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Gas Networks Ireland

Directors' Report and Financial Statements 2022

Contents

Directors and other information

Directors	Cathal Marley Ronan Galwey (appointed 11 April 2022) Claire Madden (appointed 01 January 2022) Edwina Nyhan (resigned 16 January 2023) Denis O'Sullivan Liam O'Sullivan (resigned 04 March 2022)
Secretary	Liam O'Riordan
Registered office	Gasworks Road Cork Ireland
Solicitors	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2
Auditor	Deloitte Ireland LLP Chartered Accountants & Statutory Audit Firm 6 Lapp's Quay Cork
Bankers	AIB PO Box 71 South Mall Cork
Company number	555744

Directors' Report

The Directors of Gas Networks Ireland ("the Directors") present their Directors' Report and Group financial statements for the financial year ended 31 December 2022.

Directors' report (continued)

Principal activities, company overview and business model

Gas Networks Ireland ("the Company") was incorporated on 13 January 2015 as a 100% owned subsidiary company of Ervia and commenced trading on 1 August 2015. GNI (UK) Limited, Gas Networks Ireland (IOM) DAC and Network Services Transition DAC are subsidiaries of the Company and form part of the Gas Networks Ireland Group ("the Group"), with Ervia as ultimate parent of the Group.

In 2018, the Government announced that by 2023, Gas Networks Ireland and Uisce Éireann, as the two principal subsidaries of Ervia, would become standalone, publicly owned, commercial, regulated utilities. In June of 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, subject to the overall governance oversight of Ervia. Uisce Éireann was legally separated from the Ervia Group 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. Until that time, the Ervia Board retains governance oversight of Gas Networks Ireland. A new Executive is in place since Operational Separation on 1st January 2022 delivering a new strategy, purpose and vision alongside changed ways of working.

The Company is a regulated network utility, regulated under licence by the Commission for Regulation of Utilities ("CRU") in Ireland. The Utility Regulator regulates the GNI (UK) Limited pipelines in the Northern Ireland transmission system.

The principal objective of the Company is the safe, reliable and efficient operation, maintenance, development and decarbonisation of the gas network in Ireland. The Company 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 and pipelines in Scotland, Northern Ireland and the Isle of Man. Aurora Telecom, a business of the Company, acts as a wholesale, open-access service provider for telecoms operators and business customers, providing dark-fibre and managed bandwidth services.

The company is fully committed to working with the Department of Housing, Local Government and Heritage ('DHLGH'), the Department of Environment, Climate and Communications ('DECC'), and the CRU to utilise the gas network to its full extent and ensure security of supply in the transition to a low carbon energy system.

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.

Directors' report (continued)

Principal activities company overview and business model (continued)

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 means 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 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.

Our vision is to be at the heart of Ireland's energy future. We will replace natural gas on our network 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.

Gas Networks Ireland creates value in several key areas. We continue to deliver and support the Government's decarbonisation ambition and are actively working to reduce carbon emissions in Ireland by 50% by 2030. We support Ireland's National Economic Plan by providing affordable and clean energy and by investing in infrastructure in support of national economic growth. For our customers, we strive to deliver a customer experience that meets their needs by driving continuous improvement to reduce effort across the customers engagement and delivering cost efficient customer operations. We operate a sustainable business, minimizing our emission and waste, enhancing biodiversity and supporting our people and communities. 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. The current energy crisis has highlighted the importance of security of supply. We will continue to ensure security of supply by actively participating in the Security of Supply Review and progressing our proposal on strategic storage.

Safety and a strong customer focus are at the heart of how the business operates, along with a commercial ethos, reflecting our responsibility for a major gas infrastructure that contributes to Ireland's social and economic progress and environmental targets.

Directors' report (continued)

Principal activities, company overview and business model (continued)

The Company's strategy is to provide essential gas infrastructure and services efficiently and safely. The Company has a pivotal role to play in enhancing the environment, leading the transition to a low carbon energy system. The Company's strategic objectives are outlined below:

Resilient energy network	Transport energy safely and securely today and enable the transition to a decarbonised future.
Sustainable energy services	Deliver reliable and affordable energy solutions for our customers, transitioning together to transport networked renewable gases at scale.
Integrated energy system	Collaborate with key stakeholders for a future in which networked gas enables an integrated energy system.
Excellence in operations	Operate in an innovative, efficient and sustainable manner.
Strong financials	Maintain financial strength to facilitate future developments of a resilient and sustainable network.
Energised people	Leverage our past and energise our people to deliver the future of our network.

Gas Networks Ireland is a wholly owned subsidiary of Ervia, whose other principal subsidiary was Uisce Éireann. In 2018, the Government announced that Gas Networks Ireland and Uisce Éireann would become two stand-alone, publicly owned, commercial, regulated utilities during 2023. The Legal Separation of Uisce Éireann from the Ervia Group was completed on 31 December 2022.Following the removal of Uisce Éireann from the Ervia Group, it is intended that the Ervia entity would be integrated into Gas Networks Ireland in 2023, following the enactment of the Gas (Amendment) Bill 2023.

The Company welcomed the publication in December 2022 of the Climate Action Plan (CAP) 2023 and is reviewing the the accompanying Annex of Actions published on 7 March 2023. CAP 2023 emphasised and strengthened the roles of both renewable gases and gas-fired electricity generation. It reaffirmed the Government targets to deliver up to 5.7 TWh of biomethane and 2GW of dedicated offshore wind for green hydrogen production. The gas network will continue to play a critical role in Ireland's energy sector and the company will continue to develop and deliver its capital investment plans (including connecting 2,000 MWs of new gas-fired generation capacity) to align with the policy initiatives laid out in Climate Action Plan 2023, the Sectoral Emissions Ceilings and Government policy more broadly, including development of both national biomethane and hydrogen strategies. However, a key concern in CAP 2023 is the indication that by 2050 the role of the gas network for heating is at risk, particularly when affiliated with "fossil fuel" heating solutions. Gas Networks Ireland will undertake a series of stakeholder engagements on this to reiterate the potential and vision to decarbonize the gas network and deliver decarbonized heating solutions.

Directors' report (continued)

Accounting records

The Directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at Gasworks Road, Cork.

Results for the year and dividends

The results for the year are set out in the income statement and in the related notes. Revenue for the year was €499 million (2021: €476 million) and profit before tax was €72 million (2021: €88 million). The Group had total assets of €2.8 billion (2021: €2.7 billion) and liabilities of €1.6 billion (2021: €1.6 billion) at 2022-year end.

Revenue was €499m for the year to 31 December 2022, increasing by €23m compared to 2021. This increase was primarily due to regulated revenue increases from a combination of higher gas capacity demand and higher transportation tariffs.

Operating costs (net) €269m have increased by €38m 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.

Gas Networks Ireland delivered a satisfactory financial performance for the year particularly in the context of significant inflationary cost pressures mainly as a result of energy uncertainty linked to the ongoing invasion of Ukraine. Following approval by the Directors, a dividend in the amount of €20.112m was paid to Ervia during the financial year (2021: €15.361 m).

Gas Networks Ireland is involved in innovative projects to develop the energy sector and to support a cleaner energy future. These include projects in the areas of Compressed Natural Gas ('CNG') and Renewable Gas. These are considered further under the 'Operating Environment' heading.

Review of the business and future developments

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.

During the financial year, 26% of all gas requirements for the Republic of Ireland were supplied by the Corrib gas field and 74% were met from UK imports.

The ongoing conflict between Russia and Ukraine has exacerbated the pre-existing effects of global market conditions arising from surging post Covid-19 consumer demand factors and poses increased levels of risks across many aspects of our business. These range from energy price increases, possible gas security of supply issues and disruptions to supply chains.

Directors' report (continued)

Review of the business and future developments (continued)

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 gas 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, simulated the effect of a gas restriction on the electricity grid. The exercise was attended by all the major government agencies and emergency services.

The biggest impact experienced to date has been the significant increase in wholesale gas pricing and we are closely monitoring the potential impacts for our operations as the situation continues to evolve. Forward gas prices in the UK reached record highs in August 2022 but have since softened with strong LNG flows into Europe, relatively mild weather and strong storage supplies. Prices remain, however, elevated relative to pricing levels in recent years.

Price control

Gas Networks Ireland operates transmission and distribution assets in Ireland and Scotland under a price control regime determined by the 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. A decision on the next price control period from 1 October 2022 to 30 September 2027 was due in 2022, however, due to uncertainties in the environment, CRU decided to pause the current price control review process. CRU requested Gas Networks Ireland to make a resubmission of its 5-year forecasts in September 2022 and Gas Networks Ireland is now engaging with CRU on these updated forecasts. It is expected that the CRU will finalise a determination for PC5 in 2023.

Regulations and tariffs

The CRU is responsible for the economic regulation of all assets on the Irish Transmission and Distribution networks including the subsea interconnectors and the onshore assets in Scotland. The Utility Regulator regulates the GNI (UK) Limited pipelines in the Northern Ireland transmission system. Gas Networks Ireland and GNI (UK) Limited also each hold a UK interconnector licence 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 the Hydrogen and Gas Decarbonisation Package, its much-awaited gas legislative review. 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 a number of 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 throughout 2023.

Directors' report (continued)

Regulations and tariffs (continued)

During 2022, Gas Networks Ireland continued to actively participate in various EU gas associations 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 employees also held representation as President of Marcogaz and Board member of ENTSOG during 2022.

The transmission tariffs for the 2022/23 gas year reflect a circa. 12% (nominal) increase on the previous year, which is primarily driven by inflation along with the increased cost of shrinkage and CO_2. The distribution tariffs for 2022/23 reflect circa.4% (nominal) increase on the previous year primarily driven by increases in inflation and the increased cost of shrinkage. These are interim tariffs given that PC5 has not yet been finalised.

Funding

The Group's funding position remained strong in 2022. At 31 December 2022, the Group had €1,335.2 million in committed facilities (2021: €1,484.8 million).

Borrowings at 31 December 2022, external to the Ervia Group were €1,020.2 million (2021: €1,020.2 million).

In 2022, Gas Networks Ireland maintained its A2 credit rating with Moody's Investors Services and its A rating with Standard & Poor's with the outlook revised to positive.

This strong credit rating enables Gas Networks Ireland to have access to a wide diversity of funding sources and ensures it can access funding at competitive rates.

In January 2022, Gas Networks Ireland concluded the process of refinancing its Revolving Credit Facility ('RCF'), the Group's principal liquidity facility, with the entry by Gas Networks Ireland into a new €300m RCF with a syndicate of international and domestic banks. The new five-year facility which has an initial maturity date of January 2027 is used for general corporate purposes.

Operating environment

In 2022, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was 75.9TWh. This was supplied through the Moffat Interconnector and the Corrib gas field. Small volumes of gas were also delivered through the biomethane injection point in Co. Kildare.

Despite the difficult market conditions experienced in 2022 following Russia's invasion of Ukraine, gas demand in Ireland was 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 Great Britain (GB) met 74% of demand.

Directors' report (continued)

Operating environment (continued)

Although the energy crisis has seen unprecedented highs in wholesale market gas prices at times during 2022, Ireland's physical gas supplies remain secure. Ireland benefits from a reliable connection to GB via a twinned interconnector system. The GB 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.

Key performance indicators

The Directors monitor performance using a suite of financial and non-financial key performance indicators outlined below.

Key performance indicator	FY 2022	FY 2021
Total lost time incident frequency rate – employees (>1 day #/100k hours*)	**0.23**	0
Emergency response	**28 mins**	29 mins
Customer service - first contact resolution	**94%**	91%
New connections (volume contracted GWh)	**2,940**	848
Credit rating Moody's	**A2**	A2
Credit rating S&P	**A**	A
EBITDA	**€230m**	€245m
Environment		
% Waste Diverted from Landfill	**100%**	100%
Water consumption m^3 PA^	**8,539**	8,541
Employee		
Training days	**833**	1,034
Social		
Volunteer hours*	**618**	890

* We use the Lost Time Incident Frequency Rate to track the number of employee accidents per 100,000 hours worked that results in a staff member needing to take >1 day off work^ m3 PA– m3 per annum - Pascal cubic meters are a unit of pressure measurement

*The reduction in volunteering hours in 2022 versus 2021 was as a result of some one-off volunteering opportunities in 2021 that did not take place in 2022

Directors' report (continued)

Risk management

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 conflict in 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, inflation, Covid-19, and gas price volatility.

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

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

Risk management activities also take place at all levels across Gas Networks Ireland 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.

Directors' report (continued)

Risk management framework (continued)

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.

ERM 4 step process

ERM 4 step process

Step 1
Define context and objectives

Step 2
Assess risks

Step 3
Manage risks

Step 4
Monitor, review and report

Our risk management activities

Day to day	Integrating with strategy & process	Governance
Operational areas	**Operational areas**	**Operational areas**
Identify, manage, challenge and report risks.	Risk assessment is integral to strategic planning, investment prioritisation and project appraisal.	Functional and Executive Risk Committees support the Audit and Risk Committee.

Directors' report (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.	• Board of Gas Networks Ireland oversees Health and Safety performance. • Certified to ISO45001 Safety Management System and ISO 14001 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 30% of Ireland's primary energy needs. The conflict between Russia and 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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
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.
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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
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 focus 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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (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 the 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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

Energised people

People

Risk	Context	Mitigation
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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

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, conflict in 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.

Directors' report (continued)

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
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.

Non-Financial Reporting Statement

The EU Non-Financial Reporting Directive (2014/95) as transposed by the EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 as amended by the EU (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (Amendment) Regulations 2018 ("the Regulations") requires applicable companies to report a wide range of non-financial information in their Directors' Report. The Company meets the definition of an 'applicable company' for the purpose of the Regulations. Under the Regulations, companies are required to set out their policy position and performance in relation to environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Risks relating to these matters are outlined in the Principal Risks and Uncertainties section above with the relevant non-financial KPIs displayed in the Key Performance Indicators section above. Features of the company's business model are addressed above under the headings Principal Activities and Company Overview and Review of the Business and Future Developments. The work carried out across our business to promote sustainability, along with the policies pursued in the areas of environmental, social and workplace, human rights and anti-bribery and anti-corruption are outlined below.

Directors' report (continued)

Non-Financial Reporting Statement (continued)

EU Taxonomy

EU Taxonomy

The below disclosures required by the EY Taxonomy Regulations form part of the Group's Non-Financial Reporting Statement. The EU Taxonomy Regulation, adopted by the European Commission on 4 June 2021, is a classification system establishing a list of six environmentally sustainable economic activities:

1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable and protection of water and marine resources (Water).
4. Pollution prevention and control (Pollution).
5. Protection and restoration of biodiversity and ecosystems (Biodiversity).
6. Transition to a circular economy (Circularity).

For reporting period year-ended 2022, the first two environmental objectives of the EU Taxonomy are in scope for reporting: 'Climate Change Mitigation' and 'Climate Change Adaptation'. The four remaining objectives are expected to come into effect in 2023, which will result in further additional disclosures.

For activities in scope, Gas Networks Ireland is required to report on how much of its turnover, CAPEX and OPEX is in scope, or 'eligible', and how much is considered 'aligned' with the EU Taxonomy.

Assumptions applied in our eligibility analysis

The regulation is still being developed and there is limited market practice and guidance available on how to apply and report on the EU Taxonomy at this time. This may lead to different interpretations, assumptions, and disclosures by companies.

Following consideration, we have concluded that the current main revenue generating activities of Gas Networks Ireland are not eligible activities under the first two environmental objectives of the EU Taxonomy. In addition, we have excluded other activities in the current year on the basis of materiality.

Climate change mitigation and climate change adaptation

Consequently, the share of both eligible and aligned economic activities accounts for 0 percent of our total revenues and the related capital expenditures and operating expenses also amount to 0 percent. The share of taxonomy non-eligible economic activities in our total revenues and capital expenditures and operating expenses therefore amounts to 100 percent. As Gas Networks Ireland does not presently have any eligible activities, we are not using the full table as prescribed in article 2 paragraph 2 (EU regulation 2021/2178).

Directors' report (continued)

EU Non-financial reporting directive (continued)

Reporting Requirement

Reporting requirement	Location of information	Pages	Relevant policies	Description of the outcome of those policies
Environmental matters	*Sustainability*	22	• Environmental Policy • Energy Policy	• The application of the Environmental and Energy Policies ensures that all persons working on behalf of Gas Networks Ireland are responsible for adhering to environmental and energy requirements and achieving high environmental standards. • The application of the Environmental Policy addresses the key areas of climate change, biodiversity, waste, resource use and procurement. • The application of the Energy Policy specifically addresses issues of energy performance and energy efficiency.
Social and employee matters	*Sustainability*	22	• Corporate responsibility policy • Data protection policy • Safety policy • Dignity at work policy	• The application of the Corporate Responsibility Policy ensures implementation of Gas Networks Ireland's Corporate Responsibility strategy. This has resulted in the recertification of the Business Working Responsibility Mark, in line with ISO26000 from Business in the Community Ireland. • The application of the GDPR Policy ensures that Gas Networks Ireland meets its data protection obligations. All staff and contractors have undertaken online GDPR training. • The application of the Safety Policy ensures that a comprehensive programme of health and well-being initiatives are delivered across the business. • The application of the Dignity at Work Policy ensures that Gas Networks Ireland will not tolerate any form of bullying, harassment or sexual harassment in or affecting the workplace. The policy implementation prevents and deters such behaviours and where it occurs to have the effective procedures in place to address the matter.

Directors' report (continued)

EU Non-financial reporting directive (continued)

Reporting requirement	Location of information	Pages	Relevant policies	Description of the outcome of those policies
Human rights	*Respect for human rights*	38	• Code of conduct • Modern slavery statement	• The application of the Code of Conduct ensures that all persons working for or on behalf of Gas Networks Ireland conduct their business in a manner that respects human rights and dignity of all people. • Through the implementation of measures set out in its Modern Slavery Statement Gas Networks Ireland ensures transparency in its own business and in its approach to tackling modern slavery throughout its supply chains and expects the same high standards from all its contractors, suppliers and other business partners.
Anti-bribery and anti-corruption	*Anti-bribery and anti-corruption*	39	• Anti-bribery and anti-corruption policy	• The application of the Anti-Bribery and Anti-Corruption Policy is core to the integrity of Gas Networks Ireland, its reputation and long-term success. Any instances of bribery perpetrated will result in disciplinary action, up to and including dismissal. Compliance with this policy forms part of the terms of employment and of the terms of doing business with our contractors or agents. • The application of the Anti-fraud policy ensures all persons to which the policy applies understand what constitutes fraud and the Company's approach towards it, and what is expected of them in relation to the prevention and reporting of fraud.
				Description
Other reporting requirements	*Business model*	4		• Principal activities, company overview and business model
	Non-financial KPIs	10		• Key performance indicators
	Principal risks & policy due diligence	10		• Principal risks and uncertainties

Gas Networks Ireland manages risks relating to human rights, social and employee matters and anti-bribery and anti-corruption in its policy position, strategy, performance and decision making.

Directors' report (continued)

Sustainability

As one of Ireland's leading utilities, our sustainability strategy is underpinned by our role in delivering a safe, affordable and clean energy future for Ireland through the decarbonisation of our network and the reduction of emissions across all sectors of Irish society.

As guardians of Ireland's vital 14,669km national gas network, owned by the people of Ireland, we aim to deliver our services in a sustainable manner and ensure we contribute 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.

Sustainability is a key pillar of our business strategy and we continue to embed sustainability into our strategy and purpose. We work closely with our stakeholders and are committed to being transparent about our sustainability performance. Our Sustainability Framework is underpinned by the three pillars – economic, social and environment and by championing six of the United Nations Sustainable Development Goals (UNSDGs).

To further our commitment to sustainability, we have established a dedicated Sustainability Team to embed sustainable work practices across the business and to support the development and delivery of our sustainability strategy across our Environment, Social and Economic pillars.

Sustainability at Gas Networks Ireland includes supporting the health and wellbeing of our employees in the workplace and positively impacting the communities in which we operate. The Company is proud of the fact that it is one of only 41 companies in Ireland to hold the Business Working Responsibly mark which is aligned to the ISO26000 standard for Social Responsibility.

Notable achievements in 2022 include;

- Continued to publish our 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.
- Participation in the Carbon Disclosure Platform for the third time.
- Gas Networks Ireland received a B CDP climate change rating which demonstrates we are taking co-ordinated action on climate change.
- Retained our certification to the Business Working Responsibly Mark which is aligned to the Social Sustainability Standard ISO26000.
- 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.
- Won the ESG Award for "Best campaign or case study to improve education or access to education".
- Won the prestigious Green Public Sector of the Year 2022.
- Supported 59 community projects and provided €201,326 in financial support.

Directors' report (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 ISO5001 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 of the Year Award at the 2022 Green Awards.

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

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.

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 flood 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.

Directors' report (continued)

Environmental impact (continued)

Our 'Seeds for Nature' Pledge, signed in 2019, includes a number of 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. During 2022, Gas Networks Ireland adopted a pollinator friendly management across its site network where appropriate. This was presented to Ervia and Gas Networks Ireland Boards and led to the development of a Biodiversity Action Plan, which defines 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.
- 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. That helped us to benchmark and grow our biodiversity asset base in 2022 and this will continue into 2023.

In 2022, we continued to refine the Gas Networks Ireland 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 Above Ground Installations, Offices and Compressor Stations as well as the introduction of a hedge cutting and tree pruning perimetry.

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.

Directors' report (continued)

Environmental impact (continued)

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.

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. The swift nestling sites were identified in 2022 with funding provided in 2022 and these sites will be installed in 2023.

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 our Midleton compressor station.

Directors' report (continued)

Environmental impact (continued)

By undertaking this type of activity, Gas Networks Ireland demonstrates our commitment to promoting the importance of biodiversity, not only amongst our stakeholders but with our colleagues and the communities where we work.

Waste Reduction

Gas Networks Ireland is committed to reducing waste in support of the circular economy. Monthly KPI's are recorded and reported and the Company's medium-term target is zero waste to landfill by 2025. We audit our waste suppliers to assess operational practice and to ensue adherence to Gas Networks Ireland's standards. Our service providers, including our two main contractors, also report monthly on their waste KPIs and 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 will be central to any upgrade designs. For example, in 2022, we upgraded our Head Quarters building in Cork and energy efficiency measures were implemented as part of the upgrade works.

In 2022, we signed up a joint SEAI / OPW "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.

GHG emissions and carbon performance

Sustainability and decarbonisation principles are at the core of our business and strategic decisions. Gas Networks Ireland is a signatory to the Low Carbon Pledge, a Business in the Community Initiative (BITC) for Irish business to invest time and resources into creating a more sustainable operation, by increasing energy efficiency and reducing carbon usage.

As a signatory company we have committed to recording and reporting Scope 1 and Scope 2 carbon emissions and a reduction of 50% in carbon emissions intensity by 2030.

Directors' report (continued)

GHG emissions and carbon performance (continued)

Our total (provisional) CO_2e emissions in 2022 were 193,415 TCO_2e as per the table below:

	2021 (TCO_2e)	2022 (TCO_2e)	2022 (%)
Scope 1	186,156	**187,189**	**97%**
Scope 2	2,569	**3,067**	**2%**
Scope 3	4,984	**3,159**	**2%**

The production of gas at the Corrib gas field is now declining and we are increasingly reliant on our compressor stations in Scotland. These compressor stations increased our fuel gas requirements in the last few years and have caused an increase in Scope 1 carbon emissions. We have implemented a number of initiatives to improve the energy performance of our compressors and as part of our sustainability strategy, several decarbonisation options are being appraised to further reduce our emissions and achieve our low Carbon Pledge commitments.

Our Scope 2 emissions increased in 2022, due primarily to the easing of Covid restrictions and a return of occupancy to our buildings, while our Scope 3 emissions reduced primarily due to a change in our main period contractors.

Sustainable Procurement

We are driving enhanced sustainability practices through our entire supply chain. Environmental and sustainability requirements are embedded in the procurement process 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 were 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.

Directors' report (continued)

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 were also presented 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 Energise, BITC's Time to Count and World of Work, involvement with I Wish and BT Young Scientist, and events during science week and biodiversity week.

	2022	2021
Social key performance indicators		
Volunteering hours	**618***	890
Volunteering on a programme	**1 in 9 employees**	1 in 6 employees

* There were a couple of one-off volunteering opportunities in 2021 that didn't take place in 2022, so they account for the difference to some extent. Namely, DIY SOS (50 hours) and Age Action BIG Corporate Challenge (270 hours).

Our colleagues

Our overarching ambition is that the people that work in Gas Networks Ireland believe this is a great place to work and the experience of each employee coming to work every day is enriching, challenging and rewarding. As an organisation, we are committed to listening to our people in several ways, including engagement surveys, through our employee forums and a programme of two-way leadership engagements and communications. By continuing to listen and address areas that are important for our people, we can take positive steps to shape our culture, improve how we do things and support our people. We aim to create an environment where our people find their role both professionally and personally rewarding.

Throughout 2022, 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 and interest. We also saw a welcome return to some physical events which was a great opportunity to meet face to face with our colleagues; including our Strategy Employee Launch and annual Long Service Awards. The return of in person events was significant, and very welcome, this year as this has been a notable absence in the last few years.

Directors' report (continued)

Our colleagues (continued)

Over the course of 2022, teams across the business implemented local action engagement plans to address areas that were of most relevance and importance to them. Communicating with our people continues to be a top priority – making sure our people have clear, relevant, timely information, relating to our business today and into the future. These engagements took place alongside the continued roll out of our hybrid working trial as Covid-19 restrictions eased beyond the first quarter. We supported our managers, and teams adjusting to our new working arrangements and ensuring team collaborations, interpersonal relationships and team dynamics were protected throughout.

Throughout the year, our key focus was the establishment, of previously centralised people programmes as a standalone organisation. We ensured the continuity of our 'Time to Talk' programme, which is our organisational mental health programme aiming 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 feel comfortable talking and listening 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, establishing the first D&I standalone council and our four Employee Resource Groups including Women's, Rainbow, Family and Ethnicity & Culture networks to support our colleagues. In addition, we established a Neurodiversity working group to expand our programme further. The growth of this programme and the refresh of the diversity and inclusion strategy is a key area of focus across the Gas Networks Ireland.

Our commitment to our early career programmes and talent development continues with the completion of our 2018 apprenticeships following Covid-19 delays, the commencement of our most recent 2022 apprenticeship programme in October 2022 and our 2023 graduate recruitment drive which closed for applications in December 2022. These programmes are so important 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.

Community

Building strong relationships in the communities where we operate is fundamental to carrying out our business effectively. This means investing in people, in their needs, in their interests and in their futures. Community programmes focus on environmental stewardship and three core areas of social inclusion, education, workplace and accessibility.

Directors' report (continued)

Community (continued)

Education

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

Energize

In 2022, we continued with our Science, Technology, Engineering and Maths (STEM) 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 13th 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 Irelands goal of 100% of homes having a CO alarm.

Time to count

Time to Count is a Business in the Community programme, allowing Gas Networks Ireland staff to provide numeracy support to 8 and 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 our partner schools weekly over an 8–12-week programme and assist the students with math skills through the medium of 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 Business in the Community Ireland, 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 BITC partner organisations.

Directors' report (continued)

Community (continued)

I Wish

I Wish is an award-winning initiative to inspire, encourage and motivate secondary school female students to consider careers in Science, Technology, Engineering and Maths. 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. Gas Networks Ireland sponsored a panel event focused on sustainability.

Science Week

Dr Niamh Shaw is on a mission to get to Space and it's a mission she's been on since she started dreaming big growing up in Dundalk. No stranger to our TV screens and recently voted one of Ireland's leading science communicators, Dr Shaw is passionate about igniting people's curiosities.

Gas Networks Ireland joined forces with Dr Shaw to host a free online 'My Place in Space' event 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 Cosmo drome in Kazakhstan.

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 are committed to making a positive impact in the communities where we operate, and this type of activity allows to make a tangible impact on the environment and in the community.

Workplace

Elevate Pledge

The BITC 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 on 10 May 2022 measuring the diversity profile of Irish workplaces and sharing some of the initiatives that can lead to real change.

Employee resource groups

Alongside the Family Network, HSQ, and HR, 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 with a colleague who has experience.

Directors' report (continued)

Workplace (continued)

Employee engagement

The sustainability team communicate 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 CSR activities. Staff committed 619 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 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 and can see details of the organisations supported. 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 co-ordinated two shipments of essential supplies worth a total of €165,000. 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, the Christmas Shoebox Appeal, the Irish Cancer Society, Cork Penny Dinners, Cork Simon, Merchants Quay, and Movember. In total, almost €17,000 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.

Directors' report (continued)

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. The Company works with communities to ensure that construction projects in the locality cause minimum disruption providing regular updates in local newspapers and on local radio.

Economic impact

Gas Networks Ireland's aim is to deliver an excellent, efficient and cost-effective service that benefits all customers. Ireland's gas network is a valuable national asset which will play a major role in achieving a clean energy future in a least cost, safe and secure manner.

Natural gas is the ideal partner for renewable energy sources such as wind and solar. Renewable gas in particular can ensure that Ireland has a robust, renewable and sustainable indigenous energy source as part of its energy mix into the future.

Investment in our future

Gas Networks Ireland serves over 713,000 gas customers in Ireland, including over 27,000 businesses. Ireland's national gas network infrastructure is 14,669km long and connects towns and villages in multiple counties across the country. In 2022, we connected 4,617 new commercial and residential customers to the gas network and contracted 2,940GWh of new natural gas demand.

In 2022, we delivered a strong financial performance. With safety as a priority for our assets and operations, we invested €135m in our gas and telecoms network infrastructure with a strong focus on driving growth and increasing new connections to the network, developing CNG as a transportation fuel and delivering programmes to improve the safety and reliability of the network.

Respect for human rights

As part of the Ervia Group, Gas Networks Ireland conducts its business in a manner that respects the human rights and dignity of all people, endeavouring to comply with all applicable laws and regulations. Employees of Gas Networks Ireland are expected to value their fellow employees and to treat others with fairness, equality, dignity and respect. They are also expected to be alert to any evidence of human rights infringements in our direct operations or in the operations of our business partners and to report any situation in which a human rights infringement is suspected.

Gas Networks Ireland has a zero-tolerance approach to modern slavery (as defined in the UK Modern Slavery Act 2015). We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or our supply chains.

Directors' report (continued)

Respect for human rights (continued)

The UK Modern Slavery Act 2015 imposes obligations on organisations of a certain size which carry on business in the United Kingdom. Ireland has similar legislation, primarily the Criminal Law (Human Trafficking) Act 2008, as amended by the Criminal Law (Human Trafficking) (Amendment) Act 2013.

Modern slavery can occur in various forms, including servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. The Company and its subsidiary GNI (UK) Limited are applicable entities for the purposes of the Modern Slavery Act and are fully supportive of the aims of the Act.

Gas Networks Ireland is committed to ensuring that there is transparency in its own business and in its approach to tackling modern slavery throughout its supply chains and expects the same high standards from all its contractors, suppliers and other business partners.

The principles of the UK Modern Slavery Act have been enshrined in our Code of Business Conduct and anti-slavery and human trafficking requirements have been developed for incorporation into procurement processes and contractual arrangements.

The Gas Networks Ireland Statement on Slavery and Human Trafficking is available to view on our website www.gasnetworks.ie.

Anti-Bribery and Anti-Corruption

Across the Ervia Group, fraud, bribery and corruption are not tolerated and it is each employee's responsibility to report any suspected acts of fraud, bribery or corruption or suspicious behaviour they encounter.

The Anti-Fraud, Anti-Bribery and Anti-Corruption, Protected Disclosures and all other key policies are available for all employees on the intranet. Ervia has a programme in place, 'Doing the Right Thing', which promotes the integrity value and emphasises the importance of ethical behaviour. Support materials for this programme are available to all employees on the 'Doing the Right Thing' intranet site. Some of these include: an online booklet which provides guidance on best practice, actions and behaviours, and calls out the key messages from some of the core policies; the speaking up channels available to employees to raise concerns: and links to other relevant pages and training materials. 'Doing the Right Thing' training is also incorporated into the Learning & Development training programme for new joiners and new managers. Anti-Fraud, Anti-Bribery Anti-Corruption and Protected Disclosures training was rolled out to all employees in 2022. A number of integrity conversations were rolled out by managers to their teams across the business. In addition, fraud risk assessment workshops were held with relevant Executives, their direct reports and risk leads.

Corporate governance

Corporate governance

Gas Networks Ireland is a 100% owned subsidiary of Ervia.

The Code of Practice for the Governance of State Bodies ("the Code") sets out the principles of corporate governance which the boards of State bodies are required to observe. The Company, as a subsidiary of Ervia, has appropriate measures in place to ensure compliance with the relevant provisions of the Code. The Directors are responsible for ensuring said compliance. In accordance with Section 1.9 of the Business and Financial Reporting requirements of the Code, the Company reports to Ervia on its compliance with the Code.

The Company meets the definition of a public interest entity as it has debt listed on a regulated market. Section 1551(1) of the Companies Act 2014 requires the directors of a public interest entity to establish an Audit Committee. Gas Networks Ireland avails of the exemption under Section 1551(11)(a) as a subsidiary undertaking. An Audit and Risk Committee is established at Ervia Group level, due to the unitary board structure adopted by Ervia. Ervia has appropriate committees in place which act in respect of the entire Ervia Group and therefore no such committees have been established at the Company level. The overall governance structure of the group was unchanged following Operational Separation on 1 January 2022.

In light of Gas Networks Ireland's status as a public interest entity, the Ervia Group Audit and Risk Committee discharges its obligations under section 1551(14) of the Companies Act 2014 (to inform Directors of Gas Networks Ireland of the outcome of the Statutory Audit and to submit recommendations (if required) on financial reporting processes) by directing the statutory auditor, Deloitte Ireland LLP, to address the report required under Article 11 (1) of Regulation (EU) No. 537/2014 to the Board of Directors of Gas Networks Ireland as well as to the Ervia Group Audit and Risk Committee. For further information on the Ervia Group Audit and Risk Committee see the Ervia Annual Report at www.ervia.ie.

For the financial year ending 31 December 2022, the Board of Ervia was assisted in the discharging of its obligations through the delegation of certain roles and responsibilities to the Ervia Audit and Risk Committee, the Ervia Investment/Infrastructure Committee, the Ervia Remuneration Committee and the Ervia Project 23 Committee. The Ervia Project 23 Committee was established to oversee the separation and establishment of Uisce Éireann and Gas Networks Ireland as two standalone entities further to the Government decision that Uisce Éireann would become a standalone publicly owned, regulated utility separated from the Ervia Group during 2023. Legal Separation was completed on 1 January 2023.

Corporate governance (continued)

Corporate governance (continued)

The Committees assist the Ervia Board by giving detailed consideration to business, operational and financial issues, reporting to the Ervia Board with any necessary recommendations. The Ervia Audit and Risk Committee met 5 times during the year, the Remuneration Committee met 6 times during the year, the Investment/Infrastructure Committee met 11 times during the year and the Project 23 Committee met 5 times during the year.

The Company meets the definition of a traded company under Section 1372 of the Companies Act 2014 on the basis that it is a designated activity company that has debentures admitted to trading on a regulated market in an EEA State and therefore complies with the applicable provisions of Section 1373 of the Companies Act 2014. A description of the main features of the internal control and risk management systems of the company are outlined in the Statement on the System of Internal Control below.

Directors and secretary and their interests

The Directors of the Company are Cathal Marley, Denis O'Sullivan, Claire Madden and Ronan Galwey. Claire Madden was appointed with effect from 01 January 2022. Liam O'Sullivan resigned with effect from 04 March 2022. Ronan Galwey was appointed with effect from 11 April 2022 and Edwina Nyhan resigned with effect from 16 January 2023.

The Chairman of the Company's Board is Cathal Marley. The Secretary of the Company is Liam O'Riordan. Interests of the Directors and Secretary are disclosed in note 4 of the financial statements.

Subject to receipt of Ministerial consent, Ervia has the power to appoint and remove Directors of the Company. On appointment, Directors are provided with detailed briefing documents, governance, financial and operational information. Directors have access to training programmes and the ongoing development needs of Directors are kept under review by the Chairman and the Company Secretary.

In accordance with the Articles of Association, the Directors are not entitled to receive fees. Remuneration of the Directors, as disclosed in note 4 of the financial statements, represents an apportionment of total remuneration earned in their capacity as salaried employees, based on services provided to the Group. The remuneration of the Chairman of the Company is outlined in note 4 of the financial statements.

Corporate governance (continued)

Directors and secretary and their interests (continued)

The schedule of attendance at Company Board meetings is outlined below.

Director	Meetings (attended/eligible)
Cathal Marley (Chairman)	**14/16**
Ronan Galwey (appointed 11 April 2022)	**12/13**
Claire Madden (appointed 01 January 2022)	**15/16**
Edwina Nyhan (resigned 16 January 2023)	**15/16**
Denis O'Sullivan	**14/16**
Liam O' Sullivan (resigned 04 March 2022)	**2/2**

Roles and responsibilities of the directors

The Directors of the Company have an appropriate balance of skills, experience and knowledge of the Company to allow them to discharge their duties and responsibilities effectively.

The Directors' role is to provide leadership and direction to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed, and to satisfy itself, with reasonable assurance, that such controls are adequate to secure compliance with statutory and governance obligations.

The responsibilities of the Directors include the approval of the annual reports and financial statements, the annual business plan and safety policies and procedures. Activities of the Directors during the year included the review and approval of the Director's Compliance Policy Statement, approval of the financial statements and draft un-audited financial statements and matters of safety.

Directors' responsibilities statement for directors' report and financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations. The Directors are responsible for the maintenance and integrity of certain corporate and financial information included on the Group's website www.gasnetworks.ie. Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Corporate governance (continued)

Directors' responsibilities statement for directors' report and financial statements (continued)

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

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

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

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

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

The Board is responsible for ensuring that Gas Networks Ireland has complied with the requirements of the Code. The following disclosures are required by the Code:

Corporate governance (continued)

Impact of Operational Separation on Disclosures

The legal separation of Uisce Éireann from the Ervia Group was completed on 01 January 2023. Prior to this an 'Operational Separation' phase was implemented from 01 January 2022, in preparation for legal separation. The implementation of "Operational Separation" included the transfer to Gas Networks Ireland and Uisce Éireann 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 Gas Networks Ireland during 2022 that were previously incurred by Ervia. The relevant operating costs for 2022 are therefore reported in the disclosures below whereas the corresponding operating costs for 2021 are reported in the Ervia Annual Report.

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. 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 of certain centralised functions that were previously provided by Ervia. The related employees of these functions also transferred to Gas Networks Ireland, resulting in a year-on-year increase in employee numbers from 2021 to 2022.

	2022	2021
€50,000-€75,000	**231**	207
€75,001-€100,000	**205**	161
€100,001-€125,000	**96**	76
€125,001-€150,000	**38**	31
€150,001-€175,000	**20**	11
€175,001 and above	**17**	6

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 is contracted by Ervia on behalf of Gas Networks Ireland, its related cost is included below.

Corporate governance (continued)

Analysis of Employee Benefits (continued)

	2022 €'000	2021 €'000
Legal advice	**200**	48
Financial advice	**384**	533
Business improvement/change	**1,173**	1,525
Other	**391**	252
Total consultancy costs	**2,148**	2,358
Capitalised	**-**	-
Income statement	**2,148**	2,358
Total consultancy costs	**2,148**	2,358

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**	526
Number of legal cases	**10**	20

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

Note 2: The number of cases relate to legal proceedings initiated by Gas Networks Ireland or legal proceedings taken against it and excludes insurance proceedings.

Corporate governance (continued)

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2022 €'000	2021 €'000
Domestic		
Board *	**-**	-
Employee	**1,178**	774
International		
Board	**-**	-
Employee	**168**	22
Total	**1,346**	796

Travel and subsistence expenditure by Gas Networks Ireland Directors in 2022 was €nil (2021: €nil). Travel and subsistence expenditure incurred by Gas Networks Ireland Directors is deemed to be incurred in their capacity as employees.

Hospitality

The income statement includes the following hospitality expenditure:

	2022 €'000	2021 €'000
Staff hospitality	**129**	20
Client hospitality	**87**	12
Total	**216**	32*

*GNI Costs have increased in 2022 due to easing of Covid restrictions.

Transparency

Freedom of information

The Company is subject to the provisions of the Freedom of Information Act 2014 ('FOI Act'). A Model Publication Scheme has been prepared and published by the Company in accordance with the requirements of Section 8 of the FOI Act. The scheme is accessible through the Company's website www.gasnetworks.ie. Under the scheme, the Company publishes as much information as possible in an open and accessible manner on a routine basis outside of freedom of information, having regard to the principles of openness, transparency and accountability.

Corporate governance (continued)

Transparency (continued)

Data protection

In order for the Company to provide its customers with an effective service and to enable the Company to establish and manage the relationship with customers, the Company needs to collect and use data relating to the customer. The Company is committed to protecting the rights and privacy of its customers in accordance with Data Protection Law.

Protected disclosures and raising concerns

The mechanism whereby Gas Networks Ireland 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 Ervia Group Protected Disclosures Policy. Further guidance on raising concerns for management and employees is outlined in the Ervia Group Code of Business Conduct, the Ervia Group Anti-Fraud Policy and the Ervia Group Anti-Bribery and Anti-Corruption policy. Section 22 of the Protected Disclosures Act 2014 requires Gas Networks Ireland to publish an Annual Report relating to protected disclosures made under the Act. In accordance with this requirement, Gas Networks Ireland confirms that in the year ended 31 December 2022, there was no protected disclosure reported.

Gender balance, diversity and inclusion

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 utilities. This resulted in a need to re-establish or reconfigure both Diversity Council and Employee Resource Groups in each of the businesses.

It is very positive and an indication of how relevant this is to our teams, that membership of these 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 key way for the organisation to have an opportunity to identify areas of improvement.

During 2022, we continued to deepen our 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 our approaches to Diversity and Inclusion across our business based on emerging best practices within peer companies.

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

Corporate governance (continued)

Transparency (continued)

In 2022, Gas Networks Ireland reported formally for the first time on Gender Pay Gap reporting (see link: gender-pay-gap-report.pdf (gasnetworks.ie)). We acknowledge that the Company is reporting a gender pay gap, but an action plan is in place, largely informed by our existing ibelong areas of focus including talent acquisition, development and representation.

Regulation of lobbying

In accordance with the requirements of the Regulation of Lobbying Act 2015, the Company is registered on the lobbying register maintained by the Standards in Public Office Commission and has made the required returns for the return periods in 2022.

Creditor payment policy/prompt payments

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

Gas Networks Ireland 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.

Statement on the system of internal control

Scope of responsibility

The Directors acknowledge their 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 Gas Networks Ireland 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 Gas Networks Ireland have a responsibility for the effective management of risk which includes designing, operating and monitoring the systems of internal control for Gas Networks Ireland. The Ervia Group CEO is the accountable executive with ultimate responsibility. The Ervia Group CEO 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.

Corporate governance (continued)

Risk and control environment

The Directors ensure that the Company has appropriate systems of internal control and risk management in place through the 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.

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 informs the Gas Networks Ireland Board on an exceptions only basis of matters which arise during its review of the financial statements of Gas Networks Ireland which are material to the approval of the Financial Statements. From a governance perspective, Gas Networks Ireland matters are overseen by both the Gas Networks Ireland Board and the Ervia Board.

The ARC provides oversight of the risk and control environment on behalf of the Ervia Board and is responsible for assisting the Ervia 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. 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

Gas Networks Ireland 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 Ervia 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 Ervia 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" risk management model. This ensures that Gas Networks Ireland 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.

Corporate governance (continued)

Risk and control environment (continued)

Internal audit

Gas Networks Ireland has an established Internal Audit function which is adequately resourced and conducts a programme of work agreed with the ARC for Ervia and its subsidiaries 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.

In particular, the Internal Audit function:

- Evaluates risk exposure relating to achievement of Gas Networks Ireland's strategic objectives.
- Evaluates the systems established to ensure compliance with policies, plans, procedures, laws and regulations.
- Evaluates the means of safeguarding assets.
- Monitors and evaluates the effectiveness of the risk management processes.
- Performs advisory services related to governance, risk management and control as appropriate.

Risk management function

Gas Networks Ireland has an established Risk Management function which is adequately resourced and responsible for the design and implementation of an Enterprise Risk Management Framework and for ensuring that sufficient risk management experience and skills are available throughoutGas Networks Ireland. The Gas Networks Ireland Head of Risk Management reports directly to the ARC and to the Gas Networks Ireland Chief Financial Officer and attends ARC meetings. In addition, the Gas Networks Ireland Risk Management Committee, chaired by the Gas Networks Ireland 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 of 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.

Corporate governance (continued)

Risk and control environment (continued)

Elements of control environment

In addition to the key structures referred to above, the Directors confirm that 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 Gas Networks Ireland including the extent and categories which it regards as acceptable. Other processes to identify and evaluate businessrisks 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;
- 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 polices include the Code of Business 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;

Corporate governance (continued)

Risk and control environment (continued)

- 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 assurance activities of Risk, Internal and External Audit.

Ongoing monitoring and review

Gas Networks Ireland 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 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 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. These 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.

Corporate governance (continued)

Ongoing monitoring and review (continued)

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 Gas Networks Ireland 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.

Corporate governance (continued)

Capital and operational expenditure (continued)

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. Capital projects and programmes are assessed and delivered using a robust 5 stage approval process.

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 or new capital programme costing €20m or greater for regulated expenditure and €10m 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 and annual programme reviews meetings 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.

Corporate governance (continued)

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 Directors have 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 material weaknesses in internal control were identified in relation to 2022 that require disclosure in the financial statements.

Statement on relevant audit information

In accordance with Section 330 of the Companies Act 2014, the Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditor is aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditor is unaware.

Directors' compliance statement

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations in accordance with Section 225 of the Companies Act 2014.

The Directors are of the opinion that the policies and the structures and arrangements which the Company has in place are appropriate to secure material compliance by the Company with its relevant obligations. The Company's "relevant obligations" are identified in the Compliance Policy Statement and the associated Compliance Matrix which identifies the key actions and checks that must be in place. The Compliance Policy Statement has been communicated to all senior management of the Company to ensure a consistent and robust adherence to the Compliance Policy. The Directors carried out a mid-financial year and financial year-end review of the arrangements and structures in place for 2022 to secure the Company's material compliance with its relevant obligations. The Compliance Policy Statement will be enhanced to meet the Company's compliance obligations as they and/or the Company's business evolve and develop.

Compliance is a dynamic process, involving multiple policies and procedures, the commitment of Directors and senior management and the support of all employees, contractors and agents to make the policy effective. The Directors are committed to fostering an environment at Board level and throughout the Company which raises awareness and respects and promotes the aims of this Compliance Policy.

Corporate governance (continued)

Companies Act 2014

Gas Networks Ireland is exempt from the obligation to use the 'Designated Activity Company' describing the company type in its name pursuant to Section 151 of the Companies Act 2014.

Going Concern

The Directors have a reasonable expectation that the Group and the Company will continue to meet liabilities as they fall due for the foreseeable future and consequently these financial statements are prepared on a going concern basis. The Group has €312 million in undrawn bank facilities (2021: €462 million) available together with strong profitability forecasts for 2023, to meet liabilities as they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements. Further details of this going concern assessment and the Group's liquidity position are provided in notes 1 and 23 (ii), respectively, of these financial statements.

Independent auditor

The Company is cognisant of the requirements of Audit Partner and Audit firm rotation, the transition arrangements for rotation and the restriction on the entitlement of the statutory auditor to perform certain non-audit services for public interest entities.

Following receipt of Ministerial consent, Deloitte Ireland LLP were originally appointed as auditor to the Ervia Group including Gas Networks Ireland in August 2014. Ministerial consent was received on 25 March 2019 to appoint Deloitte Ireland LLP as external auditor to the Ervia Group including Gas Networks Ireland 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, including Gas Networks Ireland for the years 2022 and 2023.

Political donations

There were no political donations made during the financial year (2021: nil).

Post balance sheet events

There are no significant events affecting the Group which have taken place since the end of the financial year, other than as described in note 27 of the financial statements.

For and on behalf of Gas Networks Ireland:

	Ronan Galwey	28 March 2023
Cathal Marley	**Ronan Galwey**	Date of Approval
Chairman	Director	

Financial statements

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS NETWORKS IRELAND

Report on the audit of the financial statements

Opinion on the financial statements of Gas Networks Ireland (the 'company')

In our opinion the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2022 and of the profit of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 Company financial statements:

- the Company Balance Sheet;
- the Company Statement of Changes in Equity;
- the Company Statement of Cash Flows; and
- the related notes 29A to 29S, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group and Company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) agenda decisions, as endorsed by the EU, effective for the relevant accounting period ("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 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 (IAASA), as applied to public interest entities, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS NETWORKS IRELAND

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Accuracy of revenue recognition associated with transmission and distribution regulated revenues; and • Valuation with regard to expenditure being inaccurately capitalised and not in line with requirements of IAS 16.
Materiality	The materiality that was determined in the current year for the Group was €11 million on the basis of approximately 1% of net assets and €10.45 million for the Company. Consideration was given to the Company's share of the Group's net assets when determining the Materiality for the Company.
Scoping	Our assessment of the risks of material misstatement, our evaluation of materiality and our application of that materiality determined our audit scope. The factors that we considered when assessing the scope of the Group audit and the level of work to be performed for each relevant company included the following: the financial significance and specific risks of the company; and the effectiveness of the control environment and monitoring activities, including Group-wide controls.
Significant changes in our approach	There were no significant changes in our approach in the current year.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We considered the appropriateness of the method used by the directors in performing the going concern assessment in the context of the applicable financial reporting framework. We evaluated the relevance and challenged the reliability of the underlying data the directors used to make the assessment.
- We evaluated the assumptions on which the directors' assessment is based by determining whether there was adequate support for the assumptions underlying it including the various price control mechanisms in place.
- We completed an assessment of the historical accuracy of forecasts prepared by management by reviewing the budgeting process in place for the Group and Company.
- We completed a review and challenged the forward looking forecasts through evaluating both the "Budget 2023" and "Business Plan 2021 – 2025" prepared by Gas Networks Ireland as well as revenue and cost projections.
- We performed a detailed review of the Group and Company's financing facilities including; a review of the Group and Company cash position at the financial year end date, the financial resources available to the Group and Company with a focus on the repayment profile of debt.
- We considered the impacts of the Price Control submissions being made to the Commission for Regulation of Utilities (CRU) and the Northern Ireland Authority for Utility Regulation (NIAUR) on the 2023 financial year onwards.
- We evaluated the adequacy of the relevant disclosures made in the financial statements.

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 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 directors with respect to going concern are described in the relevant sections of this report.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS NETWORKS IRELAND

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of revenue recognition associated with transmission and distribution regulated revenues	
Key audit matter description	The Group's revenues of €498.6 million are principally derived from gas transportation services in both regulated and unregulated markets. Details are set out in note 3 to the financial statements with the accounting policy set out in Note 1(g). The regulated revenue is derived from a price control process imposed by the relevant regulator, primarily the CRU, whereby the regulator carries out a review of the revenues that the Group is allowed to recover through gas tariffs for the ongoing operation and maintenance of the gas network. The expenses recovered through the gas tariff setting are subject to change between Gas Years. The regulated revenue is largely system generated. The Group revenue balance includes a portion of unbilled revenue however there is limited judgement related to this given the price control process in place. The calculation of the unbilled revenue is system generated. We have determined the accuracy of revenue recognition associated with transmission and distribution regulated revenues to be a key audit matter.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the regulated revenue arrangements in place across the Group and Company. We evaluated the design, determined the implementation and tested the operating effectiveness of the relevant internal controls over the Group and Company's significant revenue streams. For the system generated revenue recognised in respect of gas transportation and distribution services, we obtained an understanding of the relevant internal controls and billing systems (including interfaces with the general ledger) in place over those revenue streams. We also tested the operating effectiveness of relevant IT controls with the assistance of Risk Advisory specialists. For regulated revenue, on a sample basis, we traced the revenue recognised to amounts invoiced to customers and the subsequent receipt of payment from those customers. We also tested the volume of gas being charged for and ensured those charges were in line with the regulatory price tariffs. For unbilled revenue at year end, on a sample basis, we agreed the amounts to transportation/distribution records, post year end invoices and receipts for payments. We used analytical procedures to assess the accuracy of transmission and distribution revenue with focus on manual adjustments to these revenue streams. We evaluated the completeness and accuracy of the disclosures made in the financial statements with reference to the requirements of IFRS 15.
Key observations	We have no observations in respect of the amounts and disclosures related to the accuracy of revenue recognition associated with transmission and distribution regulated revenues.

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Valuation with regard to expenditure being inaccurately capitalised and not in line with requirements of IAS 16	
Key audit matter description	A key focus for the Group and Company is network investment. Property, plant and equipment of €2,480.4 million represent the majority of the Group's asset base and a significant proportion of the Group and Company's annual expenditure. The total capitalised spend in 2022 amounted to €130.8 million for the Property, Plant and Equipment balance. Details are set out in note 9 to the Group financial statements (note 29A to the Company financial statements) with the accounting policy set out in note 1 (b). Depending upon its nature, expenditure may be capitalised or expensed in the year the cost is incurred. In making this decision the directors have to consider whether the expenditure will generate future economic benefits, which involves significant judgement, and meets the capitalisation criteria in line with the accounting policy. We determined this to be a key audit matter due to the risk that expenditure is inaccurately capitalised and not in line requirements of IAS 16.
How the scope of our audit responded to the key audit matter	We assessed whether the Group and Company's accounting policies in relation to the capitalisation of expenditure complied with IFRS. We evaluated the design, determined the implementation and tested the operating effectiveness of the relevant internal controls over the Group and Company's capitalisation process. We evaluated the design, determined the implementation and tested the operating effectiveness of relevant internal controls over the Group and Company's project management of assets capitalised (including a budget versus actual deep dive). We also tested relevant IT controls, with the assistance of Risk Advisory specialists, including interfaces between primary and subsidiary ledgers in order to assess that items capitalised are transferred to the fixed asset register on a timely basis. We inspected contracts and/or underlying invoices, on a sample basis, to ensure that the costs were accurately recorded and the classification between capital and operating expenditure was appropriate including verification that the project/asset was appropriately commissioned if capital. We obtained evidence, on a sample basis, of appropriate allocation of purchase requisitions to approved capital projects. We examined and obtained evidence for any significant reconciling items between the fixed asset register and the general ledger. We reviewed minutes of meetings of the Group's Investment Approval Committee as evidence that all items in our additions sample received the appropriate approval. We evaluated the completeness and accuracy of the disclosures made in the financial statements with reference to the requirements of IAS 16.
Key observations	We have no observations in respect of the amounts and disclosures related to the inaccurate capitalisation of property, plant and equipment.

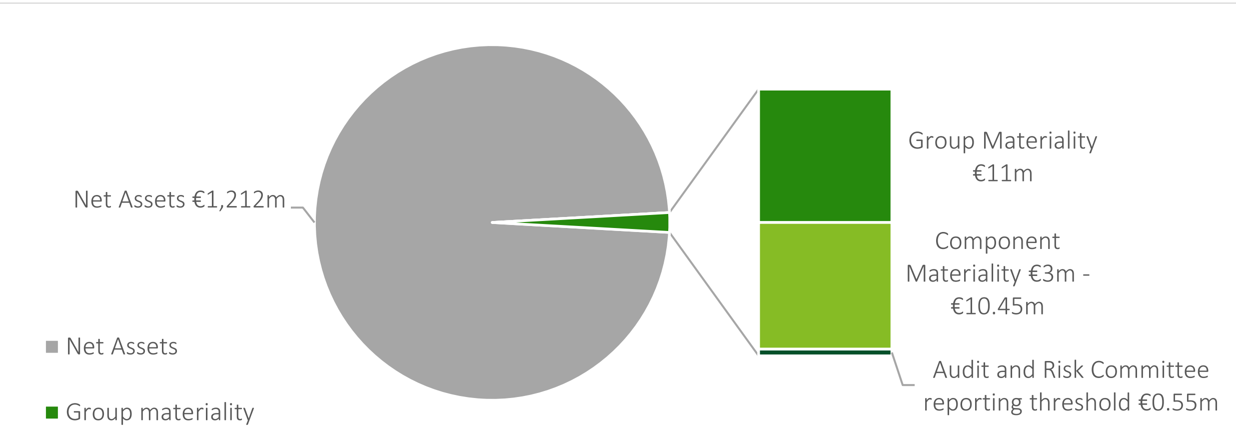
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	€11m (2021: €11m)	€10.45m (2021: €10.45m)
Basis for determining materiality	1% of net assets	95% of Group Materiality Consideration was given to the Company's share of the Group's net assets when determining the Materiality for the Company.
Rationale for the benchmark applied	We have considered the net assets to be the critical component for determining materiality because Gas Networks Ireland is an infrastructure company and users of the financial statements would consider net asset value as a key metric in assessing performance. We have considered quantitative and qualitative factors such as our understanding of the nature of Gas Networks Ireland and its environment, the industry it is operating in, its ownership structure and how it is financed.	We have concluded that net assets is the relevant benchmark in line with the rationale for the Group as documented.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS NETWORKS IRELAND

	Group financial statements	Company financial statements
Performance materiality	80% of Group materiality	80% of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Management and those charged with governance have a well-established internal control that typically prevents or detects and corrects misstatements prior to our audit procedures allowing us to rely on controls as part of our testing procedures; • The historical amount of misstatements (corrected and/or uncorrected) we have detected from our audit procedures has been negligible; • Management and those charged with governance were willing to fully investigate and correct misstatements identified during prior audits, and we have no expectation that they will not do the same this year if we were to detect misstatements that the internal controls did not previously detect: • Gas Networks Ireland is a mature and stable company; and • Staff have been deemed to be competent and experienced and there is limited turnover in staff.	

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of €550,000 (2021: €550,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We determined the scope of our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We focused our Group audit scope on the audit of the three trading legal entities comprising the Group. These entities represent the principal business units and account for 100% of the revenue and 100% of the Group's total assets. Our audit work for each entity was executed at levels lower than Group materiality which were applicable to each individual entity ranging from €3m to €10.45m . At the Group entity level we also tested the consolidation process.

Other information

The other information comprises the information included in the Directors' Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS NETWORKS IRELAND

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group and Company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group and Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the accuracy of revenue recognition associated with transmission and distribution regulated revenues and valuation with regard to expenditure being inaccurately capitalised and not in line with requirements of IAS 16. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group and Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies Acts 2014, Finance Act 2015, Gas Act 1976, Financial Transactions of Certain Companies and Other Bodies Act 1992 and Tax Consolidation Act 1997.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group & Company's ability to operate or to avoid a material penalty. These included the Group & Company's gas and environmental regulations.

Audit response to risks identified

As a result of performing the above, we identified accuracy of revenue recognition associated with transmission and distribution regulated revenues and valuation with regard to expenditure being inaccurately capitalised and not in line with requirements of IAS 16 as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, in-house and external legal counsel and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the CRU and NIAUR; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GAS NETWORKS IRELAND

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

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

Corporate Governance Statement required by the Companies Act 2014

We report, in relation to information given in the Corporate Governance Statement included within the Directors' Report that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) of section 1373 Companies Act 2014 is consistent with the company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014.

Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in those parts of the Directors' Report as specified for our review.

The Companies Act 2014 requires us to report to you if, in our opinion, the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial year ended 31 December 2022. We have nothing to report in this regard.

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

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

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Other matters which we are required to address

Following the recommendation of the Audit and Risk Committee, we were re-appointed by Gas Networks Ireland on 25 March 2019 to audit the financial statements commencing for the financial year ended 31 December 2019 up to and including the financial year ended 31 December 2021 which was subsequently extended to the financial year ended 31 December 2023 following ministerial consent. The period of total uninterrupted engagement including previous renewals and reappointments to date of the firm is 8 years, covering the years ending 31 December 2015 to 31 December 2022.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISA (Ireland) 260.

Use of our report

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

Honor Moore

Honor Moore
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
6 Lapp's Quay
Cork
Date: 30 March 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 directors 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	**(268,650)**	(231,100)
Operating profit before depreciation and amortisation (EBITDA)		**229,950**	245,097
Depreciation and amortisation	6	**(145,623)**	(143,358)
Operating profit		**84,327**	101,739
Finance income	7	**195**	671
Finance costs	7	**(12,876)**	(14,198)
Net finance costs	7	**(12,681)**	(13,527)
Profit before income tax		**71,646**	88,212
Income tax	8	**(11,895)**	(15,740)
Profit for the year		**59,751**	72,472
Profit attributable to:			
Owners of the Company		**59,751**	72,472
Profit for the year		**59,751**	72,472

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

	Notes	2022 €'000	2021 €'000
Profit for the year		**59,751**	72,472
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		**(2,711)**	2,993
Fair value gains 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		**(2,711)**	4,192
Total comprehensive income for the year		**57,040**	76,664
Total comprehensive income attributable to:			
Owners of the Company		**57,040**	76,664
Total comprehensive income for the year		**57,040**	76,664

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	**2,484,941**	2,512,696
Investment properties	10	**7,363**	-
Intangible assets	12	**27,028**	29,087
Derivative financial instruments	23	**58**	378
Total non-current assets		**2,519,390**	2,542,161
Current assets			
Trade and other receivables	13	**75,238**	91,862
Cash and cash equivalents - available to group	14	**132,384**	59,161
Cash and cash equivalents - restricted deposits	14	**40,248**	46,348
Derivative financial instruments	23	**902**	831
Current tax assets	8	**-**	442
Inventories	16	**568**	463
Total current assets		**249,340**	199,107
Total assets		**2,768,730**	2,741,268
Equity and liabilities			
Equity			
Share capital and share premium		**(318,353)**	(318,353)
Capital contribution		**(369,947)**	(369,947)
Retained earnings		**(522,932)**	(483,293)
Translation reserve		**(939)**	(3,650)
Total equity		**(1,212,171)**	(1,175,243)
Liabilities			
Non-current liabilities			
Borrowings and other debt	17	**(1,022,695)**	(1,022,991)
Deferred revenue	19	**(50,527)**	(47,469)
Grants	20	**(57,972)**	(64,590)
Provisions	21	**(5,905)**	(6,198)
Trade and other payables	22	**(7,859)**	(15,562)
Derivative financial instruments	23	**(111)**	(189)
Deferred tax liabilities	8	**(206,903)**	(209,134)
Total non-current liabilities		**(1,351,972)**	(1,366,133)
Current liabilities			
Borrowings and other debt	17	**(219)**	(253)
Deferred revenue	19	**(34,319)**	(12,937)
Grants	20	**(6,548)**	(6,638)
Provisions	21	**(1,511)**	(1,613)
Trade and other payables	22	**(159,845)**	(178,027)
Derivative financial instruments	23	**(966)**	(424)
Current tax liabilities	8	**(1,179)**	-
Total current liabilities		**(204,587)**	(199,892)
Total liabilities		**(1,556,559)**	(1,566,025)
Total equity and liabilities		**(2,768,730)**	(2,741,268)

For and on behalf of the Board:

		28 March 2023
Cathal Marley	**Ronan Galwey**	Date of Approval
Chairman	Director	

Group Statement of Changes in Equity
for the year ended 31 December 2022

		Share capital and share premium	Capital contribution	Retained earnings	Translation reserve	Cash flow hedge reserve	Total
		€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2021		(318,353)	(363,083)	(426,182)	(657)	1,199	(1,107,076)
Profit for the year		-	-	(72,472)	-	-	(72,472)
Other comprehensive income for the year		-	-	-	(2,993)	(1,199)	(4,192)
Total comprehensive income for the year		-	-	(72,472)	(2,993)	(1,199)	(76,664)
Capital contribution	26	-	(6,864)	-	-	-	(6,864)
Dividends	26	-	-	15,361	-	-	15,361
At 31 December 2021		(318,353)	(369,947)	(483,293)	(3,650)	-	(1,175,243)
Profit for the year		**-**	**-**	**(59,751)**	**-**	**-**	**(59,751)**
Other comprehensive income for the year		**-**	**-**	**-**	**2,711**	**-**	**2,711**
Total comprehensive income for the year		**-**	**-**	**(59,751)**	**2,711**	**-**	**(57,040)**
Dividends	26	**-**	**-**	**20,112**	**-**	**-**	**20,112**
At 31 December 2022		**(318,353)**	**(369,947)**	**(522,932)**	**(939)**	**-**	**(1,212,171)**

All attributable to the owners of the Company.

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	**231,055**	251,820
Cash flows from investing activities			
Payments for property, plant and equipment		**(136,656)**	(124,722)
Payments for intangible assets		**(5,518)**	(10,367)
Grants received	20	**643**	807
Net cash used in investing activities		**(141,531)**	(134,282)
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)**	(247)
Dividends paid	26	**(20,112)**	(15,361)
Net cash used in financing activities		**(21,550)**	(126,808)
Net increase/(decrease) in cash and cash equivalents	14	**67,974**	(9,270)
Cash and cash equivalents at 1 January	14	**105,509**	114,508
Effect of exchange rate fluctuations on cash held	14	**(851)**	271
Cash and cash equivalents at 31 December	14	**172,632**	105,509

[1] See Note 1 for details of restatement

Notes to the Group financial statements

Notes to the Group financial statements (continued)

1. Statement of accounting policies

Basis of preparation

Gas Networks Ireland ('the Company') is a designated activity company, limited by shares, and incorporated in Ireland, on 13 January 2015. The address of its registered office is Gasworks Road, Cork, Ireland. The Company registration number is 555744. The Group financial statements consolidate the financial statements of the Company and its subsidiaries (as set out in note 25), (together referred to as 'the Group'), up to 31 December each year. The Company and its subsidiaries are ultimately controlled by Ervia. The Company has availed of the exemption in section 304(2) of the Companies Act 2014 not to present its individual income statement, statement of comprehensive income and related notes.

The Group and Company 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, and the Companies Acts 2014. 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 committee 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 €132 million of cash and cash equivalents available to group at 31 December 2022 (2021: €59 million) and committed undrawn bank facilities of €312 million at 31 December 2022 (2021: €462 million), with solid profitability and operating cash-flow forecasts for 2023 and beyond. Further details of the Group's liquidity position are provided in note 23 (ii) of these financial statements.

When completing the going concern assessment, the Directors have considered the principal risks and uncertainties as detailed in the Directors' Report, including the ongoing invasion in Ukraine and the impacts of Climate Change.

The Directors have 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.

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

Notes to the Group financial statements (continued)

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" in the statement of financial position and these cash balances were 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 presentation 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]	223,075	28,745	251,820
Net cash used in investing activities	(134,282)	-	(134,282)
Net cash used in financing activities	(126,808)	-	(126,808)
Net decrease in cash and cash equivalents	**(38,015)**	**28,745**	**(9,270)**
Cash and cash equivalents at 1 January	96,905	17,603	114,508
Effect of exchange rate fluctuations on cash held	271	-	271
Cash and cash equivalents at 31 December	**59,161**	**46,348**	**105,509**

[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 reflects 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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

Parent- statement of cash flows

	31 Dec 2021	31 Dec 2021	31 Dec 2021
	As previously reported	Reclassification	Restated
	€'000	€'000	€'000
Net cash from operating activities[2]	176,426	28,511	204,937
Net Cash used in investing activities	(72,365)	-	(72,365)
Net Cash used in financing activities	(126,808)	-	(126,808)
Net decrease in cash and cash equivalents	**(22,747)**	**28,511**	**5,764**
Cash and cash equivalents at 1 January	62,206	13,511	75,717
Cash and cash equivalents at 31 December	**39,459**	**42,022**	**81,481**

2 The restatement of cash and cash equivalents to include "restricted cash" has resulted in an increase of €28.5m to reported net cash from operating activities for 2021. The increase, as set out in note 29H reflects that "change in trade and other payables" has been increased by €28.5m (from €13.5m to €42m). The restatement of €28.5m represents the increase in trade and other payables associated with the corresponding increase in "restricted cash" balances during 2021, from €13.5m as at 01 January 2021 to €42.m 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
- 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
- Amendments 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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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.

Notes to the Group financial statements (continued)

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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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 permanently 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.

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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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.

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.

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).

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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, the 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 assess 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.

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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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 to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

i) Retirement benefit obligations

Defined benefit pension scheme accounted for as Group Plan

The Ervia Group operates a defined benefit pension scheme. A number of Gas Networks Ireland's employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19 (Revised 2011: Employee Benefits) and therefore the total net pension liability (or asset) associated with the scheme is recognised in the financial statements of Ervia Group and not in the financial statements of Gas Networks Ireland – refer to the Ervia Group Annual Report for full disclosure in respect of the scheme.

Defined contribution pension schemes

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 period 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.

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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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.

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.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

Restricted deposits

Restricted deposits are third party monies, held under financial security or regulatory arrangements, that are not available for operational purposes under the Gas Networks Ireland 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.

Loans and balances with Group companies (Company)

Loans and balances with Group companies are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current trade and other receivables or current trade and other payables in the Company 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 or non-current trade and other payables. These are initially recorded at fair value. Loans and balances receivable from Group companies are subsequently accounted for at amortised cost less expected credit loss.

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), and fair value movements on financing instruments classified as fair value through profit or loss. 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.

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 available to group. 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 also considered the implications of climate change on its operations and activities, further details of which are set out below.

Notes to the Group financial statements (continued)

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 €2,519.3 million (2021: €2,541.8 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: €145.6 million and 2021: €143.4 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).

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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.

(b) 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.

Notes to the Group financial statements (continued)

2. Segmental information

The Group has adopted IFRS 8 Operating Segments in the financial statements. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance. In the Group's case, the Chief Operating Decision Maker has been identified as the Gas Networks Ireland Board.

The Group's operating segments are therefore those used internally by the Gas Networks Ireland Board to run the business and make strategic decisions. The Gas Networks Ireland Board is provided with information in respect of the Group on a single segment basis for the purposes of assessing performance and allocating resources. The Gas Networks Ireland Board reviews operating results at a Gas Networks Ireland Group level. Considering this, the Group has a single segment for financial reporting purposes. Therefore, the segment profit and segment assets and liabilities as reported to the chief operating decision maker are as set out in the Group Income Statement and Group Balance Sheet respectively and therefore no further segmental information is provided 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

Included in the Group's total revenue are revenues of €131.8million (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. There are no other customers from which revenue exceeded 10% of total revenue. Refer to note 3 for analysis of revenues from external customers by type.

(b) Non-current assets by geographic location

	2022 €'000	2021 €'000
Ireland	**2,151,488**	2,153,166
UK (including Northern Ireland and Isle of Man)	**367,844**	388,617
Total	**2,519,332**	2,541,783

Non-current assets for the purpose of this disclosure consist of property, plant and equipment, investment properties and intangible assets. Derivative financial instruments are excluded.

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 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	5	**(64,671)**	(46,789)
Hired and contracted services		**(9,290)**	(7,343)
Materials, maintenance and sub-contractor costs		**(64,806)**	(58,606)
Rates and facilities		**(36,945)**	(33,366)
Gas system shrinkage and gas losses		**(63,801)**	(41,523)
Central transactional and support service costs1	26	**(1,728)**	(24,796)
Cloud computing transition adjustment	12	**-**	(3,616)
Other operating expenses		**(28,604)**	(18,561)
Other operating income		**1,195**	3,500
Total		**(268,650)**	(231,100)

[1] Operational separation between Gas Networks Ireland and Irish Water 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 Irish Water 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 in 2022 and are presented in the relevant direct operating cost lines above. During 2022, Ervia continued to to recharge the Gas Networks Ireland for certain limited group support services and pension costs - refer to note 26.

Notes to the Group financial statements (continued)

4. Operating costs net (excluding depreciation and amortisation) (continued)

Operating costs are stated after charging:

(a) Auditor's remuneration

	2022 €'000	2021 €'000
Audit of the Group financial statements[1]	**(153)**	(142)
Other assurance services	**(48)**	(27)
Tax advisory services;	**-**	-
Other non-audit services	**-**	-
Total	**(201)**	(169)

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

(b) Directors' remuneration

	2022 €'000	2021 €'000
Directors - fees	**-**	-
Directors - emoluments	**(735)**	(492)
Directors - defined benefit pension contributions	**(71)**	(70)
Directors - defined contribution pension contributions	**(21)**	-
Total	**(827)**	(562)

(c) Chief Executive Officer

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)

In accordance with the Articles of Association of the Group, the Directors are not entitled to receive fees. Remuneration of the Directors as disclosed above represents an apportionment of total remuneration earned in their capacity as salaried employees, based on services provided to the Ervia Group. Four directors (4) accrued defined benefit pension contributions (2021:6) and 2 directors accrued defined contribution pension contributions (2021: nil).

Notes to the Group financial statements (continued)

5. Employee benefits

(i) Aggregate employee benefits

	2022 €'000	2021 €'000
Staff short-term benefits	**(60,679)**	(45,828)
Termination benefits	**(382)**	-
Post-employment benefits- defined benefit scheme	**(5,589)**	(4,448)
Post-employment benefits - defined contribution scheme	**(2,112)**	(1,375)
Social insurance costs	**(6,827)**	(5,093)
	(75,589)	(56,744)
Capitalised payroll	**10,918**	9,955
Employee benefit expense charged to profit or loss	**(64,671)**	(46,789)

(ii) Staff short-term benefits

	2022 €'000	2021 €'000
Wages and salaries	**(56,855)**	(42,773)
Overtime	**(1,259)**	(1,202)
Allowances	**(1,075)**	(893)
Other[1]	**(1,490)**	(960)
Total	**(60,679)**	(45,828)

[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 and the Company for the year was 729 (2021: 562).

Notes to the Group financial statements (continued)

6. Depreciation and amortisation

		2022 €'000	2021 €'000
Depreciation of property, plant and equipment	9	**(141,901)**	(143,674)
Impairment of property plant and equipment	9	**(3,739)**	-
Depreciation of investment properties	10	**(437)**	-
Depreciation of right-of-use assets	11	**(409)**	(365)
Amortisation of intangible assets	12	**(5,752)**	(6,465)
Cloud computing transition adjustment	12	**-**	564
Grant amortisation	20	**6,615**	6,582
Total		**(145,623)**	(143,358)

7. Net finance costs

	2022 €'000	2021 €'000
Before remeasurements		
Interest and finance costs	**(12,473)**	(13,333)
Interest income on short-term deposits	**195**	-
Interest capitalised	**396**	716
Lease liability finance charge	**(87)**	(94)
Total before remeasurements	**(11,969)**	(12,711)
Remeasurements		
Net changes in fair value of undesignated derivatives	**(712)**	671
Net changes in fair value of financial instruments designated in a fair value hedging relationship	**-**	(1,487)
Total remeasurements	**(712)**	(816)
Total		
Finance income	**195**	671
Finance costs	**(12,876)**	(14,198)
Net finance costs	**(12,681)**	(13,527)

Notes to the Group financial statements (continued)

8. Tax

Income tax

	2022 €'000	2021 €'000
Current tax		
Current tax	**(13,206)**	(13,048)
Adjustments in respect of previous years	**(99)**	487
	(13,305)	(12,561)
Deferred tax		
Origination and reversal of temporary differences	**2,213**	(4,218)
Adjustments in respect of previous years	**(803)**	1,039
	1,410	(3,179)
Total income tax	**(11,895)**	(15,740)

Reconciliation of effective tax rate

	31-Dec-22 €'000	31-Dec-21 €'000
Profit before income tax	**71,646**	88,212
Taxed at 12.5% (2021: 12.5%)	**(8,956)**	(11,027)
Depreciation on capital expenditure that is not deductible for tax purposes	**(1,499)**	(1,744)
Other expenses not deductible for tax purposes	**(330)**	319
Income not taxable	**498**	496
UK subsidiary profits taxed at higher rates	**(526)**	(1,150)
Effect of tax rate change[1]	**-**	(4,277)
Exchange adjustments	**(180)**	117
Adjustments in respect of previous years	**(902)**	1,526
	(11,895)	(15,740)

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).

Notes to the Group financial statements (continued)

8. Tax (continued)

Current tax assets and liabilities

	31-Dec-22	31-Dec-21
	€'000	€'000
Current tax (liabilities)/ assets	**(1,179)**	442

Deferred tax assets and liabilities

	Derivative financial instruments	Accelerated tax depreciation	Interest charges payable"	Other	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2021	171	(210,990)	5,839	(145)	(205,125)
Recognised in income statement	-	(1,161)	(1,919)	(99)	(3,179)
Recognised in equity	(171)	-	-	-	(171)
Exchange adjustments	-	(974)	315	-	(659)
At 31 December 2021	-	(213,125)	4,235	(244)	(209,134)
Recognised in income statement	**-**	**3,360**	**(1,974)**	**24**	**1,410**
Exchange adjustments	**-**	**1,350**	**(529)**	**-**	**821**
At 31 December 2022	**-**	**(208,415)**	**1,732**	**(220)**	**(206,903)**

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	31-Dec-21
		€'000	€'000
Property, plant and equipment - owned assets		**2,480,433**	2,507,683
Property, plant and equipment - right-of-use assets	11	**4,508**	5,013
Property, plant and equipment - as presented on the balance sheet		**2,484,941**	2,512,696

Notes to the Group financial statements (continued)

9. Property, plant and equipment (continued)

Property, plant and equipment - owned assets

		Land and buildings	Plant, pipeline and machinery	Assets under construction	Total
		€'000	€'000	€'000	€'000
Cost					
At 1 January 2021		67,992	4,458,268	70,019	4,596,279
Additions		-	10,344	125,578	135,922
Disposals		-	(4,590)	-	(4,590)
Transfers		-	126,957	(126,957)	-
Transferred under common control transaction	26	21,345	-	-	21,345
Effect of movement in exchange rates		-	14,834	199	15,033
At 31 December 2021		89,337	4,605,813	68,839	4,763,989
Additions		**-**	**11,196**	**119,636**	**130,832**
Disposals		**-**	**(5,631)**	**-**	**(5,631)**
Transfers		**2,740**	**110,415**	**(113,155)**	**-**
Transferred to Investment properties	10	**(22,496)**	**(655)**	**-**	**(23,151)**
Effect of movement in exchange rates		**-**	**(12,494)**	**(224)**	**(12,718)**
At 31 December 2022		**69,581**	**4,708,644**	**75,096**	**4,853,321**
Accumulated depreciation and impairment losses					
At 1 January 2021		(27,092)	(2,066,721)	-	(2,093,813)
Depreciation charge		(1,627)	(142,047)	-	(143,674)
Disposals		-	4,583	-	4,583
Transferred under common control transaction	26	(14,481)	-	-	(14,481)
Effect of movement in exchange rates		-	(8,921)	-	(8,921)
At 31 December 2021		(43,200)	(2,213,106)	-	(2,256,306)
Depreciation charge		**(1,401)**	**(140,500)**	**-**	**(141,901)**
Impairment charge		**-**	**(2,677)**	**(1,062)**	**(3,739)**
Disposals		**-**	**5,631**	**-**	**5,631**
Transferred to Investment properties	10	**14,883**	**468**	**-**	**15,351**
Effect of movement in exchange rates		**-**	**8,076**	**-**	**8,076**
At 31 December 2022		**(29,718)**	**(2,342,108)**	**(1,062)**	**(2,372,888)**
Carrying amounts					
At 31 December 2021		46,137	2,392,707	68,839	2,507,683
At 31 December 2022		**39,863**	**2,366,536**	**74,034**	**2,480,433**

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 11 'The Group as Lessor'. The carrying value of these assets at 31 December 2022 was €58 million (31 December 2021: €70 million) and is included in plant, pipeline and machinery.

During the year, the Group capitalised €0.4 million (2021: €0.7 million) in borrowing costs. The capitalisation rate was 1.19% (2021: 1.35%).

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

Notes to the Group financial statements (continued)

10. Investment properties

	31-Dec-22
	€'000
Cost	
At 1 January 2022	-
Transferred from Property, plant and equipment (note 9)	**23,151**
At 31 December 2022	**23,151**
Accumulated depreciation and impairment losses	
At 1 January 2022	**-**
Transferred from Property, plant and 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 26 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.

Notes to the Group financial statements (continued)

11. Lease assets and liabilities (continued)

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	566	4,629	5,195
Additions	-	907	907
At 31 December 2021	566	5,536	6,102
Disposals	**(156)**	**-**	**(156)**
At 31 December 2022	**410**	**5,536**	**5,946**
Accumulated depreciation and impairment losses			
At 1 January 2021	(194)	(530)	(724)
Depreciation charge	(97)	(268)	(365)
At 31 December 2021	(291)	(798)	(1,089)
Depreciation charge	**(81)**	**(328)**	**(409)**
Disposals	**60**	**-**	**60**
At 31 December 2022	**(312)**	**(1,126)**	**(1,438)**
Carrying amounts			
At 31 December 2021	275	4,738	5,013
At 31 December 2022	**98**	**4,410**	**4,508**

Lease liabilities

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
At 1 January 2021	(361)	(2,954)	(3,315)
Interest expense	(4)	(90)	(94)
Lease payments	100	241	341
At 31 December 2021	(265)	(2,803)	(3,068)
Disposal	**92**	**-**	**92**
Interest expense	**(2)**	**(85)**	**(87)**
Lease payments	**85**	**240**	**325**
At 31 December 2022	**(90)**	**(2,648)**	**(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)**	(2,815)
Current	**(219)**	(253)
Total	**(2,738)**	(3,068)

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 in respect of 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

Notes to the Group financial statements (continued)

12. Intangible assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2021	157,370	8,503	165,873
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	162,997	10,558	173,555
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	**173,081**	**4,068**	**177,149**
Accumulated amortisation			
At 1 January 2021	(138,470)	-	(138,470)
Amortisation charge	(6,465)	-	(6,465)
Cloud computing transition adjustment1	564	-	564
Effect of movement in exchange rates	(97)	-	(97)
At 31 December 2021	(144,468)	-	(144,468)
Amortisation charge	**(5,752)**	**-**	**(5,752)**
Effect of movement in exchange rates	**99**	**-**	**99**
At 31 December 2022	**(150,121)**	**-**	**(150,121)**
Carrying amounts			
At 31 December 2021	18,529	10,558	29,087
At 31 December 2022	**22,960**	**4,068**	**27,028**

[1] 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 qualified for capitalisation were expensed during the financial year ended 31 December 2021 (retrospective application was not applied as the amount was not material). For the financial year ended 31 December 2021, 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
Other receivables	**7,099**	3,375
Sub-total	**67,805**	85,668
Prepayments	**7,433**	6,194
Total	**75,238**	91,862

Analysed as follows:		
Non-current	**-**	-
Current	**75,238**	91,862
Total	**75,238**	91,862

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 provide

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 (note 14). The Group has not recognised any material impairment loss 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 (note 14). The Group has not recognised any impairment loss in the current or prior reporting period.

Notes to the Group financial statements (continued)

13. Trade and other receivables (continued)

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 receivables and other receivables to credit risk at the reporting date is €67.8 million (2021: €85.7 million). Prepayments are excluded as no credit exposure arises.

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

	31-Dec-22	31-Dec-21
	€'000	€'000
Republic of Ireland	**60,213**	72,520
UK (including Northern Ireland and Isle of Man)	**7,592**	13,148
Total	**67,805**	85,668

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 recent energy market price volatility. 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	2021
	€'000	€'000
At 1 January	**(517)**	(596)
Impairment losses on financial assets	**(95)**	(14)
Allowance utilised	**19**	93
At 31 December	**(593)**	(517)

Notes to the Group financial statements (continued)

13. Trade and other receivables (continued)

The ageing of trade and other receivables, net of expected credit losses, is as follows:

	2022 €'000	2021 €'000
Not past due	**60,062**	56,226
1-30 days overdue	**834**	29,111
31-120 days overdue	**6,904**	329
> 120 days overdue	**5**	2
Total	**67,805**	85,668

14. Cash and cash equivalents

Available to group
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	**95,452**	36,000
Cash at bank	**36,932**	23,161
Total	**132,384**	59,161

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

Notes to the Group financial statements (continued)

14. Cash and cash equivalents (continued)

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	**105,509**	114,508
Increase/(decrease) in cash and cash equivalents in the statement of cash flows	**67,974**	(9,270)
Effect of exchange rate fluctuations on cash held	**(851)**	271
At 31 December	**172,632**	105,509

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

Notes to the Group financial statements (continued)

15. Cash generated from operations

	Notes	2022 €'000	2021 Restated [1] €'000
Cash flows from operating activities			
Profit for the year		**59,751**	72,472
Adjustments for:			
Depreciation and amortisation	6	**145,623**	143,358
Cloud computing transition adjustment		**-**	3,616
Net finance costs	7	**12,681**	13,527
Income tax expense	8	**11,895**	15,740
		229,950	248,713
Working capital changes:			
Change in trade and other receivables		**16,210**	(39,431)
Change in trade and other payables		**(11,600)**	47,165
Change in deferred revenue		**24,440**	34,797
Change in provisions		**(395)**	(338)
Change in inventories		**(105)**	2,553
Cash from operating activities		**258,500**	293,459
Interest paid[2]		**(15,700)**	(28,718)
Income tax paid		**(11,745)**	(12,921)
Net cash from operating activities		**231,055**	251,820

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

[2] Interest paid includes €5.8 million of interest paid to the ultimate parent undertaking (2021: €14.6 million).

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 interest-bearing borrowings. 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)**	(3,068)
Total	**(1,022,914)**	(1,023,244)
Analysed as follows:		
Non-current	**(1,022,695)**	(1,022,991)
Current	**(219)**	(253)
Total	**(1,022,914)**	(1,023,244)
Less than one year	**(219)**	(253)
Between one and five years	**(796,927)**	(797,129)
More than five years	**(225,768)**	(225,862)
Total	**(1,022,914)**	(1,023,244)

All borrowings are repayable other than by instalment. Certain borrowings are held with related parties, refer to note 26 for full details of related party disclosures.

Net debt

		31-Dec-22 €'000	31-Dec-21 €'000
Total borrowings and other debt (excluding debt due to Parent)		**(1,022,914)**	(1,023,244)
Less cash and cash equivalents - available to Group	14	**132,384**	59,161
Net Debt[1]		**(890,530)**	(964,083)

[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.

Notes to the Group financial statements (continued)

17. Borrowings and other debt (continued)

Changes in liabilities arising from financing activities

		Bonds	Loans from financial institutions	Lease liabilities	Sub-total	Ultimate parent undertaking[1]	Total
		€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2021		(919,270)	(215,129)	(3,315)	(1,137,714)	(5,188)	(1,142,902)
Proceeds		-	(40,000)	-	(40,000)	-	(40,000)
Repayment		-	151,200	-	151,200	-	151,200
Lease Liabilities	11	-	-	247	247	-	247
Change in fair value of financial liabilities		-	4,131	-	4,131	-	4,131
Non-cash		(940)	(168)	-	(1,108)	(41)	(1,149)
At 31 December 2021		(920,210)	(99,966)	(3,068)	(1,023,244)	(5,229)	(1,028,473)
Lease Liabilities	11	**-**	**-**	**238**	**238**	**-**	**238**
Payment of other financing costs		**-**	**1,200**	**-**	**1,200**	**-**	**1,200**
Non-cash		**(946)**	**(254)**	**92**	**(1,108)**	**(41)**	**(1,149)**
At 31 December 2022		**(921,156)**	**(99,020)**	**(2,738)**	**(1,022,914)**	**(5,270)**	**(1,028,184)**

[1] Liabilities from financing activities with the ultimate parent undertaking is included within the amounts owed to the ultimate parent undertaking as disclosed in note 22. Refer to note 26 (c) for details on the nature of the liability as at 31 December 2022.

18. Retirement benefit obligations

Defined benefit pension scheme accounted for as a Group Plan

"The Ervia Group operates a defined benefit pension scheme. A number of Gas Networks Ireland's employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. Ervia, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Gas Networks Ireland recognises only the cost of contributions payable for the year in respect of Gas Networks Ireland's employees.

There is no contractual agreement or stated policy in place for charging the Gas Networks Ireland's net defined benefit cost. The funding contribution rate is calculated every 3 years, by the pension scheme's actuary, for the Ervia Group as a whole. Gas Networks Ireland's contribution amount is determined by applying the Ervia Group contribution rate to the salaries of the participating Gas Networks Ireland employees. Refer to the Ervia Group Annual Report for full disclosure in respect of the scheme.

During 2022, the Group made additional payments to Ervia of €1.743m to meet agreed deficit repair payments arising from the April 2020 actuarial valuation. In addition, the Group also made payments of €0.169m to the Ervia Defined Benefit Pension Scheme to meet additional liabilities associated with the restructuring of legacy pension schemes.

Notes to the Group financial statements (continued)

18. Retirement benefit obligations (continued)

Contributions paid to Ervia in respect of Gas Networks Ireland's employees are separately disclosed in note 5 and are identified as a related party transaction in note 26.

Defined contribution scheme

A number of Gas Networks Ireland's employees also participate in the Ervia Group Defined Contribution scheme. Contributions paid to Ervia in respect of Gas Networks Ireland's employees are also separately disclosed in note 5 and are identified as a related party transaction in note 26.

Post balance sheet event

On 01 January 2023, Uisce Éireann, became a standalone entity through full legal separation from the Ervia Group. As part of the reorganisation, certain obligations of the Ervia group defined benefit scheme were transferred to Uisce Éireann. The completion of the reorganisation is expected to be completed in late 2023 early 2024 following the enactment of the required legislation. This will include the transfer the transfer of the remainder of the obligations of the Ervia group defined benefit pension scheme to Gas Networks Ireland.

19. Deferred Revenue

	2022	2021
	€'000	€'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	31-Dec-21
	€'000	€'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.

Notes to the Group financial statements (continued)

20. Grants

	2022 €'000	2021 €'000
At 1 January	**(71,228)**	(76,260)
Receivable in year	**(681)**	(807)
Amortised	**6,615**	6,582
Credited to operating costs	**38**	302
Effect of movement in exchange rates	**736**	(1,045)
At 31 December	**(64,520)**	(71,228)

Analysed as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Non-current	**(57,972)**	(64,590)
Current	**(6,548)**	(6,638)
Total	**(64,520)**	(71,228)

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 year.

Grants receivable for 2022 of €0.7 million (2021: €0.8 million) related to grant funding from the Innovation and Networks Executive Agency (INEA), 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 substantially 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

Notes to the Group financial statements (continued)

22. Trade and other payables

		31-Dec-22 €'000	31-Dec-21 €'000
Trade payables		**(19,016)**	(15,287)
Accrued expenses		**(73,084)**	(88,887)
Other payables		**(44,333)**	(46,233)
Amounts owed to ultimate parent undertaking	26	**(11,865)**	(23,672)
Amounts owed to Uisce Éireann	26	-	(119)
Taxation and social insurance creditors		**(19,406)**	(19,391)
Total		**(167,704)**	(193,589)
Analysed as follows:			
Non-current		**(7,859)**	(15,562)
Current		**(159,845)**	(178,027)
Total		**(167,704)**	(193,589)
Taxation and social insurance creditors			
PAYE/social insurance		**(1,987)**	(2,282)
VAT		**(17,419)**	(17,109)
Total		**(19,406)**	(19,391)

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.

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

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	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	**960**	**-**	**960**
Trade and other receivables²		**-**	**67,805**	**67,805**
Cash and cash equivalents - available to group³		**-**	**132,384**	**132,384**
Cash and cash equivalents - restricted deposits		**-**	**40,248**	**40,248**
Total financial assets		**960**	**240,437**	**241,397**
Financial liabilities				
Borrowings and other debt (excluding debt due to Parent) ⁴	Level 2	**-**	**(1,022,914)**	**(1,022,914)**
Foreign exchange rate contracts	Level 2	**(1,077)**	**-**	**(1,077)**
Trade and other payables¹		**-**	**(75,214)**	**(75,214)**
Total financial liabilities		**(1,077)**	**(1,098,128)**	**(1,099,205)**
Net financial assets (liabilities)		**(117)**	**(857,691)**	**(857,808)**
At 31 December 2021				
Financial assets				
Foreign exchange rate contracts	Level 2	1,209	-	1,209
Trade and other receivables²		-	85,668	85,668
Cash and cash equivalents - available to group³		-	59,161	59,161
Cash and cash equivalents - restricted deposits		-	46,348	46,348
Total financial assets		1,209	191,177	192,386
Financial liabilities				
Borrowings and other debt (excluding debt due to Parent) 4	Level 2	-	(1,023,244)	(1,023,244)
Foreign exchange rate contracts	Level 2	(613)	-	(613)
Trade and other payables¹		-	(85,311)	(85,311)
Total financial liabilities		(613)	(1,108,555)	(1,109,168)
Net financial assets (liabilities)		596	(917,378)	(916,782)

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 a financial asset.

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, €37.2 million of cash and cash equivalents available to the group (2021: €23.5 million) was offset against €0.3 million of bank overdrafts (2021: €0.3 million), and a net position of €36.9 million was presented as cash and cash equivalents available to the group (2021: €23.2 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 €933.6million (2021: €1,061.6 million).

Notes to the Group financial statements (continued)

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**	**902**	**(111)**	**(966)**	**(117)**
At 31 December 2022	**58**	**902**	**(111)**	**(966)**	**(117)**
Foreign exchange contracts	378	831	(189)	(424)	596
At 31 December 2021	378	831	(189)	(424)	596

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. Management does not expect any significant counterparty to fail to meet its obligations.

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)	**67,805**	85,668
Cash and cash equivalents - available to group	**132,384**	59,161
Cash and cash equivalents - restricted deposits	**40,248**	46,348
Derivative financial instruments	**960**	1,209
Total	**241,397**	192,386

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

(i) (a) Treasury related credit risk

Treasury undertakes all treasury activities for the Group. Treasury manages treasury related credit risk using counterparty credit limits which take account of, among other relevant factors, published credit ratings. It is the Company'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.

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 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 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	31-Dec-21
	€'000	€'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

GNI'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. Treasury is responsible for ensuring Gas Networks Ireland has access to sufficient liquidity to ensure that Gas Networks Ireland is able to settle obligations arising through its day-to-day operations, maturing debt obligations and capital investment outlays. 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 Company. All banking and treasury services are sourced at competitive prices. Cash pooling is carried out and account balances netted where possible to minimise idle cash and interest expense.

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

(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 and debt owed to Parent)	**(1,020,176)**	(1,020,176)
Committed facilities	**(1,335,179)**	(1,484,783)

Gas Networks Ireland is rated A by Standard & Poor's with outlook positive and A2 rated by Moody's Investors Services. This strong credit rating enables the Company 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.

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	> 5 years
	€'000	€'000	€'000	€'000	€'000	€'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 payables[1]	**(75,214)**	**(75,214)**	**(75,214)**	**-**	**-**	**-**
Non-derivative financial liabilities	**(1,098,128)**	**(1,195,183)**	**(88,856)**	**(313,730)**	**(531,060)**	**(261,537)**
Foreign exchange rate contracts	**(117)**	**(117)**	**(64)**	**(53)**	**-**	**-**
Net derivative financial assets	**(117)**	**(117)**	**(64)**	**(53)**	**-**	**-**
Net financial liabilities	(1,098,245)	(1,195,300)	(88,920)	(313,783)	(531,060)	(261,537)
At 31 December 2021						
Borrowings and other debt	(1,023,244)	(1,111,160)	(10,329)	(10,515)	(831,467)	(258,849)
Trade and other payables [1]	(85,311)	(85,311)	(80,082)	(5,229)	-	-
Non-derivative financial liabilities	(1,108,555)	(1,196,471)	(90,411)	(15,744)	(831,467)	(258,849)
Foreign exchange rate contracts	596	596	407	170	19	-
Net derivative financial assets	596	596	407	170	19	-
Net financial liabilities	(1,107,959)	(1,195,875)	(90,004)	(15,574)	(831,448)	(258,849)

[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 context of the Group.

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

(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

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.

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	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)**	(1,278)	(2,319)
5% Weakening	**932**	**2,312**	1,278	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:

1. a risk of change in the cash flows related to floating rate financial assets and liabilities; and
2. 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.

The percentage of the Group's fixed and floating rate debt (excluding lease liabilities and debt owed to Parent) at 31 December was as follows:

	2022	2022	2021	2021
	€'000	%	€'000	%
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 and debt owed to Parent) was 1.09% (2021: 1.09%), which comprised three bonds totalling €925.0 million (2021: €925.0 million).

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

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 previously, 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 2022 (50 bp in 2021) would impact profit before taxation by the amounts shown below, and the fair value change in 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 gain/(loss)		Other comprehensive income	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	€'000	€'000	€'000	€'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.
- 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 year 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 the current year or in the prior year.

Notes to the Group financial statements (continued)

25. Subsidiaries

At 31 December 2022, the Group and the Company had the following subsidiaries:

Company	Nature of Business	Registered Office	% Holding of Ordinary Share Capital
GNI (UK) Limited	Gas Transmission	8th Floor, 20 Farringdon Street, London, United Kingdom EC4A 4AB	100%
Gas Networks Ireland (IOM) DAC	Gas Transmission	Gasworks Road, Cork, Ireland	100%
Network Services Transition DAC	Non-trading	Gasworks Road, Cork, Ireland	100%

26. Related parties

The related party balances, in respect of the transactions detailed in the relevant sections below, are as follows:

	31-Dec-22	31-Dec-21
	€'000	€'000
Ervia [1]	**(11,865)**	(23,672)
Uisce Éireann	**-**	(119)
	(11,865)	(23,791)

[1] Amount due to Ervia of €11,865 is inclusive of dividend payable of €5.1m plus associated interest noted in (c) below.

Transactions with Ervia

Ervia is the ultimate parent of Gas Networks Ireland and is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State and thus Gas Networks Ireland is a related party of the Government of Ireland.

		2022	2021
		€'000	€'000
Transactional and support service agreement costs	(a)	**(1,728)**	(24,796)

(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.

Notes to the Group financial statements (continued)

26. Related parties (continued)

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 certain limited Group Services and pension costs.

Transactional and support services previously 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		

(b) Capital expenditure costs incurred by Ervia Parent and recharged to Gas Networks Ireland

	2022 **€'000**	**2021** **€'000**
Capital expenditure costs recharged	-	(4,807)

During 2021 costs incurred by Erivia Parent on behalf of Gas Networks Ireland 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 Gas Networks Ireland in respect of the aforementioned projects during the financial year ended 31 December 2022.

(c) Dividends

	2022 **€'000**	**2021** **€'000**
Dividend paid to Ervia	**(20,112)**	(15,361)

The Company declared and paid an annual dividend to Ervia as set out above. In 2018, the Company declared an annual dividend of €54.2 million and paid €49.1 million, with the remaining €5.1 million payable in 2023 with appropriate interest (see note 17). In March 2023, the Board further approved the declaration and payment of a dividend of €18.9million.

(d) Pension costs

	2022 **€'000**	**2021** **€'000**
Pension costs	**(7,701)**	(5,823)

Notes to the Group financial statements (continued)

26. Related parties (continued)

Ervia Parent operates defined benefit and defined contribution pension schemes. A number of the Company's employees participate in these schemes. The defined benefit scheme is accounted for as a Group Plan in accordance with IAS 19. Ervia Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while the Company recognises only the cost of contributions payable for the year in respect of the Company's employees. The contributions payable in respect of the Ervia defined contribution scheme are charged to profit or loss in the years during which services are rendered by the Company's employees. The contributions payable in respect of the Group's employees are included in the Company's employee benefit expense (note 5). Ervia Parent recharges these costs to Gas Networks Ireland on a full cost recovery method with no margin earned.

The impact of legal separation of Ervia and Uisce Éireann on the Ervia Group pension schemes is described in note 18.

(e) Capital contribution

	2022 €'000	2021 €'000
Capital contribution	-	(6,864)

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, plant and equipment 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 in 2021 (see note 9).

During 2022 one property was transferred from Ervia Parent to Gas Networks Ireland at its carrying value of nil.

Transactions with Uisce Éireann

Uisce Éireann is deemed to be a related party of the Group. At 31 December 2022, the ultimate parent, Ervia Parent 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, the shares in Uisce Éireann were cancelled on 01 January 2023.

(a) Operating leases

	2022 €'000	2021 €'000
Lease	**1,076**	-

During the financial year ended 31 December 2022 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.

Notes to the Group financial statements (continued)

26. Related parties (continued)

Key management compensation

Key management consists of the Ervia Board, the Gas Networks Ireland 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 following amounts were apportioned to the Gas Networks Ireland Group.

	2022 €'000	2021 €'000
Short-term employee benefits	**(1,502)**	(712)
Post-employment benefits	**(180)**	(76)
Total	**(1,682)**	(788)

Board members

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

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.

27. Subsequent Events

On 01 January 2023, Uisce Éireann became a standalone entity through full legal separation from the Ervia Group. As part of the reorganisation, certain obligations of the Ervia group defined benefit pension scheme were transferred to Uisce Éireann - refer to Ervia Group Financial Statements note 18 for details.

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, 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.

28. Approval of Financial Statements

The Directors approved the financial statements on 28 March 2023.

Company Balance Sheet
as at 31 December 2022

	Notes	31-Dec-22 €'000	31-Dec-21 €'000
Assets			
Non-current assets			
Property, plant and equipment	29A.	**2,117,361**	2,124,384
Investment properties	29B.	**7,363**	-
Intangible assets	29D.	**26,759**	28,776
Investment in subsidiaries	29E.	**515**	515
Trade and other receivables	29F.	**136,624**	130,658
Derivative financial instruments	29P.	**-**	189
Total non-current assets		**2,288,622**	2,284,522
Current assets			
Trade and other receivables	29F.	**65,054**	77,901
Cash and cash equivalents - available to company	29G.	**102,070**	39,459
Cash and cash equivalents - restricted deposits	29G.	**36,116**	42,022
Derivative financial instruments	29P.	**700**	499
Inventories	29I.	**495**	405
Total current assets		**204,435**	160,286
Total assets		**2,493,057**	2,444,808
Equity and liabilities			
Equity			
Share capital and share premium		**(318,353)**	(318,353)
Capital contribution		**(369,947)**	(369,947)
Retained earnings		**(336,198)**	(298,212)
Total equity		**(1,024,498)**	(986,512)
Liabilities			
Non-current liabilities			
Borrowings and other debt	29J.	**(1,022,695)**	(1,022,991)
Deferred revenue	29K.	**(50,528)**	(47,469)
Grants	29L.	**(16,688)**	(20,032)
Provisions	29M.	**(5,905)**	(6,198)
Trade and other payables	29N.	**(4,543)**	(10,270)
Derivative financial instruments	29P.	**-**	(189)
Deferred tax liabilities	29O.	**(190,286)**	(192,087)
Total non-current liabilities		**(1,290,645)**	(1,299,236)
Current liabilities			
Borrowings and other debt	29J.	**(219)**	(253)
Deferred revenue	29K.	**(34,318)**	(12,937)
Grants	29L.	**(3,987)**	(3,987)
Provisions	29M.	**(1,511)**	(1,613)
Trade and other payables	29N.	**(134,969)**	(138,065)
Derivative financial instruments	29P.	**(674)**	(411)
Current tax liabilities	29O.	**(2,236)**	(1,794)
Total current liabilities		**(177,914)**	(159,060)
Total liabilities		**(1,468,559)**	(1,458,296)
Total equity and liabilities		**(2,493,057)**	(2,444,808)

The profit attributable to the Company for the year ended 31 December 2022 was €58.1 million (2021: €86.3 million).

For and on behalf of the Board:

Cathal Marley
Chairman

Ronan Galwey
Director

28 March 2023
Date of Approval

Company Statement of Changes in Equity
for the year ended 31 December 2022

		Share capital and share premium	Capital contribution	Retained earnings	Cash flow hedge reserve	Total
		€'000	€'000	€'000	€'000	€'000
At 1 January 2021		(318,353)	(363,083)	(227,232)	1,199	(907,469)
Profit for the year		-	-	(86,341)	-	(86,341)
Other comprehensive income for the year		-	-	-	(1,199)	(1,199)
Total other comprehensive income for the year				(86,341)	(1,199)	(87,540)
Capital contribution	29R.	-	(6,864)	-	-	(6,864)
Dividends	29R.	-	-	15,361	-	15,361
At 31 December 2021		(318,353)	(369,947)	(298,212)	-	(986,512)
Profit for the year		**-**	**-**	**(58,098)**	**-**	**(58,098)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**
Total other comprehensive income for the year		**-**	**-**	**(58,098)**	**-**	**(58,098)**
Dividends	29R.	**-**	**-**	**20,112**	**-**	**20,112**
At 31 December 2022		**(318,353)**	**(369,947)**	**(336,198)**	**-**	**(1,024,498)**

All attributable to owners of the Company.

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

	Notes	2022 €'000	2021 Restated [1] €'000
Net cash from operating activities	29H.	**192,919**	204,937
Cash flows from investing activities			
Payments for property, plant and equipment		**(120,180)**	(103,508)
Payments for intangible assets		**(4,307)**	(10,367)
Grants received	29L.	**643**	505
Interest received		**1,180**	1,400
Repayment received (loan to subsidiary)		**-**	9,605
Dividend received	29R.	**8,000**	30,000
Net cash used in investing activities		**(114,664)**	(72,365)
Cash flows from financing activities			
Proceeds from borrowings		**-**	40,000
Repayment of borrowings		**-**	(151,200)
Payment of other financing costs	29J.	**(1,200)**	-
Repayment of lease liabilities	29C.	**(238)**	(247)
Dividends paid	29R.	**(20,112)**	(15,361)
Net cash used in financing activities		**(21,550)**	(126,808)
Net increase in cash and cash equivalents	29G.	**56,705**	5,764
Cash and cash equivalents at 1 January	29G.	**81,481**	75,717
Cash and cash equivalents at 31 December	29G.	**138,186**	81,481

[1] See Note 1 of the Group Financial Statements for details of restatement of 2021 figures.

Notes to the Company financial statements

Notes to the Company financial statements (continued)

29A. Property, plant and equipment

		31-Dec-22	31-Dec-21
		€'000	€'000
Property, plant and equipment - owned assets		**2,112,853**	2,119,371
Property, plant and equipment - right-of-use assets	29C.	**4,508**	5,013
Property, plant and equipment - as presented on the balance sheet		**2,117,361**	2,124,384

Property, plant and equipment - owned assets

		Land and buildings	Plant, pipeline and machinery	Assets under construction	Total
		€'000	€'000	€'000	€'000
Cost					
At 1 January 2021		59,641	3,704,743	63,188	3,827,572
Additions		-	3,410	103,397	106,807
Disposals		-	(4,590)	-	(4,590)
Transfers		-	126,751	(126,751)	-
Transferred under common control transaction	29R.	21,345	-	-	21,345
At 31 December 2021		80,986	3,830,314	39,834	3,951,134
Additions		**-**	**11,180**	**106,342**	**117,522**
Disposals		**-**	**(1,880)**	**-**	**(1,880)**
Transfers		**2,740**	**85,863**	**(88,603)**	**-**
Transferred to Investment property	29B.	**(22,496)**	**(655)**		**(23,151)**
At 31 December 2022		**61,230**	**3,924,822**	**57,573**	**4,043,625**
Accumulated depreciation and impairment losses					
At 1 January 2021		(21,887)	(1,683,951)	-	(1,705,838)
Depreciation charge		(1,303)	(114,724)	-	(116,027)
Disposals		-	4,583	-	4,583
Transferred under common control transaction	29R.	(14,481)	-	-	(14,481)
At 31 December 2021		(37,671)	(1,794,092)	-	(1,831,763)
Depreciation charge		**(1,223)**	**(113,212)**	**-**	**(114,435)**
Impairment charge		**-**	**(1,003)**	**(802)**	**(1,805)**
Transferred to Investment property	29B.	**14,883**	**468**	**-**	**15,351**
Disposals		**-**	**1,880**	**-**	**1,880**
At 31 December 2022		**(24,011)**	**(1,905,959)**	**(802)**	**(1,930,772)**
Carrying amounts					
At 31 December 2021		43,315	2,036,222	39,834	2,119,371
At 31 December 2022		**37,219**	**2,018,863**	**56,771**	**2,112,853**

Notes to the Company financial statements (continued)

29A. Property, plant and equipment (continued)

Impairment losses recognised in respect of plant and machinery in the year amounted to €1 million. These losses are attributable to greater than anticipated wear and tear. The impairment loss of €0.8m 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 29C 'The Company as Lessor'. The carrying value of these assets at 31 December 2022 was €55.1 million (31 December 2021: €65.6 million) and is included in plant, pipeline and machinery.

29B. Investment properties

	31-Dec-22 €'000
Cost	
At 1 January 2022	**-**
Transferred from Property, plant and equipment (note 29A)	**23,151**
At 31 December 2022	**23,151**
Accumulated depreciation and impairment losses	
At 1 January 2022	**-**
Transferred from Property, plant and equipment (note 29A)	**(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 Company's investment properties consist primarily of an office building leased to Uisce Éireann, (refer to note 26 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 Company during 2022 was €1.2m and is included in "other operating income" see note 4.

Notes to the Company financial statements (continued)

29C. Lease assets and liabilities

The Company as lessee

The Company 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	566	4,629	5,195
Additions	-	907	907
At 31 December 2021	566	5,536	6,102
Disposals	**(156)**	**-**	**(156)**
At 31 December 2022	**410**	**5,536**	**5,946**
Accumulated depreciation and impairment losses			
At 1 January 2021	(194)	(530)	(724)
Depreciation charge	(97)	(268)	(365)
At 31 December 2021	(291)	(798)	(1,089)
Depreciation charge	**(81)**	**(328)**	**(409)**
Disposal	**60**	**-**	**60**
At 31 December 2022	**(312)**	**(1,126)**	**(1,438)**
Carrying amounts			
At 31 December 2021	275	4,738	5,013
At 31 December 2022	**98**	**4,410**	**4,508**

Lease liabilities

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
At 1 January 2021	(361)	(2,954)	(3,315)
Interest expense	(4)	(90)	(94)
Lease payments	100	241	341
At 31 December 2021	(265)	(2,803)	(3,068)
Disposal	**92**	**-**	**92**
Interest expense	**(2)**	**(85)**	**(87)**
Lease payments	**85**	**240**	**325**
At 31 December 2022	**(90)**	**(2,648)**	**(2,738)**

Notes to the Company financial statements (continued)

29C. Lease assets and liabilities (continued)

Analysed as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Non-current	**(2,519)**	(2,815)
Current	**(219)**	(253)
Total	**(2,738)**	(3,068)

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 29J for a maturity analysis of lease liabilities.

The Company as lessor

The Company has entered into operating leases on its investment property (see Note 29B). Rental income recognised by the Company (see Note 4) during the year is €1.2m.

The Company enters into operating lease arrangements to allow third parties the use of parts of the Gas Network Transportation system. In accordance with the Company's accounting policy all receipts from these arrangements are deemed to be earned as part of the Company's core operations and accordingly the lease income is recognised as revenue in the income statement. During 2022, lease income pertaining to the transportation system of €11.4 million was recognised (2021: €12.7 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	**10,763**	11,360
Year 2	**9,459**	9,554
Year 3	**6,829**	8,296
Year 4	**3,899**	6,741
Year 5	**1,703**	3,909
Year 6 onwards	**-**	48
Total	**32,653**	39,908

Notes to the Company financial statements (continued)

29D. Intangible assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2021	155,493	8,428	163,921
Additions (including internally developed)	3,522	7,618	11,140
Cloud computing transition adjustment	(3,472)	(144)	(3,616)
Transfers	5,438	(5,438)	-
At 31 December 2021	160,981	10,464	171,445
Additions (including internally developed)	**-**	**3,483**	**3,483**
Transfers	**9,900**	**(9,900)**	**-**
At 31 December 2022	**170,881**	**4,047**	**174,928**
Accumulated amortisation			
At 1 January 2021	(137,030)	-	(137,030)
Amortisation charge	(6,203)	-	(6,203)
Cloud computing transition adjustment	564	-	564
At 31 December 2021	(142,669)	-	(142,669)
Amortisation charge	**(5,500)**	**-**	**(5,500)**
At 31 December 2022	**(148,169)**	**-**	**(148,169)**
Carrying amount			
At 31 December 2021	18,312	10,464	28,776
At 31 December 2022	**22,712**	**4,047**	**26,759**

[1] 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 qualified for capitalisation were expensed during the financial year ended 31 December 2021 (retrospective application was not applied as the amount was not material). For the financial year ended 31 December 2021, 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 29H.

Notes to the Company financial statements (continued)

29E. Investment in subsidiaries

	2022 €'000	2021 €'000
Cost		
At 1 January	**515**	515
At 31 December	**515**	515
Impairment		
At 1 January	**-**	-
At 31 December	**-**	-
Carrying amount		
At 31 December	**515**	515

Refer to note 25 for details of the particulars of the Company's subsidiaries.

29F. Trade and other receivables

		31-Dec-22 €'000	31-Dec-21 €'000
Use of system receivable - billed		**1,938**	29,388
Use of system receivable - unbilled		**43,417**	37,539
Other trade receivables - billed		**7,189**	1,698
Other trade receivables - unbilled		**571**	520
Amounts due from subsidiaries	29R.	**136,858**	131,927
Other receivables		**7,098**	3,374
Sub-total		**197,071**	204,446
Prepayments		**4,607**	4,113
Total		**201,678**	208,559
Analysed as follows:			
Non-current		**136,624**	130,658
Current		**65,054**	77,901
Total		**201,678**	208,559

Notes to the Company financial statements (continued)

29F. Trade and other receivables (continued)

Trade and other receivables include use of system receivables, other trade receivables and amounts due from subsidiaries - refer to notes 13 and 29R for further details on each of these.

There are no material expected credit losses recognised by the Company.

The Company applies the IFRS 9 simplified approach (which uses a lifetime expected credit losses (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. The following table analyses total trade and other receivables by the ECL measurement approach applied by the Company.

	31-Dec-22 €'000	31-Dec-21 €'000
Simplified approach	**60,213**	72,519
General approach	**136,858**	131,927
Prepayments	**4,607**	4,113
Total	**201,678**	208,559

Simplified approach - Expected Credit Losses

Refer to note 13 for further detail of the application of the ECL simplified approach within the Group and Company.

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 following table shows the ageing of trade and other receivables, net of expected credit loss allowance, measured in accordance with the simplified approach as set out in IFRS 9.

	2022 €'000	2021 €'000
Not past due	**52,717**	43,504
1-30 days overdue	**631**	28,686
31-120 days overdue	**6,865**	329
Total	**60,213**	72,519

Notes to the Company financial statements (continued)

29F. Trade and other receivables (continued)

General approach - expected credit losses

The general approach applies to receivables not eligible for application of the simplified approach which, for the Company, are certain amounts due from subsidiaries. Assessment of the probability of default for these receivables is set out below.

Under the general approach, an entity must determine whether the financial asset is in one of three stages in order to determine the amount of ECL to recognise;

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12-month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

At 31 December 2022, the Company had amounts due from subsidiaries of €136.9 million (2021: €131.9 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 expected credit loss, 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) due to ECL being assessed as immaterial.

The following table shows the receivables by stage, net of expected credit loss allowance, that are measured in accordance with the general approach as set out in IFRS 9.

	2022	2021
	€'000	€'000
Stage 1 - 12-month ECL (not credit impaired)	**136,858**	131,927
Stage 2 - Lifetime ECL (not credit impaired)	**-**	-
Stage 3 - Lifetime ECL (credit impaired)	**-**	-
Total	**136,858**	131,927

Notes to the Company financial statements (continued)

29F. 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:

	2022 €'000	2021 €'000
Ireland	**60,213**	72,519
UK (including Northern Ireland and Isle of Man)	**136,858**	131,927
Total	**197,071**	204,446

29G. Cash and cash equivalents

Available to group
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	**91,500**	36,000
Cash at bank	**10,570**	3,459
Total	**102,070**	39,459

Restricted deposits

	31-Dec-22 €'000	31-Dec-21 €'000
Cash at bank	**36,116**	42,022
Total	**36,116**	42,022

Restricted deposits include amounts held in respect of gas network shipper security deposits (note 29F) and certain connection agreements (note 29K). 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 29P for treasury related credit risk disclosures.

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

Notes to the Company financial statements (continued)

29G. Cash and cash equivalents (contineued)

	2022	2021 Restated [1]
	€'000	€'000
At 1 January	**81,481**	75,717
Increase in cash and cash equivalents in the statement of cash flows	**56,705**	5,764
At 31 December	**138,186**	81,481

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

29H. Cash generated from operations

	2022	2021 Restated [1]
	€'000	€'000
Cash flows from operating activities		
Profit for the year	**58,098**	86,341
Adjustments for:		.
Depreciation and amortisation	**118,599**	118,059
Cloud computing transition adjustment	**-**	3,616
Net finance income/(costs)	**2,451**	(16,876)
Income tax expense	**8,788**	7,502
	187,936	198,642
Working capital changes:		
Change in trade and other receivables	**16,720**	(33,152)
Change in trade and other payables	**(15,677)**	26,799
Change in deferred revenue	**24,440**	34,797
Change in provisions	**(395)**	(338)
Change in inventories	**(90)**	2,537
Cash from operating activities	**212,934**	229,285
Interest paid	**(9,867)**	(14,045)
Income tax paid	**(10,148)**	(10,303)
Net cash from operating activities	**192,919**	204,937

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

Notes to the Company financial statements (continued)

29I. Inventory

	31-Dec-22 €'000	31-Dec-21 €'000
Stocks and materials	**495**	405

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 €1.5m (2021 €1.3m).

29J. Borrowings and other debt

This note provides information about the contractual terms of the Company's interest-bearing borrowings. Refer to note 29P for more information about the Company'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)**	(3,068)
Total	**(1,022,914)**	(1,023,244)
Analysed as follows:		
Non-current	**(1,022,695)**	(1,022,991)
Current	**(219)**	(253)
Total	**(1,022,914)**	(1,023,244)
Less than one year	**(219)**	(253)
Between one and five years	**(796,927)**	(797,129)
More than five years	**(225,768)**	(225,862)
Total	**(1,022,914)**	(1,023,244)

All borrowings are repayable other than by instalment. Certain borrowings are held with related parties (refer to note 29R for further details).

Notes to the Company financial statements (continued)

29J. Borrowings and other debt (continued)

Net debt

		31-Dec-22 €'000	31-Dec-21 €'000
Total borrowings and other debt (excluding debt due to Parent)		**(1,022,914)**	(1,023,244)
Less cash and cash equivalents - available to company	29G.	**102,070**	39,459
Net Debt[1]		**(920,844)**	(983,785)

[1] Only cash and cash equivalents available to company 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	Sub-total €'000	Ultimate parent undertaking[1] €'000	Total €'000
At 1 January 2021		(919,270)	(215,129)	(3,315)	(1,137,714)	(5,188)	(1,142,902)
Proceeds		-	(40,000)	-	(40,000)	-	(40,000)
Repayment		-	151,200	-	151,200	-	151,200
Lease liabilities	29C.	-	-	247	247	-	247
Change in fair value of financial liabilities		-	4,131	-	4,131	-	4,131
Non-cash		(940)	(168)	-	(1,108)	(41)	(1,149)
At 31 December 2021		(920,210)	(99,966)	(3,068)	(1,023,244)	(5,229)	(1,028,473)
Lease liabilities	29C.	**-**	**-**	**238**	**238**	**-**	**238**
Payment of other financing costs		**-**	**1,200**	**-**	**1,200**	**-**	**1,200**
Non-cash		**(946)**	**(254)**	**92**	**(1,108)**	**(41)**	**(1,149)**
At 31 December 2022		**(921,156)**	**(99,020)**	**(2,738)**	**(1,022,914)**	**(5,270)**	**(1,028,184)**

[1] Liabilities from financing activities with the ultimate parent undertaking is included within the amounts owed to the ultimate parent undertaking as disclosed in note 29N.

Refer to note 29R 'Transactions with Ervia' (c) for details on the nature of the liability as at 31 December 2022.

Notes to the Company financial statements (continued)

29K. 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	**(50,528)**	(47,469)
Current	**(34,318)**	(12,937)
Total	**(84,846)**	(60,406)

29L. Grants

	2022 €'000	2021 €'000
At 1 January	**(24,019)**	(27,485)
Received	**(681)**	(807)
Amortised	**3,987**	3,971
Credited to income statement	**38**	302
At 31 December	**(20,675)**	(24,019)

Analysed as follows:

	31-Dec-22 €'000	31-Dec-21 €'000
Non-current	**(16,688)**	(20,032)
Current	**(3,987)**	(3,987)
Total	**(20,675)**	(24,019)

Notes to the Company financial statements (continued)

29L. Grants (continued)

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 Company does not expect such circumstances to arise and there were no repayments of grants in the current or prior year.

Grants receivable for 2022 of €0.7 million (2021: €0.8 million) related to grant funding from the Innovation and Networks Executive Agency (INEA), 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.

29M. Provisions, contingencies and capital commitments

Provisions

Refer to note 21 for further disclosure in respect of the Company's provisions.

Contingencies

Contingent liabilities with respect to grants are disclosed in note 29L.

The Company 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 Company's results from operations, operating cash flows or net asset financial position.

Capital commitments

	2022 €'million	2021 €'million
Capital expenditure that has been contracted for but has not been provided for	**50**	40

Notes to the Company financial statements (continued)

29N. Trade and other payables

	31-Dec-22 €'000	31-Dec-21 €'000
Trade payables	**(16,176)**	(13,602)
Accrued expenses	**(57,003)**	(60,576)
Other payables	**(42,028)**	(43,853)
Amounts owed to ultimate parent undertaking	**(4,854)**	(10,340)
Amounts owed to Uisce Éireann	**-**	(119)
Taxation and social insurance creditors	**(19,451)**	(19,845)
Total	**(139,512)**	(148,335)
Analysed as follows:		
Non-current	**(4,543)**	(10,270)
Current	**(134,969)**	(138,065)
Total	**(139,512)**	(148,335)
Taxation and social insurance creditors		
PAYE/social insurance	**(2,040)**	(2,304)
VAT	**(17,411)**	(17,541)
Total	**(19,451)**	(19,845)

Notes to the Company financial statements (continued)

29O. Tax

Current tax assets and liabilities

	31-Dec-22	31-Dec-21
	€'000	€'000
Current tax liabilities	**(2,236)**	(1,794)

Deferred tax assets and liabilities

	Derivative financial instruments	Accelerated tax depreciation	Interest charges payable	Other	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2021	170	(195,591)	442	(145)	(195,124)
Recognised in income statement	-	3,369	(62)	(100)	3,207
Recognised in equity	(170)	-	-	-	(170)
At 31 December 2021	-	(192,222)	380	(245)	(192,087)
Recognised in income statement	**-**	**1,758**	**20**	**23**	**1,801**
At 31 December 2022	**-**	**(190,464)**	**400**	**(222)**	**(190,286)**

29P. Financial risk management and financial instruments

Refer to note 23 for an overview of the derivative financial instruments used by the Group and the Company.

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 25 for IFRS 13 disclosures in respect of fair value measurement.

Notes to the Company financial statements (continued)

29P. Financial risk management and financial instruments (continued)

		FVTPL undesignated	Total at amortised cost	Total
		€'000	€'000	€'000
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts	Level 2	**700**	**-**	**700**
Trade and other receivables²		**-**	**197,071**	**197,071**
Cash and cash equivalents - available to group³		**-**	**102,070**	**102,070**
Cash and cash equivalents - restricted deposits		**-**	**36,116**	**36,116**
Total financial assets		**700**	**335,257**	**335,957**
Financial liabilities				
Borrowings and other debt (excluding debt owed to Parent) ⁴	Level 2	**-**	**(1,022,914)**	**(1,022,914)**
Foreign exchange rate contracts	Level 2	**(674)**	**-**	**(674)**
Trade and other payables¹		**-**	**(63,058)**	**(63,058)**
Total financial liabilities		**(674)**	**(1,085,972)**	**(1,086,646)**
Net financial assets (liabilities)		**26**	**(750,715)**	**(750,689)**
At 31 December 2021				
Financial assets				
Foreign exchange rate contracts	Level 2	688	-	688
Trade and other receivables²		-	204,446	204,446
Cash and cash equivalents³		-	39,459	39,459
Restricted deposits		-	42,022	42,022
Total financial assets		688	285,927	286,615
Financial liabilities				
Borrowings and other debt (excluding debt owed to Parent) 4	Level 2	-	(1,023,244)	(1,023,244)
Foreign exchange rate contracts	Level 2	(600)	-	(600)
Trade and other payables¹		-	(67,914)	(67,914)
Total financial liabilities		(600)	(1,091,158)	(1,091,758)
Net financial assets (liabilities)		88	(805,231)	(805,143)

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 a financial asset.

³ Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Parent 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. As at 31 December 2022, €10.9 million of cash and cash equivalents available to the group (2021: €3.8 million) is offset against €0.3 million of bank overdrafts (2021: €0.3 million), and a net position of €10.6 million is presented as cash and cash equivalents available to the group (2021: €3.5 million). As at 31 December 2022, the Parent 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 €933.6million (2021: €1,061.6 million).

Notes to the Company financial statements (continued)

29P. 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
Fair value of financial instruments					
Foreign exchange contracts	-	**700**	-	**(674)**	**26**
At 31 December 2022	-	**700**	-	**(674)**	**26**
Fair value of financial instruments					
Foreign exchange contracts	189	499	(189)	(411)	88
At 31 December 2021	189	499	(189)	(411)	88

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 Company.

(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	31-Dec-21
	€'000	€'000
Trade and other receivables (excluding prepayments)	**197,071**	204,446
Cash and cash equivalents - available to group	**102,070**	39,459
Cash and cash equivalents - restricted deposits	**36,116**	42,022
Derivative financial instruments	**700**	688
Total	**335,957**	286,615

(i) (a) Treasury related credit risk

Refer to note 23 for an analysis of the Group's polices in respect of treasury related credit risk. These objectives, policies and processes are also adopted by the Company.

Financial guarantees

Refer to note 23 for details of financial guarantees entered into by the Company.

(i) (b) Trade related credit risk

Refer to note 29F for an analysis of the Company's exposure to trade related credit risk.

Notes to the Company financial statements (continued)

29P. Financial risk management and financial instruments (continued)

(ii) Funding and liquidity risk

Refer to note 23 for details of the Group's objectives, policies and processes for managing funding and liquidity risk and the methods used to measure liquidity risk. These objectives, policies and processes are also adopted by the Company.

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.

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	> 5 years
	€'000	€'000	€'000	€'000	€'000	€'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 payables	**(63,058)**	**(63,474)**	**(63,474)**	**-**	**-**	**-**
Non-derivative financial liabilities	**(1,085,972)**	**(1,183,443)**	**(77,116)**	**(313,730)**	**(531,060)**	**(261,537)**
Foreign exchange rate contracts	**26**	**26**	**26**	**-**	**-**	**-**
Net derivative financial assets	**26**	**26**	**26**	**-**	**-**	**-**
Net financial liabilities	**(1,085,946)**	**(1,183,417)**	**(77,090)**	**(313,730)**	**(531,060)**	**(261,537)**
At 31 December 2021						
Borrowings and other debt	(1,023,244)	(1,111,160)	(10,329)	(10,515)	(831,467)	(258,849)
Trade and other payables	(67,914)	(67,914)	(62,685)	(5,229)	-	-
Non-derivative financial liabilities	(1,091,158)	(1,179,074)	(73,014)	(15,744)	(831,467)	(258,849)
Foreign exchange rate contracts	88	88	88	-	-	-
Net derivative financial assets	88	88	88	-	-	-
Net financial liabilities	(1,091,070)	(1,178,986)	(72,926)	(15,744)	(831,467)	(258,849)

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

(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 Company.

Notes to the Company financial statements (continued)

29P. Financial risk management and financial instruments (continued)

(iii) (a) Exchange rate risk

Exchange rate risk derives from the fact that some of the Company'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.

The potential exposure to exchange rate risk relates to the transaction exposure and debt in a foreign currency as disclosed in the Group financial statements (note 23).

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 Company 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	**(748)**	**-**	(1,038)	-
5% Weakening	**748**	**-**	1,038	-

Note: Changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only.

(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 Company.

Refer to note 23 for disclosure of the Group's interest rate risk, this represents the Company's interest rate risk as all interest rate risk is carried by the Company.

Notes to the Company financial statements (continued)

29Q. Issued share capital

	2022 €'000	2021 €'000
Authorised:		
1,000,000 ordinary shares of €1.00 each	**1,000**	1,000
Allotted, called-up and fully paid:		
1 ordinary share of €1.00	**-**	-

29R. Related parties

The net 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
Ervia	**(4,854)**	(10,340)
Uisce Éireann	**-**	(119)
Subsidiaries	**136,858**	131,927
	132,004	121,468

Transactions with Ervia

Ervia is the ultimate parent of Gas Networks Ireland and is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State and thus Gas Networks Ireland is a related party of the Government of Ireland.

		2022 €'000	2021 €'000
Transactional and support service agreement costs	(a)	**(1,728)**	(24,796)
Capital expenditure costs recharged	(b)	**-**	(4,807)
Dividends	(c)	**(20,112)**	(15,361)
Pension costs	(d)	**(7,701)**	(5,823)
Capital contribution	(e)	**-**	(6,864)

(a) Transactional and support service agreement 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

Notes to the Company financial statements (continued)

29R. Related parties (continued)

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.

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 certain limited group support services and pension costs. Refer to Note 26 for further details.

(b) Capital expenditure costs incurred by Ervia Group and recharged to Gas Networks Ireland
During 2021, costs incurred by Erivia Parent on behalf of Gas Networks Ireland 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 Gas Networks Ireland in respect of the aforementioned projects during the financial year ended 31 December 2022.

(c) Dividends
The Company declared and paid an annual dividend to Ervia as set out above. In 2018, the Company declared an annual dividend of €54.2 million and paid €49.1 million, with the remaining €5.1 million payable in 2023 with appropriate interest (see note 17). In March 2023, the Board further approved the declaration and payment of a dividend of €18.9million.

(d) Pension costs
Ervia Parent operates defined benefit and defined contribution pension schemes. A number of the Company's employees participate in these schemes. The defined benefit scheme is accounted for as a Group Plan in accordance with IAS 19. Ervia Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while the Company recognises only the cost of contributions payable for the year in respect of the Company's employees. The contributions payable in respect of the Ervia defined contribution scheme are charged to profit or loss in the years during which services are rendered by the Company's employees. The contributions payable in respect of the Company's employees are included in the Group's employee benefit expense (note 5). Ervia Parent recharges these costs to Gas Networks Ireland on a full cost recovery method with no margin earned.

(e) Capital contribution

	2022 €'000	2021 €'000
Capital contribution	-	(6,864)

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, plant and equipment 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 in 2021 (see note 9).

During 2022, one property was transferred from Ervia Parent to Gas Networks Ireland at its carrying value of nil.

Notes to the Company financial statements (continued)

29R. Related parties (continued)

Transactions with Uisce Éireann

Uisce Éireann is deemed to be a related party of the Company (as described in note 26).

Refer to note 26 for details of related party transactions with Uisce Éireann.

Transactions with subsidiaries

		2022 €'000	2021 €'000
Transactional and support service agreement costs	(a)	**3,650**	3,607
Interest income	(b)	**1,758**	1,277
Transportation supply services	(c)	**(39,706)**	(38,028)
Dividend received from subsidiary	(d)	**8,000**	30,000

(a) Transactional and support service agreement costs

Refer to note 26 and above for a description of the services received from Ervia and recharged to subsidiaries, as appropriate

(b) Interest income

The Company had interest income from subsidiaries arising on intercompany loan facilities.

(c) Transportation services

During the year the Company purchased services and supplies from a subsidiary. This expenditure primarily related to transportation services.

(d) Dividend

In April 2022, the Board of Gas Networks Ireland (IOM) DAC approved the payment of a special dividend of €8.0 million to its parent, Gas Networks Ireland (2021: €30.0 million).

Board members

The Board members had no beneficial interests in the Company at any time during the year or at the reporting date.

Key management compensation

Refer to note 26 for details in respect of the Group's key management compensation.

Government bodies

In common with many other entities, the Company 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 Company 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.

Notes to the Company financial statements (continued)

29S. Subsequent events

Refer to Note 27 for details of subsequent events.

29T. Companies act disclosures

(a) Auditor's remuneration

	2022 €'000	2021 €'000
Audit of the Company financial statements	**(121)**	(109)
Other assurance services	**(34)**	(27)
Tax advisory services	**-**	-
Other non-audit services	**-**	-
Total	**(155)**	(136)

(b) Companies Act Payroll Disclosures

Section 317 of the Companies Act 2014, requires disclosure in the entity's financial statements of employee numbers and payroll costs in respect of where the contract of employment exists rather than where services are rendered (being the IAS 19 requirement). The employee benefit disclosures for Gas Networks Ireland, as required by the Companies Act, are set out below.

(i) Aggregate employee benefits

	2022 €'000	2021 €'000
Staff short-term benefits	**(50,636)**	(48,306)
Retirement benefit costs	**(6,383)**	(6,170)
Social insurance costs	**(5,681)**	(5,365)
	(62,700)	(59,841)
Capitalised payroll	**10,686**	10,223
Employee benefit expense charged to profit or loss	**(52,014)**	(49,618)

Notes to the Company financial statements (continued)

29T. Companies act disclosures (continued)

(ii) Staff short-term benefits

	2022 €’000	2021 €’000
Wages and salaries	**(47,224)**	(45,167)
Overtime	**(1,167)**	(1,202)
Allowances	**(755)**	(920)
Other[1]	**(1,490)**	(1,017)
Total	**(50,636)**	(48,306)

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

The average monthly number of employees with a contract of employment with Gas Networks Ireland for the year was 601 (2021: 579).

(c) Directors’ remuneration

Refer to note 4 for the Company’s Directors’ remuneration disclosures.

(d) Capitalised interest and capitalised payroll

During the year, the Company capitalised €0.2 million (2021: €0.5 million) in borrowing costs. The capitalisation rate was 1.19% (2021: 1.35%). The Company also capitalised €10.7 million in payroll costs during the year (2021: €10.2 million).

Gas
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