ervia

Annual Report and Financial Statements

2015

ERVIA AT A GLANCE

Ervia is a commercial semi-state company with responsibility for the delivery of strategic national gas and water infrastructure and services in Ireland, through its regulated businesses Gas Networks Ireland and Irish Water.

The organisation builds and operates one of the most modern and safe gas networks in the world and in 2014 took responsibility for the operation and maintenance of water and wastewater assets in Ireland.

As an infrastructure company with over forty years utility experience in Ireland, our long term vision reflects the important role played by the company and its people.

OUR MISSION

To enhance the health and quality of life of the people of Ireland, protect our environment, and enable economic and social development by delivering reliable, high quality water and gas services safely and efficiently.

OUR PEOPLE

All this is only possible because of our people, helping to deliver infrastructure and services. Working together we will give each other the support and opportunities to make a difference.

OUR CUSTOMERS

Delivering strategic national water and gas infrastructure and services that meet the needs of our customers today and for the next generation.

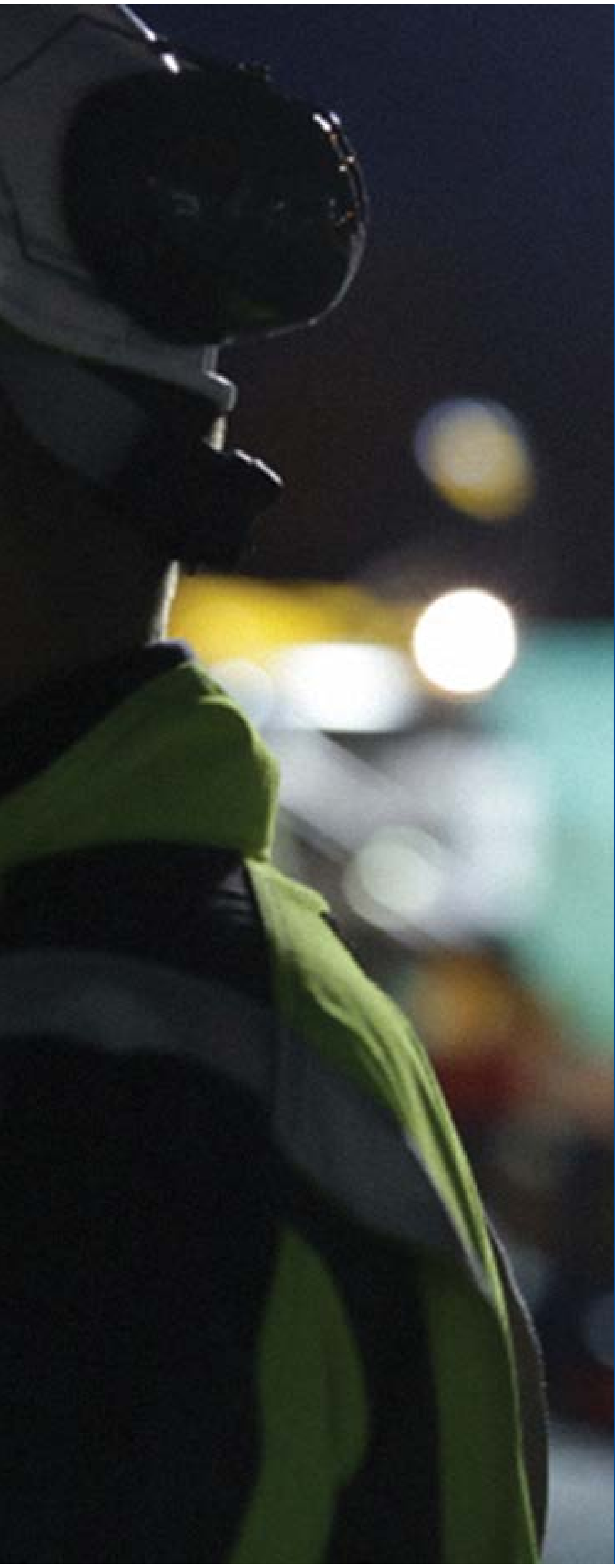


Table of Contents

Providing an update on last year's performance, our priorities for 2016, an overview of our strategy and corporate plan to 2021.

About this Report

REPORTING APPROACH

Our Annual Report 2015 provides a review of Ervia's performance and our strategy to provide modern utility services responsibly and sustainably. The information in this report has been prepared in accordance with the Code of Practice for the Governance of State Bodies 2009 and the Gas Act 1976 (as amended). Our reporting approach focuses on providing a clear view of Ervia's performance over the past 12 months and a clear understanding of our vision for future success.

SCOPE AND BOUNDARY

Irish Water is a subsidiary of Ervia under the Companies Act 2014. However, due to its share ownership structure (refer to note E9 on page 109 for further information), Irish Water does not currently meet the definition of a subsidiary for accounting purposes under IFRS and therefore cannot be consolidated with the audited Financial Statements as included on pages 68 to 146 of this Annual Report.

However, from a governance perspective, Irish Water matters are fully overseen and managed by the Ervia Board and the Executive Team. Summarised financial information of Ervia (including Irish Water) is presented in the Financial Review on page 26. Irish Water Financial Statements are published separately.

ERVIA (COMBINED)*

Revenue	€1,342m
Operating Costs	€963m
EBITDA	€379m
Capital Expenditure	€653m
Employee Numbers	1,404

IRISH WATER

Revenue	€851m
Operating Costs	€779m
EBITDA**	€72m
Capital Expenditure	€544m
Employee Numbers	495

GAS NETWORKS IRELAND***

(ERVIA EXCLUDING IRISH WATER)

Revenue	€491m
Operating Costs	€184m
EBITDA	€307m
Capital Expenditure Gas Networks Ireland business division	€104m
Capital Expenditure Central services business divisions	€5m
Employee Numbers Gas Networks Ireland business division	563
Employee Numbers Central services business divisions	346

*Refer to page 26.
**Any surplus to be reinvested in fixing Ireland's ageing water infrastructure
***Represents the Gas Networks Ireland business division and the central services business divisions (consolidated financial statements included on pages 68 to 146 of this Annual Report). Refer to note E5 on page 104 for further analysis of the divisional information.

Performance Highlights

FINANCIAL

Gas Networks Ireland Credit Rating
Standard & Poor's:
A: STABLE

Moody's:
Baa1: Pos

2015 Ervia Revenue
€1,342m

2015 Ervia EBITDA
€379m

Total Dividend Paid by Ervia since establishment in 1976
€1.24bn

Ervia 2015 **New Debt Facilities**
€1.8bn
€1.3bn Irish Water
€0.5bn Gas Networks Ireland

OPERATIONAL

21,743 boil water notices lifted by Irish Water

28 mins
Average response time to a reported potential gas leak against a standard of 60 minutes

Transported
66,821 GWh
of Gas

2,727
water leak repairs for domestic customers
saving 34m litres of water daily

Awarded **ISO 55001** accreditation for Asset Management in Gas Networks Ireland

CUSTOMER AND MARKET

19
Water Supply Projects delivered by 2015

Rebranded
Gas Networks Ireland

Connected
Nenagh
to the gas network. Wexford connection on its way

34
New/upgraded wastewater treatment plants delivered by 2015

First National 25 Year Water Services Strategic Plan agreed and published

ASSET STRATEGY

Capital Investment of **€104m** in Gas Networks Ireland

Capital Investment of **€544m** in Irish Water

We have increased the water headroom capacity for Dublin region
to 8%

Construction started on plant to treat wastewater pumped into
Cork Lower Harbour

Prepared 1st national plan to remove lead pipes

Our Organisation

Ervia operates as a group company with five divisions. Irish Water and Gas Networks Ireland are the operating utility divisions. Major Projects delivers key national projects. Shared Services provides all transactional and support services to the group. Group Centre provides corporate oversight and governance for the group.

OUR OPERATING DIVISIONS

PURPOSE

More Information

IRISH WATER

A new national utility with a mandate to transform the delivery of water services in Ireland following decades of under-investment. Irish Water is working with Local Authorities to restructure the delivery of services and to meet customers' expectations.

www.water.ie

GAS NETWORKS IRELAND

Gas Networks Ireland provides gas transportation services, safely and efficiently investing in, operating and maintaining the national gas network. Within Gas Networks Ireland, Aurora Telecom is a wholesale, open-access service provider of dark fibre and managed bandwidth services.

www.gasnetworks.ie

DELIVERING FOR OUR CUSTOMERS

Gas Networks Ireland and Irish Water are regulated utilities, with similar knowledge and activities required in both companies. Synergies arise by operating two utilities as part of the one organisation:

- Financial and operational resources can be allocated efficiently
- Knowledge and expertise can be shared
- Processes and systems can be consolidated and standardised
- Purchasing power can be leveraged
- Business units can focus on their core activities

The benefits of these synergies and efficiencies ultimately deliver better value and quality of service for our customers:

- Reduced capital and operational costs
- Avoidance of duplication and delivery of higher productivity
- Enhanced professional development with innovative and collaborative partnership opportunities across the organisation

MAJOR PROJECTS

A centre of excellence for the delivery of key strategic gas, water and wastewater infrastructure projects.

www.ervia.ie

SHARED SERVICES

Delivering synergies and efficiencies across the group's transactional services including Finance, Procurement, IT, HR and Facilities. Shared Services will expand its range of activities to capture other benefits.

www.ervia.ie

GROUP CENTRE

Group Centre provides governance, oversight and key support functions such as Treasury, Risk Management, Strategy and Regulation on Ervia's behalf. It sets the direction for the organisation, ensuring effective plans are in place and that it delivers to expectations.

www.ervia.ie

Company Overview

Our business model includes two customer facing business units, supported by Major Projects and Shared Services functions, with overall governance from the Group Centre. Our objective is to leverage this model so the greatest benefits in terms of service and value can be delivered safely and efficiently to our customers.

ervia OUR OPERATING DIVISIONS

- Irish Water
- Gas Networks Ireland
- Aurora
- Major Projects
- Shared Services
- Group Centre

OUR OPERATIONS

Customers
Irish Water – 1.5m (domestic)
Irish Water - 180k (non-domestic)
Gas Networks Ireland – 673k

Regulated Asset Base Book Value (€'m)
Irish Water – 1,365
Gas Networks Ireland – 2,876

No of Plants (Units)
Water Treatment – 918
Wastewater Treatment – 1155
Gas Above Ground Installation (AGI) – 158
Gas District Regulator Installation (DRI) – 898

Pipe Network (km)
Water – 62,000
Wastewater – 25,000
Gas Transmission – 2,433
Gas Distribution – 11,339

OUR VALUES

Collaboration

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

Performance

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

Customer Service

OUR BUSINESS PLAN TO 2021

Ervia will meet the needs of the citizens of Ireland by delivering water and gas infrastructure and services, through an efficient and effective organisation

- Take an Ervia-wide approach to reduce cost, improve quality and improve customer service
- Provide quality services to all our customers at an acceptable cost
- Deliver strategic infrastructure projects

Position Gas Networks Ireland for the future and deliver safe and sustainable gas networks services

- Invest €1 bn in gas infrastructure to maintain and grow the network, to drive performance and improve security of supply

Deliver transformed water & wastewater services by developing Irish Water into a high-performance utility

- Transform Ireland's Water Services delivery model
- Invest €5.5 bn to bring water services to an acceptable standard
- Achieve €1.6 bn in operating and capital expenditure efficiency saving
- Achieve highest level of safety

Deliver consistent shareholder returns in line with utility peers, by driving efficiencies and synergies, while maintaining strong credit metrics

- Foster a culture of innovation and external awareness and translate it into our activities and plans
- Protect and grow our business and continue to meet the needs of our customers for the long term.

OUR STRATEGIC THEMES

Safety
Ervia will develop its safety culture to a level of healthy paranoia to ensure our assets and activities cause no harm to staff, customers and the general public.

Delivering
Ervia will clarify, prioritise and resource to focus on delivery of core business goals, commitments and the broader promises in our plans.

Customers
Ervia will deliver best practice, value for money services, grounded in quality front line interactions that reflect changing customer demands and preferences.

Our People
Ervia will recruit, develop, empower and retain talented people with shared values to sustain an innovative, high performance organisation.

Well Led, Well Managed
Ervia will engage its divisions to collaborate and act as one team in efficient, effective delivery against a common vision and purpose.

Governance
Ervia will ensure all employees act ethically, responsibly, with personal accountability and adhere to strict governance and compliance standards.

Financially Strong
Ervia will manage the finances of its regulated utilities, generating shareholder returns consistent with industry peers, driving efficiencies and synergies, while maintaining strong investment grade financial metrics.

Trust & Support
Ervia will build its brands, communicate proactively and with accountability to earn the trust, confidence and advocacy of our stakeholders.

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

Safety
We put safety at the heart of what we do.

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

STATEMENT FROM THE BOARD

Board Statement

The position of Chairman is currently vacant following the departure of Ms. Rose Hynes on 16 October 2015. A process is underway to appoint a new Ervia Chairman. The following statement from Mari Hurley, Senior Independent Director, reflects the view of the Board and is in place of a Chairman's statement for 2015. The statement sets the context in which Ervia is operating, reviews progress in 2015 and outlines Ervia's response to the challenges and opportunities facing the company.

OVERVIEW

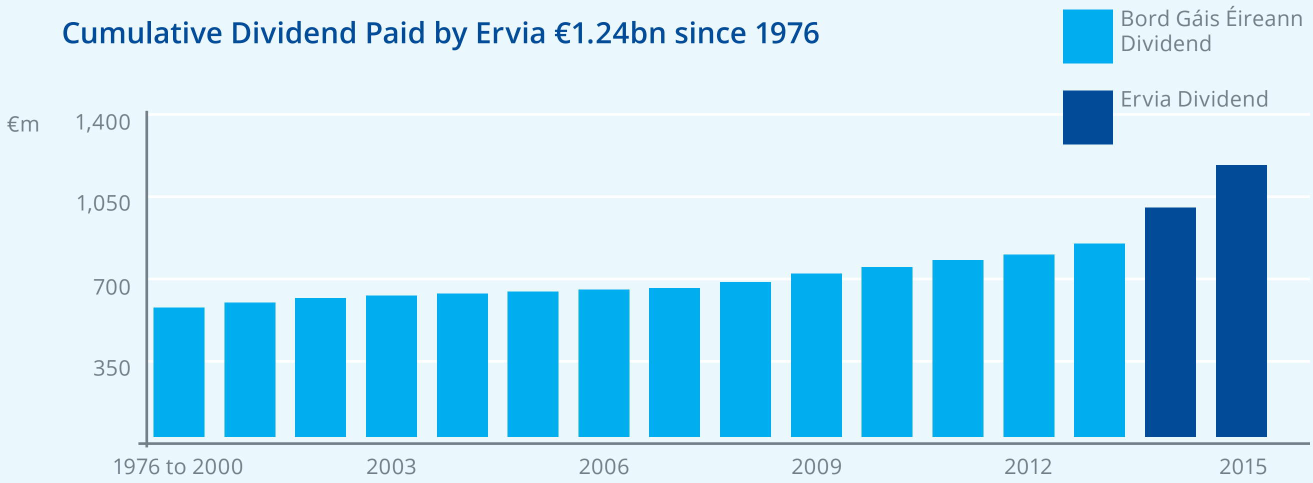
Ervia is a new company undergoing a period of profound and rapid change. In just twenty four months Ervia has divested its retail energy division, established the new national water utility, rebranded the national gas utility, restructured internally and enhanced capability to meet its increased responsibilities. In 2015, the company delivered significant programmes of work, solid financial performance and laid the foundations needed to fulfil its challenging mandate.

Ervia invested €653 million in 2015 to address the most urgent health, safety, environmental and supply issues facing Ireland's water and wastewater networks and to develop and maintain Ireland's national gas network. Progress from this investment included announcement of an emerging preferred option for a major water supply for the east and midlands of Ireland; an enhanced wastewater treatment plant for the Greater Dublin Area; and a significant wastewater treatment plant for Cork Lower Harbour towns.

DIVIDENDS

Ervia declared a dividend of €133 million to the Exchequer in the year ended 31 December 2015. Dividends of €151 million were paid during 2015, which includes an additional special dividend of €100 million relating to the distribution of sales proceeds arising from the sale of Bord Gáis Energy in 2014. This brings total dividends paid since the foundation of Bord Gáis Éireann in 1976 to €1.24 billion.

Cumulative Dividend Paid by Ervia €1.24bn since 1976



ERVIA GROUP STRATEGY

The scale of the challenges facing Ervia is significant and will require sustained focus and effort. Ervia must meet the needs of the citizens of Ireland by delivering water and gas infrastructure and services, through an efficient and effective organisation. Ervia must deliver transformed water & wastewater services by developing Irish Water into a high-performance utility. Ervia must position Gas Networks Ireland for the future and continue to deliver safe and sustainable gas network services. Finally, Ervia must deliver consistent shareholder returns in line with utility peers, by driving efficiencies and synergies, while maintaining strong credit metrics.

During 2015 the Board considered the organisation's progress against its important mandate and approved the Ervia Corporate Plan 2015 – 2021. The plan sets out Ervia's strategic direction, business objectives and how success will be measured year on year.

BOARD & GOVERNANCE

On behalf of the Board I would like to acknowledge the important role played by Ms. Rose Hynes as Ervia Chairman for over six years, up to 16 October 2015. This was a period of major transformation for Ervia and its businesses. I would like to thank Ms Hynes for her commitment to guiding Ervia through this period of change. Under her chairmanship, Ervia successfully completed the sale of Bord Gáis Energy in June 2014, realising an enterprise value of €1.1 billion, oversaw the establishment of Irish Water and the continuing evolution of Ervia to a high-performing multi-utility organisation. The Board also acknowledges the important contribution of John Tierney, Managing Director of Irish Water until 28th April 2016.

There were a number of other changes to Ervia Board membership during 2015. Mr. Peter Cross, Ms. Celine Fitzgerald and Mr. Sean Hogan were appointed to the Board on 20 January 2015 and Mr. Joe O'Flynn was re-appointed.

The Ervia Board is committed to achieving the highest standards of corporate governance and ethical business conduct and continuously reviews and updates its policies and procedures.

OUTLOOK

Building on solid progress in 2015, and the platform this provides to successfully deliver against our Corporate Plan, the year to 31 December 2016 will focus on delivering improved services to our customers through investment in critical water, wastewater and gas infrastructure in Ireland.

Embedded within Ervia's strategy is an acknowledgement of the important mandate we have been given to enhance the health and quality of life of the people of Ireland, protect our environment, and enable economic and social development by delivering reliable, high quality water and gas services safely and efficiently.

The 2016 Programme for Government includes a clear commitment to the utility model for Irish Water. It also includes provisions to appoint an Advisory Body to review and build public confidence in Irish Water, the appointment of an Expert Commission to consider the long term funding model for the delivery of domestic water and wastewater services and the suspension of domestic water charges for a period of nine months while this review is being conducted. Irish Water is committed to engaging fully in the review process and to implementing any policy changes arising.

The Ervia Board has considered the subsequent event arising from the change in Government policies. This has been fully disclosed in the standalone Irish Water financial statements. There is no impact on the Ervia consolidated financial statements presented in this report. For further detail please refer to "Subsequent Event Affecting an Ervia Subsidiary" on page 31.

OUR PEOPLE

The pace and scale of change experienced by Ervia and its operating businesses over recent years has been considerable. Managing that change and making progress across the business would not have been possible without the hard work and dedication of all staff.

Finally, I would like to thank Michael McNicholas and the Executive team of Ervia for their leadership in 2015 and look forward to a successful working partnership in 2016.

Mari Hurley
Senior Independent Director

CUSTOMER FOCUSED AND INVESTING IN THE FUTURE

Group Chief Executive Officer's Review

Michael McNicholas reviews financial and operating performance in 2015, sets priorities and looks ahead to 2016.

A YEAR OF REVIEW AND DIRECTION SETTING

In 2015, we made significant progress in our evolution from an integrated energy company to becoming a multi-utility company responsible for the delivery of national gas and water infrastructure and services.

Our corporate structure has fundamentally changed to reflect the scale and complexity of our new company mandate. While our strong foundations reflect the utility engineering and service ethos of Bord Gáis Éireann, 2015 was a year of organisation review and direction setting in terms of our culture and values as well as longer term business plans.

SOLID FINANCIAL PERFORMANCE

I am pleased to report that Ervia delivered a solid financial performance for 2015. The improved financial position of Ervia, including the increased level of capital investments made in critical infrastructure, reflects the consistent performance of Gas Networks Ireland and the ongoing development of Irish Water.

Ervia's profit (before exceptional items and taxation) was €152 million for the year compared with a prior year loss of €2 million. Irish Water contributed profits of €17 million (with any surplus to be reinvested in fixing Ireland's ageing water infrastructure), while Gas Networks Ireland contributed profits of €135 million.

EBITDA (before exceptional items) was €379 million compared to €230 million in 2014. This includes an EBITDA contribution from Irish Water of €72 million (any surplus to be reinvested in fixing Ireland's ageing water infrastructure) compared with a loss of €107 million in 2014. During 2015, Ervia made substantial investments of €653 million in water and gas infrastructure, funded through cash generated from operating activities and available debt funding facilities.

At the end of 2015, Gas Networks Ireland's long-term credit rating is A for Standard & Poor's and Baa1 for Moody's Investors Services.

OPERATING PERFORMANCE - IRISH WATER

In 2015, we published the Irish Water Business Plan to 2021. This plan, which is published on our website, sets out a roadmap for fixing our broken water services out to 2021. The core of the plan focuses on bringing our water services to an acceptable level by investing €5.5 billion between 2014 and 2021 in fixing critical infrastructure and creating capacity for economic growth. It also targets delivery of €1.1 billion in operating cost savings over the term of the plan. This means that by 2021, on a like for like basis, we will be delivering water services for €270 million less per annum. The plan also targets delivery of €500 million in capital efficiencies. At the core of the plan are action programmes to address basic human health issues with our current water services and to resolve the worst of the environmental wastewater issues.

In 2015, significant progress was made in terms of addressing boil water notices, developing a plan to tackle lead in drinking water and to improve waste water treatment in the worst affected areas. Over €363 million was spent in 2015 to resolve these issues and more details on the specific projects and benefits are outlined in the Operating Review of Irish Water. During 2015, Irish Water evaluated the available data on the condition of water assets and developed an initial estimate of the scale of the problems we face with Ireland's water infrastructure. This analysis showed that an investment of at least €13 billion is needed to bring our water and wastewater services to the required standard for a modern society. The scale of this challenge in funding, engineering and operating terms cannot be overstated. Fixing our water services is one of the largest projects undertaken by the State and it will require a multi-annual multi-billion investment programme.

OPERATING PERFORMANCE – GAS NETWORKS IRELAND

Gas Networks Ireland delivered a strong performance in 2015, meeting all financial and operational metrics and sustaining its credit rating.

The business successfully delivered a €104 million Capital Programme, and worked with the Corrib Gas Field operators to deliver safely the first flow of natural gas from that field in December 2015, (the first indigenous source of gas since 1976). Gas Networks Ireland secured regulatory approval for the construction of a new 50km natural gas pipeline in Scotland. This project, when completed in 2017, will reinforce our interconnection to the UK and enhance Ireland's energy security. As a country where 60% of our final energy consumption is from imported oil and coal, we are very clear that gas must be the transition fuel to a low carbon economy for Ireland. This is a key part of our strategy in the medium term, with a longer term goal of transforming our business to a renewable gas company. In line with our strategy, Gas Networks Ireland began a programme for the roll out of the first fast-fill Compressed Natural Gas (CNG) filling stations in Ireland. Gas Networks Ireland is also a leading advocate for the use of renewable gas, providing funding and support for research and development in this area. In addition, Gas Networks Ireland has also started development of Ireland's first commercial renewable gas grid injection facility.

DELIVERING AGAINST STRATEGIC PRIORITIES

Ervia's Corporate Plan is focused on four strategic priorities: meeting the needs of the citizens of Ireland by delivering water and gas infrastructure and services, through an efficient and effective organisation; delivering transformed water & wastewater services by developing Irish Water into a high-performance utility; positioning Gas Networks Ireland for the future and delivering safe and delivering consistent shareholder returns in line with utility peers, by driving efficiencies and synergies, while maintaining strong credit metrics. Further detail on how we intend to deliver against these priorities is outlined in the Corporate Strategy section of this report.

2016 PRIORITIES

Our first priority at all times is the safe delivery of our services and we seek to continuously improve our safety performance. Against that backdrop we focus on service and delivery, meeting the needs of our customers and broader stakeholders by delivering the major operating and capital investment programmes we have in gas and water services. In line with our Corporate Plan and the supporting Business Plans for Irish Water and Gas Networks Ireland, we have set a number of strategic priorities for delivery in 2016.

At the heart of these priorities are some key themes:

Safety - We will develop our safety culture to a level of healthy paranoia to ensure our assets and activities cause no harm to staff, customers and the general public.

Delivering- We will clarify, prioritise and resource to focus on delivery of core business goals and commitments and the broader promises in our plans.

Customers - We will deliver best-practice, value for money services, grounded in quality front line interactions that reflect changing customer demands and preferences.

Our People – We will recruit, develop, empower and retain talented people with shared values to sustain an innovative, high-performance organisation.

Well Led, Well Managed – We will engage our divisions to collaborate and act as one team in efficient, effective delivery against a common vision and purpose.

Governance – We will ensure all employees act ethically, responsibly and with personal accountability and adhere to strict governance and compliance standards.

Financially Strong – We will manage the finances of our regulated utilities, generating shareholder returns consistent with industry peers, driving efficiencies and synergies, while maintaining strong investment grade financial metrics.

Trust & Support – We will build our brands, communicate proactively and with accountability to earn the trust, confidence and advocacy of our stakeholders.

ACKNOWLEDGEMENTS

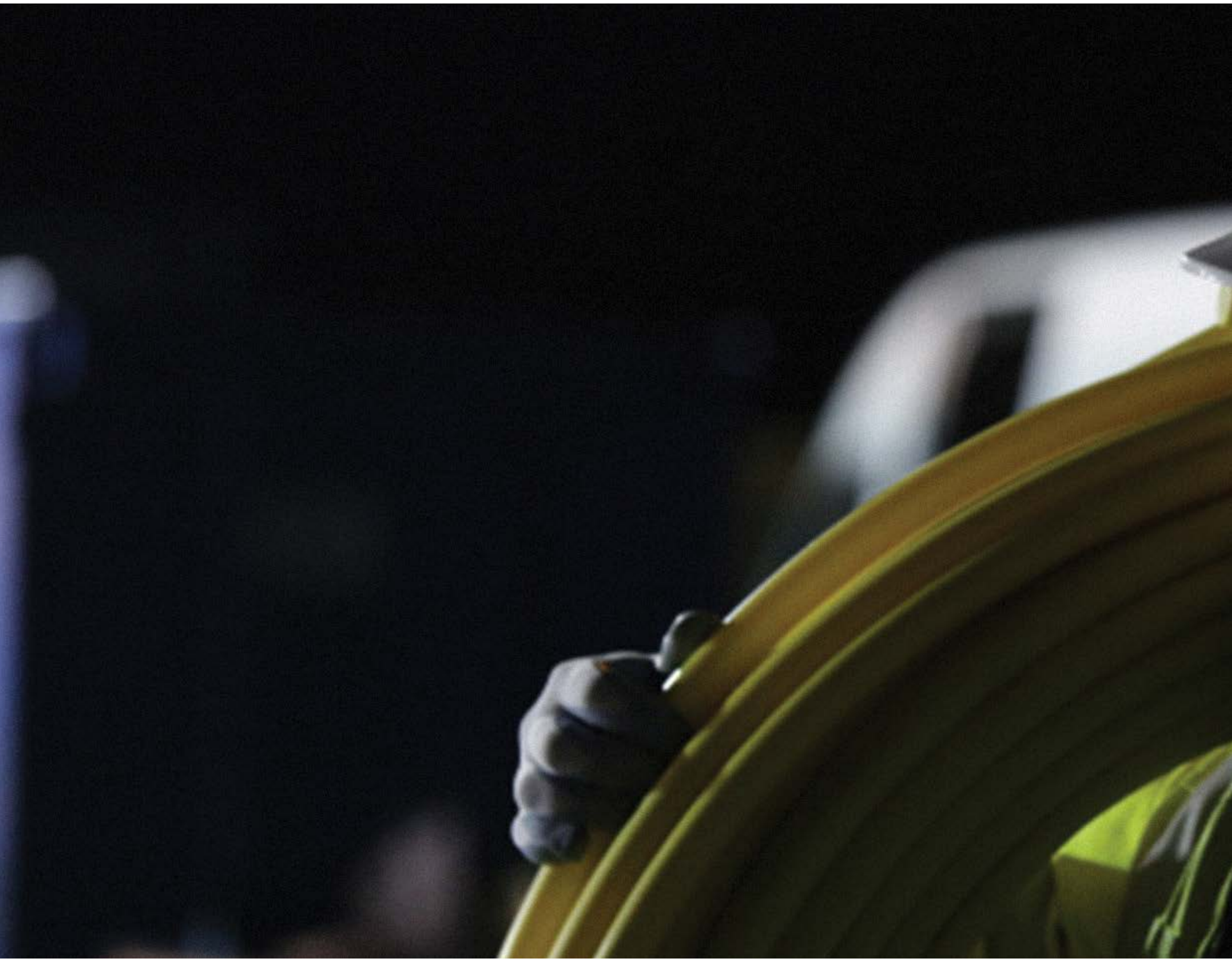
I would like to thank the Minister for Communications, Energy and Natural Resources and the Minister for Environment, Community and Local Government for their support of Ervia during 2015. I would also like to thank their officials in each Department for their professional support and input during the year.

On behalf of the Executive and our staff, I would like to thank Ms. Rose Hynes, Chairman of the Board for the past six years, for her significant contributions to Ervia. We wish her all the best for the future. I would like to also thank the Board of Ervia for their ongoing support and commitment to the company.

Finally, I would like to acknowledge the hard work and continued commitment of our staff throughout 2015. The progress made in a challenging environment and the unprecedented change delivered would not have been possible without them.

OUTLOOK

The 2016 Programme for Government contains provisions for the establishment of an External Advisory Body to build public confidence in Irish Water, the



suspension of domestic water charges for a period of nine months and appointment of an Expert Commission to make recommendations for the sustainable long-term funding model for the delivery of domestic water and wastewater services. Ervia is committed to engaging fully with appointees to the new bodies, Oireachtas members and Government in the review process and to implement any policy changes arising.

Our solid financial and operational performance in 2015 bodes well for the future. We have also made good progress in starting to address some of the worst of our water and wastewater infrastructure problems, but there is a long way to go.

The foundation we have built in terms of the organisation structure and enhanced capability provides a strong platform to address the enormous investment and service challenge we face in water and wastewater infrastructure while continuing to deliver reliable gas network services for Ireland.

Michael McNicholas
Group Chief Executive Officer

External Environment

Ervia, through its businesses Irish Water and Gas Networks Ireland, operates two regulated utilities that face diverse challenges. Three key plans frame the businesses' operations: Ervia's Corporate Plan 2015 – 2021, and the Business Plans of both Irish Water and Gas Networks Ireland. These reflect strategic responses to external challenges. Ervia will continue to reframe its strategy to respond to sector-specific challenges.

KEY DRIVERS OF CHANGE: IRISH WATER

- Meeting customer expectations in an economic and efficient manner
- Providing safe, reliable water supplies
- Managing wastewater
- Protecting the environment
- Becoming more energy efficient
- Providing water services to support future population and economic growth

MEETING CUSTOMER EXPECTATIONS IN AN ECONOMIC AND EFFICIENT MANNER

Irish Water customers expect high quality water services. Following decades of under investment, significant investment is required to ensure universal service availability and to deliver consistent service quality. Irish Water will work with the Commission for Energy Regulation (CER), the economic regulator, to ensure that the costs of delivering necessary improvements are based on efficient processes and provide value to customers.

Meeting customer service commitments, as detailed in the CER Customer Handbook, will be central to improving customer satisfaction.

PROVIDING SAFE, RELIABLE WATER SUPPLIES

There is significant non-compliance with European and Irish drinking water quality standards nationwide. Up to 30% of the population are served by public water schemes that are considered "at risk" of contamination by the Environmental Protection Agency (EPA).

"The impact of climate change places further challenges in providing safe and reliable water supplies and in collecting and treating wastewater."

Network leakage is another significant challenge. Almost half of all drinking water produced for supply is being lost. This is twice UK levels and several times typical levels in Germany, Denmark and the Netherlands. Significant investment is needed to address this.

The impact of climate change presents further challenges, with periods of drought and greater frequencies of high intensity rainfall affecting the reliability and quality of drinking water services.

MANAGING WASTEWATER

The European Commission is pursuing Ireland for persistent failure to meet European Directive standards for wastewater discharges. Many discharges from our plants do not comply with specified standards due to overloading, lack of investment and operational management practices.

A key challenge is to ensure compliance is achieved in a timely and cost-effective manner through operational improvements, upgrading and asset replacement. However, there is often limited knowledge of the condition of assets, and a detailed database of assets and operational proccesses is needed. Compliance with EU Directive standards will ensure customers can expect an effective wastewater collection, treatment and disposal system, which protects human health and the environment while supporting social and economic growth.

PROTECTING THE ENVIRONMENT

The EPA is responsible for monitoring and enforcing standards to ensure implementation of relevant Directives, including the EU Water Framework Directive (WFD).

The WFD is implemented through river basin management plans, which contain programmes of measures needed to deliver water quality targets. Plans submitted to the EU in 2010 recognised the need for domestic water metering and the introduction of user-based charges. New river basin managment plans are being developed and finalised in 2017. These will define standards to be met and resulting operational and capital costs for Irish Water.

Irish Water will implement measures to reduce impact of wastewater discharges and so improve water quality. It will also actively participate in measures aimed at protecting drinking water source catchments and ensuring ecological flows are maintained.

BECOMING MORE ENERGY EFFICIENT

Irish Water is Ireland's largest public electricity user. Irish Water, in line with other public bodies, has committed to improving energy efficiency at its facilities by 33% by 2020. This will contribute to the targets that will be established by national energy policy to 2040. Irish Water has partnered with the Sustainable Energy Authority Ireland (SEAI) to achieve this target.

PROVIDING WATER SERVICES FOR FUTURE POPULATION AND ECONOMIC GROWTH

Irish Water must assess where future demands for water services are most likely to arise based on national and regional spatial planning policies, together with population and economic growth predictions.

The Government is developing a new National Planning Framework to replace the National Spatial Strategy, to be finalised by the first quarter of 2017. Irish Water will need to review its plans and programmes to take account of this development.

The challenge of providing for future population and economic growth lies in making timely, cost effective investments in new plants and upgrades, based on uncertain forecasted growth rates. Irish Water will regularly review its Water Services Strategic Plan to take account of prevailing national, regional and local spatial planning policy and objectives.

KEY DRIVERS OF CHANGE: GAS NETWORKS IRELAND

- National and European Energy and Climate Policies
- Single European Energy Market
- Geo-Political Drivers

NATIONAL AND EUROPEAN ENERGY AND CLIMATE POLICIES

The EU's ambition is to transition to a low carbon economy by 2050, with a reduction of 80% — 95% in green-house gas (GHG) emissions below 1990 levels. At a national level, the Government's White Paper on Energy identifies actions to reduce Ireland's energy-related carbon emissions in line with EU targets.

These targets present fundamental challenges and opportunities. As the cleanest fossil fuel, gas can be used as a transition fuel to a low-carbon economy and a back up to intermittent energy sources such as wind. First steps include displacing oil in transport with Compressed Natural Gas (CNG) and replacing oil for heating.

Decarbonising the gas network by replacing natural gas with renewable gas, in line with other European countries, is another important step. By converting farm waste and non-food products into renewable gas, harmful carbon emissions from agriculture can be reduced. This renewable gas along with other sources including wastewater and household waste, can be injected into the gas network to provide a renewable fuel for heating and transport. Gas Networks Ireland is making solid progress in each of these areas (see Gas Networks Ireland Operating Review on page 40).

Gas Networks Ireland will continue to work with all stakeholders to leverage gas as a transition fuel and develop a viable renewable gas industry.

SINGLE EUROPEAN ENERGY MARKET

One of the European Commission's main energy priorities is the creation of a single energy union. This will drive common rules between countries for electricity and gas and greater levels of interconnection.

Application of a single energy model has a proportionally higher cost of compliance for an island nation like Ireland with a relatively low population density. Ervia expects that the drive towards greater integration may continue to mean compliance costs per customer are higher in Ireland than other European countries.

GEO-POLITICAL DRIVERS

The global energy market has experienced major and unexpected changes. Shale gas production has changed the dynamics of global gas and coal markets, over-supply has driven down oil prices and growth of renewables continues apace.

Global Liquefied Natural Gas (LNG) production capacity is set to increase by over 40% by 2020. Europe is expected to absorb higher volumes of LNG as a market of last resort. This may tip the European gas market into oversupply. In this environment, gas power plants could see higher running levels due to lower gas prices.

The potential exit of the United Kingdom (UK) from the EU has raised concerns for security of supply to Ireland's energy market. Ervia believed, however, that any impact would be minimised by existing gas treaty arrangements between UK and Ireland, by production in the Corrib Gas Field and by excellent gas interconnection from Ireland to the UK gas market.

KEY DRIVERS OF CHANGE: ERVIA

VOICE OF THE CUSTOMER

Ervia is responsible for two regulated, monopoly businesses and recognises that it ultimately exists to provide safe and affordable services to meet the needs of our customers and the demands of a growing economy.

Our customers now have a stronger voice through social media channels and representative stakeholder groups. In the coming years, there will also be an increased focus on transparency and openness resulting from the Freedom of Information legislation, which Ervia has embraced, and through increased customer and stakeholder engagement across all aspects of our activities.

"Gas Networks Ireland will continue to work with all stakeholders to develop a viable renewable gas industry to help Ireland decarbonise and achieve climate change targets"

Principal Risks and Uncertainties

In determining Ervia's principal risks and uncertainties, factors such as the external environment, our internal and external stakeholder engagement and the enterprise risk management approach are key considerations.

ENTERPRISE RISK MANAGEMENT APPROACH

Ervia recognises that risk occurs in every area of the organisation's activities. In response the Ervia Enterprise Risk Management Policy is in place which is reviewed annually and meets the risk management requirements of the Code of Practice for the Governance of State Bodies, required regulations and follows leading practice.

Key Considerations for Business Risk Identification:

- Ervia corporate strategy
- Internal governance fora
- External business environment outlook
- Stakeholder engagement
- Internal & external auditor viewpoints
- External sources (for example, market information, external events/issues, industry studies, peer research, external risk reviews)
- Corporate planning, budgeting and forecasting
- Internal analysis (for example, risk deep dives, financial control reviews, project governance)

Ervia's Risk Management Framework provides a consistent approach across the organisation to risk management and mitigation. It ensures risks are consistently identified, evaluated, measured, managed, monitored and reported and that Business Unit Risk Registers and supporting Risk Heatmaps are maintained and reviewed. Key material risks are evaluated and prioritised based on the potential severity of impact and likelihood of occurrence, with risk reporting to the Board Risk Committee based on both a bottom-up and top-down assessment of our strategic, operational, financial, safety, customer, regulatory and other business risks.

RISK MANAGEMENT PROCESS

GOVERNANCE OVERSIGHT

The Board is responsible for the organisation's risk management system and for reviewing its effectiveness. The Board Risk Committee assists the Board in the effective discharge of its responsibilities for enterprise-wide risk management.

RISK MANAGEMENT FRAMEWORK

PRINCIPAL RISKS AND UNCERTAINTIES IDENTIFIED

The risk process has identitfied the following key risks and uncertainties that may impact on Ervia:

Health, Safety, Quality and Environment (HSQE): A major health and safety incident could cause significant impact to an employee, contractor or the general public. An environmental issue for Gas Networks Ireland or Irish Water could also result in the destruction of facilities, a security of supply issue or a critical asset/operational failure. Ervia also recognises the need to manage a large number of Irish Water assets with an ageing infrastructure that requires significant investment to meet current HSQE standards. Ervia is committed to the highest possible safety standards and a capital investment plan is in place with continuous monitoring of achievements. We operate a safety management system that provides expertise and education and describes how we operate in a safe working environment. An organisation wide 'Central Safety Committee' meets quarterly on the Ervia safety management system and reports to the subsidiary boards of Irish Water and Gas Networks Ireland and onwards to the main Ervia Board. Ervia is further embedding its safety value across the organisation and continues to enhance its safety culture.

Reputation and Public Perception: While many key milestones have been achieved, Ervia recognises there are significant challenges to demonstrating its value and gaining full customer confidence in Irish Water. Accordingly, Ervia has put in place a strategy designed to ensure stakeholder understanding of the challenges facing Irish Water and its progress in meeting business plan objectives. Ervia plans to focus on providing the highest standards of customer service and enhancing customer perception of Ervia as a trusted, consumer-led company.

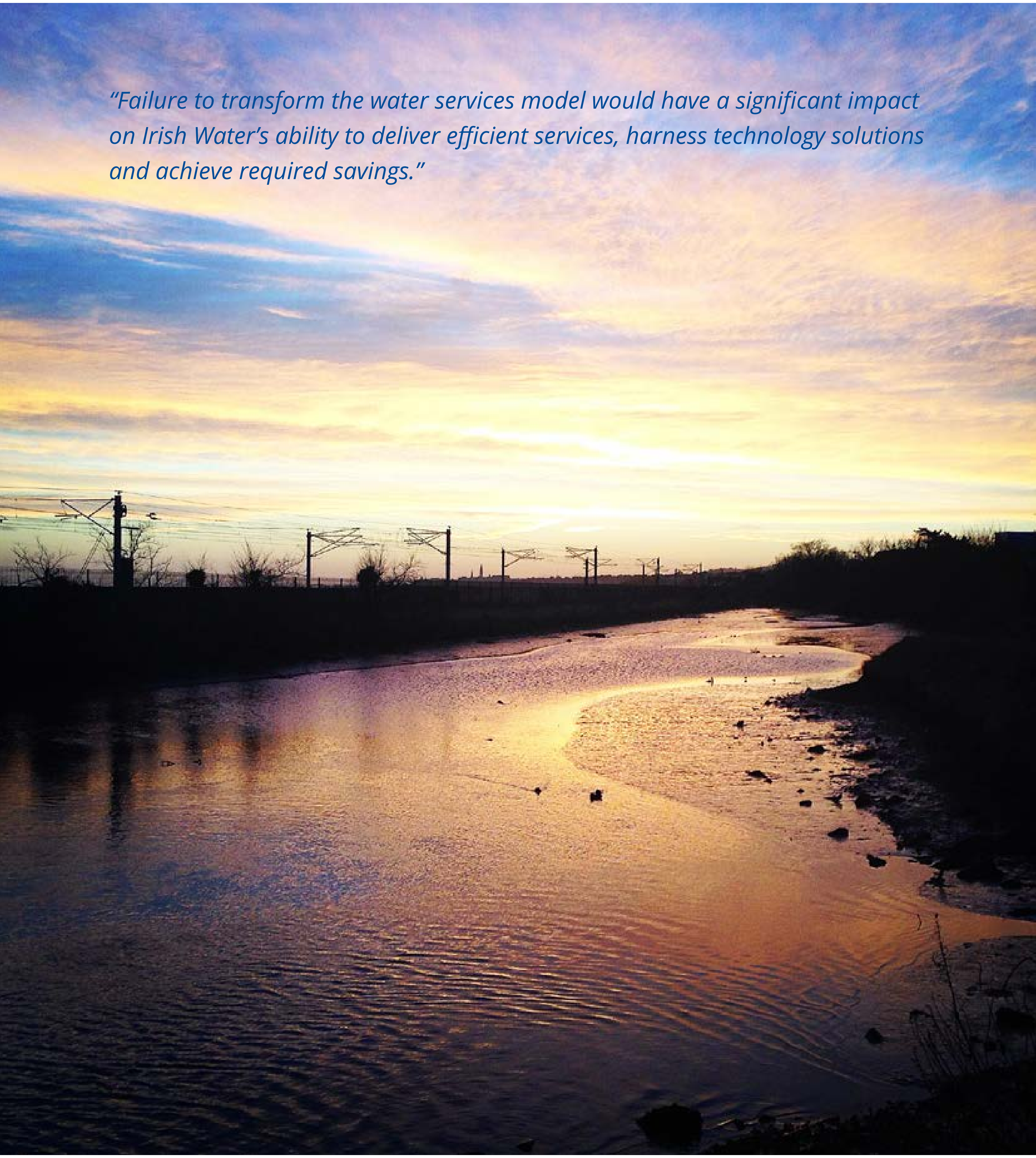
Transformation of the Water Industry: Failure to transform the water services model would have a significant impact on Irish Water's ability to deliver efficient services, harness technology solutions and achieve required savings and efficiencies. In response there is a focus on implementing a transformed and efficient Irish Water/Local Authority service delivery model. The Irish Water Business Plan has demanding objectives and targets over the period to 2021, which are challenged monthly. Ervia regularly engages with internal and external stakeholders, including trade unions and key Local Authority stakeholders.

Finance: Managing financial risk remained a priority for Ervia in 2015. Overall conditions for fundraising in financial markets remained positive, with a diversified pool of funding sources available. Ervia has a dedicated Treasury function and strong relationships with key stakeholders including active engagement with NewERA and Government stakeholders on funding requirements. The Ervia Corporate Plan and Capital Investment Plans are in place with formal governance around financials and critical projects, as well as a clearly defined refinancing strategy with formal governance processes. The revenue shortfall following the announcement by Government of the suspension of domestic water charges for a period of nine months will be met by increased Government subvention, and/or State funding/support, and/or third party borrowings. For further information on Financial Risks please refer to note B5 on page 83.

Regulatory Environment: Ervia's business activities are subject to a broad and developing range of legislative provisions and regulation. There are dedicated resources and programmes in place to manage this, with a pro active approach to engaging with regulatory authorities in Ireland, Northern Ireland, Great Britain and the EU. Ervia has a key focus on Irish Water efficiency targets, and operational and investment plans to meet EU and national water and wastewater environmental obligations and directives, the Gas Networks Ireland growth strategy to grow gas volumes (renewable gas, Compressed Natural Gas), the single energy market reform, and both Gas Networks Ireland Price Control 4 (PC4) and Irish Water Interim Price Control 2 (IPC2) outcomes.

Critical IT Infrastructure: Ervia has dedicated resources managing its critical IT infrastructure, with an expert focus on cyber-security and data protection. In line with the external environment, Ervia continues to enhance its security around IT infrastructure and constantly increase security awareness and controls across the organisation.

"Failure to transform the water services model would have a significant impact on Irish Water's ability to deliver efficient services, harness technology solutions and achieve required savings."



Ervia Corporate Strategy

Ervia's strategy for 2015 – 2021 reflects the important mandate we have been given to meet the needs of our customers and deliver modern, reliable and safe gas and water infrastructure and services. In order to deliver on this mandate, Ervia's Corporate Strategy is focused around four priorities.

Evolving to become a high-performing utility that meets customers' needs and supports Ireland's social and economic development

Planned Performance Against Strategy

ERVIA
Setting strategic direction, providing governance and oversight and ensuring delivery for customers

IRISH WATER
Create a single national body to fix Ireland's water services

GAS NETWORKS IRELAND
Position Gas Networks Ireland for the future and deliver sustainable services

MEET THE NEEDS OF THE CITIZENS OF IRELAND BY DELIVERING WATER AND GAS INFRASTRUCTURE AND SERVICES, THROUGH AN EFFICIENT AND EFFECTIVE ORGANISATION	DELIVER TRANSFORMED WATER & WASTEWATER SERVICES BY DEVELOPING IRISH WATER INTO A HIGH-PERFORMANCE UTILITY	POSITION GAS NETWORKS IRELAND FOR THE FUTURE AND DELIVER SAFE AND SUSTAINABLE GAS NETWORK SERVICES	DELIVER CONSISTENT SHAREHOLDER RETURNS IN LINE WITH UTILITY PEERS, BY DRIVING EFFICIENCIES AND SYNERGIES, WHILE MAINTAINING STRONG CREDIT METRICS
■ Realise benefits, synergies and efficiencies as a multi-utility company	■ Meet customers' needs through a single national water utility with a standard way of working ■ Invest capital efficiently to reduce leakage, eliminate 'Boil Water' notices and provide acceptable water and wastewater standards nationally by 2021 ■ Save €1.6 billion in operating and capital efficiencies	■ Maintain network performance and improve security of supply ■ Deliver growth targets in 'infill', renewable and Compressed Natural Gas (CNG) ■ Achieve further savings beyond already benchmarked efficient costs	■ Achieve investment grade metrics in Gas Networks Ireland and move towards these in Irish Water ■ Deliver Business Plan targets for Return on Capital Employed ■ Deliver operational savings and efficiencies ■ Put funding in place to deliver investment programme

Strategic Priority	Business Plan Objectives to 2021	2016 Targets
MEET THE NEEDS OF THE CITIZENS OF IRELAND BY DELIVERING WATER AND GAS INFRASTRUCTURE AND SERVICES, THROUGH AN EFFICIENT AND EFFECTIVE ORGANISATION	**Non Financial** ■ Capture greater efficiencies and improve customer service ■ Develop culture of shared learning and best practice leadership ■ Deliver synergies identified	**Non Financial** ■ Enhance safety culture through "Work Safe Home Safe" programme ■ Align leadership to ensure project synergies are achieved ■ Launch "Customer First" programme ■ Deliver "One Team" culture initiative ■ Deliver combined gas and water projects ■ Deliver synergies project
DELIVER TRANSFORMED WATER & WASTEWATER SERVICES BY DEVELOPING IRISH WATER INTO A HIGH-PERFORMANCE UTILITY	**Non Financial** ■ Establish the highest health and safety standards ■ Evolve Irish Water into a high performing utility ■ Transform water services operating model ■ Achieve best practice customer service ■ Support economic growth **Financial** ■ Implement a €5.5 billion capital investment programme ■ Put Irish Water on solid commercial footing ■ Deliver capital and operating cost savings of €1.6 billion	**Non Financial** ■ Achieve headroom (drinking water spare capacity) of 10% in the Greater Dublin Area ■ Implement National Lead in Drinking Water Mitigation Plan ■ Deliver Leak Reduction Strategy ■ Reduce number of overloaded wastewater treatment plants by 21 ■ Contribute to Ervia Wide "Customer First" Initiative **Financial** ■ Deliver Capital Investment Plan (CIP) ■ Deliver efficiency targets on capital programme of €25 million and operational programme of €31 million
POSITION GAS NETWORKS IRELAND FOR THE FUTURE AND DELIVER SAFE AND SUSTAINABLE GAS NETWORK SERVICES	**Non Financial** ■ Deliver highest health and safety standards with zero injuries ■ Deliver excellent customer service and value ■ Operate and maintain network to deliver 24/7 reliability and security of supply ■ Deliver growth (Infill, Compressed Natural Gas, renewable gas etc.) **Financial** ■ Deliver €1 billion of capital programme, including indigenous growth ■ Maintain solid commercial footing	**Non Financial** ■ Enhance safety culture through "Work Safe Home Safe" programme ■ Respond to public reported escapes and "No gas" within regulatory targets ■ Deliver regulatory targets and contribute to Ervia wide "Customer First" Initiative ■ Contribute to and implement Ervia wide "One Team" initiative ■ Complete construction of Nenagh and Wexford projects in 2016 **Financial** ■ Deliver 2016 capital programme
DELIVER CONSISTENT SHAREHOLDER RETURNS IN LINE WITH UTILITY PEERS, BY DRIVING EFFICIENCIES AND SYNERGIES, WHILE MAINTAINING STRONG CREDIT METRICS	**Non Financial** ■ Enhance talent development and acquisition across Ervia to facilitate high performance ■ Support transfer of best practice across the organisation ■ Ensure key risks are identified and actively managed across the organisation **Financial** ■ Secure long term funding and allocate capital appropriately	**Non Financial** ■ Build talent acquisition capability and optimise recruitment processes **Financial** ■ Capital investment in activities / projects beyond 2021 ■ Support investment in growth platforms ■ Continue to pay dividend on profit after tax ■ Ensure funding plans are delivered

Financial Review

Key Highlights for 2015 include:

- Delivered a solid financial performance with an EBITDA of €379 million and profit before tax of €152 million;
- Significant investment in water and gas infrastructure of €653 million;
- Generated cash from operating activities of €297 million;
- Paid a dividend to the Exchequer of €151 million including an additional special dividend of €100 million relating to the sale of the Bord Gáis Energy business in 2014; and
- Retained a strong year end liquidity position with undrawn facilities available to Gas Networks Ireland of €399 million. Irish Water had undrawn facilities available of €410 million at year end.

Summarised income statement for year ended 31 December 2015	2015 €ms			2014 €ms		
Income statement classification	Gas Networks Ireland[1]	Irish Water[2]	Ervia[3] (Combined)	Gas Networks Ireland[1]	Irish Water[2]	Ervia (Combined)[3]
Revenue What we generate in revenue, primarily from gas transportation, water and wastewater supply and services	491	851	**1,342**	506	687	**1,193**
Operating costs What we spend on operating our infrastructure/assets, our people and serving our customers	(184)	(779)	**(963)**	(169)	(794)	**(963)**
Operating profit before depreciation and amortisation (EBITDA) Operating profit before non cash depreciation and amortisation charges	307	72[4]	**379**	337	(107)	**230**
Depreciation and amortisation Charge to reflect the write off of our infrastructure and the assets we use in our business over their expected useful lives	(125)	(43)	**(168)**	(133)	(23)	**(156)**
Finance costs Primarily the interest costs associated with the servicing of our borrowings	(47)	(12)	**(59)**	(66)	(9)	**(75)**
Profit/(loss) before income tax Profit before tax	135	17[4]	**152**	137	(139)	**(2)**

[1] Represents the Gas Networks Ireland business division and the central services business divisions (consolidated financial statements included on pages 68 to 146 of this Annual Report). Refer to note E5 on page 104 for further analysis of the divisional information.
[2] Irish Water is a subsidiary of Ervia under the Companies Act 2014. Due to its share ownership structure (refer to note E9 on page 109 for further information), Irish Water does not currently meet the definition of a subsidiary for accounting purposes under IFRS and therefore cannot be consolidated with the audited financial statements as included on pages 68 to 146.
[3] The results of Ervia (Combined), as presented here, are for information purposes only. Transactions between Irish Water and other Ervia entities are not eliminated for the purposes of information presented above (refer to note E2 for further information).
[4] Any surplus to be reinvested in fixing Ireland's ageing water infrastructure.
*Current and comparative year figures represent continuing operations and are stated before the impact of exceptional items and certain remeasurements arising from the application of IAS 39 Financial instruments: Recognition and Measurement.
*Financial information presented in the financial review is rounded to €1 million. Rounding differences may apply when compared to a visual calculation of totals in the tables contained herein.

REVENUE

Revenue of €1,342 million for the year to 31 December 2015 has increased by €149 million compared to prior year of €1,193 million.

Irish Water revenue of €851 million has increased by €164 million compared to prior year of €687 million, primarily due to the introduction of billing for domestic water related supply and services from 1 January 2015.

Gas Networks Ireland revenue of €491 million has decreased by €15 million compared to prior year of €506 million, primarily due to lower regulated revenue tariffs and lower large connection revenues in 2015.

EBITDA (BEFORE CERTAIN REMEASUREMENTS AND EXCEPTIONAL ITEMS)

EBITDA of €379 million for the year to 31 December 2015 has increased by €149 million compared to prior year of €230 million.

Irish Water EBITDA of €72 million (any surplus to be reinvested in fixing Ireland's ageing water infrastructure) has increased by €179 million compared to prior year EBITDA loss of €107 million, primarily due to the introduction of billing for domestic water related supply and services combined with operating costs savings of €15 million.

Gas Networks Ireland EBITDA of €307 million has decreased by €30 million compared to prior year of €337 million, primarily due to lower revenues and higher operating costs.

FINANCE COSTS (BEFORE CERTAIN REMEASUREMENTS AND EXCEPTIONAL ITEMS)

Finance costs of €59 million for the year to 31 December 2015 have decreased by €16 million compared to prior year of €75 million.

Irish Water finance costs of €12 million have increased by €3 million compared to prior year of €9 million, primarily due to infrastructure investment funding requirements.

Gas Networks Ireland finance costs of €47 million have decreased by €19 million compared to prior year of €66 million, primarily due to lower average net debt profile in 2015 following the repayment of borrowings in 2014 utilising sales proceeds associated with the sale of the Bord Gáis Energy business.

PROFIT BEFORE INCOME TAX (BEFORE CERTAIN REMEASUREMENTS AND EXCEPTIONAL ITEMS)

Profit before income tax of €152 million for the year to 31 December 2015 has increased by €154 million compared to prior year loss of €2 million.

Irish Water profit before income tax of €17 million (any surplus to be reinvested in fixing Ireland's ageing infrastructure) has increased by €156 million compared to prior year loss of €139 million, due to the introduction of domestic billing and operating cost savings, partly offset by increased financing and depreciation charges.

Gas Networks Ireland profit before income tax of €135 million has decreased by €2 million, compared to prior year of €137 million, primarily due to lower revenues and higher operating costs, partly offset by lower financing costs and depreciation charges.

Summarised cash flow statement for year ended 31 December 2015	2015 €m's			2014 €m's		
Cash flow classification	Gas Networks Ireland[1]	Irish Water[2]	Ervia[3] (Combined)	Gas Networks Ireland[1]	Irish Water[2]	Ervia[3] (Combined)
Cash inflow/(outflow) from operating activities Surplus of cash collected from our customers over cash paid out to our suppliers, service providers and our people	325	(28)	**297**	260	(47)	**213**
Finance costs paid and income tax paid Finance costs paid and income tax paid	(62)	(28)	**(90)**	(85)	(12)	**(97)**
Net cash inflow/(outflow) from operating activities Surplus cash generated from our operating activities	263	(56)	**207**	175	(59)	**116**
Cash flows from investing activities Cash (payments)/receipts during the year as follows:						
investments in our infrastructure and the assets we use in our business	(100)	(571)	**(671)**	(94)	(548)	**(642)**
proceeds from sale of Energy division net of taxation paid	2	-	**2**	934	-	**934**
other	1	-	**1**	-	-	**-**
Net cash used in investing activities Cash (payments)/receipts relating to the acquisition/disposal of long term assets	(97)	(571)	**(668)**	840	(548)	**292**
Cash flows from financing activities						
(Repayment of)/proceeds from borrowings	(11)	645	**634**	(691)	200	**(491)**
Capital contribution received	-	-	**-**	-	407	**407**
Dividends paid to the Exchequer	(151)	-	**(151)**	(171)	-	**(171)**
Other	(12)	-	**(12)**	(104)	-	**(104)**
Net cash from financing activities Cash (payments)/receipts relating to borrowings or contributed equity	(174)	645	**471**	(966)	607	**(359)**
Net (decrease)/increase in cash balances Net cash from the aggregate of operating, investing and financing activities during the year	(9)	18	**9**	50	-	**50**
Cash and cash equivalents at the beginning of the year Our cash balance at the beginning of the year	106	37	**143**	56	37	**93**
Cash and cash equivalents at the end of the year Our cash balance at the end of the year	97	55	**152**	106	37	**143**

OPERATING CASH FLOWS

During 2015, Ervia generated cash from operating activities of €297 million compared to prior year of €213 million and net cash flows from operating activities of €207 million after finance and taxation payments compared to prior year of €116 million.

Irish Water had cash outflows from operating activities of €28 million compared to prior year cash outflows of €47 million and net cash outflows from operating activities of €56 million after finance payments compared to prior year cash outflows of €59 million.

Gas Networks Ireland generated cash from operating activities of €325 million compared to prior year of €260 million and net cash flows from operating activities of €263 million after finance and taxation payments compared to prior year of €175 million.

CAPITAL EXPENDITURE CASH FLOWS

During 2015, Ervia invested €671 million in water and gas infrastructure and the assets we use in our business compared to prior year of €642 million.

Irish Water invested €571 million during 2015 compared to prior year of €548 million.

Gas Networks Ireland invested €100 million during 2015 compared to prior year of €94 million.

FINANCING CASH FLOWS

During 2015, Ervia generated €471 million from financing activities.

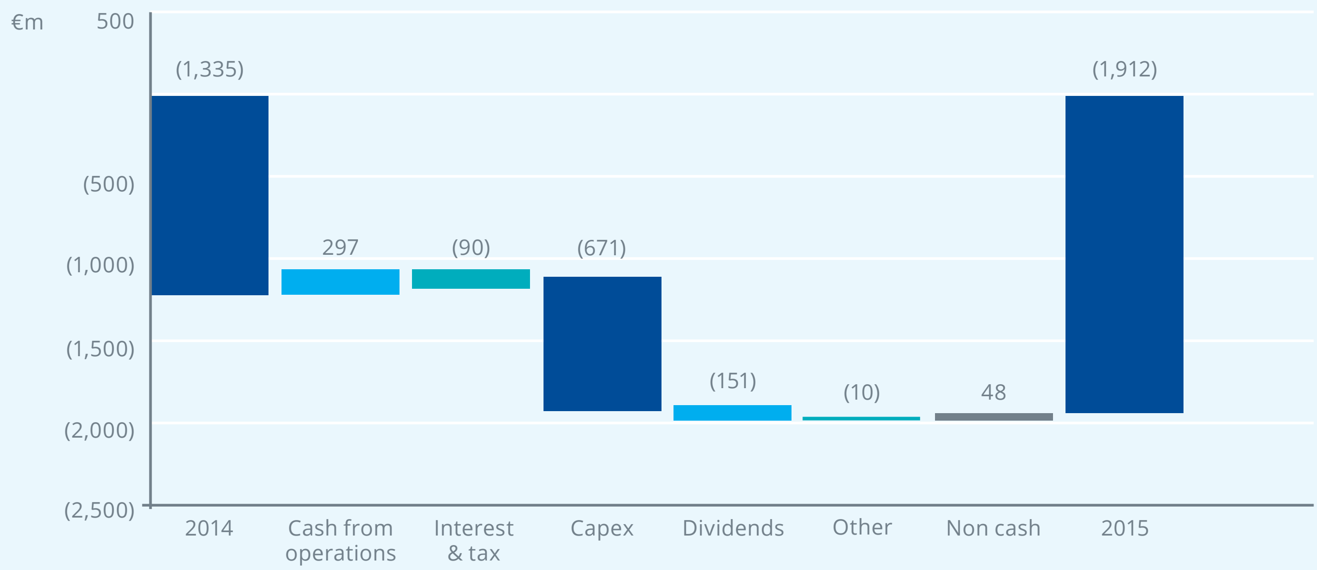
Irish Water generated €645 million from financing activities during 2015 to fund the significant infrastructural investments and operating and working capital requirements.

Gas Networks Ireland utilised cash of €174 million in financing activities during 2015, primarily the payment of dividends to the Exchequer of €151 million.

EXCHEQUER DIVIDENDS

Ervia declared a dividend of €133 million to the Exchequer in the year ended 31 December 2015, compared to prior year dividend declared of €189 million. Ervia paid a dividend to the Exchequer of €151 million during 2015 compared to a payment of €171 million during 2014. Dividends paid in 2015 include the payment of an additional special 2015 dividend of €100 million relating to the sales proceeds of the Bord Gáis Energy Business.

Reconciliation of Net Debt 2014 to 2015



Summarised balance sheet for year ended 31 December 2015	2015 €m's			2014 €m's		
Balance sheet classification	Gas Networks Ireland[1]	Irish Water[2]	Ervia (Combined)[3]	Gas Networks Ireland[1]	Irish Water[2]	Ervia (Combined)[3]
Non-current assets						
Our infrastucture and the assets we use in our business	2,560	1,326	**3,886**	2,575	825	**3,400**
Other non-current assets	79	66	**145**	54	30	**84**
Total non-current assets	**2,638**	**1,393**	**4,031**	**2,629**	**856**	**3,485**
Current assets						
Cash and cash equivalents	97	55	**152**	106	37	**143**
Trade and other debtors due within one year - primarily amounts to be collected from our customers	88	152	**240**	94	73	**167**
Other current assets	45	6	**51**	40	6	**46**
Total current assets	**231**	**213**	**444**	**240**	**116**	**356**
Total assets	**2,869**	**1,605**	**4,474**	**2,869**	**971**	**3,840**
Non-current liabilities						
Borrowings repayable after one year	(1,024)	(100)	**(1,124)**	(1,070)	(54)	**(1,124)**
Net pension deficit	(51)	(27)	**(78)**	(85)	(33)	**(118)**
Deferred revenue and government grants	(83)	(20)	**(103)**	(90)	(33)	**(123)**
Provisions and trade payables due after one year	(39)	(82)	**(121)**	(53)	(91)	**(144)**
Deferred tax liability	(197)	-	**(197)**	(199)	-	**(199)**
Other	(11)	-	**(11)**	(20)	-	**(20)**
Total non-current liabilities	**(1,406)**	**(229)**	**(1,635)**	**(1,517)**	**(210)**	**(1,727)**
Current liabilities						
Borrowings repayable within one year	(152)	(845)	**(997)**	(72)	(308)	**(380)**
Deferred revenue and government grants	(11)	(14)	**(25)**	(11)	(17)	**(28)**
Trade and other payables and provisions due within one year	(160)	(361)	**(521)**	(160)	(360)	**(520)**
Other	(3)	-	**(3)**	-	-	**-**
Total current liabilities	**(325)**	**(1,220)**	**(1,545)**	**(243)**	**(685)**	**(928)**
Total liabilities	**(1,731)**	**(1,450)**	**(3,181)**	**(1,760)**	**(895)**	**(2,655)**
Net assets Total assets less total liabilities	**1,139**	**156**	**1,295**	**1,109**	**76**	**1,185**
Net debt Non GAAP measure - debt as presented on the balance sheet adjusted for impact of fair value hedges less free cash deposits	**(1,022)**	**(890)**	**(1,912)**	**(1,010)**	**(325)**	**(1,335)**

OUR INFRASTRUCTURE AND THE ASSETS WE USE

During 2015, the infrastructure and the assets we use in our business increased by almost €500 million (net) reflecting the significant investments during 2015.

NET DEBT

During 2015, Ervia's net debt increased to €1,912 million compared to prior year of €1,335 million.

Irish Water net debt increased to €890 million from €325 million, reflecting the investments of €571 million made during 2015 in our infrastructure and assets and operational and working capital requirements.

Gas Networks Ireland net debt remained stable at €1,022 million as operating cash inflows were sufficient to meet cash outflows in respect of capital investment and financing activities.

NET PENSION DEFICIT

Ervia's IAS 19 pension deficit of €78 million as at 31 December 2015 has decreased by €40 million compared to prior year of €118 million. The principal driver for the decrease in the IAS 19 pension deficit was the increase in the discount rate from 2.2% at 31 December 2014 to 2.7% at 31 December 2015 due to improving international trends on long-term corporate bond yields.

SUBSEQUENT EVENT AFFECTING AN ERVIA SUBSIDIARY

Noting that Irish Water is not consolidated in the financial statements presented on pages 68 to 146 of this Annual Report, for the reasons outlined in note E9 on page 109, the Ervia Board has considered the following subsequent event which has been fully disclosed in the standalone Irish Water financial statements:

Following the 2016 General Election, a new Government was formed and the Programme for Government contains the following commitment:

'we will protect the existing €42 billion capital investment plan published by the outgoing Government for the period 2016-21, including the €5.5 billion plan set out by Irish Water to continue to upgrade the dilapidated national water infrastructure.'

The Government is committed under a confidence and supply arrangement with Fianna Fáil to:

1. *Retain Irish Water as a single national utility in public ownership responsible for the delivery of water and wastewater services.*
2. *Establish an External Advisory Body on a statutory basis to advise on measures to improve the transparency and accountability of Irish Water, including quarterly reporting to the Government and an Oireachtas Committee of Irish Water's performance on the implementation of the Irish Water business plan.*
3. *Introduce and support legislation in the Oireachtas to suspend domestic water charges for a period of nine months from the end of the current billing cycle. The suspension of domestic water charges will be extended by the Government if this is required and requested by the Special Oireachtas Committee on the Funding of Domestic Water Services in order to facilitate the completion of its work and the consideration of its recommendations by the Oireachtas.*
4. *Establish an Expert Commission to make recommendations for the sustainable long-term funding model for the delivery of domestic water and wastewater services by Irish Water. The Expert Commission will endeavour to report within five months of its establishment.*

The Ervia Board has considered the developments described above and has reviewed Irish Water's performance in 2016 to date, assessed the risks arising and revised performance projections.

The subsequent event described above has no financial impact on the financial statements presented on pages 68 to 146 of this Annual Report.

Capital Resources and Treasury Governance

CAPITAL RESOURCES – GAS NETWORKS IRELAND

At 31 December 2015, Gas Networks Ireland had available funding facilities of €1,530 million (including €19 million in uncommitted facilities). Gas Networks Ireland's total borrowings were €1,176 million after certain remeasurements arising from the application of IAS 39 and capitalised loan fees. Gas Networks Ireland had undrawn facilities of €399 million. As at 31 December 2015, Gas Networks Ireland had a statutory borrowing limit of €3 billion, which sets the upper limit for drawn facilities.

The key funding activity in 2015 was the refinancing of the existing Revolving Credit Facility into a new resized €450 million facility, which reflects Gas Networks Ireland's ongoing working capital and liquidity requirements. In addition as part of the restructuring of Ervia, the debt associated with the regulated transmission and distribution business transferred to Ervia's newly incorporated subsidiary company, Gas Networks Ireland.

Gas Networks Ireland's long term credit rating is A for Standard & Poor's and Baa1 for Moody's Investors Services.

CAPITAL RESOURCES – IRISH WATER

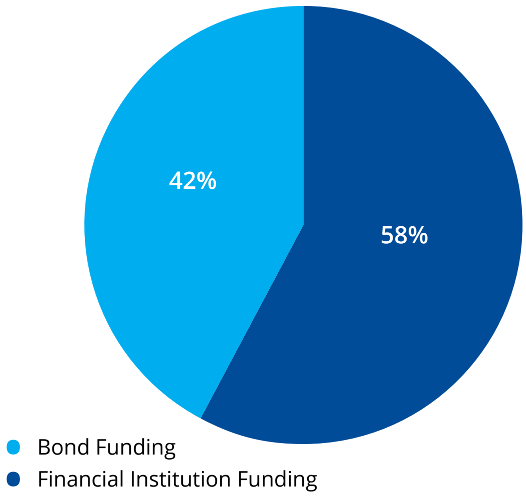
At 31 December 2015, Irish Water had available funding facilities of €1,356 million (including €10 million in uncommitted facilities). Of this, €946 million was drawn leaving a further €410 million undrawn. As at 31 December 2015, Irish Water had a statutory borrowing limit of €2 billion, which sets the upper limit for drawn facilities.

Key activities in relation to debt management undertaken during the year include the execution of €800 million of funding by way of bilateral facilities with a number of commercial banks, the refinancing of the existing €300 million of funding from the Ireland Strategic Investment Fund along with the raising of an additional €150 million and the execution of a €96 million credit facility agreement with the Minister for Finance.

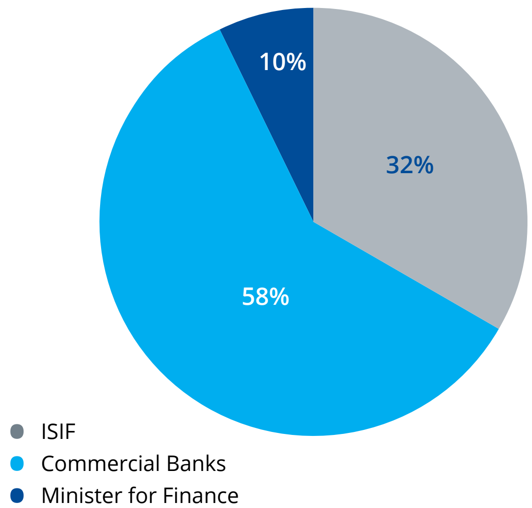
In 2015, the €54 million convertible debt instrument, which was held by the Minister for Finance, was converted into 'B' Shares in the capital of Irish Water. The resulting shares were registered, in equal amounts, in the names of the Minister for Finance and the Minister for the Environment, Community and Local Government.

Irish Water's long-term goal is to achieve an investment grade credit rating.

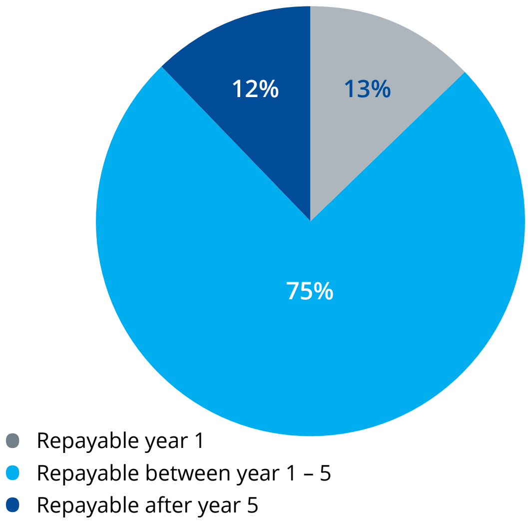
Gas Networks Ireland – Funding mix of Drawn Facilities



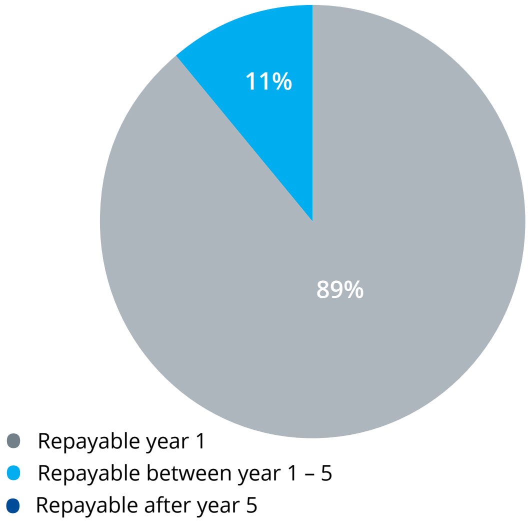
Irish Water – Funding mix of Drawn Facilities



Gas Networks Ireland – Debt Maturity Profile



Irish Water – Debt Maturity Profile



TREASURY GOVERNANCE

Ervia operates a centralised Treasury function. Responsibility for Treasury activity and its performance rests with the Board, which exercises its responsibility through regular review. The Audit and Finance Committee reviews the appropriateness of the Treasury Policy and the effectiveness of the system of internal controls.

Ervia complies with the requirements of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992 and the Specification of the Minister for Finance. Ervia'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. Further details of Ervia's treasury governance financial risk management policies are set out in the financial statements note B5.

Irish Water

"Irish Water made solid advances in 2015 towards establishing the business as a public utility, by creating the operational and financial frameworks capable of delivering modern, safe and affordable water and wastewater services for customers. Irish Water published its twenty five year Water Services Strategic Plan and the Business Plan to 2021. Much needed investment is already underway with a significant body of works in development."

Incorporated in July 2013, Irish Water brings together the water and wastewater services of 31 Local Authorities under one national service provider. From 1 January 2014, Irish Water became responsible for all public water services, including supply of drinking water and collection, treatment, and disposal of wastewater.

Irish Water took on operation of assets through Service Level Agreements (SLAs) with all 31 Local Authorities, which continue to provide day-to-day operations under agreed Annual Service Plans (ASPs). Irish Water is also responsible for the capital investment programme.

Irish Water is regulated by the Commission for Energy Regulation (CER), the economic regulator for the water industry and the Environmental Protection Agency (EPA) the environmental regulator.

Operating Environment

The water sector's funding model has been based on variable year-on-year funding. Consequently, despite Local Authorities' good work, delivery of national water services has been disjointed. Many assets have suffered from underinvestment and lack of integration resulted in duplication and significant inefficiencies in planning, construction, operations and maintenance of water and wastewater networks and assets. Operating costs are high, at approximately twice UK levels, influenced by the poor condition of assets and a non-standard approach to operations and maintenance.

At the beginning of 2015, 121 public drinking water supplies, supplying 940,000 people, required major upgrading. Up to 49% of all drinking water was being lost through leakage. 23,000 people were on "Boil Water" notices and at least 180,000 properties were at risk of exceeding EU guidelines on maximum levels of lead in drinking water.

"The challenge of fully transforming water services in Ireland should not be underestimated"

Untreated sewage is being discharged into rivers and seas at 45 locations across Ireland and the European Commission is pursuing the country for persistent failure to meet European Directive standards. Over two-thirds of the sewer network used to transport wastewater needs major repair.

There is also a serious lack of spare capacity for service resilience and social and economic development (156 wastewater treatment plants are currently undersized, for example).

It is estimated that up to €13 billion is needed to bring the asset base to a consistent "good" standard of quality and capacity. Irish Water was established as a State-owned single utility to address these challenges and deliver a centralised, national and long-term approach to the planning and development of Ireland's water services.

The challenge of fully transforming water services in Ireland should not be underestimated. It will take a multi-year, multi-billion euro programme continued through several successive investment cycles. Much has been achieved in 2014 and 2015, and planning is underway for significant changes in all areas of water services in line with the Irish Water Business Plan to 2021 and the twenty five year Water Services Strategic Plan.

Performance in 2015

PUBLISHED TWENTY FIVE YEAR PLAN FOR THE FUTURE OF WATER SERVICES IN IRELAND

In 2015, Irish Water published the Water Services Strategic Plan (WSSP), a twenty five year plan for the future of water services in Ireland. Resulting from a series of public consultations in 2014 and 2015, the final plan was approved by the Minister for Environment Community and Local Government in October 2015.

PUBLISHED BUSINESS PLAN TO 2021

Supporting the Water Services Strategic Plan, Irish Water, guided by Ervia, published its Business Plan to 2021. Its objective is delivery of a much improved service to customers by 2021. The plan focuses on nine key deliverables (outlined in the Corporate Strategy section).

PUBLIC CONSULTATION ON "LEAD IN DRINKING WATER MITIGATION PLAN"

In June 2015, the Government announced its "National Strategy to Reduce Exposure to Lead in Drinking Water", the first national initiative to address legacy lead pipe issues. In support, Irish Water is preparing its "Lead in Drinking Water Mitigation Plan". An "Issues Paper" on the Lead Plan was published in June 2015. The Plan is being finalised for consultation and implementation in 2016.

REMOVED 21,743 PEOPLE FROM LONG-TERM "BOIL WATER" NOTICES

Removal of long-term "Boil Water" notices was a priority for Irish Water in 2015. Over 20,000 people were removed from these notices. Priority was also given to addressing water schemes identified as "at risk" on the EPA Remedial Action List. Over 250,000 people now have a safer drinking water supply.

COMMENCED "FIRST FIX FREE" SCHEME

Irish Water installed over 800,000 domestic water meters by end of 2015, (over 40% of those households pay less than capped charges based on metered use). The business also launched the "First Fix Free" Scheme with 2,727 customer leaks repaired, saving 34 million litres of water every day.

ISSUED FIRST DOMESTIC BILLS

Domestic bills began to issue from April 2015 to a customer base of 1.5 million households. At the end of the third billing cycle, 61% of customers (approximately 928,000 customers) were paying water charges. Total cash collected from charges paid for the 9 months of 2015 by domestic customers is €110.8 million. Increased revenue will fund repairs and service improvements.

CONTINUED FOCUS ON CUSTOMER SERVICE ENHANCEMENT

In 2015, Irish Water's customer contact centre, which operates 24/7, handled over 2.1 million calls: 54% were answered in under 20 seconds on average.

Saved

34 million litres

of water every day from fixing customer side leakage alone

ESTABLISHED A NATIONAL CONTROL CENTRE FOR WATER SERVICES MANAGEMENT

Irish Water developed Ireland's first national operating model for water services, instigating monthly reporting across the country with standardised Key Performance Indicators (KPIs) and establishing a National Control Centre. Irish Water also began roll-out of the National Telemetry System, and implemented an integrated approach to health and safety management and a standard asset management approach.

INVESTED OVER €363 MILLION IN NEW AND UPGRADED INFRASTRUCTURE

100 treatment plants were upgraded or under construction in 2015. 319 contracts were signed for new projects to improve water supply and wastewater treatment. Over 500km of leaking water pipes were replaced.

Plans have been developed for the 45 towns without adequate wastewater treatment. The priority is to secure water supply for the population supplied by schemes at risk on the EPA Remedial Action List. By 2021, Irish Water aim for no public water scheme to be at risk of contamination, with no customers on long term "Boil Water" notices.

As well as investing in assets, significant work was completed in process optimisation and standardisation. Systematic asset improvement is being achieved through national upgrade programmes, including disinfection and pressure management.

KEY PROGRESS MILESTONES ON MAJOR PROJECTS

At the end of 2015, Irish Water announced an emerging preferred option for a major water supply for the east and midlands of Ireland; an enhanced wastewater treatment plant for the Greater Dublin Area; and a significant wastewater treatment plant for Cork Lower Harbour towns.

A crucial geographic information system (GIS) mapping programme of all main water infrastructure assets was completed. Through the domestic metering programme, Irish Water can gather real data on domestic usage. This allows for accurate calculation of usage versus leakage. GIS mapping and mains rehabilitation has already had an impact: headroom in the Greater Dublin Area has increased from 2% to nearer 8% for the first time in a generation.

In 2015, Irish Water continued to deliver against the CER's efficiency targets of the First Price Control period to end 2016, and began planning for the next Interim Revenue Control period for 2017 and 2018.

A critical element of Irish Water's strategy is establishing a strong financial position for the organisation and the water services industry. To start delivering on this objective, Irish Water increased earnings before interest, tax, depreciation and amortisation (EBIDTA) to €72 million in 2015; began billing and collection of domestic water charges; continued to deliver on the domestic metering programme; and began planning for the CER review of non-domestic tariffs and charges.

Priorities for 2016 / 2017

The Irish Water Business Plan outlines priorities for the next seven years, including 2016 and 2017. Key strategic objectives are

TRANSFORM WATER SERVICES DELIVERY IN IRELAND

Irish Water, working with Local Authorities, will transform the industry operating model from a 31 Local Authority structure to a single utility way of working. Already begun under the Transformation Plan 2014-2017, this transition involves centralising and regionalising activities, eliminating duplication and reducing overheads. Irish Water has already started standardising processes and systems and is implementing a national approach to planning and delivery of vital infrastructure.

IMPLEMENT A MAJOR CAPITAL INVESTMENT PROGRAMME

In 2016, Irish Water will continue to address major deficits in Ireland's drinking water and wastewater quality and capacity. This is in addition to the "First Fix Free" scheme which will continue in 2016 and be supported by a ramped-up "Find & Fix" leakage programme.

Irish Water will continue to deliver on capital project commitments outlined in the Capital Investment Plan (CIP) 2014-2016. The next CIP for 2017-2021 is being developed, and will form part of the submissions to the CER under the Interim Revenue Control 2017-2018.

REDUCE COST SIGNIFICANTLY

Irish Water is committed to achieving significant cost reduction. The Irish Water Business Plan will deliver operating savings of €1.1 billion between 2014 and 2021. A further €0.5 billion will be saved through more efficient delivery of capital projects. Irish Water will continue to deliver on targets in 2016/2017 through savings across payroll and associated overheads, repairs and maintenance, design, build and operate (DBO) contracts, energy and consumables.

ESTABLISH A "CUSTOMER-FIRST" CULTURE

Irish Water is committed to ensuring all customers experience consistent high standards of water and wastewater services. There is now a single point of contact for standard systems and processes for planning, scheduling and tracking customer requests. In 2016, Irish Water will continue to develop and deliver against codes of conduct, customer charters and clearer standards of service.

EVOLVE IRISH WATER INTO A HIGH-PERFORMANCE PUBLIC UTILITY

While most of Ireland's utilities have existed for over 40 years, Irish Water has existed for under 2 years. In that time, the utility has recruited the skills and resources to run the business, taken responsibility for national water services and started to address key challenges.

Irish Water will evolve into a high-performance public utility, building capability and continuing the transformation programme to meet economic efficiency targets.

SUPPORT ECONOMIC AND SOCIAL DEVELOPMENT

Irish Water will optimise sustainable development of Ireland's river basins, developing economic corridors and applying standards enabling more efficient and effective use of water infrastructure and resources. Through capital investment plans and connection policies being developed, we will prioritise delivery of critical infrastructure.

PROTECT AND ENHANCE THE ENVIRONMENT

In 2016, Irish Water will target investment to ensure wastewater is disposed of safely and sustainably in compliance with EPA requirements.

MIGRATE NON-DOMESTIC CUSTOMERS TO IRISH WATER

Non-domestic customers will migrate to Irish Water systems during 2016. Various service channels will be established to assist transition. At the same time, the CER will begin a review of non-domestic tariffs. Irish Water will be making submissions under key headings as part of this review. The CER will also review the New Connections Policy for the industry and Irish Water will support this.

SUBMIT INTERIM REVENUE CONTROL 2017–2018

In the Interim Revenue Control 2014 – 2016, Irish Water successfully delivered operational expenditure savings. The Interim Revenue Control 2017 – 2018 will be submitted to the CER in 2016. This, together with a public consultation period, will determine operational and capital expenditure for Irish Water.

PUBLISH NATIONAL STRATEGIES

We are developing a number of national strategies, to be published in 2016. These include a National Sludge Management Plan, National Pesticides Plan, and Lead in Drinking Water Mitigation Plan.

COMPLETE DOMESTIC METERING PROGRAMME

Phase 1 of the domestic metering programme should be completed in 2016. At end of 2015, over 800,000 domestic meters were installed with 40% of customers billed on a metered basis paying less than domestic capped charges.

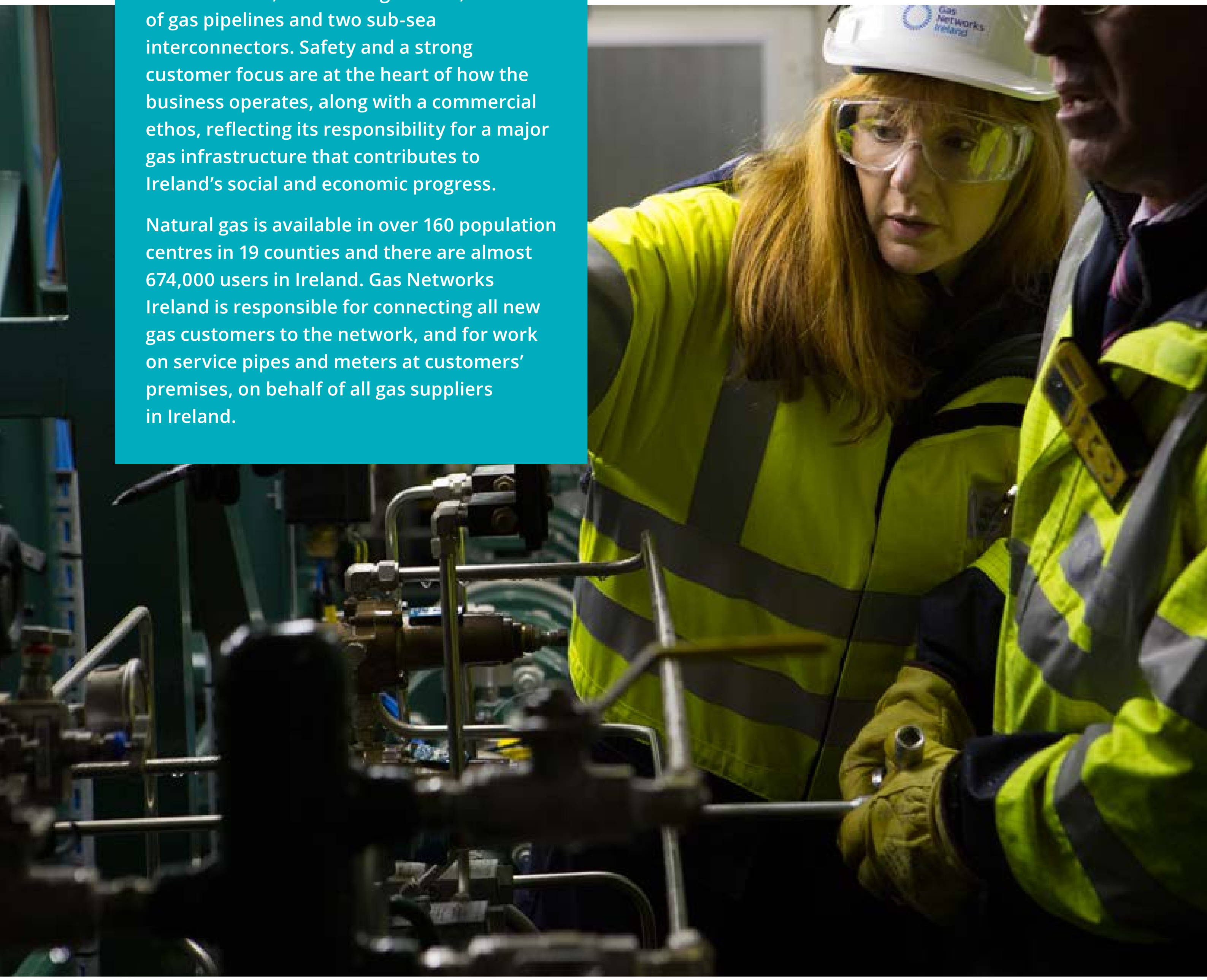
"In 2016, Irish Water will target investment to ensure that wastewater is disposed of in a safe and sustainable manner"

Gas Networks Ireland

"2015 has been a year of change, progress and considerable achievement for Gas Networks Ireland. The business was successfully incorporated as a legal subsidiary of Ervia and met all, and indeed exceeded most of its customer service metrics, while delivering a very strong financial performance."

Gas Networks Ireland builds, develops and operates Ireland's world-class gas infrastructure, maintaining over 13,832km of gas pipelines and two sub-sea interconnectors. Safety and a strong customer focus are at the heart of how the business operates, along with a commercial ethos, reflecting its responsibility for a major gas infrastructure that contributes to Ireland's social and economic progress.

Natural gas is available in over 160 population centres in 19 counties and there are almost 674,000 users in Ireland. Gas Networks Ireland is responsible for connecting all new gas customers to the network, and for work on service pipes and meters at customers' premises, on behalf of all gas suppliers in Ireland.



Performance in 2015

In 2015, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was approximately 66,821 GWh, an increase of 1.3% on 2014. 75% of this was delivered for use in the Republic of Ireland with the remaining 25% transported to the Isle of Man and to Northern Ireland. During the year, 93% of all gas requirements in the Republic of Ireland were imported through the UK, with the remaining gas supplied from indigenous reserves in Inch. In 2015, 1,804 GWh of gas was imported through interconnectors for injection into Inch Storage, down from 2,179 GWh in 2014.

Operating Environment

COMPANY CREATION

Gas Networks Ireland was created as a legal company in January 2015. All assets and responsibilities related to the natural gas network, previously held directly by Ervia and Gaslink Independent System Operator Limited, were transferred and fully integrated to the new company on 1 August 2015. Gas Networks Ireland also became the parent of GNI (UK) Limited and Gas Networks Ireland (IOM) Limited on that date. This transaction, to amalgamate all Ervia's gas networks business under Gas Networks Ireland, was an important step towards being certified by the European Commission as a fully independent Transmission System Operator.

HEALTH, SAFETY, QUALITY & ENVIRONMENT

Safety is Gas Networks Ireland's highest priority. In 2015, the business met all its targets in terms of delivering a safe, secure and reliable gas supply to customers. Gas Networks Ireland has a comprehensive Safety Management System (SMS), which ensures activities are managed in accordance with international best practice. Transmission operations, gas emergency service and distribution design areas are accredited to ISO 9001.

A major review and update of all operational and asset related work instructions and procedures to support continued safe, secure and reliable supply of gas took place in 2015. The business completed certification of the Occupational Health and Safety Management System to OHSAS 18001.

Throughout 2015 Gas Networks Ireland continued public safety awareness campaigns promoting the Gas Emergency Service, Dial-Before-You-Dig, and Registered Gas Installers (RGI). Advertising campaigns on meter tampering and carbon monoxide also ran. There was a significant improvement in awareness of carbon monoxide safety messages and carbon monoxide alarm ownership increased from 32% in 2014 to nearly 50% in 2015 (of people surveyed in the annual Safety Benchmark Survey).

Over
13,772km
of gas pipelines constructed to date

In 2015 the company met its targets in terms of delivering a safe, secure and reliable gas supply to gas customers

ASSET DEVELOPMENT, MAINTENANCE AND OPERATIONS

In 2015, all capital and maintenance activities were completed to time, quality, scope and cost targets. The asset management focus for 2015 was split across routine capital and maintenance delivery targets and new strategic targets including developing asset management capability and gaining accreditation to ISO 55001. The 2015 capital expenditure programme covered continuation of various ongoing programmes and delivery of these key projects:

- Limerick transmission pipeline replacement
- 28km distribution feeder main to Nenagh, Co. Tipperary
- Commencement of a 46km distribution feeder main extension to Wexford town
- Ongoing turbine upgrades at Beattock compressor station in Scotland
- Fuel Gas Skid replacement at Brighouse Bay compressor station in Scotland

Gas Networks Ireland's 2015 maintenance budget was €32.8 million, requiring delivery of approximately 38,000 planned maintenance work orders across transmission and distribution networks. The planned maintenance programme for 2015 was executed in accordance with all policies and HSQE requirements. Gas Networks Ireland also completed all residual works to ensure no cast or ductile iron mains remained in the network.

Gas Networks Ireland's major emergency response procedures and plans were tested regularly over the 12 month period, including joint exercises with other key stakeholders in the gas and electricity industry in Ireland, Northern Ireland and the UK. The business continued to successfully manage the 24 hour emergency response service.

CORRIB GAS FIELD

At the end of 2015 Gas Networks Ireland welcomed the first flow of gas from the Corrib field onto the Irish natural gas network. This field was developed by Shell E&P Ireland Limited (SEPIL) on behalf of the Corrib Gas Partners. Gas Networks Ireland and Shell have worked together to implement necessary arrangements to facilitate forward gas flow. Following necessary government approvals on 29 December 2015, gas from the Corrib field flowed into the Gas Networks Ireland network. Corrib gas will meet up to 60% of Ireland's annual gas needs, greatly enhancing security of supply.

PIPELINE TWINNING PROJECT

The Commission for Energy Regulation (CER) approved construction of the new 50km natural gas pipeline in Scotland in 2015, following allocation of €34 million of EU grant aid, secured by Gas Networks Ireland in 2014. There are two pipelines connecting the island of Ireland to the gas network in the UK, with the exception of a 50km section in Scotland where the two pipelines along this 50km section merge. The pipeline twinning project involves installing a second pipeline to create two separate and independent pipelines between the two

At the end of 2015 Gas Networks Ireland welcomed the first flow of gas from the Corrib field onto the Irish natural gas network.

systems. This €93.8 million infrastructure project will be the final step in full twinning of the two gas interconnectors between Ireland and the UK.

ISO 55001 ASSET MANAGEMENT SYSTEM CERTIFICATION

In 2015 Gas Networks Ireland's Asset Management System (AMS) was certified to ISO 55001. The key role of AMS within Gas Networks Ireland is to enhance delivery of a safe and reliable service to customers and to optimise gas network utilisation. Gas Networks Ireland was Ireland's first public utility company to be accredited to the new standard.

CUSTOMER SERVICE

Throughout 2015 Gas Networks Ireland continued to provide customer services to high service standards and commitments. The Customer Care team received two global Ace Awards: one for Customer Experience Measurement Programme and an overall award for Best Use of Customer Feedback. Gas Networks Ireland handled 460,843 contacts including inbound and outbound calls, emails and other customer correspondence in 2015. The business also met customer satisfaction score targets across all activities surveyed. In addition, over 81,822 appointments were completed and over 13,069 temporary and permanent surface reinstatements were carried out over the 12 month period. Staff attended 19,449 emergency service calls.

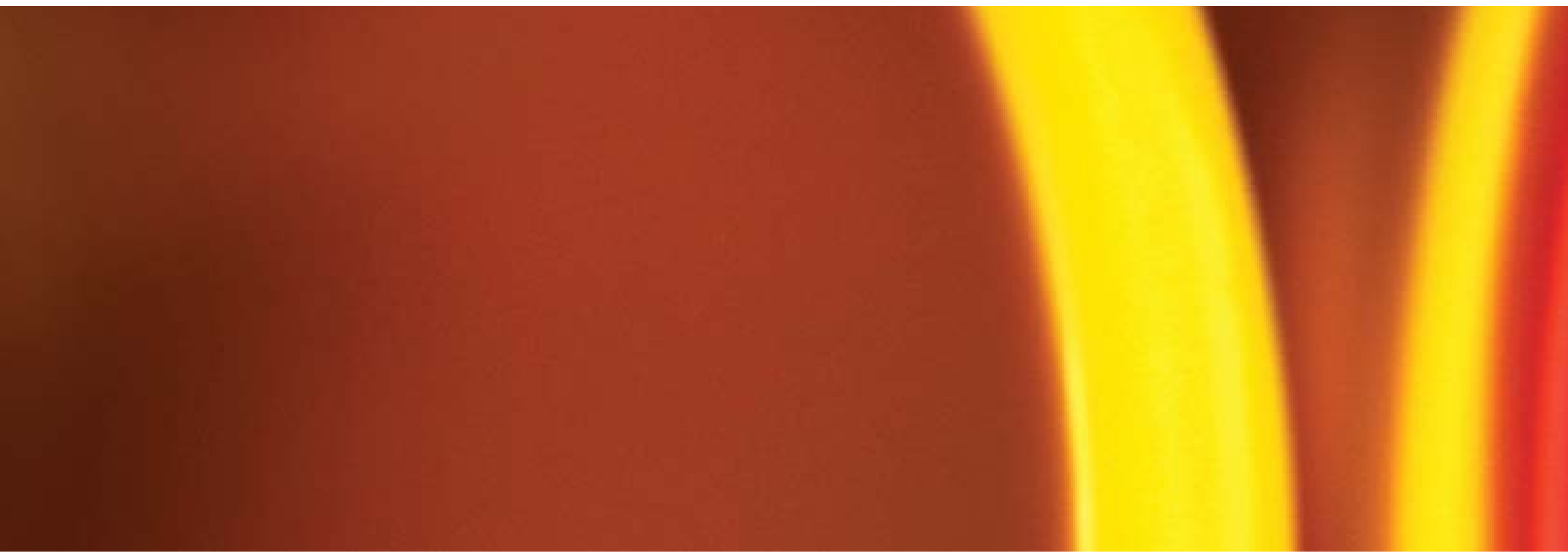
Finance

Gas Networks Ireland continued to meet all financial metrics during 2015, including sustaining its credit rating and enabling it to raise funds.

GAS TRANSPORTATION REVENUES AND TARIFFS

Allowed revenues for using Irish transmission and distribution networks for the five gas years from October 2012 to September 2017 were determined by the CER in 2012. This provided for operating and capital expenditure allowances for both networks.

Although allowed revenues for the five-year period were set in 2012, actual revenues earned are reviewed annually against the Revenue Control Formula and tariff levels adjusted to correct for any over- or under-recovery. The regulated transmission tariff for 2015 decreased in nominal terms from the 2014 tariff by 0.4% for a typical shipper through Moffat, the entry point from which most gas used in Ireland is sourced. The 2015/16 distribution tariff increased in nominal terms by 3.3% from 2014/15



Markets And Regulation

COMPETITIVE GAS MARKET

Ireland is one of the most active markets for customer switching with approx 106,000 customers (16% of total) changing supplier during 2015, reflecting continued strong competition among shippers. Gas Networks Ireland operates the Gas Point Registration Operator (GPRO) and is responsible for the Change of Shipper process. The GPRO works independently and treats all shippers and suppliers in a non-discriminatory manner.

EU MARKET DEVELOPMENT

The EU Network Codes Implementation project deliverables in 2015, harmonising how gas shippers across the EU reserve and manage capacity between networks, represent the most significant change to Europe's wholesale gas market since market opening. In Ireland, they were achieved through substantial changes to market rules governing how the gas market operates (Codes of Operations / inter Transmission System Operator (TSO) agreements) and to the IT systems that implement market arrangements. 2015 involved a major step towards an integrated European gas market.

Commercial

NEW CONNECTIONS

New connection orders were secured to supply 804GWh of new natural gas demand up from 656GWh in 2014. A total of €4.3 million in contributions and charges for connections and site-works was collected to net-off against the cost of providing these services to the benefit of network tariffs. During 2015, Gas Networks Ireland introduced various enhancements to the New Connections Policy that will benefit gas customers.

AURORA TELECOM

Established by Ervia in 2000, Aurora Telecom - a wholesale, open-access service provider for telecoms operators and business customers - provides dark-fibre and managed bandwidth services.

Aurora Telecom performed strongly in 2015. Revenues grew by over 20% and the company expanded its fibre network and customer base. The business was well positioned to take advantage of rising demand for connectivity, fibre and higher-speed broadband services. This was primarily driven by cloud services, data storage, software and video.

In 2015, Aurora expanded its open-access fibre network, nationally and in key metropolitan areas. In Dublin, Aurora is extending its network along the T-50 network. This and other developments will treble the size of its metropolitan network in the city. Expansion of Aurora's national fibre network continues to be a core focus.

COMPRESSED NATURAL GAS

Gas Networks Ireland's vision is for natural gas to become the fuel of choice for commercial and public transport. In 2015 this vision drew closer with the launch of a programme for the provision of Compressed Natural Gas (CNG) fast-fill stations in key strategic locations. Three projects were progressed in 2015 and Ireland's first three public CNG stations will be operational in 2016.

The value of natural gas was recognised in the December 2015 Energy White Paper. In line with the European Commission's strategy for low carbon transport, natural gas is identified as the alternative fuel of choice in larger commercial vehicle segments.

RENEWABLE GAS

Gas Networks Ireland supports development of renewable gas. During 2015, Gas Networks Ireland began development of the first commercial renewable gas grid injection facility with a commercial waste processing client. Gas Networks Ireland supported the establishment of Renewable Gas Forum Ireland (RGFI) in 2015. Gas Networks Ireland also provided innovation funding and collaborative support for renewable gas related research and development, and demonstrator projects with leading institutions including UCC, NUIG and Queens University.

Gas Networks Ireland commenced development of the first commercial renewable gas grid injection facility

Meters

METER REPLACEMENT PROGRAMME

Since 2010, Gas Networks Ireland has carried out a Meter Replacement Programme replacing old domestic gas meters with 'Smart Ready' meters. In 2015 the business replaced 25,652 meters bringing the total meters replaced to date to 135,652. The Programme is also replacing almost 2,300 of the oldest industrial and commercial customer meters and upgrading telemetry at remote installations. 755 industrial and commercial meters have been replaced.

PAY AS YOU GO METERING

The Pay As You Go (PAYG) sector continues to grow. Approximately 585 new meters are fitted every month. Over 97,500 domestic customers (15% of total domestic customers) use pay as you go meters, with all five domestic gas suppliers offering PAYG. Customers can top-up their gas-cards at thousands of retail outlets.

METER TAMPERING

Meter tampering can negatively impact public safety. It's therefore an area of vital importance for Gas Networks Ireland. In 2015, approximately 900 sites were inspected where meter anomalies had been identified. Approximately 600 sites were confirmed as tampered. A number of cases were brought to court and successfully prosecuted. Fines ranged from €300 to €2,000.

Training and Development

APPRENTICESHIP PROGRAMME

Gas Networks Ireland launched an apprenticeship programme in 2015. Run in conjunction with SOLAS, this attracted significant interest (over 1000 applicants for 14 positions). The course will ensure that these apprentices are trained to the highest standards in one of three crafts: Electrical instrumentation, pipefitting or mechanical automation and maintenance fitting. On completing the 4 year programme, apprentices will be awarded an internationally recognised FETAC Level 6 Advanced Craft Certificate.

TECHNICAL COMPETENCY

Gas Networks Ireland completed a comprehensive gas technical training and assessment programme in 2015 (over 2,400 training days and over 700 assessments delivered). Additionally, significant upgrade works took place in the Networks Technical Training Centre to ensure availability of the most advanced facilities for training and assessment. This includes a "street-scape" facility for scenario based assessments.

Key Achievements in 2015

- Successfully consolidated all gas businesses and incorporated Gas Networks Ireland as a legal subsidiary of Ervia, with its own credit rating
- Met all targets for delivering safe, secure and reliable gas supply to customers
- Met all financial targets
- Corrib gas successfully delivered onto Irish Gas Network
- Secured European funding to twin the on-shore pipeline in Scotland to a maximum value of €34 million
- Achieved ISO 55001 accreditation
- Retained "Business Working Responsibly" mark
- Successfully implemented EU Network Code changes required under EU Regulation 715/2009 along with other gas networks operators across the EU

Priorities for 2016/2017

- Continue to grow demand for natural gas and help minimise costs for all gas customers
- Continue to operate Irish gas network safely and efficiently
- Complete final phase of Corrib project by safely ramping gas flows to full capacity
- Commence construction of 50km “twinning” pipeline in Scotland
- Deliver 3 Compressed Natural Gas installations
- Continue to meet CER and customer service targets by delivering excellent customer service and supporting “Customer First” Programme
- Deliver all planned maintenance programmes on time, and within budget
- Continue to focus on enhancing technical and other competencies, providing greater opportunities for learning and implementing new Learning Management System
- Commence Revenue Review process (Price Control 4) for business operations in Ireland and Northern Ireland with economic regulators

Corporate Responsibility

Corporate Responsibility (CR) is an integral part of how Ervia delivers its business. Social, environmental, ethical and consumer considerations are integrated into all elements of our business and strategy development.

Gas Networks Ireland was recertified to retain the Business Working Responsibly Mark and is one of only 17 organisations in Ireland to hold the standard.

In 2015, Ervia began developing a group-wide strategic CR plan, taking into account the established Gas Networks Ireland plan and the emerging practices relating to responsibility and sustainability in other parts of the business. This strategy will be further refined in 2016.

Our CR activities centre on the marketplace, community, workplace and environment within which we deliver our businesses and services.

MARKETPLACE – ***Providing quality services to our customers, listening to their needs and striving to exceed their expectations***

Customer Support: Gas Networks Ireland and Irish Water operate Special Services and Priority Services Registers for vulnerable customers. These registers make special provisions around communications, service delivery and service restrictions or disconnections for vulnerable customers.

In 2015 Gas Networks Ireland received two global Ace Awards for its Customer Experience Measurement Programme and for Best Use of Customer Feedback. In 2016 Ervia will roll out the Customer First programme to drive improvements in customer service by drawing on the commitment, experience and expertise of our employees and business partners.

Sustainable Procurement: Ervia believes that engagement with supply chain partners and suppliers is essential in delivering a responsible and sustainable business. Ervia integrates sustainability into its procurement and contract strategy management processes under a range of criteria which include Health, Safety, Quality and Environment, human rights and community engagement.

Safety: Safety is our number one priority and a shared value across Ervia. The Irish natural gas infrastructure is amongst the most modern and safe in the world and in 2015 Gas Networks Ireland continued to promote safety awareness through the media on a number of campaigns including the Gas Emergency Service, Dial-Before-You-Dig, promotion of Registered Gas Installers (RGI) and public awareness on the dangers of carbon monoxide and the dangers of meter tampering.

Accessibility: Promoting equality, diversity and accessibility is an important part of how Ervia operates. With three Access Officers in place, Ervia works with a number of representative bodies to gain a better understanding of the issues facing our employees, customers and stakeholders across a

number of areas while promoting a fair and equal society. Gas Networks Ireland also supports the National Job Shadow Programme providing work placements for people with a disability.

COMMUNITY – ***putting the communities we work for and operate in at the heart of our business.***

Ervia in Action is a company-wide initiative, launched in 2015, to complement existing volunteering and community programmes in place in Gas Networks Ireland and Irish Water.

Charitable Giving and Fundraising: Over €36,000 was provided to community organisations nominated by Ervia employees in 2015. A further €20,000 was donated to a number of charitable organisations and Ervia employees also directly raised over €15,000 through various fundraising activities. Gas Networks Ireland also supported an initiative led by the Construction Industry Federation to develop independent living units for clients of the Peter McVerry Trust.

Education: Ervia supports a number of educational initiatives across Ireland including Time to Read and Junior Achievement. Gas Networks Ireland supports Our Universe and Irish Water supports Green-Schools, the international environmental education programme run by An Taisce.

Time to Read is a reading support programme delivered by Business in the Community (BITC), a non-profit organisation supporting member companies to develop their corporate responsibility strategies. In 2015 over 600 volunteering hours were delivered by Ervia staff to primary school children. Junior Achievement is a not-for-profit organisation working with businesses throughout the country to help secondary school students appreciate the value of education, work and enterprise. Through our work with Junior Achievement we aim to create a culture of enterprise within the education system.

In partnership with Junior Achievement, Gas Networks Ireland supported a new programme Our Universe in 2015. The programme introduces science to sixth-class students at primary school level and is designed to encourage students to continue with science as they transition to secondary school.

Green-Schools, coordinated by An Taisce, is Ireland's largest and most successful environmental education programme. The Water Theme is one of the seven different themes of the programme and Irish Water is the sole sponsor of this theme. Through this programme Irish Water is helping to raise awareness of water conservation and efficiency, resulting in 370 million litres of water being saved across 488 schools. In 2015 the programme awarded 208 Green Flags for water, directly engaging over 100,000 students in primary and secondary schools throughout Ireland.

Irish Water also supports the Think Before You Flush campaign, led by An Taisce's Clean Coasts Programme, to tackle the problem of sewage related litter on Ireland's beaches.

The Tidy Towns Value Water Award, supported by Irish Water, is a Special Award in the national SuperValu TidyTowns competition. Now in its second year, the Value Water Award encourages Tidy Towns Committees to raise awareness of around the importance of responsible and sustainable water usage and management.

WORKPLACE ***– continuing to promote excellence and diversity through our people.***

All of Ervia's achievements are made possible by the dedication, commitment and hard work of our employees.

Employee Engagement: In 2015 we continued with our commitment to talent development through our graduate and leadership development programmes. We also launched our first apprenticeship programme in over 30 years, building on our commitment to technical training and to the communities we work in.
An Employee Engagement Survey was also carried out in 2015 to gain a deeper understanding of the needs of employees and to drive improvements across the business.

Equal Opportunities & Disability Awareness: Ervia offers equal opportunities to all persons without discrimination. Our Equal Opportunities Policy details the organisation's position on all aspects of employment and requires employees to act fairly and prevent discrimination. Ervia audits and reviews its physical environment, staff provisions and services in compliance with the Disability Act of 2005.

Employee Well Being and Development: Ervia continues to recognise the importance of learning and development for its employees and is committed to their continuing professional development through a number of accreditation programmes.

Ervia also promotes and facilitates a range of well-being and healthy living initiatives to staff. In 2015 these included, the seasonal flu vaccine, healthy eating programmes, mental health initiatives and an Employee Assistance Programme to help staff with both work-related and personal matters.

The Employee Recognition Awards programme recognises individual staff members who live the values of the organisation, demonstrate outstanding customer service or exceptional commitment. Ervia's Long Service Awards celebrate employee loyalty and recognise the distinguished and dedicated service of colleagues across the organisation.

Safety: Our vision is that our activities and assets shall not cause harm to anyone. We strive to be industry leaders and have best practice systems in line with international standards such as OSHAS 18001. We are committed to establishing and maintaining the necessary systems, processes and resources and further enhancing our safety culture, in order to achieve our vision. We have dedicated teams of safety professionals across Ervia who support the business with detailed inspections, audit programmes and advice. We completed over 4,000 inspections in 2015. We closely monitor a wide range of leading and lagging indicators and use these to drive continuous improvement. We also operate a comprehensive reporting system for early identification and mitigation of hazards across the business.

A key priority for 2016 is the launch of the Ervia Work Safe, Home Safe strategy which sets out the framework and governance arrangements for delivering our vision under five key pillars: Leadership and Safety Culture; Safe Assets and Workplaces; Safe Ways of Working; Safe Delivery Partners; Health and Wellbeing.

ENVIRONMENT – ***Safeguarding and protecting our environment.***

Ervia's business activities affect the environment in which we operate and we recognise our responsibility to manage and minimise this impact. Irish Water and Gas Networks Ireland have developed environmental policies and identified key priorities to bring about change.

Energy Usage and Management: In partnership with the Sustainable Energy Authority of Ireland, Ervia participates in the National Energy Efficiency Action Plan (NEEAP), aimed at delivering 33% energy efficiency savings by 2020.

In 2015 Gas Networks Ireland fleet consumption was 1.97GWh of transport fuels including 1.96GWh of diesel , 0.01GWh of petrol and 0.16GWh of CNG. Irish Water's fleet consumption was 25.6GWh of transport fuels including 25.1GWh of diesel and 0.5GWh of petrol.

Facilities consumption for Gas Networks Ireland in 2015 was 3.27GWh of electricity and 1.27GWh of natural gas. Gas Networks Ireland Above Ground Installation (AGI) consumption in 2015 was 3.41GWh of electricity. In 2015, Irish Water consumed 598GWh of energy.

In 2015 Ervia will strive to improve its overall energy performance and compile energy usage data for Irish Water assets and develop an energy usage portfolio for the business as it evolves.

Governance

The Board

The Board of Ervia currently consists of the Group Chief Executive Officer and six independent non-executive members. The position of Chairman is currently vacant following the resignation of Rose Hynes on 16 October 2015. A process is underway to appoint a new chairman.

PETER CROSS

Peter Cross was appointed to the Board in January 2015. Mr. Cross is a member of the Audit and Finance Committee and the Risk Committee. He is Managing Director of Trasna Corporate Finance, Chairman of the HSE's Audit Committee and a Director of Cubic Telecom. He was Chief Financial Officer of Eircom between July 2007 and December 2010, and previously worked in the UK with BT Group (as Chief Financial Officer of BT Openreach, as Group Director of Corporate Finance and as a Trustee of the BT Pension Scheme). He held corporate finance positions with Morgan Stanley and Barings, having qualified as a Chartered Accountant with Arthur Andersen in Dublin.

CELINE FITZGERALD

Celine Fitzgerald was appointed to the Board in January 2015. Ms. Fitzgerald is Chairman of the Customer Service Committee and a member of the Investment/ Infrastructure Committee and the Water Industry Operating Framework Committee. She has her own consulting business (Integro Consulting) and is a non-executive director of VHI. Between 2007 and 2012 she was CEO of Rigney Dolphin, a company that works with clients to manage, maintain and grow their customer relationships. Prior to that she worked in customer relationship management in Vodafone and Eircell.

SEAN HOGAN

Sean Hogan was appointed the Board in January 2015. Mr. Hogan is the Chairman of the Risk Committee and the Water Industry Operating Framework Committee and is a member of the Audit and Finance Committee and the Remuneration Committee. He was Chairman of Northern Ireland Water Limited from March 2011 to March 2015. He holds a Masters Degree from Queens University Belfast in Organisational Management and a Certificate in Company Direction from the Institute of Directors. He is a Fellow of the Institute of Directors and sits on their Business and Environment Committee.

MARI HURLEY

Mari Hurley was appointed to the Board in June 2013 and is the Senior Independent Non-Executive Director. Ms. Hurley is Chairman of the Audit and Finance Committee and is a member of the Risk Committee and the Remuneration Committee. She was appointed to the Board of NAMA in April 2014. She is the Chief Financial Officer of Hostelworld Group plc. She was previously Finance Director of Sherry FitzGerald Group and also worked at Bear Stearns Bank plc. Ms. Hurley is a Fellow of the Institute of Chartered Accountants in Ireland having trained and qualified in Arthur Andersen and has a Bachelor of Commerce degree from University College Cork.

FINBARR KENNELLY

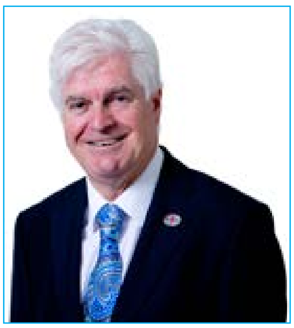
Finbarr Kennelly was appointed to the Board in December 2012. Mr. Kennelly is a member of the Investment/Infrastructure Committee, the Audit and Finance Committee, the Remuneration Committee and the Water Industry Operating Framework Committee. He is currently Finance and Operations Director of Golf Vacations Ireland. Previously he held senior positions with the Gardiner Group, distributors of hardware, hand and power tools. Prior to that Mr. Kennelly served as Financial Controller of telecoms company Alcatel Business Systems Ireland.

He is a former Board member of The Housing Finance Agency plc and also served as a mentor with Plato Ireland, the support network for SME's. He holds a Bachelor of Commerce degree and is a fellow of the Chartered Institute of Management Accountants.

MICHAEL MCNICHOLAS

Michael was appointed Group Chief Executive Officer of Ervia in May 2013. Prior to joining Ervia Michael held the positions of CEO and Chief Operating Officer in NTR plc. Prior to joining NTR plc, Michael worked with ESB for 26 years. He was an Executive Director for 10 years and held a range of executive responsibilities including Executive Director ESB International and Executive Director Generation and Supply.

Michael has a Degree in Engineering, is a Chartered Member of Engineers Ireland and has completed the Advanced Management Programme at Harvard University. He is an Executive member of the Ervia Board and a member of the Investment/Infrastructure and the Customer Service Committees. Michael is the Chairman of the Irish Water and Gas Networks Ireland Executive Boards. Michael is also a member of the Board of the Irish Management Institute (IMI).

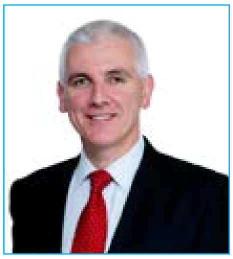


JOE O'FLYNN

Joe O'Flynn was appointed to the Board in November 2008 and subsequently reappointed in November 2013 and in January 2015. Mr. O' Flynn is Chairman of the Investment/Infrastructure Committee and a member of the Customer Service Committee. He is General Secretary of SIPTU, a former Lord Mayor of Cork and former City Councillor. He is a director of three SIPTU affiliated bodies – the Institute for the Development of Employment Advancement Services, the Irish Trade Union Trust and the Larcon Centre – the controlling body for the Liberty Hall Centre for Performing Arts. He is also Treasurer of Irish Congress of Trade Unions and a member of its Executive Council.

The Executive Team

MICHAEL MCNICHOLAS
Group Chief Executive Officer



LIAM O'RIORDAN
Company Secretary

JOHN BARRY
Director Change Management and Organisational Alignment

MICHAEL G O'SULLIVAN
Director of Strategic Infrastructure and Group Strategy

SEAN CASEY
Group Chief Operations Officer

BRENDAN MURPHY
Group Commercial Regulatory Director

JERRY GRANT
Managing Director Irish Water

RORY WILLIAMS
Group Chief Legal Officer

MARGARET LANE
Group Strategic HR Director

LIAM O'SULLIVAN
Managing Director Gas Networks Ireland

CATHAL MARLEY
Group Finance Director

Report of the Board

The Board presents its report for the year ended 31 December 2015.
It responds to the following questions:

■ What does Ervia comply with? ■ What is Ervia's approach to transparency? ■ Where can I find further information related to corporate governance?	**Introduction**
■ Who forms Ervia's Board? ■ What are the Board's roles and responsibilities? ■ How much are Board Members paid?	**The Ervia Board**
■ Is the make-up of the Board appropriate? ■ How is its effectiveness evaluated?	**Board Effectiveness**
■ What Committees has the Ervia Board delegated its authority to and what do they do? ■ How does the Audit and Finance Committee interact with the external auditor?	**Board Committees**
■ What is Ervia's approach to enterprise risk management? ■ What are the principal risks and uncertainties identified by Ervia?	**Risk Management**
■ What system of internal control has the Board put in place to manage risks? ■ How does the Ervia Board gauge the effectiveness of this system of internal control?	**Internal Controls**
■ What other statements are the Ervia Board required to make?	**Conclusions**

Introduction

Ervia continuously reviews and updates its policies and procedures to ensure compliance with best practice.

COMPLIANCE WITH THE CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES 2009 (THE "CODE OF PRACTICE")

Ervia and its subsidiary companies have instituted appropriate measures to comply with the Code of Practice which sets out principles of corporate governance which the boards of state bodies are required to observe.

THE UK CORPORATE GOVERNANCE CODE

Ervia is a body corporate established under the Gas Act 1976 and as a result, is not required to adhere to the UK Corporate Governance Code or the Irish Annex. However, the Board is committed to achieving the highest standards of corporate governance and ethical business conduct.

The Board is awaiting the finalisation and publication of a revised Code of Practice from the Department of Public Expenditure and Reform. The Board will conduct a full assessment of the impact of that code on Ervia's governance structures and Ervia's reporting thereon along with what aspects, if any, of the revised UK Corporate Governance Code Ervia may wish to voluntarily adopt. The assessment will also take into account a review of the provisions of the Companies Act 2014.

Following consideration of all of these matters, Ervia will then set out what steps will need to be taken in order to continue to achieve the highest standards of corporate governance and ethical business conduct.

COMPLIANCE WITH LEGISLATION

Ervia complies with corporate governance and other obligations imposed by:

- the Gas Act 1976 (as amended)
- the Companies Act 2014*
- the Ethics in Public Office Act 1995
- the Standards in Public Office Act 2001
- the Official Languages Act 2003
- the Disability Act 2005
- the Safety, Health & Welfare at Work Act 2005
- the Freedom of Information Act 2014
- the Regulation of Lobbying Act 2015
- the Protected Disclosures Act 2014
- the Data Protection Acts 1988 and 2003 and all associated legislation

**As a body corporate established under the Gas Act 1976 Ervia is not subject to the provisions of the Companies Act 2014. However, Gas Networks Ireland and Irish Water are subject to the Companies Act 2014.*

For the principal legislation under which Ervia and its subsidiaries operate, refer to www.ervia.ie.

TRANSPARENCY

Ervia, as a commercial state body and the parent of Gas Networks Ireland and Irish Water, is an open organisation which strives to be accountable and transparent to the public. Ervia has developed a transparency policy in order to enhance its accountability and in recognition of its duties as a responsible corporate citizen.

PROTECTED DISCLOSURES AND RAISING CONCERNS	The mechanism whereby Ervia's employees and senior management may raise concerns, or make disclosures in the public interest, in accordance with the Protected Disclosures Act 2014, is outlined in Ervia's Protected Disclosures Policy. Further guidance on raising concerns for management is outlined in the Code of Business Conduct for Management and Directors. In urgent or sensitive situations where confidential advice is required by senior management or where concerns arise which cannot be appropriately addressed through normal channels, these should be directed to the line manager, where appropriate, or to the Group Chief Legal Officer. In the case of possible financial improprieties, concerns can alternatively be directed to the Chairman of the Audit and Finance Committee. Additional guidance on raising concerns for employees is provided in the Code of Business Conduct for Employees. Employees' concerns may be raised with the employee's line manager, the Group Chief Legal Officer or the Chairman of the Audit and Finance Committee, in accordance with the procedures sets out in the Code of Business Conduct for Employees and the Ervia Protected Disclosures Policy.
REGULATION OF LOBBYING	Pursuant to the Regulation of Lobbying Act 2015 (the "2015 Act"), the Standards in Public Office Commission maintains an online register of lobbying activity (www.lobbying.ie). Its purpose is to make information available to the public on the identity of those communicating with Designated Public Officials on specific policy, legislative matters or prospective decisions. Lobbyists must report on interactions with Designated Public Officials. The 2015 Act applies to Ervia, as an employer with 10 or more employees, where Ervia makes, manages or directs a "Relevant Communication" to a "Designated Public Official", where that communication is not an "Excepted Communication". As required by the 2015 Act, Ervia submitted its first set of returns, covering 1 September 2015 to 31 December 2015, prior to the 21 January 2016 deadline. Ervia has appointed a Compliance Officer to ensure compliance with the 2015 Act.
PROMPT PAYMENTS	The Board acknowledges its responsibility for ensuring compliance with the provisions of the EU Directive 2011/7/EC as transposed by the European Communities (Late Payment in Commercial Transactions) Regulations 2012 (the "Regulations") whose provisions include the entitlement of suppliers to interest on late payments. Ervia operates a policy of paying all undisputed supplier invoices within the agreed terms of payment to comply with the requirements of the Regulations . Appropriate internal financial controls are in place within Ervia, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. Procedures have been put in place to identify the dates upon which invoices fall due for payment and for payments to be made on or before such dates. These procedures provide reasonable assurance against material non-compliance with the Regulations. Total interest paid in respect of late payments amounted to €338 in 2015, a decrease on the sum of €661 paid in 2014. In 2015 the Government launched the Prompt Payment Code of Conduct (the "Code"), which can be found at www.promptpayment.ie. Ervia is a signatory to the Code 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. The Board is satisfied that Ervia has complied with the requirements of the Regulations in all material respects.
HEALTH AND SAFETY	The well-being of Ervia's employees is safeguarded through strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act 2005 imposes obligations on employers and Ervia takes action to ensure compliance with the Act.

MODEL PUBLICATION SCHEME

Section 8 of the Freedom of Information Act 2014 ("FOI" Act) requires that Irish Water and Gas Networks Ireland, as bodies subject to the FOI Act, must prepare and publish a scheme concerning the publication of information by each body. This scheme must conform with a model publication scheme published by the Department of Public Expenditure and Reform. Under the scheme, Irish Water and Gas Networks Ireland publish as much information as possible in an open and accessible manner on a routine basis outside freedom of information ("FOI"), having regard to the principles of openness, transparency and accountability as set out in Sections 8(5) and 11(3) of the FOI Act.

The Publication Scheme was published on each of Irish Water and Gas Network Ireland's websites before the go live date of 14 April 2016. Information is provided in respect of the 6 classes of information covered by the scheme, which are:

- Information about the FOI body
- Functions and public services provided or to be provided
- Decision making procedures
- Financial information
- Procurement
- Information published routinely

By following the guidelines and the model scheme published by the Department of Public Expenditure and Reform, Irish Water and Gas Networks Ireland are fully in compliance with Section 8 of the FOI Act. Guidance published by the Department of Public Expenditure and Reform requires that material published under the scheme must be reviewed and updated at least on an annual basis. Information on purchase orders and procurement must be updated on a quarterly basis. Ervia ensures that processes are in place in respect of Irish Water and Gas Networks Ireland to regularly review and update information published under the scheme.

Although Ervia is not itself subject to FOI legislation, it strives to apply the principle of transparency to all it does and therefore adheres to the principles of the model publication scheme by publishing relevant information on its website.

FURTHER INFORMATION

The following is a summary of documentation available on www.ervia.ie which underpins the corporate governance section of this report:

Corporate Governance section:
■ Matters reserved to the Board of Ervia ■ Code of Business Conduct for Management and Directors ■ Code of Business Conduct for Employees
Transparency section:
■ Constitutional documentation of Ervia and its major operating subsidiary companies ■ Legislation under which Ervia and its subsidiaries operate ■ Financial statements for Ervia subsidiary companies ■ Board decisions ■ Board and Committee composition ■ Freedom of Information logs ■ Regulation of Lobbying Act 2015 information

The Ervia Board

ERVIA BOARD

A governance structure has been adopted by the Ervia Board which sets out responsibility for the governance of Ervia and its subsidiaries. The Board delegates authority to its Committees to carry out certain tasks on its behalf, so it can give the right level of attention and consideration to relevant matters. Ervia Board Committees are outlined in further detail on page 64.

BOARD MEMBERSHIP

At 31 December 2015, the Board comprised the Group Chief Executive Officer and six independent non-executive Board Members appointed by the Minister. The only executive Board Member was the Group Chief Exectutive Officer.

At the date of approval of the financial statements there were 7 Board Members including the Group Chief Executive Officer. The maximum number of Board Members has been increased from 9 to 11 following the commencement of Section 13 of the Water Services Act 2014.

There were also a number of changes to Ervia Board membership during 2015. Mr. Joe O'Flynn's term on the Board expired on 5 January 2015 and he was re-appointed to the Board on 20 January 2015. Mr. Peter Cross, Mr. Sean Hogan and Ms. Celine Fitzgerald were appointed to the Board on 20 January 2015 and Ms. Rose Hynes retired as Chairman on 16 October 2015. Mr. James Martin was appointed to the Board on 20 January 2015 and resigned on 27 March 2015.

A short biographical note on each member, which highlights the range of experience they bring to the Board, is set out on pages 52 and 53.

BOARD ROLES AND RESPONSIBILITIES

At the beginning of each year, the Board agrees and allocates an annual work programme for the year ahead.

The formal schedule of matters reserved for Ervia Board

The Board is responsible for the proper management and long-term success of Ervia. Decisions are made only after the necessary level of information has been made available to Board Members and with due consideration of risks identified through Ervia's risk management processes. The Board takes all significant strategic decisions while delegating day-to-day responsibility for management, operational and financial control, within defined authority limits, to the Group Chief Executive Officer and his Executive team.

The Board has reserved the following key matters for its own consideration:

- Approval of annual budgets, Ervia Corporate Plan and subsidiary business plans
- Approval of contracts/expenditure with a value in excess of €10 million
- Approval of Annual Report and Financial Statements
- Acquisition of interests in non-Ervia companies
- Issue of securities in Ervia or in any subsidiary
- Appointment / removal of the external auditor, on recommendation of the Audit and Finance Committee
- Significant amendments to Ervia pension schemes
- Establishing subsidiaries and joint ventures

For a full listing of matters refer to www.ervia.ie

The main areas of focus for the Board in 2015 were:

Communication with the Principal Shareholder

- Received updates from management regarding ongoing dialogue with Ervia's principal shareholder on strategic issues

Strategy

- Reviewed and approved Ervia Corporate Plan and Business Plans for Irish Water and Gas Networks Ireland
- Reviewed and approved Ervia Budget 2015
- Reviewed and approved the re-organisation of the Networks business
- Received regular updates from the Group Chief Executive Officer regarding opportunities and future plans
- Reviewed relevant approvals requiring Ministerial consent

Performance monitoring

- Discussed key business updates
- Reviewed monthly reports from the Group Finance Director on performance versus budget and forecast, plus trading results.
- Received updates on Ervia's business, the competitive and regulatory environment, and corporate and social responsibility matters

Key roles and responsibilities

The Chairman
Currently vacant

- Leading the Board
- Determining the Board agenda
- Ensuring its effectiveness and facilitating participation by Board Members
- Ensuring effective communication with Ervia's principal shareholder

The Group Chief Executive Officer
Michael McNicholas

- Management of Ervia's business
- Development and implementation of Ervia's strategies and policies
- Monitoring the operating and financial results against plans and budgets
- Prioritising the allocation of technical and human resources
- Implementing and overseeing the operation and effectiveness of risk management systems
- Leading the Executive team

Senior Independent Director
Mari Hurley

- Provide a sounding board for the Chairman
- Serve as an intermediary for the other Board Members where necessary

Group Chief Legal Officer
Rory Williams

- Management of Ervia's statutory and legal governance

Company Secretary
Liam O'Riordan

- Ensuring that Board procedures are followed and applicable rules and regulations complied with
- Assisting the Chairman with corporate governance matters

BOARD MEMBERS' REMUNERATION

The Minister determines fees payable to Board Members. Board Members' fees and expenses during 2015 were:

Board Member	Remuneration (€)	
Rose Hynes (Chairman)	25,079	Retired on 16 October 2015
Michael McNicholas (Group Chief Executive Officer)	-	Does 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" issued in March 2006
Joe O'Flynn	-	Board fee waived on a discretionary basis
Sean Hogan	14,983	Term of office commenced on 20 January 2015
Peter Cross	14,983	Term of office commenced on 20 January 2015
Celine Fitzgerald	14,983	Term of office commenced on 20 January 2015
Mari Hurley	15,750	
Finbarr Kennelly	15,750	

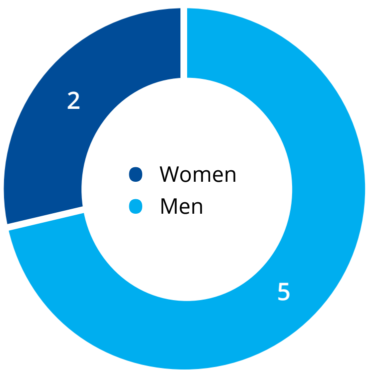
Expenses payable to Board Members during 2015, which are disclosed in accordance with the Code of Practice, were €5,939 and were travel related.

Board Effectiveness

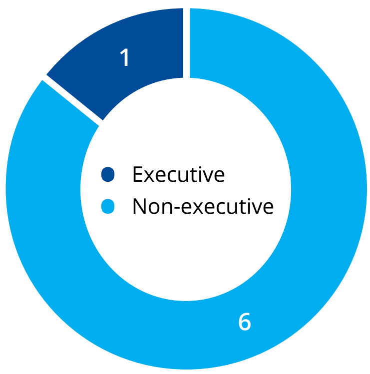
BOARD COMPOSITION

The Board's composition is a matter for the Minister. Composition at 31 December 2015:

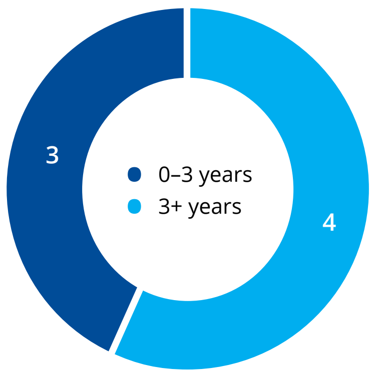
Board gender



Executive and non-executive Board Members



Non-executive Board Member tenure



BOARD MEMBERS' INDEPENDENCE

The Board is satisfied that non-executive Board Members are independent of management, independent in character and judgement and free from relationships or circumstances that could affect, or appear to affect, their judgement. Each Board Member brings independent judgement, challenge and rigour to the Board's deliberations. Executive and non-executive Board Members must declare any interest or relationship which could interfere with the exercise of their independent judgement.

BOARD DIVERSITY

The appointment and re-appointment of Board Members and terms and conditions of their appointment is a matter for the Minister. Under the Code of Practice, where the Chairman considers that specific skills are required on the Board, he/she can advise the relevant Minister in advance of Board vacancies arising so that the Minister may take the Chairman's views into account when making appointments. Where the Chairman considers that further diversity, including gender diversity, is required, a discussion takes place with the Minister.

BOARD COMPETENCY

The Board recognises the need to ensure that Board Members are aware of their statutory and fiduciary responsibilities and are kept fully informed of industry, economic and corporate governance developments.

A comprehensive induction process is provided to new Board Members, with detailed briefing papers issued on appointment. Briefing meetings with members of the Executive team are also arranged.

In furtherance of their duties Board Members can, at Ervia's expense, take independent professional advice. Board Members have access to the services of the Company Secretary. Insurance is in place to protect Board Members and officers against liability arising them in the course of their duties.

BOARD AND COMMITTEE EVALUATION

The Board considers it has an appropriate balance of skills, experience, independence and knowledge of Ervia to allow it to discharge its duties and responsibilities effectively, that it is of sufficient size to ensure this balance of skills and experience can be utilised appropriately and that changes to the Board's composition can be managed without undue disruption.

Evaluation methodologies applied by the Board to determine its effectiveness:

External evaluation	In 2015, the performance evaluation of the Board, its Committees and individual Board Members was externally facilitated. A number of actions were agreed for implementation during 2016.
Non-executive Board Member evaluation	Non-executive Board Members meet annually to carry out a performance evaluation of the Chairman taking into account the views of the Group Chief Executive Officer. Non-executive Board Members also meet annually to carry out a performance evaluation of the Group Chief Executive Officer.

ATTENDANCE AT MEETINGS

	Board		Audit & Finance		Risk		Investment/ Infrastructure		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Rose Hynes	10	10	-	-	-	-	-	-	7	7
Michael McNicholas	12	12	-	-	-	-	8	8	-	-
Sean Hogan	11	10	9	9	4	4	-	-	7	7
Peter Cross	11	9	9	9	4	4	-	-	-	-
Celine Fitzgerald	11	11	-	-	-	-	8	8	-	-
Mari Hurley	12	10	9	7	4	4	-	-	7	6
Joe O'Flynn	11	10	-	-	-	-	8	6	-	-
Finbarr Kennelly	12	12	9	9	-	-	8	8	7	7
James Martin	2	0	-	-	-	-	-	-	-	-

Column A indicates the number of meetings held during the period when the Board Member was a member of the Board and/or Committee
Column B indicates the number of meetings attended during the period when the Board Member was a member of the Board and/or Committee

Board Committees

BOARD COMMITTEES

The Board has an effective Committee structure to assist in discharging its responsibilities, with temporary committees being formed to deal with specific matters. At 31 December 2015, the Board had four Committees, each of which has formal terms of reference.

ERVIA BOARD

External Auditor

Audit & Finance Committee	Risk Committee	Investment/ Infrastructure Committee	Remuneration Committee
Roles and responsibilities are outlined below	Assists the Board in the effective discharge of its responsibilities for Ervia enterprise-wide risk management across a universe of risks including, but not limited to, safety, strategic, operational, financial and regulatory	Evaluates new development opportunities, reviews important contracts and commercial agreements and monitors ongoing projects involving significant capital expenditure	Considers and makes recommendations to the Board on remuneration and other terms and conditions of employment of the Group Chief Executive Officer and also considers policy on determination of senior management remuneration
Members:	*Members:*	*Members:*	*Members:*
M. Hurley*	S. Hogan*	J. O'Flynn*	[Chairman]*[4]
P. Cross	M. Hurley	M. McNicholas	S. Hogan
S. Hogan	P. Cross	F. Kennelly	F. Kennelly
F. Kennelly		C. Fitzgerald	M. Hurley

**denotes Chairman*

[4] The Chairman of the Board is also Chairman of the Remuneration Committee in accordance with the Terms of Reference of the Remuneration Committee.

AUDIT AND FINANCE COMMITTEE AND THE EXTERNAL AUDIT PROCESS

The roles and responsibilities of the Audit and Finance Committee are outlined in its written terms of reference, which are reviewed annually and are available at www.ervia.ie. They include:

Key roles and responsibilities of the Audit and Finance Committee:

- reviewing annual financial statements and submitting a recommendation to the Board
- considering the audit fee and appointment of the external auditor
- developing and implementing a policy on engagement or award of contracts to the external auditor or affiliate for non-audit work, taking into account relevant best practice and ethical guidelines
- monitoring the performance of the external auditor and assessing the effectiveness of the external audit process;
- assisting the Board in fulfilling its responsibilities regarding the system of internal control
- reviewing and making a recommendation on Ervia's statement on the system of internal financial control prior to endorsement by the Board
- reviewing effectiveness of the Internal Audit function on an annual basis
- monitoring and reviewing effectiveness of the Internal Audit programme, ensuring co-ordination between the Internal Audit and the external auditor
- reviewing the policy by which staff may, in confidence, raise concerns about possible business, financial or other improprieties and ensure arrangements are in place to investigate such matters
- considering and making recommendations to the Board on Ervia's annual budget

The Committee has a process for ensuring that the independence of the external audit process is not compromised.

Additionally, the Committee has approved a policy on engagement of the external auditor to provide non-audit services. This delegates responsibility to the Group Finance Director to pre-approve non-audit services performed by the external auditor subject to a defined maximum spend per calendar year and subject to the principles of independence set out by the accountancy bodies.

In August 2014, following a tender process, Ministerial approval was granted for the appointment of Deloitte as auditor for Ervia for a three year term, with the option to extend for up to a further two years, subject to annual review after the three year period.

The Committee receives regular quarterly reports from the Group Head of Internal Audit including the planned work programme, summaries of key findings of each internal audit undertaken in the period and a status report on outstanding internal audit recommendations. On an ongoing basis the Committee ensures this function is adequately resourced.

Internal Controls

INTERNAL CONTROLS

The Board has overall responsibility for the systems of internal control and for monitoring their effectiveness. Management is responsible for identification and evaluation of significant risks, together with design and operation of suitable internal control systems. These systems provide reasonable but not absolute assurance against material misstatements or loss.

Ervia's system of internal control comprises:

- Clearly defined organisational structure, with defined authority limits and reporting mechanisms to higher levels of management and to the Board
- Comprehensive budgeting systems with an annual budget subject to Board approval
- Comprehensive system of financial reporting. Cumulative monthly actual results are reported against budget and considered by the Board on a monthly basis. The Board questions variances and remedial action is taken where appropriate
- Comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require Board approval, and are closely monitored on an ongoing basis by the Board's Investment/ Infrastructure Committee
- Comprehensive set of management information and performance indicators are produced quarterly using interrelated balanced scorecards, enabling progress against longer-term objectives and annual budgets to be monitored, trends evaluated and variances acted upon
- Risk management process enabling identification and assessment of risks that could impact achievement of agreed business objectives and ensuring appropriate mitigating measures and controls are put in place. There is a Group Risk Management Committee chaired by the Group Chief Executive Officer which reports to the Risk Committee.
- Code of ethics requiring all employees to maintain the highest ethical standards
- Comprehensive anti-fraud programme including an anti-fraud policy, training and communication and a fraud response plan
- Responsibility by management at all levels for internal control review over respective business functions
- Corporate governance framework, including financial control and risk assessment
- Systematic reviews by Internal Audit of internal financial controls. In these reviews, emphasis is focused on areas of greater risk as identified by risk assessment.

The Board has reviewed the effectiveness of the systems of internal control up to the date of approval of the financial statements. A detailed review was performed by the Audit and Finance Committee, which reported on its findings to the Board.

The process used to review effectiveness of the system of internal control includes:

- Review and consideration of the programme of Internal Audit and consideration of its reports and findings
- Review of regular reporting from Internal Audit on the status of the internal control environment and the status of issues raised previously from their own reports
- Close liaison with the Risk Committee which reviews Risk Management Activity Reports from the Group Risk Management Committee on risks, controls and implementation status of action plans
- Review and consideration of the report by the Group Chief Executive Officer 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 internal financial control issues

Ervia has a robust framework to review the adequacy and monitor the effectiveness of internal controls covering financial, operational, compliance and risk management. The Board is satisfied that the system of internal control in place is appropriate for the business.

Conclusions

COMPLIANCE STATEMENT

In developing its corporate governance policy to ensure the Board carries out its role effectively, the Board has sought to give effect to the Code of Practice.

The Chairman reported to the Minister for Communications, Energy and Natural Resources on compliance with the Code of Practice throughout the financial year under review. As a result of the appointment of the Majority Shareholding Minister in late 2015 the new Chairman when appointed will be reporting to the Minister for the Environment, Community and Local Government.

GOING CONCERN

Financial statements are prepared on a going concern basis as the Board, after making appropriate enquiries, is satisfied that Ervia has adequate resources to meet its liabilities as they fall due for the foreseeable future.

PROTECTED DISCLOSURES AND RAISING CONCERNS

No disclosure was made in 2015 which could be construed as a Protected Disclosure under the Protected Disclosures Act 2014.

INTERESTS OF BOARD MEMBERS AND COMPANY SECRETARY

The Board Members had no interest in Ervia or its subsidiary companies during the year. The Company Secretary is a beneficiary of the Employee Share Ownership Plan.

The Board is satisfied that its Members are free from any business or other relationship that could materially affect, or could appear to affect, the exercise of their independent judgement. Board Members may hold directorships or 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 absent themselves from Board discussions and decisions where they are conflicted or have a direct or indirect interest as required by the Code of Practice. In such cases, a separate record (to which the Board Member would not have access) is maintained. Disclosure is provided, as required by IFRS, in note E2 "Related Parties" to the financial statements of related party transactions. In accordance with company law, details of directorships of limited companies held by Board Members of Gas Networks Ireland and Irish Water are filed in the Companies Registration Office.

For and on behalf of the Board:

Mari Hurley

Member of the Board

Member of the Board

Financial Statements

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Board Responsibilities Statement

for the year ended 31 December 2015

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 for the year of both the Group and the Parent. 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 Acts 1976 to 2009. The Board is responsible for reviewing the effectiveness of the system of internal controls comprising Financial, Operational, Compliance and Risk Management, and for reporting thereon to the Minister for the Environment, Community and Local Government. The Board is also responsible for safeguarding the assets of Ervia and hence for taking reasonable steps for 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 the going concern basis is appropriate.

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	**Member of the Board**	**Date of Approval**
		10th June 2016

Independent Auditor's Report to the Members of Ervia

We have audited the financial statements of Ervia for the year ended 31 December 2015 which comprise 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 Group notes A1 to E12, 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 Parent notes F1 to J4. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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.

Respective responsibilities of the Board and Auditor

As explained more fully in the Board Responsibilities Statement, the Board is responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- The Group and Parent financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group and Parent affairs as at 31 December 2015 and of the profit of the Group and Parent for the year then ended; and
- The financial statements have been properly prepared in accordance with the requirements of the Gas Acts, 1976 to 2009.

Matters on which we are required to report

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion, adequate accounting records have been kept by the Parent.
- The Parent Income Statement and Balance Sheet are in agreement with the books of account.
- In our opinion the information given in the Report of the Board is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report to you if the statement regarding the system of internal financial control required under the Code as included in the corporate governance Statement in the Report of the Board on pages 56 to 67 does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements.

We have nothing to report.

Deloitte

Chartered Accountants and Statutory Audit Firm

Dublin

Date: 10th June 2016

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 Board 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 2015

	Notes	Before certain remeasurements and exceptional items 2015 €'000	Certain remeasurements and exceptional items 2015 €'000	Results for the year 2015 €'000	Before certain remeasurements and exceptional items 2014 €'000	Certain remeasurements and exceptional items 2014 €'000	Results for the year 2014 €'000
Continuing operations							
Revenue	C1	**491,108**	**-**	**491,108**	505,879	-	505,879
Operating costs (excluding depreciation and amortisation)	D1/D2	**(184,141)**	**-**	**(184,141)**	(168,832)	(7,118)	(175,950)
Operating profit/(loss) before depreciation and amortisation (EBITDA)		**306,967**	**-**	**306,967**	337,047	(7,118)	329,929
Depreciation and amortisation	A4	**(124,770)**	**-**	**(124,770)**	(133,294)	-	(133,294)
Operating profit/(loss)		**182,197**	**-**	**182,197**	203,753	(7,118)	196,635
Finance income	B4	**-**	**1,153**	**1,153**	30	-	30
Finance costs	B4	**(47,065)**	**-**	**(47,065)**	(66,320)	(1,291)	(67,611)
Net finance (costs)/income	B4	**(47,065)**	**1,153**	**(45,912)**	(66,290)	(1,291)	(67,581)
Profit/(loss) before income tax		**135,132**	**1,153**	**136,285**	137,463	(8,409)	129,054
Income tax (expense)/credit	E7	**(19,602)**	**(144)**	**(19,746)**	(26,939)	1,051	(25,888)
Profit/(loss) for the year from continuing operations		**115,530**	**1,009**	**116,539**	110,524	(7,358)	103,166
Discontinued operations							
Result from discontinued operations before tax impacts on sale and reclassifications of reserves	E6	**-**	**-**	**-**	-	(9,914)	(9,914)
Tax on disposal of discontinued operations	E6	**-**	**-**	**-**	-	(7,642)	(7,642)
Reclassification of reserves to income statement	E6	**-**	**-**	**-**	-	(24,912)	(24,912)
Result from discontinued operations		**-**	**-**	**-**	-	(42,468)	(42,468)
Profit/(loss) for the year		**115,530**	**1,009**	**116,539**	110,524	(49,826)	60,698
Profit/(loss) attributable to:							
Owners of the Parent		**115,530**	**1,009**	**116,539**	110,524	(49,826)	60,698
Profit/(loss) for the year		**115,530**	**1,009**	**116,539**	110,524	(49,826)	60,698

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	Member of the Board	Date of Approval
		10th June 2016

As described in note E9 the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Other Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Profit for the year		**116,539**	60,698
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains/(losses)	D5	**42,758**	(47,107)
Deferred tax (expense)/credit relating to defined benefit obligations	E7	**(5,345)**	5,888
Total items that will not be reclassified to profit or loss		**37,413**	(41,219)
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		**2,058**	1,315
Net change in fair value of cash flow hedges		**7,439**	1,878
Deferred tax on cash flow hedge movement	E7	**(930)**	(235)
Total items that may be reclassified subsequently to profit or loss		**8,567**	2,958
Total other comprehensive income/(expense) for the year, net of income tax		**45,980**	(38,261)
Total comprehensive income for the year		**162,519**	22,437
Analysed as:			
Continuing operations		**162,519**	69,416
Discontinued operations		**-**	(46,979)
Total operations		**162,519**	22,437
Total comprehensive income attributable to:			
Owners of the Parent		**162,519**	22,437
Total comprehensive income for the year		**162,519**	22,437

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	Member of the Board	Date of Approval
		10th June 2016

As described in note E9 the financial statements of Irish Water are not consolidated with the results of the Group.

Group Balance Sheet

as at year ended 31 December 2015

	Notes	31-Dec-15 €'000	31-Dec-14 €'000
Assets			
Non-current assets			
Property, plant and equipment	A1	**2,528,342**	2,537,338
Intangible assets	A3	**31,232**	37,473
Trade and other receivables	C2	**23,909**	25,026
Derivative financial instruments	B5	**54,999**	27,943
Deferred tax assets	E7	**-**	770
Total non-current assets		**2,638,482**	2,628,550
Current assets			
Trade and other receivables	C2	**88,273**	94,059
Cash and cash equivalents	B3	**97,434**	105,997
Restricted deposits	D9	**35,022**	32,400
Derivative financial instruments	B5	**6,062**	170
Current tax assets	E7	**2,520**	6,126
Inventories	E8	**1,545**	1,581
Total current assets		**230,856**	240,333
Total assets		**2,869,338**	2,868,883
Equity and liabilities			
Equity			
Retained earnings		**(1,136,094)**	(1,115,299)
Other reserves		**(2,450)**	6,117
Total equity attributable to equity holders of the Parent		**(1,138,544)**	(1,109,182)
Liabilities			
Non-current liabilities			
Borrowings and other debt	B2	**(1,023,749)**	(1,069,946)
Retirement benefit obligations	D5	**(51,343)**	(84,777)
Deferred revenue	C4	**(12,766)**	(15,228)
Government grants	A2	**(70,571)**	(74,500)
Provisions	D7	**(14,408)**	(14,511)
Trade and other payables	D6	**(24,803)**	(38,251)
Derivative financial instruments	B5	**(10,879)**	(20,011)
Deferred tax liabilities	E7	**(197,109)**	(199,291)
Total non-current liabilities		**(1,405,628)**	(1,516,515)
Current liabilities			
Borrowings and other debt	B2	**(151,952)**	(72,209)
Deferred revenue	C4	**(4,758)**	(5,029)
Government grants	A2	**(5,983)**	(5,879)
Provisions	D7	**(4,419)**	(3,921)
Derivative financial instruments	B5	**(2,805)**	-
Trade and other payables	D6	**(155,249)**	(156,148)
Total current liabilities		**(325,166)**	(243,186)
Total liabilities		**(1,730,794)**	(1,759,701)
Total equity and liabilities		**(2,869,338)**	(2,868,883)

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	Member of the Board	Date of Approval
Mari Hurley		10th June 2016

As described in note E9 the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Changes in Equity

for the year ended 31 December 2015

	Capital stock	Capital premium	Cash flow hedge reserve	Translation reserve	Total other reserves	Retained earnings	Reserves relating to disposal group classified as held for sale	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2014	(100,000)	(29,426)	14,372	(786)	13,586	(1,208,870)	20,401	(1,304,309)
Profit for the year	-	-	-	-	-	(60,698)	-	(60,698)
Other comprehensive (income)/ expense for the year, net of income tax	-	-	(1,643)	(1,315)	(2,958)	41,219	-	38,261
Total comprehensive income for the year	-	-	(1,643)	(1,315)	(2,958)	(19,479)	-	(22,437)
Own shares acquired (note E9)	-	-	-	-	-	53,600	-	53,600
Capital stock amendment scheme	100,000	29,426	-	-	-	(129,426)	-	-
Equity reserves reclassified to the income statement	-	-	(3,956)	(555)	(4,511)	-	(20,401)	(24,912)
Dividends declared (note E3)	-	-	-	-	-	188,876	-	188,876
Balance at 31 December 2014	-	-	8,773	(2,656)	6,117	(1,115,299)	-	(1,109,182)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**(116,539)**	**-**	**(116,539)**
Other comprehensive income for the year, net of income tax	**-**	**-**	**(6,509)**	**(2,058)**	**(8,567)**	**(37,413)**	**-**	**(45,980)**
Total comprehensive income for the year	**-**	**-**	**(6,509)**	**(2,058)**	**(8,567)**	**(153,952)**	**-**	**(162,519)**
Dividends declared (note E3)	**-**	**-**	**-**	**-**	**-**	**133,157**	**-**	**133,157**
Balance at 31 December 2015	**-**	**-**	**2,264**	**(4,714)**	**(2,450)**	**(1,136,094)**	**-**	**(1,138,544)**

All attributable to equity holders of the Parent.

As described in note E9 the financial statements of Irish Water are not consolidated with the results of the Group.

Group Statement of Cash Flows

for the year ended 31 December 2015

Continuing operations	**Notes**	**2015**	**2014**
		€'000	**€'000**
Cash flows generated from operating activities	E4	**262,898**	174,910
Cash flows from investing activities			
Proceeds from sale of Energy division		**2,200**	941,631
Tax on disposal of discontinued operations	E6	**-**	(7,642)
Proceeds from sale of property, plant and equipment		**-**	101
Movements in restricted deposits		**-**	25
Payments for property, plant and equipment		**(95,705)**	(91,115)
Payments for intangible assets		**(4,514)**	(2,691)
Grants received	A2	**557**	-
Interest received	B4	**-**	30
Net cash (used in)/from investing activities		**(97,462)**	840,339
Cash flows from financing activities			
Repurchase of share capital (note E9)		**(12,243)**	(14,364)
Repayment of borrowings		**(10,898)**	(690,739)
Loans advanced		**-**	(89,478)
Dividends paid	E3	**(151,033)**	(171,000)
Net cash used in financing activities		**(174,174)**	(965,581)
Net (decrease)/increase in cash and cash equivalents	B3	**(8,738)**	49,668
Cash and cash equivalents at 1 January	B3	**105,997**	56,083
Effect of exchange rate fluctuations on cash held	B3	**175**	246
Cash and cash equivalents at 31 December	B3	**97,434**	105,997

As described in note E9 the financial statements of Irish Water are not consolidated with the results of the Group.

Notes to the Group Financial Statements

Section	Sub - Sections
A Our infrastructure and the assets we use in our business The Ervia Group owns a significant number of assets which it uses in its operations. The notes in this section provide information on the assets owned by the Ervia Group, details in respect of any grants received to compensate for the investment in these assets and an analysis of the income statement charge for the year in respect of these assets.	**A1** Property, Plant and Equipment **A2** Government Grants **A3** Intangible Assets **A4** Depreciation and Amortisation
B How we finance our business This section contains the notes to the financial statements that detail the financing arrangements of the Ervia Group, as well as details in respect of the Ervia Group's financial risk management.	**B1** Analysis of Net Debt **B2** Borrowings and Other Debt **B3** Cash and Cash Equivalents **B4** Net Finance Costs **B5** Financial Risk Management and Financial Instruments **B6** Fair Value Determination
C Where we generate our revenues The Ervia Group generates its income from regulated and unregulated activities. Among other things, the notes in this section provide information on revenue performance during the year and revenues to be recognised in future years.	**C1** Revenue **C2** Trade and Other Receivables **C3** Future Operating Lease Income **C4** Deferred Revenue
D What we spend on operations and our people This section analyses the operating costs incurred by the Ervia Group, including costs in respect of employees. Among other things, the notes in this section also provide information in respect of amounts owing at year end, an assessment of uncertain liabilities at year end and a profile of lease expenses payable in future years.	**D1** Operating Costs (excluding depreciation and amortisation) **D2** Exceptional Items **D3** Payroll Costs **D4** Key Management Compensation **D5** Retirement Benefit Obligations **D6** Trade and Other Payables **D7** Provisions and Contingencies **D8** Operating Lease Commitments **D9** Restricted Deposits
E Other disclosures This section sets out all remaining financial statements disclosures including judgements and estimates and significant accounting policies.	**E1** Judgements and Estimates **E2** Related Parties **E3** Dividends **E4** Cash Generated from Operations **E5** Divisional Information **E6** Discontinued Operations **E7** Tax **E8** Inventory **E9** Subsidiaries and Joint Ventures **E10** Subsequent Events **E11** Statement of Accounting Policies **E12** New Accounting Standards and Interpretations

A1 Property, Plant and Equipment

	Land and buildings	Plant, pipeline and machinery	Assets under construction	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2014	87,976	3,766,879	27,547	3,882,402
Additions	-	52,124	41,073	93,197
Effect of movement in exchange rates	-	16,542	(149)	16,393
Transfers in year	521	30,382	(30,903)	-
Disposals	-	(642)	-	(642)
At 31 December 2014	88,497	3,865,285	37,568	3,991,350
Additions	**-**	**66,758**	**35,955**	**102,713**
Effect of movement in exchange rates	**-**	**13,097**	**90**	**13,187**
Transfers in year	**174**	**12,584**	**(12,758)**	**-**
Disposals	**-**	**(3,487)**	**-**	**(3,487)**
At 31 December 2015	**88,671**	**3,954,237**	**60,855**	**4,103,763**
Accumulated depreciation and impairment losses				
At 1 January 2014	(23,459)	(1,303,658)	-	(1,327,117)
Depreciation for the year	(7,017)	(114,704)	-	(121,721)
Effect of movement in exchange rates	-	(5,793)	-	(5,793)
Disposals	-	619	-	619
At 31 December 2014	(30,476)	(1,423,536)	-	(1,454,012)
Depreciation for the year	**(1,732)**	**(116,909)**	**-**	**(118,641)**
Effect of movement in exchange rates	**-**	**(4,507)**	**-**	**(4,507)**
Disposals	**-**	**1,739**	**-**	**1,739**
At 31 December 2015	**(32,208)**	**(1,543,213)**	**-**	**(1,575,421)**
Carrying amounts				
At 31 December 2014	58,021	2,441,749	37,568	2,537,338
At 31 December 2015	**56,463**	**2,411,024**	**60,855**	**2,528,342**

During the year, the Group capitalised €0.9 million (2014: €0.4 million) in interest. The capitalisation rate was 4.7% (2014: 4.4%). The Group also capitalised €6.5 million in payroll costs during the year (2014: €9.0 million).

Gas Networks Ireland (IOM) Limited, a subsidiary within the Group, entered into a project financing arrangement in 2003. The balance outstanding of €13.3 million at 31 December 2015 (2014: €16.3 million) on this limited recourse loan facility is secured over the assets of Gas Networks Ireland (IOM) Limited (note B2).

CAPITAL COMMITMENTS

	2015	2014
	€'million	€'million
Contracted for	**89**	120

A2 Government Grants

	2015	2014
	€'000	€'000
At 1 January	**(80,379)**	(83,959)
Received in year	**(557)**	(131)
Amortised in year	**6,057**	5,852
Effects of movement in exchange rates	**(1,675)**	(2,141)
At 31 December	**(76,554)**	(80,379)

Analysed as follows:		
Non-current	**(70,571)**	(74,500)
Current	**(5,983)**	(5,879)
Total	**(76,554)**	(80,379)

In certain circumstances grants may become repayable if the conditions laid down in the grant agreements are not adhered to. There are no unfulfilled conditions attaching to government grants received prior to 2015.

During 2015, the Group secured approval for EU grant aid of €33.7 million (being 36.4% of the total project spend) from the Innovation and Networks Executive Agency (INEA) for the final step in full twinning of the two gas pipelines between Ireland and Scotland and €0.6 million was received during the year in this regard. The grant was issued based on total eligible costs of €92.8 million for the twinning infrastructure project by 31 December 2017 and compliance with the grant agreement as set down by the INEA.

A3 Intangible Assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2014	117,299	2,128	119,427
Additions (incl internally developed)	12	2,793	2,805
Transfers in year	3,793	(3,793)	-
Effects of movement in exchange rates	41	-	41
Disposals	(51)	-	(51)
At 31 December 2014	121,094	1,128	122,222
Additions (incl internally developed)	**-**	**6,029**	**6,029**
Transfers in year	**5,671**	**(5,671)**	**-**
Effects of movement in exchange rates	**32**	**-**	**32**
At 31 December 2015	**126,797**	**1,486**	**128,283**
Amortisation and impairment losses			
At 1 January 2014	(67,284)	-	(67,284)
Amortisation for the year	(17,425)	-	(17,425)
Effects of movement in exchange rates	(40)	-	(40)
At 31 December 2014	(84,749)	-	(84,749)
Amortisation for the year	**(12,186)**	**-**	**(12,186)**
Effects of movement in exchange rates	**(116)**	**-**	**(116)**
At 31 December 2015	**(97,051)**	**-**	**(97,051)**
Carrying amounts			
At 31 December 2014	36,345	1,128	37,473
At 31 December 2015	**29,746**	**1,486**	**31,232**

During the year, the Group capitalised the sum of €nil (2014: €nil) in interest. The Group also capitalised the sum of €1.5 million in payroll costs during the year (2014: €0.1 million).

SOFTWARE, SOFTWARE UNDER DEVELOPMENT AND OTHER INTANGIBLE ASSETS

Software costs include both internally developed and externally purchased assets. Amortisation of software is charged to the income statement and presented in 'depreciation and amortisation'. Software under development is reviewed for impairment at each reporting date and will be reviewed annually going forward. Expenditure on internally generated brands is expensed as incurred.

A4 Depreciation and Amortisation

	2015 €'000	2014 €'000
Depreciation	**(118,641)**	(121,721)
Amortisation of intangible assets	**(12,186)**	(17,425)
Grant amortisation	**6,057**	5,852
Total	**(124,770)**	(133,294)

B1 Analysis of Net Debt

		31-Dec-15	31-Dec-14
		€'000	€'000
Total borrowings	B2	**(1,175,701)**	(1,142,155)
Less fair value hedges recognised within borrowings	B5	**56,693**	26,009
Less free cash deposits	B3	**97,434**	105,997
Net debt		**(1,021,574)**	(1,010,149)

B2 Borrowings and Other Debt

This note provides information about the contractual terms of the Group's interest-bearing borrowings. Refer to note B5 for more information about the Group's exposure to interest rate, exchange rate and liquidity risk.

MATURITY OF BORROWINGS AND OTHER DEBT BY TYPE (INCLUDING ASSOCIATED FEES)

	Bonds	Loans from financial institutions[1]	Total	Bonds	Loans from financial institutions[1]	Total
	31-Dec-15	31-Dec-15	31-Dec-15	31-Dec-14	31-Dec-14	31-Dec-14
	€'000	€'000	€'000	€'000	€'000	€'000
Less than one year	**-**	**(151,952)**	**(151,952)**	-	(72,209)	(72,209)
Current	**-**	**(151,952)**	**(151,952)**	-	(72,209)	(72,209)
Between one and five years	**(499,672)**	**(386,671)**	**(886,343)**	(499,501)	(444,537)	(944,038)
More than five years	**-**	**(137,406)**	**(137,406)**	-	(125,908)	(125,908)
Non-current	**(499,672)**	**(524,077)**	**(1,023,749)**	(499,501)	(570,445)	(1,069,946)
Total	**(499,672)**	**(676,029)**	**(1,175,701)**	(499,501)	(642,654)	(1,142,155)

[1] including private placement notes.

Total borrowings include €374.1 million (2014: €344.5 million) of floating rate debt, €13.3 million (2014: €16.3 million) of inflation linked debt and €788.3 million (2014: €781.3 million) of fixed rate debt which have been drawn down from various lenders. The inflation linked debt is secured over the assets of Gas Networks Ireland (IOM) Limited, which primarily comprises a gas transmission pipeline to the Isle of Man. The revenues from this pipeline are indexed to the U.K. Retail Price Index (UK RPI). Accordingly, to mitigate the risk of low inflation, this debt is also linked to the UK RPI using an index-linked hedge.

Included in borrowings are sterling denominated bank loans, which have been used as a hedge of the Group's investment in a sterling denominated subsidiary in the United Kingdom. The carrying amount of the loans at 31 December 2015 was €135.6 million (2014: €128.8 million).

Certain borrowings are held with related parties, refer to note E2 for full details of related party disclosures.

B3 Cash and Cash Equivalents

Cash and cash equivalents are held for the purpose of meeting liquidity requirements.

	31-Dec-15	31-Dec-14
	€'000	€'000
Short-term deposits	**75,500**	94,000
Cash	**21,934**	11,997
Total	**97,434**	105,997

	2015	2014
	€'000	€'000
At 1 January	**105,997**	56,083
(Decrease)/increase in cash and cash equivalents in the statement of cash flows	**(8,738)**	49,668
Effect of exchange rate fluctuations on cash held	**175**	246
At 31 December	**97,434**	105,997

B4 Net Finance Costs

	2015	2014
Continuing operations	€'000	€'000
Before certain remeasurements		
Finance income		
Interest income on short-term deposits	**-**	30
Total finance income	**-**	30
Finance costs		
Interest	**(36,186)**	(50,154)
Interest capitalised	**948**	432
Financing charge	**(253)**	(662)
Net interest on the net defined benefit liability	**(1,750)**	(996)
Other finance costs	**(9,824)**	(14,940)
Total finance costs	**(47,065)**	(66,320)
Certain remeasurements (i)		
Net changes in fair value of financing derivatives	**1,153**	(1,291)
Total certain remeasurements	**1,153**	(1,291)
After certain remeasurements		
Finance income	**1,153**	30
Finance costs	**(47,065)**	(67,611)
Net finance costs	**(45,912)**	(67,581)

(i) Certain remeasurements are remeasurements arising on financial instruments of a financing nature which are accounted for as if held for trading or as fair value hedges in accordance with the Group's accounting policy. The impact of these remeasurements on net finance costs for 2015 was €1.2 million gain (2014: €1.3 million loss). Further details on derivative financial instruments falling within the scope of IAS 39 are set out in accounting policy 10.

B5 Financial Risk Management and Financial Instruments

ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following table sets out the carrying amount of financial assets and liabilities of the Group (measured at either fair value or amortised cost), including their level in the fair value hierarchy. Refer to note B6 for IFRS 13 disclosures in respect of fair value measurement. This table does not include the fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair value hierarchy						
	Level 1	Level 2	Level 3	Total	Total held at amortised cost	Total	Total in a hedging relationship
At 31 December 2015	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets							
Cross currency interest rate swap	**-**	**59,899**	**-**	**59,899**	**-**	**59,899**	**59,899**
Foreign exchange rate contracts	**-**	**1,162**	**-**	**1,162**	**-**	**1,162**	**1,162**
Trade and other receivables (excluding prepayments)	**-**	**-**	**-**	**-**	**104,570**	**104,570**	**-**
Cash and cash equivalents	**-**	**-**	**-**	**-**	**97,434**	**97,434**	**-**
Restricted deposits	**-**	**-**	**-**	**-**	**35,022**	**35,022**	**-**
Total financial assets	**-**	**61,061**	**-**	**61,061**	**237,026**	**298,087**	**61,061**
Financial liabilities							
Borrowings and other debt[1]	**-**	**(56,693)**	**-**	**(56,693)**	**(1,119,008)**	**(1,175,701)**	**(56,693)**
Interest rate derivatives	**-**	**(12,328)**	**-**	**(12,328)**	**-**	**(12,328)**	**(4,095)**
Foreign exchange rate contracts	**-**	**(1,356)**	**-**	**(1,356)**	**-**	**(1,356)**	**-**
Trade and other payables	**-**	**-**	**-**	**-**	**(180,052)**	**(180,052)**	**-**
Total financial liabilities	**-**	**(70,377)**	**-**	**(70,377)**	**(1,299,060)**	**(1,369,437)**	**(60,788)**
Net financial (liabilities)/ assets	**-**	**(9,316)**	**-**	**(9,316)**	**(1,062,034)**	**(1,071,350)**	**273**
At 31 December 2014							
Financial assets							
Cross currency interest rate swap	-	27,943	-	27,943	-	27,943	27,943
Foreign exchange rate contracts	-	170	-	170	-	170	-
Trade and other receivables (excluding prepayments)	-	-	-	-	109,031	109,031	-
Cash and cash equivalents	-	-	-	-	105,997	105,997	-
Restricted deposits	-	-	-	-	32,400	32,400	-
Total financial assets	-	28,113	-	28,113	247,428	275,541	27,943
Financial liabilities							
Borrowings and other debt[1]	-	(26,009)	-	(26,009)	(1,116,146)	(1,142,155)	(26,009)
Interest rate derivatives	-	(20,011)	-	(20,011)	-	(20,011)	(9,834)
Trade and other payables	-	-	-	-	(194,399)	(194,399)	-
Total financial liabilities	-	(46,020)	-	(46,020)	(1,310,545)	(1,356,565)	(35,843)
Net financial liabilities	-	(17,907)	-	(17,907)	(1,063,117)	(1,081,024)	(7,900)

[1] The fair value of borrowings and other debt as at 31 December 2015 was €1,207.6 million (2014: €1,185.6 million).

DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS HEDGES

The Group applies the criteria defined by IAS 39 in classifying derivatives as hedges. Only derivative instruments external to the Group qualify for consideration for hedge accounting. The Group uses the following categories for hedges:

(i) Fair value hedges

These instruments hedge the exposure of changes in the fair value of an asset or liability recorded in the balance sheet, or a firm commitment to purchase or sell an asset. The ineffective portion of fair value hedges was €nil for 2015 (2014: €nil). The fair value of hedging derivatives in a fair value hedge in the balance sheet as at 31 December 2015 was €56.8 million asset (2014: €26.0 million asset).

(ii) Cash flow hedges

These instruments hedge highly probable future transactions where the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument. At 31 December 2015, the ineffective portion of cash flow hedges was €nil (2014: €nil) and during 2015, the reclassification from equity to profit or loss due to ineffectiveness on cash flow hedges was €nil (2014: €nil).

MATURITY PROFILE OF CASH FLOW HEDGES

The periods when cash flow hedges are expected to occur and as such affect profit or loss are as follows:

	< 1 year	1-2 years	2-5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2015					
Interest rate swaps	**(1,450)**	**(2,650)**	**-**	**-**	**(4,100)**
Cross currency interest rate swaps	**(279)**	**-**	**818**	**973**	**1,512**
Cash flow hedging derivatives	**(1,729)**	**(2,650)**	**818**	**973**	**(2,588)**
At 31 December 2014					
Interest rate swaps	-	(6,243)	(3,611)	-	(9,854)
Cross currency interest rate swaps	-	-	(5)	(167)	(172)
Cash flow hedging derivatives	-	(6,243)	(3,616)	(167)	(10,026)

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 Requirements of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act 1992 and the Specification of the Minister for Finance. 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

Credit risk is defined as the total loss that the Group would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations. These include 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 credit risk management is to manage and control credit risk exposures within acceptable parameters.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade and other receivables (excluding prepayments and amounts owed by non-controlled undertakings)	**82,898**	96,358
Cash and cash equivalents	**97,434**	105,997
Restricted deposits	**35,022**	32,400
Derivative financial instruments	**61,061**	28,113
Total	**276,415**	262,868

(i)(a) Treasury related credit risk

The Group's policy is to manage treasury related credit risk through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. Exposure to credit risk on cash and derivative financial instruments is monitored by the Group's treasury function. It is the Group's policy that cash is mainly placed on deposit with institutions who maintain an investment grade credit rating. The Group 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.

The Group develops and maintains relationships with a small number of key relationship banks who have a long-term commitment to the Group, who understand the business, and who provide funding at competitive terms. The Group ensures that banking and treasury services are obtained at competitive prices. The Head of Group Treasury, supported by the Group Finance Director, the Group Chief Executive Officer and other appropriate senior managers, are responsible for managing and maintaining relationships.

(i)(b) Trade related credit risk

Refer to note C2 for an analysis of the Group's exposure to trade related credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets on the market place and as a result is unable to meet short-term finance requirements and to settle obligations. Such a situation would negatively impact the Group's results as it could result in the incurrence of higher borrowing expenses to meet obligations.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(ii)(a) Funding

The Group's funding position remained strong in 2015. In July the Group refinanced its revolving credit facility with a group of 8 domestic and international banks. This 5 year facility provides the Group with a strong level of liquidity out to 2020.

It is the Group's policy to seek 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 continues to maintain a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk. At 31 December 2015, the Group had €1,511.3 million in committed facilities (2014: €1,617.5 million). Borrowings at 31 December 2015 were €1,175.7 million (2014: €1,142.2 million).

The Group arranges its committed facilities to cover 120% of core projected needs over a one-year horizon. Facilities are arranged with appropriate financial and operating covenants ensuring that management has the necessary flexibility in the operation of its business.

The Group's credit rating was moved to Gas Networks Ireland in 2015. Gas Networks Ireland is rated A by Standard & Poor's and Baa1 by Moody's Investors Services. This strong credit rating enables the company to have access to a wide diversity of funding sources and ensures the Group can raise low cost funding.

(ii)(b) Cash surpluses

Cash pooling is carried out and account balances netted where possible to minimise cash leakage and to minimise the interest expense. Cash surpluses are used primarily to reduce the level of debt. The Group does not systematically and continually deposit and borrow funds, although circumstances will arise from time to time where it is necessary or advantageous to hold cash on deposit. Cash surpluses may be invested in, but not limited to; Deposit Accounts, Time Deposits, Commercial Paper, Exchequer Bills, Government Gilts, Money Market Funds and Certificates of Deposit. The Group will invest surplus cash in euro or in the currency of overseas operations.

(ii)(c) Exposure to liquidity risk

The following are the contractual maturities of financial liabilities (and assets of a similar nature), including the undiscounted interest payment associated with borrowings and the undiscounted net cash flows attributable to financial instruments. The disclosure includes cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g. forward foreign exchange rate contracts.

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	> 5 years
	€'000	€'000	€'000	€'000	€'000	€'000
At 31 December 2015						
Borrowings	**(1,175,701)**	**(1,242,312)**	**(188,117)**	**(537,293)**	**(401,900)**	**(115,002)**
Trade and other payables	**(180,052)**	**(181,050)**	**(155,249)**	**(19,273)**	**(6,028)**	**(500)**
Non-derivative financial liabilities	**(1,355,753)**	**(1,423,362)**	**(343,366)**	**(556,566)**	**(407,928)**	**(115,502)**
Interest rate derivatives	**(12,328)**	**(13,580)**	**(5,627)**	**(2,941)**	**(5,012)**	**-**
Cross currency interest rate swaps	**59,899**	**33,323**	**8,270**	**8,118**	**15,600**	**1,335**
Foreign exchange rate contracts	**(194)**	**(194)**	**(194)**	**-**	**-**	**-**
Net derivative financial assets	**47,377**	**19,549**	**2,449**	**5,177**	**10,588**	**1,335**
Net financial liabilities	**(1,308,376)**	**(1,403,813)**	**(340,917)**	**(551,389)**	**(397,340)**	**(114,167)**
At 31 December 2014						
Borrowings	(1,142,155)	(1,280,390)	(114,903)	(118,140)	(922,040)	(125,307)
Trade and other payables	(194,399)	(194,783)	(156,148)	(26,218)	(11,235)	(1,182)
Non-derivative financial liabilities	(1,336,554)	(1,475,173)	(271,051)	(144,358)	(933,275)	(126,489)
Interest rate derivatives	(20,011)	(21,259)	(8,289)	(5,108)	(5,952)	(1,910)
Cross currency interest rate swaps	27,943	38,051	7,825	7,774	18,104	4,348
Foreign exchange rate contracts	170	170	170	-	-	-
Net derivative financial assets/ (liabilities)	8,102	16,962	(294)	2,666	12,152	2,438
Net financial liabilities	(1,328,452)	(1,458,211)	(271,345)	(141,692)	(921,123)	(124,051)

(iii) Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Within the Group, the treasury function is responsible for managing market risk with respect to interest rates and currency exchange rates.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Treasury Policy. Generally the treasury function seeks to apply hedge accounting in order to manage volatility in profit or loss.

(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.

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

- **Subsidiaries operating in foreign currency (sterling)**

The Group has a subsidiary operating in the UK, therefore the Group has exposure arising from the translation of the balance sheet of this subsidiary. The Group enters into foreign currency borrowings and derivatives, such as currency swaps, to manage this foreign currency exposure.

- **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 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 Treasury Policy. Exposures will be hedged taking account of the business risks and the regulatory environment.

Also, the 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.

- **Debt in a foreign currency**

The Group has US dollar denominated Private Placements that have been converted to euro using cross currency interest rate swaps. Sterling debt is used to hedge the investment in the sterling denominated subsidiary.

As a result of these actions taken by the Group to mitigate its underlying sensitivity to currency exchange rate fluctuations, the Group has not presented sensitivity analysis as any potential variation is insignificant.

(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 the level of finance charges.

The Group's objective is to achieve a stable and low cost of debt, taking account of business risks in general and in particular the regulatory price control environment.

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 a calendar year basis. The Group's policy is to monitor open interest rate exposure positions, taking into account the current and expected shape of the yield curve, 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 uses a number of methods, including interest rate derivatives to manage the interest rate risk on its debt portfolio.

The percentage of the Group's fixed and floating rate debt at 31 December was as follows:

	2015	2015	2014	2014
	€'000	%	€'000	%
At fixed rates[1]	**(788,326)**	**67.1%**	(781,329)	68.4%
At floating rates	**(374,075)**	**31.8%**	(344,480)	30.2%
Inflation linked debt	**(13,300)**	**1.1%**	(16,346)	1.4%
Total	**(1,175,701)**	**100.0%**	(1,142,155)	100.0%

[1] including swaps.

The Group had €499.7 million of fixed rate debt (excluding interest rate swaps) at 31 December 2015 (2014: €499.5 million).

At 31 December 2015, the Group had outstanding interest rate swaps with a notional principal of €153.1 million and £100.0 million. €60.0 million which commenced on 31 January 2012 was swapped for four years at an average rate of 3.2%, €50.0 million which commenced on 17 September 2012 was swapped for four years at an average rate of 3.4% and €43.1 million which commenced on 31 October 2012 was swapped for five years at an average rate of 1.7%. £40.0 million which commenced on 30 April 2012 was swapped for four years at an average rate of 3.3% and £60.0 million which commenced on 31 October 2012 was swapped for five years at an average rate of 1.8%.

At 31 December 2015, the weighted average interest rate of the fixed debt portfolio was 3.26% (2014: 3.27%), which comprised of a bond of €499.7 million and an interest rate swap portfolio of €153.1 million and £100.0 million.

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

On 31 December 2015, the Group had US$327.0 million (2014: US$327.0 million) fixed rate debt outstanding (€259.7 million equivalent (2014: €259.7 million)) in a US dollar Private Placement transaction which was completed on 31 March 2009. In order to fully hedge the associated US dollar exchange rate exposures and convert the underlying interest rates to floating, the Group has a number of cross currency interest rate swaps which match the maturity profile of the debt.

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 50 basis points in interest rates at 31 December would impact profit before taxation by the amounts shown below, and the fair value change on cash flow hedges and their impact on other comprehensive income would be as shown below:

	Profit before taxation	**Profit before taxation**	**Other comprehensive income**	**Other comprehensive income**
	31-Dec-15	**31-Dec-14**	**31-Dec-15**	**31-Dec-14**
	€'000	**€'000**	**€'000**	**€'000**
50 bp increase	**(1,653)**	(1,392)	**2,132**	3,551
50 bp decrease	**1,637**	1,370	**(345)**	(1,805)

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;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on the income statement;
- 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.

The impact on other comprehensive income and the income statement, of a 50bp increase/decrease, is opposite but is not equal in amount because the rate changes in the sensitivity analysis also impacts the discount curves used on the relevant cash flows for interest rate derivatives.

B6 Fair Value Determination

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.

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 B5)*	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.
Interest rate swaps and cross currency interest rate swaps *(Refer to note B5)*	The fair value of interest rate swaps and cross currency interest rate swaps takes into account the fixed, floating and market rates prevailing at the year end. The fair value of inflation linked swaps is determined using a valuation technique which includes market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the relevant Group entity and counterparty when appropriate. Fair value hierarchy: level 2	All significant inputs required to fair value the instrument are observable.
Private Placement (fair value hedge portion) *(Refer to note B5)*	The fair value of the fixed rate debt 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	All significant inputs required to fair value the instrument are observable.
Trade and other receivables *(Refer to note C2)*	The sale of the Energy business provides for an element of contingent purchase consideration. The fair value of this contingent consideration has been determined by discounting the expected future cash flows to net present values. The expected future cash flows are determined by considering the possible scenarios of forecast earnings targets and wind farm build out, the future cashflows under each scenario and the probability of each scenario. Fair value hierarchy: level 3	Forecast earnings targets and wind farm build out.

C1 Revenue

	2015	2014
	€'000	€'000
Regulated	**427,970**	437,741
Unregulated	**63,138**	68,138
Total	**491,108**	505,879

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 IFRIC 4 (see note C3).

C2 Trade and Other Receivables

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade receivables	**2,291**	8,947
Trade receivables - unbilled	**46,788**	50,388
Prepayments	**7,612**	10,054
Amounts due from non-controlled undertakings	**21,672**	12,673
Other receivables	**33,819**	37,023
Total	**112,182**	119,085
Analysed as follows:		
Non-current	**23,909**	25,026
Current	**88,273**	94,059
Total	**112,182**	119,085

Trade receivables are stated net of allowances for impairment. Trade receivables mainly represent receivables in respect of use of system revenue in Ireland and charges for use of the Northwest transmission pipeline and the Southnorth pipeline in Northern Ireland. Refer to note E2 for further detail in respect of balances with related parties.

CREDIT RISK

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 are currently sixteen external shippers. TUoS and DUoS revenue is billed and collected by the Group. The allowed revenue is invoiced to the shippers on a monthly basis twelve business days after month end with payment due ten working days from date of invoice. In respect of the Networks business in Northern Ireland, revenue is derived principally from charges for use of the Northwest transmission pipeline and the Southnorth pipeline. Invoices are issued by the administrator and non-payment of invoices attracts a daily interest charge. 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).

Prepayments and amounts owed by non-controlled undertakings are excluded from the analysis of credit exposure below. The maximum exposure to credit risk for trade and other receivables at the reporting date can be analysed as follows:

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade receivables	**2,291**	8,947
Use of system receivables - unbilled	**46,788**	50,388
Other receivables	**33,819**	37,023
Total	**82,898**	96,358

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

	31-Dec-15	31-Dec-14
	€'000	€'000
Ireland	**80,839**	88,070
UK (including Northern Ireland and Isle of Man)	**2,059**	8,288
Total	**82,898**	96,358

The ageing of trade and other receivables, net of impairment, is as follows:

	Net receivable	Net receivable
	31-Dec-15	31-Dec-14
	€'000	€'000
Not past due	**82,600**	95,128
0 – 30 days	**207**	656
31 – 120 days	**91**	361
> 120 days	**-**	213
Total	**82,898**	96,358

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015	2014
	€'000	€'000
At 1 January	**(944)**	(959)
Impairment loss reversed/(recognised)	**160**	(89)
Provision utilised	**458**	104
At 31 December	**(326)**	(944)

C3 Future Operating Lease Income

	31-Dec-15	31-Dec-14
	€'000	€'000
Less than one year	**28,994**	30,271
Between one and five years	**98,211**	101,254
More than five years	**174,523**	181,389
Total	**301,728**	312,914

The Group's future operating lease income relates to agreements 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 the lease income is recognised as revenue in the income statement. Above is a profile of non cancellable future operating lease income to be recognised as revenue in future years. The unexpired lease terms range from 9 to 23 years.

C4 Deferred Revenue

	2015	2014
	€'000	€'000
At 1 January	**(20,257)**	(23,964)
Received in year	**(4,055)**	(1,646)
Credited to the income statement	**6,788**	5,353
At 31 December	**(17,524)**	(20,257)
Analysed as follows:		
Non-current	**(12,766)**	(15,228)
Current	**(4,758)**	(5,029)
Total	**(17,524)**	(20,257)

Customer contributions which are received in advance of services provided are recorded as deferred revenue, then upon completion of the services rendered, the contributions are recognised in full in the income statement as revenue.

D1 Operating Costs (excluding depreciation and amortisation)

Continuing operations	2015	2014
	€'000	€'000
Payroll expense	**(73,577)**	(67,745)
Hired and contracted services	**(32,203)**	(30,765)
Infrastructure materials and maintenance	**(49,717)**	(42,537)
Rent, rates and facilities	**(30,764)**	(30,573)
Other operating expenses	**(34,805)**	(32,307)
Recharges to non-controlled undertakings (note E2)	**36,925**	35,095
Total	**(184,141)**	(168,832)

OPERATING COSTS ARE STATED AFTER CHARGING:

	2015	2014
	€'000	€'000
Auditor's remuneration		
- statutory audit services	**(154)**	(154)
- other audit related assurance services	**(117)**	(186)
Total assurance services	**(271)**	(340)
- tax advisory services	**(32)**	(46)
- other non audit services	**-**	(213)
Total non audit services	**(32)**	(259)
Total	**(303)**	(599)

	2015	2014
Board members' emoluments		
- fees	**(102)**	(106)
- remuneration of the Group Chief Executive Officer	**(334)**	(334)
Total	**(436)**	(440)

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

	2015	2014
Group Chief Executive Officer's annual basic salary	**(250)**	(250)
Actual payments under performance related pay scheme	**-**	-
Other benefits including pension costs, cost of company car and health insurance	**(84)**	(84)
Total	**(334)**	(334)

D2 Exceptional Items

During 2014, the Group completed a number of restructuring activities in respect of the significant structural changes that the Group was undergoing, in terms of the incorporation of the Networks business and the integration of the Water business into the Group's structures. These activities included the appraisal of future funding structures and IT business separation. The impact of these activities on operating profit before depreciation and amortisation (EBITDA) for 2014 was €7.1 million.

D3 Payroll Costs

Continuing operations	2015	2014
	€'000	€'000
Wages and salaries	**(64,954)**	(64,400)
Social insurance costs	**(7,165)**	(6,847)
Pension costs - defined benefit plans[1]	**(13,119)**	(8,422)
Pension costs - defined contribution plans	**(572)**	(286)
	(85,810)	(79,955)
Capitalised payroll and other payroll transfers	**12,233**	12,210
Payroll costs charged to profit or loss	**(73,577)**	(67,745)

[1] The increase year on year is primarily non cash related and arises due to a lower discount rate being used to determine the pension accounting cost for the year, as a consequence of the downward international trends on long term corporate bond yields, experienced particularly in 2014. The pension accounting cost for the year is determined with reference to the discount rate at the beginning of the year, i.e. 2015 pension accounting cost is based on a discount rate of 2.2% and the 2014 pension accounting cost is based on a discount rate of 3.9%.

Included in 'other payroll transfers' are transfers of payroll costs in respect of Irish Water related activities (as set out in note E2) and in 2014 in respect of the sale of the Energy business (accounted for as "costs to sell" in accordance with IFRS 5). The average number of employees employed by the Group was 909 for 2015 (2014: 914).

D4 Key Management Compensation

	2015	2014
	€'000	€'000
Short term employee benefits	**(1,425)**	(1,196)
Post employment benefits	**(173)**	(155)
Total	**(1,598)**	(1,351)

D5 Retirement Benefit Obligations

The Group operates a defined benefit scheme and Personal Retirement Savings Accounts.

DEFINED BENEFIT SCHEMES

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

The defined benefit scheme is administered by a Board of Trustees which comprises member and employer representatives. The Board of Trustees is responsible for the management and governance of the scheme including compliance with all relevant laws and regulations. The assets of the scheme are held separately from those of the Group in trustee administered funds. The scheme is subject to independent actuarial valuations at least every three years. The latest valuation of the defined benefit scheme was carried out as at 1 July 2014 by a qualified actuary.

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

Interest risk: The pension scheme liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the pension scheme holds other assets such as equities the value of the assets and liabilities may not move in the same way.

Investment risk: The net deficit recognised in the Group balance sheet represents the present value of the defined benefit obligation less the fair value of the schemes' assets. If the actual return on scheme assets is less than the discount rate, it will create a scheme deficit. Currently the scheme is invested in a relatively diversified portfolio and holds equity securities, debt instruments, forestry and other suitable investment classes. Due to the long term nature of the schemes liabilities, the Trustees of the schemes consider it appropriate that a reasonable proportion of the scheme assets should be invested in a diversified portfolio of equity securities and other return seeking assets to leverage the return generated by the fund. External investment consultants regularly conduct investment reviews to determine the most appropriate investment strategy taking account of asset valuations, nature and duration of the liabilities and funding requirements.

Longevity risk: The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of scheme participants. An increase in the life expectancy of the scheme participants will increase the defined benefit obligation.

Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of the scheme participants. As such, an increase in salary in excess of the actuarial assumption will increase the scheme's liability.

Inflation risk: It is expected that if future pension increases are granted they will be in line with price inflation. As such, higher inflation than assumed in the actuarial assumptions would lead to an increase in the scheme's liability. A portion of the scheme's assets are invested in inflation-linked securities to mitigate this risk.

Other risks: Actions taken by the local regulator or changes to European legislation, could result in stronger local funding standards, which could materially affect the cost of funding.

Analysis of plan assets and the net pension liability recognised on the balance sheet

	2015		2014	
	€'000	%	€'000	%
Investments quoted in active markets:				
Equities	**156,261**	**42.3%**	163,037	44.7%
- developed markets	**140,558**		146,806	
- emerging markets	**15,703**		16,231	
Bonds	**178,794**	**48.4%**	168,553	46.2%
- Government debt	**163,498**		153,478	
- Non-government debt	**15,296**		15,075	
Investment funds	**26,622**	**7.2%**	25,733	7.1%
Cash	**131**	**0.0%**	533	0.1%
Unquoted investments:				
Property/forestry	**4,724**	**1.3%**	3,936	1.1%
Private equity/venture capital	**2,616**	**0.7%**	2,807	0.8%
Total fair value of plan assets at 31 December	**369,148**	**100.0%**	364,599	100.0%
Defined benefit obligation	**(420,491)**		(449,376)	
Net pension liability at 31 December	**(51,343)**		(84,777)	

Analysis of the amounts recognised in the income statement in respect of the defined benefit pension scheme

	2015	2014
	€'000	€'000
Current service cost	**(13,119)**	(9,766)
Net interest on the net defined benefit liability	**(1,750)**	(996)
Administrative expenses	**(272)**	(259)
Curtailment gain	**-**	13,277
Total pension (cost)/gain recognised in the income statement	**(15,141)**	2,256

Analysis of amount charged to provisions

	2015	2014
	€'000	€'000
Current service cost	**(1,064)**	(1,124)
Curtailment loss	**-**	(499)
Amount charged to provisions	**(1,064)**	(1,623)

Remeasurements recognised in other comprehensive income

	2015	2014
	€'000	€'000
Return on plan assets excluding interest income	**(1,846)**	29,792
Experience gains on liabilities	**215**	6,010
Effect of changes in demographic assumptions	**-**	14,905
Effect of changes in financial assumptions	**44,389**	(97,814)
Total pension gain/(loss) recognised in other comprehensive income	**42,758**	(47,107)

Movement in the fair value of plan assets

	2015	2014
	€'000	€'000
Opening fair value of plan assets	**364,599**	320,346
Interest income on plan assets	**8,008**	12,906
Return on plan assets (excluding interest income)	**(1,846)**	29,792
Contributions by employers	**7,370**	10,763
Contributions by members	**2,715**	3,513
Administration expenses	**(272)**	(259)
Benefits paid	**(11,426)**	(12,462)
Closing fair value of plan assets	**369,148**	364,599

Movement in the present value of the defined benefit obligation

	2015 €'000	2014 €'000
Opening defined benefit obligation	**(449,376)**	(369,412)
Service costs	**(14,672)**	1,888
Interest cost	**(9,758)**	(13,902)
Contributions by members	**(2,715)**	(3,513)
Benefits paid	**11,426**	12,462
Actuarial gain/(loss)	**44,604**	(76,899)
Closing defined benefit obligation	**(420,491)**	(449,376)

The weighted average duration of the defined benefit obligation at 31 December 2015 was approximately 20 years (2014: 22 years). The Group expects to contribute €8.0 million to its pension plan in 2016.

The principal actuarial assumptions used were as follows

	2015	2014
Discount rate	**2.7%**	2.2%
Inflation assumption	**1.5%**	1.5%
Rate of increase in salaries	**2.0%**	2.0%
Rate of increase in pensions payment	**1.5%**	1.5%

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

	2015	2014
Retiring today		
Males	**21.9**	21.7
Females	**24.5**	24.3
Retiring in 25 years		
Males	**24.9**	24.8
Females	**27.1**	27.0

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, whilst holding all other assumptions constant.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease/increase by 4.9%
Price Inflation	Increase/decrease by 0.25%	Increase/decrease by 4.8%
Salary	Increase/decrease by 0.25%	Increase/decrease by 2.1%
Mortality	Increase/decrease by one year	Increase/decrease by 2.9%

PERSONAL RETIREMENT SAVINGS ACCOUNTS (PRSAs)

The Group operates Personal Retirement Savings Accounts. These are accounted for as a defined contribution pension scheme in accordance with the Group's accounting policy for same. In compliance with the provisions of the Pensions Act 1990 (as amended), Ervia has appointed Personal Retirement Savings Account (PRSA) providers. During the year ended 31 December 2015, Ervia contributed €0.6 million (2014: €0.3 million) on behalf of its employees which was charged to the income statement.

D6 Trade and Other Payables

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade payables	**(13,641)**	(9,055)
Accruals	**(88,752)**	(99,475)
Promissory notes (note E9)	**(26,993)**	(39,236)
Other payables	**(38,293)**	(35,093)
Taxation and social insurance creditors[1]	**(12,373)**	(11,540)
Total	**(180,052)**	(194,399)

Analysed as follows:		
Non-current	**(24,803)**	(38,251)
Current	**(155,249)**	(156,148)
Total	**(180,052)**	(194,399)

[1] **Taxation and social insurance creditors**		
PAYE/PRSI/social insurance	**(1,874)**	(2,468)
VAT	**(10,499)**	(8,818)
Other taxes	**-**	(254)
Total	**(12,373)**	(11,540)

D7 Provisions and Contingencies

PROVISIONS

	Restructuring	Environmental	Self-insured claims	Total
	€'000	€'000	€'000	€'000
At 1 January 2015	**(3,089)**	**(8,059)**	**(7,284)**	**(18,432)**
Financing charge	**(42)**	**(85)**	**-**	**(127)**
Provisions made in the year	**-**	**-**	**(2,018)**	**(2,018)**
Provisions used in the year	**206**	**614**	**930**	**1,750**
At 31 December 2015	**(2,925)**	**(7,530)**	**(8,372)**	**(18,827)**

Analysed as follows:		
Non-current	**(14,408)**	(14,511)
Current	**(4,419)**	(3,921)
Total	**(18,827)**	(18,432)

Restructuring: During 2013, the Group announced a voluntary severance and early retirement programme for employees that satisfied certain qualifying criteria. The termination benefits with respect to the scheme were recognised in the 2013 income statement as an exceptional item. These liabilities are expected to be substantially discharged by 2017.

Environmental: The year-end provision includes an appropriate estimate of the cost of decontamination of legacy Gas Works sites, obligations for site remediation and costs to be incurred in compliance with environmental regulations and constructive obligations. These liabilities are expected to be substantially discharged by 2017.

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 2015. 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 2017.

CONTINGENCIES

Contingent liabilities with respect to government grants are disclosed in note A2.

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 performance bonds issued by financial institutions. At 31 December 2015, €3.6 million (2014: €2.9 million) was provided by the Group by way of guarantees by financial institutions to third parties. The fair value of guarantees was €nil at 31 December 2015 (2014: €nil).

D8 Operating Lease Commitments

The following operating leases are payable by the Group and generally relate to the rental of land and buildings. There are no significant or unusual restrictions imposed by the terms of the operating leases. All lease arrangements are at an arm's length basis.

	31-Dec-15	31-Dec-14
	€'000	€'000
Less than one year	**(872)**	(890)
Between one and five years	**(2,036)**	(2,821)
More than five years	**(149)**	(241)
Total	**(3,057)**	(3,952)

Amounts included in the income statement in respect of land and building lease arrangements were €0.9 million (2014: €1.4 million).

D9 Restricted Deposits

Restricted deposits include amounts held in respect of credit support agreements and gas network related security deposits.

	31-Dec-15	31-Dec-14
	€'000	€'000
Current	**35,022**	32,400
Total	**35,022**	32,400

E1 Judgements and Estimates

GROUP AND PARENT

In the process of preparing these financial statements, judgements and estimates are necessarily used which affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

I. JUDGEMENTS MADE IN APPLYING THE GROUP'S ACCOUNTING POLICIES

When necessary, the Group exercises judgement to determine the most appropriate accounting policy that will supply relevant and reliable information for preparation of its financial statements. These include but are not limited to the following:

Arrangements that contain a lease: The Group has entered into a number of arrangements which fall within the scope of IFRIC 4, as they relate to use and control of a specific asset. At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. In applying the Group's accounting policy, it has been determined that each of these arrangements represent operating leases. All receipts from these arrangements, within the scope of IFRIC 4, are deemed to be earned as part of the Group's core operations and accordingly the lease income is recognised as revenue in the income statement. Refer to note C3.

II. ESTIMATION UNCERTAINTIES AND ASSUMPTIONS

Estimates and underlying assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates are subject to continual re-evaluation and revisions to estimates are recognised prospectively. It should be noted that the impact of variation in some estimates and assumptions could have a material impact on the reported results. These include but are not limited to the following:

Useful lives, accruals and impairment allowances: The measurement of certain assets, liabilities, income and costs which require a high degree of estimation and judgement including; the useful lives of property, plant and equipment/ intangible assets, various operating accruals and impairment allowances in respect of trade and other receivables. These items are estimated in accordance with relevant IFRS and the Group's accounting policies. Further detail is set out in the relevant notes.

Provisions and contingencies: The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 37. In particular, the measurement of the provision for environmental costs is sensitive to assumptions concerning costs and disbursement schedules. A revised estimate is therefore 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. Any significant differences resulting from these revised estimates could entail changes in the amounts accrued. Refer to note D7.

Retirement benefit obligations: The value of retirement benefit obligations is based on actuarial valuations that are sensitive to assumptions. The principal actuarial assumptions used to calculate these retirement benefit obligations at 31 December 2015 are presented in note D5. These assumptions are updated annually. The Group considers the actuarial assumptions used at 31 December 2015 appropriate and well-founded, but reasonably possible changes at the reporting date to one or more of the relevant actuarial assumptions could bear a material impact on the defined benefit retirement obligation recorded.

Fair value determination of unlisted financial instruments: In measuring the fair value of unlisted financial instruments the Group uses valuation models involving a certain number of assumptions. Refer to note B6 for further details.

E2 Related Parties

		Transaction value income/(expense)		Balance at reporting date receivable/(payable)	
		2015	2014	31-Dec-15	31-Dec-14
		€'000	€'000	€'000	€'000
Irish Water	**(iv)**				
Secondment of employees	**(iv) (a)**	**4,236**	9,174		
Transactional and support service agreement costs	**(iv) (b)**	**32,689**	25,921		
		36,925	35,095	**21,672**	12,673

(I) ULTIMATE PARENT UNDERTAKING

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State.

(II) GOVERNMENT SPONSORED 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 and Local Authorities.

(III) BANKS OWNED BY THE IRISH STATE

In the normal course of business, the Group transacts with certain Irish banks which are wholly or partially controlled by the Irish Government. All of the Group's transactions with such banks are on normal commercial terms. The Group had no material concentration of borrowings or deposits with any such banks during the year or at 31 December 2015.

(IV) IRISH WATER

Irish Water is deemed to be a related party of the Group, on the basis of the fact pattern set out in note E9.

(iv) (a) Secondment of employees: The costs relating to these employees are recharged to Irish Water on a full cost recovery method with no margin earned.

(iv) (b) Transactional and support service agreement costs: The Group provides strategic, governance, risk management, capital delivery management and transactional and support services to Irish Water, through the Group Centre, Major Projects area and Shared Services Centre. The Shared Services Centre is designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, HR and IT.

Pension cost: The Group operates a defined benefit pension scheme. A number of Irish Water employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Irish Water recognises only the cost of contributions payable for the year in respect of Irish Water employees. The Group's current service costs for 2015 (as set out in note D5) includes €0.5 million which represents contributions payable for the year in respect of Irish Water employees. These costs are not included in the Group's payroll costs.

(V) BOARD MEMBERS' INTERESTS

The Board members had no beneficial interests in the Group at any time during the year or at 31 December 2015. The Secretary is a beneficiary of the Employee Share Ownership Plan.

(VI) SUBSIDIARY AND JOINT VENTURE UNDERTAKINGS

The Group financial statements consolidate the results of the Parent and its subsidiaries and incorporates the results of its share of joint ventures as documented in the accounting policies. A listing of the subsidiaries and joint ventures is provided in note E9. Transactions with related parties are entered into in the normal course of business. Sales to and from, together with outstanding payables and receivables to and from subsidiaries, are eliminated in the preparation of the consolidated financial statements, in accordance with IFRS 10.

E3 Dividends

DIVIDEND DECLARED

	2015 €'000	2014 €'000
To the Exchequer	**133,157**	188,876
Total	**133,157**	188,876

DIVIDEND PAID

	2015 €'000	2014 €'000
2014 annual dividend paid to the Exchequer	**17,876**	21,000
2015 annual dividend paid to the Exchequer	**33,157**	-
Special dividend on sale of the Energy business paid to the Exchequer	**100,000**	150,000
Total	**151,033**	171,000

A dividend of €151.0 million (2014: €171.0 million) was paid to the Exchequer during the year. Annual dividends are based on 30% of the previous year's profit before certain remeasurements and exceptional items, as directed by the shareholder. The 2015 dividend paid includes payment of a further special dividend of €100.0 million following the sale of the Energy business.

No dividend was payable to Ervia Employee Share Ownership Trust (ESOT) as a consequence of the cancellation of the rights of capital stock held previously by Ervia Employee Share Ownership Trust.

E4 Cash Generated from Operations

Continuing operations	Notes	2015 €'000	2014 €'000
Cash flows from operating activities			
Profit for the year		**116,539**	103,166
Adjustments for:			
Depreciation and amortisation	A4	**124,770**	133,294
Gain on sale of property, plant and equipment		**-**	(27)
Net finance costs	B4	**45,912**	67,581
Retirement benefit cost		**7,574**	885
Income tax expense	E7	**19,746**	25,888
		314,541	330,787
Working capital changes:			
Change in inventories		**35**	(1,107)
Change in trade and other receivables		**6,052**	(22,205)
Change in trade and other payables		**6,382**	(43,665)
Change in deferred revenue		**(2,733)**	(3,576)
Change in provisions		**268**	(284)
Cash generated from operating activities		**324,545**	259,950
Interest paid		**(37,610)**	(64,182)
Income tax paid		**(24,037)**	(20,858)
Net cash generated from operating activities		**262,898**	174,910

E5 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 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.
Central Services	Ireland	Central Services includes areas not falling within the Gas Networks Ireland business, including; ■ Shared Services, providing transactional support services in the areas of Finance, Accounts Payable, Procurement, Payroll, Human Resources, Facilities and IT support to the Group, ■ Group Centre consisting of the Group Chief Executive Officer's office, Group Finance, Group HR, Legal, Strategy and Commercial Regulation, ■ Major Projects, a centre of excellence for the delivery of key strategic gas and water infrastructure projects, and ■ Gaslink, the independent system operator of the natural gas transmission and distribution network, which ceased trading on 1 August 2015.

In accordance with IFRS 10, the financial statements of Irish Water are not consolidated with the results of the Group (as further explained in note E9). Consequently, Irish Water is not included in this note. Costs in respect of Central Services are recharged to the Gas Networks Ireland and Irish Water business divisions. The operating costs of the Central Services division set out below are net of these recharges and primarily represent non cash pension costs.

	Gas Networks Ireland	Central Services	Consolidation and eliminations	Total	Gas Networks Ireland	Central Services	Consolidation and eliminations	Total
	2015	2015	2015	2015	2014	2014	2014	2014
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	**490,967**	**2,448**	**(2,307)**	**491,108**	505,662	3,449	(3,232)	505,879
Operating costs (excluding depreciation and amortisation)	**(178,547)**	**(7,901)**	**2,307**	**(184,141)**	(168,263)	(3,801)	3,232	(168,832)
Operating profit/(loss) before depreciation and amortisation (EBITDA)	**312,420**	**(5,453)**	**-**	**306,967**	337,399	(352)	-	337,047
Depreciation and amortisation	**(124,192)**	**(578)**	**-**	**(124,770)**	(127,089)	(6,205)	-	(133,294)
Operating profit/(loss)	**188,228**	**(6,031)**	**-**	**182,197**	210,310	(6,557)	-	203,753

(A) REVENUE

External revenue split by geographic location is as follows:

	2015	2014
	€'000	€'000
Ireland	**451,780**	465,664
UK (including Northern Ireland and Isle of Man)	**39,328**	40,215
Total	**491,108**	505,879

The Group is not reliant on any major external customers.

(B) CAPITAL EXPENDITURE

	Capital additions to property, plant and equipment (note A1)		Capital additions to intangible assets (note A3)	
	2015	2014	2015	2014
	€'000	€'000	€'000	€'000
Gas Networks Ireland	**98,204**	90,749	**5,996**	2,793
Central Services	**4,509**	2,448	**33**	12
Total	**102,713**	93,197	**6,029**	2,805

(C) NON-CURRENT ASSETS BY GEOGRAPHIC LOCATION

	31-Dec-15	31-Dec-14
	€'000	€'000
Ireland	**2,259,720**	2,275,598
UK (including Northern Ireland and Isle of Man)	**323,763**	324,239
Total	**2,583,483**	2,599,837

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

E6 Discontinued Operations

Ervia concluded the sale of Bord Gáis Energy to a consortium comprising Centrica plc, Brookfield Renewable Energy Partners LP and iCON Infrastructure during 2014. Bord Gáis Energy was presented as a discontinued operation in 2014 in line with the requirements of IFRS 5.

RESULTS FROM DISCONTINUED OPERATIONS

		Results for the year
		2014
		€'000
Revenue		627,584
Cost of sales		(515,124)
Gross profit		112,460
Operating costs (excluding depreciation and amortisation)		(63,711)
Other operating income		13,277
Operating profit before depreciation and amortisation (EBITDA)		62,026
Net changes in fair value of operating derivatives		7,931
Operating profit		69,957
Net finance costs		(4,638)
Share of loss of joint ventures		-
Profit before income tax		65,319
Income tax expense		(3,958)
Profit before remeasurement to fair value less costs to sell		61,361
Impact of disposal before reclassification of amounts recognised in OCI		(71,275)
Result from discontinued operations before tax impacts on sale and reclassifications from OCI	**(a)**	(9,914)
Tax on disposal of discontinued operations	**(b)**	(7,642)
Equity reserves recycled to the income statement on disposal of *Bord Gáis Energy*	**(c)**	(24,912)
Results from discontinued operations		(42,468)

The 2014 result from the discontinued operation of €42.5 million was attributable entirely to the Group. These results are as up to the date of sale conclusion only. Results thereafter were not attributable to the Group, and thus results for 2015 are not presented above.

(a) The result from discontinued operations of €9.9 million is stated before the impact of the reclassification of reserves to the income statement and before the taxation impacts of the disposal.

The Group elected to present the operating results of the Energy business and the results of the sale of the Energy business as exceptional items to aid an understanding of the financial contribution of the discontinued operation due to the factors set out below:

- The price mechanism negotiated with the consortium of buyers provided for the risks and rewards of ownership to transfer to the Energy consortium from 1 January 2014, save to the extent that the operational performance of the Energy business differed from the operational performance targets in the period to completion as set out in the share purchase agreement;
- Notwithstanding the above economic fact pattern, the Group was required to continue to consolidate the results of the Energy business during the period from 1 January 2014 to sale completion on 30 June 2014 in accordance with IFRS requirements.

The result of €9.9 million is primarily attributable to the operational performance of the Energy business being lower than expected during the period 1 January 2014 to sale completion on 30 June 2014.

(b) The transfer of certain assets as part of the pre sale restructuring resulted in a capital gains tax (CGT) charge of €7.6 million. This CGT was as a result of the Gas Regulation 2013 Act which provides that capital gains tax group relief would not apply on the transfer of these assets.

(c) The disposal of the Energy business resulted in the reclassification to the income statement (with no impact on net assets) of €24.9 million previously recognised directly in reserves in respect of interest rate and foreign exchange derivatives and foreign currency translation. In accordance with IFRS requirements, these losses previously recognised in the Group statement of other comprehensive income are reclassified to the Group income statement on the disposal of the Energy business.

CASH FLOWS FROM DISCONTINUED OPERATIONS

	2014
	€'000
Net cash generated from operating activities	83,629
Net cash used in investing activities	(196,465)
Net cash from financing activities	85,862
Net decrease in cash and cash equivalents	(26,974)

E7 Tax

Continuing operations	2015	2014
	€'000	€'000
Current tax expense		
Current tax	**(27,940)**	(13,787)
Adjustments in respect of previous years	**(88)**	641
	(28,028)	(13,146)
Deferred tax expense		
Origination and reversal of temporary differences	**8,662**	(12,387)
Adjustments in respect of previous years	**(380)**	(355)
	8,282	(12,742)
Total income tax expense	**(19,746)**	(25,888)

RECONCILIATION OF EFFECTIVE TAX RATE

	2015	2014
	€'000	€'000
Profit before tax	**136,285**	129,054
Taxed at 12.5% (2014: 12.5%)	**(17,036)**	(16,132)
Expenses not deductible for tax purposes	**(2,113)**	(3,344)
Tax effect of additional losses forward/additional liabilities due	**621**	(1,654)
Reassessment of deferred tax balances	**260**	(1,660)
Income not taxable	**496**	496
Profits taxed at higher rates	**(2,097)**	(3,809)
Exchange adjustments	**591**	(71)
Adjustments to tax charge in respect of previous years	**(468)**	286
Total income tax expense	**(19,746)**	(25,888)

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

CURRENT TAX ASSETS AND LIABILITIES

	31-Dec-15	31-Dec-14
	€'000	€'000
Current tax assets	**2,520**	6,126

DEFERRED TAX ASSETS AND LIABILITIES

	Retirement benefit obligation	Tax losses forward	Derivative financial instruments	Property, plant and equipment and intangible assets	Interest	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2014	6,133	5,183	2,053	(202,059)	(2,371)	(2,545)	(193,606)
Transfer from non-current tax	-	85	-	-	-	-	85
Transfer to current tax	-	(42)	-	-	-	3,422	3,380
Expense to income statement	(1,424)	(2,241)	-	(5,432)	(3,447)	(198)	(12,742)
Recognised in equity	5,888	-	(800)	-	-	-	5,088
Exchange adjustments	-	-	-	(1,304)	650	(72)	(726)
At 31 December 2014	10,597	2,985	1,253	(208,795)	(5,168)	607	(198,521)
Credit/(expense) to income statement	**1,166**	**(2,985)**	**-**	**7,662**	**2,571**	**(132)**	**8,282**
Recognised in equity	**(5,345)**	**-**	**(930)**	**-**	**-**	**-**	**(6,275)**
Exchange adjustments	**-**	**-**	**-**	**(1,170)**	**575**	**-**	**(595)**
At 31 December 2015	**6,418**	**-**	**323**	**(202,303)**	**(2,022)**	**475**	**(197,109)**

Certain deferred tax assets and liabilities have been offset, including the asset balances analysed in the table above. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31-Dec-15	31-Dec-14
	€'000	€'000
Deferred tax assets	**-**	770
Deferred tax liabilities	**(197,109)**	(199,291)
Net deferred tax liabilities	**(197,109)**	(198,521)

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.

	2015	2014
	€'000	€'000
Capital losses unrealised	**3,300**	-
Losses forward	**125**	133
Provisions	**55**	55

E8 Inventory

	31-Dec-15	31-Dec-14
	€'000	€'000
Gas stock and engineering materials	**1,545**	1,581

In 2015 inventories recognised in the income statement amounted to €1.3 million (2014: €1.0 million). There were no write-downs of inventories to net realisable value in 2015 (2014: €nil).

E9 Subsidiaries and Joint Ventures

At 31 December 2015 the Group had the following subsidiaries and joint ventures:

	Company	Nature of Business	Group Share	
1	Sudanor Limited	Non Trading	100%	
2	Aurora Telecom Limited	Non Trading	100%	
3	Gas Networks Ireland (IOM) Limited	Gas Transmission	100%	
4	Natural Gas Finance Limited	Non Trading	100%	
5	Ervia Finance Public Limited Company	Non Trading	100%	
6	Conservation Engineering Limited	Non Trading	100%	
7	Platin Power Trading Limited	Non Trading	100%	
8	Ervia Energy Trading Limited	Non Trading	100%	
9	Ervia Holdings Limited	Non Trading	100%	
10	Oisín Power Generation Limited	Non Trading	50%	(c)
11	Greener Ideas Limited	Electricity Generation	50%	(c)
12	GNI (UK) Limited	Gas Transmission	100%	
13	Gas Networks Ireland	Gas Transmission	100%	
14	Gaslink Independent System Operator Limited	Non Trading	100%	
	Non-controlled undertaking			
15	Ervia ESOP Trustee Limited	Trustee for Employee Share Ownership Plan		(a)
16	Irish Water	Water and Waste Water Services		(b)

The registered office of 1 to 3, 13 to 15 is: Gasworks Road, Cork, Ireland.

The registered office of 4 to 11 is: Webworks, Eglinton Street, Cork, Ireland.

The registered office of 12 is: 6 St. Andrew Street, 5th Floor, London, EC4A 3AE, United Kingdom.

The registered office of 16 is: Colvill House, 24/26 Talbot Street, Dublin 1, Ireland.

(a) Ervia ESOP Trustee Limited was incorporated as trustee of the Ervia Employee Share Ownership Trust and the Ervia Approved Profit Sharing Scheme. The Group has no ability or rights to exert control over the assets or management of the company. The Board of Directors is chaired by an independent professional director with four directors representing Ervia employees and two directors appointed by Ervia. In accordance with IFRS 10, the financial statements of Ervia ESOP Trustee Limited are not consolidated with the results of the Group.

Agreement was reached in March 2014 regarding the buy-out of the 3.27% of the capital stock of Ervia held by the Trustee on behalf of ESOP beneficiaries. The agreement provided for the acquisition of the entire capital stock issued to the Ervia ESOT in exchange for promissory notes issued by Ervia to be redeemed over the period 2014 to 2018. The promissory notes do not bear a coupon while in issue. Refer to note D6.

(b) At 31 December 2015, the Group held a single voting share in Irish Water, with no economic rights attributable to that share. The Minister for Finance and Minister for the Environment, Community and Local Government each held 55 Water Economic Rights ('WER') shares which carried no voting rights but carried all the economic rights to obtain benefit from the activities of Irish Water.

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 Irish Water represents an existing right at 31 December 2015 that gives the Group the power to govern the financial and operating policies of Irish Water. However, as this power cannot be used to obtain variable returns, as the Group does not have rights to the variable returns of Irish Water at that date, as required by IFRS 10, and therefore in order to comply with the requirements of IFRS, the financial statements of Irish Water are not consolidated with the results of the Group.

(c) At 31 December 2015, the Group's investment in joint ventures were carried at €nil (2014: €nil).

E10 Subsequent Events

There have been no events between the reporting date and the date on which the financial statements were approved by the Board, which would require adjustment to these financial statements or any additional disclosures.

The Ervia Board has considered the developments regarding the proposed policies of the new Government in relation to Irish Water as described in further detail in the Financial Review. Irish Water will engage fully with the External Advisory Body and the Expert Commission. Noting that Ervia does not consolidate Irish Water, as outlined in note E9, the subsequent event has no financial impact on the Ervia financial statements.

E11 Statement of Accounting Policies

1 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, as set out in note E9, are not consolidated.

The Group and Parent financial statements are presented in euro, rounded to the nearest thousand. These financial statements are prepared on a historical cost basis, except for certain assets and liabilities which are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and Parent financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as endorsed by the EU, and effective for accounting periods ending 31 December 2015.

The going concern statement in the Board Responsibilities Statement forms part of the Group financial statements.

In the process of applying these accounting policies, judgements and estimates are necessarily used which affect the amounts recognised in the financial statements. Refer to note E1 for further details.

The policies set out below have been consistently applied to all years presented in these financial statements, and have been applied consistently throughout the Group.

2 CERTAIN REMEASUREMENTS AND EXCEPTIONAL ITEMS

As permitted by IAS 1 Presentation of Financial Statements, the Group has disclosed additional information in respect of certain remeasurements and exceptional items on the face of the income statement to aid understanding of the Group's financial performance.

Certain remeasurements are remeasurements arising on financial instruments which are accounted for as if held for trading or as fair value hedges in accordance with the Group's accounting policy. The Group does not use derivatives for speculative purposes. Further details of derivative financial instruments falling within the scope of IAS 39 are set out in accounting policy 10.

An item is treated as exceptional if it is considered unusual by nature and scale and of such significance that separate disclosure is required for the financial statements to be properly understood.

3 BASIS OF CONSOLIDATION

i. 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 negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised 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.

ii. 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.

iii. 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.

iv. 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. Any contingent consideration receivable as part of a sale transaction or disposal is recognised at fair value at the sale completion date. Subsequent changes to the fair value of the contingent consideration will be recognised in accordance with IAS 39 in profit or loss.

4 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.

i. Foreign currency transactions

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.

ii. Foreign operations

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).

5 PROPERTY, PLANT AND EQUIPMENT

i. Recognition

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

Assets under construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use.

ii. Depreciation

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

The charge for depreciation is 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:

- Buildings: 40 years
- Plant, pipeline and machinery: 3-60 years

Depreciation is not charged on land or assets under construction.

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

iii. 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.

iv. 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.

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

6 INTANGIBLE ASSETS

i. Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented within intangible assets. Refer to accounting policy 3 (i) for the measurement of goodwill at initial recognition. Thereafter, goodwill is measured at cost after impairment losses. Refer to accounting policy 7 below for the Group's accounting policy on impairment.

ii. Research and development

Research and development expenditure is charged to the income statement as incurred, with the exception of certain development expenditure which is capitalised within intangible assets when the criteria set out in IAS 38 Intangible Assets are met.

iii. Software, software under development and other intangible assets

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. These costs are recognised as intangible assets as it is considered probable that these products will generate economic benefits exceeding the recognised costs. These costs are capitalised only if the criteria set out in IAS 38 are met. 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.

iv. 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 goodwill or 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.

v. Borrowing costs

Refer to accounting policy 5 (iv).

7 IMPAIRMENT OF ASSETS

i. Assets that are not subject to amortisation

Intangible assets, including goodwill, with an indefinite useful life or which are not yet ready for use, are tested annually for impairment.

ii. 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.

iii. 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 to sell 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.

iv. 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, unless the asset is carried at a revalued amount, in which case the reversal shall be treated as a revaluation increase. Using the asset's revised carrying amount, depreciation/ amortisation is provided on a straight-line basis over the estimated remaining useful life.

8 LEASES

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The fair value or, if lower, the present value of assets acquired under finance leases are included under property, plant and equipment and written off over the shorter of the lease term or the estimated useful life of the asset. The capital elements of future obligations are included as liabilities. Interest on the remaining lease obligation is charged to the income statement over the period of the lease. This charge is calculated so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives are recognised as a reduction of rental expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting for arrangements that contain a lease

The determination of whether an arrangement contains a lease is dependent on whether the arrangement relates to the use and the control of a specific asset. All receipts from these arrangements, within the scope of IFRIC 4, are deemed to be earned as part of the Group's core operations and accordingly the lease income is recognised as revenue in the income statement. Leases are classified as finance leases if the arrangement transfers substantially all the risks and rewards of ownership. All other leases are categorised as operating leases.

9 INVENTORIES

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

10 FINANCIAL ASSETS AND LIABILITIES

i. Derivative financial instruments

Financial derivative instruments are used by the Group to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are remeasured to fair value at the reporting date. The majority of derivative financial instruments are designated as being held for hedging purposes.

The designation of the hedge relationship is established at the inception of the contract and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured. The treatment of gains and losses on remeasurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a 'fair value' or 'cash flow' hedge.

Derivatives not part of effective hedging relationships are treated as if held for trading, with all fair value movements being recorded through profit or loss.

(a) *Cash flow hedges*
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in profit or loss at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in other comprehensive income, is recognised in profit or loss immediately.

(b) *Fair value hedges*
Where a derivative financial instrument is designated as a fair value hedge, changes in the fair value of the derivative are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

ii. Interest bearing borrowings
Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings that are not in a fair value hedging relationship are stated at amortised cost using the effective interest rate method and borrowings in a fair value hedging relationship are adjusted for fair value movements in hedged risks.

iii. Non-derivative financial assets and liabilities
Trade and other receivables
Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount net of transaction costs, and are subsequently carried at this value less an appropriate allowance for impairment losses.

Specific provisions are made where there is objective evidence of impairment, for example where there is an inability to pay. An additional provision is made on a portfolio basis to cover additional incurred losses based on an analysis of previous loss experience updated for current market conditions.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits repayable on demand and other short-term highly liquid investments with original maturities of three months or less, less overdrafts payable on demand.

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets (in accordance with IAS 39). Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income (except for changes due to impairment losses and foreign currency differences, which are recognised in profit or loss). When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

11 PROVISIONS AND CONTINGENT LIABILITIES
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-

tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The associated financing charge is recognised in finance costs. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Provision is also made for estimated costs to decontaminate legacy Gas Works sites, obligations for site remediation and costs to be incurred in compliance with environmental regulations and constructive obligations.

Contingent liabilities may arise in respect of contractual agreements to which an entity of the Group is a party. These are estimated (if possible) based on information available of the potential cost associated with the outturn of any such events which exist at the reporting date. These are liabilities, over and above those provided for in the financial statements, which could arise as a result of the occurrence or non-occurrence of one or more uncertain future events but given the nature of the contingencies they cannot be provided for in the financial statements (in accordance with IFRS).

12 GRANTS

A government grant is recognised in the balance sheet initially as deferred revenue 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.

13 REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services (including lease income) in the normal course of business, net of discounts, VAT and other sales related taxes. Transportation capacity revenue (billed and unbilled) is recognised in line with the underlying contract while any related commodity revenue is recognised based on throughput for the period for each customer.

A number of the Group's sources of revenue are dependent on being approved by the industry regulator, the Commission for Energy Regulation. Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the financial year. Any over or under recovery may be included, within certain parameters, in the calculation of the following years' regulatory revenue. No adjustment is made for over or under recoveries in the year that they arise.

In line with IFRIC 18 Transfer of Assets from Customers, non-repayable supply contributions received are recognised in the income statement as revenue in accordance with IAS 18 Revenue. Contributions are recognised in deferred revenue when received, and are released to the income statement in accordance with fulfilment of performance obligations.

14 OPERATING PROFIT

Operating profit is stated before net finance costs and taxation.

15 NET FINANCE COSTS

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest payable on borrowings, financing charge on provisions, impairment losses recognised on financial assets (other than trade receivables) 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.

Fair value adjustments on financing instruments that are recognised in profit or loss are presented as finance income or finance costs (as appropriate) and are classified as certain remeasurements (refer to accounting policy 2 above for further detail).

16 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.

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.

17 RETIREMENT BENEFIT OBLIGATIONS

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

i. Defined benefit pension schemes

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 schemes' assets.

ii. Defined contribution pension schemes

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

18 NON-GAAP MEASURES

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

19 TRANSFER OF ASSETS AND LIABILITIES TO AN ENTITY UNDER COMMON CONTROL

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

20 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view for resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

The following accounting policies relate specifically to the Group's discontinued operations which were disposed of in 2014;

i. Certain remeasurements

Certain remeasurements are remeasurements arising on certain unrealised commodity contracts, which are accounted for as fair value through profit or loss, in accordance with the Group's policy for such financial instruments and presented within operating activities.

ii. Intangible assets - wind farm developments

Development costs (including direct labour and interest costs) which relate to specific wind farm projects, where the future recoverability can be foreseen with reasonable assurance, are capitalised within intangible assets when the criteria set out in IAS 38 are met. Costs capitalised represent the costs incurred in bringing individual wind farm developments to the consented stage.

At the point the development project reaches the consented stage and is approved for construction; the carrying value is tested for impairment and is then transferred to property, plant and equipment at the appropriate amount.

At the point a project is no longer expected to reach the consented stage; the carrying amount of the project is impaired.

iii. Commodity derivatives

Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as 'own use' contracts and are treated as executory contracts. These contracts are not within the scope of IAS 39.

Derivative commodity contracts which do not meet the criteria of own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value.

iv. Revenue

Gas and electricity revenue includes an estimate of the fair value of gas and electricity supplied to customers between the date of the last meter reading and the period end. Gas and electricity revenue is recognised on consumption of the product.

v. Emissions allowances

As emissions arise, a provision is recorded in profit or loss to reflect the amount required to settle the liability to the Environmental Protection Agency (EPA). This provision will include the carrying value of any allowances procured, as well as the current market value of any additional allowances required to settle the obligation.

These allowances are returned to the EPA within four months of the end of that calendar year, in order to cover the liability for actual emissions of CO_2 during that year.

In accordance with the provisions of the EU CO_2 Emissions Trading Scheme, emissions allowances covering a percentage of the expected emissions during the year were granted to the Group at the beginning of 2012, by the EPA.

E12 New Accounting Standards and Interpretations

TABLE 1: NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS

Standard/Amendment	EU Effective Date	Endorsed by the EU
Annual Improvements to IFRS 2011-2013	1 July 2014	December 2014

In the current year, the Group has applied the new/revised IFRS, as set out in table 1, that are mandatorily effective under IFRS, as endorsed by the EU, for accounting periods beginning on or after 1 January 2015. The application of these amendments to standards did not have a material impact on the Group's financial statements for 2015.

TABLE 2: NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

Standard/Amendment	EU Effective Date[1]	Endorsed by the EU
Annual Improvements to IFRS 2010-2012	1 February 2015	December 2014
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1 February 2015	December 2014
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	November 2015
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	December 2015
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016	November 2015
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	December 2015
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016	December 2015
Amendments to IAS 1: Disclosure Initiative	1 January 2016	December 2015
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	(Outstanding)
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016	(Outstanding)
IFRS 15 Revenue from Contracts with Customers	1 January 2018	(Outstanding)
IFRS 14 Regulatory Deferral Accounts	1 January 2016	n/a
IFRS 9 Financial Instruments	1 January 2018	(Outstanding)

[1] IASB date provided if not yet endorsed by the EU

Table 2 sets out the standards, amendments to standards and interpretations that are in issue but are not yet effective under IFRS, as endorsed by the EU, for the year ended 31 December 2015 and thus have not been applied in preparing these financial statements.

IFRS 9, issued on 24 July 2014, introduced new requirements for recognition, measurement, impairment and de-recognition of financial instruments and general hedge accounting. Subject to EU endorsement, the Group will apply IFRS 9 from its effective date under IFRS, as endorsed by the EU. Application of this standard will impact on the recognition and measurement of the Group's financial instruments. For example, own credit gains and losses arising on fair value measurements of €0.6 million loss in 2015 (2014: €2.7 million loss), which have to date been recognised in the income statement will be recognised in other comprehensive income under IFRS 9. The Group continues to assess the impact of adopting the standard while the standard continues through the stages of EU IFRS endorsement.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective (IASB effective date being 1 January 2018). The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a five step approach to revenue recognition. Under IFRS 15, an entity should recognise revenue when the performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. IFRS 15 provides prescriptive guidance to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Group continues to assess the impact of adopting the standard while the standard continues through the stages of EU IFRS endorsement.

It is anticipated that application of the remaining IFRS/amendments/annual improvements, in issue at 31 December 2015 but not yet effective, will not have a significant impact on the Group's financial statements.

Parent Income Statement

for the year ended 31 December 2015

Continuing operations	Notes	Before certain remeasurements and exceptional items 2015 €'000	Certain remeasurements and exceptional items 2015 €'000	Results for the year 2015 €'000	Before certain remeasurements and exceptional items 2014 €'000	Certain remeasurements and exceptional items 2014 €'000	Results for the year 2014 €'000
Revenue	H1	**269,401**	**-**	**269,401**	465,448	-	465,448
Operating costs (excluding depreciation and amortisation)	I1/I2	**(121,938)**	**32,036**	**(89,902)**	(184,542)	(7,118)	(191,660)
Operating profit/(loss) before depreciation and amortisation (EBITDA)		**147,463**	**32,036**	**179,499**	280,906	(7,118)	273,788
Depreciation and amortisation	F4	**(59,016)**	**-**	**(59,016)**	(110,215)	-	(110,215)
Operating profit/(loss)		**88,447**	**32,036**	**120,483**	170,691	(7,118)	163,573
Finance income	G3	**15,522**	**-**	**15,522**	6,193	-	6,193
Finance costs	G3	**(24,589)**	**(1,083)**	**(25,672)**	(65,272)	(2,300)	(67,572)
Net finance costs	G3	**(9,067)**	**(1,083)**	**(10,150)**	(59,079)	(2,300)	(61,379)
Profit/(loss) before income tax		**79,380**	**30,953**	**110,333**	111,612	(9,418)	102,194
Income tax (expense)/credit	J2	**(10,289)**	**(3,869)**	**(14,158)**	(22,727)	1,177	(21,550)
Profit/(loss) for the year from continuing operations		**69,091**	**27,084**	**96,175**	88,885	(8,241)	80,644
Discontinued operations							
Result from discontinued operations before tax impacts on sale and reclassifications of reserves	J4	**-**	**-**	**-**	-	(9,914)	(9,914)
Tax on disposal of discontinued operations	J4	**-**	**-**	**-**	-	(7,642)	(7,642)
Reclassification of reserves to income statement	J4	**-**	**-**	**-**	-	2,888	2,888
Result from discontinued operations		**-**	**-**	**-**	-	(14,668)	(14,668)
Profit/(loss) for the year		**69,091**	**27,084**	**96,175**	88,885	(22,909)	65,976
Profit/(loss) attributable to:							
Owners of the Parent		**69,091**	**27,084**	**96,175**	88,885	(22,909)	65,976
Profit/(loss) for the year		**69,091**	**27,084**	**96,175**	88,885	(22,909)	65,976

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	Member of the Board	Date of Approval
		10th June 2016

During 2015, the Parent's networks business was transferred to Gas Networks Ireland, a newly incorporated subsidiary of the Parent. Results from the Parent's networks business up until the date of transfer are included in the 2015 figures presented above. Refer to note F5 for further details of the transfer.

Parent Statement of Other Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Profit for the year		**96,175**	65,976
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains/(losses)	I5	**42,758**	(47,107)
Deferred tax (expense)/credit relating to defined benefit obligations	J2	**(5,345)**	5,888
Total items that will not be reclassified to profit or loss		**37,413**	(41,219)
Items that may be reclassified subsequently to profit or loss:			-
Net change in fair value of cash flow hedges		**5,568**	7,486
Deferred tax on cash flow hedge movement	J2	**(696)**	(936)
Total items that may be reclassified subsequently to profit or loss		**4,872**	6,550
Total other comprehensive income/(expense) for the year, net of income tax		**42,285**	(34,669)
Total comprehensive income for the year		**138,460**	31,307
Analysed as:			
Continuing operations		**138,460**	45,024
Discontinued operations		**-**	(13,717)
Total operations		**138,460**	31,307
Total comprehensive income attributable to:			
Owners of the Parent		**138,460**	31,307
Total comprehensive income for the year		**138,460**	31,307

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	Member of the Board	Date of Approval
Mari Hurley		10th June 2016

During 2015, the Parent's networks business was transferred to Gas Networks Ireland, a newly incorporated subsidiary of the Parent. Results from the Parent's networks business up until the date of transfer are included in the 2015 figures presented above. Refer to note F5 for further details of the transfer.

Parent Balance Sheet

as at year ended 31 December 2015

	Notes	31-Dec-15 €'000	31-Dec-14 €'000
Assets			
Non-current assets			
Property, plant and equipment	F1	**8,990**	2,215,565
Intangible assets	F3	**-**	37,473
Investment in subsidiary undertakings	F5	**681,436**	9,321
Trade and other receivables	H2	**23,909**	25,026
Derivative financial instruments	G4	**-**	27,943
Total non-current assets		**714,335**	2,315,328
Current assets			
Inventories		**-**	1,581
Trade and other receivables	H2	**474,107**	360,354
Cash and cash equivalents	G2	**18,692**	88,799
Restricted deposits	I9	**-**	28,350
Derivative financial instruments	G4	**31**	170
Current tax assets	J2	**2,740**	6,105
Total current assets		**495,570**	485,359
Total assets		**1,209,905**	2,800,687
Equity and liabilities			
Equity			
Other reserves		**-**	8,773
Retained earnings		**(1,101,589)**	(1,101,158)
Total equity attributable to equity holders of the Parent		**(1,101,589)**	(1,092,385)
Liabilities			
Non-current liabilities			
Borrowings and other debt	G1	**-**	(1,056,647)
Retirement benefit obligations	I5	**(51,343)**	(84,777)
Government grants	F2	**-**	(45,373)
Deferred revenue	H4	**-**	(15,228)
Provisions	I7	**-**	(14,511)
Trade and other payables	I6	**(24,803)**	(38,335)
Derivative financial instruments	G4	**-**	(9,834)
Deferred tax liabilities	J2	**(4,529)**	(196,960)
Total non-current liabilities		**(80,675)**	(1,461,665)
Current liabilities			
Borrowings and other debt	G1	**-**	(69,162)
Government grants	F2	**-**	(3,922)
Deferred revenue	H4	**-**	(5,029)
Provisions	I7	**-**	(3,921)
Trade and other payables	I6	**(27,641)**	(164,603)
Total current liabilities		**(27,641)**	(246,637)
Total liabilities		**(108,316)**	(1,708,302)
Total equity and liabilities		**(1,209,905)**	(2,800,687)

FOR AND ON BEHALF OF THE BOARD:

Member of the Board	Member of the Board	Date of Approval
Mari Hurley		10th June 2016

During 2015, the assets and liabilities relating to the Parent's networks business were transferred to Gas Networks Ireland, a newly incorporated subsidiary of the Parent. Refer to note F5 for further details of the transfer.

Parent Statement of Changes in Equity

for the year ended 31 December 2015

	Capital stock	Capital premium	Other reserves	Retained earnings	Reserves relating to disposal group classified as held for sale	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2014	(100,000)	(29,426)	14,372	(1,189,451)	(1,937)	(1,306,442)
Profit for the year	-	-	-	(65,976)	-	(65,976)
Other comprehensive (income)/expense for the year, net of income tax	-	-	(6,550)	41,219	-	34,669
Total comprehensive income for the year	-	-	(6,550)	(24,757)	-	(31,307)
Own shares acquired	-	-	-	53,600	-	53,600
Capital stock amendment scheme	100,000	29,426	-	(129,426)	-	-
Equity reserves reclassified to the income statement	-	-	951	-	1,937	2,888
Dividends declared	-	-	-	188,876	-	188,876
Balance at 31 December 2014	-	-	8,773	(1,101,158)	-	(1,092,385)
Profit for the year	**-**	**-**	**-**	**(96,175)**	**-**	**(96,175)**
Other comprehensive income for the year, net of income tax	**-**	**-**	**(4,872)**	**(37,413)**	**-**	**(42,285)**
Total comprehensive income for the year	**-**	**-**	**(4,872)**	**(133,588)**	**-**	**(138,460)**
Transfer to subsidiary under common control transaction (note F5)	**-**	**-**	**(3,901)**	**-**	-	**(3,901)**
Dividends declared	**-**	**-**	**-**	**133,157**	**-**	**133,157**
Balance at 31 December 2015	**-**	**-**	**-**	**(1,101,589)**	**-**	**(1,101,589)**

All attributable to owners of the Parent.

Parent Statement of Cash Flows

for the year ended 31 December 2015

Continuing operations	Notes	2015	2014
		€'000	€'000
Net cash generated from operating activities	J3	**128,724**	160,346
Cash flows from investing activities			
Equity proceeds from sale of Energy division		**2,200**	513,857
Settlement of related party debt		**-**	427,774
Tax on disposal of discontinued operations		**-**	(7,642)
Proceeds from sale of property, plant and equipment		**-**	59
Movements in restricted deposits		**-**	776
Payments for property, plant and equipment		**(63,980)**	(79,376)
Payments for intangible assets		**(4,997)**	(2,361)
Common control disposal		**(63,298)**	-
Interest received		**-**	16
Net cash (used in)/from investing activities		**(130,075)**	853,103
Cash flows from financing activities			
Repurchase of share capital		**(12,243)**	(14,364)
Repayment of borrowings		**(73,520)**	(687,582)
Loans repaid/(advanced)		**168,040**	(89,478)
Dividends paid		**(151,033)**	(171,000)
Net cash used in financing activities		**(68,756)**	(962,424)
Net (decrease)/increase in cash and cash equivalents	G2	**(70,107)**	51,025
Cash and cash equivalents at 1 January	G2	**88,799**	37,792
Effect of exchange rate fluctuations on cash held	G2	**-**	(18)
Cash and cash equivalents at 31 December	G2	**18,692**	88,799

Notes to the Parent Financial Statements

Section	Sub - Sections
F Our investment in subsidiaries and the assets we use in our business The notes in this section provide information on the Ervia Parent's investment in subsidiaries and assets owned by the Ervia Parent.	**F1** Property, Plant and Equipment **F2** Government Grants **F3** Intangible Assets **F4** Depreciation and Amortisation **F5** Investment in Subsidiaries
G How we finance our business This section contains the notes to the financial statements that detail the financing arrangements of the Ervia Parent, as well as details in respect of the Ervia Parent's financial risk management.	**G1** Borrowings and Other Debt **G2** Cash and Cash Equivalents **G3** Net Finance Costs **G4** Financial Risk Management and Financial Instruments
H Where we generate our revenues The notes in this section provide information on revenue performance during the year and revenues to be recognised in future years.	**H1** Revenue **H2** Trade and Other Receivables **H3** Future Operating Lease Income **H4** Deferred Revenue
I What we spend on operations and our people This section analyses the operating costs incurred by the Ervia Parent, including costs that are allocated/recharged to its subsidiaries and costs in respect of its employees. Among other things, the notes in this section also provide information in respect of amounts owing at year end, an assessment of uncertain liabilities at year end and a profile of lease expenses payable in future years.	**I1** Operating Costs (excluding depreciation and amortisation) **I2** Exceptional Items **I3** Payroll Costs **I4** Key Management Compensation **I5** Retirement Benefit Obligations **I6** Trade and Other Payables **I7** Provisions and Contingencies **I8** Operating Lease Commitments **I9** Restricted Deposits
J Other disclosures This section sets out all remaining financial statements disclosures.	**J1** Related Parties **J2** Tax **J3** Cash Generated from Operations **J4** Discontinued Operations

F1 Property, Plant and Equipment

	Land and buildings	Plant, pipeline and machinery	Assets under construction	Total
	€'000	€'000	€'000	€'000
Cost				
At 1 January 2014	79,628	3,174,846	23,491	3,277,965
Additions	-	48,299	32,288	80,587
Transfers in year	520	26,816	(27,336)	-
Disposals	-	(642)	-	(642)
At 31 December 2014	80,148	3,249,319	28,443	3,357,910
Additions	**-**	**125,938**	**5,061**	**130,999**
Transfers in year	**159**	**1,030**	**(1,189)**	**-**
Disposals under common control transaction (note F5)	**(58,962)**	**(3,274,129)**	**(32,315)**	**(3,365,406)**
Disposals	**-**	**(101,949)**	**-**	**(101,949)**
At 31 December 2015	**21,345**	**209**	**-**	**21,554**
Accumulated depreciation and impairment losses				
At 1 January 2014	(20,132)	(1,026,052)	-	(1,046,184)
Depreciation for the year	(6,734)	(90,046)	-	(96,780)
Disposals	-	619	-	619
At 31 December 2014	(26,866)	(1,115,479)	-	(1,142,345)
Depreciation for the year	**(993)**	**(53,338)**	**-**	**(54,331)**
Transfers	**-**	**-**	**-**	**-**
Disposals under common control transaction (note F5)	**15,350**	**1,136,065**	**-**	**1,151,415**
Disposals	**-**	**32,697**	**-**	**32,697**
At 31 December 2015	**(12,509)**	**(55)**	**-**	**(12,564)**
Carrying amounts				
At 31 December 2014	53,282	2,133,840	28,443	2,215,565
At 31 December 2015	**8,836**	**154**	**-**	**8,990**

During the year, the Parent capitalised €0.4 million (2014: €0.4 million) in interest. The capitalisation rate was 4.7% (2014: 4.4%). The Parent also capitalised €2.4 million in payroll costs during the year (2014: €9.0 million).

CAPITAL COMMITMENTS

	2015	2014
	€'million	€'million
Contracted for	**5**	115

F2 Government Grants

	2015 €'000	2014 €'000
At 1 January	**(49,295)**	(53,131)
Received in year	**-**	(131)
Amortised in year	**2,314**	3,967
Transfer under common control transaction (note F5)	**46,981**	-
At 31 December	**-**	(49,295)
Analysed as follows:		
Non-current	**-**	(45,373)
Current	**-**	(3,922)
Total	**-**	(49,295)

F3 Intangible Assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2014	116,662	2,085	118,747
Additions (incl internally developed)	12	2,793	2,805
Transfers in year	3,750	(3,750)	-
Disposals	(8)	-	(8)
At 31 December 2014	120,416	1,128	121,544
Additions (incl internally developed)	**-**	**5,785**	**5,785**
Transfers in year	**1,103**	**(1,103)**	-
Disposals under common control transaction (note F5)	**(121,519)**	**(5,810)**	**(127,329)**
At 31 December 2015	**-**	**-**	**-**
Accumulated amortisation and impairment losses			
At 1 January 2014	(66,669)	-	(66,669)
Amortisation for the year	(17,402)	-	(17,402)
At 31 December 2014	(84,071)	-	(84,071)
Amortisation for the year	**(6,999)**	-	**(6,999)**
Disposals under common control transaction (note F5)	**91,070**	-	**91,070**
At 31 December 2015	-	-	-
Carrying amounts			
At 31 December 2014	36,345	1,128	37,473
At 31 December 2015	-	-	-

The Parent capitalised €1.3 million in payroll costs during the year (2014: €0.1 million).

F4 Depreciation and Amortisation

	2015	2014
	€'000	€'000
Depreciation	**(54,331)**	(96,780)
Amortisation of intangible assets	**(6,999)**	(17,402)
Grant amortisation	**2,314**	3,967
Total	**(59,016)**	(110,215)

F5 Investment in Subsidiaries

		€'000
Cost		
At 1 January 2015		**12,734**
Disposals under common control transaction	**(i)**	**(515)**
Investment in Gas Networks Ireland (common control transaction)	**(i)**	**681,436**
Return on capital	**(iii)**	**(8,806)**
At 31 December 2015		**684,849**
Impairment		
At 1 January 2015		**(3,413)**
At 31 December 2015		**(3,413)**
Carrying amount		
At 1 January 2015		**9,321**
At 31 December 2015		**681,436**

(i) On 1 August 2015, the assets and liabilities relating to the Parent's networks business were transferred to Gas Networks Ireland, a newly incorporated subsidiary of the Parent. As the Parent (being the entity transferring the assets and liabilities) and Gas Networks Ireland were under common control at the date of the transfer, the assets and liabilities were not measured at their fair values and instead were measured based on the carrying values. The carrying values reflect appropriate provision for impairment at the acquisition date. The table below sets out the carrying values (as of the date of the transaction) of the assets, liabilities and reserves transferred and the capital contribution and share premium arising from the transaction.

	1-Aug-15
	€'000
Property, plant and equipment	**2,213,991**
Intangible assets	**36,259**
Investment in subsidiaries	**515**
Inventories	**1,768**
Trade and other receivables	**316,163**
Cash and cash equivalents and restricted deposits	**92,595**
Financial instruments	**51,394**
Tax assets and liabilities	**(188,802)**
Borrowings and other debt	**(1,094,637)**
Deferred revenue	**(18,873)**
Government grants	**(46,981)**
Provisions	**(18,648)**
Trade and other payables	**(117,209)**
Cash flow hedge reserve	**3,901**
Total transferred	**1,231,436**
Satisfied by:	
Capital contribution	**363,083**
Share capital and premium	**318,353**
	681,436
Intercompany loan receivable	**550,000**
Total	**1,231,436**

(ii) At 31 December 2015, the Parent's investment in joint ventures were carried at €nil (2014: €nil).

(iii) During 2015, the Parent derecognised an investment in a subsidiary of €8.8 million, following the distribution of all assets and liabilities of that subsidiary (dividend of €9.7 million received by the Parent).

G1 Borrowings and Other Debt

This note provides information about the contractual terms of the Parent's interest-bearing borrowings. For more information about the Parent's exposure to interest rate, foreign currency and liquidity risk, see note G4.

MATURITY OF BORROWINGS AND OTHER DEBT BY TYPE (INCLUDING ASSOCIATED FEES)

	Bonds	Loans from financial institutions[1]	Total	Bonds	Loans from financial institutions[1]	Total
	31-Dec-15	31-Dec-15	31-Dec-15	31-Dec-14	31-Dec-14	31-Dec-14
	€'000	€'000	€'000	€'000	€'000	€'000
Less than one year	-	-	-	-	(69,162)	(69,162)
Current borrowings	-	-	-	-	(69,162)	(69,162)
Between one and five years	-	-	-	(499,501)	(433,929)	(933,430)
More than five years	-	-	-	-	(123,217)	(123,217)
Non-current borrowings	-	-	-	(499,501)	(557,146)	(1,056,647)
Total	-	-	-	(499,501)	(626,308)	(1,125,809)

[1] including private placement notes.

During 2015, the Parent transferred all external debt to Gas Networks Ireland under a common control transaction. Refer to note F5 for further details. At 31 December 2014, total borrowings included €344.5 million of floating rate debt and €781.3 million of fixed rate debt, drawn down from various lenders. 2014 borrowings included sterling denominated bank loans of €128.8 million, which were used as a hedge of the Parent's investment in a sterling denominated subsidiary in the United Kingdom.

G2 Cash and Cash Equivalents

Cash and cash equivalents are held for the purpose of meeting liquidity requirements.

	31-Dec-15	31-Dec-14
	€'000	€'000
Short-term deposits	**18,000**	94,000
Cash/(overdraft)	**692**	(5,201)
Total	**18,692**	88,799

	2015	2014
	€'000	€'000
At 1 January	**88,799**	37,792
(Decrease)/increase in cash and cash equivalents in the statement of cash flows	**(70,107)**	51,025
Effect of exchange rate fluctuations on cash held	**-**	(18)
At 31 December	**18,692**	88,799

G3 Net Finance Costs

Continuing operations	2015	2014
Before certain remeasurements	**€'000**	**€'000**
Finance income		
Interest income on short-term deposits	-	17
Dividends received	**12,374**	-
Interest income on funding provided to subsidiary undertakings	**3,148**	6,176
Total finance income	**15,522**	6,193
Finance costs		
Interest	**(20,944)**	(49,984)
Interest capitalised	**372**	432
Financing charge	**(127)**	(661)
Net interest on the net defined benefit liability	**(1,750)**	(996)
Other finance costs	**(2,140)**	(14,063)
Total finance costs	**(24,589)**	(65,272)
Certain remeasurements (i)		
Net changes in fair value of financing derivatives	**(1,083)**	(2,300)
Total certain remeasurements	**(1,083)**	(2,300)
After certain remeasurements		
Finance income	**15,522**	6,193
Finance costs	**(25,672)**	(67,572)
Net finance costs	**(10,150)**	(61,379)

(i) Certain remeasurements are remeasurements arising on financial instruments of a financing nature which are accounted for as if held for trading or as fair value hedges in accordance with the Parent's accounting policy. The impact of these remeasurements on net finance costs for 2015 was €1.1 million loss (2014: €2.3 million loss). Further details on derivative financial instruments falling within the scope of IAS 39 are set out in accounting policy 10.

G4 Financial Risk Management and Financial Instruments

This note presents information about the Parent's financial instruments and financial risk management.

	Fair value hierarchy						
	Level 1	Level 2	Level 3	Total	Total held at amortised cost	Total	Total in a hedging relationship
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 31 December 2015							
Financial assets							
Foreign exchange rate contracts	**-**	**31**	**-**	**31**	**-**	**31**	**-**
Trade and other receivables (excluding prepayments)	**-**	**-**	**-**	**-**	**495,839**	**495,839**	**-**
Cash and cash equivalents	**-**	**-**	**-**	**-**	**18,692**	**18,692**	**-**
Total financial assets	**-**	**31**	**-**	**31**	**514,531**	**514,562**	**-**
Financial liabilities							
Trade and other payables	**-**	**-**	**-**	**-**	**(52,444)**	**(52,444)**	**-**
Total financial liabilities	**-**	**-**	**-**	**-**	**(52,444)**	**(52,444)**	**-**
Net financial assets	**-**	**31**	**-**	**31**	**462,087**	**462,118**	**-**
At 31 December 2014							
Financial assets							
Cross currency interest rate swap	-	27,943	-	27,943	-	27,943	27,943
Foreign exchange rate contracts	-	170	-	170	-	170	-
Trade and other receivables (excluding prepayments)	-	-	-	-	377,086	377,086	-
Cash and cash equivalents	-	-	-	-	88,799	88,799	-
Restricted deposits	-	-	-	-	28,350	28,350	-
Total financial assets	-	28,113	-	28,113	494,235	522,348	27,943
Financial liabilities							
Borrowings and other debt	-	(26,009)	-	(26,009)	(1,099,800)	(1,125,809)	(26,009)
Interest rate derivatives	-	(9,834)	-	(9,834)	-	(9,834)	(9,834)
Trade and other payables	-	-	-	-	(202,938)	(202,938)	-
Total financial liabilities	-	(35,843)	-	(35,843)	(1,302,738)	(1,338,581)	(35,843)
Net financial liabilities	-	(7,730)	-	(7,730)	(808,503)	(816,233)	(7,900)

[1] The fair value of borrowings and other debt as at 31 December 2015 was €nil (2014: €1,169.2 million).

As part of the common control transaction (refer to note F5 for further details), the Parent transferred all derivatives in hedging relationships to its subsidiaries. Prior to the transfer, the Parent uses the following categories for hedges:

(i) Fair value hedges

The ineffective portion of fair value hedges was €nil for 2015 (2014: €nil). The fair value of hedging derivatives in a fair value hedge in the balance sheet as at 31 December 2015 was €nil (2014: €26.0 million asset).

(ii) Cash flow hedges

At 31 December 2015, the ineffective portion of cash flow hedges was €nil (2014: €nil) and during 2015 €nil was reclassified from equity to profit or loss due to ineffectiveness on cash flow hedges (2014: €nil).

MATURITY PROFILE OF CASH FLOW HEDGES

The periods when cash flow hedges are expected to occur and as such affect profit or loss are as follows:

	< 1 year	1-2 years	2-5 years	> 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2014					
Interest rate swaps	-	(6,243)	(3,611)	-	(9,854)
Cross currency interest rate swaps	-	-	(5)	(167)	(172)
Cash flow hedging derivatives	-	(6,243)	(3,616)	(167)	(10,026)

* During 2015, the Parent transferred all cash flow hedges to Gas Networks Ireland under a common control transaction. Refer to note F5 for further details. Consequently a maturity profile for cash flow hedges as at 31 December 2015 is not presented.

FINANCIAL RISK MANAGEMENT

Refer to note B5 for details of the Group's financial risk management policies. These objectives, policies and processes are also adopted by the Parent.

(i) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade and other receivables (excluding prepayments and amounts owed by subsidiary/non-controlled undertakings)	**31,498**	86,453
Cash and cash equivalents	**18,692**	88,799
Restricted deposits	**-**	28,350
Derivative financial instruments	**31**	28,113
Total	**50,221**	231,715

(i) (a) Treasury related credit risk

Refer to note B5 for an analysis of the Group's polices in respect of treasury related credit risk. These objectives, policies and processes are also adopted by the Parent.

(i) (b) Trade related credit risk

Refer to note H2 for an analysis of the Parent's exposure to trade related credit risk.

(ii) Liquidity risk

Refer to note B5 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.

As part of the common control transaction (refer to note F5 for further details), the Parent transferred all borrowings and the majority of its derivative financial instruments to its subsidiaries.

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 2015						
Trade and other payables	**(52,444)**	**(53,442)**	**(27,641)**	**(19,273)**	**(6,028)**	**(500)**
Non-derivative financial liabilities	**(52,444)**	**(53,442)**	**(27,641)**	**(19,273)**	**(6,028)**	**(500)**
Foreign exchange rate contracts	**31**	**31**	**31**	**-**	**-**	**-**
Net derivative financial assets	**31**	**31**	**31**	**-**	**-**	**-**
Net financial liabilities	**(52,413)**	**(53,411)**	**(27,610)**	**(19,273)**	**(6,028)**	**(500)**
At 31 December 2014						
Borrowings	(1,125,809)	(1,263,672)	(111,741)	(115,029)	(914,294)	(122,608)
Trade and other payables	(202,938)	(203,322)	(164,603)	(26,302)	(11,235)	(1,182)
Non-derivative financial liabilities	(1,328,747)	(1,466,994)	(276,344)	(141,331)	(925,529)	(123,790)
Interest rate derivatives	(9,834)	(10,793)	(6,498)	(3,317)	(978)	-
Cross currency interest rate swaps	27,943	38,051	7,825	7,774	18,104	4,348
Foreign exchange rate contracts	170	170	170	-	-	-
Net derivative financial assets	18,279	27,428	1,497	4,457	17,126	4,348
Net financial liabilities	(1,310,468)	(1,439,566)	(274,847)	(136,874)	(908,403)	(119,442)

(iii) Market risk

Refer to note B5 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 and the regulatory environment.

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

As part of the common control transaction (refer to note F5 for further details), the Parent transferred all borrowings and the majority of its derivative financial instruments to its subsidiaries.

The percentage of the Parent's fixed and floating rate debt at 31 December was as follows:

	2015	2015	2014	2014
	€'000	%	€'000	%
At fixed rates[1]	-	-	(781,329)	69.4%
At floating rates	-	-	(344,480)	30.6%
Total	-	-	(1,125,809)	100.0%

[1] including swaps.

* During 2015, the Parent transferred all external debt to Gas Networks Ireland under a common control transaction. Refer to note F5 for further details. Consequently there is no debt presented above as at 31 December 2015.

The Parent had €499.5 million of fixed rate debt (excluding interest rate swaps) at 31 December 2014.

At 31 December 2014, the Parent had outstanding interest rate swaps with a notional principal of €153.1 million and £100 million. €60.0 million which commenced on 31 January 2012 was swapped for four years at an average rate of 3.2%, €50.0 million which commenced on 17 September 2012 was swapped for four years at an average rate of 3.4%, and €43.1 million which commenced on 31 October 2012 was swapped for five years at an average rate of 1.7%. £40.0 million which commenced on 30 April 2012 was swapped for four years at an average rate of 3.3% and £60.0 million which commenced on 31 October 2012 was swapped for five years at an average rate of 1.8%.

At 31 December 2014, the weighted average interest rate of the fixed debt portfolio was 3.27%, which comprised of a bond of €499.5 million and an interest rate swap portfolio of €153.1 million and £100.0 million.

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

On 31 December 2014, the Parent had US$ 327.0 million fixed rate debt outstanding (€259.7 million equivalent) in a US dollar Private Placement transaction which was completed on 31 March 2009. In order to fully hedge the associated US dollar exchange rate exposures and convert the underlying interest rates to floating, the Group had a number of cross currency interest rate swaps which match the maturity profile of the debt.

CASH FLOW SENSITIVITY ANALYSIS FOR FLOATING RATE DEBT

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

It is estimated that a movement of 50 basis points in interest rates at 31 December would impact profit before taxation by the amounts shown below, and the fair value change on cash flow hedges and their impact on other comprehensive income would be as shown below:

	Profit before taxation	Profit before taxation	Other comprehen-sive income	Other comprehen-sive income
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	€'000	€'000	€'000	€'000
50 bp increase	-	(1,722)	-	3,551
50 bp decrease	-	1,722	-	(1,805)

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,
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on profit or loss,
- 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.

The impact on other comprehensive income, of a 50bp increase/decrease, is opposite but is not necessarily equal in amount because the rate changes in the sensitivity analysis also impacts the discount curves used on the relevant cash flows for interest rate derivatives.

H1 Revenue

	2015	2014
	€'000	€'000
Regulated	**240,609**	415,220
Unregulated	**28,792**	50,228
Total	**269,401**	465,448

On 1 August 2015, the assets and liabilities relating to the Parent's networks business were transferred to Gas Networks Ireland, a newly incorporated subsidiary of the Parent. Up to that date, the Parent's revenues were principally derived from gas transportation services, in both regulated and unregulated markets. The Parent developed, operated and maintained the natural gas transmission and distribution networks in Ireland and provided gas transportation services to suppliers and shippers. The Parent's revenue also included operating lease income, which was recognised in accodance with IFRIC 4 (see note H3). Following the transfer on 1 August 2015, the Parent no longer generates revenue.

H2 Trade and Other Receivables

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade receivables	**-**	5,826
Trade receivables - unbilled	**-**	43,914
Amounts due from subsidiary undertakings	**442,669**	277,960
Amounts due from non-controlled undertakings	**21,672**	12,673
Prepayments	**2,177**	8,294
Other receivables	**31,498**	36,713
Total	**498,016**	385,380
Non-current	**23,909**	25,026
Current	**474,107**	360,354
Total	**498,016**	385,380

Trade receivables are stated net of allowances for impairment.

During 2015, trade and other receivables in respect of the Parent's networks business were transferred under the common control transaction set out in note F5. Refer to note J1 for further details in respect of balances with subsidiary companies and non-controlled undertakings.

CREDIT RISK

Credit risk on receivables is managed through proactive monitoring and management of balances and credit vetting (where applicable).

Prepayments and amounts owed by subsidiary/non-controlled undertakings are excluded from the analysis of credit exposure below. The maximum exposure to credit risk for trade and other receivables at the reporting date can be analysed as follows:

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade receivables	**-**	5,826
Use of system receivables - unbilled	**-**	43,914
Other receivables	**31,498**	36,713
Total	**31,498**	86,453

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

	31-Dec-15	31-Dec-14
	€'000	€'000
Ireland	**31,498**	86,453
UK (including Northern Ireland and Isle of Man)	**-**	-
Total	**31,498**	86,453

The ageing of trade and other receivables, net of impairment, at the reporting date was:

	Net receivable	Net receivable
	31-Dec-15	31-Dec-14
	€'000	€'000
Not past due	**31,498**	85,243
0 – 30 days	**-**	759
31 – 120 days	**-**	115
> 120 days	**-**	336
Total	**31,498**	86,453

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015	2014
	€'000	€'000
At 1 January	**(485)**	(585)
Impairment loss recognised	**-**	(4)
Provision utilised	**-**	104
Transferred under common control transaction (note F5)	**485**	-
At 31 December	**-**	(485)

H3 Future Operating Lease Income

	31-Dec-15	31-Dec-14
	€'000	€'000
Less than one year	**690**	22,471
Between one and five years	**2,070**	68,847
More than five years	**-**	146,858
Total	**2,760**	238,176

At 31 December 2014, future operating lease income presented by the Parent related to agreements to allow third parties the use of parts of the Gas Network Transportation system. These agreements transferred to Gas Networks Ireland as part of the common control transaction set out in note F5. Future operating lease income at 31 December 2015 relates to future lease income from the rental of office premises. All lease arrangements are at an arm's length basis.

H4 Deferred Revenue

	2015	2014
	€'000	€'000
At 1 January	**(20,257)**	(23,964)
Received in year	**(312)**	(1,646)
Credited to the income statement	**1,696**	5,353
Transferred under common control transaction (note F5)	**18,873**	-
At 31 December	**-**	(20,257)
Analysed as follows:		
Non-current	**-**	(15,228)
Current	**-**	(5,029)
Total	**-**	(20,257)

I1 Operating Costs (excluding depreciation and amortisation)

Continuing operations	2015	2014
	€'000	€'000
Payroll expense	**(59,758)**	(67,139)
Hired and contracted services	**(20,965)**	(29,997)
Infrastructure materials and maintenance	**(52,187)**	(73,754)
Rent, rates and facilities	**(14,860)**	(24,933)
Other operating expenses	**(22,494)**	(29,525)
Recharges to non-controlled undertakings	**36,925**	35,095
Recharges to subsidiary undertakings	**11,401**	5,711
Total	**(121,938)**	(184,542)

Refer to note D1 for disclosures in respect of the Group's Auditor's remuneration and Board members' emoluments.

I2 Exceptional Items

During 2015, the Parent disposed of an asset to a subsidiary in the Ervia Group for €99.7 million, while at the same time acquiring an asset from that same subsidiary. The asset disposed of was derecognised at its carrying amount and the acquired asset was recognised at its fair value. This disposal resulted in a gain of €32.0 million recognised in the Parent's financial statements. The asset acquired was for consideration of €90.3 million.

I3 Payroll Costs

Continuing operations	2015	2014
	€'000	€'000
Wages and salaries	**(48,695)**	(63,899)
Social insurance costs	**(5,367)**	(6,742)
Pension costs - defined benefit plans[1]	**(13,119)**	(8,422)
Pension costs - defined contribution plans	**(467)**	(286)
	(67,648)	(79,349)
Capitalised payroll and other payroll transfers	**7,890**	12,210
Payroll costs charged to profit or loss	**(59,758)**	(67,139)

[1] The increase year on year is primarily non cash related and arises due to a lower discount rate being used to determine the pension accounting cost for the year, as a consequence of the downward international trends on long term corporate bond yields, experienced particularly in 2014. The pension accounting cost for the year is determined with reference to the discount rate at the beginning of the year, i.e. 2015 pension accounting cost is based on a discount rate of 2.2% and the 2014 pension accounting cost is based on a discount rate of 3.9%.

Included in 'other payroll transfers' are transfers of payroll costs in respect of Irish Water related activities (as set out in note J1) and in 2014 in respect of the sale of the Energy business (accounted for as "costs to sell" in accordance with IFRS 5). The average number of employees employed by the Parent was 669 for 2015 (2014: 908).

I4 Key Management Compensation

Refer to note D4 for details in respect of the Group's key management compensation.

I5 Retirement Benefit Obligations

Refer to note D5 for disclosure in respect of the Group's retirement benefit obligations.

I6 Trade and Other Payables

	31-Dec-15	31-Dec-14
	€'000	€'000
Trade payables	**(2,715)**	(8,465)
Accruals	**(8,481)**	(90,262)
Promissory note E9	**(26,993)**	(39,236)
Other payables	**(13,356)**	(32,441)
Amounts due to subsidiary companies	**(246)**	(20,920)
Taxation and social insurance creditors[1]	**(653)**	(11,614)
Total	**(52,444)**	(202,938)

Analysed as follows:		
Non-current	**(24,803)**	(38,335)
Current	**(27,641)**	(164,603)
Total	**(52,444)**	(202,938)

[1]**Taxation and social insurance creditors**		
PAYE/PRSI/social insurance	**(653)**	(2,418)
VAT	**-**	(8,942)
Other taxes	**-**	(254)
Total	**(653)**	(11,614)

I7 Provisions and Contingencies

PROVISIONS

	Restructuring	Environmental	Self-insured claims	Total
	€'000	€'000	€'000	€'000
At 1 January 2015	**(3,089)**	**(8,059)**	**(7,284)**	**(18,432)**
Provisions made in the year	**-**	**-**	**(861)**	**(861)**
Provisions used in the year	**113**	**167**	**365**	**645**
Transferred under common control transaction (note F5)	**2,976**	**7,892**	**7,780**	**18,648**
At 31 December 2015	**-**	**-**	**-**	**-**

Analysed as follows:

	31-Dec-15	31-Dec-14
	€'000	€'000
Non-current	**-**	(14,511)
Current	**-**	(3,921)
Total	**-**	(18,432)

During 2015, provisions in respect of the Parent's networks business were transferred under the common control transaction set out in note F5. At 31 December 2015, there were no provisions recognised by the Parent. Refer to note D7 for details of provisions recognised by the Parent at 31 December 2014.

CONTINGENCIES

In the normal course of its business, the Parent 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 performance bonds issued by financial institutions. At 31 December 2015, €2.9 million (2014: €2.9 million) was provided by the Parent by way of guarantees by financial institutions to third parties. The fair value of guarantees was €nil at 31 December 2015 (2014: €nil).

In association with the transfer of assets and liabilities from the Parent to Gas Networks Ireland on 1 August 2015 (note F5), guarantees were provided by the Parent to the European Investment Bank (EIB) in July 2015, indemnifying the EIB against any losses on the loans provided to Gas Networks Ireland (total loan principal amounts of €153.1 million and £100.0 million, and total loan interest of €0.1 million, as at 31 December 2015). The fair value of the guarantee was €nil at 31 December 2015.

I8 Operating Lease Commitments

The following non-cancellable operating lease commitments are payable by the Parent and relate to the rental of buildings. There are no significant or unusual restrictions imposed by the terms of the operating leases. All lease arrangements are at an arm's length basis.

	31-Dec-15	31-Dec-14
	€'000	€'000
Less than one year	**(800)**	(890)
Between one and five years	**(1,881)**	(2,821)
More than five years	**-**	(241)
Total	**(2,681)**	(3,952)

I9 Restricted Deposits

The restricted deposits as at 31 December 2014 included amounts held in respect of credit support agreements and gas network related security deposits. All restricted deposits were transferred as part of the common control transaction during 2015 (refer to note F5).

	31-Dec-15	31-Dec-14
	€'000	€'000
Current	**-**	28,350
Total	**-**	28,350

J1 Related Parties

		Transaction value income/ (expense)		Balance receivable/ (payable)	
		2015	2014	31-Dec-15	31-Dec-14
		€'000	€'000	€'000	€'000
Irish Water	**(iv)**				
Secondment of employees	**(iv) (a)**	**4,236**	9,174		
Transactional and support service agreement costs	**(iv) (b)**	**32,689**	25,921		
		36,925	35,095	**21,672**	12,673
Subsidiaries	**(vi)**				
Transactional and support service agreement costs	**(vi) (a)**	**11,401**	5,711		
Interest income	**(vi) (b)**	**3,148**	6,176		
Transportation and power generation supply services	**(vi) (c)**	**(27,053)**	(60,588)		
Gas sales	**(vi) (d)**	**-**	45,280		
		(12,504)	(3,241)	**442,423**	257,040

(I) ULTIMATE PARENT UNDERTAKING

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State.

(II) GOVERNMENT SPONSORED 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 and Local Authorities.

(III) BANKS OWNED BY THE IRISH STATE

In the normal course of business, the Parent transacts with certain Irish banks which are wholly or partially controlled by the Irish Government. All of the Parent's transactions with such banks are on normal commercial terms. The Parent had no material concentration of borrowings or deposits with any such banks during the year or at 31 December 2015.

(IV) IRISH WATER

Irish Water is deemed to be a related party of the Parent, on the basis of the fact pattern set out in note E9.

(iv) (a) Secondment of employees: The costs relating to these employees are recharged to Irish Water on a full cost recovery method with no margin earned.

(iv) (b) Transactional and support service agreement costs: The Parent provides strategic, governance, risk management, capital delivery management and transactional and support services to Irish Water, through the Group Centre, Major Projects area and Shared Services Centre. The Shared Services Centre is designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, HR and IT.

Pension costs: The Parent operates a defined benefit pension scheme. A number of Irish Water employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Irish Water recognises only the cost of contributions payable for the year in respect of Irish Water employees. The Parent's current service costs for 2015 (as set out in note D5) includes €0.5 million which represents contributions payable for the year in respect of Irish Water employees. These costs were recharged to Irish Water on a full cost recovery method with no margin earned.

(V) BOARD MEMBERS' INTERESTS

The Board members had no beneficial interests in the Parent at any time during the year or at 31 December 2015.
The Secretary is a beneficiary of the Employee Share Ownership Plan.

(VI) SUBSIDIARIES

Refer to note F5 for details of the transfer of relevant Parent assets and liabilities to Gas Networks Ireland. Refer to note I2 for details of asset sale and purchase transactions between the Parent and one of its subsidiaries.

In addition the Parent entered into transactions with subsidiaries in the normal course of business during 2015 as follows:

(vi) (a) Transactional and support service agreement costs: Refer to (iv) (b) above for a description of the services provided to subsidiaries.

(vi) (b) Interest income: The Parent had interest income arising from subsidiaries on intercompany loan facilities.

(vi) (c) Transportation and power generation supply services: The Parent had a contract to receive gas transportation services from a subsidiary. This contract transferred to Gas Networks Ireland during 2015 - refer to F5. The Parent had contracts to receive power generation supply services during 2014 from a number of subsidiaries, prior to the disposal of the Energy Business.

(vi) (d) Gas sales: The Parent had contracts to sell gas during 2014 with a subsidiary, prior to the disposal of the Energy Business.

J2 Tax

Continuing operations	2015	2014
	€'000	€'000
Current tax expense		
Current tax	**(23,560)**	(13,736)
Adjustments in respect of previous years	**(88)**	640
	(23,648)	(13,096)
Deferred tax expense		
Origination and reversal of temporary differences	**9,930**	(8,517)
Adjustments in respect of previous years	**(440)**	63
	9,490	(8,454)
Total income tax expense	**(14,158)**	(21,550)

RECONCILIATION OF EFFECTIVE TAX RATE

	2015	2014
	€'000	€'000
Profit before tax	**110,333**	102,194
Taxed at 12.5% (2014: 12.5%)	**(13,792)**	(12,774)
Expenses deductible/(not deductible) for tax purposes	**486**	(3,756)
Income not taxable	**289**	496
Tax effect of additional losses forward / additional liabilities due	**621**	(1,620)
Reassessment of deferred tax balances	**260**	(1,660)
Exchange adjustments	**(1,408)**	(783)
Profits taxed at higher rates	**(86)**	(2,156)
Adjustments to tax charge in respect of previous years	**(528)**	703
Total income tax expense	**(14,158)**	(21,550)

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

CURRENT TAX ASSETS AND LIABILITIES

	2015	2014
	€'000	€'000
Current tax assets	**2,740**	6,105

DEFERRED TAX ASSETS AND LIABILITIES

	Retirement benefit obligation	Derivative financial instruments	Property, plant and equipment and intangible assets	Interest	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2014	6,133	2,053	(191,164)	(11,440)	(2,598)	(197,016)
Transfer to current tax	-	-	-	-	3,422	3,422
Expense to income statement	(1,424)	-	(3,365)	(3,449)	(216)	(8,454)
Recognised in equity	5,888	(800)	-	-	-	5,088
At 31 December 2014	10,597	1,253	(194,529)	(14,889)	608	(196,960)
Transfer to subsidiary company	**-**	**(557)**	**191,537**	**(1,889)**	**(109)**	**188,982**
Credit/(expense) to income statement	**1,166**	**-**	**2,993**	**5,468**	**(137)**	**9,490**
Recognised in equity	**(5,345)**	**(696)**	**-**	**-**	**-**	**(6,041)**
At 31 December 2015	**6,418**	**-**	**1**	**(11,310)**	**362**	**(4,529)**

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.

	2015	2014
	€'000	€'000
Capital losses unrealised	**3,300**	-

J3 Cash Generated from Operations

Continuing operations	2015	2014
	€'000	€'000
Cash flows from operating activities		
Profit for the year	**96,175**	80,644
Adjustments for:		
Depreciation and amortisation	**59,016**	110,215
Gain on sale of property, plant and equipment	**(32,036)**	(27)
Retirement benefit service cost	**7,574**	885
Net finance costs	**10,150**	61,379
Income tax expense	**14,158**	21,550
	155,037	274,646
Working capital changes:		
Change in inventories	**(187)**	(1,114)
Change in trade and other receivables	**(5,125)**	(2,154)
Change in trade and other payables	**6,763**	(24,142)
Change in deferred revenue	**(1,384)**	(3,576)
Change in provisions	**153**	(284)

Continuing operations	2015	2014
	€'000	€'000
Cash generated from operating activities	**155,257**	243,376
Interest paid	**(6,562)**	(62,172)
Income tax paid	**(19,971)**	(20,858)
Net cash generated from operating activities	**128,724**	160,346

J4 Discontinued Operations

Ervia concluded the sale of Bord Gáis Energy to a consortium comprising Centrica plc, Brookfield Renewable Energy Partners LP and iCON Infrastructure during 2014. Bord Gáis Energy was presented as a discontinued operation in 2014 in line with the requirements of IFRS 5.

RESULTS FROM DISCONTINUED OPERATIONS

		Results for the year
		2014
		€'000
Revenue		514,317
Cost of sales		(451,672)
Gross profit		62,645
Operating costs (excluding depreciation and amortisation)		(37,099)
Other operating income		13,277
Operating profit before depreciation and amortisation (EBITDA)		38,823
Net changes in fair value of operating derivatives		4,654
Operating profit		43,477
Net finance income		3,192
Profit before income tax		46,669
Income tax expense		-
Profit before remeasurement to fair value less costs to sell		46,669
Impact of disposal before reclassification of amounts recognised in OCI		(56,583)
Result from discontinued operations before tax impacts on sale and reclassifications from OCI	(a)	(9,914)
Tax on disposal of discontinued operations	(b)	(7,642)
Equity reserves recycled to the income statement on disposal of Bord Gáis Energy	(c)	2,888
Results from discontinued operations		**(14,668)**

The 2014 result from the discontinued operation of €14.7 million was attributable entirely to the Parent. These results are as up to the date of sale conclusion only. Results thereafter were not attributable to the Parent, and thus results for 2015 are not presented above.

(a) The result from discontinued operations of €9.9 million is stated before the impact of the reclassification of reserves to the income statement and before the taxation impacts of the disposal.

The Parent elected to present the operating results of the Energy business and the results of the sale of the Energy business as exceptional items to aid an understanding of the financial contribution of the discontinued operation due to the factors set out below:

- The price mechanism negotiated with the consortium of buyers provided for the risks and rewards of ownership to transfer to the Energy consortium from 1 January 2014, save to the extent that the operational performance of the Energy business differed from the operational performance targets in the period to completion as set out in the share purchase agreement;

- Notwithstanding the above economic fact pattern, the Parent was required to continue to recognise the results of the Energy business during the period from 1 January 2014 to sale completion on 30 June 2014 in accordance with IFRS requirements.

The result of €9.9 million is primarily attributable to the operational performance of the Energy business being lower than expected during the period 1 January 2014 to sale completion on 30 June 2014.

(b) The transfer of certain assets as part of the pre sale restructuring resulted in a capital gains tax (CGT) charge of €7.6 million. This CGT was as a result of the Gas Regulation 2013 Act which provides that capital gains tax group relief would not apply on the transfer of these assets.

(c) The disposal of the Energy business resulted in the reclassification to the income statement (with no impact on net assets) of €2.9 million previously recognised directly in reserves in respect of foreign exchange derivatives. In accordance with IFRS requirements, these gains previously recognised in the statement of other comprehensive income are reclassified to the income statement on the disposal of the Energy business.

CASH FLOWS FROM DISCONTINUED OPERATIONS

	2014
	€'000
Net cash generated from operating activities	(5,074)
Net cash used in investing activities	(91,106)
Net cash from financing activities	89,478
Net decrease in cash and cash equivalents	**(6,702)**