its accounting policy to align with the agenda decision and previously capitalised costs that no longer qualify for capitalisation were expensed in the current period (retrospective application was not applied as the amount was not material). A net cloud computing transition adjustment of €3.1 million is presented above, with corresponding income statement impacts presented in notes 4 and 6 and a cashflow statement (non-cash) adjustment presented in note 15.

Notes to the Group Financial Statements (continued)

13. Trade and Other Receivables

		31-Dec-22 €'000	31-Dec-21 €'000
Use of system receivable - billed		**4,388**	31,508
Use of system receivable - unbilled		**45,585**	39,533
Other trade receivables - billed		**7,940**	6,250
Other trade receivables - unbilled		**2,793**	5,002
Amounts due from Uisce Éireann	27	**-**	4,849
Other receivables		**7,443**	3,375
Sub-total		**68,149**	90,517
Prepayments		**7,677**	6,834
Total		**75,826**	97,351

Analysed as follows:		
Non-current	**-**	-
Current	**75,826**	97,351
Total	**75,826**	97,351

Trade receivables mainly represent use of system receivables for the Group's gas pipeline networks in the Republic of Ireland and Northern Ireland. Other trade receivables mainly represent unregulated customer contract receivables and ancillary regulated customer contract receivables.

There are no material expected credit loss allowances recognised by the Group and the Group does not expect any significant losses of receivables that have not been provided.

Use of system receivables:

Republic of Ireland: Use of system revenue in Ireland comprises Distribution Use of System (DUoS) revenue and Transmission Use of System (TUoS) revenue. The credit terms for both DUoS and TUoS are ten business days and there were twenty-eight external shippers at year end. TUoS and DUoS revenue is billed and collected by the Group. The allowed revenue is invoiced to the shippers on a monthly basis twelve business days after month end with payment due ten business days from date of invoice. Under the gas network code of operations, shippers may be required to provide financial security in order to protect the Group against non-payment of gas transportation invoices. Related funds received are held on deposit and are included within the restricted deposits balance (refer to note 14). The Group has not recognised any expected credit loss in respect of these customers in the current or prior reporting period.

Northern Ireland: Use of system revenue in Northern Ireland comprises Transmission Use of System (TUoS) revenue. Invoices are issued by the administrator and non-payment of invoices attracts a daily interest charge. Shippers may be required to provide financial security in order to protect the Group against non-payment of gas transportation invoices. Related funds received are held on deposit and are included within the restricted deposits balance (refer to note 14). The Group has not recognised any expected credit loss in respect of these customers in the current or prior reporting period.

Other trade receivables and other receivables:

Other trade receivables include unregulated customer contract receivables, third party damages receivables, Aurora Telecom receivables and regulated customer contract receivables that are ancillary to the use of the DUoS and TUoS systems. Payments in relation to new connections or alterations are paid for in advance of the work being carried out. Credit risk on all other receivables is managed through proactive monitoring and management of balances and credit vetting (where applicable).

The Group's maximum exposure of trade and other receivables to credit risk at the reporting date is €68.1million (2021: €90.5 million). Prepayments are excluded as no credit exposure arises.

13. Trade and Other Receivables (continued)

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region is as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Republic of Ireland	**60,557**	77,369
UK (including Northern Ireland and Isle of Man)	**7,592**	13,148
Total	**68,149**	90,517

The majority of the Group's trade and other receivables are collected within 30 days of the invoice date. Customer payment behaviour has remained unchanged throughout the Covid-19 pandemic and has remained unaffected by the the recent energy market price volatiity. Given the credit worthiness of the Group's trade and other receivables, a provision matrix is not used by the Group and an adjustment in respect of macro-economic factors is assessed as not required as it would not have a material impact on the expected credit losses (ECL) recognised. Instead, an assessment of ECL is performed on individual debtors. As noted above, there are no material expected credit loss allowances recognised by the Group and the Group does not expect any significant losses of receivables that have not been provided. The Group writes off trade and other receivables where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g., when the debtor has been placed into liquidation or has entered into bankruptcy proceedings. The trade receivables that have been written off, in the current year and prior year, are immaterial.

The following table shows the movement in expected credit loss allowance that has been recognised for trade and other receivables in accordance with the simplified approach as set out in IFRS 9 (individually assessed).

	2022 €'000	2021 €'000
At 1 January	**(517)**	(596)
Impairment losses on financial assets	**(95)**	(14)
Allowance utilised	**19**	93
At 31 December	**(593)**	(517)

The ageing of trade and other receivables (excluding amounts due from Uisce Éireann), net of expected credit losses, is as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Not past due	**60,406**	56,226
1 - 30 days	**834**	29,111
31 - 120 days	**6,904**	329
> 120 days	**5**	2
Total	**68,149**	85,668

Notes to the Group Financial Statements (continued)

14. Cash and Cash Equivalents

Cash and cash equivalents are held for the purposes of meeting short-term cash commitments.

	31-Dec-22 €'000	31-Dec-21 €'000
Short-term bank deposits	**111,452**	62,500
Cash at bank	**37,625**	24,797
Total	**149,077**	87,297

Cash and cash equivalents primarily comprise cash balances and short-term bank deposits with an original maturity of less than three months. The carrying amount of these assets approximates their fair value. Refer to note 23 for treasury related credit risk disclosures.

Restricted deposits

	31-Dec-22 €'000	31-Dec-21 €'000
Cash at bank	**40,248**	46,348
Total	**40,248**	46,348

Restricted deposits include amounts held in respect of gas network shipper security deposits (note 13) and certain connection agreements (note 19). The level of shipper security in place is assessed on a regular basis, and further deposits or refunds are made if required, in accordance with the Gas Networks Ireland Code of Operations. Connection agreement security deposits are held to underwrite the capital cost of large connection projects (returned to the customers on a phased basis over 2-3 years) and to underwrite capacity payments (returned to the customer over a period of up to 7 years). Corresponding payables due have been recorded for all restricted cash balances recorded in cash and cash equivalents. Refer to note 23 for treasury related credit risk disclosures.

Cash and cash equivalents movements through the statement of cash flows also includes movements in restricted deposit balances.

	2022 €'000	2021 Restated[1] €'000
At 1 January	**133,645**	140,490
Increase/(decrease) in cash and cash equivalents in the statement of cash flows	**56,531**	(7,116)
Effect of exchange rate fluctuations on cash held	**(851)**	271
At 31 December	**189,325**	133,645

[1] Restatement of restricted cash to cash and cash equivalents, refer to note 1 for more information.

15. Cash Generated from Operations

	Notes	2022 €'000	2021 Restated[1] €'000
Cash flows from operating activities			
Profit for the year		**56,411**	64,901
Adjustments for:			
Depreciation and amortisation	6	**141,727**	140,811
Cloud computing adjustment		**-**	3,616
Net finance costs	7	**14,216**	15,566
Retirement benefit cost		**8,273**	8,274
Income tax expense	8	**11,929**	16,624
		232,556	249,792
Working capital changes:			
Change in trade and other receivables		**16,588**	(20,154)
Change in trade and other payables		**(20,208)**	47,540
Change in deferred revenue		**24,440**	34,797
Change in provisions		**(395)**	(338)
Change in inventories		**(105)**	2,553
Cash from operating activities		**252,876**	314,190
Interest paid		**(9,647)**	(16,441)
Income tax paid		**(13,617)**	(20,350)
Net cash from operating activities		**229,612**	277,399

[1] Restatement of restricted cash to cash and cash equivalents, refer to note 1 for more information.

16. Inventory

	31-Dec-22 €'000	31-Dec-21 €'000
Stocks and materials	**568**	463

No inventory was pledged as security.

There were no write-downs of inventories to net realisable value in 2022 (2021: €nil).

In 2022 the value of inventory recognised as maintenance costs amounted €2.4m (2021 €2.2m).

Notes to the Group Financial Statements (continued)

17. Borrowings and Other Debt

This note provides information about the contractual terms of the Group's borrowings and other debt (including lease liabilities). Refer to note 23 for more information about the Group's exposure to interest rate, exchange rate and liquidity risk.

	31-Dec-22 €'000	31-Dec-21 €'000
Bonds	**(921,156)**	(920,210)
Loans from financial institutions	**(99,020)**	(99,966)
Lease liabilities	**(2,738)**	(15,253)
Total	**(1,022,914)**	(1,035,429)
Analysed as follows:		
Non-current	**(1,022,695)**	(1,034,241)
Current	**(219)**	(1,188)
Total	**(1,022,914)**	(1,035,429)
Less than one year	**(219)**	(1,188)
Between one and five years	**(796,927)**	(801,057)
More than five years	**(225,768)**	(233,184)
Total	**(1,022,914)**	(1,035,429)

All borrowings are repayable other than by instalment. Certain borrowings are held with related parties, refer to note 27 for full details of related party disclosures.

Net debt

	31-Dec-22 €'000	31-Dec-21 €'000
Total borrowings and other debt	**(1,022,914)**	(1,035,429)
Less cash and cash equivalents - available to Group	**149,077**	87,297
Net debt[1]	**(873,837)**	(948,132)

[1] Only cash and cash equivalents available to group are included in the calculation of net debt, cash and cash equivalents- restricted amounts are excluded.

Changes in liabilities arising from financing activities

		Bonds €'000	Loans from financial institutions €'000	Lease liabilities €'000	Total €'000
At 1 January 2021		(919,270)	(215,129)	(16,453)	(1,150,852)
Proceeds		-	(40,000)	-	(40,000)
Repayment		-	151,200	-	151,200
Repayment of lease liabilities	11	-	-	1,200	1,200
Change in fair value of financial liabilities		-	4,131	-	4,131
Non-cash		(940)	(168)	-	(1,108)
At 31 December 2021		(920,210)	(99,966)	(15,253)	(1,035,429)
Payment of other financing costs		**-**	**1,200**	**-**	**1,200**
Repayment of lease liabilities	11	**-**	**-**	**238**	**238**
Non-cash-transfer under common control		**-**	**-**	**12,185**	**12,185**
Non-cash-other		**(946)**	**(254)**	**92**	**(1,108)**
At 31 December 2022		**(921,156)**	**(99,020)**	**(2,738)**	**(1,022,914)**

18. Retirement Benefit Obligations

The Group operates a defined benefit scheme and a defined contribution scheme.

Defined benefit scheme

The Group operates one externally funded defined benefit pension scheme in Ireland. The level of benefits provided depends on members' length of service and their pensionable salary when they leave the scheme, i.e., a 'final salary' scheme. Increases are generally provided to pensions in payment on a discretionary basis with a long-term target of price inflation.

The defined benefit scheme is administered by a Board of Trustees which comprises member and employer representatives. The Board of Trustees is responsible for the management and governance of the scheme including compliance with all relevant laws and regulations. The assets of the scheme are held separately from those of the Group in trustee administered funds. The scheme is subject to independent actuarial valuations at least every three years. The latest valuation of the defined benefit scheme was carried out as at 1 April 2020 by a qualified actuary. The next actuarial valuation is due with an effective date of 1 September 2022 and is currently in the course of preparation. The valuation date was brought forward from the scheduled 1 April 2023 as part of the separation of Eriva and Uisce Éireann.

The scheme exposes the Group to a number of risks, the most significant of which are as follows:

Asset volatility risk

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this could create a deficit. The scheme holds a significant proportion of growth assets (equities and diversified alternatives) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term.

Changes in bond yields risk

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be partially offset by an increase in the value of any bond holdings.

Salary risk

As a final salary scheme there is an exposure to higher benefits arising as a result of higher salary increases than allowed for in the assumptions. The assumptions used to project final salary incorporate an age-related component in addition to a flat basic rate as an allowance for the effect of increments and promotions.

Inflation risk

The scheme's defined benefit obligations are linked to inflation (for active members, benefits are linked to salary increases while for deferred members, preserved benefits are linked to post retirement pension increases awarded). An objective of the benefit and funding policy is to provide discretionary post-retirement pension increases that are linked to price inflation. Higher than assumed inflation will lead to higher liabilities. About a third of the fund is invested in inflation linked bonds as a match to such real liabilities.

Life expectancy risk

The majority of the scheme's obligations are to provide benefits for the life of the member (and their dependants), so increases in life expectancy will result in an increase in the liabilities.

Notes to the Group Financial Statements (continued)

18. Retirement Benefit Obligations (continued)

	31-Dec-22 €'000	31-Dec-21 €'000
Investments quoted in active markets:		
Equities	**177,340**	239,635
• developed markets	**158,808**	217,821
• emerging markets	**18,532**	21,814
Bonds	**208,940**	234,889
• Government debt	**156,333**	171,511
• Non-government debt	**52,607**	63,378
Investment funds	**69,020**	78,941
Cash	**5,659**	805
Unquoted investments:		
Property/forestry	**3,342**	3,290
Infrastructure	**21,683**	11,328
Private equity/venture capital	**-**	1,702
Fair value of plan assets	**485,984**	570,590
Defined benefit obligation	**(502,290)**	(688,316)
Net defined benefit obligation (before reimbursement rights)	**(16,306)**	(117,726)
Reimbursement rights	**5,585**	8,922
Total	**(10,721)**	(108,804)

Investment strategy

The Group and Trustees have agreed an initial investment strategy that is growth orientated (56% growth / 44% liability matching).

18. Retirement Benefit Obligations (continued)

Movement in net defined benefit liability before reimbursement rights

	Defined benefit liability		Fair value of plan assets		Net defined benefit obligation	
	2022	2021	2022	2021	2022	2021
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January	**(688,316)**	(696,468)	**570,590**	504,887	**(117,726)**	(191,581)
Income Statement:						
Current service cost	**(14,035)**	(15,723)	**-**	-	**(14,035)**	(15,723)
Past service cost	**(168)**	-	**-**	-	**(168)**	-
Plan amendments	**337**	-	**-**	-	**337**	-
Interest on liabilities and assets	**(8,500)**	(4,830)	**7,120**	3,533	**(1,380)**	(1,297)
	(22,366)	(20,553)	**7,120**	3,533	**(15,246)**	(17,020)
Other Comprehensive Income:						
Return on plan assets excl. interest income	**-**	-	**(89,704)**	62,459	**(89,704)**	62,459
Experience gains/(losses) on liabilities	**(22,369)**	11,190	**-**	-	**(22,369)**	11,190
Changes in financial assumptions	**222,166**	9,513	**-**	-	**222,166**	9,513
Changes in demographic assumptions	**(2,918)**	-	**-**	-	**(2,918)**	-
	196,879	20,703	**(89,704)**	62,459	**107,175**	83,162
Contributions by employers	**-**	-	**11,015**	8,832	**11,015**	8,832
Contributions by members	**(3,740)**	(3,700)	**3,740**	3,700	**-**	-
Benefits paid	**17,720**	13,055	**(16,777)**	(12,821)	**943**	234
Current service costs - provisions	**(66)**	(200)	**-**	-	**(66)**	(200)
Current service costs - Uisce Éireann	**(2,401)**	(1,153)	**-**	-	**(2,401)**	(1,153)
	11,513	8,002	**(2,022)**	(289)	**9,491**	7,713
At 31 December	**(502,290)**	(688,316)	**485,984**	570,590	**(16,306)**	(117,726)

The weighted average duration of the defined benefit obligation at 31 December 2022 was approximately 19 years (2021: 22 years). The Group expects to contribute €6.0 million to its pension plan in 2023.

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate	**3.70%**	1.25%
Inflation assumption	**2.50%**	1.90%
Rate of increase in salaries	**3.00%**	2.40%
Rate of increase in pensions payment	**2.50%**	1.90%

The average future life expectancy factored into the valuation, based on retirement age of 65 years for current and future retirees is as follows:

		2022	2021
Retiring today	Females	24.8	24.6
	Males	23.0	22.9
Retiring in 25 years	Females	27.0	26.9
	Males	25.1	25.1

Notes to the Group Financial Statements (continued)

18. Retirement Benefit Obligations (continued)

Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial and demographic assumptions adopted in calculating the actuarial value of the Group's defined benefit obligation. The following table analyses the estimated impact on scheme liabilities resulting from changes to key actuarial assumptions.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease by 4.3%/increase by 4.6%
Price inflation	Increase/decrease by 0.25%	Increase by 4.6%/decrease by 4.3%
Salary	Increase/decrease by 0.25%	Increase by 1.6%/decrease by 1.6%
Mortality	Increase/decrease by one year	Increase by 2.8%/decrease by 2.8%

Defined benefit obligation - reimbursement rights

Ervia participates in the Public Service Transfer Network (PSTN). The PSTN is governed by Section 4 of the Superannuation and Pensions Act 1963 and allows qualifying employees to transfer their pensionable service entitlements, arising from service with other participating public sector bodies, to the Ervia scheme. Ervia is entitled to recover the cost of funding this prior pensionable service from the relevant public bodies in accordance with the provision of the PSTN, when the relevant employee superannuation benefits are paid. Ervia recovered €0.9 million in funding during the year. At 31 December 2022, the fair value of the reimbursement rights, which is deemed to be the present value of the related obligations, was valued at €5.6 million by the scheme actuary under IAS 19 assumptions (2021: €8.9 million).

Defined contribution pension scheme

The Group makes contributions to the Ervia Defined Contribution Scheme on behalf of its employees. These costs are charged to the income statement and are disclosed in note 5.

Post Balance Sheet Event

With effect from 1 January 2023 ("appointed day") Uisce Éireann (now Uisce Eireann) became a standalone, public owned, commercial, regulated utility separate from the Ervia Group.

A consequence of separation is that employees, who were active members of the Ervia Superannuation Scheme and had transferred to Uisce Éireann, will no longer be eligible for continued active membership of the Ervia Scheme with effect from the Appointed Day. The associated legislation provided for the transfer of designated staff to Uisce Eireann on such terms and conditions relating to remuneration and superannuation that are not less favourable than those prevailing prior to transfer. To this end a new pension scheme, the Uisce Éireann (ex Ervia) Superannuation Scheme has been established to provide mirror image pension benefits in respect of future service and a 'wrap-around' design to maintain the link to final salary in respect of pensionable service completed prior to the transfer.

Upon separation the accrued benefits of the transferring members have been converted to 'paid-up' status by reference to completed pensionable service and current pensionable salary and will remain preserved (deferred) in the Ervia Scheme. The objective of the arrangement is to provide equivalent pension benefits, on a combined scheme basis, to those that would have been provided by the Ervia Scheme had separation not occurred i.e. on the basis of continuous service and by reference to final salary.

A consequence of leaving the Ervia final salary scheme is that the reserve for future salary increases is released on exit and results in a curtailment gain of €12.866m to be recognised in 2023. Cash compensation of €12.2m was paid to Uisce Éireann in February 2023 by Ervia. The cash compensation was determined based on an equitable apportionment of the overall funding deficit between Ervia and Uisce Éireann based on the active membership of the scheme prior to legal separation.

19. Deferred Revenue

	2022 €'000	2021 €'000
At 1 January	**(60,406)**	(25,609)
Received	**(37,337)**	(39,036)
Credited to the income statement	**12,897**	4,239
At 31 December	**(84,846)**	(60,406)

Analysed as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Non-current	**(50,527)**	(47,469)
Current	**(34,319)**	(12,937)
Total	**(84,846)**	(60,406)

Customer new connection contributions, which are received in advance, are recorded initially as deferred revenue. These contributions are then released to the income statement as revenue as the connection works (performance obligation) are completed.

20. Grants

	2022 €'000	2021 €'000
At 1 January	**(71,521)**	(76,470)
Receivable in year	**(1,061)**	(1,327)
Amortised	**6,615**	6,583
Credited to the income statement	**670**	738
Effect of movement in exchange rates	**736**	(1,045)
At 31 December	**(64,561)**	(71,521)

Analysed as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Non-current	**(57,971)**	(64,883)
Current	**(6,590)**	(6,638)
Total	**(64,561)**	(71,521)

There are no unfulfilled conditions attached to grants recognised in the income statement. In certain circumstances grants may become repayable if the conditions laid down in the grant agreements are not adhered to. The Group does not expect such circumstances to arise and there were no repayments of grants in the current or prior financial year.

Grants receivable for 2022 of €1.1 million (2021: €1.3 million) related to grant funding from the Innovation and Networks Executive Agency (INEA) for Carbon Capture utilisation and storage work studies, for investment in Compressed Natural Gas stations and Biogas related infrastructure and the development of policies and procedures in relation to Gas Networks Ireland Gas Operational Technology. A number of conditions relating to these grant fundings remain in progress at year end.

Notes to the Group Financial Statements (continued)

21. Provisions, Contingencies and Capital Commitments

Provisions

	Restructuring	Self-insured claims	Total
	€'000	€'000	€'000
At 1 January 2022	**(48)**	**(7,763)**	**(7,811)**
Provisions made	**(233)**	**(849)**	**(1,082)**
Provisions used	**256**	**1,221**	**1,477**
At 31 December 2022	**(25)**	**(7,391)**	**(7,416)**

Analysed as follows:

	31-Dec-22	31-Dec-21
	€'000	€'000
Non-current	**(5,905)**	(6,198)
Current	**(1,511)**	(1,613)
Total	**(7,416)**	(7,811)

Restructuring
During 2013, the Ervia Group announced a voluntary severance and early retirement programme for employees that satisfied certain qualifying criteria. The Group made termination payments of €0.256m in aggregate during 2022 in respect of 4 employees who exited under the terms of the programme. These liabilities are expected to be fully discharged in 2023.

Self-insured claims
The Group is self-insured in respect of certain injury and damage claims. The year-end provision is for the estimated costs of incidents that have occurred up to 31 December 2022. Payments are made as the cases are settled. The charge is included in the income statement under operating costs. The nature of these claims is such that a settlement date is uncertain, but the Group expects the claims to be substantially settled by 2025.

Contingencies

Contingent liabilities with respect to grants are disclosed in note 20.

The Group is subject to various litigation, claims and contract disputes in the ordinary course of operations. While any such proceedings have an element of uncertainty, we do not expect the ultimate resolution of these proceedings to have a material adverse effect on the Group's results from operations, operating cash flows or net asset financial position.

Capital commitments

	2022	2021
	€'million	€'million
Capital expenditure that has been contracted for but has not been provided for	**87**	56

22. Trade and Other Payables

	31-Dec-22 €'000	31-Dec-21 €'000
Trade payables	**(19,055)**	(18,866)
Accrued expenses	**(73,157)**	(100,451)
Other payables	**(49,587)**	(51,775)
Taxation and social insurance creditors	**(19,398)**	(19,647)
Total	**(161,197)**	(190,739)
Analysed as follows:		
Non-current	**(7,859)**	(15,751)
Current	**(153,338)**	(174,988)
Total	**(161,197)**	(190,739)
Taxation and social insurance creditors		
PAYE/social insurance	**(2,002)**	(3,143)
VAT	**(17,396)**	(16,504)
Total	**(19,398)**	(19,647)

23. Financial Risk Management and Financial Instruments

Foreign exchange contracts and currency swaps

The Group has entered into foreign exchange contracts in relation to supplier payments (which are in US dollar and sterling) and in relation to the hedge of sterling based operations. These contracts have maturities extending until 2024. The trades in place at 31 December 2022 were not designated for hedge accounting purposes.

Accounting classifications and fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed."

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

Refer to note 24 for IFRS 13 disclosures in respect of fair value measurement.

	Fair value hierarchy	FVTPL - undesignated €'000	Total at amortised cost €'000	Total €'000
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts	Level 2	**970**	**-**	**970**
Trade and other receivables²		**-**	**68,149**	**68,149**
Cash and cash equivalents - available to group³		**-**	**149,077**	**149,077**
Cash and cash equivalents - restricted deposits		**-**	**40,248**	**40,248**
Total financial assets		**970**	**257,474**	**258,444**
Financial liabilities				
Borrowings and other debt⁴		**-**	**(1,022,914)**	**(1,022,914)**
Foreign exchange rate contracts	Level 2	**(1,077)**	**-**	**(1,077)**
Trade and other payables¹		**-**	**(68,642)**	**(68,642)**
Total financial liabilities		**(1,077)**	**(1,091,556)**	**(1,092,633)**
Net financial (liabilities)		**(107)**	**(834,082)**	**(834,189)**
At 31 December 2021				
Financial assets				
Foreign exchange rate contracts	Level 2	1,273	-	1,273
Trade and other receivables²		-	90,517	90,517
Cash and cash equivalents - available to group³		-	87,297	87,297
Cash and cash equivalents - restricted deposits		-	46,348	46,348
Total financial assets		1,273	224,162	225,435
Financial liabilities				
Borrowings and other debt⁴	Level 2	-	(1,035,429)	(1,035,429)
Foreign exchange rate contracts	Level 2	(612)	-	(612)
Trade and other payables¹		-	(70,641)	(70,641)
Total financial liabilities		(612)	(1,106,070)	(1,106,682)
Net financial assets/(liabilities)		661	(881,908)	(881,247)

[1] Accrued expenses and taxations and social insurance creditors have been excluded as these are not classified as financial liabilities.

[2] Prepayments have been excluded as these are not classified as financial assets.

[3] Financial assets and liabilities are offset, and the net amount reported in the balance sheet where the Group has a current legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. At 31 December 2022, €38.0 million of cash and cash equivalents available to the group (2021: €25.1 million) was offset against €0.4 million of bank overdrafts (2021: €0.3 million), and a net position of €37.6 million was presented as cash and cash equivalents available to the group (2021: €24.8 million). At 31 December 2022, the Group had entered no master netting arrangements and other similar agreements.

[4] The fair value of borrowings and other debt as at 31 December 2022 was €933.6 million (2021: €1,073.8 million).

23. Financial Risk Management and Financial Instruments (continued)

The fair values of financial instruments, grouped by class of instrument, are as follows:

	Non-current assets	Current assets	Non-current liabilities	"Current liabilities"	Total
	€'000	€'000	€'000	€'000	€'000
Foreign exchange contracts	**58**	**912**	**(111)**	**(966)**	**(107)**
At 31 December 2022	**58**	**912**	**(111)**	**(966)**	**(107)**
Foreign exchange contracts	378	896	(189)	(424)	661
At 31 December 2021	378	896	(189)	(424)	661

Financial risk management
The Group has established financial risk management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

In using derivatives, the Group complies with the Financial Transactions of Certain Companies and Other Bodies Act 1992 and any requirements and conditions as may be specified by the Minister for Finance thereunder and there are procedures in place whereby this compliance is monitored, reviewed and reported to the Board on a regular basis.

The Group's treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited.

(i) Credit risk
The Group is exposed to credit risk with counterparties the Group has entered into transactions with. It includes assets held with banks and financial institutions, transactions in relation to derivative financial instruments and credit exposures arising from trading relationships with customers. The objective of the Group's credit risk management is to manage and control credit risk exposures within acceptable parameters.

The carrying amount of financial assets, which represents their maximum credit exposure, at the reporting date was:

	31-Dec-22	31-Dec-21
	€'000	€'000
Trade and other receivables (excluding prepayments)	**68,149**	90,517
Cash and cash equivalents - available to group	**149,077**	87,297
Cash and cash equivalents - restricted deposits	**40,248**	46,348
Derivative financial instruments	**970**	1,273
Total	**258,444**	225,435

(i) (a) Treasury related credit risk
Treasury undertakes all treasury activities for the Ervia Group. Treasury manages treasury related credit risk through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. It is the Group's policy that cash is mainly placed on deposit with institutions who maintain an investment grade credit rating. Treasury regularly evaluates and measures its treasury counterparty exposures.

All derivative trades are transacted in compliance with the Requirements and the Conditions of the Minister of Finance, issued in accordance with provisions of the Financial Transaction of Certain Companies and Other Bodies Act 1992. This outlines the criteria that must be satisfied regarding each derivative counterparty with which the Group transacts. Group Treasury regularly evaluates and measures its treasury counterparty exposures. Where the exposure on derivative instruments has the potential to be material to the Group's net worth, the Group will consider entering into credit support arrangements

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

Financial guarantees
In the normal course of its business, the Group enters into certain undertakings and commitments to third parties in respect of obligations to perform under contractual arrangements. Obligations to third parties are guaranteed by letters of credit or issued by financial institutions. Even though these obligations may not be recognised on the Group balance sheet, credit risk exists in relation to these instruments as they commit the Group to make payments, on behalf of subsidiary companies, in the event of a specific act and therefore they form part of the overall risk of the Group. The nominal values of such commitments are listed below (i.e the maximum exposure to credit risk under these obligations).

	31-Dec-22 €'000	31-Dec-21 €'000
Letters of credit	**700**	700
Total	**700**	700

(i) (b) Trade related credit risk
Refer to note 13 for an analysis of the Group's exposure to trade related credit risk.

(ii) Funding and liquidity risk
The Group's approach to managing funding and liquidity risk is to ensure, as far as possible, that it has adequate resources to meet its liabilities when due, under both normal and stressed conditions. Group Treasury is responsible for ensuring the Group has access to sufficient liquidity to ensure that the Group is able to settle obligations arising through its day-to-day operations, maturing debt obligations and capital investment outlays. Group Treasury develops and maintains relationships with financial institutions in order to develop their understanding of the business and to build their long-term commitment to the Group. All banking and treasury services are sourced at competitive prices.

(ii) (a) Funding
The Group's funding position was strong in 2022. A revolving credit facility was refinanced in 2022 with a group of 6 domestic and international banks and this 5-year facility provides the Group with a strong level of liquidity out to 2027.The Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk.

The Group seeks to ensure that it has committed facilities in place to cover 120% of core projected needs over a one-year horizon and that facilities are arranged with appropriate financial and operating covenants to ensure that management has the necessary flexibility in the operation of its business.

Facilities available to the Group at the reporting date;

	31-Dec-22 €'000	31-Dec-21 €'000
Borrowings (excluding lease liabilities)	**(1,020,176)**	(1,020,176)
Committed facilities	**(1,335,179)**	(1,484,783)

The Group credit rating was moved to Gas Networks Ireland in 2015. Gas Networks Ireland is rated A by Standard & Poor's (2021: A) and A2 by Moody's Investors Services (2021: A2). This strong credit rating enables Gas Networks Ireland to have access to a wide diversity of funding sources and ensures it can raise funding at competitive cost.

(ii) (b) Cash surpluses
Cash surpluses are used primarily to reduce the level of debt. Cash surpluses are primarily placed on deposit with counterparty banks. The Group will invest surplus cash in euro or in the currency of overseas operations.

(ii) (c) Exposure to liquidity risk
The following are the contractual maturities of financial liabilities (and assets of a similar nature), including the undiscounted interest payment associated with borrowings and the undiscounted net cash flows attributable to financial instruments. The disclosure includes cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g., forward foreign exchange rate contracts.

23. Financial Risk Management and Financial Instruments (continued)

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2022						
Borrowings and other debt	**(1,022,914)**	**(1,119,969)**	**(13,642)**	**(313,730)**	**(531,060)**	**(261,537)**
Trade and other payables1	**(68,642)**	**(68,642)**	**(68,642)**	**-**	**-**	**-**
Non-derivative financial liabilities	**(1,091,556)**	**(1,188,611)**	**(82,284)**	**(313,730)**	**(531,060)**	**(261,537)**
Foreign exchange rate contracts	**(107)**	**(107)**	**(54)**	**(53)**	**-**	**-**
Net derivative financial assets	**(107)**	**(107)**	**(54)**	**(53)**	**-**	**-**
Net financial liabilities	**(1,091,663)**	**(1,188,718)**	**(82,338)**	**(313,783)**	**(531,060)**	**(261,537)**
At 31 December 2021						
Borrowings and other debt	(1,035,429)	(1,123,345)	(11,264)	(11,468)	(834,441)	(266,172)
Trade and other payables[1]	(70,641)	(70,641)	(65,224)	(5,417)	-	-
Non-derivative financial liabilities	(1,106,070)	(1,193,986)	(76,488)	(16,885)	(834,441)	(266,172)
Interest rate swaps	-	-	-	-	-	-
Cross currency interest rate swaps	-	-	-	-	-	-
Foreign exchange rate contracts	661	661	472	170	19	-
Net derivative financial assets	661	661	472	170	19	-
Net financial liabilities	(1,105,409)	(1,193,325)	(76,016)	(16,715)	(834,422)	(266,172)

[1] Accrued expenses and taxation and social insurance creditors have been excluded as these are not classified as financial liabilities.

(iii) Market risk

Market risk is the possibility that changes in market factors will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows.

Treasury is responsible for managing market risk with respect to interest rates and currency exchange rates. All such transactions are carried out within the guidelines set by the Treasury Policy and transacted in compliance with the Requirements and the Conditions of the Minister of Finance, issued in accordance with provisions of the Financial Transaction of Certain Companies and Other Bodies Act 1992. Treasury seeks to apply hedge accounting in order to manage volatility in profit or loss where material in the context of the Group.

(iii) (a) Exchange rate risk

Exchange rate risk derives from the fact that some of the Group's operations are conducted in currencies other than euro (mainly sterling). The objective of exchange rate risk management is to protect profitability by minimising the impact of material variations due to foreign exchange rate movements.

GBP/EUR exchange rates were as follows:

	2022	2021
Average rate	**0.868**	0.860
Year-end rate	**0.886**	0.841

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

The potential exposure to exchange rate risk can be summarised as follows:

Subsidiaries operating in foreign currency (sterling)
The assets and liabilities of foreign operations are translated to euro at exchange rates at the reporting date. The results of foreign operations are translated to euro at average exchange rates for the period, when they represent a reasonable approximation of the actual rates incurred. Exchange differences on retranslation of the opening net assets and the results are recognised in other comprehensive income and presented as a separate component of equity (translation reserve). Group Treasury monitor this risk, and if deemed material, hedge the risk using foreign exchange deals.

Intra-group funding to foreign currency subsidiaries is translated into euro using the exchange rates at the reporting date. The profit/loss arising on the translation of the intra-group funding to foreign subsidiaries is taken to the income statement. The profit/loss arising on the translation of foreign currency liabilities, to the extent that they are used to finance or to provide a hedge against the intragroup funding in foreign subsidiaries, is also taken to the income statement."

Transaction exposure
From time to time the Group makes purchases in foreign currencies. The Group's policy is to manage these transaction exposures by seeking to net purchases and sales denominated in foreign currencies as far as possible. Where this is not possible, exposures will be hedged using derivatives permitted under the Treasury Policy.

Under Treasury Policy, all expected transactions in excess of €300,000 equivalent in foreign currencies will be evaluated with respect to the business risks and, where appropriate, currency risks will be hedged to minimise the potential for adverse variances arising from currency movements.

Exchange rate sensitivity analysis
A strengthening or weakening of the euro, as indicated below, against sterling at 31 December would have increased/(decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis is based on exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Profit before taxation gain/(loss)	Other comprehensive income	Profit before taxation gain/(loss)	Other comprehensive income
	31-Dec-22	31-Dec-22	31-Dec-21	31-Dec-21
	€'000	€'000	€'000	€'000
5% Strengthening	**(932)**	(2,312)	**(1,280)**	(2,319)
5% Weakening	**932**	2,312	**1,280**	2,319

Note: Changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only.

(iii) (b) Interest rate risk
Interest rate risk derives from changes in interest rates which affect the market value of financial assets and liabilities of the Group and impact on net income through impact on finance charges.

The Group's exposure to interest rate fluctuations covers two types of risk:
(i) a risk of change in the cash flows related to floating rate financial assets and liabilities; and
(ii) a risk of change in the value of fixed rate financial assets and liabilities.

The Group monitors exposure to interest rate risk on an ongoing basis with a view to taking advantage of low interest rate environments to fix the Group's interest rate obligations and increase certainty as to the Group's interest rate expense profile. The Group's policy is to maintain a minimum level of fixed rate debt of 60% of net debt on a rolling 12-month basis and 50% of net debt on a rolling three-year basis. The Group uses a number of methods, including entering into fixed rate debt and interest rate derivatives to manage the interest rate risk on its debt portfolio.

23. Financial Risk Management and Financial Instruments (continued)

The percentage of the Group's fixed and floating rate debt (excluding lease liabilities) at 31 December was as follows:

	2022 €'000	2022 %	2021 €'000	2021 %
At fixed rates	**(921,156)**	**90.3%**	(920,210)	90.2%
At floating rates	**(99,020)**	**9.7%**	(99,966)	9.8%
Total	**(1,020,176)**	**100.0%**	(1,020,176)	100.0%

At 31 December 2022, the weighted average interest rate of the fixed debt portfolio (excluding leases) was 1.09% (2021: 1.09%), which comprised three bonds totalling €925.0 million.

The table below provides details of fixed rate debt included in borrowings at 31 December 2022:

	Redemption Amount €'000"	Issue Date	Tenor	Coupon
Eurobond 1	500,000	2016	10 years	1.375
Eurobond 2	125,000	2016	20 years	2.25
Eurobond 3	300,000	2019	5 years	0.125

	2022	2021
Fixed rate debt had an average duration of	**4.63 years**	5.63 years

Interest costs on variable rate loans are reset on a periodic basis for one, three or six months over the prevailing market rate.

Cash flow sensitivity analysis for floating rate debt

"The Group's policies and processes for the management and control of interest rate risk, as set out above, aims to reduce the impact of short-term interest rate fluctuations on the Group's earnings. Nevertheless, long-term changes in interest rates will have an impact on the Group's earnings.

It is estimated that a movement of 200 basis points in interest rates at 31 December (50bp in 2021) would impact profit before taxation by the amounts shown below, and the fair value change on other comprehensive income would be as shown below:

The sensitivity analysis on interest rates was based on a higher threshold in 2022 due to the current global trend of increasing interest rates.

	Profit before taxation 31-Dec-22 €'000	Profit before taxation 31-Dec-21 €'000	Other comprehensive income 31-Dec-22 €'000	Other comprehensive income 31-Dec-21 €'000
200 bp increase (50 bp in 2021)	**(1,980)**	(500)	**-**	-
200 bp decrease (50 bp in 2021)	**1,980**	500	**-**	-

The following assumptions were made in respect of the sensitivity analysis above:

- all other variables, in particular foreign currency rates, remain constant;
- relates only to derivative financial instruments and floating debt;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12-month period for the accrued interest portion of the sensitivity calculations.

Notes to the Group Financial Statements (continued)

24. Fair Value Measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent that it is available.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers in both 2022 and 2021.

(a) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table sets out the valuation techniques applied by the Group in measuring fair value, together with any significant unobservable inputs.

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts *(Refer to note 23)*	The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated as the difference between the contractual forward price and the current forward price for the residual maturity of the contract. Fair value hierarchy: level 2	All significant inputs required to fair value the instrument are observable.
Investment properties *(Refer to note 10)*	The fair value was determined using the market approach, considering all of the market information available. The fair value was primarily derived from using comparable recent transactions at arm's length and using appropriate valuation techniques. Fair value hierarchy: level 3	All significant inputs required to fair value the instrument are unobservable.

(b) Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)

The fair value of borrowings, measured at amortised cost is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date - Fair value hierarchy: level 2. There were no financial instruments that are measured at amortised cost but for which fair value was disclosed classified as Level 3 either in current year or in prior year.

25. Dividends

Dividend declared

	2022 €'000	2021 €'000
To the Exchequer	**30,112**	38,438
Total	**30,112**	38,438

Dividend paid

	2022 €'000	2021 €'000
Annual dividend paid to the Exchequer	**30,112**	38,438
Total	**30,112**	38,438

Ervia is 100% beneficially owned by the Irish State. Annual dividends are based on 45% (2021: 45%) of the previous year's adjusted profit, as directed by the Government. In March 2023, the Board further approved the declaration and payment of an annual dividend of €25.869 million, based on 45% of the 2022 adjusted profit, subject to the Government's noting of the 2022 Financial Statements of Ervia.

In 2018, following agreement with the Department of Housing, Local Government and Heritage, Ervia withheld €5.1 million of the dividend. This is due to be paid in 2023 with an appropriate interest rate accruing annually.

Notes to the Group Financial Statements (continued)

26. Subsidiaries

At 31 December 2022 the Group and the Parent had the following subsidiaries:

Company	Nature of Business	Registered Office	% Holding of Ordinary Share Capital
Gas Networks Ireland	Gas Transmission	Gasworks Road, Cork, Ireland.	100%
Gas Networks Ireland (IOM) DAC	Gas Transmission	Gasworks Road, Cork, Ireland.	100%
GNI (UK) Limited	Gas Transmission	8th Floor, 20 Farringdon Street, London, United Kingdom EC4A 4AB	100%
Network Services Transition DAC	Non-trading	Gasworks Road, Cork, Ireland.	100%

Non-controlled Undertaking	Nature of Business	Registered Office	Notes
Uisce Éireann	Water and Waste Water Services	Colvill House, 24/26 Talbot Street, Dublin 1, Ireland.	(i)

At 31 December 2022, the Group held a single voting share in Uisce Éireann, with no economic rights attributable to that share. The Minister for Finance and the Minister for Housing, Local Government and Heritage each held 325 (2021: 325) Water Economic Rights ('WER') shares which carried no voting rights but carried all the economic rights to obtain benefit from the activities of Uisce Éireann.

Per the Water Services (Amendment) Act 2022, on 01 January 2023, the shares in Uisce Éireann issued to Ervia and the Minister for Finance and the Minister for Housing, Local Government and Heritage were cancelled and Uisce Éireann ceased to be a subsidiary of Ervia.

IFRS 10 states ""an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee"". The Group's single voting share in Uisce Éireann represented an existing right at 31 December 2022 that gave the Group the power to govern the financial and operating policies of Uisce Éireann. However, as this power could not be used to obtain variable returns, as the Group did not have rights to the variable returns of Uisce Éireann at that date, as required by IFRS 10, and therefore in order to comply with the requirements of IFRS, the financial statements of Uisce Éireann are not consolidated with the results of the Group for the financial years ended 31 December 2021 and 2022.

27. Related Parties

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State. Refer to note 25 for disclosures in respect of the Group's dividends.

Uisce Éireann

Uisce Éireann is deemed to be a related party of the Group, on the basis of the fact pattern set out in note 26.

Balances receivable at the reporting date, in respect of the transactions detailed below, are as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Uisce Éireann	-	4,849
	-	4,849

Transaction values during the year:

		2022 €'000	2021 €'000
Central transactional and support services	(a)	**1,259**	49,320
Capital expenditure costs recharged	(b)	-	11,764
Pension costs	(c)	**2,401**	1,153

(a) Transactional and support service costs

During 2021, the Group provided strategic, governance, risk management, capital delivery management and transactional and support services to Uisce Éireann, through the Group Centre, Major Projects area and Business Services. The Business Services organisation was designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, Insurance, Project Support, HR and IT. The costs relating to the secondment of employees were recharged to Uisce Éireann on a full cost recovery method with no margin earned. In 2018, the Government announced that Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities during 2023. The work programme to establish two standalone independent utilities commenced in 2020 with the objective of achieving operational separation in January 2022 and full legal separation in 2023. As a result, the level of transactional and support service costs provided by to Gas Networks Ireland during 2022 reduced significantly in comparison to prior years and consisted of certain limited Group Services (€0.588 million). In addition, Uisce Éireann made payments to Ervia of €0.695 million to meet agreed pension deficit repair payments, as described in (c) below.

(b) Capital expenditure costs incurred by Ervia Group and recharged to Uisce Éireann

During 2021 costs incurred by Erivia Parent on behalf of IW in respect of joint utility, centrally delivered and business delivered projects, were re-charged on a monthly basis with no overhead or margin applied. No costs were incurred on behalf of IW in respect of the aforementioned projects during the financial year ended 31 December 2022.

(c) Pension cost

The Group operates a defined benefit pension scheme. A number of Uisce Éireann employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Uisce Éireann recognises only the cost of contributions payable for the year in respect of Uisce Éireann employees. The Group's current service costs for 2022 (as set out in note 18) includes the contributions payable for the year in respect of Uisce Éireann employees (as set out above). These costs are not included in the Group's employee benefit expense. In addition, Uisce Éireann made payments to Ervia of €0.695 million to meet agreed pension deficit repair payments, arising from the April 2020 actuarial valuation of the Ervia Defined Benefit Scheme. This transaction is included within the central transactional and support services costs of €1.283 million outlined above.

The impact of legal separation of Ervia and Uisce Éireann On the Ervia Group defined benefit and defined contribution schemes is described in note 18.

Notes to the Group Financial Statements (continued)

27. Related Parties (continued)

Transactions with Uisce Éireann

Uisce Éireann is deemed to be a related party of the Group. At 31 December 2022, the Group held a single voting share in Uisce Éireann, with no economic rights attributable to that share. The Minister for Finance and the Minister for Housing, Local Government and Heritage each held 325 (2021: 325) Water Economic Rights ('WER') shares which carried no voting rights but carried all the economic rights to obtain benefit from the activities of Uisce Éireann.

(a) Operating leases

	2022 €'000	2021 €'000
Rental Lease	**1,076**	-

Ervia through Gas Networks Ireland leased a property to Uisce Éireann at an annual rent of €1.1m. The lease term expires on 31 December 2034 and is subject to break options on 31 December 2024 and 31 December 2029.

Key management compensation

Key management consists of the Ervia Board, the Ervia CEO and his direct reports. Key management costs are apportioned to individual entities within the Ervia group based on services provided. The costs disclosed are net of an apportionment of costs to Uisce Éireann, being a non-controlled undertaking.

	2022 €'000	2021 €'000
Short-term employee benefits	**(1,968)**	(1,532)
Post-employment benefits	**(228)**	(155)
Total	**(2,196)**	(1,687)

Board members

The Board members had no beneficial interests in the Group at any time during the year or at the reporting date.

Government bodies

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid, Local Authorities and with certain Irish banks which are partially owned by the Irish Government. All transactions are on normal commercial terms. The Group had no material concentration of borrowings or deposits with any such banks during the year, at the reporting date, or for the comparative period end.

28. Subsequent Events

On 01 January 2023, Uisce Éireann became a standalone entity through full legal seperation from the Ervia Group. As part of the reorganisation, certain obligations of the Ervia group defined benefit pension scheme were transfered to Uisce Éireann. Refer to Note 18 retirement benefit obligations for further details of this post balance sheet event.

The completion of the reorganisation, impacting on Gas Networks Ireland, is expected to be completed in late 2023/ early 2024 following the enactment of the required legislation, which will include the transfer of certain assets and liabilities remaining with Ervia to Gas Networks Ireland and the ultimate dissolution of the Ervia Parent entity.

There have been no other events between the reporting date and the date on which the financial statements were approved by the Directors, which would require adjustment to these financial statements or any additional disclosures.

Parent Income Statement
for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Continuing operations			
Revenue		**-**	-
Operating costs net (excluding depreciation and amortisation)	29A.	**(5,667)**	(7,195)
Operating loss before depreciation and amortisation (EBITDA)		**(5,667)**	(7,195)
Depreciation and amortisation	29C.	**-**	(1,349)
Operating loss		**(5,667)**	(8,544)
Finance income	29D.	**20,127**	15,361
Finance costs	29D.	**(1,550)**	(2,039)
Net finance income	29D.	**18,577**	13,322
Profit before income tax		**12,910**	4,778
Income tax	29E.	**529**	(322)
Profit for the year		**13,439**	4,456
Profit attributable to:			
Owners of the Parent		**13,439**	4,456
Profit for the year		**13,439**	4,456

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	12 April 2023
Chairperson	Member of the Board	Date of Approval

Parent Statement of Other Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Profit for the year		**13,439**	4,456
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gain	18	**107,175**	83,162
Remeasurement of other pension assets	18	**(2,506)**	46
Deferred tax relating to defined benefit obligations	29E.	**(13,084)**	(10,401)
Total items that will not be reclassified to profit or loss		**91,585**	72,807
Total other comprehensive income for the year		**91,585**	72,807
Total comprehensive income for the year		**105,024**	77,263
Total comprehensive income attributable to:			
Owners of the Parent		**105,024**	77,263
Total comprehensive income for the year		**105,024**	77,263

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	12 April 2023
Chairperson	Member of the Board	Date of Approval

Parent Balance Sheet
as at 31 December 2022

	Notes	31-Dec-22 €'000	31-Dec-21 €'000
Assets			
Non-current assets			
Property, plant and equipment	29F.	-	11,851
Investment in subsidiary	29H.	**688,298**	688,298
Trade and other receivables	29I.	-	5,229
Deferred tax assets	29E.	-	10,527
Total non-current assets		**688,298**	715,905
Current assets			
Trade and other receivables	29I.	**12,461**	24,049
Cash and cash equivalents	29J.	**16,692**	28,136
Derivative financial instruments	29N.	**10**	65
Current tax assets	29E.	**6**	-
Total current assets		**29,169**	52,250
Total assets		**717,467**	768,155
Equity and liabilities			
Equity			
Retained earnings		**(700,925)**	(625,721)
Total equity		**(700,925)**	(625,721)
Liabilities			
Non-current liabilities			
Retirement benefit obligations	18	**(10,721)**	(108,804)
Deferred tax liabilities		**(397)**	-
Lease liabilities	29G.	-	(11,250)
Grants	29L.	-	(293)
Trade and other payables	29M.	-	(5,417)
Total non-current liabilities		**(11,118)**	(125,764)
Current liabilities			
Lease liabilities	29G.	-	(935)
Grants	29L.	**(42)**	-
Trade and other payables	29M.	**(5,382)**	(15,542)
Current tax liabilities	29E.	-	(193)
Total current liabilities		**(5,424)**	(16,670)
Total liabilities		**(16,542)**	(142,434)
Total equity and liabilities		**(717,467)**	(768,155)

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	12 April 2023
Chairperson	Member of the Board	Date of Approval

Parent Statement of Changes in Equity

for the year ended 31 December 2022

	Notes	Retained earnings €'000
At 1 January 2021		(586,896)
Profit for the year		(4,456)
Other comprehensive income for the year		(72,807)
Total comprehensive income for the year		(77,263)
Dividends	25	38,438
At 31 December 2021		(625,721)
Profit for the year		**(13,439)**
Transfer under common control transaction	29P.	**(292)**
Other comprehensive income for the year		**(91,585)**
Total comprehensive income for the year		**(105,316)**
Dividends	25	**30,112**
At 31 December 2022		**(700,925)**

All attributable to owners of the Parent.

Parent Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 €'000	2021 €'000
Net cash from operating activities	29K.	**(7,274)**	11,743
Cash flows from investing activities			
Payments for property, plant and equipment		**-**	(165)
Dividends received	29D.	**20,112**	15,361
Interest repayment received (loan to subsidiary)		**5,830**	14,606
Net cash from investing activities		**25,942**	29,802
Cash flows from financing activities			
Repayment of lease liabilities	29G.	**-**	(953)
Dividends paid	25	**(30,112)**	(38,438)
Net cash used in financing activities		**(30,112)**	(39,391)
Net increase in cash and cash equivalents	29J.	**(11,444)**	2,154
Cash and cash equivalents at 1 January	29J.	**28,136**	25,982
Cash and cash equivalents at 31 December	29J.	**16,692**	28,136

Notes to the Parent financial statements

29A. Operating Costs Net (excluding depreciation and amortisation)

		2022 €'000	2021 €'000
Employee benefit expense	29B.	**(9,020)**	(54,042)
Hired and contracted services		**290**	(4,404)
Materials, maintenance and sub-contractor costs		**(109)**	(10,640)
Rates and facilities		**15**	(622)
Other operating expenses		**170**	(11,603)
Recharges to Uisce Éireann[1]		**1,259**	49,320
Recharges to subsidiary - Gas Networks Ireland [1]		**1,728**	24,796
Total		**(5,667)**	(7,195)

1 Operational separation between Gas Networks Ireland and Uisce Éireann was implemented as at January 2022, in preparation for planned legal separation in 2023. The implementation of operational separation included the transfer to Gas Networks Ireland and Uisce Éireann of certain centralised functions (and employees) that were previously provided centrally by Ervia. The relevant operating costs were therefore incurred directly by Gas Networks Ireland and Uisce Éireann in 2022.

Refer to note 4 for disclosures in respect of the Auditor remuneration and Board members' emoluments.

29B. Employee Benefits

(a) Aggregate employee benefits

	2022 €'000	2021 €'000
Staff short-term benefits	**(816)**	(46,483)
Post-employment benefits - defined benefit scheme[1]	**(8,109)**	(11,372)
Post-employment benefits - defined contribution scheme	**(12)**	(2,677)
Social insurance costs	**(83)**	(5,045)
	(9,020)	(65,577)
Capitalised payroll and other payroll transfers	**-**	11,535
Employee benefit expense charged to profit or loss	**(9,020)**	(54,042)

1 Includes unallocated non-cash pension costs attributable to non-Parent company employees (i.e., eligible subsidiary and Uisce Éireann employees) who participate in the Ervia defined benefit scheme (refer to notes 18 and 29P).

(b) Staff short-term benefits

	2022 €'000	2021 €'000
Wages and salaries	**(702)**	(44,820)
Overtime	**(1)**	(2)
Allowances	**(4)**	(309)
Other[1]	**(109)**	(1,352)
Total	**(816)**	(46,483)

1 Other short-term employee benefits primarily include permanent life insurance benefits and taxable travel allowances.

The average monthly number of employees providing services to the Parent was 8 for 2022 (2021: 550).

Notes to the Parent financial statements (continued)

29C. Depreciation and Amortisation

		2022 €'000	2021 €'000
Depreciation of property, plant and equipment	29F.	-	(340)
Depreciation of right-of-use assets	29G.	-	(1,009)
Total		-	(1,349)

29D. Net Finance Income

		2022 €'000	2021 €'000
Before remeasurements			
Dividends received		**20,112**	15,361
Interest Income on short-term deposits		**15**	-
Lease liability finance charge	29G.	-	(243)
Net interest on the net defined benefit liability	18	**(1,268)**	(1,234)
Other finance costs		**(227)**	(558)
Total before remeasurements		**18,632**	13,326
Remeasurements			
Net changes in fair value of financing undesignated derivatives		**(55)**	(4)
Total remeasurements		**(55)**	(4)
Total			
Finance income		**20,127**	15,361
Finance costs		**(1,550)**	(2,039)
Net finance income		**18,577**	13,322

29E. Tax

Income tax

	2022 €'000	2021 €'000
Current tax		
Current tax	**(1,545)**	(4,163)
Adjustments in respect of previous years	**(128)**	(763)
	(1,673)	(4,926)
Deferred tax		
Origination and reversal of temporary differences	**2,402**	4,563
Adjustments in respect of previous years	**(200)**	41
	2,202	4,604
Total income tax	**529**	(322)

29E. Tax (continued)

Reconciliation of effective tax rate

	2022 €'000	2021 €'000
Profit before tax	**12,910**	4,778
Taxed at 12.5% (2021: 12.5%)	**(1,614)**	(597)
Expenses not deductible for tax purposes	**(11)**	(413)
Income not taxable	**2,514**	1,868
Profits taxed at higher rates	**-**	-
Adjustments to income	**(32)**	(458)
Adjustments in respect of previous years	**(328)**	(722)
Total income tax	**529**	(322)

Current tax assets and liabilities

	31-Dec-22 €'000	31-Dec-21 €'000
Current tax assets/(liabilities)	**6**	(193)

Deferred tax assets and liabilities

	Pension obligations €'000	Accelerated tax depreciation €'000	Interest charges payable €'000	Other €'000	Total €'000
At 1 January 2021	22,980	(181)	(6,618)	143	16,324
Recognised in income statement	1,133	181	3,287	3	4,604
Recognised in equity	(10,401)	-	-	-	(10,401)
At 31 December 2021	13,712	-	(3,331)	146	10,527
Recognised in income statement	**720**	**-**	**1,578**	**(96)**	**2,202**
Recognised in equity	**(13,084)**	**-**	**-**		**(13,084)**
Transferred under common control transaction				**(42)**	**(42)**
At 31 December 2022	**1,348**	**-**	**(1,753)**	**8**	**(397)**

The following deferred tax assets have not been recognised in the balance sheet as it is not probable that they will be recovered for the foreseeable future. There is no expiry date as to when tax losses can be utilised.

	2022 €'000	2021 €'000
Capital losses	**396**	3,600

Notes to the Parent financial statements (continued)

29F. Property, Plant and Equipment

		31-Dec-22 €'000	31-Dec-21 €'000
Property, plant and equipment - owned assets		-	-
Property, plant and equipment - leased assets	29G.	-	11,851
Property, plant and equipment - as presented on the balance sheet		-	11,851

Property, plant and equipment - owned assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Cost			
At 1 January 2021	21,345	386	21,731
Additions	-	165	165
Disposals	-	(539)	(539)
Transferred under common control transaction	(21,345)	-	(21,345)
At 31 December 2021	-	12	12
Disposals	**-**	**(12)**	**(12)**
At 31 December 2022	**-**	**-**	**-**
Accumulated depreciation and impairment losses			
At 1 January 2021	(14,224)	(150)	(14,374)
Depreciation charge	(257)	(83)	(340)
Disposals	-	221	221
Transferred under common control transaction	14,481	-	14,481
At 31 December 2021	-	(12)	(12)
		-	
Disposals	**-**	**12**	**12**
At 31 December 2022	**-**	**-**	**-**
Carrying amounts			
At 31 December 2021	-	-	-
At 31 December 2022	**-**	**-**	**-**

29G. Lease Assets and Liabilities

The Parent as Lessee

The Parent has entered into various leasing arrangements which generally relate to the rental of buildings and land. There are no significant or unusual restrictions imposed by the terms of these leases. All lease arrangements are at an arm's length basis.

Amounts recognised on the balance sheet

Right-of-use assets

	Land and buildings €'000	Total €'000
Cost		
At 1 January 2021	**14,878**	14,878
Additions	**-**	-
At 31 December 2021	**14,878**	14,878
Transferred under common control	**(14,878)**	(14,878)
At 31 December 2022	**-**	-
Accumulated depreciation		
At 1 January 2021	**(2,018)**	(2,018)
Depreciation charge	**(1,009)**	(1,009)
At 31 December 2021	**(3,027)**	(3,027)
Transferred under common control	**3,027**	3,027
At 31 December 2022	**-**	-
Carrying amounts		
At 31 December 2021	**11,851**	11,851
At 31 December 2022	**-**	-

Lease liabilities

	Land and buildings €'000	Total €'000
At 1 January 2021	**(13,138)**	(13,138)
Interest expense	**(243)**	(243)
Lease payments	**1,196**	1,196
At 31 December 2021	**(12,185)**	(12,185)
Transferred under common control	**12,185**	12,185
At 31 December 2022	**-**	-

Analysed as follows:

	2022 €'000	2021 €'000
Non-current	-	(11,250)
Current	-	(935)
Total	-	(12,185)

Lease liabilities are monitored within the relevant business functions. The Parent does not face significant liquidity risk with regard to its lease liabilities. Refer to note 29N for a maturity analysis of lease liabilities.

Notes to the Parent financial statements (continued)

29H. Investment in Subsidiary

		2022 €'000	2021 €'000
Cost			
At 1 January		**688,298**	681,436
Additions	29P.	**-**	6,862
At 31 December		**688,298**	688,298
Impairment			
At 1 January		**-**	-
At 31 December		**-**	-
Carrying amount			
At 31 December		**688,298**	688,298

The Parent's subsidiary is Gas Networks Ireland.

29I. Trade and Other Receivables

		31-Dec-22 €'000	31-Dec-21 €'000
Amounts due from subsidiaries	29P.	**11,865**	23,671
Amounts due from Uisce Éireann	29P.	**-**	4,967
Other receivables		**344**	-
Sub-total		**12,209**	28,638
Prepayments		**252**	640
Total		**12,461**	29,278
Analysed as follows:			
Non-current		**-**	5,229
Current		**12,461**	24,049
Total		**12,461**	29,278

Refer to note 29P for further details in respect of balances with subsidiaries and Uisce Éireann.

The maximum exposure of trade and other receivables to credit risk at the reporting date is €12.2 million (2021: €28.6 million). Prepayments are excluded as no credit exposure arises.

The Parent applies the IFRS 9 simplified approach (which uses a lifetime ECL) to measure ECL for all trade and other receivables, with the exception of certain amounts due from subsidiaries, which are measured using the IFRS 9 general approach. There are no material expected credit loss allowances recognised by the Parent and the Parent does not expect any significant losses of receivables that have not been provided.

At 31 December 2022, the Company had amounts due from subsidiaries of €11.9 million (2021: €28.6 million). In determining ECL (including probability of default and loss given default), amounts due from subsidiaries were classified as low credit risk receivables. There were no amounts classified as payable on demand or for which there has been a substantial increase in credit risk since initial recognition. In determining an ECL, regard is given to the historic performance of the relevant loan as well as forward looking information for the relevant subsidiary, including detailed discounted cash flow forecasts and macro-economic factors. Further to this assessment, no ECL allowance is recognised in respect of these amounts at 31 December 2022 (2021: €nil) and no ECL was recognised during the year in respect of these amounts (2021: €nil).

29J. Cash and Cash Equivalents

Cash and cash equivalents are held for the purposes of meeting short-term cash commitments.

	31-Dec-22 €'000	31-Dec-21 €'000
Short-term bank deposits	**16,000**	26,500
Cash at bank	**692**	1,636
Total	**16,692**	28,136

	2022 €'000	2021 €'000
At 1 January	**28,136**	25,982
(Decrease)/Increase in cash and cash equivalents in the statement of cash flows	**(11,444)**	2,154
At 31 December	**16,692**	28,136

29K. Cash Generated from Operations

	Notes	2022 €'000	2021 €'000
Cash flows from operating activities			
Profit for the year		**13,439**	4,456
Adjustments for:			
Depreciation and amortisation	29C.	**-**	1,349
Net finance income	29D.	**(18,577)**	(13,322)
Retirement benefit cost		**8,273**	8,274
Income tax (credit)/expenses	29E.	**(529)**	322
		2,606	1,079
Working capital changes:			
Change in trade and other receivables		**11,359**	19,139
Change in trade and other payables		**(19,631)**	1,283
Cash from operating activities		**(5,666)**	21,501
Interest received/(paid)		**264**	(2,329)
Income tax paid		**(1,872)**	(7,429)
Net cash from operating activities		**(7,274)**	11,743

Notes to the Parent financial statements (continued)

29L. Grants

	2022 €'000	2021 €'000
At 1 January	**(293)**	(210)
Receivable in year	**(381)**	(520)
Amortised	**-**	-
Credited to the income statement	**632**	437
At 31 December	**(42)**	(293)

Analysed as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Non-current	**-**	(293)
Current	**(42)**	-
Total	**(42)**	(293)

There are no unfulfilled conditions attached to grants recognised in the income statement. In certain circumstances grants may become repayable if the conditions laid down in the grant agreements are not adhered to. The Parent does not expect such circumstances to arise and there were no repayments of grants in the current or prior financial year.

Grants receivable for 2022 of €0.4 million (2021: €0.5 million) related to grant funding from the Innovation and Networks Executive Agency (INEA) for Carbon Capture utilisation and storage work studies. A number of conditions relating to these grant fundings remain in progress at year end.

29M. Trade and Other Payables

	31-Dec-22 €'000	31-Dec-21 €'000
Trade payables	**(37)**	(3,576)
Accrued expenses	**(75)**	(11,587)
Other payables	**(5,270)**	(5,541)
Taxation and social insurance creditors	**-**	(255)
Total	**(5,382)**	(20,959)
Analysed as follows:		
Non-current	**-**	(5,417)
Current	**(5,382)**	(15,542)
Total	**(5,382)**	(20,959)
Taxation and social insurance creditors		
PAYE/social insurance	**-**	(861)
VAT	**-**	606
Total	**-**	(255)

29N. Financial Risk Management and Financial Instruments

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Refer to note 24 for IFRS 13 disclosures in respect of fair value measurement.

	Fair value hierarchy	FVTPL - undesignated	Total at amortised cost	Total
		€'000	€'000	€'000
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts	Level 2	**10**	**-**	**10**
Trade and other receivables[2]		**-**	**12,209**	**12,209**
Cash and cash equivalents[3]		**-**	**16,692**	**16,692**
Total financial assets		**10**	**28,901**	**28,911**
Financial liabilities				
Trade and other payables[1]		**-**	**(5,307)**	**(5,307)**
Total financial liabilities		**-**	**(5,307)**	**(5,307)**
Net financial assets		**10**	**23,594**	**23,604**
At 31 December 2021				
Financial assets				
Foreign exchange rate contracts	Level 2	65	-	65
Trade and other receivables[2]		-	28,638	28,638
Cash and cash equivalents[3]		-	28,136	28,136
Total financial assets		65	56,774	56,839
Financial liabilities				
Trade and other payables[1]		-	(9,117)	(9,117)
Total financial liabilities		-	(9,117)	(9,117)
Net financial assets		65	47,657	47,722

[1] Accrued expenses and taxation and social insurance creditors have been excluded as these are not classified as financial liabilities.

[2] Prepayments have been excluded as these are not classified as financial assets.

[3] Financial assets and liabilities are offset, and the net amount reported in the balance sheet where the Parent has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 31 December 2022, €0.8 million of cash and cash equivalents (2021: €1.6 million) is offset against €0.1 million of bank overdrafts (2021: €0 million), and a net position of €0.7 million is presented as cash and cash equivalents (2021: €1.6 million). As at 31 December 2022, the Parent had entered no master netting arrangements and other similar agreements.

Notes to the Parent financial statements (continued)

29N. Financial Risk Management and Financial Instruments (continued)

Financial risk management
Refer to note 23 for details of the Group's financial risk management policies. These objectives, policies and processes are also adopted by the Parent.

(i) Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31-Dec-22 €'000	31-Dec-21 €'000
Trade and other receivables (excluding prepayments)	**12,209**	28,638
Cash and cash equivalents	**16,692**	28,136
Derivative financial instruments	**10**	65
Total	**28,911**	56,839

(i) (a) Treasury related credit risk
Refer to note 23 for an analysis of the Group's policies in respect of treasury related credit risk. These objectives, policies and processes are also adopted by the Parent.

(i) (b) Trade related credit risk
Refer to note 29I for an analysis of the Parent's exposure to trade related credit risk.

(ii) Liquidity risk

Refer to note 23 for details of the Group's objectives, policies and processes for managing liquidity risk and the methods used to measure liquidity risk. These objectives, policies and processes are also adopted by the Parent.

The Group’s funding position remained strong in 2022.The Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk.

The following are the contractual maturities of financial liabilities (and assets of a similar nature), including the undiscounted interest payment associated with borrowings and the undiscounted net cash flows attributable to financial instruments. The disclosure includes cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g. forward foreign exchange rate contracts.

29N. Financial Risk Management and Financial Instruments (continued)

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2022						
Lease liabilities	-	-	-			
Trade and other payables[1]	(5,307)	(5,307)	(5,307)		-	-
Non-derivative financial liabilities	(5,307)	(5,307)	(5,307)	-	-	-
Foreign exchange rate contracts	10	10	10	-	-	-
Net derivative financial assets	10	10	10	-	-	-
Net financial liabilities	(5,297)	(5,297)	(5,297)	-	-	-
At 31 December 2021						
Lease liabilities	(12,185)	(12,185)	(935)	(953)	(2,974)	(7,323)
Trade and other payables[1]	(9,117)	(9,117)	(3,700)	(5,417)	-	-
Non-derivative financial liabilities	(21,302)	(21,302)	(4,635)	(6,370)	(2,974)	(7,323)
Foreign exchange rate contracts	65	65	65	-	-	-
Net derivative financial assets	65	65	65	-	-	-
Net financial liabilities	(21,237)	(21,237)	(4,570)	(6,370)	(2,974)	(7,323)

[1] Accrued expenses and taxation and social insurance creditors have been excluded as these are not classified as financial liabilities.

Notes to the Parent financial statements (continued)

29N. Financial Risk Management and Financial Instruments (continued)

(iii) Market risk

Refer to note 23 for details of the Group's objectives, policies and processes for managing market risk and the methods used to measure market risk. These objectives, policies and processes are also adopted by the Parent.

(iii) (a) Exchange rate risk
Exchange rate risk derives from the fact that some of the Parent's transactions may be conducted in currencies other than euro (mainly sterling).

Transaction exposure
From time to time the Parent makes purchases in foreign currencies. The Group's policy is to manage these transaction exposures by seeking to match purchases and sales denominated in foreign currencies as far as possible. Where this is not possible, exposures will be hedged using derivatives permitted under the Group's treasury policy. Exposures will be hedged taking account of the business risks.

Also, the Group's treasury policy is that all expected exposures in excess of €300,000 equivalent in foreign currencies will be evaluated with respect to the business risks and, where appropriate, currency risks will be hedged to minimise the potential for adverse variances arising from currency movements.

As a result of these actions taken by the Group to mitigate the Parent's underlying sensitivity to currency fluctuations, the Parent has not presented sensitivity analysis as any potential variation is insignificant.

(iii) (b) Interest rate risk
Refer to note 23 for details of the Group's objectives, policies and processes for managing interest rate risk and the methods used to measure interest rate risk. These objectives, policies and processes are also adopted by the Parent. The Parent carries no interest rate risk at the reporting date.

29O. Contingencies and Capital Commitments

The Parent is subject to various litigation, claims and contract disputes in the ordinary course of operations. While any such proceedings have an element of uncertainty, we do not expect the ultimate resolution of these proceedings to have a material adverse effect on the Parent's results from operations, operating cash flows or net asset financial position.

The Parent had capital commitments of nil as at 31 Dec 2022 (nil 2021).

29P. Related Parties

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State.

Transactions with Uisce Éireann and subsidiaries

Uisce Éireann is deemed to be a related party of the Parent, on the basis of the fact pattern set out in note 26. A listing of Ervia Parent's subsidiaries is also provided in note 26.

The related party balances, in respect of the transactions detailed in the relevant sections below, are as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Uisce Éireann	-	4,967
Subsidiaries	**11,865**	23,671
	11,865	28,638

(a) Transactional and support service costs

During 2021, Ervia Parent provided strategic, governance, risk management, capital delivery management and transactional and support services to Uisce Éireann and Gas Networks Ireland, through the Group Centre, Major Projects area and Business Services. The Business Services organisation is designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, Insurance, Project Support, HR and IT.

In 2018, the Government announced that Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities during 2023. The work programme to establish two standalone independent utilities commenced in 2020 with the objective of achieving operational separation in January 2022 and full legal separation in 2023. As a result, the level of transactional and support service costs provided by Ervia parent to Gas Networks Ireland during 2022 reduced significantly in comparison to prior years and consisted of Group Services.

Transactional and support services provided by Ervia Parent

Business Services	Group	Other
Finance services	Governance and control	Major projects
Procurement services	Financial planning	Supply chain
HR services	Risk management	
IT services	Group services	
Insurance services	Stakeholder relationships	
Project support services		
Facilities services		
Management and administration		

Notes to the Parent financial statements (continued)

29P. Related Parties (continued)

Operating costs incurred by Ervia Parent and recharged to Uisce Éireann and Gas Networks Ireland

	2022 €'000	2021 €'000
Employee benefit expense	**(9,020)**	(54,042)
Hired and contracted services	**290**	(4,404)
Materials, maintenance and sub-contractor costs	**(109)**	(10,640)
Rates and facilities	**15**	(622)
Other operating expenses	**170**	(11,603)
Sub-total before recharges	**(8,654)**	(81,311)
Recharges to Uisce Éireann	**1,259**	49,320
Recharges to Gas Networks Ireland	**1,728**	24,796
Total after recharges[1]	**(5,667)**	(7,195)

[1] Total operating costs after recharges primarily represent non-cash pension costs, which are not recharged to Ervia Group companies.

(b) Capital expenditure costs incurred by Ervia Parent and recharged to Uisce Éireann and Gas Networks Ireland

	2022 €'000	2021 €'000
Capital expenditure costs recharged to Uisce Éireann	**-**	11,764
Capital expenditure costs recharged to Gas Networks Ireland	**-**	4,807

During 2021 costs incurred by Erivia Parent on behalf of GNI and IW in respect of joint utility, centrally delivered and business delivered projects, were re-charged on a monthly basis with no overhead or margin applied by Ervia Parent. No costs were incurred by Erivia Parent on behalf of GNI and IW in respect of the aforementioned projects during the financial year ended 31 December 2022.

(c) Pension costs

	2022 €'000	2021 €'000
Contributions payable for the year in respect of Uisce Éireann employees	**2,401**	1,153
Contributions payable for the year in respect of Gas Networks Ireland employees	**7,870**	5,823

Ervia Parent operates defined benefit and defined contribution pension schemes. A number of Uisce Éireann and Gas Networks Ireland employees participate in these schemes. The defined benefit scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Uisce Éireann and Gas Networks Ireland recognises only the cost of contributions payable for the year in respect of their respective employees. The Parent's current service costs, as set out in note 18, includes the defined benefit contributions payable for the year in respect of these employees. These costs were recharged to Uisce Éireann and Gas Networks Ireland on a full cost recovery method with no margin earned. These costs are not included in the Parent's employee benefit expense.

29P. Related Parties (continued)

(d) Dividend

	2022 €'000	2021 €'000
Dividend received from Gas Networks Ireland	**20,112**	15,361

The annual dividend received by the Parent from Gas Networks Ireland is set out above. In 2018 the Parent received a dividend of €49.1 million with the remaining €5.1 million receivable in 2023 (with appropriate interest). This dividend receivable is included in the related party balances table above.

(e) Common control transaction

As previously noted, in 2018 the Government announced that Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities during 2023. It is expected that the Ervia Parent will be dissolved following the completion of the legal separation process. To achieve this, during 2021, property was transferred from Ervia Parent to Gas Networks Ireland at its carrying value of €6.9 million for nil consideration, as a common control transaction (see note 29F), thereby increasing Ervia Parent's investment in Gas Networks Ireland by the same value (see note 29H).

During 2022 one property was transferred from Ervia Parent to Gas Networks Ireland at its carrying value of nil.

On 01 January 2022, Ervia Parent transferred the lease of a property (Webworks) and the associated right-of-use asset to Uisce Éireann for nil consideration.

The net liability transferred under the common control transaction amounted to €0.3m.

Key management compensation

Refer to note 27 for details in respect of the Group's key management compensation.

Board members

The Board members had no beneficial interests in the Parent at any time during the year or at the reporting date.

Government bodies

In common with many other entities, the Parent deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid, Local Authorities and with certain Irish banks which are wholly or partially owned by the Irish Government. All transactions are on normal commercial terms. The Parent had no material concentration of borrowings or deposits with any such banks during the year or at the reporting date.

29Q. Subsequent Events

Refer to note 28 for details of subsequent events.

ervia