ervia

Moving Ireland's Energy

Annual Report and Financial Statements 2023

Ireland's national gas network

Strategy and performance

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Strategy and performance

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About Ervia

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

The Ervia Group is in the final stages of a reorganisation which saw the separation of Uisce Éireann from the Group on 1st January 2023. The reorganisation will be completed when the Ervia statutory entity will be integrated into Gas Networks Ireland, such that Gas Networks Ireland will become the principal entity in the Group. It is anticipated that Ervia integration will be completed in 2024, pursuant to the Gas (Amendment) Bill 2024, when enacted.

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

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

Headquarters
Gasworks Road, Cork, T12 RX96

About Gas Networks Ireland

Gas Networks Ireland owns, operates and maintains the natural gas network in Ireland. Our gas network is one of the most modern and safest in the world and comprises 14,725 km of gas pipelines including two sub-sea interconnectors. We are experts in gas and are committed to driving decarbonised energy supplies for our customers and continuing to facilitate Ireland's economy to develop and grow. 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 customers 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 one third of the country's primary energy needs each year. 47% of Ireland's annual electricity was produced using natural gas in 2023.

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

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

14,725 km of gas pipelines including two sub-sea interconnectors

Over 713,000 homes and businesses avail of a safe, efficient and secure supply of natural gas every day

Delivering one third of the country's primary energy needs each year. 47% of Ireland's annual electricity was produced using natural gas in 2023

Our History – continuing to adapt to meet Ireland's energy needs

The story of natural gas in Ireland

Prior to the discovery of natural gas off the coast of Cork in the 1970s and the subsequent development of Ireland's national supply and transmission system, gas was produced from coal at local gasworks sites.

This 'town gas' was used primarily for streetlamps. After World War II, technological advancements allowed for the construction of reliable pipelines.

In the late 1960s, exploration ships were searching for oil off the south coast of Ireland, and in 1971, one of the ships, the Glomar North Sea, found gas instead of oil - discovering Ireland's first indigenous reserve of natural gas. An exploration rig was installed and it took two years to establish that the find was commercially viable.

1970s

The Gas Act (1976) established Bord Gáis Éireann as the State Gas Development Agency. The new semi-state replaced a series of private sector small town-based gas companies:

- Cork Gas Company
- Alliance and Dublin Consumers Gas Company
- Limerick Gas Company
- Kilkenny Gas Company
- Clonmel Gas Company

Natural gas was first brought ashore to Ireland in 1978 through a sub-sea pipeline at Inch in Co. Cork. By the end of 1978, Bord Gáis Éireann had 32 staff members.

1980s

By the early 1980s, Bord Gáis Éireann had 99 staff members. In 1983, a gas pipeline from Cork to Dublin was completed. Onshore construction work continued to serve customers in Cork City. The Dublin Gas Company received its first natural gas supplies and began converting 120,000 customers to natural gas from town gas.

Customers in Limerick, Clonmel and Kilkenny were converted from town gas to natural gas and the Cork and Dublin Gas Companies were fully acquired by Bord Gáis Éireann.

First gas street lamp

First Dublin Gas Transport Fleet – 1930s

1990s

In 1990, Bord Gáis Éireann grew to 905 staff members. The sale of natural gas appliances increased by 50% in 1990 and gas sales to the industrial/commercial sector increased by 15%. In 1992, work commenced on the first subsea interconnector and a major compressor station was under construction in south-west Scotland to increase the supply of gas to Ireland by 50%. By the end of the 90s, natural gas was within reach of 550,000 homes in Ireland.

The Clayton Gas Holder, c1980s

2010s

In 2012, the Government announced that an independent utility would be established as a subsidiary of Bord Gáis Éireann to operate a new water utility, Irish Water. In 2014, following the sale of Bord Gáis Energy, Bord Gáis Éireann was rebranded to Ervia – Ireland's first multi-utility company. Bord Gáis Networks was rebranded to Gas Networks Ireland and became a separate subsidiary in 2015.

In 2015 the Corrib entry point became operational and provided additional resilience to gas supplies to the island of Ireland. In 2019, we saw the launch of Ireland's first publicly accessible, fast-fill compressed natural gas (CNG) station at Circle K's Dublin Port premises.

2020s

Ireland's 14,725km national gas network is considered one of the most modern and safe in the world. Over 713,000 Irish homes and businesses, including power generation and many of the country's largest industries rely on gas for electricity, heating and transport and place their trust in Ireland's gas network to provide efficient and reliable energy to meet their needs 24 hours a day, 365 days a year. The national gas network is critical to supporting the resilience and security of supply of Ireland's energy system as a whole.

In 2020, Ireland began its journey to a net-zero carbon gas network, with the introduction of domestically produced renewable gas in the form of biomethane onto the national network for the first time. The forward-looking strategy of the company sees a transition from natural gas to decarbonised gases such as biomethane and Hydrogen by 2050.

Dublin Gas Construction 1990

2000s

Aurora Telecom entered the dark fibre market in 2000. The following year, as volumes continued to increase a second interconnector pipeline was approved by the Government. The Commission for Energy Regulation was established in 2002 and significant transmission network extension projects were undertaken to bring gas to the west of Ireland for the first time.

CNG stations opened at Ballysimon Road, County Limerick and Clonshaugh, County Dublin 2021

The Chairperson's report

Driving the transition to a low carbon energy system

Kevin Toland
Chairperson

Introduction

As Chairperson I am delighted to present the 2023 Annual Report and Financial Statements for Ervia. The company continues to be a strong contributor to the Irish economy, maintaining a strong workforce of nearly eight hundred people and procuring significant quantities of goods and services locally. The Chief Executive Officer and Chief Financial Officer reviews on pages 12 and 50 outline the key operational and financial highlights in what has been a good year for Ervia.

The primary objective of Gas Networks Ireland is the operation of a safe and reliable gas network, supporting overall energy security and resilience in Ireland whilst also efficiently facilitating the transition of the gas network to a low carbon future. Throughout 2023 the gas network continued to demonstrate its reliability as it, sustained by comprehensive maintenance and capital programmes, ensured over 713,000 customers received a safe, reliable and secure supply of energy, while continuing to facilitate significant economic activity in the wider economy.

The critical importance of gas supplies and the everyday availability of the gas network cannot be overstated. Almost half of Ireland's electricity was produced using natural gas in 2023 and reached 89% on days when intermittent renewable generation was not available. The security of Ireland's energy system today and tomorrow continues to rely on the flexibility and responsiveness of the gas network. This flexibility and intermittent support of renewable electricity generation will become ever more critical in future years as the roll out of renewables increases and Ireland advances towards achievement of its Climate Action Plan targets in the energy sector. Gas Networks Ireland will be pivotal to the delivery of these targets by ensuring the network remains agile in partnering with the envisaged increase in intermittent renewables deployment whilst also transforming the capability of the network to transport renewable gases.

Work continued in 2023 to progress the integration of Ervia into Gas Networks Ireland. This integration is now anticipated to take place in 2024 upon enactment of the Gas (Amendment) Bill 2024. As a transitional step and as agreed with the shareholder the board members of Ervia have been appointed as directors of Gas Networks Ireland pending the integration.

A key focus for 2023 was standing up our new Board and Board committees early in the year. Throughout the year the Board has been actively engaged with the organisation and has undertaken significant work to prioritise strategy development, monitoring implementation, deep dives on key areas as well as maintaining its focus on corporate governance.

Performing while transforming to deliver on Ireland's decarbonisation ambitions is core. Our strategy sets out how we will continue to operate, maintain, and invest in our gas network to ensure safe, reliable, and secure supplies while preparing for a future in which networked gas enables an integrated energy system to achieve net zero carbon.

"The critical importance of gas supplies and the everyday availability of the gas network cannot be overstated. Almost half of Ireland's electricity was produced using natural gas in 2023 and reached 89% on days when intermittent renewable generation was not available. The security of Ireland's energy system today and tomorrow continues to rely on the flexibility and responsiveness of the gas network."

Safety

Safety remained a key focus area for the company in 2023. We maintained effective safety governance and reporting structures throughout and continued to have safety as a key priority in relation to ongoing operational activity and decision making. I am proud that by December 2023 we have not had a staff lost time incident for over 21 months.

Transitioning to a low carbon energy system

The Government has set a target of 5.7TWh of biomethane on the national gas network by 2030. We are actively working with all stakeholders to support and facilitate the achievement of this important objective. Biomethane has seamlessly formed part of the regular gas supply in Ireland's gas network since mid-2020. Our network and down-stream applications are fully compatible with biomethane, as are our compressed natural gas (CNG) refuelling stations which we continue to build with the intention of operating as renewable bio-CNG (compressed biomethane gas) refuelling stations as the volume of biomethane on the network increases. In 2023, 95% of the compressed natural gas dispensed was bio-CNG.

In September 2023, we published the Biomethane Energy Report, a comprehensive report detailing the key findings from the biomethane request for information we issued in late 2022. The Report's findings confirmed a strong appetite amongst prospective biomethane producers in Ireland, which would see renewable gas replace more than 25% of natural gas on the network, creating significant new agri-income streams and reducing the country's total carbon emissions by almost 4 million tonnes per year i.e., 6.5% of Ireland's total emissions.

The Chairperson's report (continued)

A critical requirement for the acceleration of a biomethane industry in Ireland is the finalisation of an appropriate support scheme to underpin investment. The absence of same is a key inhibitor thus far in unlocking a pipeline of investment. The Board of Ervia believes the deployment of indigenous biomethane will have a direct impact on Ireland's renewable energy targets and will also enhance energy security and independence in Ireland, by reducing our use of imported fuel. We welcome the opportunity to consult on the new Government Biomethane strategy launched in January 2024.

Throughout 2023 we continued to work with the Department of Environment, Climate and Communications, EirGrid and other public sector stakeholders in delivering the key actions required to meet Ireland's hydrogen ambitions. The National Hydrogen Strategy was published by the Department of Environment, Climate and Communications in July 2023 and recognises hydrogen as a potential enduring decarbonisation pathway for the gas network. As Ireland's gas experts we strongly believe that the existing gas network can be repurposed to facilitate the transportation of hydrogen at scale in future years, and that we have the capability, expertise and capacity to achieve this.

We will continue to maintain focus on delivering our hydrogen work programme which includes technical feasibility studies and safety demonstrations, as well as leveraging experience from within the EU, with National Gas in the UK and working with first mover hydrogen producers in Ireland. We remain fully committed to working with Government, the Commission for Regulation of Utilities and other key stakeholders to ensure the necessary supports and safety protocols are in place to allow hydrogen flow on the network. In addition, we will continue to facilitate the roll out of bio-CNG and further our work on assessing the potential for district heating in Ireland.

Security of Supply

Over the course of 2023 Ireland's physical gas supplies remained secure. Ireland benefits from a reliable connection to the United Kingdom (UK) via a twinned interconnector system which supplies approximately 80% of gas demand. The UK market is in turn well supplied from indigenous gas production, Norwegian gas production, underground gas storage and liquefied natural gas which provides access to a worldwide gas market. A review of national energy security by the Irish Government culminated with the publication in November 2023 of the 'Energy Security in Ireland to 2030' report was published by Department of Environment, Climate and Communications. This report sets out actions to increase energy security for Ireland. Action 17 of the Report identifies a key role for Gas Networks Ireland in the establishment of a Strategic Gas Emergency Reserve to mitigate against global gas supply disruptions. Work has commenced in this regard, and we will continue to actively liaise with the Department and the Commission for Regulation of Utilities to deliver the optimal outcome. In 2023 we delivered connections to five gas-fired power generation facilities to underpin the resilience of Irelands energy supply, work on additional gas-fired power connections will continue into 2024.

Corporate Governance

Across the year, the Board continued to prioritise corporate governance in line with best practice, emerging regulation, Government policy and transparency. Board sub-committees were in place throughout the year, met regularly and all materials were made available to the main Board. We comply with the applicable provisions of the Code of Practice for the Governance of State Bodies in all material respects. Risks are formally reviewed and monitored on an ongoing basis to ensure appropriate mitigations and controls. As Chairperson, I am satisfied that the appropriate internal controls exist and are managed effectively to meet our governance requirements.

Acknowledgements

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

I would also like to express my appreciation and extend my thanks to my fellow Board members, the Executive Team and all the staff of Gas Networks Ireland for their support throughout the year.

Kevin Toland
Chairperson

The Chief Executive Officer's review

Moving Ireland's Energy

Cathal Marley
Chief Executive Officer

Introduction

We own, operate, build, and maintain the natural gas network in Ireland. This includes over 14,725 km of pipelines, including two sub-sea interconnectors and pipelines in Scotland, Northern Ireland, and the Isle of Man. Our principal activity is the transportation of natural gas safely and reliably on behalf of over 713,000 business and residential gas customers regardless of which natural gas supply company they choose. We also provide wholesale telecom fibre services under the business name Aurora Telecom.

The gas network is a vital national asset, transporting 31% of Ireland's primary energy needs. Gas continues to underpin Ireland's energy mix, being a major contributor to electricity supplies, producing on average 47% of Ireland's electricity. The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 89% of demand during 2023, reiterating the importance of having a flexible and reliable gas supply to provide security and resilience for Ireland's energy system.

I am personally very conscious of the importance of balancing economic objectives such as profitability and shareholder value creation, alongside socio-economic and sustainability objectives, to promote consistent, credible long-term value growth. How we create value over the longer term is impacted by macro trends and developments in the wider economy, some of which are outlined on page 22. Sometimes these trends create uncertainty for us, our customers, and wider stakeholders. Details on our key risks and the mitigating actions we are taking can be found on pages 62-67.

In response to the invasion of Ukraine in 2022 and subsequent geopolitical events, we continue to work closely with National Gas (formally National Grid) and with other Transmission System Operators across Europe to monitor and safeguard the security of gas supply. We regularly participate in multi-party simulation exercises to test emergency response and communication plans across a range of potential crisis scenarios. Representatives from across the Irish energy utility sector and Government, including EirGrid, ESB Networks, the Commission for Energy Regulation (CRU) and the Department of Environment, Climate and Communications (DECC) participate where relevant.

Performance in 2023

Safety

We continued our track record of excellent safety performance in 2023. Our 'Work Safe Home Safe' programme continues to promote the right behaviours and drives our safety culture supported by our safety management system. In October 2023, Gas Networks Ireland passed 2 million hours worked by staff without a lost time incident (the last incident occurred in April 2022) and at the end of 2023 our lost time incident rate for staff stood at zero. This accomplishment is a testament to the dedication, diligence, and vigilance of our people and a reflection of our safety-first culture.

During 2023, we retained our certification to our safety ISO Management System. We also launched a new safety campaign, featuring the iconic twins John and Edward Grimes, better known as "Jedward", to promote the importance of only using a Registered Gas Installer for work on gas and LPG appliances and pipework.

Security of Supply

Throughout 2023 physical and cyber security has once again been a key priority for us against a landscape of active external cyber threats. We carried out a subsea inspection of our interconnector subsea pipelines to ensure the integrity of the pipelines and commenced construction on major security upgrades of the Compressor Stations in Scotland.

In November 2023 the 'Energy Security in Ireland to 2030' report was published by DECC. It outlines a new strategy to ensure energy security in Ireland for this decade, while ensuring a sustainable transition to a carbon neutral energy system by 2050.

This report together with its appendix 'Securing Ireland's Gas Supplies' contains several direct, and indirect, actions for Gas Networks Ireland, key among them being the creation of a Strategic Gas Emergency Reserve to protect Ireland in the event of a gas supply disruption as Ireland makes a secure transition to majority renewable energy. We welcome the publication of this report and will continue to work with DECC and the CRU on the creation of a Strategic Gas Emergency Reserve to underpin Ireland's energy security.

Throughout 2023 Gas Networks Ireland also worked closely with EirGrid and the CRU on the issue of security of electrical supply for the country. Several transmission gas connection contracts were executed to connect new Power Generation facilities supporting the increase in power generation capacity required over the coming years and providing resilience to the ongoing expansion of renewable electricity generation.

Biomethane

Accelerating the levels of indigenous biomethane, a carbon-neutral renewable gas made from farm and food waste through a process known as anaerobic digestion, in the gas grid in line with Government targets will assist in both diversifying and decarbonising Ireland's energy supply. Over the course of 2023, the volume of renewable gas injected into our network has continued to grow, with circa 60GWh of biomethane now flowing on our network. We contracted two directly connected anaerobic digestion plants to the grid. We also made significant progress on the Mitchelstown Central Grid Injection facility, which will be Ireland's first large-scale renewable central gas injection facility.

In late 2022 we issued a national Request for Information (RFI) targeting current and prospective biomethane producers. During 2023 the RFI responses were used to assess the future infrastructure requirements for biomethane integration into Ireland's gas network. They were also used to help facilitate the most efficient delivery of biomethane to our customers and the most economic connections to the gas network for producers. In September 2023, we published the 'Biomethane Energy Report', a comprehensive report detailing the key findings from the RFI.

The Report's findings confirmed a strong appetite amongst prospective biomethane producers in Ireland, with aggregate production totalling to 26% of current gas consumption, which could enter the gas network by 2030. In terms of production volumes, the response received of 14.8 TWh is more than two and a half times that of Ireland's stated 2030 biomethane ambition of 5.7 TWh.

The Chief Executive Officer's review (continued)

Hydrogen
In July 2023 DECC published the 'National Hydrogen Strategy' This is a key roadmap for the preparation, delivery, and use of hydrogen in Ireland. The national strategy recognises how the national gas network can be leveraged to accommodate hydrogen produced from wind energy, as well recognising that in the interim, natural gas will continue to be needed to ensure continued security and resilience of Ireland's energy supply. The Strategy also showcases the establishment of our Network Innovation Centre, an off-network hydrogen test blend facility, which was set up just two years ago.

At our Network Innovation Centre, our research into understanding the full potential of hydrogen continued in 2023. We completed an off-grid underground gas network facility to facilitate planned research and testing of hydrogen blends. In November, we published our 'HyEnd' study. This latest research found that 90% of equipment powered across industries and large businesses in Ireland is already capable of using up to 20% of hydrogen, when blended with natural gas.

Bio-CNG
The increasing demand for renewable gas from the transport sector is a positive trend, particularly for the hard-to-abate heavy goods transport sector. In 2023, demand for compressed natural gas (CNG) in transport saw a significant year-on-year increase, up 20% compared to 2022. Fuelling with CNG can reduce a heavy good vehicle's emissions by up to 22%, and with CNG suppliers now sourcing gas via renewable sources, bio-CNG can provide the Irish haulage industry with a clean alternative fuel option.

In November together with Virginia Internal Logistics we took another step forward in reducing emissions from Ireland's transport industry with the opening of Ireland's eighth fast fill CNG refuelling station. The new station is located at Virginia International Logistics' premises in Maghera, just outside Virginia in Co. Cavan, and provides new cleaner transport corridors for Irish freight operators allowing hauliers and fleet operators in Cavan and the North-East region to begin the journey to sustainable transport and supply chains by switching their fuel from diesel.

Our people
One of our ongoing areas of focus is the wellbeing of our people. Time to Talk is our organisational mental health programme which aims to provide a structured approach to mental health initiatives in our workplace. This programme continued to gain momentum in 2023, with further support for our mental health first aiders, a specific communication programme for our Field Force colleagues and numerous events organised to raise awareness and allow space for conversations and focus on mental wellbeing and health.

We also continued to deliver other health and wellbeing initiatives including nutrition, cancer awareness sessions, fitness programmes and mindfulness sessions. Our Gas Networks Ireland ibelong Diversity, Equity and Inclusion programme grew further in 2023, and we established a new Employee Resource Group (ERG) the Neurodiversity & Ability Group which, together with our Family Network, Ethnicity and Cultural Network, Rainbow Network and Women's Network is now the fifth ERG across the business.

In October we commenced our new graduate intake, which saw 15 new graduates join the organisation on a two-year programme across our STEAM disciplines. In addition, we saw progress in our Gender Pay Gap, which is being influenced by our ibelong programme, our female development programme which was launched this year and our early education STEAM and career programmes which will continue across the coming years. The growth of these programmes and the ongoing development of the diversity, equity and inclusion strategy is a key area of priority across the organisation.

Sustainability
As a leading utility company sustainability is defined by our role in delivering an affordable and clean energy future for the people of Ireland through the decarbonisation of our network and the reduction of emissions across all sectors of Irish society. During 2023, we continued to embed sustainability across our business. We constantly refine our sustainability strategy to ensure we continue to focus our attention in the right areas. For example, we are currently assessing how we can accelerate the reduction of carbon emissions at our compressor stations in Scotland.

The Chief Executive Officer's review (continued)

> "During the period we retained our certification to the ISO26000 Business Working Responsibly Mark. We are proud of the fact that we are one of only 39 companies in Ireland to hold the Business Working Responsibly (BWR) mark for responsible and sustainable business practices. In 2023 we won Best Corporate Social Responsibility Project in a Community at the All-Ireland Community and Council Awards for our school engagement initiatives, and we were shortlisted in sustainability categories at the Workplace Excellence Awards, Business and Finance ESG Awards, and All Ireland Sustainability awards."

We are ever mindful of our sustainability responsibilities and aim to contribute to the protection of the environment while supporting the social and economic development of the communities we operate in. In 2023 we retained our certification to the ISO26000 Business Working Responsibly (BWR) Mark. We are proud of the fact that we are one of only 39 companies in Ireland to hold the BWR mark for responsible and sustainable business practices.

In 2023 we won Best Corporate Social Responsibility Project in a Community at the All-Ireland Community and Council awards for our school engagement initiatives, which include Junior Achievement Energise, BITC's Time to Count, World of Work, involvement with I Wish and BT Young Scientist, and events during science week and biodiversity week. Throughout 2023 we continued to work with our charity partners Age Action and maintained our relationship with Leave No Trace. As of the end of 2023, Gas Networks Ireland's volunteer engagement is up 104% on 2022, and the number of individual volunteers is up 113% with staff taking part in a number of volunteer events ranging from participating in our school engagement initiatives, doing some light gardening work for elderly clients of Age Action, taking part in a Big Knit campaign, and clean ups as part of our leave no trace campaign.

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. In 2023, we continued to refine our Biodiversity Action Plan which outlines action to be taken by the business to help achieve its biodiversity commitments. Examples of actions taken in 2023 include undertaking 15 baseline biodiversity surveys in Ireland and the Isle of Man, planting 15,290 native Irish trees and an orchard in Gasworks Road, and developing the 'Carbon Tree Search Tool' which calculates expected carbon sequestration of trees that are planned for removal and the number of replacement trees required to mitigate the loss.

The Chief Executive Officer's review (continued)

Customer
Our customer is always at the core of our business. In 2023 we delivered high quality services to over 713,000 domestic and commercial customers. There were 70,443 customer appointments made with 99% compliance rate, 1.7 million meter reads, and 552,066 customer contacts handled by our contact centre across inbound and outbound channels.

Our excellence in customer care and in our customer service programme continued to be recognised in 2023, as we were awarded: the "Best Customer Experience in Public, Voluntary & Non-Profit Sector" a Customer Contact Management Association award, the "Best Customer Experience category for Utilities/Telecom CE award" and the "Best Customer Experience Impact in Government and Public Sector category" at the Irish Customer Experience Impact awards where our Customer Care Manager was also awarded the Customer Experience Leader 2023.

Capital, Maintenance and Operational Work Programmes
During 2023 we submitted our revised five-year Price Control submissions for the period October 2022 to September 2027, with the final decision being issued by the CRU in December 2023. We look forward to continuing to work collaboratively with the CRU into the PC5 period to deliver secure, sustainable and affordable gas transportation services to Ireland.

As supplier of 31% of Ireland's primary energy needs, sustaining the operational integrity and reliability of our network is crucial. In 2023, we efficiently incurred capital investment of €148m in critical infrastructure and made considerable progress on our capital and maintenance work programmes. 98% of all planned maintenance was completed, including significant repairs to our compressor stations in southwest Scotland. We responded to 14,856 publicly reported escapes of gas, 99.9% within the one-hour criteria. We completed remedial works on 50 multi-occupancy buildings and carried out leakage surveys on 2,264km of mains and services.

Items to note this year include:

- Construction completed on three new connections for power stations:
  - Grange Backup Power, Grangecastle, Dublin
  - ESB Poolbeg
  - ESB Ringsend
- Construction commenced on a new connection to ESB Corduff power station.
- Capacity upgrade of Kilshane AGI completed and commissioned.
- Construction commenced on Capacity upgrade of Ardree AGI.
- Construction commenced on upgrade of electrical switch gear at Brighouse Bay Compressor Station in Scotland.
- Refurbishment works completed on Beattock Compressor Station and Brownsbarn AGI.
- Construction commenced on major security upgrades of the Compressor Stations in Scotland.
- Reinforcement works completed on over 8km of distribution pipeline.
- Two CNG stations commissioned, three other stations progressed.

Aurora Telecom, in addition to extending its national network footprint, enhanced its international standing by strengthening its secure, resilient, dual-feed connectivity to additional subsea cable networks, specifically the international subsea backhaul connection for the IRIS subsea cable, between Galway and Iceland.

You can read the full 2023 operating review on pages 32-49.

The Chief Executive Officer's review (continued)

2024 Strategic Priorities
We will continue to create meaningful value for the people of Ireland and keep Ireland's energy moving by playing a key role in the transition to a low carbon energy system. We will work closely with our shareholder and stakeholders to understand and address their most critical issues. Our focus will be on ongoing engagement with all stakeholders, including DECC on the role of renewable gases in supporting national decarbonisation targets, the Climate Action Plan 2024, and broader energy policy development.

In 2024 we will undertake further detailed research on the technical and safety feasibility of injecting green hydrogen into Ireland's gas network, leveraging our recently constructed 'off-grid' gas network at the Network Innovation Centre. We will further develop our hydrogen safety and technical roadmap including future hydrogen trials and work with DECC, CRU and other stakeholders to progress the actions set out in the National Hydrogen Strategy.

We will continue to work towards delivering the Government target of 5.7TWh of biomethane on our network by 2030. We firmly believe that the 2030 target of 5.7TWh can be achieved with the requisite Government support. We will engage all stakeholders to facilitate achievement of this important objective and in the development and delivery of a National Biomethane Strategy.

The energy crisis has highlighted the importance of Security of Supply. In 2024, we will continue to ensure security of supply and progress the actions assigned to us in the recently published 'Energy Security in Ireland to 2030' report, in particular the development of a strategic national gas reserve. We will engage with DECC and the CRU to inform a new energy demand strategy, including consideration of the criteria to assess large energy users, including data centres as well as connection applications to the electricity and gas systems to minimise the impact on national carbon emissions. We will participate in meetings and consultations to bring the matter to a conclusion for potential gas customers.

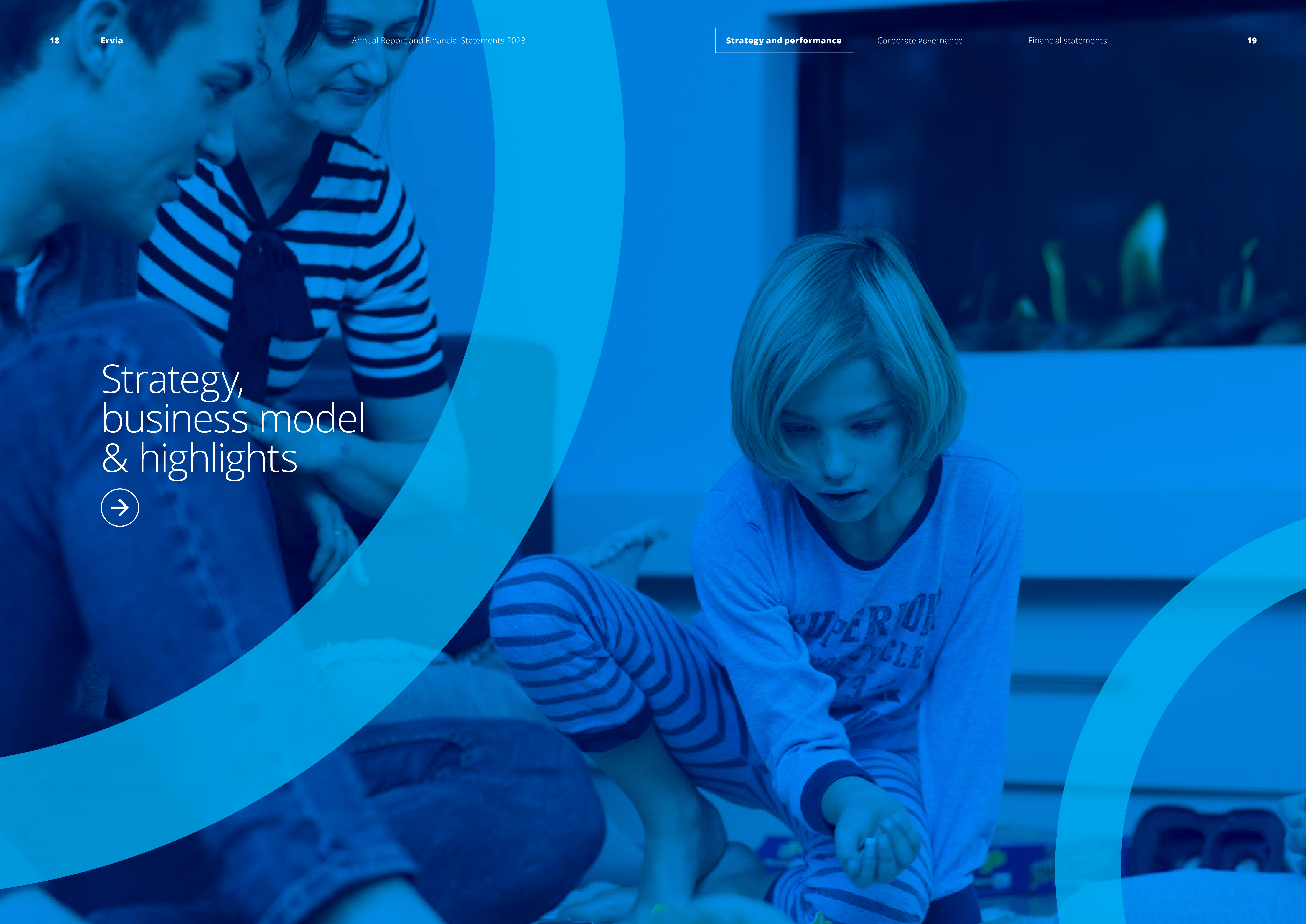
We are committed to putting customers at the core of our business, delivering excellent customer service and advancing our sustainability agenda with a particular focus on the impact of our activities and services on people and the environment. As guardians of Ireland's natural gas infrastructure, we aim to deliver our service in a sustainable manner that contributes to the protection of the environment while supporting the social and economic development of communities we operate in as well as the wider economy. We will continue to develop, operate, and maintain a gas network that is both economic and efficient, moving Ireland's energy, to ensure security of supply and competitiveness whilst making a direct contribution to the achievement of Ireland's emission reduction targets.

For more information on our 2024 priorities please see page 56.

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

Finally, and most importantly, I would like to express my sincere gratitude to all our staff and delivery partners for their hard work and commitment. I am proud of the way in which we responded to the challenges and the progress we made in 2023.

Cathal Marley
Chief Executive Officer



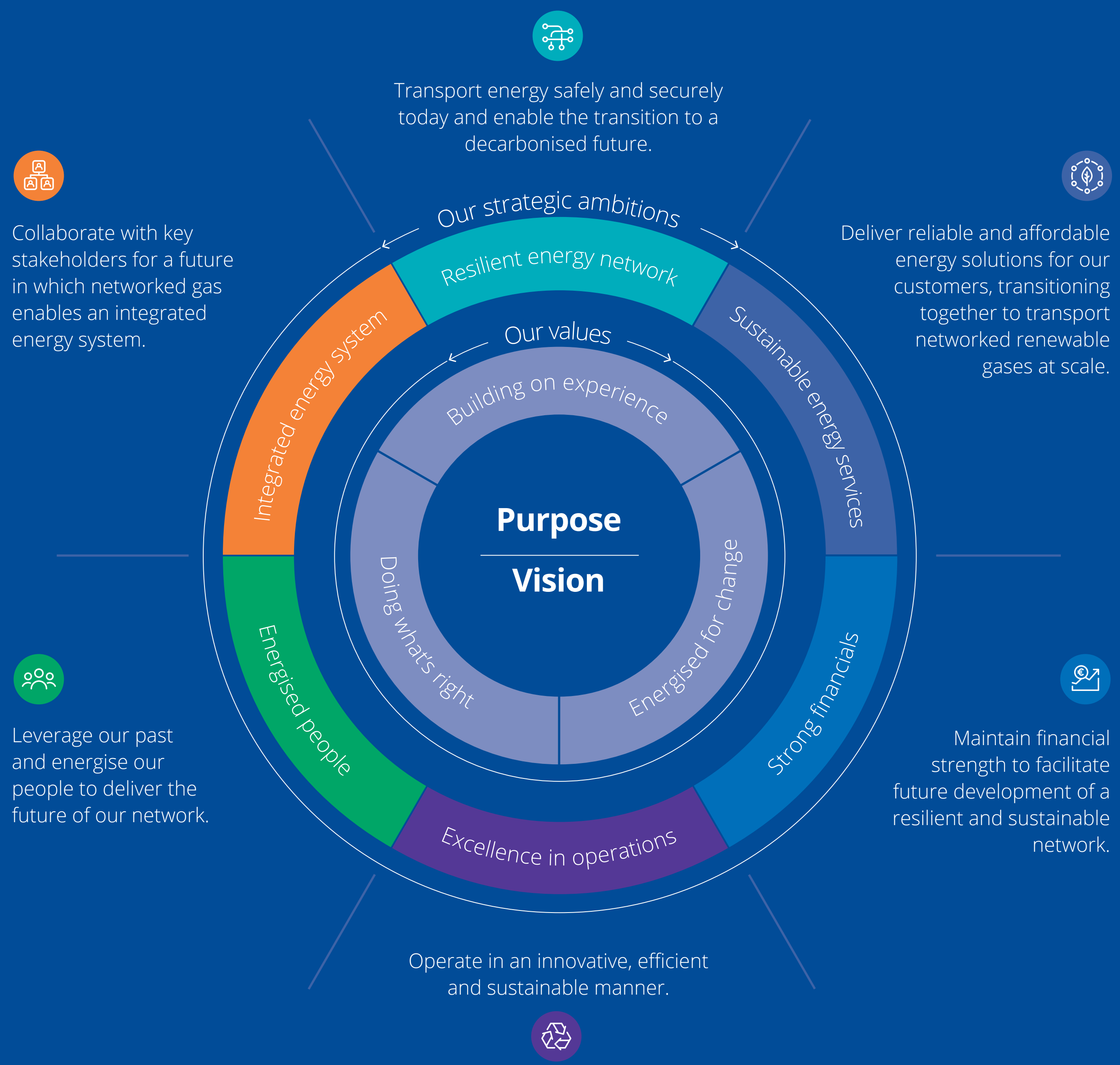
Strategy, business model & highlights

Our strategic framework

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

Strategic ambitions

Our strategy is that of a business focused on performing while transforming to deliver on Ireland's decarbonisation ambitions. Our strategy sets out how we will continue to operate, maintain and invest in our gas network to ensure safe, reliable and secure supplies while preparing for a future in which networked gas enables an integrated energy system to achieve net zero carbon. Ervia has identified six strategic ambitions that will set the foundation for our future success and provide a clear roadmap to deliver on our purpose and vision.



Our purpose, vision and story

Our purpose

Moving Ireland's energy

Our vision

To be at the heart of Ireland's energy future

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

Our role

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

Our people

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

Our legacy

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

Our ambition

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

Our values

Building on experience

Doing what's right

Energised for change

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

At Gas Networks Ireland, we are:

Building on experience

We're proud of everything we have achieved so far. It's our platform for continued success. Years of reliable expertise and constant evolution not only guide us but give us the confidence to move towards a more sustainable future.

Doing what's right

Care and compassion guides everything we do. That means delivering services as safely as they are dependable. And treating both our people and our customers with the utmost respect as we do it.

Energised for change

Today's innovations lead to tomorrow's evolution. We know that transitioning to a cleaner energy future will only come from a willingness to learn, adapt, innovate and collaborate widely.

Value creation

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

	The challenge is to	The opportunity is to	We will create value by
Energy security	**Strengthen Ireland's energy system by increasing the security of gas supply.**	Maintain and extend the reliability and flexibility of the gas network for Ireland's system.	Engaging with the Government on the progression of the recommendations of the recently published energy security package for Ireland.
Climate action	**Contribute to 50% reduction of carbon emissions in Ireland by 2030 consistent with relevant Climate Action Plan targets and assigned actions.**	Replace natural gas with networked renewable gases.	Helping to realise the government's biomethane and hydrogen production targets through support for those industries and innovating and readying the network to transport hydrogen. While also ensuring we operate our business as sustainably as possible.
Sustainable services	**Ensure gas is considered a long-term sustainable energy option.**	Develop offerings and experience to enduringly meet customers' energy needs and expectations.	Introducing new gases, service offerings and channels focused on sustainability, maximising customer satisfaction and minimising customer effort.
	Ensure our tariffs have a focus on energy affordability.	Effectively manage our cost base in an environment of rising costs and inflation to ensure gas tariffs remain as competitive and affordable as possible for all energy customers.	
Economic competitiveness	**Support realisation of National Economic and Development Plans by ensuring Ireland has a sustainable networked gas offering.**	Provide a reliable, affordable and sustainable gas network.	Investing in infrastructure and innovation to support sustainable national, regional and local economic development.
Sustainable operations	**Ensure ethical business operations that protect the environment, respect resources and value employees and communities.**	Embed sustainable ethical business practices, ensuring that environmental, social and governance principles are at the core of our business decisions.	Operating a sustainable and ethical business, minimising our emissions and waste, enhancing biodiversity and supporting our people and communities. We have developed a pathway to reduce our network operational emissions by 50% by 2030.

Ervia's business model

How we create value

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

Inputs

Financial

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

Total assets	
Gas Networks Ireland	€2.8 bn
Aurora Telecom	€35.5 m

Networks

Our gas and telecoms networks cover the length and breadth of the country. Our gas network serves 22 counties nationwide.

Km Of networks	
Gas Networks Ireland	14,725 km
Aurora Telecom	1,569 km

People and partners

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

756 employees

Stakeholders

We consult with and actively seek the opinion of our stakeholders: our customers, regulators, government and investors.

Natural resources

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

Business activities

Operate the systems

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

Maintain our asset base

- System security
- Asset strategy
- Maintenance programmes

Continuously improve our offering

- Bio Compressed Natural Gas
- Blended Hydrogen
- Biomethane

Invest in assets

- Refurbishment
- Capacity
- Security of Supply
- Decarbonisation

Serve our customers well

- Easy to work with
- New connections

Develop and fund the future plans

- Effective business planning
- Investment prioritisation
- Climate action focus

Outputs

Efficient, cost effective and customer centric services

Robust and resilient infrastructure

Benefits

Customers

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

Employees

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

Communities

- Protect the environment
- Supporting Climate Action and Biodiversity
- Supporting local communities

Regulators

- Improving financial and operational performance versus regulatory standards

Shareholder

- Focus on shareholder value
- Dividends

Economy

- Enabling economic development
- Supporting employment
- Investing in infrastructure

Stakeholder engagement

At Gas Networks Ireland, we take the nature and quality of our stakeholder relationships very seriously. We work closely with our stakeholders to understand their views and emerging needs, determine priorities, deliver initiatives in partnership.

Stakeholder	Representative bodies include	Priorities	Response	Surveys	Face to Face	Information events	Working groups	Website	Social media	Multi-stakeholder meetings
General public communities	Individuals, communities, environmental groups, consumer groups, business interest groups, farming bodies etc.	· Ensure safe, secure and reliable supplies of natural and renewable gas · Maintain competitiveness · Support social and economic growth · Support decarbonisation	· Focus on engagement at local and community level for both existing natural gas supplies and emerging renewable gas supplies. · Maintain our excellent performance in responding promptly to reports of escaped gas. · Enhance public engagement on safety through safety messaging and advertising. · Engagement in industry safety construction safety week and contractor safety events. · Responsible road opening operation with minimum public disruption. · Provide infrastructure to facilitate economic growth. · Enhance public engagement on pathways to Network Decarbonisation.					●	●	●
Partners	Partners, shippers, suppliers and third-party service providers.	· Work effectively together to deliver quality services · Encourage innovation · Decarbonise the network	· Close collaboration with shippers and suppliers in addressing the evolving needs of gas users. · Work in partnership with key industry parties to increase the percentage of renewable gases on our network. · Hold frequent performance reviews and forward-looking planning discussions with our service partners to ensure alignment on delivery of integrated energy strategy.	●	●	●	●	●	●	●
Regulators	Commission for Regulation of Utilities (Republic of Ireland), Utility Regulator (Northern Ireland), Office of Gas and Electricity Markets.	· Deliver initiatives to implement energy and climate policies · Operate efficiently · Deliver on our regulatory commitments	· Deliver on Gas Networks Ireland's Climate Action Plan commitments in cooperation with key industry participants. · Invest in biomethane, hydrogen and compressed natural gas projects. · Work with all relevant bodies on gas security of supply and emergency planning. · Operate effectively and efficiently to deliver on our regulatory commitments.		●		●			
Shareholders	Department of Housing, Local Government and Heritage, Department of Environment, Climate and Communications, Department of Public Expenditure and Reform.	· Implement Government policy · Aid the achievement of Government decarbonisation targets by increasing the percentage of renewable gases on the network · Communicate accurately and transparently and demonstrate progress against plans	· Operate, maintain, develop and decarbonise a safe, reliable and efficient network. · Develop and deliver business plans that are aligned with Government decarbonisation targets. · Work with our Shareholder and other key industry participants on security of energy supply to further enhance reliability of the gas network. · Issue regular performance reports and updates to monitoring and oversight bodies.	●	●	●	●	●	●	●

Highlights

Gas continues to underpin Ireland's energy mix

In 2023, 47% of Ireland's annual electricity was produced using natural gas , representing a 1% decrease from 2022. Wind's share of electricity generation increased from 38% in 2022 to 39% in 2023, and coal's generation fell from 9% in 2022 to 4% in 2023.

At their peak, gas and wind powered up to 89% and 80% of Ireland's electricity needs respectively. The intermittent nature of wind saw it drop lower than 1% at times. June saw the highest reliance on gas during the year, as it provided 58% of electricity supplies during the month. Wind energy made its largest contribution in December, generating 53% of all electricity in the State.

New connections

A total of 19 large industrial meters and 352 small-to-medium-enterprises contracted to be connected to the gas network in 2023. The associated offtake for this customer base is shown below:

- 2,262.3 GWh - 19 large industrial meters
- 38.1 GWh - 352 commercial businesses

Ireland's eighth CNG refuelling station

Together with Virginia Internal Logistics we took another step forward in reducing emissions from Ireland's transport industry - with the opening of Ireland's eighth fast fill Compressed Natural Gas (CNG) refuelling station by Minister for Social Protection and Minister for Rural and Community Development, Heather Humphreys TD.

Industry prepared for hydrogen

At our Network Innovation Centre in Citywest, our research into understanding the full potential of hydrogen continued. In November 2023, our HyEnd report was published. This latest research found that more than 90% of equipment powered across industries and large businesses in Ireland is already capable of using up to 20% of hydrogen, when blended with natural gas.

National Hydrogen Strategy

The Government's National Hydrogen Strategy which was published in July, acknowledged the crucial role that Ireland's €2.8bn gas network will play in Ireland's future renewable hydrogen evolution. This includes how the gas network will be leveraged to accommodate hydrogen produced from wind energy, as well recognising that in the interim, natural gas will continue to be needed to ensure continued security and resilience of Ireland's energy supply.

€148m Capital Investment in Ireland's gas network as the volume of renewable gas increases

Efficiently incurred capital investment of €148m in critical gas infrastructure was delivered in 2023. In line with our counterparts across the continent of Europe, our focus is on transitioning our gas supply to renewable gases such as biomethane and hydrogen.

Employee volunteering

In 2023, more than 160 of our employees volunteered to facilitate and deliver over 70 local community initiatives including STEAM education programmes - 'Energize', which encourages sixth class pupils to continue science subjects in second level education, 'Time to Count' – a numeracy support primary school programme, and the 'World of Work' education and career support secondary school programme; as well as gardening for the elderly with our charity partner Age Action Ireland, biodiversity projects and fundraising initiatives.

In 2023, we delivered 54,008 social impact hours and were accepted as applicants for the "Investing in Volunteers Certification" - the national quality standard for best practice in volunteer management.

Aurora Telecom

Aurora Telecom, specialises in dark fibre and colocation services for telecommunications carriers, corporate organisations and government services. In 2023, in addition to extending its national network footprint, Aurora Telecom enhanced its international standing by strengthening its secure, resilient, dual-feed connectivity to additional subsea cable networks, specifically the international subsea backhaul connection for the IRIS subsea cable. Aurora Telecom is the only provider to interconnect with this new high-speed undersea cable system, which spans approximately 1,700 km in length and connects Iceland to Ballyloughane Strand in Galway.

Recognition for our excellence in customer care

Our excellence in customer care and in our customer service programme continued to be recognised, as we were awarded: the "Best Customer Experience in Public, Voluntary & Non-Profit Sector" at the Irish Customer Contact & Shared Services Awards; the "Best Customer Experience - Utilities/Telecom" category at the 2023 Customer Experience Awards and the "Best Customer Experience Impact in Government and Public Sector" category at the Irish CX Impact Awards where our Customer Care Manager Bernard Mooney was also awarded the Customer Experience Leader 2023. We continued to maintain and enhance our customer journeys which saw our overall Customer Satisfaction Score remain at an excellent score of 93%.

Biomethane industry ready to go

In September, we published the Biomethane Energy Report, a comprehensive report detailing the key findings from a national Request for Information process targeting current and prospective biomethane producers. The responses have been used to assess the future infrastructure requirements for biomethane integration into Ireland's gas network and help facilitate the most efficient delivery of biomethane to our customers and the most economic connections to the gas network for producers.

The report's findings confirmed a strong appetite amongst prospective biomethane producers in Ireland, with aggregate production totalling to 26% of current gas consumption, which could enter the gas network by 2030. In terms of production volumes, the response received of 14.8 TWh is more than two and a half times that of Ireland's stated 2030 biomethane ambition of 5.7 TWh.

Overall Operational Excellence Award 2023

In June we were announced as winners of the Overall Operational Excellence Award 2023 which acknowledges, and honours individuals, teams and organisations dedicated to achieving operational excellence and driving business transformation.

Responding within the hour, every hour

In 2023 we responded to 14,856 suspected gas escapes, carbon monoxide issues and incidents within an average of 27 minutes.

Fifth annual sustainability report

In 2023 we published our fifth annual sustainability report. Entitled 'Sustainability in Action' and aligned to the Global Reporting Initiative standard as well as the United Nations' Sustainable Development Goals, the report highlights our ongoing progress in supporting environmental, social and economic sustainability within the business and the communities where we operate.

Two million hours accident free

In October 2023, we reached the safety milestone of 2,000,000 hours worked without a lost time incident. This accomplishment is a testament to the dedication, diligence, and vigilance of our team and a reflection of our safety-first culture.

Operating and financial review

Operating review

Deliver a safe, efficient and reliable gas network

Overview

Gas Networks Ireland owns, operates and maintains the natural gas network in Ireland. Our gas network is one of the most modern and safest in the world and comprises 14,725 km of gas pipelines including two sub-sea interconnectors. We also provide wholesale telecom fibre services under the business name Aurora Telecom.

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 including power generation and many of the country's largest industries, rely on gas for electricity, heating and transport and trust Ireland's gas network to provide efficient and reliable energy to meet their needs 24 hours a day, 365 days a year, availing 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 31% of the country's primary energy needs. On average 47% of Ireland's annual electricity is produced using natural gas.

The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 89% of demand during 2023, reiterating the importance of having a flexible and reliable gas supply.

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

Gas Networks Ireland has continued to deliver a safe, efficient and reliable gas network by focusing on security of supply and safe operations while also pursuing opportunities to optimise the network as part of Ireland's transition to a net zero carbon economy. Our ambition is for a net-zero carbon gas network by 2050 and we are working to make this possible. By replacing natural gas with renewable gases such as biomethane and hydrogen and complementing intermittent renewable electricity, we are supporting Ireland's journey to a cleaner energy future.

Operating environment

Demand and supply

During 2023, gas market fundamentals remained positive with demand across Europe remaining below the 2017-2021 average. In Ireland gas demand was 7% lower in 2023 than in 2022. Total gas transported in ROI was 53.1 TWh, with Power Generation representing 59.3%, Industrial and Commercial 28.1%, residential 11.3%, fuel gas 1.25% and transport 0.05%.

During the year, 22% of all gas requirements in the Republic of Ireland were supplied by the Corrib gas field, while imports from the United Kingdom (UK) met 78% of demand. 60 GWh of demand was met from renewable gas delivered through the biomethane injection point in Co. Kildare.

Gas price volatility continued into 2023, with sharp increases and decreases evident in relatively short periods due to market factors. Despite this Ireland's physical gas supplies remained secure. Ireland benefits from a reliable connection to the UK via a twinned interconnector system. The UK market is in turn well supplied from indigenous gas production, Norwegian gas production, gas storage facilities and liquefied natural gas (LNG).

During 2023, the EU continued to reduce its dependence on piped Russian gas supplies while increasing the penetration of renewable gases. The EU set targets in respect of gas storage levels, 80% full by 1 November 2023, which has significantly helped the market to navigate the winter period. The Hydrogen and Gas Market Decarbonisation Package will be finalised in 2024 and this will set out ambitious plans to facilitate further renewable gases in the existing gas networks across Europe including the development of a framework for hydrogen networks.

Irish energy security is a continuing priority. In July 2023 DECC published its 'Energy Security in Ireland to 2030' strategy, including the 'Securing Ireland's Gas Supplies' report. Gas Networks Ireland has been assigned a number of actions in this report, which will be progressed in 2024.

Regulation

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

During 2023, Gas Networks Ireland continued to actively participate in various EU gas association and working groups in Europe including European Network of Transmission System Operators for Gas (ENTSOG), Eurogas, Gas Infrastructure Europe (GIE) and Gas Distributors for Sustainability (GD4S) all of whom are focused on supporting the development and implementation of EU energy and climate policy, such as the gas legislative review and inputting into associated technical and regulatory work programmes.

Tariffs

The transmission tariffs for 2023/24 reflect a circa 18% (nominal) increase on the previous year, which is primarily driven by inflation along with the increased cost of shrinkage and carbon. These factors also drove a circa 7% (nominal) increase in the distribution tariffs for 23/24.

Gas Networks Ireland price control

Gas Networks Ireland operates transmission and distribution assets in Ireland and Scotland under a price control regime determined by the CRU. A new price control regime is set every five years by the regulator and this process sets out the allowed revenues for Gas Networks Ireland. The PC5 Price Control review process for 2022-2027 concluded with the publication of the PC5 decision by CRU in December 2023. At €2.2bn of allowed revenue, PC5 represents a significant revenue contract over the five years to October 2027. This reflects recovery of €1.1bn of efficient operating costs and a return of 3.65% on both existing regulated assets and a new investment envelope of €651m over the period.

Operating review (continued)

Safety

Delivering the highest health and safety standards

Gas Networks Ireland is committed to the highest possible safety standards and during 2023, we continued to manage all aspects of operations in a safe and environmentally responsible manner. Our comprehensive Safety, Environmental, Quality, Energy and Asset Management Systems, independently certified to ISO 45001, ISO 14001, ISO 9001, ISO 50001 and ISO 55001, ensure our activities are managed in accordance with international best practice. In 2023, Gas Networks Ireland received recertification of all five ISO systems during a recertification audit by the National Standards Authority of Ireland.

Our Combined Lost Time Incident Frequency Rate for staff and key service providers stood at 0.11 at the end of 2023, improved from 0.23 at the end of 2022 and is representative of excellent safety performance. We recorded over 367 Safety Leadership Conversations and undertook 32 internal management system audits along with over 919 safety and technical inspections.

Our Lost Time Incident Rate for staff alone stood at zero at the end of 2023. In October 2023, Gas Networks Ireland passed 2 million hours worked by staff without a lost time incident (the last incident occurred in April 2022). A number of events were held to celebrate this milestone with staff.

During 2023, Gas Networks Ireland ran several training and refresher sessions for staff under the "Work Safe, Home Safe" safety culture programme banner. Over 400 people attended these sessions. A number of safety communications and awareness campaigns for staff were run over the course of the year covering issues such as reverse parking in office car parks, stair safety and winter safety.

To support the development of renewable gas in the gas grid in line with Ireland's Climate Action Plan ambitions a number of initiatives were undertaken in 2023:

- An interim report was completed outlining the steps to develop a safety case for the introduction of hydrogen to the natural gas grid.
- Gas Networks Ireland, along with Phoenix Energy and Mutual Energy, partnered with Ulster University who were successful in a grant application to undertake research into the safety of hydrogen/ natural gas blends. This work commenced in Q4 2023.
- Additionally, Gas Networks Ireland obtained acceptance from the CRU for its Compressed Natural Gas (CNG) Manual which provides a standardised methodology for the design and operation of CNG stations for heavy goods transport, removing the requirement for individual Safety Case change submissions to be made and accepted for each new station.

Operating review (continued)

Throughout the year, Gas Networks Ireland has continued to promote public safety awareness via a range of campaigns, including the Gas Emergency Service, Dial-Before-You-Dig, Meter Tampering, Always Use a Registered Gas Installer and Carbon Monoxide campaigns. During 2023, a new campaign, featuring the iconic twins John and Edward Grimes, better known as "Jedward" was launched to promote the importance of always and only using a Registered Gas Installer for work on gas and LPG appliances and pipework.

Gas Networks Ireland has run a range of health and wellbeing events and supports in 2023, including a number under the "Time to Talk" mental health awareness banner. These included staff coffee mornings, information sessions with guest speakers, breakfast sessions for field staff and refresher training for in-house Mental Health First Aiders. Supports available to staff, including the Employee Assistance Programme and Mental Health First Aiders are widely and regularly promoted to all staff.

During 2023, Gas Networks Ireland has been gathering information to support an application for accreditation under Ibec's "Keep Well Mark" evidence-based workplace wellbeing award. An accreditation audit is scheduled for March 2024.

Crisis Management and Business Continuity

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

Upon the invasion of Ukraine in February 2022, Gas Networks Ireland established a Crisis Management Team to monitor and manage the impact on a number of areas including the security of gas supply, operations, sanctions (and the impact on Gas Networks Ireland and gas market participants), supply chain, cyber security and fuel prices. This Crisis Management Team continued to operate into the summer of 2023 when it was stood down into a care and maintenance mode as the impacts arising had stabilised.

Along with the robust procedures we have in place to maintain security of gas supply, a number of teams within Gas Networks Ireland, including the Executive, Operations and Communications teams regularly participate in simulation exercises to test a range of potential crisis scenarios. These exercises are critical to planning a coordinated response to major incidents in the rare event that they occur. They also allow us to test the effectiveness of the current crisis management arrangements, provide an opportunity for our Crisis Management Team and tactical crisis response teams to rehearse the response and assist with the review and update of existing Crisis Management and Crisis Communications plans.

Representatives from across the Irish energy utility sector and Government, including EirGrid, ESB Networks, the CRU and the Department of Environment, Climate and Communications (DECC) also participate where relevant. In 2023 these crisis simulations and exercises included:

- An annual exercise to test the effectiveness of the National Gas Emergency Manager (NGEM) plan.
- Participation in Eirgrid's annual exercise to test the effectiveness of their Power System Communications Plan (PSECP).
- Participation in the UK National Gas Transmission exercise where they test their role as Network Emergency Coordinator (NEC) to test communication methods between National Gas Network Emergency Management Team (NEMT) and all relevant gas industry participants in the UK.
- In Northern Ireland, we participated in the Northern Ireland Network Emergency Coordinator (NINEC), and the Health and Safety Executive for Northern Ireland (HSENI) emergency exercises to test the emergency plans in place for Northern Ireland.
- Internally, within Gas Networks Ireland, a two-day cyber emergency simulation exercise was held in October.

Operating review (continued)

Business delivery

Operating and maintaining our network 24/7 continuously across the year in an efficient and economic manner is a key element of our strategy. In 2023, we dispatched over 44,642 planned maintenance work orders on the transmission and distribution networks.

98% of all planned maintenance was completed, including significant repairs in our compressor stations in southwest Scotland. We reconnected supplies to two emergency generation PowerStation in Dublin. Over the year we transported 70.1TWh, for Ireland, Northern Ireland and the Isle of Man including 60GWh of biogas, and there were no gas quality non-conformances.

We responded to 14,856 publicly reported escapes of gas, 99.9% within the one-hour criteria. We completed remedial works on 50 multi occupancy buildings and carried out leakage surveys on 2,264km of Mains and services. We took over 1.7 million meter reads on behalf of gas suppliers, and we carried out a subsea inspection of our interconnectors.

We undertook a capital expenditure programme of €148 million which included ongoing programmes to improve the safety and reliability of the network.

Key projects 2023:

- Construction completed on 3 new connections for power stations.
  - Grange Backup Power, Grangecastle, Dublin
  - ESB Poolbeg
  - ESB Ringsend
- Construction commenced on a new connection to ESB Corduff power station.
- Capacity upgrade of Kilshane AGI completed and commissioned.
- Capacity upgrade of Ardree AGI commenced construction.
- Construction commenced on upgrade of electrical switch gear at Brighouse Bay Compressor Station.
- Replaced Air Intake on one of the Solar units at Beattock Compressor Station.
- Construction completed on project to replace an Insulation Joint at Brownsbarn AGI.
- Construction commenced on major security upgrades of the Compressor Stations in Scotland.
- Constructed 2 CNG stations and commissioned 2 CNG stations.
- Completed over 8 km of distribution reinforcement.
- Completed over 60,000 distribution high volume replacement/refurbishment works and over 600 projects across 27 programmes.

Operating review (continued)

Customers

Delivering excellent customer services
We delivered high quality services to over 713,000 domestic and commercial customers during 2023. There were:

70,443 customer appointments made with 99% compliance rate.

1.7 million meter reads

552,066 customer contacts handled by our Contact Centre, across inbound and outbound channels.

We constantly strive to enhance our customer service, through hosting customer experience (CX) days, hearing directly from our customers about their interactions with GNI and developing a new online CX induction module for our new employees.

In 2023 we continued to see strong performance in both our customer experience (CX) and customer operational metrics. We met our customer satisfaction score targets across all activities surveyed. While there has been an increase of 23% in complaints made by our customers compared to 2022 (1,375 versus 1,116), these levels are consistent with our pre covid levels in 2019 (1,492 complaints). Gas Networks Ireland and CRU complaint resolution targets have been exceeded with 96.5% compliance across all complaints.

2023 was again a successful year where we drove enhanced customer experiences for all our customer segments, culminating in Gas Networks Ireland being recognised across three different customer awards – achieving:

- Best Customer Experience in Utilities/ Telecoms at the Customer Experience Awards 2023
- Best Customer Experience in Public, Voluntary & Non-Profit Sector – Irish Customer Contact & Shared Services Awards 2023
- CX Impact in Government and Public Sector – Irish CX Impact Awards 2023
- CX leader accolade at the Irish CX Impact Awards 2023.

We continued to conduct quarterly CX forums and monthly CX contract reviews to identify ways of improving customer experience. We also continued to expand our CX Monitoring and Insights programme, capturing feedback from customers who had contacted our contact centre or had work done by Gas Networks Ireland. This programme was expanded in 2023 to include maintenance works managed by our partners GMC and also to measure our customers' experience of us working on altering a main gas connection. Following a competitive tender process our CX Monitoring and Insights partner W5 was awarded a new contract and we embedded our Contact Centre partner, FEXCO into their new contract period.

To gain insight into our process to alter gas services for our customers, we conducted a number of Employee/ Customer Journey mapping workshops. Through working with our customers, we have identified over 26 improvement ideas, some of which have been implemented and others being progressed. In addition, we hosted an onsite customer engagement session for the biggest users of our Dial Before You Dig service to provide updates, share insights and capture feedback. This feedback will be used to develop a survey of all users which will be issued to users in January 2024.

Throughout 2023 we continued to work with our charity partners Age Action, raising €12,042 through our CX monitoring programme which will be used to support their Care and Repair programme, along with an additional €1,730 for the Irish Red Cross through our work capturing insights from Shippers/Suppliers. Additionally, over 40 staff leant a hand this year to do some light gardening work for elderly clients of Age Action, along with many staff taking part in a Big Knit campaign, knitting thousands of little hats for innocent smoothie bottles who in turn donate to Age Action. We also developed a new Age Friendly service by putting a direct line in place for elderly customers to call where they bypass an Interactive Voice Response (IVR) and speak directly to an experienced Customer Service Rep (CSR) who is flagged in advance that this customer calling may need a little bit more time/support. Age Action clients used this service and gave it a thumbs up and have committed to sharing news of it in their Aging Matters newsletter.

Operating review (continued)

In 2023 we further developed our Customer Solutions Strategy by focusing on our Daily Metered customers and how we can best understand their needs to support this cohort of large energy users on their journeys towards decarbonisation, better energy efficiency and renewable energy solutions.

We have also embraced AI in GNI in 2023, through Robotic Process Automation and we have embedded our bot called GINA into our Meter Replacement Process. GINA processes data from customers to book an appointment and create a work order to schedule meter replacement with our partners. This speeds up the process for our customers and reduces admin time for our CSR, freeing them up to do more value-add work.

We continue to amend our approach to understand our Shipper/suppliers experience of dealing with us and capture insights that will help us support and enhance our relationship with these key partners as we all work towards more sustainable offerings for our customers.

In 2023, two surveys were conducted (one operational survey, one management) at year-end to assess the performance of Gas Networks Ireland as perceived by gas shippers and suppliers. Both the Operational and Management survey results demonstrated strong satisfaction with the service provided. The operational average satisfaction score was 8.1/10 consistent with 2022. After a sharp increase in 2022, the Management score stayed high, albeit with a small dip with a score of 8.1, down from 8.2 in 2022. Respondents identified Gas Networks Ireland's helpfulness, responsiveness, and high levels of customer service as strong points in 2023. However, we also saw a slight dip in respondent's views of Gas Networks Ireland across our 5 Brand Values, with all scores decreasing slightly from the previous year. There was strong agreement that Gas Networks Ireland was performing in accordance with its values, particularly in relation to Safety (9/10 down from 9.1/10) and integrity (8.7/10 down from 9.0/10). These positive scores were achieved in a very challenging year because of the war in Ukraine and the subsequent impact on the gas market and the overall EU energy landscape where security of supply and gas prices were a significant concern throughout the year.

Gas Networks Ireland facilitates the process of gas customers switching from one gas supplier to another. During 2023, over 98,000 gas customers changed supplier. Following the exit of two suppliers in 2022, there were six competing retail suppliers active in the Irish gas market in 2023.

Operating review (continued)

Climate action

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

Strong appetite for Biomethane industry to take off

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

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

Towards the end of 2022, we issued a Request for Information (RFI) from prospective biomethane producers. The purpose of the RFI was to identify new and feasible production projects to supply biomethane to the Irish gas network and prepare plans for gas network developments to facilitate both the delivery of biomethane to our customers and connections to producers in the most economically efficient way.

In September 2023, we published the Biomethane Energy Report, a comprehensive report detailing the key findings from the biomethane RFI. The report's findings confirmed a strong appetite amongst prospective biomethane producers in Ireland, which would see the renewable gas replace more than a quarter of natural gas on the network, create significant new agri-income streams and reduce the country's total carbon emissions by almost 4 million tonnes per year - 6.5% of Ireland's total emissions.

In terms of production volumes, the response received of 14.8 TWh is more than two and a half times that of Ireland's stated 2030 biomethane ambition of 5.7 TWh. The findings from the report identified 176 projects throughout Ireland that have the overall potential to produce 14.8 TWh of biomethane per annum, amounting to 26% of Ireland's current gas demand. The top five counties in terms of prospective biomethane production volumes were Cavan, Kildare, Limerick, Cork and Monaghan.

Over the course of 2023, there was circa 60 GWh of biomethane injected into the gas network, an increase of 46% versus 2022. To facilitate and enable the growth of the biomethane industry, Gas Networks Ireland will begin construction of Ireland's first large-scale renewable gas injection facility in Mitchelstown, Co Cork. Planning permission for the Central Grid Injection (CGI) facility has already been granted by An Bord Pleanála and Cork County Council. This forms part of the €30 million Green Renewable Agricultural Zero Emissions (GRAZE) renewable gas project. Led by Gas Networks Ireland, the GRAZE project is supported by more than €8.4 million in funding from the Climate Action Fund, as part of the Government's National Energy Security Framework. In 2023, we also contracted 2 anaerobic digestion plants for direct connection to the network. We will continue to work with all stakeholders in the development of a National Biomethane Strategy.

2023 Publication of the Government's National Hydrogen Strategy

The Government's National Hydrogen Strategy, which was published in July, acknowledged the crucial role that Ireland's gas network will play in Ireland's future renewable hydrogen evolution. The report published by the Department of Environment, Climate & Communications (DECC) outlines the future role green hydrogen gas - harnessed from offshore wind - and the gas network will play in specific areas of Ireland's energy system including the hard to abate sectors such as transport, industrial heating and power generation.

Upon publication, the Minister for the Environment, Climate and Communications, Eamon Ryan TD, commented that, *"Ireland has a strategic opportunity to produce renewable hydrogen at scale, with the potential to produce more than our own indigenous needs. Hydrogen networks will play a key role in this future system, supporting the deployment of increased renewable energy, providing resilience and flexibility to the electricity system, and providing energy to areas of the economy that direct renewable electrification will not be practical or economical.*

Operating review (continued)

Network Innovation Centre, Citywest, Dublin

With Ireland's significant onshore and offshore wind resources, the potential for Irish made renewable hydrogen at scale, which can be made from wind-generated renewable electricity through a process known as electrolysis, stored until required and transported through the repurposed gas network, is very high.

Renewable hydrogen provides an attractive pathway to decarbonise the Irish energy system where electrification isn't possible and is also a strong example of how greater integration between Ireland's gas and electricity networks can support a low carbon economy."

Furthermore, the Network Innovation Centre, located in Citywest, Dublin was showcased as a case study in the government's National Hydrogen Strategy. The innovation hub was established to understand the full potential of hydrogen and ensure that the gas network is capable of safely transporting and storing both blended and up to 100% hydrogen into the future.

The strategy also highlighted our work with University College Dublin's Energy Institute (UCDEI) and one of the first projects undertaken around the 'Testing of Blends of Hydrogen and Natural Gas' (HyTest). The teams tested the operation and performance of gas appliances utilising a range of hydrogen concentrations from 2% to 20% hydrogen. The research found that householders using natural gas blended with up to 20% hydrogen will not need to make any change to their existing domestic appliances nor will they notice any difference. The research also noted a substantial emissions reduction obtained by blending hydrogen with natural gas.

Beyond the National Hydrogen Strategy, our Hydrogen research continued throughout 2023 as we set out to understand the full potential of hydrogen through the 'Renewable Hydrogen and End-users Considerations for the Transition to a Renewable Gas Network' (HyEnd) Study. This latest round of research involved over 300 of the largest users of networked gas in the country and found that 90% of the end users' equipment is compatible with blends of 20% hydrogen, while the remaining 10% of Irish industry would need further assessment to determine the modifications required.

The research included 42 'Large Daily Metered' (LDM) customers and 270 'Daily Metered' (DM) customers. The LDM category of gas customers, accounts for approximately 72% of all gas used in the country and comprises power plants and those that need high heat for their processing - such as agri-food plants, chemicals and pharmaceutical industries. The DM category includes customers from the hospitality and education sectors, as well as hospitals, apartment blocks and shopping centres.

If all LDM and DM gas customers were fuelled by natural gas blended with 20% hydrogen, it would reduce CO2 emissions in the State by up to 7%.

Demand for gas in transport saw significant increases in 2023

The increasing demand for renewable gas from the transport sector is a positive trend. Despite representing just 3% of vehicles on the road, Ireland's commercial transport fleet contributes approximately a fifth of the sector's carbon emissions, making it a challenging area to decarbonise. While electricity is a proven alternate fuel for cars, electric solutions are not an option for use in Heavy Goods Vehicles, however CNG and its renewable equivalent, bioCNG, can substantially reduce emissions in the HGV sector.

In 2023, demand for compressed natural gas (CNG) in transport saw a significant year-on-year increase, up 20% compared to 2022. Fuelling with CNG can reduce a heavy goods vehicle's emissions by up to 22%, and with CNG suppliers now sourcing gas via renewable sources, bioCNG can provide the Irish haulage industry with a clean alternative fuel option. In 2023, 95% of CNG dispensed was bioCNG.

In May, Gas Networks Ireland announced that carbon neutral bioCNG would be available for heavy goods vehicles at Circle K's forecourts in Limerick on the Ballysimon Road; in Tipperary, just off the M7 in Cashel, as well as the Dublin Port and Clonshaugh forecourts in Dublin.

In November, Gas Networks Ireland and Virginia International Logistics took another step forward in reducing emissions from Ireland's transport industry with the opening of Ireland's eighth CNG refuelling station with the Minister for Social Protection and

Operating review (continued)

Minister for Rural and Community Development, Heather Humphreys TD. The new station is located at Virginia International Logistics' premises in Maghera, just outside Virginia in Co. Cavan, and provides new cleaner transport corridors for Irish freight operators allows hauliers and fleet operators in Cavan and the North-East region to begin the journey to sustainable transport and supply chains by switching their fuel from diesel.

- Strategically located to support prominent haulier routes, the eight state-of-the-art stations have the capacity to fill 50 Heavy Goods Vehicles (HGVs) a day, with each fill taking no more than five minutes. The new stations allow hauliers and fleet operators in the region to begin the journey to sustainable transport by switching their fuel from diesel to CNG today and ultimately transition to networked renewable gases, including biomethane and hydrogen, in the future. 25 new CNG HGV vehicles were registered in 2023 bringing the total number to 134 CNG vehicles registered in Ireland at the end of the year.

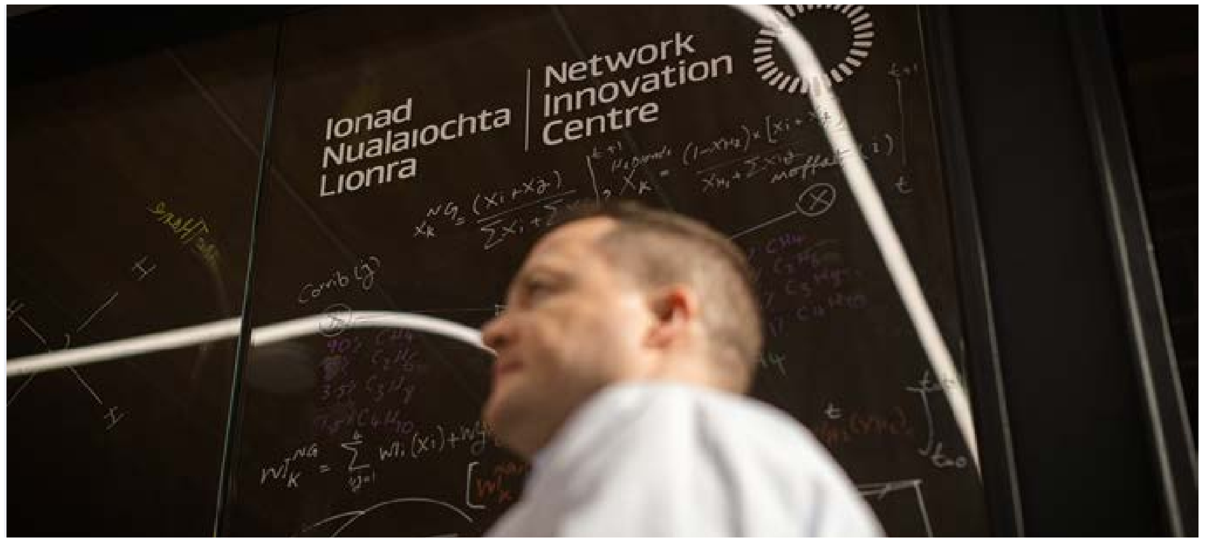
Future CNG stations in development

Gas Networks Ireland and Flogas Enterprise turned the sod on Ireland's first dedicated Bio-CNG refuelling station. Located in St. Margarets in North County Dublin, just off the M50, the 2,900 square metre station is expected to open in April 2024 and will support Irish businesses to decarbonise their commercial transport fleets with clean and sustainable bioCNG fuel.

The station will be operated by a sister company to Flogas Enterprise, Certa – also part of the DCC plc group. The new Flogas Enterprise bioCNG refuelling station is supported by Gas Networks Ireland's Causeway project, which has to date delivered a network of high capacity fast-fill CNG stations nationwide, developed a renewable gas injection facility, deployed a fleet of CNG vehicles and made a CNG vehicle fund available to businesses in Ireland.

The CNG Delivery team also recently achieved a significant milestone with the successful commissioning of the latest station in Ballymount, Dublin, as part of the Causeway Study initiative for Beauparc Group, who are keen to promote a sustainable approach to their business by adopting the latest CNG trucks and technology. The successful completion of this project, executed in three phases, reinforces the commitment to sustainable energy solutions and marks a significant step forward in expanding the accessibility of compressed natural gas in the region.

Operating review (continued)



Innovation

In 2023 Gas Networks Ireland established a new Gas Innovation Steering Group including representation from all the business pillars within the organisation. The steering group will act as the governance board for the allocation of gas innovation funding provided by the CRU under the current price control period. The CRU has made a provision of €5.3m for the period and this innovation funding encompasses a Network Based Innovation Fund (NBIF) and a Strategic Innovation Fund (SIF).

The Network Innovation Centre located in Citywest, Dublin continues to play a key role in supporting our research and innovation activities. Hydrogen research and development initiatives are focused on enabling the introduction of green hydrogen on to the gas network and testing end user capacity to utilise hydrogen. In 2023 an off-grid underground gas network facility was completed to facilitate planned research and testing of hydrogen blends. Innovation related to the existing gas network is also a core activity at the Network Innovation Centre, supporting initiatives that will improve how we operate and manage the gas infrastructure both now and into the future.

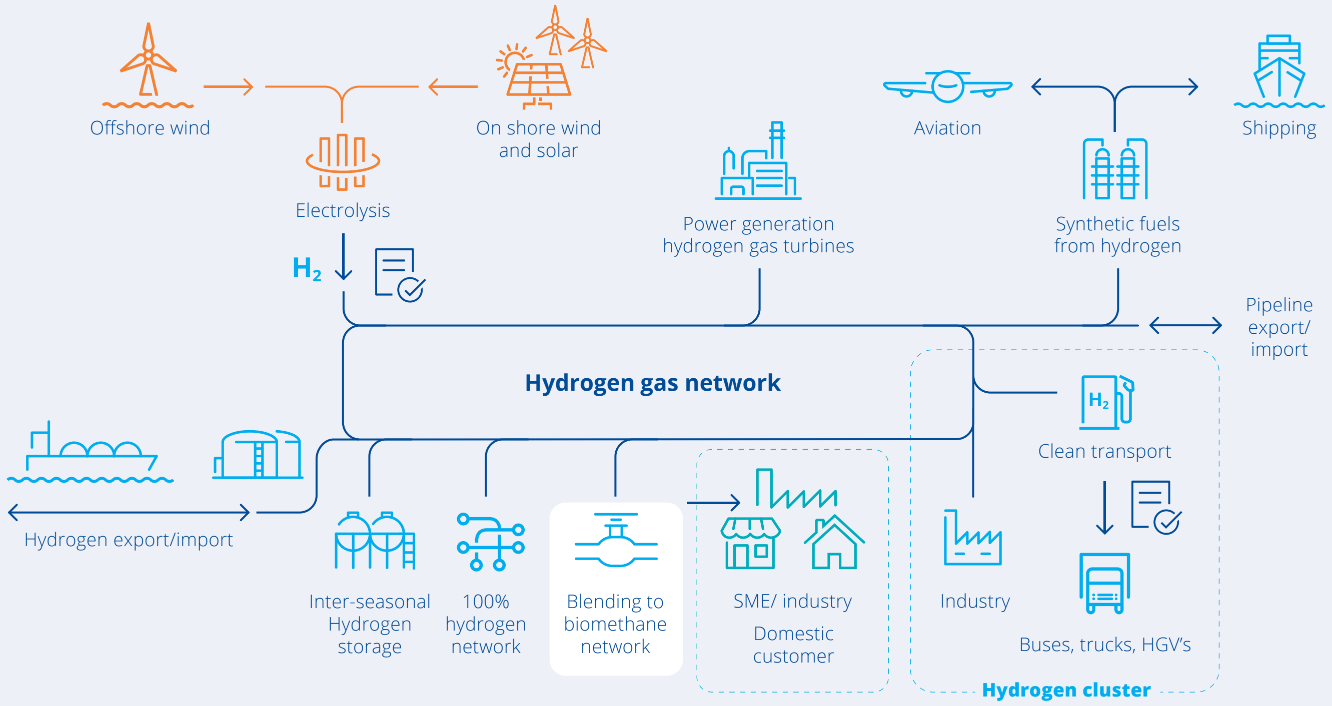
Gas Networks Ireland has established a number of strategic research partnerships with academia including Ulster University, University College Dublin (UCD) Energy Institute and AMBER an SFI Centre for Advanced Materials and Bioengineering Research. Gas Networks Ireland is an industry co-funding partner of NexSys (Next Generation Energy Systems), an all-island multidisciplinary energy research programme and is a member of GERG, the European Gas Research Group.

Network Innovation Centre

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

Operating review (continued)

The Future Hydrogen Economy



Hydrogen gas networks at the heart of the Future Hydrogen Economy

Ireland's National Hydrogen Strategy includes a mandate to develop a plan for transitioning the gas network overtime. The plan will identify where the network can be repurposed, or where new pipelines may be required.

Sustainability

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

For more detail on our commitment to sustainability please see pages 68-78.

David Kelly, Director of Customer and Business Development

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

Operating review (continued)

Our people

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

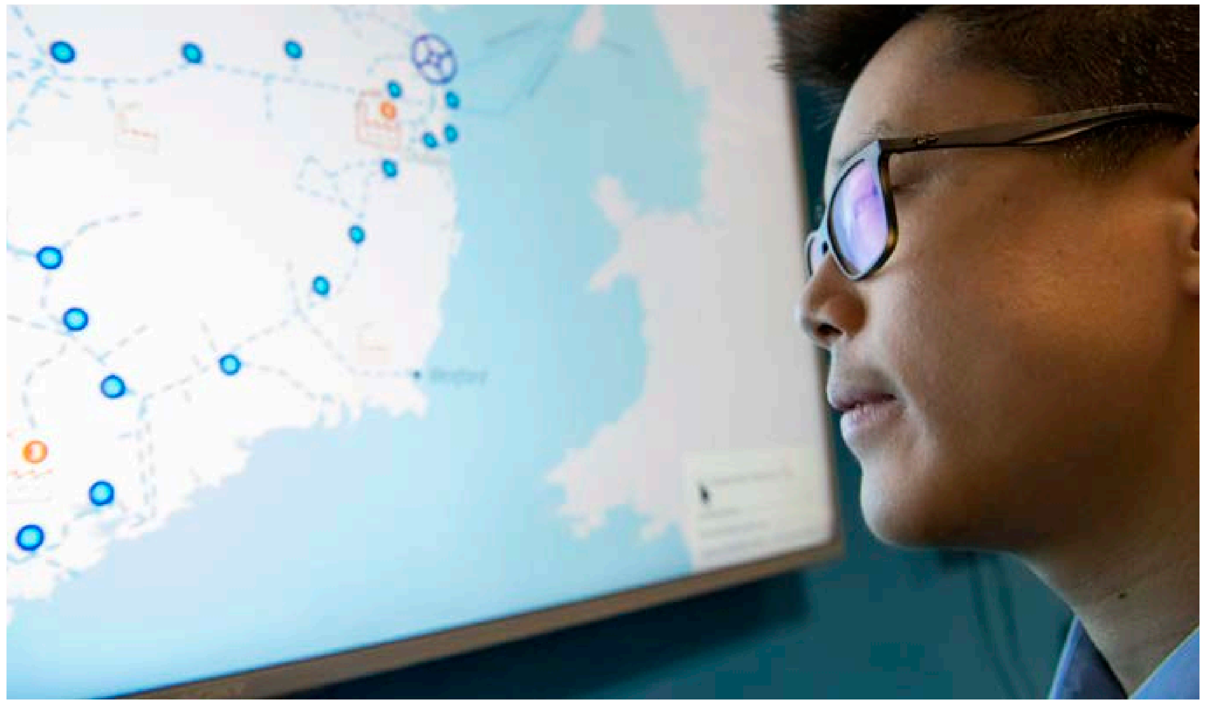
Whilst 2022 was focussed on the establishment of a new strategy, purpose and vision, in 2023 Gas Networks Ireland worked on refining and improving the new ways of working and embedding further the organisational culture through refreshing the organisational values, regular all staff briefings, round table sessions, monthly employee forums and expert led sessions on areas of particular interest. In addition, our internal communications channels evolved alongside our digital workplace transformation which has made it easier and faster to communicate with our colleagues.

Following the work in 2022 to create the organisational strategy, purpose and vision it was important early in 2023 to revisit the organisational values. The organisational values, as a follow on to the work in 2022, were important to serve as the identity of the organisation and as a key component in shaping company culture. In crafting the values, we had a series of engagements including executive and senior leadership workshops and a number of staff focus groups to ensure the values would resonate across the business. Our organisational values were launched in Q1 2023 and across the remainder of the year became embedded in many of our programmes and activities core to our business. Our organisational values are Building on Experience, Doing What's Right and Energised for Change.

Throughout 2023, we successfully completed significant recruitment volumes to ensure all business areas, skills and capabilities were in place. We filled over 200 roles across the year through a combination of internal recruitment, external experienced hires, graduate and college intakes and apprenticeships. As part of this, our new Graduate intake commenced in October 2023, which saw 15 new graduates join the organisation on a 2-year programme across our STEAM disciplines. Our Apprenticeship and Graduate programmes are key to nurturing and growing our core skills and capabilities to deliver the future of our network. By the end of 2023, our organisation structure is almost fully filled which is a significant achievement.

Our Gas Networks Ireland ibelong Diversity, Equity and Inclusion programme grew further in 2023, including the establishment of a new Employee Resource Group (ERG) the Neurodiversity & Ability Group which is now the 5th ERG across the business. The group had a very

Operating review (continued)



successful launch in May 2023 which saw our highest number of attendees to date at an ibelong event. The D, E&I council and ERGs had a successful year with numerous events across the year including marking Pride, Holi, Eid, International Women's Day and Global Diversity Awareness month to mention a few. In addition, the groups launched our 'Hear My Name' programme and also made significant progress in the Cultural Holiday Swap proposal and our Menopause policy which we will see launched early in 2024. In addition, we saw progress in our Gender Pay Gap which is being influenced by our ibelong programme, our female development programme, our early education STEAM programmes, our own early career programmes and this will continue across the coming years. The growth of these programmes and the ongoing diversity, equity and inclusion strategy is a key area of priority across the organisation.

One of our ongoing areas of focus is the wellbeing of our people. Time to Talk is our organisational Mental Health programme which aims to provide a structured approach to mental health initiatives in our workplace over the coming years. This programme has continued to grow in 2023 with further support for our Mental Health first aiders, a specific communication programme for our Field Force colleagues and numerous events organised to raise awareness and allow space for conversations and focus on Mental Wellbeing and Health. We want our people to understand the importance of mental health, to take time to focus on it, and to talk and listen to each other about it. We also continued to deliver other health and wellbeing initiatives including nutrition awareness, cancer awareness sessions, fitness programmes and mindfulness sessions.

We continue to invest in the development of our staff with many development programmes delivered throughout 2023 including our technical training programmes, various bespoke development programmes including female development, leadership and management development, a self-leadership programme and our further education supports.

Our employee engagement approach continues to grow and in 2023 we saw progress at both an organisational and local team level. This included strong year-end results, over 75% of the organisation attended each of our Quarterly Business Reviews and we had a very successful in person People Awards in October.

Technical training

During 2023, multiple technical training and technical competency development programmes were successfully delivered across the Gas Networks Ireland organisation. Training was delivered via a mix of face-to-face training, online virtual training, e-learning modules, practical workshops and on-site assessments.

Operating review (continued)

Five-year planning (2023 - 2027) and leading process safety KPI's were also put in place to track competency development across gas technical roles within GNI.

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

The recently upgraded Gas Networks 'LearnWorks' Learning Management System (LMS) was significantly leveraged in 2023 placing it with industry best practice, providing greater employee and manager interactivity and access to internally customised eLearning packages. The I.T. systems training programmes were also rolled out supporting systems users of Gas Networks Ireland's desktop applications for work management and on-site hand-held technologies, improving the efficiency of our business processes. Our competency assurance programme is closely managed

and consists of competency assessments of both Gas Networks Ireland technicians and contractor technicians working on the gas network.

Seven apprentices completed their apprenticeship in 2023 and are now fully qualified Gas Network Ireland employees with craft certificates in Plumbing (3), Mechanical Automation and Maintenance Fitter (3) and Electrical Instrumentation (1). Fifteen apprentices are progressing in the Gas Networks Ireland apprenticeship programme with plans progressing for another in-take of apprentices in 2024.

Operating review (continued)

Aurora

Aurora Telecom specialises in Dark Fibre services for telecommunications carriers, corporate organisations and government services. In 2023, as well as expanding our national network footprint, Aurora exceeded all financial and operational targets, continuing to be the most modern, lowest latency network in the country. This ensures we deliver for our broad spectrum of clients across terrestrial carriers; hyperscale operators; subsea carriers; government and datacentres.

A division of Gas Networks Ireland, Aurora consistently exceeds expectations to represent the organisation on the global tech stage, being the carrier neutral provider of choice to top global content and application providers. In 2023, Aurora developed its international standing by strengthening its secure, resilient, dual-feed connectivity to additional subsea cable networks, specifically the international subsea backhaul connection for the IRIS subsea cable. This new high-speed undersea cable system, spans approximately 1,700 km in length and connects Iceland to Ballyloughane Strand in Galway. Aurora is the only provider to interconnect with the cable landing station for this cable system, to provide high-capacity fibre network to datacentres on the east coast. Aurora Telecom's sustained growth and position as a leading telecommunications infrastructure provider in the Irish market has provided a springboard to capitalise and secure new business when engaging with major international carriers. In an extremely competitive market, this has been achieved as a result of holding an impeccable record of network availability, boasting zero unplanned outages, whilst consistently delivering against budgets and timelines.

We have bolstered our network's resilience this year in line with our state's energy security needs, becoming the only carrier to have full power redundancy across its entire network. We now provide enhanced electricity security via back-up biodiesel generators for all our colocation facilities across the national footprint. These highly technical and secure cabins provide critical amplification and colocation services for our customers.

We also hold great pride in the company's role in supporting Ireland's economic and social progress. Our national and metro networks enable Irish rural economies to diversify into new sectors and capitalise on emerging job opportunities that are facilitated through high-speed broadband. This year we built on this commitment through securing a contract with the Government Network, a division of the Office of the Government Chief Information Officer (GCIO), to deliver part of its National Low Latency Platform (NLLP). The NLLP project will deliver a national backhaul fibre network connecting key government sites, from Garda stations to welfare offices, in all cities and major urban centres.

Aurora have prepared a comprehensive and ambitious five-year strategic plan, setting out the future direction for further network development and an exciting new service offering for development in 2024 and beyond.

GNI (UK) Ltd

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

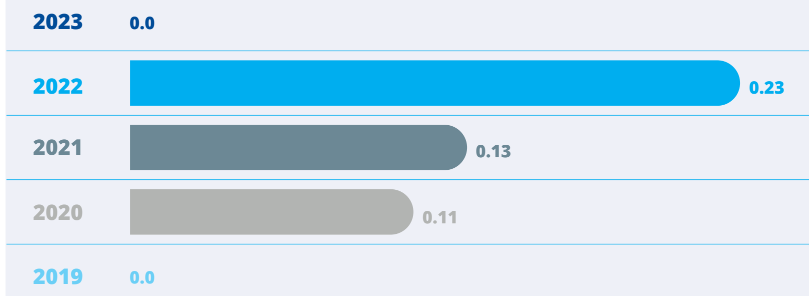
It also owns and operates two pipelines in Northern Ireland, the South North pipeline running from Gormanston, Co. Meath to Co. Antrim and the North West pipeline running from Carrickfergus to the Coolkeeragh power station.

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

During 2023, GNI (UK) worked with key Northern Ireland stakeholders on the regulatory framework to implement the acceleration in climate and energy policy development and this work facilitated the first injection of Biomethane into the Northern Ireland Gas Network in November 2023, a significant milestone.

Gas Networks Ireland operating performance

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

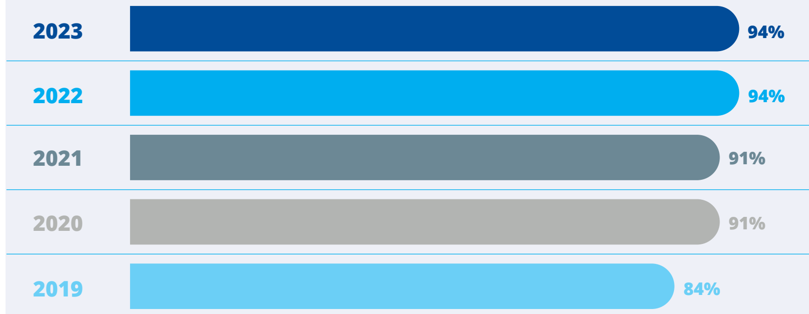


- We use the Lost Time Incident Frequency Rate (LTIFR) to track the # of employee accidents per 100,000 hours worked that result in a staff member needing to take >1 day off work.
- Safety is a core value at Ervia. The Work Safe Home Safe safety culture programme has been in place since 2015 and we continue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

Safety
Average # mins to respond to public reports of escapes

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

Customer service
First contact resolution

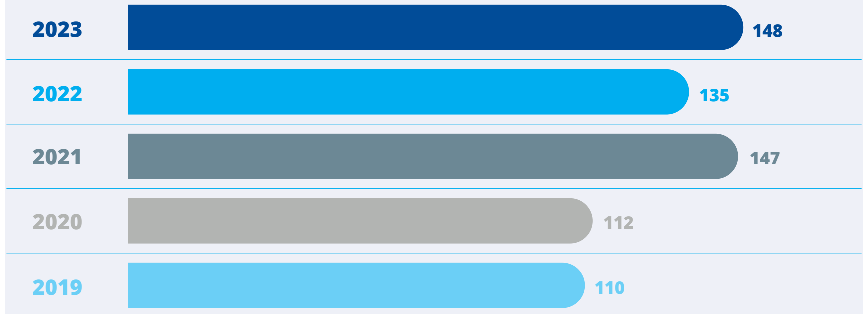


- We review a sample of our customer contacts each month across a range of different call types. A selection of calls are surveyed independently to validate the scores.
- This measure tells us how often we are able to resolve a customer's request on that first contact, without the need to get further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

Growth
New connections meter orders cumulative 2014–2021

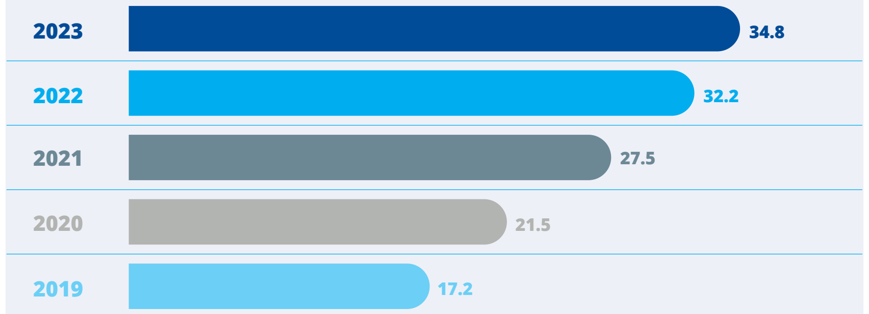
- We measure the increase in network utilisation as a result of new connections.
- While we continue to see growth in new connections, the volume is primarily driven by industrial customers and businesses.

Capital expenditure
Capex €m



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

Cumulative operating efficiencies
Opex efficiencies €m



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

Financial review

A satisfactory financial performance

Ronan Galwey
Group Chief Financial Officer

Ervia delivered a satisfactory financial performance in 2023, generating earnings before interest and tax ("EBITDA") of €270m, a profit before tax of €117m and operating cashflows of €219m enabling the delivery of €148m of capital investments during the year.

Lower wholesale gas pricing in 2023, coupled with higher transportation tariffs drove the positive year on year profitability outcome. This follows two years of lower profitability outcomes principally driven by a volatile market for wholesale gas prices.

Ervia made a dividend payment of €32m to the Exchequer during 2023.

Gas Networks Ireland, an Ervia subsidiary, maintained its credit rating investment grade of A2 with Moody's and improved its investment grade with S&P from A to A+ in 2023. These strong credit ratings enable Gas Networks Ireland to access a diverse range of competitively priced funding sources.

The financial outcome for the year and GNI's strong financial metrics will enable the Group to continue to invest in critical infrastructure on our gas network to support energy security while transforming to deliver on Ireland's decarbonisation ambitions.

Key highlights 2023

Revenue
€527m

EBITDA
€270m

Profit before income tax
€117m

Capex
€148m

Dividends paid
€32m

Net debt
€833m

Key Financial Trends

Revenue €m

2023	527
2022	495
2021	479
2020	450
2019	472

Capex €m

2023	148
2022	135
2021	147
2020	112
2019	110

EBITDA €m

2023	270
2022	221
2021	240
2020	261
2019	283

Net Assets €m

2023	1,232
2022	1,147
2021	1,035
2020	929
2019	936

Dividends €m

2023	32
2022	30
2021	38
2020	71
2019	139

Net Debt €m

2023	833
2022	874
2021	948
2020	1,024
2019	1,084

* Comparatives have been restated to reflect change in accounting policy

Financial review (continued)

Summary income statement

	2023 €m	2022 Restated * €m	2022 As reported €m
Revenue	**527**	495	499
Operating costs	**(257)**	(274)	(274)
EBITDA	**270**	221	224
Depreciation and amortisation	**(143)**	(142)	(142)
Net Finance costs	**(10)**	(14)	(14)
Profit before income tax	**117**	65	68
Dividend paid to Exchequer	**32**	30	30

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

Voluntary Change in Accounting Policy*

As outlined in note 1 of the financial statements, the Group has adopted a voluntary change in accounting policy, to recognise customer contributions for gas network connections, as revenues over the period that future network transportation services are provided to the customer. Previously, the Group recognised these customer contributions as revenues, over the period that the connection works were completed. The Group is of the view that the change in accounting policy will provide more insightful information on the Group's financial performance and position, as the revised revenue recognition profile will be more representative of the enduring customer relationship and will provide better comparability with peer companies. The change in accounting policy has been accounted for retrospectively as required under IFRS and the prior period has been restated to reflect this change.

Revenue

Total revenue of €527m increased by €32m compared to 2022. Regulated revenue of €485m, accounted for 92% of total revenue and increased by €36m compared to 2022, driven principally by higher transportation tariffs and marginally higher capacity demand. Unregulated revenue of €42m decreased by €4m year on year, primarily reflecting the profile of unregulated transportation contracts.

Operating costs

Operating costs (net) of €257m have decreased by €17m compared to 2022. This was primarily due to lower own-use gas costs of €28m, with average gas prices being 47% lower in 2023 compared to 2022. These savings were countered by inflationary cost pressures and other external market factors, impacting on our cost base, particularly in relation to materials, maintenance, contracted services and other operating costs. These cost increases were partly offset by the continued delivery of operating cost efficiencies.

Depreciation

Depreciation and amortisation of €143m is broadly in line with the prior year.

Profit before tax

Profit before tax increased by €52m to €117m for 2023 reflecting:

- Higher revenues of €32m,
- Lower operating costs of €17m,
- Lower net finance costs of €4m primarily due to increasing market interest rates on cash deposits,
- Offset by slightly higher depreciation and amortisation costs of €1m.

Dividends

An annual dividend of €32m was paid in 2023, compared to €30m in the prior year. The annual dividend is based on 45% of the previous year's profit before certain exceptional items. The 2023 dividend included a special dividend of €1.4m in relation to additional contingent consideration received for the Bord Gáis Energy Business and the payment of a 2018 withheld dividend of €5.3m .

Financial review (continued)

Summary balance sheet

	2023 €m	2022 Restated * €m	2022 As reported €m
Infrastructure assets	**2,469**	2,469	2,469
Pension asset (IAS 19)	**14**	-	-
Other assets	**349**	267	267
Total assets	**2,832**	2,736	2,736
Borrowings and other debt	**(1,024)**	(1,023)	(1,023)
Trade and other payables	**(149)**	(161)	(161)
Deferred Revenue and Grants	**(220)**	(189)	(149)
Deferred tax liabilities	**(200)**	(195)	(199)
Pension liability (IAS 19)	**-**	(11)	(11)
Other liabilities	**(7)**	(10)	(10)
Total liabilities	**(1,600)**	(1,588)	(1,553)
Net assets	**1,232**	1,147	1,182
Net debt	**(833)**	(874)	(874)

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

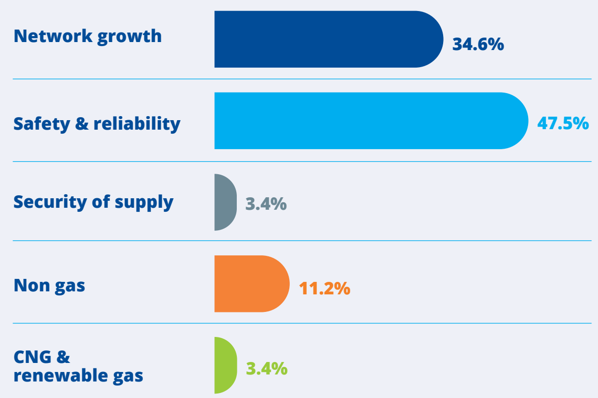
Infrastructure assets and capital expenditure 2023 details

Ervia continued the delivery of its planned capital programme with total investments of €148m in 2023.

In line with our counterparts in the UK and Europe, our focus is on performing while transforming our network to transport renewable gases such as biomethane and hydrogen. We remain focused on ensuring our network continues to provide a safe and reliable supply of gas to existing customers through a continuation of rolling refurbishment and upgrade programmes, progressing the portfolio of large new Power Generation connections and advancing several key strategic projects including the upgrades to the physical and cyber security which underpin the resilience of the Irish energy system.

Capex

%



Financial review (continued)

Net Debt and Cash Flows 2023 details

- Net debt was €833m at December 31st 2023, compared to €874m in the prior year.
- Net operating cash flows of €219m, after interest and tax out-cashflows, were used as follows:
  - €139m was utilised to fund gas and telecom capital investment funding requirements,
  - €32m was utilised to fund the dividend payments to the Exchequer,
  - €11m other payments included €12m paid to Uisce Éireann in relation to the transfer of pension liabilities (as described in note 28 of the financial statements) net of €1.4m contingent consideration receipt from the sale of the Bord Gáis Energy business,
  - €37m was utilised to fund retained cash and cash equivalents.

Net Pension Surplus 2023 Details

Ervia Group has an accounting pension surplus (IAS 19) of €14m as of December 31st 2023 compared to an accounting deficit of €11m at 31 December 2022. The movement in the net pension position was due to strong investment asset performance, the transfer of liabilities to Uisce Éireann on legal separation and lower market implied inflation rates, partly offset by lower market discount rates.

Capital Resources and Treasury Governance 2023 Details

Capital Resources

Ervia had total borrowings and other debt of €1,024m at December 31st 2023 (2022: €1,023m). There were undrawn committed facilities of €312m and €191m of available cash and cash equivalents at December 31st 2023.

90% of Gas Networks Ireland's debt (excluding lease liabilities) was at fixed rates at December 31st 2023 (2022: 90%). The weighted average interest rate on Gas Networks Ireland's portfolio of outstanding borrowings was 1.40% (2022: 1.20%) and the average maturity of its debt was 4.05 years (2022: 5.05 years). In 2023, Gas Networks Ireland maintained its long-term credit rating with Moody's Investors Services at A2 and improved its investment grade with S&P from A to A+.

In January 2023, Gas Networks Ireland extended its €300m RCF with a syndicate of international and domestic banks, by one year, with the five-year facility now having a maturity date of January 2028 and will be used for general corporate purposes.

Treasury Governance 2023 Details

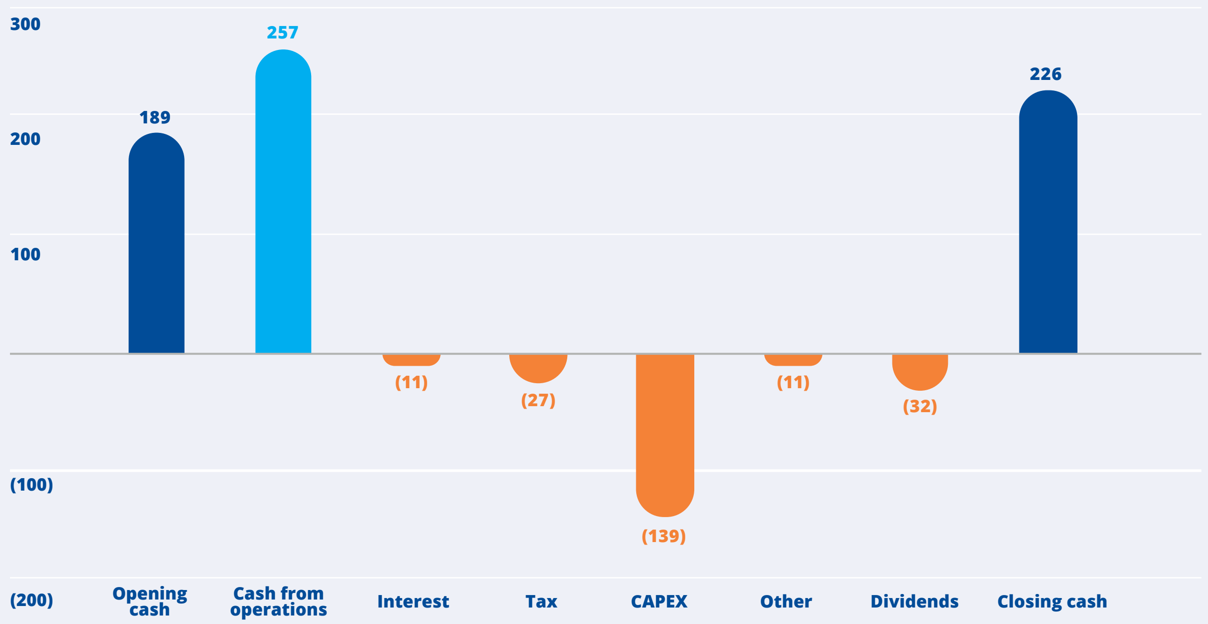
In 2023, Ervia, through Gas Networks Ireland, operated a centralised treasury function. The responsibility for treasury activity and its performance rested with the Ervia Board, which exercised its responsibility through regular review. The Ervia Audit and Risk Committee provided oversight of the risk and control environment on behalf of the Ervia Board. Gas Networks Ireland complied with the requirements and conditions of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992. Gas Networks Ireland treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited. Further details of our treasury governance financial risk management policies are set out in the Financial Statements note 23.

Financial Outlook

Ervia, through its principal subsidiary, Gas Networks Ireland, will continue to play a leading role in the transition to a low carbon energy system and in delivering an affordable and clean energy future for the people of Ireland. The Commission for Regulation of Utilities approved Gas Networks Irelands revised five-year Price Control submission for the period 2022-2027. This determination outlines Gas Networks Ireland's operational and strategic program of work and associated revenues for the next five years and secures the funding required for a safe, secure, and reliable gas network.

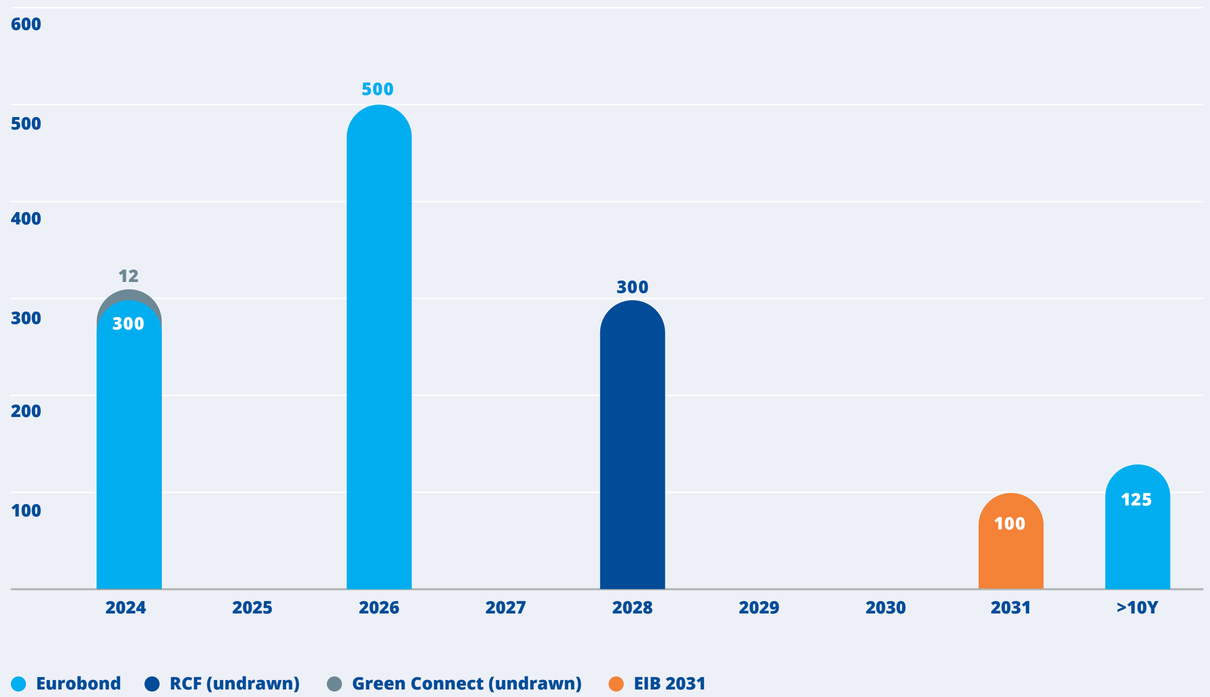
How Cash Was Used in 2023

€m



Debt Maturity Profile

at 31 December 2023 €m



Key projects for 2024

Continue to ensure security of supply by actively progressing the actions assigned to us by DECC in the recently published 'Securing Ireland's Gas Supplies' report, in particular the development of a strategic national gas reserve.

Progress Implementation of the EU's Hydrogen and Gas Markets Decarbonisation Package.

Continued engagement with all stakeholders, including DECC, on the role of renewable gases in supporting national decarbonisation targets, including implementation of the National Hydrogen Strategy.

Influencing upcoming national policy developments including the Biomethane Strategy and the Climate Action Plan 2024.

Participate in the Government's interdepartmental hydrogen working group.

Continued advancement of our cyber protect and respond capabilities and remain vigilant to the growing threat of a cyber-attack.

Complete a readiness work programme and comply with new CSRD reporting requirements by Year end 2024.

Implement the CRU's price control 5 decision including enhanced reporting requirements.

Initiation of a project to replace the existing PAYG solution for the gas market in conjunction with gas suppliers, following CRU's endorsement of same.

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

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

Progress a number of capital works including:

- Commence construction of 10 transmission new connection projects, including power stations, and 3 large distribution connections.
- Complete construction on replacement Kerotest valves.
- Complete Compressor capacity upgrades.
- Commence construction on boiler replacements at 2 AGIs.
- Construct and commission 2 CNG stations.
- Complete 2km distribution reinforcement project.
- Continuation of the distribution high volume replacement/ refurbishment programmes.

Risk & sustainability

Risk management review

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 a number 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 so a speak up culture is encouraged. Managing safety risk continues to be a priority for Gas Networks Ireland with proactive identification and mitigation occurring.

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.

The 2023 risk landscape stabilised but remained elevated following the energy crisis in the previous year arising from the invasion of Ukraine. Through the continued use of a defined risk management process, Gas Networks Ireland continued to manage its risks effectively. The geopolitical environment meant there was ongoing crisis management exercises 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 and physical security threat, security of supply, climate risks, inflation and gas price volatility.

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

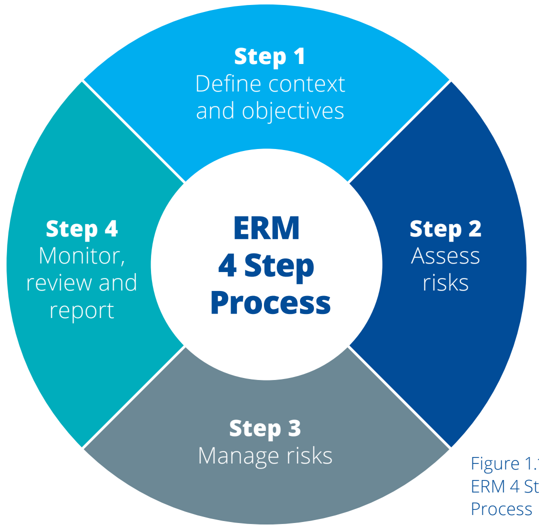


Figure 1.1 - ERM 4 Step Process

Risk management framework

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

The Ervia Board has ultimate responsibility for risk management, supported by the Ervia Audit and Risk Committee. Through our risk management governance structure and risk reporting process, the Board is provided with assurance that the principal risks facing our business are discussed, monitored and well managed. The risk appetite is set by the Board to determine the nature and extent of the risks we are willing to accept in pursuit of our strategic objectives. It includes risk appetite statements and initiatives to support them.

Risk management activities also take place at all levels across the organisation to ensure the proactive and effective day-to-day management of risks. In Gas Networks Ireland, from a functional level right up to Board level, our principal risks are reported in three categories: 1. Key, 2. Emerging & Trending (E&T) and 3. High Impact Low Probability (HILP) Using a four-step Enterprise Risk Management (ERM) process to ensure the consistent identification, assessment, response and monitoring of risk across the organisation. (See figure 1.1.)

Key risk are the existing high priority risks that are integral to the achievement of GNI's strategic objectives. Emerging & Trending (E&T) risks are the newly developing or changing risks that are difficult to quantify and which could have a major impact on Gas Networks Ireland's strategy if not managed carefully. Finally, risks that could have the highest impact on the business but there is a remote possibility that they could happen are classified as High Impact Low Probability (HILP) 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 mitigating controls and actions.

During the year, risk industry reports and publications like the World Economic Forum Global Risk Report 2023, National Risk Assessment 2023 & Gartner Quarterly Emerging Risk Report were reviewed to gain a better understanding of the external risk environment.

The focus on ensuring an ongoing proactive risk management, risk aware and speak 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.

During the year, there was ongoing engagement with the business in the first line and enhanced collaboration among the second and third line functions to ensure an aligned approach for the overall internal control framework. The functions completed fraud risk assessment workshops with the business to ensure that Gas Networks Ireland has a complete fraud risk universe with preventative and detective controls in place.

Risk management review (continued)

The principal risks and uncertainties and key mitigations

Risk	Context	Mitigation
Resilient energy network		
Health, safety, environment		
A major health and safety or environmental incident resulting in significant impact and harm to an employee, contractor or the public.	All health, safety and environmental legislation and arrangements must be adhered to in order to protect staff, contractors, and the public from injury or fatality and avoid potential prosecutions, financial loss and reputational damage.	• The Board oversees Health and Safety performance. • Certified to ISO45001 Safety Management System and ISO14001 Environmental Management System. • Internal and external assurance activity, audits, training, emergency exercises and reviews.
Security of supply		
The security of Ireland's natural gas supply is dependent on its ability to access imports and the capacity and integrity of the supply infrastructure. A significant disruption to energy supply or to Gas Network Ireland's physical infrastructure including the gas interconnectors between Ireland and Scotland 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 31% of Ireland's primary energy needs. The geopolitical landscape has put increased focus on the resilience of Europe's gas infrastructure and 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 strategic 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. • In 2023 the DECC announced its Energy Security package which included the creation of a strategic emergency gas reserve in Ireland. GNI is engaging with the department to prepare a detailed proposal to create a Strategic Emergency Gas Reserve. • Regular modelling of future demand and supply scenarios (ROI and All Island). • Member of DECC Energy Security Emergency Group. • Established Gas Emergency Management plan with key stakeholders that is regularly tested. • In 2023 a memorandum of understanding between the Government of Ireland, the United Kingdom and Northern Ireland on the cooperation for natural gas security of supply was signed which deepens the UK and Ireland's bilateral relationship and enables closer working to ensure security of supply. • GNI (UK) and National Gas 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. • 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 – the next revision is due in 2026.
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 determined that additional investment will be required to provide additional capacity at both compressor stations in Scotland to meet this demand at peak times.	• Detailed study completed to determine the operational and physical measures needed to increase the technical capacity at the Moffat Entry Point to meet the projected peak day demands. • Funding for planned capacity upgrades to both compressor stations in Scotland has been approved as part of PC5 determination and projects are progressing to plan. • Demand side management measures – interruptible capacity products are being explored. • Ongoing engagement with EirGrid in relation to its demand forecasts and Generation Capacity Statement. • Ongoing engagement with the CRU in relation gas demand forecasts. • Network Development Plan and Network Capacity Management Plan developed.

Risk management review (continued)

Risk	Context	Mitigation
Capital delivery		
Failure to meet capital delivery requirements including capital works associated with new power station and data centre 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. In addition, GNI are contracted to deliver five transmission connections to data centres. 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 engagement between Gas Networks Ireland, EirGrid and CRU and strong collaboration on projects. • Early engagement with contractor and other key stakeholders on delivery and consenting process. • Ongoing communication with the power station and data centre developers. • Construction: Optimise resourcing and supply chain planning to expediate delivery of projects. • Develop alternate delivery partnerships within the supply chain.
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 support the Government's climate change agenda and 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.	• Innovation funding for the testing and development of hydrogen and biomethane capacity has been approved as part of PC5 determination and projects are progressing to plan. • 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. • Active involvement with European Hydrogen backbone study.
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 and 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. • Advocate for energy efficiency measures.

Risk management review (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 the governments climate change agenda and also a decrease in future utilisation of that network and could lead to tariff increases and potentially stranded assets.	• Support the governments Hydrogen strategy and the transformation of the gas network to facilitate green hydrogen injection and future blended hydrogen. • 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 2024 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 BioCNG network.
Reputation		
Serious damage to GNI's reputation when it fails to meet the expectations of its stakeholders leading to a loss in confidence in the organisations licence to operate.	Damage to the reputation of Gas Networks Ireland resulting from a major incident or a failure to ensure safe practices in our operations, financial management and corporate governance.	• Key public affairs and stakeholder plans and initiatives. • Dedicated public affairs team. • Compliance & control frameworks in place. • Crisis management plans in place.

Integrated energy system

Risk	Context	Mitigation
Energy policy		
Failure to secure a role for natural gas and renewable gases in Ireland's energy transition.	Decarbonisation of energy remains one of the biggest challenges facing the world. EU and Irish energy climate action policies are targeting the long-term reduction in fossil fuels, including natural gas (which is the cleanest burning fossil fuel). An inability to secure supportive policy for renewable gases risks a decrease in future utilisation of the network and could lead to tariff increases and potentially stranded assets.	• Ensure that the role a decarbonised gas network can play in Ireland's future energy system is recognised, understood and appreciated by key stakeholders. • Dedicated policy team who focuses on continued engagement with all stakeholders on the development of energy policy. • Build close collaborative relationships with parties across the entire value chain. • Convey Gas Network Ireland's message in public discussions of the energy transition.

Excellence in operations

Risk	Context	Mitigation
Supply chain / Critical suppliers		
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 including key contractors, 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. A dispute with or the failure of a key supplier to meet its obligations under such a contract could have a material adverse effect on Gas Network Ireland's business, operations, reputation, strategy and/or financial condition.	• Relationship management model in place. • Growing internal supply chain expertise and proactive supply chain interactions with key suppliers. • New construction and engineering procurements progressing to ensure diverse range of suppliers are available for Gas Networks Ireland's future workload. • Improved co-ordination across the teams with better awareness and ownership. • Suppliers of key contracts monitored and under review. • Contingency and business continuity plans which create a framework for mitigating the risk of key supplier failure and provide for an effective response to the same, while safeguarding the interests of key stakeholders.

Risk management review (continued)

Risk	Context	Mitigation
Sustainable operations		
Failure of Gas Networks Ireland to become a leading sustainable Irish business.	To meet government, 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 in place. • Transparent Environmental, Social and Governance (ESG) performance. • Committed to 50% reduction in greenhouse gas emissions intensity by 2030. • Biodiversity Action Plan in place. • Maintaining certification to the Business Working Responsibly Mark standard. • Commit to methane emissions reduction plan. • Reduce-Your-Use Campaign continues in Gas Networks Ireland.
Cyber security / Information Technology failure		
A risk of a cyber-attack or a significant failure 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, complexity and sophistication 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. A cyber attack and/or a signification failure to our Information Technology could have a potential impact on gas and electricity customers and on the Irish economy.	• Policies, strategy and operational model in place. • Enhanced cyber awareness and user training programmes. • Collaboration with the National Cyber Security Centre. • Ongoing monitoring against National Institute of Standards and Technology (NIST) standards. • Increased investment in prevention and pro-active controls across all critical systems. • Business continuity contingency arrangements developed. • Security Operations Centre in place (24*7 monitoring). • Ongoing risk assessments. • Operational scenarios and stress tests on critical processes.
Premises & installations security		
Significant loss of critical systems & services due to a physical security attack on our critical premises & installations impacting safety, business operations and reputation.	The physical security threats are increasing due to the nature of the business. 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.	• Corporate and physical security project. • Physical security capital programme underway. • Ongoing risk assessments.
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 that affects Ireland's population, potentially impacting employee health and wellbeing, operations, service delivery and supply chain.	• Pandemic response plan in place. • Business continuity contingency arrangements developed. • Engagement with key stakeholders (HSE, HSA, CRU, government departments etc.) and peer utility benchmarking.

Risk management review (continued)

Risk	Context	Mitigation
Legal / Compliance		
Failure to comply with legal obligations imposed by law, regulation or licence.	The business activities carried on by Gas Networks Ireland are subject to a broad range of laws and regulations. Legal obligations and regulations are greatly increasing the complexity of doing business in Gas Networks Ireland. Policies and training may fail to keep up with the pace of change. A failure by Gas Networks Ireland to comply with relevant Irish, United Kingdom and European Union laws and regulations could result in penalties and/or sanctions being imposed that could have a material adverse effect on its, operational results, strategyand/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. • Fraud Risk Assessment workshops. • Cyber security awareness training. • Segregation of duties.

Energised people

Risk	Context	Mitigation
People		
Failure to develop, retain or attract people with the right skills and capabilities to deliver our strategy.	Our ability to implement our strategy depends on the capabilities, values, behaviours and performance of our employees. It also depends on the agility and ability of our people to adapt to the changing external environment and the ongoing expectations from our stakeholders. The failure to have a sufficient skilled workforce at the right time and in the right place could negatively impact the organisation's ability to deliver our strategy.	• Strategic headcount planning and organisational design and development. • Engagement and culture initiatives including regular surveys, ideas portals and continuous improvement processes in place. • Health and wellbeing programme in place to support staff. • Human Resource Initiatives such as an ibelong diversity, equity and inclusion programme, hybrid working and development programmes. • Developing and empowering employees through Learning and Development and Performance Management. • Identifying and nurturing future leaders and key successors through Talent Management and Talent Development programmes. • Continued monitoring of key workforce metrics including attrition and turnover, employee and workforce stability indices.

Risk management review (continued)

Strong financials

Risk	Context	Mitigation
Financial risk		
Failure to deliver adequate financial performance due to global macroeconomic and financial risks – inflation, commodity price movement, credit risk, liquidity risk, currency and interest rate risks.	Our ability to successfully implement our business strategy is dependent on our ability to manage financial and macroeconomic risks. Rising cost of doing business. Risk of divergence between costs incurred and costs allowed under the regulatory model.	• Highly rated regulatory model with a record of stable and transparent cost recovery. • Strict framework of controls and procedures. Defined risk limits, delegations of authority and exposure monitoring in place. • Minimum level of debt at fixed rates, foreign currency exposure management, maintaining minimum liquidity. • Close monitoring and impact assessment for any macroeconomic events e.g., COVID-19, the invasion of Ukraine. • Continue to engage with key suppliers to understand and help mitigate key cost pressures. • Continuous engagement with regulator to ensure they are aware of the costs Gas Networks Ireland is incurring and to seek to ensure that efficiently incurred costs are recovered in a timely manner.
Financial strength		
Failure to preserve financial strength to facilitate future development of a resilient and sustainable network.	The successful implementation of Gas Network Ireland's strategy is dependent upon its ability to source and maintain appropriate funding. Gas Networks Ireland will need to maintain a strong balance sheet to manage the potential ramp up in decarbonisation investments and security of supply deliverables over a relatively short period of time.	• Strong investment grade rating. • Ongoing dialogue and strong relationships with key stakeholders including Government, funding providers and potential investors. • Linking of financing and sustainability strategy.
Regulatory settlements		
Failure to achieve an adequate and/or timely regulatory decision and settlement.	The Commission for the Regulation of Utilities (CRU) regulates relevant revenues of Gas Networks Ireland under a revenue cap framework. A failure to agree an adequate allowance for operational and capital expenditure and for a return on capital invested, which includes support for biomethane and hydrogen could impact the businesses' ability to deliver on its strategic objectives and impact its operations, prospects, and/or financial condition.	• Active engagement and collaboration with regulatory authorities and other stakeholders to ensure business requirements are recognised and understood. • PC5 determination issued with funding allowances in place to 2027.

Sustainability review

We are ever mindful of our sustainability responsibilities and aim to contribute to the protection of the environment while supporting the social and economic development of the communities we operate in. We are proud of the fact that we are one of only 39 companies in Ireland to hold the Business Working Responsibly (BWR) mark and are committed to ensuring that sustainability is at the forefront of everything we do and help Ireland to reduce its carbon emissions.

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

During 2023, we continued to embed sustainability across our business. Our sustainability strategy has three pillars; Environment, Social and Governance, and is aligned with the United Nations' Sustainable Development Goals. We are committed to ensuring that sustainability is at the core of our business decisions and business strategy. In 2023, we refined our sustainability strategy to ensure we are continuing to focus our attention in the right areas. As part of that process, we carried out an extensive communications campaign across the business.

Environment

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Social

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

3 GOOD HEALTH AND WELL-BEING

Governance

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

8 DECENT WORK AND ECONOMIC GROWTH

2023 Highlights

Sustainability in Action

Published our fifth 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.

Community projects

Supported 93 community initiatives and provided €251,005 in financial support.

Five ISO Management Systems

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

Business Working Responsibly Mark

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

Carbon Disclosure Project (CDP)

Participated in the Carbon Disclosure Project (CDP) for the fourth time. We achieved a climate change rating of A-, an improvement on our B rating in 2022,which demonstrates we are showing environmental leadership, taking co-ordinated action on climate change. We also received an A- for our CDP Supplier Engagement Rating for 2023.

Awards Success

Gas Networks Ireland received an Award for "Best CSR Project in a Community 2023" at the LAMA All Ireland Community and Council Awards for our school engagement initiatives, which include Junior Achievement Energise, Business In The Community Ireland's Time to Count and World of Work, involvement with I Wish, BT Young Scientist and events during science week and biodiversity week.

Sustainability review (continued)

Environmental

Investment in leading edge asset management systems and processes will contribute to enhanced network asset performance and energy efficiency. In 2023, Gas Networks Ireland retained our certification to ISO14001 and ISO50001 along with ISO systems, ISO45001, ISO55001 and ISO9001.

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

The company continued to publish the annual Sustainability Report in alignment with the United Nations Sustainability Development Goals in 2023, outlining progress in implementing the principles of sustainable development across all aspects of our operations.

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

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

In 2023, we continued to focus on areas including biodiversity, greenhouse gas (GHG) emissions/carbon management, waste and energy.

Sustainability review (continued)

Biodiversity

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

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

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

We are a supporting 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. During 2023, Gas Networks Ireland continued pollinator friendly management across our site network where appropriate, and enactment of our Biodiversity Action Plan. We continued to take the actions we need to achieve our goals, namely;

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

In order to measure the company's performance in achieving biodiversity best practice at our sites, we also developed a science-based biodiversity measurement method that evaluates and scores their habitats and biodiversity potential. This method provides valuable information to help us benchmark and grow our biodiversity asset base in 2023 and beyond.

In 2023, we continued to refine our Biodiversity Action Plan which outlines action to be taken by the business to help achieve its Biodiversity Commitments. Examples of actions taken in 2023 include undertaking 15 baseline biodiversity surveys in Ireland and the Isle of Man, planting 15,290 native Irish trees and an orchard in Gasworks Road, and developing the 'Carbon TreeSearch Tool' which calculates expected carbon sequestration of trees that are planned for removal and the number of replacement trees required to mitigate the loss.

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. To mark Biodiversity week in May, Gas Networks Ireland sponsored Midlands Science's facilitation of nature walks for Scoil Chroí Naofa and Raharney National School in Westmeath – the student's activities on the walk included noting the local trees, plants, animals, and insects they come across, collecting samples for later analysis, and learning about some species of flora and fauna along the walk to encourage discussion and discovery. We were delighted to support this initiative fostering an interest in Science, Technology, Engineering, Arts and Maths (STEAM) and biodiversity in young people.

On Culture Night, the first of four biodiversity murals we have sponsored at schools in Cork and Dublin was unveiled at Scoil Aiséirí Chríost in Cork. Our support went into bringing a vibrant biodiversity mural to life, a masterpiece designed by the talented school children themselves. It beautifully depicts the enchanting River Bride Otters, a symbol of local wildlife preservation. This initiative contributes to the school's commitment to education and environmental awareness and supports our own Biodiversity Action Plan.

To celebrate Heritage Week 2023, we hosted two "Bat Walk" events at sites in Dublin and Cork for our staff, families and friends to learn about the fascinating bats who visit our AGIs at night and the importance of preserving these habitats to protect Irish bat populations.

Other initiatives included a biodiversity walk for Cork school children, and funding of nesting sites for swift and kestrel conservation projects.

In 2023, we continued our annual sponsorship of the National Biodiversity Data Centre's sustainability supplement in the Irish Examiner. This year's subject, "Biodiversity in Action", focused on driving awareness of Ireland's biodiversity and habitats, and the importance of conservation and species recording.

Sustainability review (continued)

Climate change and Carbon Disclosure Project (CDP)

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

Improving on its inaugural climate change rating of a 'B-' in 2020 to scoring a 'B' in 2021 and in 2022. Gas Networks Ireland achieved an 'A-' CDP rating in 2023 which takes the company into the 'Leadership' category. We also received an A- for our CDP Supplier Engagement Rating for 2023.

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

CDP
DRIVING SUSTAINABLE ECONOMIES

Greenhouse gas emissions and carbon performance

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

In 2023, Gas Networks Ireland's greenhouse inventory was independently verified according to the ISO 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

Waste reduction

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

Energy

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

Measures to achieve energy savings include metering and energy efficiency drives that are taking place at all office locations along with the replacement of inefficient lighting and heating solutions. In 2023, a significant energy and efficiency upgrade project was commissioned at our Gas Networks Ireland Headquarters in Cork which also incorporated sustainability considerations.. In 2023, works also commenced at our Networks Services Centre in Finglas. Older inefficient vehicle fleet have also been replaced with efficient vehicles which are subject to enhanced inspection procedures and programmes to increase employee awareness of fuel consumption.

In 2023, the Reduce Your Use campaign became an enduring initiative within the Company. Our established Energy and Emissions Working Group facilitates focused efforts, strategically composed of key decision-makers and senior management members. This collaborative forum enables us to align strategies, set commitments and track progress collectively. Energy Audits are conducted to equip us with crucial insights to further refine our efficiency strategies. We also launched a forum for staff to exchange information and ideas regarding reducing energy usage.

Sustainability review (continued)

Social

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

In 2023, 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.

Gas Networks Ireland was won Best CSR Project in a Community at the All-Ireland Community and Council Awards for our school engagement initiatives, which include Junior Achievement's 'Energize', BITCI's Time to Count and World of Work, involvement with 'I Wish' and BT Young Scientist, and events during STEPS Engineers week, Science week and Biodiversity week.

Community

Education

Gas Networks Ireland deliver several STEAM education programmes throughout the academic year, along with a specific focus on promotion of women in STEAM and engineering roles. We also endeavoured to promote environmental education through our partnership with Leave No Trace Ireland and events during Biodiversity week.

Energize

In 2023, we continued with our STEAM education programme, Energize, in partnership with Junior Achievement Ireland in primary schools across the country.

The Energize programme was recently redeveloped to include a sustainability module, encouraging the students' interest in climate action, biodiversity, and sustainable development. 2023 marked the fourteenth year of our partnership with Junior Achievement Ireland with over 400 Gas Networks Ireland employees volunteering on Junior Achievement programmes to date, working with over 30,000 students nationwide.

Through Energize's art competition element, students design a poster promoting carbon monoxide awareness. Through this activation method students learn the important message of carbon monoxide awareness, and in turn convey that message in their own homes, promoting Gas Networks Ireland's goal of 100% of homes having a carbon monoxide alarm.

Gas Networks Ireland collaborated with Junior Achievement to deliver STEAM workshops in primary schools to celebrate STEPS Engineers Week in March and Science Week in November. Students in St Patrick's Boys and Girls schools in Cork learned about the science behind light and reflection, while students in Our Lady Immaculate Darndale in Dublin learned all about sustainability. Students in Gaelscoil Pheig Sayers, Cork and St Molaga's NS, Balbriggan explored different types of renewable and non-renewable energy, and tested their engineering skills by making wind turbines.

Time to Count

Time to Count is a Business in the Community programme, allowing Gas Networks Ireland staff to provide numeracy support to third class children from local DEIS (designated disadvantaged) primary schools. This programme runs 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 fun, interactive games and activities. The students are treated to a tour of our office local to their school at the end of the programme; in 2023 we piloted inclusion of a biodiversity scavenger hunt as part of the tour at our Cork office.

Sustainability review (continued)

World of Work
In 2023 Gas Networks Ireland sponsored nationwide delivery of the World of Work programme, which offers secondary school students an opportunity to meet employees from a local company to learn about the workplace and consider future careers, and includes a sustainability module. We work directly with two partner schools on the programme, celebrating our 16th year with Nagle Community College in Cork and our 13th year with Beneavin College in Finglas. Both partner schools visit our offices for a tour during the programme. The new sustainability module was rolled out in 2023, and includes a competition element. Participating schools were invited to submit projects implemented in their school or community that focus on practical ways to make the world more sustainable. Inver College Carrickmacross's winning entry (eliminating the use of plastic water bottles within their school) demonstrated their grasp of the programme concepts of promoting sustainability, presenting their project creatively, and working as a team.

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

Biodiversity Week
To mark Biodiversity week in May, Gas Networks Ireland sponsored a series of guided biodiversity walks for primary students, facilitated by Midlands Science. Over 100 students from Scoil Chroí Naofa, Rochfortbridge, and Raharney National School participated and in exploring their local environment learnt about the rich biodiversity in their communities.

Litter Pick
During An Tasice's National Spring Clean, some of our employees undertook a litter pick in Cork's New Marina Park and Atlantic Pond area, removing 45kg of litter. Further litter picks were undertaken throughout the year in The Lough and Blackrock areas of Cork. Gas Networks Ireland is committed to making a positive impact in the communities where we operate, and this type of activity allows us to make a tangible impact on the environment and in the community.

Leave No Trace
We continued our relationship with Leave No Trace in 2023 and completed our Hot Spot initiative in Turvey Nature Reserve. 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 2023 was Turvey Nature Reserve and the Rogerstown Estuary in north Dublin, close to our Dublin office. Gas Networks Ireland employees volunteered at the site to pick litter, identify and record species present, and plant trees. On national tree day we planted 600 trees at the site.

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

Workplace

Elevate pledge
The BITCI Elevate Pledge is an initiative to support businesses to build more inclusive workplaces. As an Elevate Pledge signatory, we are one of 60 organisations committed to driving inclusivity in our workplace and supporting the broader values of inclusion, equality and opportunity in society. The annual Elevate Report measures the diversity profile of Irish workplaces and shares some of the initiatives that can lead to real change.

Employee resource groups
Our Gas Networks Ireland ibelong Diversity, Equity and Inclusion programme grew further in 2023, including the establishment of a new Employee Resource Group (ERG) the Neurodiversity & Ability Group which is now the 5th ERG across the business. Our ERGs include the Women's network, the Rainbow network, the Family Network, Neurodiversity and Ability network, and the Cultural and Ethnicity network. The development of these groups and the ongoing diversity, equity and inclusion strategy is a key area of priority across the organisation.

Sustainability review (continued)

Employee engagement
The sustainability team communicates with employees regularly via our internal newsletter and company intranet. In 2023 our communication focus was on driving awareness of the many aspects of sustainability and encouraging our employees to adopt sustainable practices and make small changes in their ways of working and personal lives.

These communications are also a platform to make employees aware of volunteer opportunities. All our employees can volunteer with any of our school programmes and Corporate Social Responsibility (CSR) activities. Employees committed c. 1,262 hours this year to volunteer activities, and our programmes delivered c. 54,008 social impact hours.

Employees fund, in kind donations, and internal fundraising
In 2023, we continued to facilitate our employee charitable fund – all employees can request a donation once a year to go to a worthy cause of their choice. Through this fund, Gas Networks Ireland supported 37 community causes, and donated €11,750 on behalf of our employees.

During 2023, our employees undertook fundraising initiatives to support Age Action, Aware, Pieta House, Merchants Quay, The Jack & Jill Children's Foundation, AsIAm, Dyspraxia Ireland, BelongTo, Marymount Hospice, Barnardos, Irish Wildlife Trust, the Shoebox Appeal, Cork Penny Dinners, St Vincents Foundation, Cork Simon and Movember. In total, €53,108 was raised.

Chromebook Initiative
As part of our Digital Workplace Technology initiative, employees were given the choice to keep the chromebooks which they had been using for work in exchange for a donation to charity. Alternatively, the chromebooks could be returned to IT for decommissioning. Through this unique fundraiser involving over 400 staff members, €28,800 was raised for charity, and 123 chromebooks were made available for in-kind donation.

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 2023, we continued our annual gardening blitz. 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.

On Global Accessibility Awareness day in May, volunteers from our ERGs worked with Wheelmap.org to update wheelchair access information for over 150 public places and businesses in Cork and Dublin. This initiative helped raise awareness among our employees of the challenges wheelchair users face.

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

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

Press features
The Gas Networks Ireland sustainability team was featured in the Irish Examiner and in Eolas magazine. Both features detailed our continuous journey to reduce emissions and support and promote biodiversity within the communities where we operate.

Sustainability review (continued)

Governance

Within Gas Networks Ireland's good corporate governance is at the core of our business decisions and key to the achievement of our business strategy. We believe that good corporate governance serves as the cornerstone of ethical organisational practices, encompassing principles and structures that guide decision-making, transparency, and accountability within our organisation.

At Gas Networks Ireland, upholding ethics involves not only complying with legal standards but also fostering a culture of integrity, fairness, and social responsibility. We believe trust is essential for sustainable business relationships, and is cultivated through consistent adherence to ethical principles, transparent communication, and responsible actions. Additionally, prioritising human rights and combating modern slavery are integral components of our ethical business conduct, demonstrating a commitment to respecting the dignity and well-being of individuals both within and beyond the company's operations. By championing these principles, Gas Networks Ireland not only strengthens our reputation but also contributes to a more just and sustainable society.

Ethics and Integrity

Our reputation and the trust and confidence that our customers, stakeholders and the general public place in us is fundamental to our success. Integrity is key to building that trust. We have created a programme called "Doing the Right Thing" to help all employees understand and recognise the importance of integrity.

Employees are trained to ensure that any business decision made is:

1. Legal
2. In line with company values
3. In line with company policy
4. The right thing to do

As part of the initiative, guidance booklets are issued to employees on key ethics related policies with annual training updates and quarterly team integrity conversations.

Transparency

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

Evaluation of our approach

Controls are in place to ensure all our obligations are met, including detailed financial procedures, budgets, finance system automated workflows, external audit process, internal audit process and Audit and Risk Committee oversight of the financial statements.

Data Protection and customer privacy

We continue to be committed to meeting and exceeding our data protection obligations. All customer data is stored on encrypted systems that have appropriate segregation of duties. We have TLS (Transfer Layer Security) in place with customer facing vendors which encrypts all emails. We also have strong internal security controls around firewalls, patching, anti-virus protection etc, and align ourselves to ISO27001. All staff and contractors have undertaken online GDPR training. The Gas Networks Ireland Data Protection Officer has not raised any areas of significant concern regarding non-compliance with regards to legislative requirements under GDPR during 2023.

Sustainability review (continued)

Anti-corruption and bribery

We actively promote a culture where acts of bribery and corruption are never acceptable. This culture is promoted and led by the Ervia and Gas Networks Ireland boards, executive and extended senior leadership team. Nobody within Ervia or Gas Networks Ireland or acting on behalf of either company, may give or accept, directly or indirectly, a bribe or inducement in any form or solicit a bribe, directly or indirectly. An example of behaviours prohibited in this context is the giving or receiving of excessive gifts or hospitality or receiving gifts or hospitality in exchange for information.

The Gas Networks Ireland Chief Legal Officer is responsible within Ervia and Gas Networks Ireland for overseeing all anti-bribery actions and the Gas Networks Ireland Director of People is responsible for communicating our anti-bribery policy to all new staff during induction. As well as providing quarterly and annual refreshers on relevant anti-bribery and corruption topics for existing staff in accordance with Ervia / Gas Networks Ireland's "Doing The Right Thing" policy.

Ervia and Gas Networks Ireland's policies encourage staff to report any concerns relating to activities that may constitute an act of bribery or corruption to their line manager without delay – or if that is inappropriate in the circumstances to Gas Networks Ireland's Chief Legal Officer, or anonymously to a confidential email address or voicemail. Staff are routinely reminded of their ability to discuss concerns relating to bribery or corruption without fear of victimisation, knowing that the strictest confidence will be maintained – this process is outlined in Ervia / Gas Networks Ireland's Protected Disclosures Policy.

Protected Disclosures and raising concerns

The mechanism whereby Ervia and Gas Networks Ireland employees and management may raise concerns, or make disclosures in the public interest, in accordance with the Protected Disclosures Act 2014 (as amended), is outlined in the Ervia / Gas Networks Ireland Protected Disclosures Policy. Guidance on raising concerns for management and employees is outlined in the Code of Business Conduct, the Anti-Fraud Policy and the Anti-Bribery and Anti-Corruption Policy. Section 22 of the Protected Disclosures Act 2014 (as amended) requires Ervia to publish an Annual Report providing details of protected disclosures made under the Act during the preceding calendar year. Per this requirement, Ervia confirmed that, in the year ending 31 December 2023, no protected disclosures was made to either Ervia or Gas Networks Ireland under the Act. Accordingly, no breach was reported, and no investigation or proceeding was commenced in 2023.

Sustainability review (continued)

Regulation of lobbying

Ervia and Gas Networks Ireland are registered on the lobbying register maintained by the Standards in Public Office Commission and have made the required submissions for the return periods in 2023 in accordance with the requirements of the Regulation of Lobbying Act 2015.

Human rights and modern slavery

We have a zero-tolerance approach to modern slavery. 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 in any of our supply chains. We are committed to ensuring that there is transparency in our business and in our approach to tackling modern slavery throughout our supply chain and we expect the same high standards from all our contractors, suppliers and other business partners.

Steps taken to prevent acts of slavery and human trafficking from occurring within our business and supply chains:

- We always seek to comply with employment law applicable to the jurisdictions in which we operate and put in place contractual arrangements with providers of agency staff requiring that they achieve the same level of compliance.
- The principles of the UK Modern Slavery Act 2015 have been enshrined in the Code of Business Conduct (available at www.ervia.ie) which is reviewed on an annual basis. This is also highlighted and supported by a group-wide programme called Doing the Right Thing which aims to ensure that everyone carrying out business on behalf of Ervia or Gas Networks Ireland does so with integrity and in an ethical manner.

We have developed anti-slavery and human trafficking requirements for incorporation into our procurement processes and contractual arrangements with contractors, suppliers and other third parties.

- We have completed a modern slavery assessment of third-party contractors and suppliers to assess any high risk of acts of slavery / human trafficking. The assessment included workshops with high priority suppliers and review of their modern slavery policies and procedures.
- We provide training to relevant employees, particularly those involved in procurement processes, on the risks of slavery and human trafficking occurring.
- We provide a mechanism for employees, and others, to report suspected incidents of unlawful behaviour, including slavery and human trafficking.
- We have also conducted an initial assessment of suppliers with an annual spend of greater than €500,000 who source elements of their materials or labour from outside of Europe.

Sustainable procurement

We procure significant volumes of services and materials to support the maintenance and delivery of the gas transportation network. We are committed to circular economy principles, by enhancing procurement processes we are driving better sustainability practices throughout the entire supply chain. We continue to improve and enhance sustainable procurement through our entire supply chain. We are adopting best practice and process improvements in line with ISO 20400, the Sustainable Procurement Guidance Standard, which is the leading international standard in this area.

Use of "green" suppliers or materials

We ensure environmental and sustainability requirements are embedded in the procurement processes right through to delivery stage of the contract.

Our main third-party contracts have been designed to deliver sustainability and environmental best practice throughout the project lifecycle.

Our supply chain team are working to deliver a sustainable strategy. The team developed a sustainability procurement policy. As part of the development of the policy, the supply chain team conducted a benchmarking exercise to compare our procedures against other best in class energy companies alongside conducting a sustainable procurement survey with our main suppliers. Our objective is to be recognised as a leader in the sustainable procurement arena.

Corporate governance

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The Board

Kevin Toland (Chairperson)

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

Fiona Egan

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

Saoirse Fahey

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

Keith Harris

Keith Harris was appointed to the Board in July 2016 and was re-appointed to the Board in July 2019 and in July 2023. Keith is Chairperson of the Audit and Risk Committee and a member of the Finance and Investment Committee. He is a Board Director at South Staffordshire plc, Industry Partner at AIP Asset Management and an associate of OXERA LLP. He also is the owner of the private infrastructure advisory business, Lorraine House, specialising in energy generation and distribution investments. Prior to these appointments Keith spent 20 years at Wessex Water, including a period of time at ENRON / AZURIX where he was global head of Regulation. At Wessex Water Plc he held various senior Executive and Board positions at Group, utility and unregulated levels, including CFO and deputy CEO.

Sean Hogan

Sean Hogan was appointed to the Board in January 2015 and was re-appointed in January 2020 and in January 2024. Mr. Hogan is a Chartered Director and is Chairperson of the Safety, Sustainability and People Committee a member of the Remuneration Committee. He was Chairman of Northern Ireland Water Limited from March 2011 to March 2015 and is currently the Chairman of WRAS Ltd in the UK and Chairs the expert advisory committee on bovine tuberculosis for the Department of Agriculture, Environment and Rural affairs in Northern Ireland.

Geraldine Kelly

Geraldine Kelly was appointed to the Board in October 2021 and is Chairperson of the Finance and Investment Committee and a member of the Audit and Risk Committee. Geraldine is an experienced Non-Executive Director with a successful international career and a proven track record of delivering results. She has over 25 years board experience contributing to successful businesses in Technology, Energy and Clean Technology sectors with the ability to optimise technology and digital strategies to develop sustainable business solutions. Geraldine currently serves as a non-executive chair of Accountant Online Limited. Her previous experience includes serving as Chair of Plan Ireland and Microfinance Ireland as well as a non-executive director of Bank of Ireland Mortgage Bank, Cenergise Energy Trading Limited, Gaelectric Limited and Tyndall National Institute. Geraldine is a graduate of University College Galway (Maths & Economics), a postgraduate of University College Dublin (MA Economics). She is a Chartered Director with the Institute of Directors and a Certified Bank Director with the Institute of Banking.

The Board (continued)

Cathal Marley

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

Joe O'Flynn

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

Keara Robins

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

Report of the Board

Governance Statement

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

Governance

In 2018, the Government announced that in 2023 Gas Networks Ireland and Uisce Éireann would become two standalone, publicly owned, commercial, regulated utilities. Uisce Éireann was established as a standalone, publicly owned, regulated utility on 1 January 2023 and Gas Networks Ireland remained the sole direct subsidiary of Ervia. Work continued in 2023 to progress the integration of Ervia into Gas Networks Ireland. Ervia integration is now anticipated to take place in 2024 pursuant to the Gas (Amendment) Bill 2024 when enacted.

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

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

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

Roles and Responsibilities of the Board

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

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

The Board has put in place a corporate governance structure which delegates authority to its Committees to carry out certain tasks on its behalf so that it can give the right level of attention and consideration to those and other matters. Ervia's Board Committees are outlined in further detail on pages 80-82.

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

Standing items considered by the Board at each meeting include:

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

Formal Schedule of Matters Reserved for the Ervia Board

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

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

Report of the Board (continued)

Matters Considered by the Board in 2023

Strategy
- Strategic Direction of Ervia and Gas Networks Ireland.
- Integration of Ervia into Gas Networks Ireland.
- Security of supply.
- 2023 Balanced Scorecards.
- Ongoing dialogue with Ervia's shareholder on strategic issues.
- Updates on the Climate Action Plan.
- Climate Action Framework.
- Customer strategy.
- Communications strategy.
- Price Control for Gas Networks Ireland.
- Gas Emergency Reserve.
- Biomethane.
- Hydrogen.
- Sustainability strategy.

Safety
- Monthly health and safety metrics for the Group.
- Implementation of mental health awareness initiatives.
- Bi-annual safety deep dives.

Operations
- CEO's Operations Report including Key Performance Indicators.
- Capital investment evaluations.
- Delivery of critical projects safely.
- Stakeholder engagement.
- Innovation.

Corporate Governance
- Annual Board evaluation.
- Review of Board and Board Committee Terms of Reference.
- Monitoring compliance with the Code of Practice for the Governance of State Bodies.
- Appointment of Directors to Gas Networks Ireland.
- Revised constitution for Gas Networks Ireland.
- Protected Disclosures Policy and Anti-Fraud, Bribery and Corruption Policy.
- Review of Governance framework and associated policies in preparation for integration of Ervia into GNI.

Finance
- Annual published results.
- Monthly trading results including performance versus budget and forecast.
- Annual budget and funding.
- Quarterly re-forecasts.
- Dividends.
- Business Plans.

Risk
- Ongoing risk monitoring.
- Setting of risk appetite.
- Regular review at Audit and Risk Committe and Board of cyber.

Board Responsibilities Statement for the Annual Report and Financial Statements

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

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

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

- Suitable accounting policies have been selected and applied consistently.
- Judgements and estimates used are reasonable and prudent.
- Preparation of the Financial Statements on a going concern basis is appropriate.
- The Financial Statements give a true and fair view of the financial position of Ervia at 31 December 2023 and for the year ended.

Report of the Board (continued)

The Board

Details on current Board members are outlined on pages 80-82.

Board Composition

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

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

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

Induction and Development of New Board Members

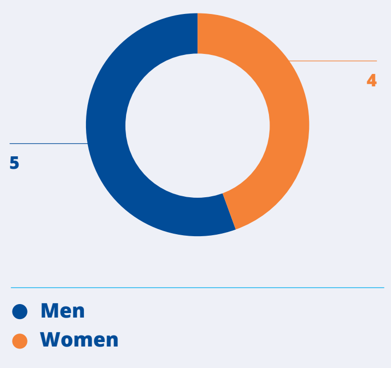
On appointment, Board Members are provided with detailed briefing documents covering governance, financial and operational information, and an opportunity to be briefed by the Executive team on the various aspects of the business of the Group.

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

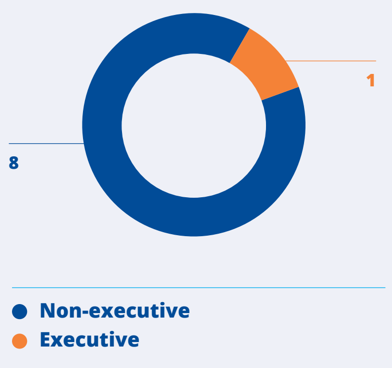
Independence

The Board is satisfied that the non-executive Board members are independent of management, in character and judgement, and free from relationships or circumstances that could affect, or appear to affect, their judgement and ability to meet the requirements of the role. Each Board member brings independent judgement to bear on issues of strategy, performance, resources and standards of conduct. Board members must declare any interest or relationship which could interfere with the exercise of their independent judgement. A declaration of any conflicts of interest is a standing item on the agenda for all Board and Committee meetings.

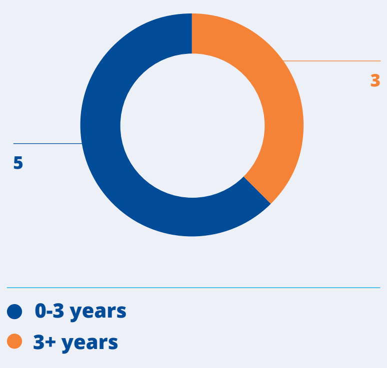
Board Gender



Executive and non-executive Board Members



Non-executive Board Member tenure



Report of the Board (continued)

Board Members' Remuneration, Expenses and Attendance

The Minister determines the fees payable to Board members. A schedule of attendance at the Board and Committee meetings for 2023 is set out below, including the fees and expenses received by each member in 2023. The table outlines the fees and attendance of the Board members who sat on the Ervia Board during the year under review.

Board Member	Remuneration (€)	Expenses (€)	Board (attended/ eligible)	Audit and Risk (attended/ eligible)	Remuneration (attended/ eligible)	Finance & Investment (attended/ eligible)	Safety, Sustainability & People (attended/ eligible
Kevin Toland (Board Chairperson & Remuneration Committee Chairperson)	31,500	1,105	9/9	-	8/8	-	-
Fiona Egan	15,750	148	8/9	4/4	8/8	7/7	-
Geraldine Kelly (Finance & Investment Committee Chairperson)	15,750	312	9/9	4/4	-	7/7	-
Joe O'Flynn	15,750	850	8/9	-	6/8	-	2/3
Keith Harris (Audit and Risk Committee Chairperson)	15,750	993	6/9	4/4	-	7/7	-
Keara Robins	15,750	2,802	9/9	-	-	7/7	3/3
Saoirse Fahey	15,750	148	7/9	4/4	-	-	3/3
Sean Hogan (Safety, Sustainability & People Committee Chairperson)	15,750	361	7/9	-	7/8	-	3/3
*Cathal Marley (CEO)	Note 1	-	9/9	-	-	7/7	-

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

Board and Committee Effectiveness and Evaluation

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

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

Board Committees

The overall governance structure of the group remained unchanged during 2023. The existing Ervia sub-committees continued to support the Ervia and subsidiary boards.

The Board has an effective Committee structure in place to assist in the discharge of its responsibilities. During 2023, four committees of the Board assisted in the discharge of its responsibilities and were delegated specific responsibilities by the Board as set out in their Terms of Reference.

Report of the Board (continued)

Audit and Risk Committee

Activities undertaken by the Audit and Risk Committee in 2023 are outlined in the Audit and Risk Committee Report on page 92. The Audit and Risk Committee held 4 meetings during the year.

Finance and Investment Committee

The Finance and Investment Committee's responsibilities are set out in its Terms of Reference which is available at www.ervia.ie. The Finance and Investment Committee held 7 meetings during the year.

Key activities undertaken by the Finance and Investment Committee in 2023 include:

- Capital project evaluation and investment planning approach.
- Updates on Capital Projects and related cost estimates.
- All capital expenditure proposals in excess of €10m.
- Updates on GNI Price Control.
- Updates on transmission connections.
- Updates on BioCNG in transport.
- National and EU policy and regulatory updates.
- Post project reviews.

Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference, which is available at www.ervia.ie. The Remuneration Committee held 8 meetings during the year.

Key activities undertaken by the Remuneration Committee in 2023 include:

- Review of Executive performance for 2022.
- Review of Executive remuneration.
- Remuneration terms for new executive appointments.
- Talent and succession planning.
- Organisation overview.
- Set and review performance on 2023 Balanced scorecards.
- Gender Pay Gap.

Safety, Sustainability and People Committee

The Safety, Sustainability and People Committee's responsibilities are set out in the Terms of Reference which is available at www.ervia.ie. The Safety, Sustainability and People Committee held 3 meetings during the year.

Key activities undertaken by the Safety, Sustainability and People Committee in 2023 include:

- Review of Modern Slavery statement for Gas Networks Ireland and GNI (UK) Limited.
- Sustainability Strategy.
- Stakeholder strategy.
- Customer Performance.
- Review of safety performance and safety action plans.
- Employee engagement.
- Occupational health and safety.

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:

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.

	2023	2022
€50,000-€75,000	**256**	232
€75,001-€100,000	**217**	205
€100,001-€125,000	**106**	96
€125,001-€150,000	**40**	40
€150,001-€175,000	**23**	20
€175,001-€200,000	**12**	9
€200,001-€225,000	**6**	5
€225,001-€250,000	**2**	2
€250,001-€275,000	**2**	2

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 policy-making for a limited time period to carry out a specific finite task. They exclude outsourced 'business-as-usual' functions.

Report of the Board (continued)

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

	2023 €'000	2022 €'000
Legal advice	**582**	281
Financial advice	**339**	414
Advertising, marketing & public relations	**267**	253
Business improvement/change	**1,414**	1,173
Other	**289**	185
Total consultancy costs	**2,891**	2,306
Capitalised	**-**	-
Income statement	**2,891**	2,306
Total consultancy costs	**2,891**	2,306

Within the above categories expert advices were received in relation to; Climate Change, Biodiversity and Renewable Gases (€1.0m), Accountancy/Tax/Pension/HR (€0.4m), IT and Cyber Security (€0.3m), Security of Supply (€0.3m), Advertising, Marketing and Public Relations (€0.3m), Price Control Planning and Corporate Restructuring (€0.2m).

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.

	2023 €'000	2022 €'000
Legal fees & costs	**668**	891
Settlements	**622**	705
Total	**1,290**	1,596
Number of legal cases	**6**	10

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

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

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2023 €'000	2022 €'000
Domestic		
Board *	**16**	11
Employee	**1,710**	1,178
International		
Board	**-**	-
Employee	**227**	168
Total**	**1,953**	1,357

* Includes travel and subsistence of €6,719 paid directly to Board members in 2023 (2022: €4,399). The balance of €9,443 (2022: €7,097) relates to expenditure paid by Ervia on behalf of the Board members. Travel and subsistence expenditure incurred by the executive Board member is deemed to be incurred in their capacity as an employee.

** Increase in travel and subsistence expenditure year on year is reflective of a full year normalised activities post COVID-19.

Hospitality

The income statement includes the following hospitality expenditure:

	2023 €'000	2022 €'000
Staff hospitality	**203**	131
Client hospitality	**70**	87
Total	**273**	218

Transparency

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

Protected Disclosures and Raising Concerns

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

Ervia confirms that in the year ending 31 December 2023, there was no protected disclosure reported.

Report of the Board (continued)

Regulation of Lobbying

Ervia and its subsidiary, Gas Networks Ireland, are registered on the lobbying register maintained by the Standards in Public Office Commission and have made the required submissions for the return periods in 2023 in accordance with the requirements of the Regulation of Lobbying Act 2015.

Official Language Acts (2003 & 2021)

Ervia is committed to meeting all its obligations under the Official Language Acts (2003 & 2021). The Head of Customer Care and Communications has been appointed to oversee performance and report on Ervia obligations under the Official Languages Acts (2003 & 2021).

During 2023, the new obligations under section 10A (Advertising by Public Bodies) requiring a minimum of 20% (10A. (1)(b)) of all advertising undertaken to be in the Irish language was met. Ervia also met the obligation of 5% of annual advertising spend on Irish language media as also prescribed under section 10A (1)(b).

Prompt Payments

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

Appropriate internal financial controls are in place within Ervia to ensure material compliance with the provisions of the Prompt Payments of Accounts Act, 1997 and the European Communities (Late Payments in Commercial Transactions) Regulations 2012-2016. All non-disputed invoices received in 2023 were paid within agreed payment periods. When Ervia validates a late payment request from a supplier, it is Ervia's policy to pay interest due on such late payments. No such interest payments were made in respect of late payments during the year 2023 (2022: Nil).

Model Publication Schemes

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

The Publication Scheme for Gas Networks Ireland is published on the GNI website at Model Publication Scheme.

Although Ervia is not itself subject to the Freedom of Information legislation, it strives to apply the principle of transparency and therefore adheres to the model publication scheme by publishing relevant information on its website, www.ervia.ie.

Gender Balance, Diversity, Equity and Inclusion

The organisation remains committed to building a workplace that embraces diversity, where everyone is treated fairly, and where, everyone has a real sense of belonging. Our Employee Resources Groups remained a key focus for 2023, providing valuable insight, information, and connection for our internal communities across a range of characteristic groups including, family, gender, ethnicity, and LGBT+. During 2023, we also launched our Neurodiversity & Ability Employee Resource Group.

In the past year, we have facilitated a number employee events, including the celebration of PRIDE, Autism Awareness , Kids Cyber Safety, through our Employee Resource Group which engaged and informed the wider organisation. We will continue in 2024, to provide similar event so that we can ensure that DE&I is considered an integral part of who we are.

In 2024, we published our Gender Pay Gap, for the second year (https://www.gasnetworks.ie/corporate/freedom-of-information/gender-pay-gap/Gender-pay-Gap-Report-2023_Final.pdf), and we are heartened to see the modest reduction that was reported. We continue to support women in our organisation through our Talent Development Program which launched in 2023 and have seen some very positive feedback. We have introduced a number of new People Policies during 2024, as a direct consequence of our Employee Resource Groups these include our Menopause Policy. Cultural Holiday and Domestic Violence. We will continue to work towards pay equity and increase diverse representation within our business.

In 2024, we will refresh our DE&I roadmap, provide additional training and development resources, and will continue to support our Employee Resource Groups.

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

Report of the Board (continued)

Statement on the System of Internal Control

Scope of Responsibility

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

Purpose of the System of Internal Control

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

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in Ervia for the year ended 31 December 2023 and up to the date of approval of the Financial Statements.

Management of Risk and control environment

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

Risk and Control Environment

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

Audit and Risk Committee

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

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

Integrated Assurance Forum

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

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

Internal Audit

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

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

Report of the Board (continued)

The Internal Audit function:

- Evaluates risk exposure relating to the achievement of Gas Networks Ireland's strategic objectives.
- Evaluates the systems established to ensure compliance with policies, plans, procedures, laws and regulations.
- Evaluates the means of safeguarding assets.
- Monitors and evaluates the effectiveness of risk management processes.
- Evaluates specific operations at the request of the Board or management, as appropriate. 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 is responsible for the design and implementation of an Enterprise Risk Management Framework and for ensuring that sufficient risk management experience and skills are available throughout Gas Networks Ireland.

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

In particular, the risk management function:

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

Elements of Control Environment

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

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

Report of the Board (continued)

- Systematic reviews of internal financial and operational controls by Gas Networks Ireland internal audit. 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, performance reporting, supported by the assurance activities of Risk, Internal and External Audit.

Ongoing Monitoring and Review

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

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

Ongoing monitoring by Gas Networks Ireland management includes:

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

Ongoing monitoring by the Gas Networks Ireland Board includes;

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

Ongoing monitoring by the ARC includes;

- Review of the Integrated Assurance Forum reports over the system of internal control in Gas Networks Ireland on a quarterly basis.
- Review of the Gas Networks Ireland Risk Profile on a quarterly basis.
- Review of reports from the Internal Audit function which contain details of control issues and status updates on close out of open internal audit recommendations.
- 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 and requirements of the recently published Infrastructure Guidelines (replacing the 2019 Public Spending Code set of guidelines). Transitioning activity relating to the updated Infrastructure Guidelines will continue into 2024 to ensure compliance with any additional requirements.

The Ervia/Gas Networks Ireland 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.

Report of the Board (continued)

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

The financial expenditure and contract governance framework is aligned with the value for money criteria in the updated Infrastructure Guidelines, as published by the Department of Public Expenditure and Reform in December 2023.

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 the Department of Housing, Local Government and Heritage, 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.

General Data Protection Regulation (GDPR)

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

Review of effectiveness

The Board has reviewed the effectiveness of the system of internal control up to the date of approval of the Financial Statements, covering financial, operational and compliance controls and risk management systems for 2023 and will ensure a similar review is performed in 2024. A detailed review was performed by the ARC, which reported on its findings to the Ervia Board.

Internal Control issues

No weaknesses in internal control were identified in relation to 2023 that require disclosure in the financial statements.

Report of the Board (continued)

Conclusion

Going Concern

Financial Statements are prepared on a going concern basis once the Board, after making appropriate enquiries, is satisfied that Ervia has adequate resources to continue in operation for the foreseeable future. Further details of this going concern assessment and Group's liquidity position are provided in notes 1 and 23 respectively of these Financial Statements. The Ervia Group is in the final stages of a reorganisation which saw the separation of Uisce Éireann from the Group on 1st January 2023. The reorganisation will be completed when the Ervia statutory corporation will be integrated into Gas Networks Ireland, such that Gas Networks Ireland will become the principal entity in the Group. It is anticipated that Ervia integration will be completed in 2024, pursuant to the Gas (Amendment) Bill 2024, when enacted, and will provide for the transfer of the functions, activities, and the residual assets and liabilities of the Ervia statutory corporation to Gas Networks Ireland. The going concern basis of accounting for the Ervia Group and the Ervia statutory corporation therefore continues to remain appropriate.

Risk Management

The Board carried out a robust assessment of the principal risks facing the organisation throughout 2023. These risks and mitigating controls or actions are set out on pages 62-67.

Shareholder Relationship

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

Board Members' Interests

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

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

Performance Evaluation

The Board approves an annual budget that supports the corporate plans. Actual performance versus plan and budget is evaluated annually. Detailed consideration is provided in the Operating and Financial Reviews on pages 32 & 50.

Accounting Records

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

External Auditor

Ministerial consent was received to appoint Deloitte Ireland LLP as auditor to the Ervia Group including Gas Networks Ireland for the years 2019-2021 with further Ministerial consent received to extend the appointment for the years 2022 and 2023.

Ministerial consent was received to appoint KPMG as auditors to Ervia in respect of any accounts prepared by, or in respect of, Ervia during and/or relating to, any period between the period of 01 January 2024 and 31 December 2024.

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board
Date: 29 April 2024

Audit and Risk Committee report

As Chairperson of the Ervia Audit and Risk Committee, I am pleased to present the Audit and Risk Committee Report for the year ended December 31st 2023.

Keith Harris
Chair of the Committee

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

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

Role and responsibilities of the Audit and Risk Committee

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

- Financial reporting
- Risk management
- Internal controls
- Internal audit
- External audit
- Other related activities, including policies and procedures on protected disclosures, anti-fraud, bribery and corruption.

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

Audit and Risk Committee report (continued)

Membership

The Committee comprises four independent Non-Executive Ervia Board Members. Members of the Committee are appointed by the Ervia Board in consultation with the Chairperson of the Committee. For details of membership and attendance at meetings in 2023 see the Report of the Board on page 83. The Committee is independent from the management of the Group.

Financial Reporting

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

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

Risk Management

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

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

Internal Controls

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

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

Internal Audit

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

During 2023, the Committee reviewed the plan and work undertaken by the Gas Networks Ireland Internal Audit team and the consequent actions to be taken by management. The Committee was informed regularly by the Gas Networks Ireland Head of Internal Audit of the findings of internal audit reviews. The Committee also considered management's progress in addressing relevant issues, including the nature, extent and timeliness of its responses. The Committee reviewed and agreed a risk-based internal audit annual plan for 2024, including the resources required, and considered the alignment of internal audit focus and key risk areas.

During 2023, the organisation continued to promote integrity and to emphasise the importance of ethical behaviour across the organisation through the roll-out of the 'Doing the Right Thing' campaign.

The campaign involves a number of initiatives including updates to the suite of ethics related corporate policies, rollout of training, promotion of a "speaking up" culture and quarterly integrity conversations focusing on topical integrity topics.

Audit and Risk Committee report (continued)

External Audit

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

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

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

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

During 2023, the Committee recommended to the Ervia Board the appointment of KPMG as external auditors to Gas Networks Ireland for the years 2024 to 2026 with an extension option of up to a further two years at the sole discretion of GNI and Ministerial consent was granted in relation to this appointment.

The Commitee also recommended to the Ervia Board the appointment of KPMG as auditors to Ervia for any 2024 audit period, as may be required, as the timeline for the integration of Ervia into GNI is now anticipated to take place in 2024 pursuant to the Gas (Amendment) Bill 2024 when enacted. Ministerial consent was also granted in relation to this appointment.

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

The effectiveness of the external auditor is reviewed annually. The evaluation focuses on such areas as the robustness of the audit process, audit team, communications and governance. Overall, the review was satisfactory. During the year the external auditors met privately with the Committee with no members of management present.

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

Audit and Risk Committee Effectiveness

The Committee completes an annual review of its own effectiveness. For 2023, the review was conducted internally through the completion of self-evaluation questionnaires and the overall review was satisfactory.

On behalf of the Audit and Risk Committee:

Keith Harris
Chairperson, Audit and Risk Committee
29 April 2024

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Independent Auditor's Report to the Members of Ervia

Report on the audit of the financial statements

Opinion on the financial statements of Ervia

In our opinion the Group and Parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Parent company as at 31 December 2023 and of the profit of the Group and Parent company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Gas Acts 1976 to 2009.

The financial statements we have audited comprise:

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

the Parent company financial statements:
- the Parent Income Statement;
- the Parent Statement of Other Comprehensive Income;
- the Parent Balance Sheet;
- the Parent Statement of Changes in Equity;
- the Parent Statement of Cash Flows; and
- the related notes 30A to 30P, including a summary of significant accounting policies as set out in note 1 of the Group notes.

The relevant financial reporting framework that has been applied in the preparation of the Group and Parent company financial statements is the Gas Acts 1976 to 2009 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 accounting periods beginning on or after 1 January 2023 ("the relevant financial reporting framework").

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Ervia (continued)

Responsibilities of Board

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report

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

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

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Group and Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board.

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

Use of our report

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

Karen Goggin
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
No. 6 Lapp's Quay
Cork
29 April 2024

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

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

Group Income Statement

for the year ended 31 December 2023

	Notes	2023 €'000	2022 Restated[1] €'000
Continuing operations			
Revenue	3	527,069	494,926
Operating costs net (excluding depreciation and amortisation)	4	(256,936)	(274,317)
Operating profit before depreciation and amortisation (EBITDA)		270,133	220,609
Depreciation and amortisation	6	(143,266)	(141,727)
Operating profit		126,867	78,882
Finance income	7	5,788	210
Finance costs	7	(15,338)	(14,426)
Net finance costs	7	(9,550)	(14,216)
Profit before income tax		117,317	64,666
Income tax	8	(18,014)	(11,470)
Profit for the year		99,303	53,196
Profit attributable to:			
Owners of the Parent		99,303	53,196
Profit for the year		99,303	53,196

[1] See note 1 and note 29 for details of restatement.

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board

29 April 2024
Date of Approval

Group Statement of Other Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 €'000	2022 Restated[1] €'000
Profit for the year		**99,303**	53,196
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains	18	**13,176**	107,175
Remeasurement of other pension assets	18	**1,136**	(2,506)
Deferred tax relating to defined benefit obligations	8	**(1,789)**	(13,084)
Total items that will not be reclassified to profit or loss		**12,523**	91,585
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		**1,120**	(2,711)
Total items that may be reclassified subsequently to profit or loss		**1,120**	(2,711)
Total other comprehensive income for the year		**13,643**	88,874
Total comprehensive income for the year		**112,946**	142,070
Total comprehensive income attributable to:			
Owners of the Parent		**112,946**	142,070
Total comprehensive income for the year		**112,946**	142,070

[1] See note 1 and note 29 for details of restatement.

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board

29 April 2024
Date of Approval

Group Balance Sheet

as at 31 December 2023

	Notes	31-Dec-23 €'000	31-Dec-22 Restated[1] €'000	01-Jan-22 Restated[1] €'000
Assets				
Non-current assets				
Property, plant and equipment	9	**2,435,612**	2,434,460	2,470,170
Investment properties	10	**7,325**	7,363	-
Intangible assets	12	**25,798**	27,030	29,089
Retirement benefit asset	18	**13,620**	-	-
Derivative financial instruments	23	**-**	58	378
Total non-current assets		**2,482,355**	2,468,911	2,499,637
Current assets				
Trade and other receivables	13	**113,598**	75,826	97,351
Cash and cash equivalents - available to group	14	**190,728**	149,077	87,297
Cash and cash equivalents - restricted deposits	14	**35,341**	40,248	46,348
Derivative financial instruments	23	**218**	912	896
Current tax assets	8	**8,822**	-	249
Inventories	16	**656**	568	463
Total current assets		**349,363**	266,631	232,604
Total assets		**2,831,718**	2,735,542	2,732,241
Equity and liabilities				
Equity				
Share Capital		**-**	-	-
Retained earnings		**(1,230,053)**	(1,146,481)	(1,031,520)
Translation reserve		**(2,059)**	(939)	(3,650)
Total equity		**(1,232,112)**	(1,147,420)	(1,035,170)
Liabilities				
Non-current liabilities				
Borrowings and other debt	17	**(724,584)**	(1,022,695)	(1,034,241)
Retirement benefit obligations	18	**-**	(10,721)	(108,804)
Deferred revenue	19	**(148,293)**	(113,200)	(86,073)
Grants	20	**(52,400)**	(57,971)	(64,883)
Provisions	21	**(5,072)**	(5,905)	(6,198)
Trade and other payables	22	**(6,912)**	(7,859)	(15,751)
Derivative financial instruments	23	**-**	(111)	(189)
Deferred tax liabilities	8	**(199,606)**	(194,507)	(185,710)
Total non-current liabilities		**(1,136,867)**	(1,412,969)	(1,501,849)
Current liabilities				
Borrowings and other debt	17	**(299,360)**	(219)	(1,188)
Deferred revenue	19	**(12,958)**	(11,358)	(10,371)
Grants	20	**(6,585)**	(6,590)	(6,638)
Provisions	21	**(1,691)**	(1,511)	(1,613)
Trade and other payables	22	**(141,873)**	(153,338)	(174,988)
Derivative financial instruments	23	**(272)**	(966)	(424)
Current tax liabilities	8	**-**	(1,171)	-
Total current liabilities		**(462,739)**	(175,153)	(195,222)
Total liabilities		**(1,599,606)**	(1,588,122)	(1,697,071)
Total equity and liabilities		**(2,831,718)**	(2,735,542)	(2,732,241)

[1] See note 1 and note 29 for details of restatement.

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board

29 April 2024
Date of Approval

Group Statement of Changes in Equity

for the year ended 31 December 2023

		Retained earnings €'000	Translation reserve €'000	Total €'000
At 01 January 2022 (as previously reported)		**(1,063,053)**	(3,650)	(1,066,703)
Impact of accounting policy change on opening reserves[1]		**31,533**	-	31,533
At 01 January 2022 (as restated)		**(1,031,520)**	(3,650)	(1,035,170)
Profit for the year, (as restated)		**(53,196)**	-	(53,196)
Other comprehensive income for the year		**(91,585)**	2,711	(88,874)
Total comprehensive income for the year (as restated)		**(1,176,301)**	(939)	(1,177,240)
Transfer under common control transaction	30O.	**(292)**	-	(292)
Dividends	25	**30,112**	-	30,112
At 31 December 2022 (as restated)		**(1,146,481)**	(939)	(1,147,420)
Profit for the year		**(99,303)**	-	(99,303)
Other comprehensive income for the year		**(12,523)**	(1,120)	(13,643)
Total comprehensive income for the year		**(111,826)**	(1,120)	(112,946)
Transfer under common control transaction	30O.	**945**	-	945
Dividends	25	**27,309**	-	27,309
At 31 December 2023		**(1,230,053)**	(2,059)	(1,232,112)

All attributable to owners of the Parent.

[1] See note 1 and note 29 for details of restatement.

Group Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Net cash from operating activities	15	**219,060**	229,612
Cash flows from investing activities			
Payments for property, plant and equipment		**(133,594)**	(136,656)
Payments for intangible assets		**(6,629)**	(5,518)
Grants received	20	**762**	643
Receipt relating to the sale of Energy division	7	**1,440**	-
Net cash used in investing activities		**(138,021)**	(141,531)
Cash flows from financing activities			
Payment of other financing costs	17	**-**	(1,200)
Repayment of lease liabilities	11	**(239)**	(238)
Dividends paid	25	**(32,409)**	(30,112)
Transfer under common control	18	**(12,202)**	-
Net cash used in financing activities		**(44,850)**	(31,550)
Net increase in cash and cash equivalents	14	**36,189**	56,531
Cash and cash equivalents at 01 January	14	**189,325**	133,645
Effect of exchange rate fluctuations on cash held	14	**555**	(851)
Cash and cash equivalents at 31 December	14	**226,069**	189,325

Notes to the Group Financial Statements

1	Statement of Accounting Policies
2	Divisional Information
3	Revenue
4	Operating Costs Net (excluding depreciation and amortisation)
5	Employee Benefits
6	Depreciation and Amortisation
7	Net Finance Costs
8	Tax
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Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies

Basis of preparation

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

The Group financial statements consolidate the financial statements of the Parent and its subsidiaries, (together referred to as 'the Group'), up to 31 December each year. In accordance with IFRS, non-controlled undertakings (including Uisce Éireann), as set out in note 26, are not consolidated for the financial year ended 31 December 2022.

The Group and Parent financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) agenda decisions, effective for accounting periods beginning on or after 1 January 2023. 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 through profit or loss. 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 (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 material 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, while noting the net current liability position of the Group (€113m), reflective of Eurobond 3 (€300m) falling due for repayment in December 2024. The Group has significant available resources, including €191 million of cash and cash equivalents available to group at 31 December 2023 (2022: €149 million) and committed undrawn bank facilities of €312 million at 31 December 2023 (2022: €312 million). Further details of the Group's liquidity position are provided in note 23 (ii) of these financial statements.

It is expected that the dissolution of Ervia will occur in 2024, on a date post the signing of the Financial Statements, through the enactment of the Gas (Amendment) Bill 2023 (the "Bill"). The functions, activities, and the residual assets and liabilities of the Ervia Parent will transfer to Gas Networks Ireland under a common control transaction and therefore the going concern basis of accounting remains appropriate for the Ervia Parent.

When completing the going concern assessment, the Board has considered the principal risks and uncertainties of the Group, including the ongoing war in Ukraine and the impacts of climate change.

New IFRS accounting standards effective for the year ended 31 December 2023

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 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 12 Income Taxes International Tax Reform—Pillar Two Model Rules[1]
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

[1] The Pillar Two Model Rules apply to multinational enterprise groups or large-scale domestic groups where the revenue of the group exceeds €750 million in at least two of the previous four fiscal years. As the revenue of the Group has not exceeded €750 million in at least two of the previous four fiscal years the Pillar Two Model Rules do not yet apply.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 1 Presentation of Financial Statements: Non-current liabilities with Covenants
- 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: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16 Leases Lease Liability in a Sale and Leaseback

It is anticipated that application of the above IFRS amendments and annual improvements, in issue at 31 December 2023, but not yet effective, will not have a significant impact on the Group's financial statements.

Voluntary change in accounting policy

Previously, the Group applied the following revenue accounting policy, in accordance with IFRS 15 Revenue from Contracts, for contributions received to connect customers to the gas network:

"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."

Judgement was required in the application of the previous accounting policy, to determine that the completion of the connection works was a distinct performance obligation, thereby resulting in the contribution revenues being recognised over the completion of the connection. The Group notes that this accounting judgement area has been subject to consideration within the accounting profession, with two schools of thought existing on whether the connection works are a distinct performance obligation, depending on the assessment as to whether future network services are "readily available" in accordance with IFRS 15. The alternative view is that future network services are not "readily available" in accordance with IFRS 15, based on the assessment that connection works are inextricably linked to the provision of future network services, thereby resulting in the connection contribution related revenues being recognised over the estimated life of the connection.

Due to the significant additional power generation requirements at a national level, the Group is planning to deliver a number of very large customer funded connections over the next five years. The Group has concluded that a change in accounting policy should be adopted in accordance with IAS 8, to recognise unregulated connection contribution related revenues over the period that future network services are provided, based on the revised judgement that the connection works are not a distinct performance obligation, in accordance with IFRS 15. The Group is of the view that the change in accounting policy will provide more insightful information on the Group's financial performance and position, as the revised revenue recognition profile will be more representative of the customer relationship and will provide better comparability with peer companies.

The change in accounting policy has been accounted for retrospectively as required under IAS 8 and the prior period has been restated to reflect this change. As a change in accounting policy, the Group is required to restate prior periods in accordance with IAS 8.

The impact of the change in accounting policy on the 2023 financial results was to reduce revenue and profit before tax by c. €18m and reduce the tax charge in the current year by €2.25m. The 2023 impact on equity was a reduction of €15.75m resulting from an increase in deferred revenue of €18m and a decrease in the tax liability of €2.25m.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

The summary table below illustrates the impact of the change in accounting policy on opening balances at 01 January 2022 and 01 January 2023:

	Impacts on Opening Balance Sheet @ 01 Jan 2022	Impacts on Income Statement Year ended 31 Dec 2022	Impacts on Opening Balance Sheet @01 Jan 2023
	€'000	€'000	€'000
Liabilities			
Increase in deferred revenue	(36,038)	(3,674)	**(39,712)**
Decrease in deferred tax liabilities	4,505	459	**4,964**
Total Net Asset Decrease	(31,533)	(3,215)	**(34,748)**
Equity			
Reduction in retained earnings	31,533	3,215	**34,748**
Total Equity Decrease	31,533	3,215	**34,748**

Refer to note 29 for details of the effect of this change in accounting policy on each financial statement line item of the Group as at and for the financial year ending 31 December 2022.

Material Accounting Policy Information

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."

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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 carrying amount of assets at the date of the transaction reflect any impairment losses.

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 necessarily 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 (Northern Ireland regulated)	25 years
Transmission pipelines (Republic of Ireland regulated)	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 that are not yet ready for use, and goodwill are tested annually for impairment.

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

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

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

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

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

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

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

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

Revenue is measured based on the consideration the Group expects to be entitled to receive 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 over the life of the connection. Judgment is required to determine whether the completion of the connection services are distinct from the provision of future network transportation services. The Group has concluded that the connections and transportation services are not distinct services and therefore customer connection contributions are recognised as revenue over time as we provide access to the gas network. Transmission system connections revenue is released to the income statement over a period of fifteen years while distribution system connections revenue is released to the income statement over a period of seven years. Refer to voluntary change in accounting policy note.

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

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

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

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 so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

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

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

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

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

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

i) Retirement Benefit Obligations
The Group operates both defined benefit and defined contribution pension schemes.

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

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial reviews being carried out at each reporting date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in other comprehensive income.

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

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

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

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

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

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

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

Provisions 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 sale. Specific allowance is made for damaged, deteriorated, obsolete and unusable items where appropriate.

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

Derivatives are recognised initially at fair value on 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 are stated at amortised cost using the effective interest rate method.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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 (which are recognised if assessed as material), fair value movements on financial instruments classified as fair value through profit or loss and net pension interest costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. The pension net interest cost is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset.

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

Fair value adjustments on financing instruments that are classified at fair value through profit or loss are presented as finance income or finance costs, as appropriate.

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.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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

Critical Accounting Judgements and Estimates

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

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 judgement, particularly in instances where projects include elements of both enhancement (capital) and maintenance (operating) activities. The Group has policies, controls and procedures in place to mitigate against the risks of ineligible expenditure being capitalised.

(b) Connection services and network transportation services
Judgement is required in the application of the Group's revenue accounting policy for network connection customer contributions, to determine whether the completion of the connection works is a distinct performance obligation from future network transportation services. The Group notes that this accounting judgement area has been subject to consideration within the accounting profession, with two schools of thought existing on whether the connection works are a distinct performance obligation, depending on the assessment as to whether future network services are "readily available" in accordance with IFRS 15. The alternative view is that future network services are not "readily available" in accordance with IFRS 15, based on the assessment that connection works are inextricably linked to the provision of future network transportation services. The Group has concluded that connection works are not a distinct performance obligation and consequently, network connection customer contributions are recognised as revenue over the estimated life of the connection as network services are provided.

(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 2023, the aggregate of the Group's property, plant and equipment, investment properties and intangible assets was €2,468.7 million (2022 €2,468.8 million), which accounted for the majority of the Group's assets.

Notes to the Group Financial Statements (continued)

1. Statement of Accounting Policies (continued)

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 (2023: €143.3 million and 2022: €141.7 million) which are primarily calculated to write down the cost of property, plant and equipment and intangible assets over their expected useful economic lives (UELs).

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

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

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

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

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. Divisional Information

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

Division	Geographical location	Description of products and services
Gas Networks Ireland	Ireland and UK	The Gas Networks Ireland business develops, operates and maintains the natural gas transmission and distribution networks in Ireland and provides gas transportation services to suppliers and shippers. The Gas Networks Ireland business division also operates and owns the two Interconnector gas pipelines between Scotland and Ireland and has network infrastructure assets in Northern Ireland and the Isle of Man. Revenues are principally derived from gas transportation services. The Aurora Telecom business, which provides high quality dark fibre broadband infrastructure, is also included within this division.
Ervia Parent	Ireland	Legal separation between Gas Networks Ireland and Uisce Éireann was implemented as at January 2023, thus no transactional and support services provided to Uisce Éireann in 2023. Transactional and support service costs provided by Ervia parent to Gas Networks Ireland during 2023 consisted of certain limited Group Services and pension costs. Costs in respect of Ervia Parent are recharged to the Gas Networks Ireland. The operating costs of this division set out below are net of these recharges and primarily represent non-cash pension costs.

(a) Revenue by geographic location

	2023 €'000	2022 €'000 Restated[1]
Ireland	488,037	456,954
UK (including Northern Ireland and Isle of Man)	39,032	37,972
Total	**527,069**	494,926

[1] See note 1 and note 29 for details of restatement.

Included in the Group's total revenue are revenues of €143.9 million (2022: €131.8 million), €87.9 million (2022: €82.6 million) and €61.5 million (2022: €50.8 million) which arose from sales to the Group's three largest customers.

(b) Capital expenditure

	Capital additions to property, plant and equipment (note 9)		Capital additions to intangible assets (note 12)	
	2023 €'000	2022 €'000	2023 €'000	2022 €'000
Gas Networks Ireland	142,099	130,832	5,735	3,688
Ervia Parent	-	-	-	-
Total	**142,099**	130,832	**5,735**	3,688

Notes to the Group Financial Statements (continued)

2. Divisional Information (continued)

(c) Non-current assets by geographic location

	31-Dec-23 €'000	31-Dec-22 €'000
Ireland	2,126,749	2,120,026
UK (including Northern Ireland and Isle of Man)	341,986	348,827
Total	**2,468,735**	2,468,853

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

			a			b	a + b = c
	Gas Networks Ireland (Statutory results)	Consolidation and eliminations	Gas Networks Ireland (Segment results)	Ervia Parent (Statutory results)	Consolidation and eliminations	Ervia Parent (Segment results)	Ervia Group (Statutory results)
	2023 €'000	2023 €'000	2023 €'000	2023 €'000	2023 €'000	2023 €'000	2023 €'000
		Note (i)			Note (ii)		
Revenue	527,069	-	527,069	-	-	-	527,069
Operating costs net	(253,674)	-	(253,674)	(3,262)	-	(3,262)	(256,936)
Operating profit/(loss) before depreciation and amortisation (EBITDA)	273,395	-	273,395	(3,262)	-	(3,262)	270,133
Depreciation and amortisation	(147,132)	3,866	(143,266)	-	-	-	(143,266)
Operating profit/(loss)	126,263	3,866	130,129	(3,262)	-	(3,262)	126,867
Finance income	4,065	-	4,065	20,592	(18,869)	1,723	5,788
Finance costs	(15,297)	-	(15,297)	(41)	-	(41)	(15,338)
Net finance (costs)/ income	(11,232)	-	(11,232)	20,551	(18,869)	1,682	(9,550)
Profit before income tax	115,031	3,866	118,897	17,289	(18,869)	(1,580)	117,317

Notes to the Group Financial Statements (continued)

2. Divisional Information (continued)

	Gas Networks Ireland (Statutory results) 31-Dec-23 €'000	Consolidation and eliminations 31-Dec-23 €'000 Note (i)	a Gas Networks Ireland (Segment results) 31-Dec-23 €'000	Ervia Parent (Statutory results) 31-Dec-23 €'000	Consolidation and eliminations 31-Dec-23 €'000 Note (iii)	b Ervia Parent (Segment results) 31-Dec-23 €'000	a + b = c Ervia Group (Statutory results) 31-Dec-23 €'000
Infrastructure assets	2,515,348	(46,613)	2,468,735	-	-	-	2,468,735
Retirement benefit asset	-	-	-	13,620	-	13,620	13,620
Other assets	347,104	-	347,104	690,839	(688,580)	2,259	349,363
Total assets	2,862,452	(46,613)	2,815,839	704,459	(688,580)	15,879	2,831,718
Borrowings and other debt	(1,023,944)	-	(1,023,944)	-	-	-	(1,023,944)
Other liabilities	(582,336)	8,288	(574,048)	(1,896)	282	(1,614)	(575,662)
Total liabilities	(1,606,280)	8,288	(1,597,992)	(1,896)	282	(1,614)	(1,599,606)
Net assets	1,256,172	(38,325)	1,217,847	702,563	(688,298)	14,265	1,232,112
Net debt	(835,539)		(835,539)	2,323	-	2,323	(833,216)

Note (i): Certain assets were previously subject to intra-group disposals to entities within the Gas Networks Ireland Group at market value for consideration in excess of the net book value at the date of sale. From an Ervia Group perspective the unrealised intra-group gains were eliminated on consolidation when the related assets were sold to entities within the Gas Networks Ireland Group and subsequently the depreciation uplift recognised in the Gas Networks Ireland Group financial statements are also eliminated on consolidation (2023: €3.9 million, 2022: €3.9 million). The carrying value of the relevant assets included in the Gas Networks Ireland Group financial statements, that are subject to elimination on consolidation was €46.6 million as at 31 December 2023 (2022: €50.5 million). The deferred tax liability on these assets, subject to elimination on consolidation, was €8.3 million as at 31 December 2023 (2022: €7.8 million).

Note (ii): The intra-group dividend declared from Gas Networks Ireland to Ervia Parent of €18.9 million for the year ended 31 December 2023 is eliminated at an Ervia Group level (2022: €20.1 million).

Note (iii): During 2023, the following Ervia Parent assets are either eliminated or reclassified (offset) on consolidation:

- The Ervia Parent investment in Gas Networks Ireland of €688.3 million is eliminated against the Gas Networks Ireland net assets (equity). Refer to note 30G.
- The Ervia Parent intercompany receivable from Gas Networks Ireland Group of €0.2 million is eliminated against the corresponding liability in Gas Networks Ireland Group. Refer to note 30H.
- The Ervia parent current tax liability of €0.06m is netted against the Gas Networks Ireland Group current tax asset.

Notes to the Group Financial Statements (continued)

3. Revenue

	2023 €'000	2022 €'000 Restated[1]
Regulated	485,172	448,845
Unregulated - transportation contracts	21,333	25,336
Unregulated - new connections contracts	7,874	7,547
Unregulated - other	12,690	13,198
Total	527,069	494,926

[1] See note 1 and note 29 for details of restatement.

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 - new connection contracts relate to transmission and distribution customer connection contributions, that are recognised as revenue over time as we provide access to the gas network. Unregulated other primarily relates to revenue from the Aurora telecommunications business and sales for operational services that are ancillary to the use of the gas transportation system.

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

4. Operating Costs Net (excluding depreciation and amortisation)

		2023 €'000	2022 €'000
Employee benefit expense		(70,934)	(73,690)
Hired and contracted services		(10,383)	(8,999)
Materials, maintenance and sub-contractor costs		(72,054)	(64,916)
Rates and facilities		(36,815)	(36,930)
Gas system shrinkage and gas losses		(36,295)	(63,801)
Other operating expenses		(31,777)	(28,435)
Recharges to Uisce Éireann[1]	27	-	1,259
Other operating income[2]		1,322	1,195
Total		(256,936)	(274,317)

[1] Legal separation from Uisce Éireann occurred on 01 January 2023, thus no group support service costs were recharged during 2023.
[2] Other operating income includes rental income earned of €1.3m in 2023, (2022 €1.2m).

Operating costs are stated after charging:

(a) Auditor's remuneration

	2023 €'000	2022 €'000
Audit of the Group financial statements[1]	(198)	(184)
Other assurance services	(57)	(52)
Tax advisory services	-	-
Other non-audit services	(11)	(11)
Total	(266)	(247)

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

Notes to the Group Financial Statements (continued)

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

(b) Board members' emoluments

	2023 €'000	2022 €'000
Fees	(142)	(164)
Remuneration of the Group Chief Executive Officer	(269)	(279)
Total	**(411)**	(443)

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

	2023 €'000	2022 €'000
Basic salary	(225)	(225)
Other short-term employee benefits	(13)	(14)
Post-employment benefits - pension contributions	(31)	(40)
Total	**(269)**	(279)

5. Employee Benefits

(a) Aggregate employee benefits

	2023 €'000	2022 €'000
Staff short-term benefits	(67,877)	(61,573)
Termination benefits	-	(382)
Post-employment benefits - defined benefit scheme	(6,435)	(13,698)
Post-employment benefits - defined contribution scheme	(2,661)	(2,124)
Social insurance costs	(7,476)	(6,831)
	(84,449)	(84,608)
Capitalised payroll	13,515	10,918
Employee benefit expense charged to profit or loss	**(70,934)**	(73,690)

(b) Staff short-term benefits

	2023 €'000	2022 €'000
Wages and salaries	(64,049)	(57,759)
Overtime	(1,382)	(1,259)
Allowances	(944)	(1,075)
Other[1]	(1,502)	(1,480)
Total	**(67,877)**	(61,573)

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

The average monthly number of employees providing services to the Group for the year was 813 (2022: 735).

Notes to the Group Financial Statements (continued)

6. Depreciation and Amortisation

		2023 €'000	2022 €'000
Depreciation of property, plant and equipment	9	(140,159)	(138,005)
Impairment of property, plant and equipment	9	(1,864)	(3,739)
Depreciation of investment properties	10	(438)	(437)
Depreciation of right-of-use assets	11	(414)	(409)
Amortisation of intangible assets	12	(6,972)	(5,752)
Grant amortisation	20	6,581	6,615
Total		**(143,266)**	(141,727)

7. Net Finance Costs

		2023 €'000	2022 €'000
Before remeasurements			
Interest and finance costs		(15,697)	(12,699)
Interest Income on short-term deposits		4,105	210
Interest capitalised		440	396
Change in estimate of cash flow on contingent consideration		1,440	-
Lease liability finance charge	11	(81)	(87)
Net interest on the net defined benefit liability	18	(16)	(1,380)
Net interest on other pension assets	18	206	112
Total before remeasurements		**(9,603)**	(13,448)
Remeasurements			
Net changes in fair value of derivatives		53	(768)
Total remeasurements		**53**	(768)
Total			
Finance income		5,788	210
Finance costs		(15,338)	(14,426)
Net finance costs		**(9,550)**	(14,216)

Notes to the Group Financial Statements (continued)

8. Tax

Income tax

	2023 €'000	2022 €'000 Restated[1]
Current tax		
Current tax	**(16,755)**	(14,751)
Adjustments in respect of previous years	**58**	(227)
	(16,697)	(14,978)
Deferred tax		
Origination and reversal of temporary differences	**(1,009)**	4,526
Adjustments in respect of previous years	**(308)**	(1,018)
	(1,317)	3,508
Total income tax	**(18,014)**	(11,470)

Reconciliation of effective tax rate

	2023 €'000	2022 €'000
Profit before tax	**117,317**	64,666
Taxed at 12.5% (2022: 12.5%)	**(14,665)**	(8,083)
Depreciation on capital expenditure that is not deductible for tax purposes	**(2,042)**	(1,481)
Other expenses not deductible for tax purposes	**(70)**	(335)
Income not taxable	**679**	498
UK subsidiary profits taxed at higher rates	**(2,683)**	(631)
Effect of tax rate change[2]	**990**	-
Exchange adjustments	**26**	(192)
Adjustments in respect of previous years	**(249)**	(1,246)
Total income tax	**(18,014)**	(11,470)

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

Current tax assets and liabilities

	31-Dec-23 €'000	31-Dec-22 €'000
Current tax assets[3]/ (liabilities)	**8,822**	(1,171)

Notes to the Group Financial Statements (continued)

8. Tax (continued)

Deferred tax assets and liabilities

	Pension obligations €'000	Accelerated tax depreciation €'000	Interest charges payable €'000	Other[4] €'000	Total €'000
At 1 January 2022	13,748	(203,798)	(29)	4,369	(185,710)
Recognised in income statement	684	1,862	544	418	3,508
Recognised in equity	(13,084)	-	-	-	(13,084)
Exchange adjustments	-	1,350	(529)	-	821
Transferred under common control transaction	-	-	-	(42)	(42)
At 31 December 2022[1]	1,348	(200,586)	(14)	4,745	(194,507)
Recognised in income statement	**225**	**3,101**	**301**	**(4,944)**	**(1,317)**
Recognised in equity	**(1,789)**	**-**	**-**	**-**	**(1,789)**
Exchange adjustments	**-**	**(364)**	**(20)**	**-**	**(384)**
Transferred under common control transaction	**(1,609)**	**-**	**-**	**-**	**(1,609)**
At 31 December 2023	**(1,825)**	**(197,849)**	**267**	**(199)**	**(199,606)**

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

	2023 €'000	2022 €'000
Capital losses	**2,118**	2,118

Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas subsidiary which were €189.7 million as at 31 December 2023 (2022 €174.0 million).

1 See note 1 and note 29 for details of restatement.
2 The UK Corporation tax rate increased 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).
3 Current tax asset arises primarily due the current and prior year tax impacts of the change in accounting policy as described in note 1.
4 Includes deferred tax asset of €0.3m in relation to lease liabilities (2022 €0.3m). Deferred tax liability in relation to right-of-use assets amounts to €0.5m, (2022 €0.6m).

9. Property, Plant and Equipment

		31-Dec-23 €'000	31-Dec-22 €'000
Property, plant and equipment - owned assets		**2,431,436**	2,429,952
Property, plant and equipment - right-of-use assets	11	**4,176**	4,508
Property, plant and equipment - as presented on the balance sheet		**2,435,612**	2,434,460

Notes to the Group Financial Statements (continued)

9. Property, Plant and Equipment (continued)

Property, plant and equipment - owned assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Assets under construction €'000	Total €'000
Cost				
At 1 January 2022	89,336	4,620,720	68,836	4,778,892
Additions	-	11,196	119,636	130,832
Disposals	-	(5,643)	-	(5,643)
Transfers	2,740	110,415	(113,155)	-
Transferred to investment properties (note 10)	(22,496)	(655)	-	(23,151)
Effect of movement in exchange rates	-	(12,494)	(224)	(12,718)
At 31 December 2022	69,580	4,723,539	75,093	4,868,212
Additions	**395**	**11,284**	**130,420**	**142,099**
Disposals	**-**	**(3,892)**	**-**	**(3,892)**
Transfers	**3,513**	**92,785**	**(96,298)**	**-**
Effect of movement in exchange rates	**-**	**5,108**	**65**	**5,173**
At 31 December 2023	**73,488**	**4,828,824**	**109,280**	**5,011,592**
Accumulated depreciation and impairment losses				
At 1 January 2022	(43,200)	(2,282,386)	-	(2,325,586)
Depreciation charge	(1,401)	(136,604)	-	(138,005)
Impairment charge	-	(2,677)	(1,062)	(3,739)
Disposals	-	5,643	-	5,643
Transferred to investment properties (note 10)	14,883	468	-	15,351
Effect of movement in exchange rates	-	8,076	-	8,076
At 31 December 2022	(29,718)	(2,407,480)	(1,062)	(2,438,260)
Depreciation charge	**(1,931)**	**(138,228)**	**-**	**(140,159)**
Impairment charge	**-**	**(1,864)**	**-**	**(1,864)**
Disposals	**-**	**3,892**	**-**	**3,892**
Transferred from investment properties (note 10)	**(314)**	**(86)**	**-**	**(400)**
Effect of movement in exchange rates	**-**	**(3,365)**	**-**	**(3,365)**
At 31 December 2023	**(31,963)**	**(2,547,131)**	**(1,062)**	**(2,580,156)**
Carrying amounts				
At 31 December 2022	39,862	2,316,059	74,031	2,429,952
At 31 December 2023	**41,525**	**2,281,693**	**108,218**	**2,431,436**

Impairment losses recognised in respect of plant and machinery in the year amounted to €1.9 million, (2022 €2.7m). These losses are attributable to greater than anticipated wear and tear. The impairment loss in 2022 of €1.1m in respect of assets under construction relates to development projects which will no longer proceed.

The carrying value of property, plant and equipment includes assets that are subject to operating lease arrangements as described in note 10 'The Group as Lessor'. The carrying value of these assets at 31 December 2023 was €45.0 million (31 December 2022: €58.0 million) and is included in plant, pipeline and machinery.

During the year, the Group capitalised €0.4 million (2022: €0.4 million) in borrowing costs. The capitalisation rate was 1.45% (2022: 1.19%).

Notes to the Group Financial Statements (continued)

9. Property, Plant and Equipment (continued)

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:

	2023 €'000	2022 €'000
UEL limited to 2050	14,113	13,085
UEL limited to 2060	3,811	3,467
UEL limited to 2070	757	638

10 Investment Properties

	Total €'000
Cost	
At 1 January 2022	**-**
Transferred from Property, plant and equipment (note 9)	**23,151**
At 31 December 2022	**23,151**
At 1 January 2023	**23,151**
for the year ended 31 December 2023	**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)**
At 1 January 2023	**(15,788)**
Transferred to Property, plant and equipment (note 9)	**400**
Depreciation charge	**(438)**
At 31 December 2023	**(15,826)**
Carrying amounts	
At 31 December 2022	**7,363**
At 31 December 2023	**7,325**

The Group's investment properties consist primarily of an office building leased to Uisce Éireann, (refer to note 27 for further details of this related party transaction), also included are legacy gasworks sites, one of which is leased to a third party. The fair value of the investment properties as at 31 December 2023 was €14.2m (2022 €16.1m). As at 31 December 2023 and 2022, the fair values of the properties are based on valuations performed by Avison Young, an accredited independent valuer with experience in the location and category of property being valued. The valuation has been prepared in accordance with the RICS Valuation- Global Standards (incorporating the IVSC International Valuation Standards.) 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 2023 was €1.3m (2022 €1.2m) and is included in "other operating income" see note 4.

Notes to the Group Financial Statements (continued)

11. Lease Assets and Liabilities

The Group as Lessee

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

Amounts recognised on the balance sheet

Right-of-use assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Cost			
At 1 January 2022	15,444	5,536	20,980
Transferred under common control transaction	(14,878)	-	(14,878)
Disposals	(156)	-	(156)
At 31 December 2022	**410**	**5,536**	**5,946**
Disposals	**82**	**-**	**82**
At 31 December 2023	**492**	**5,536**	**6,028**
Accumulated depreciation and impairment losses			
At 1 January 2022	(3,318)	(798)	(4,116)
Depreciation charge	(81)	(328)	(409)
Disposal	60	-	60
Transferred under common control transaction	3,027	-	3,027
At 31 December 2022	(312)	(1,126)	(1,438)
Depreciation charge	**(89)**	**(325)**	**(414)**
At 31 December 2023	**(401)**	**(1,451)**	**(1,852)**
Carrying amounts			
At 31 December 2022	98	4,410	4,508
At 31 December 2023	**91**	**4,085**	**4,176**
Lease liabilities			
At 1 January 2022	(12,448)	(2,805)	(15,253)
Disposal	92	-	92
Interest expense	(2)	(85)	(87)
Lease payments	85	240	325
Transferred under common control transaction	12,185	-	12,185
At 31 December 2022	(88)	(2,650)	(2,738)
Addition	**(82)**	**-**	**(82)**
Interest expense	**(1)**	**(80)**	**(81)**
Lease payments	**80**	**240**	**320**
At 31 December 2023	**(91)**	**(2,490)**	**(2,581)**

Notes to the Group Financial Statements (continued)

11. Lease Assets and Liabilities (continued)

Analysed as follows:

	2023 €'000	2022 €'000
Non-current	**(2,346)**	(2,519)
Current	**(235)**	(219)
Total	**(2,581)**	(2,738)

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 €1.3m, (2022 €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 2023, lease income pertaining to the transportation system of €18.1 million was recognised (2022: €21.5 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 4 years (2022: 1 to 5 years).

Maturity analysis

	31-Dec-23 €'000	31-Dec-22 €'000
Year 1	**9,579**	18,740
Year 2	**6,829**	9,459
Year 3	**3,899**	6,829
Year 4	**502**	3,899
Year 5	**-**	502
Total	**20,809**	39,429

Notes to the Group Financial Statements (continued)

12. Intangible Assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2022	163,140	10,558	173,698
Additions (including internally developed)	-	3,688	3,688
Transfers	10,194	(10,194)	-
Effect of movement in exchange rates	(110)	16	(94)
At 31 December 2022	173,224	4,068	177,292
Additions (including internally developed)	**-**	**5,735**	**5,735**
Transfers	**3,614**	**(3,614)**	**-**
Effect of movement in exchange rates	**44**	**1**	**45**
At 31 December 2023	**176,882**	**6,190**	**183,072**
Amortisation			
At 1 January 2022	(144,609)	-	(144,609)
Amortisation charge	(5,752)	-	(5,752)
Effect of movement in exchange rates	99	-	99
At 31 December 2022	(150,262)	-	(150,262)
Amortisation charge	**(6,972)**	**-**	**(6,972)**
Effect of movement in exchange rates	**(40)**	**-**	**(40)**
At 31 December 2023	**(157,274)**	**-**	**(157,274)**
Carrying amounts			
At 31 December 2022	22,962	4,068	27,030
At 31 December 2023	**19,608**	**6,190**	**25,798**

Notes to the Group Financial Statements (continued)

13. Trade and Other Receivables

	31-Dec-23 €'000	31-Dec-22 €'000
Use of system receivable - billed[1]	**50,403**	4,388
Use of system receivable - unbilled	**47,579**	45,585
Other trade receivables - billed	**1,278**	7,940
Other trade receivables - unbilled	**4,572**	2,793
Other receivables	**487**	7,443
Sub-total	**104,319**	68,149
Prepayments	**9,279**	7,677
Total	**113,598**	75,826
Analysed as follows:		
Non-current	**-**	-
Current	**113,598**	75,826
Total	**113,598**	75,826

[1] Use of system receivable - billed has increased year on year as the November 2023 billing fell due for payment after year end on 02 January 2024, in accordance with the standard credit terms as described below

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

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

Use of system receivables:

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

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

Other trade receivables and other receivables:

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

The Group's maximum exposure of trade and other receivables to credit risk at the reporting date is €104.3 million (2022: €68.1 million). Prepayments are excluded as no credit exposure arises.

Notes to the Group Financial Statements (continued)

13. Trade and Other Receivables (continued)

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

	31-Dec-23 €'000	31-Dec-22 €'000
Republic of Ireland	**96,590**	60,557
UK (including Northern Ireland and Isle of Man)	**7,729**	7,592
Total	**104,319**	68,149

The majority of the Group's trade and other receivables are collected within 30 days of the invoice date. Customer payment behaviour 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)

	2023 €'000	2022 €'000
At 1 January	**(593)**	(517)
Impairment losses on financial assets	**(301)**	(95)
Allowance utilised	**-**	19
At 31 December	**(894)**	(593)

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

	31-Dec-23 €'000	31-Dec-22 €'000
Not past due	**98,490**	60,406
1 - 30 days	**3,421**	834
31 - 120 days	**1,891**	6,904
> 120 days	**517**	5
Total	**104,319**	68,149

14. Cash and Cash Equivalents

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

	31-Dec-23 €'000	31-Dec-22 €'000
Short-term bank deposits	**161,000**	111,452
Cash at bank	**29,728**	37,625
Total	**190,728**	149,077

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.

Notes to the Group Financial Statements (continued)

14. Cash and Cash Equivalents (continued)

Restricted deposits

	31-Dec-23 €'000	31-Dec-22 €'000
Cash at bank	**35,341**	40,248
Total	**35,341**	40,248

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). Customers have the option of replacing existing security deposits with other forms of financial security at any time. 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.

	2023 €'000	2022 €'000
At 1 January	**189,325**	133,645
Increase/(decrease) in cash and cash equivalents in the statement of cash flows	**36,189**	56,531
Effect of exchange rate fluctuations on cash held	**555**	(851)
At 31 December	**226,069**	189,325

15. Cash Generated from Operations

	Notes	2023 €'000	2022 Restated[1] €'000
Cash flows from operating activities			
Profit for the year		**99,303**	53,196
Adjustments for:			
Depreciation and amortisation	6	**143,266**	141,727
Net finance costs	7	**9,550**	14,216
Retirement benefit cost		**3,262**	8,273
Income tax expense	8	**18,014**	11,470
		273,395	228,882
Working capital changes:			
Change in trade and other receivables		**(37,823)**	16,588
Change in trade and other payables		**(14,465)**	(20,208)
Change in deferred revenue		**36,721**	28,114
Change in provisions		**(653)**	(395)
Change in inventories		**(88)**	(105)
Cash from operating activities		**257,087**	252,876
Interest paid		**(11,367)**	(9,647)
Income tax paid		**(26,660)**	(13,617)
Net cash from operating activities		**219,060**	229,612

[1] See note 1 and note 29 for details of restatement.

Notes to the Group Financial Statements (continued)

16. Inventory

	31-Dec-23 €'000	31-Dec-22 €'000
Stocks and materials	656	568

No inventory was pledged as security.

There were no write-downs of inventories to net realisable value in 2023 (2022: €nil).

In 2023 the value of inventory recognised as maintenance costs amounted €2.9m (2022 €2.4m).

17. Borrowings and Other Debt

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

	31-Dec-23 €'000	31-Dec-22 €'000
Bonds	(922,103)	(921,156)
Loans from financial institutions	(99,260)	(99,020)
Lease liabilities	(2,581)	(2,738)
Total	(1,023,944)	(1,022,914)
Analysed as follows:		
Non-current	(724,584)	(1,022,695)
Current	(299,360)	(219)
Total	(1,023,944)	(1,022,914)
Less than one year	(299,360)	(219)
Between one and five years	(498,915)	(796,927)
More than five years	(225,669)	(225,768)
Total	(1,023,944)	(1,022,914)

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

Net debt

		31-Dec-23 €'000	31-Dec-22 €'000
Total borrowings and other debt		(1,023,944)	(1,022,914)
Less cash and cash equivalents - available to Group	14	190,728	149,077
Net debt[1]		(833,216)	(873,837)

[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 €'000	Loans from financial institutions €'000	Lease liabilities €'000	Total €'000
At 1 January 2022		(920,210)	(99,966)	(15,253)	(1,035,429)
Payment of other financing costs		-	1,200	-	1,200
Repayment of lease liabilities	11	-	-	238	238
Non-cash-transfer under common control		-	-	12,185	12,185
Non-cash		(946)	(254)	92	(1,108)
At 31 December 2022		(921,156)	(99,020)	(2,738)	(1,022,914)
Repayment of lease liabilities	11	-	-	239	239
Non-cash		(947)	(240)	(82)	(1,269)
At 31 December 2023		(922,103)	(99,260)	(2,581)	(1,023,944)

18. Retirement Benefit Obligations

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

Defined benefit scheme

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

The defined benefit scheme is administered by a Board of Trustees which comprises member and employer representatives. The Board of Trustees is responsible for the management and governance of the scheme including compliance with all relevant laws and regulations. The assets of the scheme are held separately from those of the Group in trustee administered funds. The scheme is subject to independent actuarial valuations at least every three years. The latest valuation of the defined benefit scheme was carried out as at 01 September 2022 by a qualified actuary. The valuation date was brought forward from the scheduled 1 April 2023 as part of the separation of Eriva and Uisce Éireann. The next actuarial valuation is due with an effective date of 1 April 2025.

Transfer to Uisce Éirean

	31-Dec-23 €'000
Defined benefit obligation derecognised	12,866
Associated Deferred Tax asset derecognised	(1,609)
Cash compensation adjustment to Uisce Éireann	(12,202)
	(945)

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

Notes to the Group Financial Statements (continued)

18. Retirement Benefit Obligations (continued)

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

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

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

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

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

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

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

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

Notes to the Group Financial Statements (continued)

18. Retirement Benefit Obligations (continued)

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

	31-Dec-23 €'000	31-Dec-22 €'000
Investments quoted in active markets:		
Equities	**128,826**	177,340
- developed markets	**114,465**	158,808
- emerging markets	**14,361**	18,532
Bonds	**303,852**	208,940
- Government debt	**226,475**	156,333
- Non-government debt	**77,377**	52,607
Investment funds	**57,675**	69,020
Cash	**(343)**	5,659
Unquoted investments:		
Property/forestry	**2,588**	3,342
Infrastructure	**32,870**	21,683
Fair value of plan assets	**525,468**	485,984
Defined benefit obligation	**(518,567)**	(502,290)
Net defined benefit obligation (before reimbursement rights)	**6,901**	(16,306)
Reimbursement rights	**6,719**	5,585
Total	**13,620**	(10,721)

Investment strategy
The Group and Trustees have agreed an investment strategy target of moving to 80% matching assets over time as de-risking opportunities arise and as the scheme matures. The assets allocation at 31 December 2023 was 43% growth / 57% liability matching.

Notes to the Group Financial Statements (continued)

18. Retirement Benefit Obligations (continued)

Movement in net defined benefit liability before reimbursement rights

	Defined benefit liability		Fair value of plan assets		Net defined benefit obligation	
	2023 €'000	2022 €'000	2023 €'000	2022 €'000	2023 €'000	2022 €'000
At 1 January	**(502,290)**	(688,316)	**485,984**	570,590	**(16,306)**	(117,726)
Income Statement:						
Current service cost	**(6,435)**	(14,035)	**-**	-	**(6,435)**	(14,035)
Past service cost	**-**	(168)	**-**	-	**-**	(168)
Plan amendments	**-**	337	**-**	-	**-**	337
Interest on liabilities and assets	**(17,871)**	(8,500)	**17,855**	7,120	**(16)**	(1,380)
	(24,306)	(22,366)	**17,855**	7,120	**(6,451)**	(15,246)
Other Comprehensive Income:						
Return on plan assets excl. interest income	**-**	-	**28,490**	(89,704)	**28,490**	(89,704)
Experience gains/(losses) on liabilities	**2,617**	(22,369)	**-**	-	**2,617**	(22,369)
Changes in financial assumptions	**(20,945)**	222,166	**-**	-	**(20,945)**	222,166
Changes in demographic assumptions	**3,014**	(2,918)	**-**	-	**3,014**	(2,918)
Transferred under common control transaction	**12,866**	-	**-**	-	**12,866**	-
	(2,448)	196,879	**28,490**	(89,704)	**26,042**	107,175
Contributions by employers	**-**	-	**3,444**	11,015	**3,444**	11,015
Contributions by members	**(2,551)**	(3,740)	**2,551**	3,740	**-**	-
Benefits paid	**13,065**	17,720	**(12,856)**	(16,777)	**209**	943
Current service costs - provisions	**(37)**	(66)	**-**	-	**(37)**	(66)
Current service costs - Uisce Éireann	**-**	(2,401)	**-**	-	**-**	(2,401)
	10,477	11,513	**(6,861)**	(2,022)	**3,616**	9,491
At 31 December	**(518,567)**	(502,290)	**525,468**	485,984	**6,901**	(16,306)

The weighted average duration of the defined benefit obligation at 31 December 2023 was approximately 18 years (2022: 19 years). The Group expects to contribute €4.4 million to its pension plan in 2024.

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate	**3.30%**	3.70%
Inflation assumption	**2.35%**	2.50%
Rate of increase in salaries	**2.85%**	3.00%
Rate of increase in pensions payment	**2.35%**	2.50%

Notes to the Group Financial Statements (continued)

18. Retirement Benefit Obligations (continued)

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

		2023	2022
Retiring today	Females	**24.8**	24.8
	Males	**22.9**	23.0
Retiring in 25 years	Females	**26.9**	27.0
	Males	**25.0**	25.1

Sensitivity analysis for principal assumptions used to measure scheme liabilities

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease by 4.3%/increase by 4.6%
Price inflation	Increase/decrease by 0.25%	Increase by 4.0%/decrease by 3.8%
Salary	Increase/decrease by 0.25%	Increase by 1.2%/decrease by 1.2%
Mortality	Increase/decrease by one year	Increase by 2.9%/decrease by 2.9%

Defined benefit obligation - reimbursement rights

Ervia participates in the Public Service Transfer Network (PSTN). The PSTN is governed by Section 4 of the Superannuation and Pensions Act 1963 and allows qualifying employees to transfer their pensionable service entitlements, arising from service with other participating public sector bodies, to the Ervia scheme. Ervia is entitled to recover the cost of funding this prior pensionable service from the relevant public bodies in accordance with the provision of the PSTN, when the relevant employee superannuation benefits are paid. Ervia recovered €0.2 million in funding during the year. At 31 December 2023, the fair value of the reimbursement rights, which is deemed to be the present value of the related obligations, was valued at €6.7 million by the scheme actuary under IAS 19 assumptions (2022: €5.6 million).

Defined contribution pension scheme

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

Post Balance Sheet Event

It is anticipated that the completion of the reorganisation of the Ervia Group will be completed in 2024, with the enactment of the Gas (Amendment) Bill 2023. The legislation will provide for the dissolution of Ervia and the transfer of its assets and liabilities to Gas Networks Ireland on the transfer day, including the Ervia Superannuation Scheme.

Notes to the Group Financial Statements (continued)

19. Deferred Revenue

	31-Dec-23 €'000	31-Dec-22 €'000 Restated[1]
At 1 January	**(124,558)**	(96,444)
Received	**(48,839)**	(39,527)
Credited to the income statement	**12,118**	11,413
Effect of movement in exchange rates	**28**	-
At 31 December	**(161,251)**	(124,558)
Analysed as follows:		
Non-current	**(148,293)**	(113,200)
Current	**(12,958)**	(11,358)
Total	**(161,251)**	(124,558)

[1] See note 1 and note 29 for details of restatement.

Customer 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 ongoing access is provided to the gas network

20. Grants

	2023 €'000	2022 €'000
At 1 January	**(64,561)**	(71,521)
Receivable in year	**(762)**	(1,061)
Amortised	**6,581**	6,615
Credited to the income statement	**42**	670
Effect of movement in exchange rates	**(285)**	736
At 31 December	**(58,985)**	(64,561)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	**(52,400)**	(57,971)
Current	**(6,585)**	(6,590)
Total	**(58,985)**	(64,561)

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

Grants receivable for 2023 of €0.8 million (2022: €1.1 million) related to grant funding from the Innovation and Networks Executive Agency (INEA) for Carbon Capture utilisation and storage work studies, for investment in Compressed Natural Gas stations and Biogas related infrastructure and the development of policies and procedures in relation to Gas Networks Ireland Gas Operational Technology. A number of conditions relating to these grant fundings remain in progress at year end.

Notes to the Group Financial Statements (continued)

21. Provisions, Contingencies and Capital Commitments

Provisions

	Restructuring €'000	Self-insured claims €'000	Total €'000
At 1 January 2023	(25)	(7,391)	(7,416)
Provisions made	-	(447)	(447)
Provisions used	25	1,075	1,100
At 31 December 2023	-	(6,763)	(6,763)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	(5,072)	(5,905)
Current	(1,691)	(1,511)
Total	(6,763)	(7,416)

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 €0.025m in aggregate during 2023 in respect of 1 employee who exited under the terms of the programme. These liabilities were fully discharged in 2023.

Self-insured claims

The Group is self-insured in respect of certain injury and damage claims. The year-end provision is for the estimated costs of incidents that have occurred up to 31 December 2023. 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

	2023 €'million	2022 €'million
Capital expenditure that has been contracted for but has not been provided for	98	87

Notes to the Group Financial Statements (continued)

22. Trade and Other Payables

	31-Dec-23 €'000	31-Dec-22 €'000
Trade payables	**(18,943)**	(19,055)
Accrued expenses	**(78,349)**	(73,157)
Other payables	**(31,437)**	(49,587)
Taxation and social insurance creditors	**(20,056)**	(19,398)
Total	**(148,785)**	(161,197)
Analysed as follows:		
Non-current	**(6,912)**	(7,859)
Current	**(141,873)**	(153,338)
Total	**(148,785)**	(161,197)
Taxation and social insurance creditors		
PAYE/social insurance	**(2,225)**	(2,002)
VAT	**(17,831)**	(17,396)
Total	**(20,056)**	(19,398)

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 2023 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 €'000	Amortised cost €'000	Total €'000
At 31 December 2023				
Financial assets				
Foreign exchange rate contracts	Level 2	**218**	**-**	**218**
Trade and other receivables[2]		**-**	**104,319**	**104,319**
Cash and cash equivalents - available to group[3]		**-**	**190,728**	**190,728**
Cash and cash equivalents - restricted deposits		**-**	**35,341**	**35,341**
Total financial assets		**218**	**330,388**	**330,606**
Financial liabilities				
Borrowings and other debt[4]		**-**	**(1,023,944)**	**(1,023,944)**
Foreign exchange rate contracts	Level 2	**(272)**	**-**	**(272)**
Trade and other payables[1]		**-**	**(50,380)**	**(50,380)**
Total financial liabilities		**(272)**	**(1,074,324)**	**(1,074,596)**
Net financial (liabilities)		**(54)**	**(743,936)**	**(743,990)**
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts	Level 2	970	-	970
Trade and other receivables[2]		-	68,149	68,149
Cash and cash equivalents - available to group[3]		-	149,077	149,077
Cash and cash equivalents - restricted deposits		-	40,248	40,248
Total financial assets		970	257,474	258,444
Financial liabilities				
Borrowings and other debt[4]	Level 2	-	(1,022,914)	(1,022,914)
Foreign exchange rate contracts	Level 2	(1,077)	-	(1,077)
Trade and other payables[1]		-	(68,642)	(68,642)
Total financial liabilities		(1,077)	(1,091,556)	(1,092,633)
Net financial assets/(liabilities)		(107)	(834,082)	(834,189)

1 Accrued expenses and taxations and social insurance creditors have been excluded as these are not classified as financial liabilities.
2 Prepayments have been excluded as these are not classified as financial assets.
3 Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group has a current legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. At 31 December 2023, €29.8 million of cash and cash equivalents available to the group (2022: €38.0 million) was offset against €0.1 million of bank overdrafts (2022: €0.4 million), and a net position of €29.7 million was presented as cash and cash equivalents available to the group (2022: €37.6 million). At 31 December 2023, 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 2023 was €974.4 million (2022: €933.6 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 €'000	Current assets €'000	Non-current liabilities €'000	Current liabilities €'000	Total €'000
Foreign exchange contracts	-	218	-	(272)	(54)
At 31 December 2023	-	218	-	(272)	(54)
Foreign exchange contracts	58	912	(111)	(966)	(107)
At 31 December 2022	58	912	(111)	(966)	(107)

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

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

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

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

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

	31-Dec-23 €'000	31-Dec-22 €'000
Trade and other receivables (excluding prepayments)	104,319	68,149
Cash and cash equivalents - available to group	190,728	149,077
Cash and cash equivalents - restricted deposits	35,341	40,248
Derivative financial instruments	218	970
Total	330,606	258,444

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

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

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 or issued by financial institutions. Even though these obligations may not be recognised on the Group balance sheet, credit risk exists in relation to these instruments as they commit the Group to make payments, on behalf of subsidiary companies, in the event of a specific act and therefore they form part of the overall risk of the Group. The nominal values of such commitments are listed below (i.e the maximum exposure to credit risk under these obligations).

	31-Dec-23 €'000	31-Dec-22 €'000
Letters of credit	700	700
Total	700	700

(i) (b) Trade related credit risk
Refer to note 13 for an analysis of the Group's exposure to trade related credit risk.

(ii) Funding and liquidity risk
The Group's approach to managing funding and liquidity risk is to ensure, as far as possible, that it has adequate resources to meet its liabilities when due, under both normal and stressed conditions. Group Treasury is responsible for ensuring the Group has access to sufficient liquidity to ensure that the Group is able to settle obligations arising through its day-to-day operations, maturing debt obligations and capital investment outlays. Group Treasury develops and maintains relationships with financial institutions in order to develop their understanding of the business and to build their long-term commitment to the Group. All banking and treasury services are sourced at competitive prices.

(ii) (a) Funding
The Group's funding position was strong in 2023. A revolving credit facility with a group of 6 domestic and international banks provides the Group with a strong level of liquidity out to 2028. 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-23 €'000	31-Dec-22 €'000
Borrowings (excluding lease liabilities)	(1,021,363)	(1,020,176)
Committed facilities	(1,335,577)	(1,335,179)

The Group credit rating was moved to Gas Networks Ireland in 2015. Gas Networks Ireland is rated A+ by Standard & Poor's (2022: A) and A2 by Moody's Investors Services (2022: A2). This strong credit rating enables Gas Networks Ireland to have access to a wide diversity of funding sources and ensures it can raise funding at competitive cost.

(ii) (b) Cash surpluses
Cash surpluses are used primarily to reduce the level of debt. Cash surpluses are primarily placed on deposit with counterparty banks. The Group will invest surplus cash in euro or in the currency of overseas operations.

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

(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.

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2023						
Borrowings and other debt	(1,023,944)	(1,107,957)	(314,470)	(12,810)	(524,304)	(256,373)
Trade and other payables[1]	(50,380)	(50,380)	(50,380)	-	-	-
Non-derivative financial liabilities	(1,074,324)	(1,158,337)	(364,850)	(12,810)	(524,304)	(256,373)
Foreign exchange rate contracts	(54)	(54)	(54)	-	-	-
Net derivative financial assets	(54)	(54)	(54)	-	-	-
Net financial liabilities	(1,074,378)	(1,158,391)	(364,904)	(12,810)	(524,304)	(256,373)
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]	(68,642)	(68,642)	(68,642)	-	-	-
Non-derivative financial liabilities	(1,091,556)	(1,188,611)	(82,284)	(313,730)	(531,060)	(261,537)
Foreign exchange rate contracts	(107)	(107)	(54)	(53)	-	-
Net derivative financial assets	(107)	(107)	(54)	(53)	-	-
Net financial liabilities	(1,091,663)	(1,188,718)	(82,338)	(313,783)	(531,060)	(261,537)

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

(iii) Market risk

Market risk is the possibility that changes in market factors will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows.

Treasury is responsible for managing market risk with respect to interest rates and currency exchange rates. All such transactions are carried out within the guidelines set by the Treasury Policy and transacted in compliance with the Requirements and the Conditions of the Minister of Finance, issued in accordance with provisions of the Financial Transaction of Certain Companies and Other Bodies Act 1992. Treasury seeks to apply hedge accounting in order to manage volatility in profit or loss where material in the context of the Group.

(iii) (a) Exchange rate risk

Exchange rate risk derives from the fact that some of the Group's operations are conducted in currencies other than euro (mainly sterling). The objective of exchange rate risk management is to protect profitability by minimising the impact of material variations due to foreign exchange rate movements.

GBP/EUR exchange rates were as follows:

	2023	2022
Average rate	0.870	0.868
Year-end rate	0.867	0.886

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

The potential exposure to exchange rate risk can be summarised as follows:

Subsidiaries operating in foreign currency (sterling)

The assets and liabilities of foreign operations are translated to euro at exchange rates at the reporting date. The results of foreign operations are translated to euro at average exchange rates for the period, when they represent a reasonable approximation of the actual rates incurred. Exchange differences on retranslation of the opening net assets and the results are recognised in other comprehensive income and presented as a separate component of equity (translation reserve). Group Treasury monitor this risk, and if deemed material, hedge the risk using foreign exchange deals.

Intra-group funding to foreign currency subsidiaries is translated into euro using the exchange rates at the reporting date. The profit/loss arising on the translation of the intra-group funding to foreign subsidiaries is taken to the income statement. The profit/loss arising on the translation of foreign currency liabilities, to the extent that they are used to finance or to provide a hedge against the intragroup funding in foreign subsidiaries, is also taken to the income statement.

Transaction exposure

From time to time the Group makes purchases in foreign currencies. The Group's policy is to manage these transaction exposures by seeking to net purchases and sales denominated in foreign currencies as far as possible. Where this is not possible, exposures will be hedged using derivatives permitted under the Treasury Policy.

Under Treasury Policy, all expected transactions in excess of €300,000 equivalent in foreign currencies will be evaluated with respect to the business risks and, where appropriate, currency risks will be hedged to minimise the potential for adverse variances arising from currency movements.

Exchange rate sensitivity analysis

A strengthening or weakening of the euro, as indicated below, against sterling at 31 December would have increased/(decreased) other comprehensive income and profit or loss by the amounts shown below. This analysis is based on exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Profit before taxation gain/(loss) 31-Dec-23 €'000	Other comprehensive income 31-Dec-23 €'000	Profit before taxation gain/(loss) 31-Dec-22 €'000	Other comprehensive income 31-Dec-22 €'000
5% Strengthening	(776)	(2,467)	(932)	(2,312)
5% Weakening	776	2,467	932	2,312

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

(iii) (b) Interest rate risk

Interest rate risk derives from changes in interest rates which affect the market value of financial assets and liabilities of the Group and impact on net income through impact on finance charges.

The Group's exposure to interest rate fluctuations covers two types of risk:
(i) a risk of change in the cash flows related to floating rate financial assets and liabilities; and
(ii) a risk of change in the value of fixed rate financial assets and liabilities.

The Group monitors exposure to interest rate risk on an ongoing basis with a view to taking advantage of low interest rate environments to fix the Group's interest rate obligations and increase certainty as to the Group's interest rate expense profile. The Group's policy is to maintain a minimum level of fixed rate debt of 60% of net debt on a rolling 12-month basis and 50% of net debt on a rolling three-year basis. The Group uses a number of methods, including entering into fixed rate debt and interest rate derivatives to manage the interest rate risk on its debt portfolio.

Notes to the Group Financial Statements (continued)

23. Financial Risk Management and Financial Instruments (continued)

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

	2023 €'000	2023 %	2022 €'000	2022 %
At fixed rates	(922,103)	90.3%	(921,156)	90.3%
At floating rates	(99,260)	9.7%	(99,020)	9.7%
Total	(1,021,363)	100.0%	(1,020,176)	100.0%

At 31 December 2023, the weighted average interest rate of the fixed debt portfolio (excluding leases) was 1.09% (2022: 1.09%), which comprised three bonds totalling €925.0 million.

The table below provides details of fixed rate debt included in borrowings at 31 December 2023:

	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

	2023	2022
Fixed rate debt had an average duration of	3.63 years	4.63 years

Interest costs on variable rate loans are reset on a periodic basis for one, three or six months over the prevailing market rate.

Cash flow sensitivity analysis for floating rate debt

The Group's policies and processes for the management and control of interest rate risk, as set out above, aims to reduce the impact of short-term interest rate fluctuations on the Group's earnings. Nevertheless, long-term changes in interest rates will have an impact on the Group's earnings.

It is estimated that a movement of 200 basis points in interest rates at 31 December would impact profit before taxation by the amounts shown below, and the fair value change on other comprehensive income would be as shown below:

	Profit before taxation 31-Dec-23 €'000	Profit before taxation 31-Dec-22 €'000	Other comprehensive income 31-Dec-23 €'000	Other comprehensive income 31-Dec-22 €'000
200 bp increase	(1,985)	(1,980)	-	-
200 bp decrease	1,985	1,980	-	-

The following assumptions were made in respect of the sensitivity analysis above:

- all other variables, in particular foreign currency rates, remain constant;
- relates only to derivative financial instruments and floating debt;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12-month period for the accrued interest portion of the sensitivity calculations.

Notes to the Group Financial Statements (continued)

24. Fair Value Measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent that it is available.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers in either 2023 or 2022.

(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.

(b) Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)

The fair value of borrowings, measured at amortised cost is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date - Fair value hierarchy: level 2. There were no financial instruments that are measured at amortised cost but for which fair value was disclosed classified as Level 3 either in current year or in prior year.

(c) Fair value of investment properties that are not measured at fair value (but fair value disclosures are required)

Investment properties are carried at historical cost less accumulated depreciation. The fair value of the investment properties is disclosed in line with the requirements of IAS 40.79. The fair value was determined using the market approach, considering all of the market information available and was performed by Avison Young (RICS registered valuers). 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.

Notes to the Group Financial Statements (continued)

25. Dividends

Dividend declared

	2023 €'000	2022 €'000
To the Exchequer	**27,309**	30,112
Total	**27,309**	30,112

Dividend paid

	2023 €'000	2022 €'000
Annual dividend paid to the Exchequer	**25,869**	30,112
Special dividend on sale of the Energy business paid to the Exchequer	**1,440**	-
Deferred dividend paid to the Exchequer	**5,100**	-
Total	**32,409**	30,112

Ervia is 100% beneficially owned by the Irish State. Annual dividends are based on 45% (2022: 45%) of the previous year's adjusted profit, as directed by the Government. A special dividend of €1.44m in relation to additional deferred sales consideration received for the Energy Business was also paid in 2023. In March 2024, the Board further approved the declaration and payment of an annual dividend of €44.018 million, subject to the Government's noting of the 2023 Financial Statements of Ervia.

In 2018, following agreement with the Department of Housing, Local Government and Heritage, Ervia withheld €5.1 million of the dividend. This balance was paid in 2023 along with associated interest.

26. Subsidiaries

At 31 December 2023 the Group and the Parent had the following subsidiaries:

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

At 31 December 2022, the Group held a single voting share in Uisce Éireann, with no economic rights attributable to that share. The Minister for Finance and the Minister for Housing, Local Government and Heritage each held 325 (2021: 325) Water Economic Rights ('WER') shares which carried no voting rights but carried all the economic rights to obtain benefit from the activities of Uisce Éireann.

Per the Water Services (Amendment) Act 2022, on 01 January 2023, the shares in Uisce Éireann issued to Ervia and the Minister for Finance and the Minister for Housing, Local Government and Heritage were cancelled and Uisce Éireann ceased to be a subsidiary of Ervia.

Notes to the Group Financial Statements (continued)

26. Subsidiaries (continued)

IFRS 10 states "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". The Group's single voting share in Uisce Éireann represented an existing right at 31 December 2022 that gave the Group the power to govern the financial and operating policies of Uisce Éireann. However, as this power could not be used to obtain variable returns, as the Group did not have rights to the variable returns of Uisce Éireann at that date, as required by IFRS 10, and therefore in order to comply with the requirements of IFRS, the financial statements of Uisce Éireann are not consolidated with the results of the Group for the financial years ended 31 December 2022.

27. Related Parties

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State. Refer to note 25 for disclosures in respect of the Group's dividends.

Uisce Éireann

Uisce Éireann was deemed to be a related party of the Group during the financial year ended 31 December 2022, on the basis of the fact pattern set out in note 26.

Transaction values during the year:

		2023 €'000	2022 €'000
Central transactional and support services	(a)	**-**	1,259
Pension costs	(b)	**-**	2,401

(a) Transactional and support service costs

Legal separation from Uisce Éireann occurred on 01 January 2023, thus no group support service costs were recharged during 2023. Costs recharged in 2022 consisted of certain limited group services and pension costs.

(b) Pension cost

The Group operates a defined benefit pension scheme. A number of Uisce Éireann employees participated in that scheme prior to legal separation. The scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Uisce Éireann recognised only the cost of contributions payable for the year in respect of Uisce Éireann employees prior to legal separation. The Group's current service costs for 2022 (as set out in note 18) includes the contributions payable for the year in respect of Uisce Éireann employees (as set out above). These costs were not included in the Group's employee benefit expense. In addition, Uisce Éireann made payments to Ervia in 2022 of €0.695 million to meet agreed pension deficit repair payments, arising from the April 2020 actuarial valuation of the Ervia Defined Benefit Scheme. This transaction is included within the central transactional and support services costs (2022) of €1.259 million outlined above.

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

Notes to the Group Financial Statements (continued)

27. Related Parties (continued)

(c) Operating leases

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. Gas Networks Ireland also leased additional property to Uisce Éireann in 2023 at an annual rent of €0.1m.

	2023 €'000	2022 €'000
Lease rental	**1,164**	1,076

Key management compensation

Key management consists of the Ervia Board, the Ervia CEO and his direct reports. The 2022 disclosure was net of an apportionment of costs to Uisce Éireann.

	2023 €'000	2022 €'000
Short-term employee benefits	**(2,077)**	(1,968)
Post-employment benefits	**(203)**	(228)
Total	**(2,280)**	(2,196)

Board members

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

Government bodies

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid, Local Authorities and with certain Irish banks which are partially owned by the Irish Government. All transactions are on normal commercial terms. The Group had no material concentration of borrowings or deposits with any such banks during the year, at the reporting date, or for the comparative period end.

28. Subsequent Events

There have been no 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.

In March 2024, the Board approved the declaration and payment of a dividend of €44.018 million.

It is expected that the dissolution of Ervia, the parent company will occur in 2024, through the enactment of the Gas (Amendment) Bill 2023 (the "Bill"). The functions, activities, and the residual assets and liabilities of the Ervia Parent will transfer to Gas Networks Ireland under a common control transaction.

Notes to the Group Financial Statements (continued)

29. Restatement of 2022 Group Financial Statements

(a) Group Income Statement

for the year ended 31 December 2022 (restated)

	2022 As previously reported €'000	2022 Adjustment €'000	2022 Restated €'000
Revenue	498,600	(3,674)	494,926
Operating costs net (excluding depreciation and amortisation)	(274,317)	-	(274,317)
Operating profit before depreciation and amortisation	**224,283**	**(3,674)**	**220,609**
Depreciation and amortisation	(141,727)		(141,727)
Operating profit	**82,556**	**(3,674)**	**78,882**
Finance income	210	-	210
Finance costs	(14,426)	-	(14,426)
Net finance costs	(14,216)	-	(14,216)
Profit before income tax	**68,340**	**(3,674)**	**64,666**
Income tax	(11,929)	459	(11,470)
Profit for the year	**56,411**	**(3,215)**	**53,196**
Profit attributable to:			
Owners of the Company	56,411	(3,215)	53,196
Profit for the year	**56,411**	**(3,215)**	**53,196**

Notes to the Group Financial Statements (continued)

29. Restatement of 2022 Group Financial Statements

(b) Group Balance Sheet
as at 31 December 2022 (restated)

	31-Dec-22 As previously reported €'000	31-Dec-22 Adjustment €'000	31-Dec-22 Restated €'000
Assets			
Non-current assets			
Property, plant and equipment	2,434,460	-	2,434,460
Investment properties	7,363	-	7,363
Intangible assets	27,030	-	27,030
Derivative financial instruments	58	-	58
Total non-current assets	**2,468,911**	**-**	**2,468,911**
Current assets			
Trade and other receivables	75,826	-	75,826
Cash and cash equivalents - available to group	149,077	-	149,077
Cash and cash equivalents - restricted deposits	40,248	-	40,248
Derivative financial instruments	912	-	912
Inventories	568	-	568
Total current assets	**266,631**	**-**	**266,631**
Total assets	**2,735,542**	**-**	**2,735,542**
Equity and liabilities			
Equity			
Share Capital	-	-	-
Retained earnings	(1,181,229)	34,748	(1,146,481)
Translation reserve	(939)	-	(939)
Total equity	**(1,182,168)**	**34,748**	**(1,147,420)**
Liabilities			
Non-current liabilities			
Borrowings and other debt	(1,022,695)	-	(1,022,695)
Retirement benefit obligations	(10,721)	-	(10,721)
Deferred revenue	(50,527)	(62,673)	(113,200)
Grants	(57,971)	-	(57,971)
Provisions	(5,905)	-	(5,905)
Trade and other payables	(7,859)	-	(7,859)
Derivative financial instruments	(111)	-	(111)
Deferred tax liabilities	(199,471)	4,964	(194,507)
Total non-current liabilities	**(1,355,260)**	**(57,709)**	**(1,412,969)**
Current liabilities			
Borrowings and other debt	(219)	-	(219)
Deferred revenue	(34,319)	22,961	(11,358)
Grants	(6,590)	-	(6,590)
Provisions	(1,511)	-	(1,511)
Trade and other payables	(153,338)	-	(153,338)
Derivative financial instruments	(966)	-	(966)
Current tax liabilities	(1,171)	-	(1,171)
Total current liabilities	(198,114)	22,961	(175,153)
Total liabilities	**(1,553,374)**	**(34,748)**	**(1,588,122)**
Total equity and liabilities	**(2,735,542)**	**-**	**(2,735,542)**

Notes to the Group Financial Statements (continued)

29. Restatement of 2022 Group Financial Statements

(c) Cash generated from operations
for the year ended 31 December 2022 (restated)

	2022 As previously reported €'000	2022 Adjustment €'000	2022 Restated €'000
Cash flows from operating activities			
Profit for the year	56,411	(3,215)	53,196
Adjustments for:			
Depreciation and amortisation	141,727	-	141,727
Net finance costs	14,216	-	14,216
Retirement benefit cost	8,273	-	8,273
Income tax expense	11,929	(459)	11,470
	232,556	**(3,674)**	**228,882**
Working capital changes:			
Change in trade and other receivables	16,588	-	16,588
Change in trade and other payables	(20,208)	-	(20,208)
Change in deferred revenue	24,440	3,674	28,114
Change in provisions	(395)	-	(395)
Change in inventories	(105)	-	(105)
Cash from operating activities	**252,876**	**-**	**252,876**
Interest paid	(9,647)	-	(9,647)
Income tax paid	(13,617)	-	(13,617)
Net cash from operating activities	**229,612**	**-**	**229,612**

Parent Income Statement
for the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Continuing operations			
Revenue		-	-
Operating costs net (excluding depreciation and amortisation)	30A.	(3,262)	(5,667)
Operating loss before depreciation and amortisation (EBITDA)		(3,262)	(5,667)
Operating loss		(3,262)	(5,667)
Finance income	30C.	20,592	20,127
Finance costs	30C.	(41)	(1,550)
Net finance income	30C.	20,551	18,577
Profit before income tax		17,289	12,910
Income tax	30D.	80	529
Profit for the year		17,369	13,439
Profit attributable to:			
Owners of the Parent		17,369	13,439
Profit for the year		17,369	13,439

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board

29 April 2024
Date of Approval

Parent Statement of Other Comprehensive Income
for the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Profit for the year		17,369	13,439
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gain	18	13,176	107,175
Remeasurement of other pension assets	18	1,136	(2,506)
Deferred tax relating to defined benefit obligations	30D.	(1,789)	(13,084)
Total items that will not be reclassified to profit or loss		12,523	91,585
Total other comprehensive income for the year		12,523	91,585
Total comprehensive income for the year		29,892	105,024
Total comprehensive income attributable to:			
Owners of the Parent		29,892	105,024
Total comprehensive income for the year		29,892	105,024

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board

29 April 2024
Date of Approval

Parent Balance Sheet

as at 31 December 2023

	Notes	31-Dec-23 €'000	31-Dec-22 €'000
Assets			
Non-current assets			
Retirement benefit asset	18	**13,620**	-
Investment in subsidiary	30G.	**688,298**	688,298
Total non-current assets		**701,918**	688,298
Current assets			
Trade and other receivables	30H.	**218**	12,461
Cash and cash equivalents	30I.	**2,323**	16,692
Derivative financial instruments	30M.	**-**	10
Current tax assets	30D.	**-**	6
Total current assets		**2,541**	29,169
Total assets		**704,459**	717,467
Equity and liabilities			
Equity			
Retained earnings		**(702,563)**	(700,925)
Total equity		**(702,563)**	(700,925)
Liabilities			
Non-current liabilities			
Retirement benefit obligations	18	**-**	(10,721)
Deferred tax liabilities	30D.	**(1,817)**	(397)
Total non-current liabilities		**(1,817)**	(11,118)
Current liabilities			
Grants	30K.	**-**	(42)
Trade and other payables	30L.	**(14)**	(5,382)
Current tax liabilities	30D.	**(65)**	-
Total current liabilities		**(79)**	(5,424)
Total liabilities		**(1,896)**	(16,542)
Total equity and liabilities		**(704,459)**	(717,467)

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Member of the Board

29 April 2024
Date of Approval

Parent Statement of Changes in Equity

for the year ended 31 December 2023

	Notes	Retained earnings €'000
At 1 January 2022		**(625,721)**
Profit for the year		**(13,439)**
Transfer under common control transaction		**(292)**
Other comprehensive income for the year		**(91,585)**
Total comprehensive income for the year		**(105,316)**
Dividends	25	**30,112**
At 31 December 2022		**(700,925)**
Profit for the year		**(17,369)**
Transfer under common control transaction		**945**
Other comprehensive income for the year		**(12,523)**
Total comprehensive income for the year		**(28,947)**
Dividends	25	**27,309**
At 31 December 2023		**(702,563)**

All attributable to owners of the Parent.

Parent Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Net cash from operating activities	30J.	**(2,589)**	(7,274)
Cash flows from investing activities			
Dividends received	30C.	**18,869**	20,112
Interest repayment received (loan to subsidiary)		**7,422**	5,830
Receipt relating to the sale of Energy division		**1,440**	-
Net cash from investing activities		**27,731**	25,942
Cash flows from financing activities			
Repayment of loan from subsidiary undertaking		**5,100**	-
Dividends paid	25	**(32,409)**	(30,112)
Transfer under common control	18	**(12,202)**	-
Net cash used in financing activities		**(39,511)**	(30,112)
Net decrease in cash and cash equivalents	30I.	**(14,369)**	(11,444)
Cash and cash equivalents at 01 January	30I.	**16,692**	28,136
Cash and cash equivalents at 31 December	30I.	**2,323**	16,692

Notes to the Parent financial statements

30A.	Operating Costs Net (excluding depreciation and amortisation)
30B.	Employee Benefits
30C.	Net Finance Income
30D.	Tax
30E.	Property, Plant and Equipment
30F.	Lease Assets and Liabilities
30G.	Investment in Subsidiary
30H.	Trade and Other Receivables
30I.	Cash and Cash Equivalents
30J.	Cash Generated from Operations
30K.	Grants
30L.	Trade and Other Payables
30M.	Financial Risk Management and Financial Instruments
30N.	Contingencies and Capital Commitments
30O.	Related Parties
30P.	Subsequent Events

Notes to the Parent Financial Statements (continued)

30A. Operating Costs Net (excluding depreciation and amortisation)

		2023 €'000	2022 €'000
Employee benefit expense	30B.	(3,262)	(9,020)
Hired and contracted services		(17)	290
Materials, maintenance and sub-contractor costs		-	(109)
Rates and facilities		(1)	15
Other operating expenses		(151)	170
Recharges to Uisce Éireann[1]		-	1,259
Recharges to subsidiary - Gas Networks Ireland		169	1,728
Total		(3,262)	(5,667)

[1] Legal separation from Uisce Éireann occurred on 01 January 2023, thus no group support service costs were recharged during 2023.

Refer to note 4 to the Group financial statements for disclosures in respect of the Auditor remuneration and Board members' emoluments.

30B. Employee Benefits

(a) Aggregate employee benefits

	2023 €'000	2022 €'000
Staff short-term benefits	-	(816)
Post-employment benefits - defined benefit scheme[1]	(3,262)	(8,109)
Post-employment benefits - defined contribution scheme	-	(12)
Social insurance costs	-	(83)
	(3,262)	(9,020)
Employee benefit expense charged to profit or loss	(3,262)	(9,020)

[1] Includes unallocated non-cash pension costs attributable to non-Parent company employees (i.e. eligible subsidiary employees) who participate in the Ervia defined benefit scheme (refer to note 18 to the Group financial statements and note 30O).

(b) Staff short-term benefits

	2023 €'000	2022 €'000
Wages and salaries	-	(702)
Overtime	-	(1)
Allowances	-	(4)
Other[1]	-	(109)
Total	-	(816)

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

The average monthly number of employees providing services to the Parent was nil for 2023 (2022: 8).

Notes to the Parent Financial Statements (continued)

30C. Net Finance Income

		2023 €'000	2022 €'000
Before remeasurements			
Dividends received		18,869	20,112
Interest Income on short-term deposits		93	15
Change in estimate of cash flow on contingent consideration		1,440	-
Net interest on the net defined benefit liability	18	(16)	(1,380)
Net interest on other pension assets	18	206	112
Other finance costs		(31)	(227)
Total before remeasurements		20,561	18,632
Remeasurements			
Net changes in fair value of financing derivatives		(10)	(55)
Total remeasurements		(10)	(55)
Total			
Finance income		20,592	20,127
Finance costs		(41)	(1,550)
Net finance income		20,551	18,577

30D. Tax

Income tax

	2023 €'000	2022 €'000
Current tax		
Current tax	(1,898)	(1,545)
Adjustments in respect of previous years	-	(128)
	(1,898)	(1,673)
Deferred tax		
Origination and reversal of temporary differences	1,968	2,402
Adjustments in respect of previous years	10	(200)
	1,978	2,202
Total income tax	80	529

Notes to the Parent Financial Statements (continued)

30D. Tax (continued)

Reconciliation of effective tax rate

	2023 €'000	2022 €'000
Profit before tax	**17,289**	12,910
Taxed at 12.5% (2022: 12.5%)	**(2,161)**	(1,614)
Expenses not deductible for tax purposes	**(269)**	(11)
Income not taxable	**2,539**	2,514
Adjustments to income	**(39)**	(32)
Adjustments in respect of previous years	**10**	(328)
Total income tax	**80**	529

Current tax assets and liabilities

	31-Dec-23 €'000	31-Dec-22 €'000
Current tax (liabilities) / assets	**(65)**	6

Deferred tax assets and liabilities

	Pension obligations €'000	Interest charges payable €'000	Other €'000	Total €'000
At 1 January 2022	13,712	(3,331)	146	10,527
Recognised in income statement	720	1,578	(96)	2,202
Recognised in equity	(13,084)	-	-	(13,084)
Transferred under common control transaction	-	-	(42)	(42)
At 31 December 2022	1,348	(1,753)	8	(397)
Recognised in income statement	**225**	**1,753**	**-**	**1,978**
Recognised in equity	**(1,789)**	**-**	**-**	**(1,789)**
Transferred under common control transaction	**(1,609)**	**-**	**-**	**(1,609)**
At 31 December 2023	**(1,825)**	**-**	**8**	**(1,817)**

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

	2023 €'000	2022 €'000
Capital losses	**396**	396

Notes to the Parent Financial Statements (continued)

30E. Property, Plant and Equipment

	31-Dec-23 €'000	31-Dec-22 €'000
Property, plant and equipment - owned assets	**-**	-
Property, plant and equipment - leased assets	**-**	-
Property, plant and equipment - as presented on the balance sheet	**-**	-

Property, plant and equipment - owned assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Cost			
At 1 January 2022	-	12	12
Disposals	-	(12)	(12)
At 31 December 2022	-	-	-
Disposals	**-**	**-**	**-**
At 31 December 2023	**-**	**-**	**-**
Accumulated depreciation and impairment losses			
At 1 January 2022	-	(12)	(12)
Disposals	-	12	12
At 31 December 2022	-	-	-
		-	
Carrying amounts			
At 31 December 2022	-	-	-
At 31 December 2023	**-**	**-**	**-**

Notes to the Parent Financial Statements (continued)

30F. Lease Assets and Liabilities

The Parent as Lessee

The Parent previously entered into various leasing arrangements which related to the rental of buildings and land. The associated assets and liabilities were transferred under a common control transaction during the financial year ended 31 December 2022.

Amounts recognised on the balance sheet

Right-of-use assets

	Land and buildings €'000	Total €'000
Cost		
At 1 January 2022	14,878	14,878
Transferred under common control	(14,878)	(14,878)
At 31 December 2022	-	-
At 31 December 2023	**-**	**-**
Accumulated depreciation		
At 1 January 2022	(3,027)	(3,027)
Transferred under common control	3027	3,027
At 31 December 2022	-	-
At 31 December 2023	**-**	**-**
Carrying amounts		
At 31 December 2022	-	-
At 31 December 2023	**-**	**-**
Lease liabilities		
At 01 January 2022	(12,185)	(12,185)
Transferred under common control	12,185	12,185
At 31 December 2022	-	-
At 31 December 2023	**-**	**-**

Notes to the Parent Financial Statements (continued)

30.G Investment in Subsidiary

	2023 €'000	2022 €'000
Cost		
At 1 January	**688,298**	688,298
Additions	**-**	-
At 31 December	**688,298**	688,298
Impairment		
At 1 January	**-**	-
At 31 December	**-**	-
Carrying amount		
At 31 December	**688,298**	688,298

The Parent's subsidiary is Gas Networks Ireland.

30H. Trade and Other Receivables

		31-Dec-23 €'000	31-Dec-22 €'000
Amounts due from subsidiaries	30O.	**218**	11,865
Other receivables		**-**	344
Sub-total		**218**	12,209
Prepayments		**-**	252
Total		**218**	12,461
Analysed as follows:			
Non-current		**-**	-
Current		**218**	12,461
Total		**218**	12,461

Refer to note 30O for further details in respect of balances with subsidiaries.

The maximum exposure of trade and other receivables to credit risk at the reporting date is €0.2 million (2022: €12.2 million). Prepayments are excluded as no credit exposure arises.

The Parent applies the IFRS 9 simplified approach (which uses a lifetime ECL) to measure ECL for all trade and other receivables, with the exception of certain amounts due from subsidiaries, which are measured using the IFRS 9 general approach. There are no material expected credit loss allowances recognised by the Parent and the Parent does not expect any significant losses of receivables that have not been provided.

At 31 December 2023, the Company had amounts due from subsidiaries of €0.2 million (2022: €11.9 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 ECL, regard is given to the historic performance of the relevant loan as well as forward looking information for the relevant subsidiary, including detailed discounted cash flow forecasts and macro-economic factors. Further to this assessment, no ECL allowance is recognised in respect of these amounts at 31 December 2023 (2022: €nil) and no ECL was recognised during the year in respect of these amounts (2022: €nil).

Notes to the Parent Financial Statements (continued)

30I. Cash and Cash Equivalents

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

	31-Dec-23 €'000	31-Dec-22 €'000
Short-term bank deposits	1,000	16,000
Cash at bank	1,323	692
Total	2,323	16,692

	2023 €'000	2022 €'000
At 1 January	16,692	28,136
Decrease in cash and cash equivalents in the statement of cash flows	(14,369)	(11,444)
At 31 December	2,323	16,692

30J. Cash Generated from Operations

	Notes	2023 €'000	2022 €'000
Cash flows from operating activities			
Profit for the year		17,369	13,439
Adjustments for:			
Net finance income	30C.	(20,551)	(18,577)
Retirement benefit cost		3,262	8,273
Income tax (credits)	30D.	(80)	(529)
		-	2,606
Working capital changes:			
Change in trade and other receivables		378	11,359
Change in trade and other payables		(795)	(19,631)
Cash from operating activities		(417)	(5,666)
Interest (paid)/ received		(345)	264
Income tax paid		(1,827)	(1,872)
Net cash from operating activities		(2,589)	(7,274)

Notes to the Parent Financial Statements (continued)

30K. Grants

	2023 €'000	2022 €'000
At 1 January	(42)	(293)
Receivable in year	-	(381)
Credited to the income statement	42	632
At 31 December	-	(42)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	-	-
Current	-	(42)
Total	-	(42)

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

Grants received in 2022 €0.4 million related to grant funding from the Innovation and Networks Executive Agency (INEA) for Carbon Capture utilisation and storage work studies. A number of conditions relating to these grant fundings remain in progress at year end. There were no grants receivable for the financial year 2023.

30L. Trade and Other Payables

	31-Dec-23 €'000	31-Dec-22 €'000
Trade payables	(2)	(37)
Accrued expenses	-	(75)
Other payables	(12)	(5,270)
Total	(14)	(5,382)
Analysed as follows:		
Current	(14)	(5,382)
Total	(14)	(5,382)

30M. Financial Risk Management and Financial Instruments

The following table combines information about:

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

Refer to note 24 to the Group financial statements for IFRS 13 disclosures in respect of fair value measurement.

Notes to the Parent Financial Statements (continued)

30M. Financial Risk Management and Financial Instruments (continued)

	Fair value hierarchy	FVTPL €'000	Amortised cost €'000	Total €'000
At 31 December 2023				
Financial assets				
Trade and other receivables[2]		-	218	218
Cash and cash equivalents[3]		-	2,323	2,323
Total financial assets		-	2,541	2,541
Financial liabilities				
Trade and other payables[1]		-	(14)	(14)
Total financial liabilities		-	(14)	(14)
Net financial assets		-	2,527	2,527
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts	Level 2	10	-	10
Trade and other receivables[2]		-	12,209	12,209
Cash and cash equivalents[3]		-	16,692	16,692
Total financial assets		10	28,901	28,911
Financial liabilities				
Trade and other payables[1]		-	(5,307)	(5,307)
Total financial liabilities		-	(5,307)	(5,307)
Net financial assets		10	23,594	23,604

1 Accrued expenses and taxation and social insurance creditors have been excluded as these are not classified as financial liabilities.
2 Prepayments have been excluded as these are not classified as financial assets.
3 Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Parent has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 31 December 2023 the Parent had €1.3 million of cash and cash equivalents with no offsetting bank overdrafts. For the financial year ended 31 December 2022, €0.8 million of cash and cash equivalents is offset against €0.1 million of bank overdrafts and a net position of €0.7 million was presented as cash and cash equivalents. As at 31 December 2023, the Parent had entered no master netting arrangements and other similar agreements.

Financial risk management

Refer to note 23 to the Group financial statements for details of the Group's financial risk management policies. These objectives, policies and processes are also adopted by the Parent.

Notes to the Parent Financial Statements (continued)

30M. Financial Risk Management and Financial Instruments (continued)

(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-23 €'000	31-Dec-22 €'000
Trade and other receivables (excluding prepayments)	218	12,209
Cash and cash equivalents	2,323	16,692
Derivative financial instruments	-	10
Total	2,541	28,911

(i) (a) Treasury related credit risk

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

(i) (b) Trade related credit risk

Refer to note 30H for an analysis of the Parent's exposure to trade related credit risk.

(ii) Liquidity risk

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

The Group's funding position remained strong in 2023. The Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk.

The following are the contractual maturities of financial liabilities (and assets of a similar nature), including the undiscounted interest payment associated with borrowings and the undiscounted net cash flows attributable to financial instruments. The disclosure includes cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g. forward foreign exchange rate contracts.

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2023						
Trade and other payables[1]	(14)	(14)	(14)		-	-
Non-derivative financial liabilities	(14)	(14)	(14)	-	-	-
Net financial liabilities	(14)	(14)	(14)	-	-	-
At 31 December 2022						
Trade and other payables[1]	(5,307)	(5,307)	(5,307)	-	-	-
Non-derivative financial liabilities	(5,307)	(5,307)	(5,307)	-	-	-
Foreign exchange rate contracts	10	10	10	-	-	-
Net derivative financial assets	10	10	10	-	-	-
Net financial liabilities	(5,297)	(5,297)	(5,297)	-	-	-

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

Notes to the Parent Financial Statements (continued)

30M. Financial Risk Management and Financial Instruments (continued)

(iii) Market risk
Refer to note 23 to the Group financial statements for details of the Group's objectives, policies and processes for managing market risk and the methods used to measure market risk. These objectives, policies and processes are also adopted by the Parent.

(iii) (a) Exchange rate risk
Exchange rate risk derives from the fact that some of the Parent's transactions may be conducted in currencies other than euro (mainly sterling).

Transaction exposure
From time to time the Parent makes purchases in foreign currencies. The Group's policy is to manage these transaction exposures by seeking to match purchases and sales denominated in foreign currencies as far as possible. Where this is not possible, exposures will be hedged using derivatives permitted under the Group's treasury policy. Exposures will be hedged taking account of the business risks.

Also, the Group's treasury policy is that all expected exposures in excess of €300,000 equivalent in foreign currencies will be evaluated with respect to the business risks and, where appropriate, currency risks will be hedged to minimise the potential for adverse variances arising from currency movements.

As a result of these actions taken by the Group to mitigate the Parent's underlying sensitivity to currency fluctuations, the Parent has not presented sensitivity analysis as any potential variation is insignificant.

(iii) (b) Interest rate risk
Refer to note 23 to the Group financial statements for details of the Group's objectives, policies and processes for managing interest rate risk and the methods used to measure interest rate risk. These objectives, policies and processes are also adopted by the Parent. The Parent carries no interest rate risk at the reporting date.

30N. Contingencies and Capital Commitments

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

The Parent had capital commitments of nil as at 31 Dec 2023 (nil 2022).

30O. Related Parties

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State.

Transactions with subsidiaries
Uisce Éireann was deemed to be a related party of the Parent during the financial year ended 31 December 2022 , on the basis of the fact pattern set out in note 26 to the Group financial statements. A listing of Ervia Parent's subsidiaries is also provided in note 26.

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

	31-Dec-23 €'000	31-Dec-22 €'000
Subsidiaries	218	11,865
	218	11,865

Notes to the Parent Financial Statements (continued)

30O. Related Parties (continued)

(a) Transactional and support service costs
The level of transactional and support service costs provided by Ervia Parent to Gas Networks Ireland during 2022 and 2023 reduced significantly in comparison to prior years and consisted of certain limited Group Services and pension costs. It is expected that Ervia will be dissolved during 2024 through the enactment of the Gas (Amendment) Bill 2023, which will result in the remaining assets and liabilities of Ervia transferring to Gas Networks Ireland.

Operating costs incurred by Ervia Parent and recharged to Uisce Éireann and Gas Networks Ireland

	2023 €'000	2022 €'000
Employee benefit expense	(3,262)	(9,020)
Hired and contracted services	(17)	290
Materials, maintenance and sub-contractor costs	-	(109)
Rates and facilities	(1)	15
Other operating expenses	(151)	170
Sub-total before recharges	(3,431)	(8,654)
Recharges to Uisce Éireann[1]	-	1,259
Recharges to Gas Networks Ireland	169	1,728
Total after recharges[2]	(3,262)	(5,667)

[1] Legal separation from Uisce Éireann occurred on 01 January 2023, thus no group support service costs were recharged during 2023.
[2] Total operating costs after recharges primarily represent non-cash pension costs, which are not recharged to Ervia Group companies.

(b) Pension costs

	2023 €'000	2022 €'000
Contributions payable for the year in respect of Uisce Éireann employees	-	2,401
Contributions payable for the year in respect of Gas Networks Ireland employees	5,834	7,870

The Group operates a defined benefit pension scheme. A number of Uisce Éireann employees previously participated in that scheme prior to legal separation from Ervia. The scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Uisce Éireann and Gas Networks Ireland recognised only the cost of contributions payable for the year in respect of their respective employees. The Parent's current service cost (as set out in note 18 to the Group financial statements) includes the contributions payable for the year in respect of these employees. These costs were recharged to Uisce Éireann and Gas Networks Ireland on a full cost recovery method with no margin earned. These costs are not included in the Parent's employee benefit expense.

As a consequence of the legal separation of Usice Éireann from Ervia on 01 January 2023, employees, who were active members of the Ervia Superannuation Scheme and transferred to Uisce Éireann were no longer eligible for continued active membership of the Ervia Scheme with effect from the Appointed Day. Thus there were no contributions payable for the financial year ended 2023 in respect of Uisce Éireann employees. The impact of legal separation of Ervia and Uisce Éireann on the ervia defined benefit and defined contribution schemes is described in note 18 to the Group financial statements.

Notes to the Parent Financial Statements (continued)

30O. Related Parties (continued)

(c) Dividend

	2023 €'000	2022 €'000
Dividend received from Gas Networks Ireland	**18,869**	20,112

The annual dividend received by the Parent from Gas Networks Ireland is set out above. In 2018 the Parent received a dividend of €49.1 million with the remaining €5.1 million received in 2023 (with appropriate interest).

(d) Common control transactions

As described in note 18 to the Group financial statements the impact of legal separation of Ervia and Uisce Éireann resulted in a curtailment gain of €12.866m recognised by Ervia in 2023. Cash compensation of €12.2m was paid to Uisce Éireann in February 2023 by Ervia.

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

On 01 January 2022 Ervia Parent transferred the lease of a property (Webworks) and the associated right-of-use asset to Uisce Éireann for nil consideration. The net liability transferred under the common control transaction amounted to €0.3m.

Key management compensation

Refer to note 27 to the Group financial statements for details in respect of the Group's key management compensation.

Board members

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

Government bodies

In common with many other entities, the Parent deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid, Local Authorities and with certain Irish banks which are wholly or partially owned by the Irish Government. All transactions are on normal commercial terms. The Parent had no material concentration of borrowings or deposits with any such banks during the year or at the reporting date.

30P. Subsequent Events

Refer to note 28 to the Group financial statements for details of subsequent events.

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