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Gas Networks Ireland

Directors' Report and Financial Statements 2023

Contents

Directors and other information

Directors	Kevin Toland (Chairperson) *(appointed 19 April 2023)* Fiona Egan *(appointed 19 April 2023)* Saoirse Fahey *(appointed 19 April 2023)* Geraldine Kelly *(appointed 19 April 2023)* Keith Harris *(appointed 19 April 2023)* Sean Hogan *(appointed 19 April 2023)* Keara Robins *(appointed 19 April 2023)* Joe O' Flynn *(appointed 19 April 2023)* Cathal Marley Ronan Galwey *(resigned 19 April 2023)* Claire Madden *(resigned 19 April 2023)* Edwina Nyhan *(resigned 16 January 2023)* Denis O'Sullivan *(resigned 11 April 2023)*
Secretary	Liam O'Riordan
Registered office	Gasworks Road Cork Ireland
Solicitors	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2
Auditor	Deloitte Ireland LLP Chartered Accountants & Statutory Audit Firm 6 Lapp's Quay Cork
Bankers	AIB PO Box 71 South Mall Cork
Company number	555744

Directors' Report

The Directors of Gas Networks Ireland ("the Directors") present their Directors' Report and Group financial statements for the financial year ended 31 December 2023.

Principal activities, company overview and business model

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

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

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

The principal objective of the Company is the safe, reliable and efficient operation, maintenance, development and decarbonisation of the gas network in Ireland. The Company owns, operates and maintains the natural gas network in Ireland. Our gas network is one of the most modern and safest in the world and comprises 14,725 km of gas pipelines including two sub-sea interconnectors and pipelines in Scotland, Northern Ireland and the Isle of Man. Aurora Telecom, a business of the Company, acts as a wholesale, open-access service provider for telecoms operators and business customers, providing dark-fibre and managed bandwidth services.

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

The safe, reliable transportation of natural gas and the delivery of a consistently excellent, cost-effective service that benefits all our customers is at the core of what we do. Currently over 713,000 homes and businesses avail of a safe, efficient and secure supply of natural gas every day. As an energy source, natural gas is of strategic importance to Ireland and facilitates job creation and economic growth. The gas network is a vital national asset and plays a critical role in Ireland's economy, delivering 31% of the country's primary energy needs. On average 47% of Ireland's annual electricity is produced using natural gas.

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

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

Our vision is to be at the heart of Ireland's energy future. We will replace natural gas on our network with renewable gases such as carbon neutral biomethane made from agricultural and food waste and carbon free green hydrogen. Decarbonising the gas network will complement the development of renewable electricity, reduce emissions across all sectors of the economy including those that are traditionally difficult to decarbonise such as industry, agriculture and heavy transport and further enhance the security and diversity of Ireland's energy supply.

Principal activities, company overview and business model (continued)

Gas Networks Ireland creates value in several key areas. We continue to deliver and support the Government's decarbonisation ambition and are actively working to reduce carbon emissions in Ireland by 50% by 2030. We support Ireland's National Economic Plan by providing affordable and clean energy and by investing in infrastructure in support of national economic growth. For our customers, we strive to deliver a customer experience that meets their needs by driving continuous improvement to reduce effort across the customers engagement and delivering cost efficient customer operations. We operate a sustainable business, minimizing our emission and waste, enhancing biodiversity and supporting our people and communities. The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 89% of demand during 2023, reiterating the importance of having a flexible and reliable gas supply.

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

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

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

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

Energy policy developments

Building on from the Climate Action Plan (CAP '23), published in December 2022, which emphasised and strengthened the roles of both renewable gases and gas-fired electricity generation and reaffirmed the Government targets to deliver up to 5.7 TWh of biomethane and 2GW of dedicated offshore wind for green hydrogen production, 2023 saw several significant gas-related energy policy developments at both national and European level.

In July 2023, the Government published their National Hydrogen Strategy which identified the long-term need for a national hydrogen network and the potential for the existing gas network to be repurposed. The Strategy also contained several actions where GNI are expected to take a leading role. In November 2023, the Government published their Energy Security in Ireland to 2030 Package, which included the Securing Ireland's Gas Supplies report. This report includes several gas-related actions, both transitional and enduring, that Gas Networks Ireland will both lead and support on, including strategic gas storage, increased renewable gas production and the transition to a Fit-for-purpose Gas Grid. At European level, the final wording of the Hydrogen and Gas Market Decarbonisation Package (GHP) was agreed in December 2023, with the Regulation and Directive due to come into force in mid-2024. The GHP aims at enabling the decarbonisation of natural gas consumption, creating a regulatory framework for dedicated hydrogen infrastructure and markets and also strengthens rules for security of supply. The transposition and implementation of the GHP will have significant impact on Gas Networks Ireland's activities in the years ahead.

Energy policy developments (continued)

In additional to these national and European policy developments, the Commission for Regulation of Utilities (CRU) are developing a National Energy Demand Strategy and are carrying out a review of their Large Energy User connection policy which GNI are and will continue to engage on. The Government published their draft National Biomethane Strategy in January 2024 for consultation, which will look at the role for biomethane in the future energy mix.

Gas Networks Ireland has and will continue to work closely with the CRU, Government departments and others to ensure that Ireland's gas network continues to play a central role in meeting Ireland's energy and climate targets and in supporting a future decarbonised and secure energy system.

Accounting records

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

Results for the year and dividends

The results for the year are set out in the income statement and in the related notes. Revenue for the year was €527 million (2022: €495 million) and profit before tax was €115 million (2022: €68 million). The Group had total assets of €2.9 billion (2022: €2.8 billion) and liabilities of €1.6 billion (2022: €1.6 billion) at 2023-year end.

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

Operating costs (net) of €254m have decreased by €15m compared to 2022. This was primarily due to lower own-use gas costs of €28m, with average gas prices being 47% lower in 2023 compared to 2022. These savings were countered by inflationary cost pressures and other external market factors impacting on our cost base, particularly in relation to materials, maintenance, contracted services and other operating costs. These cost increases were partly offset by the continued delivery of operating cost efficiencies.

Following approval by the Directors, an annual dividend in the amount of €18.9m was paid to Ervia during the financial year (2022: €20.1m). The Company also paid €5.3m to Ervia in relation to a withheld amount from the 2018 dividend.

Review of the business and future developments

In 2023, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was approximately 70.1 TWh.

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

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

Results for the year and dividends (continued)

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

Price control

Gas Networks Ireland operates transmission and distribution assets in Ireland and Scotland under a price control regime determined by the CRU. A new price control regime is set every five years by the regulator and this process sets out the allowed revenues for Gas Networks Ireland. A decision on the next price control period from 1 October 2022 to 30 September 2027 was published in December 2023.

Regulations and tariffs

The CRU is responsible for the economic regulation of all assets on the Irish Transmission and Distribution networks including the subsea interconnectors and the onshore assets in Scotland. The Utility Regulator regulates the GNI (UK) Limited pipelines in the Northern Ireland transmission system. Gas Networks Ireland and GNI (UK) Limited also each hold a UK interconnector licence from Ofgem in respect of the subsea interconnectors to Scotland.

The European Directive and Regulation on common rules for the internal markets in renewable and natural gases and in hydrogen (the "Hydrogen and Gas Markets Decarbonisation Package") is anticipated to be in force by the end of 2024 and this will set out ambitious plans to facilitate further renewable gases in the existing gas networks across Europe including the development of a framework for hydrogen networks.

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

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

Funding

The Group's funding position remained strong in 2023. At 31 December 2023, the Group had €1,336 million in committed facilities (2022: €1,335 million).

Borrowings at 31 December 2023, external to the Ervia Group were €1,024 million (2022: €1,023 million).

In 2023, Gas Networks Ireland maintained its credit rating investment grade of A2 with Moody's and improved its investment grade with S&P from A to A+ in 2023.

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

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

Operating environment

In 2023, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was 70.1TWh. This was supplied through the Moffat Interconnector and the Corrib gas field. During the year, 22% of all gas requirements in the Republic of Ireland were supplied by the Corrib gas field, while imports from the United Kingdom (UK) met 78% of demand. In 2023, 60 GWh of demand was met from renewable gas delivered through the biomethane injection point in Co. Kildare.

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

Key performance indicators

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

Key performance indicator	FY 2023	FY 2022
Total lost time incident frequency rate – employees (>1 day #/100k hours*)	**0.00**	0.23
Emergency response	**27 mins**	28 mins
Customer service - first contact resolution	**94%**	94%
New connections (volume contracted GWh)	**2,330**	2,940
Credit rating Moody's	**A2**	A2
Credit rating S&P	**A+**	A
EBITDA	**€273m**	€226m
Environment		
% Waste Diverted from Landfill	**100%**	100%
Water consumption m^3 PA^	**3,892**	8,539
Employee		
Training days	**1,248**	833
Social		
Volunteer hours*	**1,262**	618

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

*The increase in volunteering hours in 2023 versus 2022 was as a result of active recruitment of new volunteers and expansion of the programme with new opportunities.

Risk management review

Our risk management activities

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

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

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

The 2023 risk landscape stabilised but remained elevated following the energy crisis in the previous year arising from the invasion of Ukraine. Through the continued use of a defined risk management process, Gas Networks Ireland continued to manage its risks effectively. The geopolitical environment meant there was ongoing crisis management exercises throughout the year to ensure we prepared for and responded to any possible disruptive factors, thereby ensuring security of supply and service delivery. The external environment was closely monitored for any adverse impact to Gas Networks Ireland such as an increased cyber and physical security threat, security of supply, climate risks, inflation and gas price volatility.

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

Risk management framework

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

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

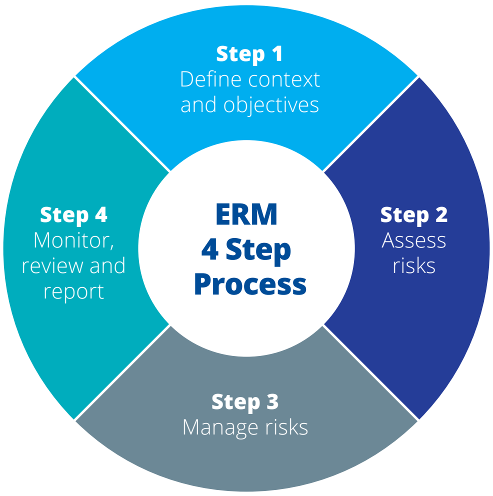

Figure 1.1 - ERM 4 Step Process

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

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

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

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

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

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

The principal risks and uncertainties and key mitigations

Resilient energy network

Risk	Context	Mitigation
Health, safety, environment		
A major health and safety or environmental incident resulting in significant impact and harm to an employee, contractor or the public.	All health, safety and environmental legislation and arrangements must be adhered to in order to protect staff, contractors, and the public from injury or fatality and avoid potential prosecutions, financial loss and reputational damage.	• The Board oversees Health and Safety performance. • Certified to ISO45001 Safety Management System and ISO14001 Environmental Management System. • Internal and external assurance activity, audits, training, emergency exercises and reviews.
Security of supply		
The security of Ireland's natural gas supply is dependent on its ability to access imports and the capacity and integrity of the supply infrastructure. A significant disruption to energy supply or to Gas Network Ireland's physical infrastructure including the gas interconnectors between Ireland and Scotland could have a serious impact on Gas Network Ireland's business and operations and on Ireland's economy.	Ireland's economy depends on continued secure supplies of natural gas as it meets circa 31% of Ireland's primary energy needs. The geopolitical landscape has put increased focus on the resilience of Europe's gas infrastructure and supply of natural gas. The UK remains the principal supply source for Ireland. Any disruption to the UK's energy supply, or any failure or disruption to the operation of our strategic gas infrastructure, could have a serious impact on Gas Networks Ireland's business and operations.	• Twinned onshore gas pipeline in Scotland reinforces security of supply for Ireland. • Corrib gas field provides an indigenous supply of gas. • In 2023 the DECC announced its Energy Security package which included the creation of a strategic emergency gas reserve in Ireland. GNI is engaging with the department to prepare a detailed proposal to create a Strategic Emergency Gas Reserve. • Regular modelling of future demand and supply scenarios (ROI and All Island). • Member of DECC Energy Security Emergency Group. • Established Gas Emergency Management plan with key stakeholders that is regularly tested. • In 2023 a memorandum of understanding between the Government of Ireland, the United Kingdom and Northern Ireland on the cooperation for natural gas security of supply was signed which deepens the UK and Ireland's bilateral relationship and enables closer working to ensure security of supply. • GNI (UK) and National Gas have a voluntary protocol in place which provides for the occurrence of a Gas Supply Emergency. An inter-governmental gas treaty in place since 1993 between Ireland and the UK provides for the development of a framework between the Irish and the UK governments to deal with any disruptions to gas supplies. • Comprehensive asset inspection and maintenance programmes. • Network Development Plan and Network Capacity Management Plan. • Capital investment plan and projects. • The National Risk Assessment (NRA) is required under Article 7 of Regulation (EU) 2017 / 1938 (Gas Security of Supply). Gas Networks Ireland worked with the CRU to complete this risk assessment in 2022 – the next revision is due in 2026.

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
Network capacity		
Failure to get regulatory approval and to develop adequate future network capacity could impact on Gas Networks Ireland's reputation and impact on the ability of the network to meet future energy needs.	In 2022, Gas Networks Ireland published a gas forecast statement. A key input in this is EirGrid's electricity demand projection. EirGrid projects significantly increased electricity demand resulting in a requirement for new gas-powered generation to meet this demand. In addition, a large increase in new gas connections in the industrial and commercial sector has also emerged. Network analysis has determined that additional investment will be required to provide additional capacity at both compressor stations in Scotland to meet this demand at peak times.	• Detailed study completed to determine the operational and physical measures needed to increase the technical capacity at the Moffat Entry Point to meet the projected peak day demands. • Funding for planned capacity upgrades to both compressor stations in Scotland has been approved as part of PC5 determination and projects are progressing to plan. • Demand side management measures – interruptible capacity products are being explored. • Ongoing engagement with EirGrid in relation to its demand forecasts and Generation Capacity Statement. • Ongoing engagement with the CRU in relation gas demand forecasts. • Network Development Plan and Network Capacity Management Plan developed.
Capital delivery		
Failure to meet capital delivery requirements including capital works associated with new power station and data centre connections.	EirGrid and CRU have highlighted the shortfall in thermal power generation in Ireland in the short, medium and long term for electricity security of supply. The volume of work required to support the delivery of these critical projects will be significant. In addition, GNI are contracted to deliver five transmission connections to data centres. This coincides with increased demand from other sectors which may require prioritisation of projects leading to potential financial and reputational damage for Gas Networks Ireland.	• Tri-party engagement between Gas Networks Ireland, EirGrid and CRU and strong collaboration on projects. • Early engagement with contractor and other key stakeholders on delivery and consenting process. • Ongoing communication with the power station and data centre developers. • Construction: Optimise resourcing and supply chain planning to expediate delivery of projects. • Develop alternate delivery partnerships within the supply chain.
Renewable gases - network readiness		
Risk that Gas Networks Ireland is not network ready for the transport of renewable gases.	Developing hydrogen and biomethane are identified as a key priority to achieve the EU Green Deal and clean energy transition. To support the Government's climate change agenda and ensure long-term business viability, Gas Networks Ireland needs to ensure it has the network capability and competency to be a key enabler of energy transition.	• Innovation funding for the testing and development of hydrogen and biomethane capacity has been approved as part of PC5 determination and projects are progressing to plan. • Ensure sufficient innovation allowances for testing and development of hydrogen and biomethane capacity. • Hydrogen research and testing at our Research and Innovation Centre in Citywest, Dublin. • Enhance training and technical competency. • Build strategic partnerships within academia and other gas industry stakeholders. • Develop safety cases for each stage of hydrogen development. • Active involvement with European Hydrogen backbone study.
Climate change – impact on infrastructure		
Physical risk that extreme or unusual weather events could impact on our infrastructure.	Increase in the severity of extreme weather events e.g. flooding and storms because of climate change could cause malfunctions or unexpected interruptions to services. A prolonged interruption during extreme weather events such as a period of extreme cold weather has the potential to cause significant social and economic disruption where businesses and households cannot access power or heat.	• Development of robust emergency response plans and procedures. • Identification of future areas of vulnerability and relocation of assets where appropriate. • Winter preparedness planning and storm hardening. • Tools for monitoring/controlling infrastructure. • Address identified risks to network infrastructure via regulatory submissions.

The principal risks and uncertainties and key mitigations (continued)

Sustainable energy services

Risk	Context	Mitigation
Affordability		
A loss of competitiveness, risk that networked gas becomes uncompetitive/unaffordable for customers.	The impact of continuing high gas prices risks natural gas becoming uncompetitive versus other energy sources leading to customers and policy makers looking to alternative energy solutions.	• Continue to focus on reducing network costs through innovation, supply chain optimisation and best practice cost management. • Continue to advocate for measures to enhance Ireland's security of supply reducing the risk of supply shocks including the increased deployment of renewable gases. • Vulnerable customer supports. • Customer supports including availability of Pay as You Go (PAYG) meters, facilitating switching of energy suppliers. • Advocate for energy efficiency measures.
Future of gas		
Failure to successfully implement and deliver Gas Networks Ireland's long-term growth strategy for natural and renewable gas in an integrated energy system.	Gas Networks Ireland fails to provide solutions for networked gas to be a viable energy source in a decarbonised Irish energy future. An inability to decarbonise the network risks the governments climate change agenda and also a decrease in future utilisation of that network and could lead to tariff increases and potentially stranded assets.	• Support the governments Hydrogen strategy and the transformation of the gas network to facilitate green hydrogen injection and future blended hydrogen. • Support development of a pathway towards the full decarbonisation of the gas network and support innovation activities related to the gas network assets. • Work with Government to support it meeting its 2024 Climate Action Plan target to deliver up to 5.7 TWh of indigenously produced biomethane by 2030. • Work with customers and large users to provide solutions with a pathway to decarbonisation. • Continue the development and rollout of the BioCNG network.
Reputation		
Serious damage to GNI's reputation when it fails to meet the expectations of its stakeholders leading to a loss in confidence in the organisations licence to operate.	Damage to the reputation of Gas Networks Ireland resulting from a major incident or a failure to ensure safe practices in our operations, financial management and corporate governance.	• Key public affairs and stakeholder plans and initiatives. • Dedicated public affairs team. • Compliance & control frameworks in place. • Crisis management plans in place.

Integrated energy system

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

The principal risks and uncertainties and key mitigations (continued)

Excellence in operations

Risk	Context	Mitigation
Supply chain / Critical suppliers		
An inability to fully deliver current or future Capital Investment Plans, due to supply chain challenges including cost increases, capacity within the construction industry, delays in receipt of materials or a failure of a key supplier including key contractors, could result in failure to meet network capacity or sustain asset health through planned maintenance activities.	Volatility in world economies and changes in the geo-political environment globally is accelerating the need for Gas Networks Ireland to proactively develop plans to manage the supply chain risk. This risk is arising from cost increases of services and materials, material shortages, longer lead times on projects and viability of key suppliers. A dispute with or the failure of a key supplier to meet its obligations under such a contract could have a material adverse effect on Gas Network Ireland's business, operations, reputation, strategy and/or financial condition.	• Relationship management model in place. • Growing internal supply chain expertise and proactive supply chain interactions with key suppliers. • New construction and engineering procurements progressing to ensure diverse range of suppliers are available for Gas Networks Ireland's future workload. • Improved co-ordination across the teams with better awareness and ownership. • Suppliers of key contracts monitored and under review. • Contingency and business continuity plans which create a framework for mitigating the risk of key supplier failure and provide for an effective response to the same, while safeguarding the interests of key stakeholders.
Sustainable operations		
Failure of Gas Networks Ireland to become a leading sustainable Irish business.	To meet government, societal and stakeholder expectations, Gas Networks Ireland needs to minimise its own emissions and waste, enhance biodiversity and support its people and communities.	• Sustainability performance and strategy with clear governance and monitoring in place. • Transparent Environmental, Social and Governance (ESG) performance. • Committed to 50% reduction in greenhouse gas emissions intensity by 2030. • Biodiversity Action Plan in place. • Maintaining certification to the Business Working Responsibly Mark standard. • Commit to methane emissions reduction plan. • Reduce-Your-Use Campaign continues in Gas Networks Ireland.
Cyber security / Information Technology failure		
A risk of a cyber-attack or a significant failure to our Information Technology resulting in the potential for a significant loss of systems and services, major impact to business operations, data leakage, financial loss and reputational damage.	The volume, complexity and sophistication of cyber security threats are increasing and are constantly evolving. An incident could result in potential business delivery suspension, disruption, safety issues, reputational damage or potential regulatory fines. A cyber attack and/or a signification failure to our Information Technology could have a potential impact on gas and electricity customers and on the Irish economy.	• Policies, strategy and operational model in place. • Enhanced cyber awareness and user training programmes. • Collaboration with the National Cyber Security Centre. • Ongoing monitoring against National Institute of Standards and Technology (NIST) standards. • Increased investment in prevention and pro-active controls across all critical systems. • Business continuity contingency arrangements developed. • Security Operations Centre in place (24*7 monitoring). • Ongoing risk assessments. • Operational scenarios and stress tests on critical processes.
Premises & installations security		
Significant loss of critical systems & services due to a physical security attack on our critical premises & installations impacting safety, business operations and reputation.	The physical security threats are increasing due to the nature of the business. An incident could result in potential business delivery suspension, disruption, safety issues, reputational damage or potential regulatory fines. This could have a potential impact on gas and electricity customers and on the Irish economy.	• Corporate and physical security project. • Physical security capital programme underway. • Ongoing risk assessments.

The principal risks and uncertainties and key mitigations (continued)

Risk	Context	Mitigation
Pandemics		
Significant employee health risk or business disruption due to potential impact of a pandemic.	Large scale employee illness due to an epidemic or pandemic that affects Ireland's population, potentially impacting employee health and wellbeing, operations, service delivery and supply chain.	• Pandemic response plan in place. • Business continuity contingency arrangements developed. • Engagement with key stakeholders (HSE, HSA, CRU, government departments etc.) and peer utility benchmarking.
Legal / Compliance		
Failure to comply with legal obligations imposed by law, regulation or licence.	The business activities carried on by Gas Networks Ireland are subject to a broad range of laws and regulations. Legal obligations and regulations are greatly increasing the complexity of doing business in Gas Networks Ireland. Policies and training may fail to keep up with the pace of change. A failure by Gas Networks Ireland to comply with relevant Irish, United Kingdom and European Union laws and regulations could result in penalties and/or sanctions being imposed that could have a material adverse effect on its, operational results, strategyand/or financial condition.	• Compliance review completed annually and ongoing in respect of the Code of Practice obligations for the Governance of State Bodies and any failures to comply are identified and addressed as appropriate. • Comprehensive policies and procedures in place to ensure compliance with key legal obligations. • Ongoing monitoring of legislative developments. • Bi-annual review of Directors' Compliance Policy Statement. • Ongoing engagement with relevant external stakeholders.
Fraud		
Catastrophic fraud event impacting organisation viability and reputation.	If there is a breakdown in the control environment, a fraud can occur which could result in reputational damage, financial loss as well as tax implications for Gas Networks Ireland.	• Policy awareness and fraud training. • Strong control and speak up culture. • Fraud awareness programmes including Doing the Right Thing. • Fraud Risk Assessment workshops. • Cyber security awareness training. • Segregation of duties.

Energised people

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

The principal risks and uncertainties and key mitigations (continued)

Strong financials

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

Non-Financial Reporting Statement

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

Reporting Requirement

Reporting requirement	Location of information	Pages	Relevant policies	Description of the outcome of those policies
Environmental matters	*Environmental*	24	• Environmental Policy • Energy Policy	• The application of the Environmental and Energy Policies ensures that all persons working on behalf of Gas Networks Ireland are responsible for adhering to environmental and energy requirements and achieving high environmental standards. • The application of the Environmental Policy addresses the key areas of climate change, biodiversity, waste, resource use and procurement. • The application of the Energy Policy specifically addresses issues of energy performance and energy efficiency.
Social and employee matters	*Social*	28	• Corporate responsibility policy • Data Protection policy • Safety policy • Dignity at work policy	• The application of the Corporate Responsibility Policy ensures implementation of Gas Networks Ireland's Corporate Responsibility strategy. This has resulted in the recertification of the Business Working Responsibility Mark, in line with ISO26000 from Business in the Community Ireland. • The application of the GDPR Policy supports Gas Networks Ireland in meeting its data protection obligations. All staff and contractors have undertaken GDPR training supported by ongoing cross company measures. • The application of the Safety Policy ensures that a comprehensive programme of health and well-being initiatives are delivered across the business. • The application of the Dignity at Work Policy ensures that Gas Networks Ireland will not tolerate any form of bullying, harassment or sexual harassment in or affecting the workplace. The policy implementation prevents and deters such behaviours and where it occurs to have the effective procedures in place to address the matter.

The principal risks and uncertainties and key mitigations (continued)

Reporting requirement	Location of information	Pages	Relevant policies	Description of the outcome of those policies
Human rights	*Respect for human rights*	33	• Code of conduct • Modern slavery statement	• The application of the Code of Conduct ensures that all persons working for or on behalf of Gas Networks Ireland conduct their business in a manner that respects human rights and dignity of all people. • Through the implementation of measures set out in its Modern Slavery Statement Gas Networks Ireland ensures transparency in its own business and in its approach to tackling modern slavery throughout its supply chains and expects the same high standards from all its contractors, suppliers and other business partners.
Anti-fraud bribery and corruption	*Anti-fraud bribery and corruption*	34	• Anti-fraud bribery and corruption policy	• The application of the Anti-Fraud Bribery and Corruption Policy is core to the integrity of Gas Networks Ireland, its reputation and long-term success. Any instances of bribery perpetrated will result in disciplinary action, up to and including dismissal. Compliance with this policy forms part of the terms of employment and of the terms of doing business with our contractors or agents. • The application of the policy ensures all persons to which the policy applies understand what constitutes fraud and the Company's approach towards it, and what is expected of them in relation to the prevention and reporting of fraud.
				Description
Other reporting requirements	*Business model*	04		• Principal activities, company overview and business model.
	Non-financial KPIs	08		• Key performance indicators.
	Principal risks & policy due diligence	11		• Principal risks and uncertainties.

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

EU Taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities in terms of six major environmental objectives:

- Climate change mitigation ("CCM").
- Climate change adaptation ("CCA").
- Sustainable and protection of water and marine resources ("Water").
- Pollution prevention and control ("Pollution").
- Transition to a circular economy ("Circularity").
- Protection and restoration of biodiversity and ecosystems ("Biodiversity").

EU Taxonomy (continued)

The EU Taxonomy requires the disclosure of Key Performance Indicators ("KPIs") relating to Turnover, Capital Expenditure and Operating Expenses associated with activities that are classified as "Taxonomy-Eligible", "Taxonomy-Aligned" and "Taxonomy-Non-Eligible".

1. Taxonomy-Eligible activities: These are economic activities that are listed in the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139), the Complementary Climate Delegated Act (Commission Delegated Regulation (EU) 2022/1214), the Environmental Delegated Act (Commission Delegated Regulation (EU) 2023/2486), and the amendments to the Climate Delegated Act (Commission Delegated Regulation (EU) 2023/2485), (the "EU Taxonomy Delegated Acts").

2. Taxonomy-Aligned activities: Regulation (EU) 2020/852, article 3, sets out criteria which an economic activity must meet to qualify as environmentally sustainable ("Taxonomy-Aligned"): These are Taxonomy-Eligible economic activities that:

- Comply with the activity-specific technical screening criteria ("substantial contribution" requirements),
- Do not significantly harm ("DNSH") any of the other environmental objectives.
- Comply with the "minimum safeguards" required to ensure compliance with the following international standards and guidelines: 1. The OECD Guidelines for Multinational Enterprises; 2. The UN Guiding Principles on Business and Human Rights; 3. The principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work; and 4. The International Bill of Human Rights.

3. Taxonomy non-Eligible activities: These are any activities that are not described in the EU Taxonomy Delegated Acts.

For reporting period year-ended 2023, Gas Networks Ireland is required to report against the first two environmental objectives, namely CCM and CCA, in terms of its activities that are Taxonomy-Eligible, Taxonomy-Aligned and Taxonomy-Non-eligible. In addition, new EU taxonomy reporting requirements came into effect in 2023 (Commission Delegated Regulation (EU) 2023/2486), related to the Taxonomy-Eligibility criteria for the other four environmental objectives, namely Water, Pollution, Circularity and Biodiversity, and Gas Networks Ireland has considered these within its assessment, the outcome of which is set out below.

Economic activities that make a substantial contribution to climate change mitigation

Taxonomy-Eligibility assessment:

Climate Change Mitigation has been identified as the most relevant climate objective to Gas Networks Ireland and therefore each activity was assessed against the technical screening criteria for this environmental objective. In this way, Gas Networks Ireland has ensured no double counting across a number of environmental objectives.

Gas Networks Ireland has identified the following economic activity as its Taxonomy-Eligible activity that has the potential to make a substantial contribution to the CCM environmental objective:

- **Activity 4.14:** Transmission and distribution networks for renewable and low carbon gases.

Taxonomy-Alignment assessment – Activity 4.14:

Substantial Contribution Criteria	Gas Networks Ireland activities that support the replacement of natural gas with renewable gases such as biomethane and hydrogen, meet the relevant substantial contribution criteria for Activity 4.14 on the basis that they include: • gas transmission or distribution activities that enable increase in the blend of hydrogen or other low carbon gases in the gas system; and/or • supporting research, development, and innovation activities relevant to a).
DNSH	Gas Networks Ireland has assessed its policies and processes including, inter alia, its water-use management plan and environmental screening process, to conclude that Taxonomy-Eligible activities meet the DNSH criteria for the Water, Pollution and Biodiversity environmental objectives. In line with the CCA DNSH requirements, Gas Networks Ireland is working to complete the required physical risk and vulnerability assessment. This work is expected to be completed in early 2024 and therefore we anticipate that these criteria will be met, thus satisfying DNSH criteria across all applicable environmental objectives, in our 2024 reporting.

EU Taxonomy (continued)

Minimum safeguards	Gas Networks Ireland has completed a Group level minimum safeguards assessment of policies and processes including, inter alia, Modern Slavery Statement (2022) and Anti-Fraud Policy to ensure that its activities comply with the specified standards and guidelines. Four substantive relevant topics were assessed: • Bribery, bribe solicitation and extortion, • Fair Competition, • Taxation, • Human Rights, including labour and consumer rights. Gas Networks Ireland has concluded that it is fully compliant with the minimum safeguards for the first 3 topics.As part of the minimum safeguards assessment, actions have been identified to enhance existing safeguards relating to the human rights due diligence process and Gas Networks Ireland has concluded that it is substantially compliant with the minimum safeguards for the final topic.

Assumptions and accounting policies

The EU Taxonomy continues to be developed, and evolving guidance and industry practice may lead to different interpretations, assumptions, and disclosures by companies in scope. We will continue to monitor relevant developments and our assessment processes for future reporting.

Activities of infrastructure operators related to transport of natural gas are Taxonomy-Non-Eligible. However, Activity 4.14: *Transmission and distribution networks for renewable and low carbon gases* is Taxonomy-Eligible. Considering the ongoing development of renewable gases, the share of Taxonomy-Eligible and Taxonomy-Aligned activities will increase over time as the proportion of renewable and low-carbon gas in our network increases.

Consequently, when calculating the KPI's, an apportionment exercise is required to account for the current relative proportionality of renewable and low carbon gases versus natural gas, as described below.

Key assumptions and accounting policies

Turnover	• Total turnover as reported within the EU Taxonomy reconciles to that reported in the Gas Networks Ireland Consolidated Financial Statements. • Taxonomy-Eligible turnover represents the direct income from biomethane injection stations plus the proportion of biomethane relative to natural gas consumption (0.11%), applied to applicable total third-party access capacity and commodity revenues.
Capital Expenditure (CapEx)	• Total capital expenditure as reported under the EU Taxonomy reconciles to the sum of additions to Property, Plant & Equipment and additions to Intangible Assets as reported in the Gas Networks Ireland Consolidated Financial Statements. • Taxonomy-Eligible capital expenditure represents the total investments in biomethane injection stations plus the proportion of biomethane relative to natural gas consumption (0.11%) applied to applicable remaining total capital investments in the gas network.
Operating Expenses(OpEx)	• Total operating expenses as reported under the EU Taxonomy represents the direct non-capitalised costs incurred for the day-to-day servicing of assets, consisting primarily of repair and maintenance costs, plus other operating expenditure within the scope of the EU taxonomy, including R&D costs. • Taxonomy-eligible operating expenses represents the direct external and employee costs associated with biomethane and hydrogen activities, plus the proportion of biomethane relative to natural gas consumption (0.11%), applied to applicable remaining total operating expenditure within the scope of the EU taxonomy.

Turnover

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy-aligned/ eligible proportion of turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m's	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which Transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
		€ m's	%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								%		
Transmission and distribution networks for renewable and low carbon gases	4.14	0.17	0.03%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.17	0.03%														0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		0.17	0.03%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		526.90	99.97%																
Total (A + B)		**527.07**	**100%**																

CapEx

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy-aligned/ eligible proportion of CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m's	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which Transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
		€ m's	%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								%		
Transmission and distribution networks for renewable and low carbon gases	4.14	0.73	0.50%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.73	0.50%														0%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		0.73	0.50%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities (B)		147.10	99.50%																
Total (A + B)		**147.83**	**100%**																

OpEx

Economic activities (1)	Code(s) (2)	Absolute opex (3)	Proportion of opex (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of opex, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
		€ m's	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which Transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
		€ m's	%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL								%		
Transmission and distribution networks for renewable and low carbon gases	4.14	3.66	4.71%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3.66	4.71%														0%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		3.66	4.71%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of Taxonomy-non-eligible activities (B)		74.10	95.29%																
Total (A + B)		**77.76**	**100%**																

Sustainability

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

As guardians of Ireland's vital 14,725km national gas network, owned by the people of Ireland, we aim to deliver our services in a sustainable manner and ensure we contribute to the protection of the environment while supporting the social and economic development of the communities we operate in, as well as the wider economy.

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

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

Sustainability at Gas Networks Ireland includes supporting the health and wellbeing of our employees in the workplace and positively impacting the communities in which we operate. The Company is proud of the fact that it is one of only 39 companies in Ireland to hold the Business Working Responsibly mark which is aligned to the ISO26000 standard for Social Responsibility.

Notable achievements in 2023 include;

- Continued to publish our annual sustainability report, "Sustainability in Action", highlighting progress in implementing the principles of the UN Sustainable Goals. The report is aligned to the Global Reporting Initiative Standard for Sustainability reporting.
- Participation in the Carbon Disclosure Platform for the fourth time.
- Gas Networks Ireland received a A- CDP climate change rating which demonstrates we are taking co-ordinated action on climate change. We also received an A- for our CDP Supplier Engagement Rating for 2023.
- Retained our certification to the Business Working Responsibly Mark which is aligned to the Social Sustainability Standard ISO26000.
- Retained certification to our five ISO Management Systems, ISO14001 Environmental Management System, ISO50001 Energy Management, ISO45001 Occupational Health and Safety, ISO9001 Quality Management System and ISO55001 Asset Management.
- Planted over 15,000 native Irish woodland trees on our own sites and on public spaces.
- Won the LAMA Award for "Best CSR Project in a Community 2023".
- Supported 93 community projects and provided €251,005 in financial support.
- Our revised Sustainability Strategy was approved by the Board.
- Our decarbonisation glidepath was finalised and approved by the Board.

Environmental

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

Environmental (continued)

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

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

In 2023 we continued to focus on areas including biodiversity, Green House Gas (GHG) emissions/carbon management, waste, energy and procurement. We also delivered a study on embodied carbon in civils design as well as stepping up our climate change scenario modelling and risk assessment for the organisation.

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

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

Biodiversity

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

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

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

We are a supporting partner of the All-Ireland Pollinator Plan and the global Business for Nature Call to Action that calls for ambitious and collective action on nature. As part of our revised Sustainability Strategy we identified Biodiversity as one of our key priorities. During 2023, Gas Networks Ireland continued pollinator friendly management across our site network where appropriate, and enactment of our Biodiversity Action Plan. We continued to take the actions we need to achieve our goals, namely;

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

Gas Networks Ireland have developed a scientific and repeatable biodiversity baseline survey methodology for our sites. The method looks at habitat type, size and condition and assigns a score. It is proportionate to the ecological simplicity of most of our sites so that it is practical to implement. By determining a baseline, we can not only protect and conserve the biodiversity already on our sites but work to identify potential to enhance biodiversity further.

Environmental (continued)

In 2023, we completed biodiversity baseline scores, and worked to upgrade more sites to enhance their biodiversity. The surveys and plans are communicated to our planning, design, construction, and operations teams which helps to embed biodiversity into our culture, processes, and procedures.

In 2023, we continued to refine the Gas Networks Ireland Biodiversity Action Plan which outlines action to be taken by the business to help achieve its Biodiversity Commitments. Examples of actions taken in 2023 include several innovative programmes to support our employees and contracting partners to deliver our biodiversity objectives. For example, our recently developed guidelines for Landscaping for Biodiversity at Gas Networks Ireland sites have been deployed in all new project designs where it is practical to do so, and during operational works, for example, replanting hedgerows or trees. We have developed a GNI Tree Felling and Hedge Removal Permit, which allow us to track trees or hedges which need to be removed, and a Carbon TreeSearch Tool to calculate the carbon sequestration potential of trees being removed and ensure that sufficient native Irish species are replanted in their place.

One such project was at our new AGI in Baldrumman near Lusk, Co Dublin. The objective of this project is to increase the biodiversity score at the site by providing several diverse habitats including wet meadows, ponds, hedgerows and bat corridors. Biodiversity was measured before the project including a bird survey to establish the biodiversity baseline. Three large ponds were constructed and in November 2022 we were granted an Afforestation Licence to enable the project to be completed. In 2023, we planted over 14,000 native Irish woodland trees at the AGI. The site will be managed for wildlife by letting the woodland grow and protecting it from disturbance. Biodiversity scoring will be measured again in a few years to see how it has been affected by these changes.

Promoting biodiversity awareness

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

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

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

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

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

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

Leave No Trace

We continued our partnership with Leave No Trace in 2023. The Leave No Trace Hot Spot programme is an initiative designed to address areas impacted by outdoor activities and heavy use so they can be restored and thrive again, benefitting biodiversity and the local community.

Environmental (continued)

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

We continued our work at the Turvey Nature Reserve and the Rogerstown Estuary Hot Spot in north Dublin, close to our Dublin office. Our staff and local members of the public volunteered to plant over 600 trees at the site during National Tree Week with Leave no Trace and Fingal County Council.

We conducted a collaboration exercise with Leave No Trace and our contractors to stamp down the vegetation growing around the young saplings at our Baldrumman AGI in Lusk, north County Dublin to help them thrive and allow more light to the saplings, as required by our forestry management plan. The exercise helped to raise awareness of Biodiversity and the UN SDGs among our own employees and our contractors.

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

Waste Reduction

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

Energy

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

Measures to achieve energy savings include metering and energy efficiency drives that are taking place at all office locations along with the replacement of inefficient lighting and heating solutions. Older inefficient vehicle fleet have been replaced with efficient vehicles which are subject to enhanced inspection procedures and programmes to increase employee awareness of fuel consumption. Future renovations to company buildings will encompass sustainability considerations, energy efficiency and resource management will be central to any upgrade designs. For example, in 2023, we commenced works to upgrade our building in Dublin which will include energy efficiency measures as part of the upgrade works.

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

GHG emissions and carbon performance

We are committed to embedding sustainability and decarbonisation principles into the core of our business decisions and strategy. In 2018 we signed up to the Low Carbon Pledge, a Business in the Community Ireland (BITCI) initiative for Irish businesses to invest time and resources into creating a more sustainable operation, by being more energy efficient and reducing carbon usage. Signatory companies commit to the following:

- Record their entire Carbon Footprint, both direct (Scope 1 & 2) and indirect (Scope 3) carbon emissions.
- Reduce carbon emissions that they are directly responsible for (Scope 1 & 2), as well as play their part in reducing emissions across their supply chain (Scope 3).
- Report publicly their individual progress, as well as collectively through the annual BITCI Low Carbon Report.
- Regularly review their carbon reduction targets (SBTs) to align to the latest Climate Science.

Environmental (continued)

Fuel gas consumed at our compressor stations in Scotland accounts for ~55% of our Scope 1 emissions. Gas is combusted at our compressor station turbines to transport the gas at required pressures. The fuel gas consumption, and therefore carbon footprint (TCO_2 e) at our compressor stations for combustion and venting purposes is related to the throughput at the compressor stations (which in turn is directly related to indigenous supply of gas from Corrib). As Corrib declines and more gas is required to flow through Moffat, it is anticipated that the Onshore Scotland Compressor Station own use gas requirement (and Total Emissions TCO2 e) will continue to increase.

Social

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

In 2023, Gas Networks Ireland retained certification to the Business Working Responsibly Mark standard, in line with ISO26000, from Business in the Community Ireland (BITCI). The Mark is the only independently audited standard for Corporate Responsibility and Sustainability practices in Ireland. As holders of the Mark, we are a member of the Leaders Group on Sustainability and co-chair of the Low Carbon Economy Group.

Gas Networks Ireland were presented an award for "Best CSR Project in a Community 2023" at the LAMA All Ireland Community and Council Awards for our school engagement initiatives, which include Junior Achievement Energise, BITC's Time to Count and World of Work, involvement with I Wish and BT Young Scientist, and events during science week and biodiversity week. Gas Networks Ireland were named as a finalist in two categories of the Sustainable Procurement awards – Best Green Procurement Project of the Year and Best Public Sector, Semi-State or Government Procurement Project of the Year. Launched in 2010, these awards provide a platform which celebrates the most impressive and transformative procurement projects over the past 12 months and the teams who drive them.

	2023	2022
Social key performance indicators		
Volunteering hours	**1,262**	618
Volunteering on a programme	**1 in 5 employees**	1 in 9 employees

* The increase in volunteering hours in 2023 versus 2022 was as a result of active recruitment of new volunteers and expansion of the programme with new opportunities. Namely, Wheelmap, the innocent smoothies Big Knit, and in-house facilitation of Team Days.

Our colleagues

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

2023 focused on refining and improving the new ways of working and embedding further the organisational culture through refreshing the organisational values, regular all staff briefings, focused round table sessions, monthly employee forums and expert led sessions on areas of particular focus. In addition, our internal communications channels evolved alongside our digital workplace transformation which has made it easier and faster to communicate with our colleagues. Our employee engagement approach continued to grow and in 2023 we saw progress at both an organisational and local team level. This included strong year-end results, over 75% of the organisation attended each of our Quarterly Business Reviews and our very successful in person People Awards in October.

Social (continued)

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

Our Gas Networks Ireland ibelong Diversity, Equity and Inclusion programme grew further in 2023, including the establishment of a new Employee Resource Group (ERG) the Neurodiversity & Ability Group which is now the 5th ERG across the business. The group had a very successful launch in May 2023 which saw our highest number of attendees to date at an ibelong event. The Diversity, Equity & Inclusion council and ERGs had a successful year with numerous events across the year including marking Pride, Holi, Eid, International Womens day and Global Diversity Awareness month to mention a few. In addition, the groups launched our 'Hear My Name' programme and also made significant progress in the Cultural Holiday Swap proposal and our Menopause policy which we launched early in 2024. In addition, we saw some progress in our Gender Pay Gap, which is being influenced by our ibelong programme, our female development programme, our early education STEAM programmes, our own early career programmes and this will continue across the coming years. The growth of these programmes and the ongoing of the diversity, equity and inclusion strategy is a key area of priority across the organisation.

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

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

Community

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

Education

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

Energize

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

The Energize programme now includes a sustainability module, encouraging the students' interest in climate action, biodiversity, and sustainable development. 2023 marked the 13th year of our partnership with Junior Achievement Ireland with over 400 Gas Networks Ireland staff volunteering on Junior Achievement programmes to date, working with over 30,000 students nationwide.

Social (continued)

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

Time to Count

Time to Count is a Business in the Community programme, allowing Gas Networks Ireland staff to provide numeracy support to third class children from local DEIS (designated disadvantaged) primary schools. This programme runs with our long-term partner schools Mother of Divine Grace in Finglas and Scoil Aiséirí Christ in Cork. Volunteers visit our partner schools weekly over an 8-12-week programme and assist the students with math skills through fun, interactive games and activities. The students are treated to a tour of our office local to their school at the end of the programme; in 2023 we piloted inclusion of a biodiversity scavenger hunt as part of the tour at our Cork office.

World of Work

In 2023 Gas Networks Ireland sponsored nationwide delivery of the World of Work programme, which offers secondary school students an opportunity to meet employees from a local company to learn about the workplace and consider future careers and includes a sustainability module. We work directly with two partner schools on the programme, celebrating our 16th year with Nagle Community College in Cork and our 13th year with Beneavin College in Finglas. Both partner schools visit our offices for a tour during the programme.

The new sustainability module was rolled out in 2023 and includes a competition element. Participating schools were invited to submit projects implemented in their school or community that focus on practical ways to make the world more sustainable. Inver College Carrickmacross's winning entry (eliminating the use of plastic water bottles within their school) demonstrated their grasp of the programme concepts of promoting sustainability, presenting their project creatively, and working as a team.

I Wish

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

Science Week and Engineers Week

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

Litter Pick

To support An Taisce's National Spring Clean, employees undertook a litter pick in Marina Park and Atlantic Pond in Cork; 45kg of litter were cleared. CSR team litter picking events also took place, with one group of employees clearing over 7kg of micro litter from The Lough in Cork city. A total of 882 pieces of litter were logged, the bulk of which was cigarette butts, but also included plastic bottles and food packaging. A further event was facilitated by Leave No Trace in Blackrock, Cork, with employees clearing litter from the area and learning about the impacts of litter on the environment.

Social (continued)

Workplace

Elevate Pledge

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

Employee engagement

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

These communications are also a platform to make staff aware of volunteer opportunities. All our staff can volunteer with any of our school programmes and CSR activities. Staff committed 1,262 hours this year to volunteer activities, and our programmes delivered 54,008 social impact hours.

Staff fund, in kind donations, and internal fundraising

All employees can request a donation once a year to go to a worthy cause of their choice and can see details of the organisations supported on our internal charitable fund platform. Through this fund, Gas Networks Ireland supported 37 community causes, and donated €11,750 on behalf of our employees.

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

Donation of decommissioned IT hardware

Chromebooks decommissioned as part of our Digital Workplace Technology initiative found a meaningful second life with Igbo Union, a community non-profit with a focus on empowering indigent teenagers. Chromebooks were distributed to teenagers throughout Co Cork, enabling them to participate in online culture and language classes. Additionally, the donations made through payroll by employees who chose to retain their decommissioned chromebooks were passed on to our charity partners, totalling €28,800.

Marketplace

Accessibility

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

In 2023 we continued our support of their annual gardening blitz. The gardening blitz supports Age Action Ireland's "Care and Repair" programme, which enables their clients to continue to live independently in their homes. Employees from both Cork and Dublin offices spent a day working at the homes of elderly clients of Age Action, undertaking some light gardening and outdoor tidy-up to get clients' gardens winter ready.

We also participated in the innocent Big Knit to benefit Age Action. Employees and their friends and family were invited to participate by knitting over 500 little hats to adorn innocent smoothie bottles, with innocent donating 30c to Age Action for every smoothie sold wearing a hat.

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

Social (continued)

On Global Accessibility Awareness Day in May, volunteers from our ERGs worked with Wheelmap.org to update wheelchair access information for over 150 public places and businesses in Cork and Dublin. The event raised participants' awareness of the significant challenges wheelchair users face in undertaking daily activities.

Stakeholder engagement

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

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

Governance

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

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

Ethics and Integrity

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

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

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

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

Transparency

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

Evaluation of our approach

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

Governance (continued)

Data Protection and customer privacy

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

Protected Disclosures and raising concerns

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

Regulation of lobbying

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

Official Language Acts (2003 & 2021)

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

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

Respect for human rights

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

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

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

Governance (continued)

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

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

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

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

Anti-Fraud, Bribery and Corruption

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

The Anti-Fraud, Bribery, Corruption Policy, the Protected Disclosures Policy and all other key policies are available to employees on the intranet. Ervia/Gas Networks Ireland has a programme in place, 'Doing the Right Thing', which promotes integrity and emphasises the importance of ethical behaviour. Support materials for this programme are available to all employees on the 'Doing the Right Thing' intranet site. Some of these supports include: an online booklet which provides guidance on best practice, actions and behaviours, and calls out the key messages from some of the core policies; the speaking up channels available to employees to raise concerns: and links to other relevant pages and training materials. 'Doing the Right Thing' training is also incorporated into the Learning & Development training programme for new joiners and new managers. Anti-Fraud Bribery, Corruption and Protected Disclosures training was rolled out to all employees in 2023. A number of integrity conversations were rolled out by managers to their teams across the business. In addition, fraud risk assessment workshops were held with relevant Executives, their direct reports and risk leads.

Sustainable procurement

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

Use of "green" suppliers or materials

We ensure environmental and sustainability requirements are embedded in the procurement processes right through to delivery stage of the contract. Our main third-party contracts have been designed to deliver sustainability and environmental best practice throughout the project lifecycle.

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

Corporate governance

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

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

The Company meets the definition of a public interest entity as it has debt listed on a regulated market. Section 1551(1) of the Companies Act 2014 requires the directors of a public interest entity to establish an Audit Committee. Gas Networks Ireland avails of the exemption under Section 1551(11)(a) as a subsidiary undertaking. An Audit and Risk Committee is established at Ervia Group level, due to the unitary board structure adopted by Ervia. Ervia has appropriate committees in place which act in respect of the entire Ervia Group and therefore no such committees have been established at the Company level. In light of Gas Networks Ireland's status as a public interest entity, the Ervia Group Audit and Risk Committee discharges its obligations under section 1551(14) of the Companies Act 2014 (to inform Directors of Gas Networks Ireland of the outcome of the Statutory Audit and to submit recommendations (if required) on financial reporting processes) by directing the statutory auditor, Deloitte Ireland LLP, to address the report required under Article 11 (1) of Regulation (EU) No. 537/2014 to the Board of Directors of Gas Networks Ireland as well as to the Ervia Group Audit and Risk Committee. For further information on the Ervia Group Audit and Risk Committee see the Ervia Annual Report at www.ervia.ie.

For the financial year ending 31 December 2023, the Board of Ervia was assisted in the discharging of its obligations through the delegation of certain roles and responsibilities to the Ervia Audit and Risk Committee, the Ervia Finance & Investment Committee, the Ervia Remuneration Committee and the Ervia Safety, Sustainability & People Committee.

The Committees assist the Ervia Board by giving detailed consideration to business, operational and financial issues, reporting to the Ervia Board with any necessary recommendations. The Ervia Audit and Risk Committee met 4 times during the year, the Ervia Remuneration Committee met 8 times during the year, the Ervia Finance and Investment Committee met 7 times during the year and the Ervia Safety, Sustainability & People Committee met 3 times during the year. The Company meets the definition of a traded company under Section 1372 of the Companies Act 2014 on the basis that it is a designated activity company that has debentures admitted to trading on a regulated market in an EEA State and therefore complies with the applicable provisions of Section 1373 of the Companies Act 2014. A description of the main features of the internal control and risk management systems of the company are outlined in the Statement on the System of Internal Control below.

Directors and secretary and their interests

The Directors of the Company are Kevin Toland, Fiona Egan, Geraldine Kelly, Joe O'Flynn, Keith Harris, Keara Robins, Sean Hogan and Saoirse Fahey who were all appointed with effect from 19th April 2023. Cathal Marley is also a Director of the Company and was appointed in April 2019. Claire Madden and Ronan Galwey both resigned with effect from 19th April 2023, Denis O' Sullivan resigned with effect from 12th April 2023 and Edwina Nyhan resigned with effect from 16th January 2023. The Chairperson of the Company's Board is Kevin Toland. The Secretary of the Company is Liam O'Riordan. Interests of the Directors and Secretary are disclosed in note 4 of the financial statements.

Directors and secretary and their interests (continued)

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

In accordance with the Articles of Association, the Directors are not entitled to receive fees.

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

Director	Meetings (attended/eligible)
Kevin Toland (Chairperson) *(appointed 19th April 2023)*	**6/6**
Cathal Marley *(appointed 5th April 2019)*	**11/12**
Fiona Egan *(appointed 19th April 2023)*	**6/6**
Geraldine Kelly *(appointed 19th April 2023)*	**6/6**
Joe O'Flynn *(appointed 19th April 2023)*	**5/6**
Keith Harris *(appointed 19th April 2023)*	**5/6**
Keara Robins *(appointed 19th April 2023)*	**6/6**
Saoirse Fahey *(appointed 19th April 2023)*	**5/6**
Sean Hogan *(appointed 19th April 2023)*	**5/6**
Edwina Nyhan *(resigned 16th January 2023)*	**0/0**
Claire Madden *(resigned 19th April 2023)*	**6/6**
Ronan Galwey *(resigned 19th April 2023)*	**6/6**
Denis O'Sullivan *(resigned 12th April 2023)*	**6/6**

Roles and responsibilities of the directors

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

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

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

Directors' responsibilities statement for directors' report and financial statements

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

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

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

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

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

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

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

The Board is responsible for ensuring that Ervia has complied with the requirements and disclosures of the Code. The following financial disclosures are required by the Code to be outlined in the Annual Report. These disclosures relate to Ervia and Gas Networks Ireland.

Analysis of Employee Benefits

Details of the number of employees whose total employee benefits (excluding employer pension costs and termination benefits) for the financial year are set out below.

	2023	2022
€50,000-€75,000	**256**	231
€75,001-€100,000	**217**	205
€100,001-€125,000	**106**	96
€125,001-€150,000	**40**	38
€150,001-€175,000	**23**	20
€175,001-€200,000	**12**	9
€200,001-€225,000	**6**	5
€225,001-€250,000	**1**	1
€250,001-€275,000	**2**	2

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

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

Consultancy Costs

Consultancy costs include the directly incurred cost of external advice. They are defined as engagements to provide intellectual or knowledge-based services (e.g. expert analysis and advice) through delivering reports, studies, assessments, recommendations, proposals, etc. that contribute to decision or policy-making for a limited time period to carry out a specific finite task. They exclude outsourced 'business-as-usual' functions.

	2023 €'000	2022 €'000
Legal advice	**582**	200
Financial advice	**339**	384
Advertising, marketing & public relations	**267**	253
Business improvement/change	**1,414**	1,173
Other	**289**	138
Total consultancy costs	**2,891**	2,148
Capitalised	**-**	-
Income statement	**2,891**	2,148
Total consultancy costs	**2,891**	2,148

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

Legal Costs and Settlements

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

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

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

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

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

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2023 €'000	2022 €'000
Domestic		
Board *	**-**	-
Employee	**1,710**	1,178
International		
Board	**-**	-
Employee	**227**	168
Total**	**1,937**	1,346

* Travel and subsistence expenditure by Gas Networks Ireland Directors in 2023 was €nil (2022: €nil). Travel and subsistence expenditure incurred by the Directors of Gas Networks Ireland is deemed to be incurred either in their capacity as an employee or as an Ervia Board member.

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

Hospitality

The income statement includes the following hospitality expenditure:

	2023 €'000	2022 €'000
Staff hospitality	**203**	129
Client hospitality	**70**	87
Total	**273**	216

Transparency

Freedom of information

The Company is subject to the provisions of the Freedom of Information Act 2014 ('FOI Act'). A Model Publication Scheme operates, and records are periodically published by the Company in accordance with the requirements of Section 8 of the FOI Act. The scheme is accessible through the Company's website Model Publication Scheme .In addition the Company releases as much information as possible in an open and accessible manner outside of the freedom of information process, having regard to the principles of openness, transparency and accountability.

Data protection

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

Protected disclosures and raising concerns

The mechanism whereby Gas Networks Ireland employees and management may raise concerns, or make disclosures in the public interest, in accordance with the Protected Disclosures Act 2014, is outlined in the Ervia Group Protected Disclosures Policy. Further guidance on raising concerns for management and employees is outlined in the Ervia Group Code of Business Conduct, the Ervia Group Anti-Fraud, Bribery and Corruption policy. Section 22 of the Protected Disclosures Act 2014 requires Gas Networks Ireland to publish an Annual Report relating to protected disclosures made under the Act. In accordance with this requirement, Gas Networks Ireland confirms that in the year ended 31 December 2023, there was no protected disclosure reported.

Transparency (continued)

Gender balance, diversity and inclusion

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

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

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

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

Regulation of lobbying

In accordance with the requirements of the Regulation of Lobbying Act 2015, the Company is registered on the lobbying register maintained by the Standards in Public Office Commission and has made the required submissions for the return periods in 2023.

Creditor payment policy/prompt payments

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

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

Statement on the System of Internal Control

Scope of Responsibility

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

Purpose of the System of Internal Control

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

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

Statement on the System of Internal Control (continued)

Management of Risk and control environment

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

Risk and Control Environment

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

Audit and Risk Committee

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

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

Integrated Assurance Forum

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

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

Internal Audit

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

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

The Internal Audit function:

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

Statement on the System of Internal Control (continued)

Risk Management Function

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

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

In particular, the risk management function:

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

Elements of Control Environment

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

- Responsibility by management at all levels within Gas Networks Ireland for internal control and risk management;
- A Corporate Governance Framework, including financial control and risk assessment. This is monitored by the Gas Networks Ireland Executive and by the Gas Networks Ireland Internal Audit and Risk functions;
- Clearly defined organisational structure, with defined authorisation limits and reporting mechanisms to higher levels of management and to the Gas Networks Ireland Board and the Ervia Board;
- A comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require Ervia Board approval and are closely monitored on an ongoing basis by the Ervia Finance and Investment Committee;

Established processes to identify and evaluate business risks by identifying the nature, extent and financial implication of risks facing the Gas Networks Ireland including the extent and categories which it regards as acceptable. Other processes to identify and evaluate business risks include assessing the likelihood of identified risks occurring and assessing the Company's ability to manage and mitigate the risks that do occur through associated mitigation plans and strategies.

- Appropriate segregation of duties and documentation of processes and controls that are focused on preventing and detecting fraud;
- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the Gas Networks Ireland Board and the Ervia Board;
- A comprehensive system of financial reporting;
- A comprehensive set of management information and performance indicators is produced quarterly, enabling progress against longer-term objectives and annual budgets to be monitored;
- Internal policies requiring all employees to act with integrity and maintain the highest ethical standards. These policies include the Code of Conduct, Anti-Fraud, Bribery and Corruption Policy, Regulation of Lobbying Policy and Protected Disclosures Policy;
- A comprehensive anti-fraud programme including Anti-Fraud, Bribery and Corruption Policy, training and communication and a fraud response plan;

Statement on the System of Internal Control (continued)

- Systematic reviews of internal financial and operational controls by Gas Networks Ireland internal audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk assessment; and
- An internal control framework assessment that involves undertaking an extensive risk assessment, reviewing the operation and effectiveness of key control policies and processes, internal control self-assessment reporting, performance reporting, supported by the assurance activities of Risk, Internal and External Audit.

Ongoing Monitoring and Review

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

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

Ongoing monitoring by Gas Networks Ireland management includes:

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

Ongoing monitoring by the Gas Networks Ireland Board includes;

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

Ongoing monitoring by the ARC includes;

- Review of the Integrated Assurance Forum reports over the system of internal control in Gas Networks Ireland on a quarterly basis.
- Review of the Gas Networks Ireland Risk Profile on a quarterly basis.
- Review of reports from the Internal Audit function which contain details of control issues and status updates on close out of open internal audit recommendations.
- Review of reports from the external auditor, which contain details of any material internal financial control issues.
- Review and consideration of the report from the Ervia Group Chief Executive Officer on the effectiveness of the operation of the systems of internal control, both financial and operational.

Capital and operational expenditure

Robust and effective systems are in place to ensure compliance, as appropriate, with the relevant principles and requirements of the recently published Infrastructure Guidelines (replacing the 2019 Public Spending Code set of guidelines). Transitioning activity relating to the updated Infrastructure Guidelines will continue into 2024 to ensure compliance with any additional requirements.

Statement on the System of Internal Control (continued)

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

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

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

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

The capital commitments process for Gas Networks Ireland operates on the basis that the company requests the relevant Ministerial consents in advance for an overall envelope of capital commitments to be entered into during the following financial year.

Separate Ministerial consents are requested by Gas Networks Ireland in advance of committing to any individual capital project or new capital programme costing €20m or greater for regulated expenditure and €10m for unregulated expenditure. Ministerial consents are submitted to the parent Department and other relevant government departments involved in the consenting process for the specific application. In addition, requests for ministerial approval are submitted to NewERA who provide project specific financial and commercial advice to the Department of Housing, Local Government and Heritage, prior to the granting of Ministerial consent.

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

The Directors are kept appraised of the status of capital projects and programmes as they progress including updates on implementation against plan, timescales and quality. Budget and variance reporting is also presented to the Board. All projects have specific objectives against which they are measured. Tenders and subsequent contracts include strict delivery requirements as well as KPIs which are used to measure performance throughout the course of the contract. Post project reviews and financial close reports are presented to the EAC, the Gas Networks Ireland Board, the Ervia Finance and Investment Committee and the Ervia Board for evaluation depending on the value of the project or programme. Project close out and annual programme reviews meetings facilitate a key 'lessons learned' approach which are then assessed, tracked and implemented as part of existing and future projects across the organisation as appropriate.

General Data Protection Regulation (GDPR)

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

Statement on the System of Internal Control (continued)

Review of effectiveness

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

Internal Control issues

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

Statement on relevant audit information

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

Directors' compliance statement

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

The Directors are of the opinion that the policies and the structures and arrangements which the Company has in place are appropriate to secure material compliance by the Company with its relevant obligations. The Company's "relevant obligations" are identified in the Compliance Policy Statement and the associated Compliance Matrix which identifies the key actions and checks that must be in place. The Compliance Policy Statement has been communicated to all senior management of the Company to ensure a consistent and robust adherence to the Compliance Policy. The Directors carried out a mid-financial year and financial year-end review of the arrangements and structures in place for 2023 to secure the Company's material compliance with its relevant obligations. The Compliance Policy Statement will be enhanced to meet the Company's compliance obligations as they and/or the Company's business evolve and develop.

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

Companies Act 2014

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

Going Concern

The Directors have a reasonable expectation that the Group and the Company will continue to meet liabilities as they fall due for the foreseeable future and consequently these financial statements are prepared on a going concern basis. The Group has €312m million in undrawn committed bank facilities (2022: €312 million) available together with strong profitability forecasts for 2024, to meet liabilities as they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements. Further details of this going concern assessment and the Group's liquidity position are provided in notes 1 and 23 (ii), respectively, of these financial statements.

Independent auditor

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

Independent auditor (continued)

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

After the completion of a tender process, Ministerial consent has been received to appoint KPMG as auditor of Gas Networks Ireland for financial years 2024, 2025 and 2026 with an option to extend this term of appointment for up to a further 2 years (2027 and 2028)

Political donations

There were no political donations made during the financial year (2022: nil).

Post balance sheet events

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

For and on behalf of Gas Networks Ireland:

		29 April 2024
Kevin Toland	**Keith Harris**	Date of Approval
Chairperson	Director	

The Board and Executive Team

Kevin Toland

Chairperson

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

Fiona Egan

Board Member

Fiona Egan (FCA, B.Comm) was appointed to the Board in April 2023. Fiona is currently Managing Director of Rabobank Ireland. She is an experienced Managing Director with over 20 years' experience working as a CEO, Corporate and Investment Banker and Non-Executive Director in a number of leadership, execution and governance roles. Prior to joining Rabobank, where she has worked for 19 years, Fiona worked with Goodbody Corporate Finance for 7 years after training and qualifying as a Chartered Accountant with KPMG. Fiona also holds a Bachelor of Commerce degree from University College Dublin and a Diploma in Professional Accounting from Smurfit Business School. Fiona served on the Board of a midsized media group from 2011 to 2018.Fiona has completed several Leadership Development Programmes in business schools across Europe and the US including Harvard Business School, Chicago Booth, Ashridge Business School (London) and IESE Business School in Barcelona.

Saoirse Fahey

Board Member

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

Keith Harris

Board Member

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

Sean Hogan

Board Member

Sean Hogan was appointed to the Board in April 2023. Sean is a Chartered Director was Chairman of Northern Ireland Water Limited from March 2011 to March 2015 and is currently the Chairman of WRAS Ltd in the UK and Chairs the expert advisory committee on bovine tuberculosis for the Department of Agriculture, Environment and Rural affairs in Northern Ireland.

Geraldine Kelly

Board Member

Geraldine Kelly was appointed to the Board in April 2023. Geraldine is an experienced Non-Executive Director with a successful international career and a proven track record of delivering results. She has over 25 years board experience contributing to successful businesses in Technology, Energy and Clean Technology sectors with the ability to optimise technology and digital strategies to develop sustainable business solutions. Geraldine currently serves as a non-executive chair of Accountant Online Limited. Her previous experience includes serving as Chair of Plan Ireland and Microfinance Ireland as well as a non-executive director of Bank of Ireland Mortgage Bank, Cenergise Energy Trading Limited, Gaelectric Limited and Tyndall National Institute. Geraldine is a graduate of University College Galway (Maths & Economics), a postgraduate of University College Dublin (MA Economics). She is a Chartered Director with the Institute of Directors and a Certified Bank Director with the Institute of Banking.

Cathal Marley

Board Member

Cathal Marley was appointed to the Board in April 2019. He joined Ervia in 2016 as Chief Financial Officer and was appointed CEO in 2020. He has over 20 years' experience in the utilities and infrastructure sector, having worked in senior roles across the electricity, water and gas sectors. He holds an MBA from Michael Smurfit Business School, UCD, is a Fellow of the Institute of Chartered Accountants, a member of the DCU Governing Authority, a member of the Board of the Irish Management Institute (IMI) and a Board member of Swim Ireland. His early career was spent with EY in Dublin and Eastern Europe.

Joe O'Flynn

Board Member

Joe O' Flynn was appointed to the Board in April 2023. He is the Chairman of the One Cork Group and a member of the Cork Airport Development Council. He was appointed a member of the executive board of the International Transport Federation in October 2018. He is a former General Secretary of SIPTU, a former Lord Mayor of Cork and former City Councillor. He is a former director of two SIPTU affiliated bodies- the Institute for the Development of Employment Advancement Services and the Larcon Centre- the controlling body for the Liberty Hall Centre for Performing Arts. He is also a former Treasurer of the Irish Congress of Trade Unions and a former member of its Executive Council.

Keara Robins

Board Member

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

Financial statements

Deloitte.

Independent auditor's report to the members of Gas Networks Ireland

Report on the audit of the financial statements

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

In our opinion the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 December 2023 and of the profit of the Group for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise:

the Group financial statements:

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

the Company financial statements:

- the Company Balance Sheet;
- the Company Statement of Changes in Equity;
- the Company Statement of Cash Flows; and
- the related notes 30A to 30R, including a summary of material accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the Group and Company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) agenda decisions, as endorsed by the EU, effective for accounting periods beginning on or after 1 January 2023 ("the relevant financial reporting framework").

Basis for opinion

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

We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Summary of our audit approach

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

Conclusions relating to going concern

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

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

- We obtained an understanding of the process the directors undertook in assessing going concern;
- We considered the appropriateness of the method used by the directors in performing the going concern assessment in the context of the applicable financial reporting framework. We evaluated the relevance and challenged the reliability of the underlying data the directors used to make the assessment;
- We evaluated the assumptions on which the directors' assessment is based by determining whether there was adequate support for the assumptions underlying it including the various price control mechanisms in place;
- We completed an assessment of the historical accuracy of forecasts prepared by management by reviewing budgets versus actuals for the Group and Company;
- We completed a review of and challenged the forward looking forecasts through evaluating both the "Budget 2024" and "Business Plan 2023 – 2027" prepared by Gas Networks Ireland as well as revenue and cost projections;
- We performed a detailed review of the Group and Company's financing facilities including; a review of the Group and Company cash position at the financial year end date, the financial resources available to the Group and Company with a focus on the repayment profile of debt;
- We considered the impacts of the Price Control submissions being made to the Commission for Regulation of Utilities (CRU) and the Northern Ireland Authority for Utility Regulation (NIAUR) on the 2024 financial year and for the period at least 12 months after the approval of the financial statements; and
- We evaluated the adequacy of the relevant disclosures made in the financial statements.

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

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

Key Audit Matters

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

Accuracy of revenue recognition associated with transmission and distribution regulated revenues	
Key audit matter description	Auditing standards state that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate relevant revenue transactions and specific revenue streams and assertions which give rise to such risks. The Group's revenues of €527.1 million are principally derived from gas transportation services in both regulated and unregulated markets. Details are set out in note 3 to the financial statements with the accounting policy set out in Note 1(g). The regulated revenue is derived from a Price Control process imposed by the relevant regulator, primarily the CRU, whereby the regulator carries out a review of the revenues that the Group is allowed to recover through gas tariffs for the ongoing operation and maintenance of the gas network. The expenses recovered through the gas tariff setting are subject to change between Gas Years (runs from 1 October to 30 September). The regulated revenue is largely system generated. The Group revenue balance includes a portion of unbilled revenue however there is limited judgement related to this given the price control process in place. The calculation of the unbilled revenue is system generated. We have determined the accuracy of revenue recognition associated with transmission and distribution regulated revenues to be a key audit matter.
How the scope of our audit responded to the key audit matter	The procedures we performed in relation to transmission and distribution regulated revenues included the following: We obtained an understanding of the regulated revenue arrangements in place across the Group and Company. We evaluated the design, determined the implementation and tested the operating effectiveness of the relevant internal controls over the Group and Company's significant revenue streams. For the system generated revenue recognised in respect of gas transportation and distribution services, we obtained an understanding of the relevant internal controls and billing systems (including interfaces with the general ledger) in place over those revenue streams. We also tested the operating effectiveness of relevant IT controls with the assistance of Risk Advisory specialists.

	For regulated revenue, on a sample basis, we traced the revenue recognised to amounts invoiced to customers and the subsequent receipt of payment from those customers. We also tested the volume of gas being charged for and ensured those charges were in line with the regulatory price tariffs. For unbilled revenue at year end, on a sample basis, we agreed the amounts to transportation/distribution records, post year end invoices and receipts for payments. We used analytical procedures to assess the accuracy of transmission and distribution revenue with focus on manual adjustments to these revenue streams. We evaluated the completeness and accuracy of the disclosures made in the financial statements with reference to the requirements of IFRS 15.
Key observations	We have no observations in respect of the amounts and disclosures related to the accuracy of revenue recognition associated with transmission and distribution regulated revenues.

Valuation with regard to expenditure being inaccurately capitalised and not in line with requirements of IAS 16	
Key audit matter description	A key focus for the Group and Company is network investment.Owned Property, Plant and Equipment of €2,478.1 million (Company: €2,119.7m) represents the majority of the Group and Copmany's asset base and a significant proportion of the Group and Company's annual expenditure. The total amount of capitilised expenditure recognised in the financial year for the Group was €142.1 million (Company: €126.8mn) for the Property, Plant and Equipment balance. Details are set out in note 9 to the Group financial statements (note 30A to the Company financial statements) with the accounting policy set out in note 1 (b). Depending upon its nature, expenditure may be capitalised or expensed in the year the cost is incurred. In making this decision the directors have to consider whether the expenditure will generate future economic benefits, which involves significant judgement, and meets the capitalisation criteria in line with the accounting policy.This is an area at risk of potential management bias due to the significant level of judgement. We determined this to be a key audit matter due to the risk that expenditure is inaccurately capitalised and not in line requirements of IAS 16.
How the scope of our audit responded to the key audit matter	The procedures we performed in relation to the KAM included the following: We assessed whether the Group and Company's accounting policies in relation to the capitalisation of expenditure complied with IFRS. We evaluated the design, determined the implementation and tested the operating effectiveness of the relevant internal controls over the Group and Company's capitalisation process. We evaluated the design, determined the implementation and tested the operating effectiveness of relevant internal controls over the Group and Company's project management of assets capitalised (including a budget versus actual deep dive). We also tested relevant IT controls, with the assistance of Risk Advisory specialists, including interfaces between primary and subsidiary ledgers in order to assess that items capitalised are transferred to the fixed asset register on a timely basis.

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	We inspected contracts and/or underlying invoices, on a sample basis, to ensure that the costs were accurately recorded and the classification between capital and operating expenditure was appropriate including verification that the project/asset was appropriately commissioned if capital. We obtained evidence, on a sample basis, of appropriate allocation of purchase requisitions to approved capital projects. We examined and obtained evidence for any significant reconciling items between the fixed asset register and the general ledger. We reviewed minutes of meetings of the Group's Investment Approval Committee as evidence that all items in our additions sample received the appropriate approval. We evaluated the completeness and accuracy of the disclosures made in the financial statements with reference to the requirements of IAS 16.
Key observations	We have no observations in respect of the amounts and disclosures related to the inaccurate capitalisation of property, plant and equipment.

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

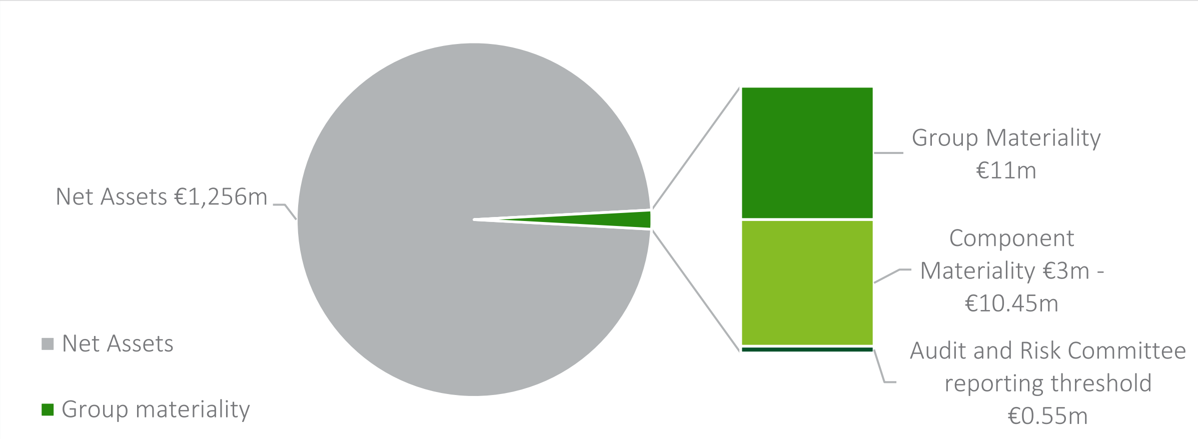
Our application of materiality

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

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

	Group financial statements	Company financial statements
Materiality	€11m (2022: €11m)	€10.45m (2022: €10.45m)
Basis for determining materiality	1% of net assets	95% of Group materiality Consideration was given to the Company's share of the Group's net assets when determining the materiality for the Company.
Rationale for the benchmark applied	We have considered the net assets to be the critical component for determining materiality because Gas Networks Ireland is an infrastructure company and users of the financial statements would consider net asset value as a key metric in assessing performance. We have considered quantitative and qualitative factors such as our understanding of the nature of Gas	We have concluded that net assets is the relevant benchmark in line with the rationale for the Group as documented.

	Networks Ireland and its environment, the industry it is operating in, its ownership structure and how it is financed.	



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

	Group financial statements	Company financial statements
Performance materiality	80% of Group materiality (2022: 80%)	80% of Company materiality (2022: 80%)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • Management and those charged with governance have a well-established system of internal control that typically prevents or detects misstatements prior to our audit procedures allowing us to rely on controls as part of our testing procedures; • The historical amount of misstatements we have detected from our audit procedures has been negligible; • Management and those charged with governance were willing to fully investigate and correct misstatements identified during prior audits, and we have no expectation that they will not do the same this financial year if we were to detect misstatements that the internal controls did not previously detect; and • Gas Networks Ireland is a mature and stable Company.	

We agreed with the Ervia Audit and Risk Committee that we would report to them all audit differences in excess of €550,000 (2022: €550,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Ervia Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our assessment of the risks of material misstatement, our determination of materiality and our application of that materiality determined our audit scope. We determined the scope of our audit by obtaining an understanding of the Group and its environment, the effectiveness of the control environment and monitoring activities, including Group-wide controls, and assessing the risks of material misstatement at the Group level as well as the financial significance and specific risks of the individual companies. We focused our Group audit scope on the audit of the three trading legal companies comprising the Group. These companies represent all the principal business units and account for 100% (2022: 100%) of the revenue and 100% (2022: 100%) of the Group's total assets. Our audit work for each company was executed at levels lower than Group materiality which were applicable to each individual company ranging from €2.2m to €10.45m . There were no component audit teams, with the entire audit including the testing of the consolidation being conducted by one central audit team.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Identifying and assessing potential risks related to irregularities

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

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

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

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

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

Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

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

Corporate Governance Statement required by the Companies Act 2014

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

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

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

Matters on which we are required to report by exception

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

The Companies Act 2014 requires us to report to you if, in our opinion, the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) for the financial year ended 31 December 2023. We have nothing to report in this regard.

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

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

Other matters which we are required to address

Following the recommendation of the Ervia Audit and Risk Committee, we were re-appointed by Gas Networks Ireland on 25 March 2019 to audit the financial statements commencing for the financial year ended 31 December 2019 up to and including the financial year ended 31 December 2021 which was subsequently extended to the financial year ended 31 December 2023 following ministerial consent. The period of total uninterrupted engagement including previous renewals and reappointments to date of the firm is 9 years, covering the financial years ending 31 December 2015 to 31 December 2023.

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

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

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Use of our report

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

Karen Goggin
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
6 Lapp's Quay
Cork
29 April 2024

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

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

Group Income Statement
for the year ended 31 December 2023

	Notes	2023 €'000	2022 Restated[1] €'000
Continuing operations			
Revenue	3	**527,069**	494,926
Operating costs net (excluding depreciation and amortisation)	4	**(253,674)**	(268,650)
Operating profit before depreciation and amortisation (EBITDA)		**273,395**	226,276
Depreciation and amortisation	6	**(147,132)**	(145,623)
Operating profit		**126,263**	80,653
Finance income	7	**4,065**	195
Finance costs	7	**(15,297)**	(12,876)
Net finance costs	7	**(11,232)**	(12,681)
Profit before income tax		**115,031**	67,972
Income tax	8	**(18,533)**	(11,436)
Profit for the year		**96,498**	56,536
Profit attributable to:			
Owners of the Company		**96,498**	56,536
Profit for the year		**96,498**	56,536

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

Group Statement of Other Comprehensive Income
for the year ended 31 December 2023

	Notes	2023 €'000	2022 Restated[1] €'000
Profit for the year		**96,498**	56,536
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		**1,120**	(2,711)
Total items that may be reclassified subsequently to profit or loss		**1,120**	(2,711)
Total other comprehensive income for the year		**1,120**	(2,711)
Total comprehensive income for the year		**97,618**	53,825
Total comprehensive income attributable to:			
Owners of the Company		**97,618**	53,825
Total comprehensive income for the year		**97,618**	53,825

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

Group Balance Sheet
as at 31 December 2023

	Notes	31-Dec-23 €'000	31-Dec-22 Restated [1] €'000	01-Jan-22 Restated [1] €'000
Assets				
Non-current assets				
Property, plant and equipment	9	**2,482,227**	2,484,941	2,512,696
Investment properties	10	**7,325**	7,363	-
Intangible assets	12	**25,796**	27,028	29,087
Derivative financial instruments	23	**-**	58	378
Total non-current assets		**2,515,348**	2,519,390	2,542,161
Current assets				
Trade and other receivables	13	**113,597**	75,238	91,862
Cash and cash equivalents - available to group	14	**188,405**	132,384	59,161
Cash and cash equivalents - restricted deposits	14	**35,341**	40,248	46,348
Derivative financial instruments	23	**218**	902	831
Current tax assets	8	**8,887**	-	442
Inventories	16	**656**	568	463
Total current assets		**347,104**	249,340	199,107
Total assets		**2,862,452**	2,768,730	2,741,268
Equity and liabilities				
Equity				
Share capital and share premium		**(318,353)**	(318,353)	(318,353)
Capital contribution		**(369,947)**	(369,947)	(369,947)
Retained earnings		**(565,813)**	(488,184)	(451,760)
Translation reserve		**(2,059)**	(939)	(3,650)
Total equity		**(1,256,172)**	(1,177,423)	(1,143,710)
Liabilities				
Non-current liabilities				
Borrowings and other debt	17	**(724,584)**	(1,022,695)	(1,022,991)
Deferred revenue	19	**(148,293)**	(113,200)	(86,073)
Grants	20	**(52,401)**	(57,972)	(64,590)
Provisions	21	**(5,072)**	(5,905)	(6,198)
Trade and other payables	22	**(6,911)**	(7,859)	(15,562)
Derivative financial instruments	23	**-**	(111)	(189)
Deferred tax liabilities	8	**(206,057)**	(201,939)	(204,629)
Total non-current liabilities		**(1,143,318)**	(1,409,681)	(1,400,232)
Current liabilities				
Borrowings and other debt	17	**(299,360)**	(219)	(253)
Deferred revenue	19	**(12,958)**	(11,358)	(10,371)
Grants	20	**(6,585)**	(6,548)	(6,638)
Provisions	21	**(1,691)**	(1,511)	(1,613)
Trade and other payables	22	**(142,096)**	(159,845)	(178,027)
Derivative financial instruments	23	**(272)**	(966)	(424)
Current tax liabilities	8	**-**	(1,179)	-
Total current liabilities		**(462,962)**	(181,626)	(197,326)
Total liabilities		**(1,606,280)**	(1,591,307)	(1,597,558)
Total equity and liabilities		**(2,862,452)**	(2,768,730)	(2,741,268)

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

For and on behalf of the Board:

Kevin Toland	**Keith Harris**	29 April 2024
Chairperson	Director	Date of Approval

Group Statement of Changes in Equity
for the year ended 31 December 2023

		Share capital and share premium €'000	Capital contribution €'000	Retained earnings €'000	Translation reserve €'000	Total €'000
At 01 January 2022 (as previously reported)		(318,353)	(369,947)	(483,293)	(3,650)	(1,175,243)
Impact of accounting policy change on opening reserves[1]		-	-	31,533	-	31,533
At 01 January 2022 (as restated)		(318,353)	(369,947)	(451,760)	(3,650)	(1,143,710)
Profit for the year (as restated)[1]		-	-	(56,536)	-	(56,536)
Other comprehensive income for the year		-	-	-	2,711	2,711
Total comprehensive income for the year (as restated)		-	-	(56,536)	2,711	(53,825)
Dividends	26	-	-	20,112	-	20,112
At 31 December 2022 (as restated)		(318,353)	(369,947)	(488,184)	(939)	(1,177,423)
Profit for the year		**-**	**-**	**(96,498)**	**-**	**(96,498)**
Other comprehensive income for the year		**-**	**-**	**-**	**(1,120)**	**(1,120)**
Total comprehensive income for the year		**-**	**-**	**(96,498)**	**(1,120)**	**(97,618)**
Dividends	26	**-**	**-**	**18,869**	**-**	**18,869**
At 31 December 2023		**(318,353)**	**(369,947)**	**(565,813)**	**(2,059)**	**(1,256,172)**

All attributable to the owners of the Company.

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

Group Statement of Cash Flows
for the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Net cash from operating activities	15	**214,228**	231,055
Cash flows from investing activities			
Payments for property, plant and equipment		**(133,594)**	(136,656)
Payments for intangible assets		**(6,629)**	(5,518)
Grants received	20	**762**	643
Net cash used in investing activities		**(139,461)**	(141,531)
Cash flows from financing activities			
Payment of other financing costs	17	**-**	(1,200)
Repayment of lease liabilities	11	**(239)**	(238)
Dividends paid	26	**(23,969)**	(20,112)
Net cash used in financing activities		**(24,208)**	(21,550)
Net increase in cash and cash equivalents	14	**50,559**	67,974
Cash and cash equivalents at 01 January	14	**172,632**	105,509
Effect of exchange rate fluctuations on cash held	14	**555**	(851)
Cash and cash equivalents at 31 December	14	**223,746**	172,632

Notes to the Group financial statements

Notes to the Group financial statements (continued)

1. Statement of accounting policies

Basis of preparation

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

The Group and Company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IFRIC) agenda decisions, effective for accounting periods beginning on or after 1 January 2023, and the Companies Act 2014. The financial statements are presented in euro, rounded to the nearest thousand and are prepared on a historical cost basis, except for certain derivative financial instruments which are measured at fair value through profit or loss. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Going concern

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

The Group and Company have considerable financial resources and the Directors believe that the Group is well placed to manage its risks successfully, while noting the net current liability positions of the Group (€116m) and Company (€134m), reflective of Eurobond 3 (€300m) falling due for repayment in December 2024. The Group has significant available resources, including €188 million of cash and cash equivalents available to group at 31 December 2023 (2022: €132 million) and committed undrawn bank facilities of €312 million at 31 December 2023 (2022: €312 million), with solid profitability and operating cash-flow forecasts for 2024 and beyond. Further details of the Group's liquidity position are provided in note 23 (ii) of these financial statements.

When completing the going concern assessment, the Directors have considered the principal risks and uncertainties of the Gas Networks Ireland business, including the ongoing war in Ukraine and the impacts of climate change.

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

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

The Group has adopted the following amendments to standards, which have had no material impact on the Group's results or financial statement disclosures:

- Amendements to IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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

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

New IFRS accounting standards and interpretations not yet adopted

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

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

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

Voluntary change in accounting policy

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

"Customer contributions in respect of gas network connections are recognised in deferred revenue when received and are released to the income statement in accordance with the fulfilment of performance obligations. A single performance obligation is identified as the connection works and revenue is recognised over time as the connection works are completed."

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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

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

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

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

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

Refer to note 29 for details of the effect of this change in accounting policy on each financial statement line item as at and for the financial year ending 31 December 2022 for the GNI Group. The effect of this change in accounting policy on the financial statements of the parent is illustrated in note 30R.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

Material Accounting Policy Information

a) Basis of Consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

Business combinations

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

Goodwill is measured at the acquisition date as:

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

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

Loss of control

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

Transfer of assets and liabilities from an entity under common control

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

b) Property, Plant and Equipment

Recognition

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

Subsequent expenditure

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

Depreciation

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

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

Distribution pipelines	60 years
Transmission pipelines (Northern Ireland regulated)	25 years
Transmission pipelines (Republic of Ireland regulated)	40 years
Compressor stations	20 years
Turbines	30,000 - 48,000 hours
Meters	15 years
Buildings	40 years

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

Borrowing costs

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

c) Investment Properties

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

d) Intangible Assets

Software and software under development

Software costs include both internally developed and externally purchased assets.

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

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

Amortisation of intangible assets

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

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

Borrowing costs

Refer to accounting policy b) above.

e) Impairment of Assets

Assets that are not subject to amortisation

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

Assets that are subject to depreciation/amortisation

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

Recognition of an impairment loss

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

Reversal of an impairment loss

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

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

f) Foreign Currency

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

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

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

g) Revenue

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

Revenue is measured based on the consideration the Group expects to be entitled to receive in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when or as the performance obligations, as set out in the contract, are satisfied. Transportation capacity revenue (billed and unbilled) is recognised over time as the performance obligation is fulfilled being the provision of network capacity, while any related commodity revenue is recognised based on throughput for the period for each customer.

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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

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

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

h) Leases

The Group as Lessee

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

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

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

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

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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

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

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

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

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

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

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

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

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

i) Retirement Benefit Obligations

Defined benefit pension scheme accounted for as Group Plan

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

Defined contribution pension schemes

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

j) Grants

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

k) Provisions and Contingent Liabilities

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

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

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

l) Inventories

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

m) Financial Assets and Liabilities

Derivative financial instruments

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

Derivatives are recognised initially at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

Borrowings
Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest rate method.

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

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

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

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

Loans and balances with Group companies (Company)

Loans and balances with Group companies are non-derivative financial assets or liabilities which are not quoted in an active market. They are included in current trade and other receivables or current trade and other payables in the Company balance sheet, except for those with an expectation of collection greater than twelve months after the balance sheet date, which are included in non-current trade and other receivables or non-current trade and other payables. Loans due to Group companies are initially recorded at fair value. Loans and balances receivable from Group companies are subsequently accounted for at amortised cost less expected credit loss.

Financial guarantee contract liabilities

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

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

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

n) Net Finance Income/Costs

Finance costs comprise, effective interest on borrowings, financing charge on provisions (which are recognised if assessed as material), and fair value movements on financial instruments classified as fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

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

o) Income Tax

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

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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

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

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

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

p) Operating Profit
Operating profit is stated before net finance costs and taxation.

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

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

Critical Accounting Judgements and Estimates

In the process of applying these accounting policies, the Group is required to make certain estimates, (monetary amounts in the financial statements that are subject to measurement uncertainty) assumptions and judgements that it believes are reasonable based on the information available. These are assessed in the preparation of these financial statements. The Group has also considered the implications of climate change on its operations and activities, further details of which are set out below.

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

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

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

(i) Significant judgements in applying the Group's accounting policies

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

(a) Classification of costs between operating expenditure and capital expenditure

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

(b) Connection services and network transportation services

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

(ii) Estimation uncertainty

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

(a) Infrastructure assets and the assets we use in our business

As of 31 December 2023, the aggregate of the Group's property, plant and equipment, investment properties and intangible assets was €2,515.3 million (2022: €2,519.3 million), which accounted for the majority of the Group's assets. Therefore, the estimates and assumptions made in determining the carrying value are critical to the financial statements because the recoverability of the amounts, or lack thereof, could significantly affect the Group's future financial performance and position.

The Group recognises depreciation and amortisation charges annually (2023: €147.1 million and 2022: €145.6 million) which are primarily calculated to write down the cost of property, plant and equipment and intangible assets over their expected useful economic lives (UELs).

Notes to the Group financial statements (continued)

1. Statement of accounting policies (continued)

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

(b) Provisions and other liabilities

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

(iii) Climate change

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

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

Notes to the Group financial statements (continued)

2. Segmental information

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

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

(a) Revenue by geographic location

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

Included in the Group's total revenue are revenues of €143.9 million (2022: €131.8 million), €87.9 million (2022: €82.6 million) and €61.5 million (2022: €50.8 million) which arose from sales to the Group's three largest customers. There are no other customers from which revenue exceeded 10% of total revenue. Refer to note 3 for analysis of revenues from external customers by type.

(b) Non-current assets by geographic location

	2023 €'000	2022 €'000
Ireland	**2,156,715**	2,151,488
UK (including Northern Ireland and Isle of Man)	**358,633**	367,844
Total	**2,515,348**	2,519,332

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

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

Notes to the Group financial statements (continued)

3. Revenue

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

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

Regulated revenue is commodity and capacity revenue earned and regulated by the Commission for Regulation of Utilities ("CRU") and the Northern Ireland Authority for Utility Regulation ("NIAUR"). Unregulated - new connection contracts relate to transmission and distribution customer connection contributions, that are recognised as revenue over time as we provide access to the gas network. Unregulated - other primarily relates to revenue from the Aurora telecommunications business and sales for operational services that are ancillary to the use of the gas transportation system.

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

4. Operating costs net (excluding depreciation and amortisation)

		2023 €'000	2022 €'000
Employee benefit expense	5	**(67,672)**	(64,671)
Hired and contracted services		**(10,364)**	(9,290)
Materials, maintenance and sub-contractor costs		**(72,052)**	(64,806)
Rates and facilities		**(36,814)**	(36,945)
Gas system shrinkage and gas losses		**(36,295)**	(63,801)
Central transactional and support service costs[1]	26	**(169)**	(1,728)
Other operating expenses		**(31,630)**	(28,604)
Other operating income		**1,322**	1,195
Total		**(253,674)**	(268,650)

[1] During 2022 and 2023, Ervia continued to recharge Gas networks Ireland for certain limited group support services and pension costs- refer to note 26.

Notes to the Group financial statements (continued)

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

Operating costs are stated after charging:

(a) Auditor's remuneration

	2023 €'000	2022 €'000
Audit of the Group financial statements[1]	**(164)**	(153)
Other assurance services	**(31)**	(28)
Tax advisory services;	**-**	-
Other non-audit services	**(22)**	(20)
Total	**(217)**	(201)

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

(b) Directors' remuneration

	2023 €'000	2022 €'000
Directors - fees[1]	**-**	-
Directors - emoluments[2]	**(477)**	(735)
Directors - defined benefit pension contributions[2]	**(42)**	(71)
Directors - defined contribution pension contributions[2]	**(14)**	(21)
Total	**(533)**	(827)

1 The Ervia non-executive Board members were appointed to the Gas Networks Ireland Board on 19 April 2023 and were remunerated for their Ervia Board membership only.

2 In accordance with the Articles of Association of the Group, the executive directors are not entitled to receive fees.

The 2023 disclosure represents the total remuneration earned by Ervia Chief Executive Officer and the total remuneration earned by the executive directors, in their capacity as salaried employees of Gas Network Ireland, over the relevant periods that they acted as directors.

The 2022 disclosure represents an apportionment of total remuneration earned in their capacity as salaried employees, based on services provided to the Ervia Group. Three directors (3) accrued defined benefit pension contributions (2022:4) and two directors (2) accrued defined contribution pension contributions (2022:2).

Notes to the Group financial statements (continued)

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

(c) Chief Executive Officer

Details of the all-in cost of the remuneration package of the Ervia and Gas Networks Ireland Group Chief Executive Officer is as follows:

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

5. Employee benefits

(i) Aggregate employee benefits

	2023 €'000	2022 €'000
Staff short-term benefits	**(67,877)**	(60,679)
Termination benefits	**-**	(382)
Post-employment benefits- defined benefit scheme	**(3,173)**	(5,589)
Post-employment benefits - defined contribution scheme	**(2,661)**	(2,112)
Social insurance costs	**(7,476)**	(6,827)
	(81,187)	(75,589)
Capitalised payroll	**13,515**	10,918
Employee benefit expense charged to profit or loss	**(67,672)**	(64,671)

(ii) Staff short-term benefits

	2023 €'000	2022 €'000
Wages and salaries	**(64,049)**	(56,855)
Overtime	**(1,382)**	(1,259)
Allowances	**(944)**	(1,075)
Other[1]	**(1,502)**	(1,490)
Total	**(67,877)**	(60,679)

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

The average monthly number of employees providing services to the Group and the Company for the year was 813 (2022: 729)

Notes to the Group financial statements (continued)

6. Depreciation and amortisation

		2023 €'000	2022 €'000
Depreciation of property, plant and equipment	9	**(144,025)**	(141,901)
Impairment of property, plant and equipment	9	**(1,864)**	(3,739)
Depreciation of investment properties	10	**(438)**	(437)
Depreciation of right-of-use assets	11	**(414)**	(409)
Amortisation of intangible assets	12	**(6,972)**	(5,752)
Grant amortisation	20	**6,581**	6,615
Total		**(147,132)**	(145,623)

7. Net finance costs

		2023 €'000	2022 €'000
Before remeasurements			
Interest and finance costs		**(15,656)**	(12,473)
Interest income on short-term deposits		**4,002**	195
Interest capitalised		**440**	396
Lease liability finance charge	11	**(81)**	(87)
Total before remeasurements		**(11,295)**	(11,969)
Remeasurements			
Net changes in fair value of derivatives		**63**	(712)
Total remeasurements		**63**	(712)
Total			
Finance income		**4,065**	195
Finance costs		**(15,297)**	(12,876)
Net finance costs		**(11,232)**	(12,681)

Notes to the Group financial statements (continued)

8. Tax

Income tax

	2023 €'000	2022 €'000 Restated[1]
Current tax		
Current tax	**(14,857)**	(13,206)
Adjustments in respect of previous years	**58**	(99)
	(14,799)	(13,305)
Deferred tax		
Origination and reversal of temporary differences	**(3,417)**	2,672
Adjustments in respect of previous years	**(317)**	(803)
	(3,734)	1,869
Total income tax	**(18,533)**	(11,436)

Reconciliation of effective tax rate

	31-Dec-23 €'000	31-Dec-22 €'000 Restated[1]
Profit before income tax	**115,031**	67,972
Taxed at 12.5% (2022: 12.5%)	**(14,379)**	(8,497)
Depreciation on capital expenditure that is not deductible for tax purposes	**(2,041)**	(1,987)
Other expenses not deductible for tax purposes	**193**	158
Income not taxable	**499**	498
UK subsidiary profits taxed at higher rates	**(2,521)**	(526)
Effect of tax rate change	**(49)**	-
Exchange adjustments	**24**	(180)
Adjustments in respect of previous years	**(259)**	(902)
	(18,533)	(11,436)

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

Notes to the Group financial statements (continued)

8. Tax (continued)

Current tax assets and liabilities

	31-Dec-23 €'000	31- Dec-22 €'000
Current tax assets [2]/ (liabilities)	**8,887**	(1,179)

Deferred tax assets and liabilities

	Accelerated tax depreciation €'000	Interest charges payable €'000	Other[3] €'000	Total €'000
At 01 January 2022	(213,125)	4,235	4,261	(204,629)
Recognised in income statement	3,360	(1,974)	483	1,869
Exchange adjustments	1,350	(529)	-	821
At 31 December 2022[1]	(208,415)	1,732	4,744	(201,939)
Recognised in income statement	**2,660**	**(1,453)**	**(4,941)**	**(3,734)**
Exchange adjustments	**(365)**	**(19)**	**-**	**(384)**
At 31 December 2023	**(206,120)**	**260**	**(197)**	**(206,057)**

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

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

9. Property, plant and equipment

		31-Dec-23 €'000	31-Dec-22 €'000
Property, plant and equipment - owned assets		**2,478,051**	2,480,433
Property, plant and equipment - right-of-use assets	11	**4,176**	4,508
Property, plant and equipment - as presented on the balance sheet		**2,482,227**	2,484,941

Notes to the Group financial statements (continued)

9. Property, plant and equipment (continued)

Property, plant and equipment - owned assets

		Land and buildings €'000	Plant, pipeline and machinery €'000	Assets under construction €'000	Total €'000
Cost					
At 01 January 2022		89,337	4,605,813	68,839	4,763,989
Additions		-	11,196	119,636	130,832
Disposals		-	(5,631)	-	(5,631)
Transfers		2,740	110,415	(113,155)	-
Transferred to Investment properties	10	(22,496)	(655)	-	(23,151)
Effect of movement in exchange rates		-	(12,494)	(224)	(12,718)
At 31 December 2022		69,581	4,708,644	75,096	4,853,321
Additions		**395**	**11,284**	**130,420**	**142,099**
Disposals		**-**	**(3,892)**	**-**	**(3,892)**
Transfers		**3,513**	**92,785**	**(96,298)**	**-**
Effect of movement in exchange rates		**-**	**5,108**	**65**	**5,173**
At 31 December 2023		**73,489**	**4,813,929**	**109,283**	**4,996,701**
Accumulated depreciation and impairment losses					
At 01 January 2022		(43,200)	(2,213,106)	-	(2,256,306)
Depreciation charge		(1,401)	(140,500)	-	(141,901)
Impairment charge		-	(2,677)	(1,062)	(3,739)
Disposal		-	5,631	-	5,631
Transferred to Investment properties	10	14,883	468	-	15,351
Effect of movement in exchange rates		-	8,076	-	8,076
At 31 December 2022		(29,718)	(2,342,108)	(1,062)	(2,372,888)
Depreciation charge		**(1,931)**	**(142,094)**	**-**	**(144,025)**
Impairment charge		**-**	**(1,864)**	**-**	**(1,864)**
Disposals		**-**	**3,892**	**-**	**3,892**
Transferred from Investment properties	10	**(314)**	**(86)**		**(400)**
Effect of movement in exchange rates		**-**	**(3,365)**	**-**	**(3,365)**
At 31 December 2023		**(31,963)**	**(2,485,625)**	**(1,062)**	**(2,518,650)**
Carrying amounts					
At 31 December 2022		39,863	2,366,536	74,034	2,480,433
At 31 December 2023		**41,526**	**2,328,304**	**108,221**	**2,478,051**

Notes to the Group financial statements (continued)

9. Property, plant and equipment (continued)

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

The carrying value of property, plant and equipment includes assets that are subject to operating lease arrangements as described in note 11 'The Group as Lessor'. The carrying value of these assets at 31 December 2023 was €45 million (31 December 2022: €58 million) and is included in plant, pipeline and machinery.

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

Depreciation sensitivity

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

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

Notes to the Group financial statements (continued)

10. Investment properties

	Total €'000
Cost	
At 1 January 2022	**-**
Transferred from Property, plant and equipment (note 9)	**23,151**
At 31 December 2022	**23,151**
At 31 December 2023	**23,151**
Accumulated depreciation and impairment losses	
At 1 January 2022	**-**
Transferred from Property, plant and equipment (note 9)	**(15,351)**
Depreciation charge	**(437)**
At 31 December 2022	**(15,788)**
Transferred to Property, plant and equipment (note 9)	**400**
Depreciation charge	**(438)**
At 31 December 2023	**(15,826)**
Carrying amounts	
At 31 December 2022	**7,363**
At 31 December 2023	**7,325**

The Group's investment properties consist primarily of an office building leased to Uisce Éireann, (refer to note 26 for further details of this related party transaction), also included are legacy gasworks sites, one of which is leased to a third party. The fair value of the investment properties as at 31 December 2023 was €14.2m (2022 €16.1m). As at 31 December 2023 and 2022, the fair values of the properties are based on valuations performed by Avison Young, an accredited independent valuer with experience in the location and category of property being valued. The valuation has been prepared in accordance with the RICS Valuation Global Standards (incorporating the IVSC International Valuation Standards). The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 24).

Rental income recognised by the Group during 2023 was €1.3m, (2022 €1.2m) and was included in "other operating income", (see note 4).

Notes to the Group financial statements (continued)

11. Lease assets and liabilities

The Group as Lessee

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

Amounts recognised on the balance sheet

Right-of-use assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Cost			
At 01 January 2022	566	5,536	6,102
Disposals	(156)	-	(156)
At 31 December 2022	410	5,536	5,946
Additions	**82**	**-**	**82**
At 31 December 2023	**492**	**5,536**	**6,028**
Accumulated depreciation and impairment losses			
At 01 January 2022	(291)	(798)	(1,089)
Depreciation charge	(81)	(328)	(409)
Disposals	60	-	60
At 31 December 2022	(312)	(1,126)	(1,438)
Depreciation charge	**(89)**	**(325)**	**(414)**
At 31 December 2023	**(401)**	**(1,451)**	**(1,852)**
Carrying amounts			
At 31 December 2022	98	4,410	4,508
At 31 December 2023	**91**	**4,085**	**4,176**

Lease liabilities

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
At 01 January 2022	(265)	(2,803)	(3,068)
Disposal	92	-	92
Interest expense	(2)	(85)	(87)
Lease payments	85	240	325
At 31 December 2022	(90)	(2,648)	(2,738)
Addition	**(82)**	**-**	**(82)**
Interest expense	**(1)**	**(80)**	**(81)**
Lease payments	**80**	**240**	**320**
At 31 December 2023	**(93)**	**(2,488)**	**(2,581)**

Notes to the Group financial statements (continued)

11. Lease assets and liabilities (continued)

Analysed as follows:

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

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

The Group as Lessor

The Group has entered into operating leases on its investment property (see note 10). Rental income recognised by the Group in other operating income (see note 4) during the year is €1.3m.

The Group enters into operating lease arrangements to allow third parties the use of parts of the Gas Network Transportation system. In accordance with the Group's accounting policy all receipts from these arrangements are deemed to be earned as part of the Group's core operations and accordingly this lease income is recognised as revenue in the income statement. During 2023, lease income in respect of the transportation system of €18.1 million was recognised (2022: €21.5 million). Below is a profile of undiscounted non-cancellable future operating lease income to be recognised as revenue and other operating income in future years. The unexpired lease terms range from 1 to 4 years (2022: 1 to 5 years).

Maturity analysis

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

Notes to the Group financial statements (continued)

12. Intangible assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 01 January 2022	162,997	10,558	173,555
Additions (including internally developed)	-	3,688	3,688
Transfers	10,194	(10,194)	-
Effect of movement in exchange rates	(110)	16	(94)
At 31 December 2022	173,081	4,068	177,149
Additions (including internally developed)	**-**	**5,735**	**5,735**
Transfers	**3,614**	**(3,614)**	**-**
Effect of movement in exchange rates	**44**	**1**	**45**
At 31 December 2023	**176,739**	**6,190**	**182,929**
Accumulated amortisation			
At 01 January 2022	(144,468)	-	(144,468)
Amortisation charge	(5,752)	-	(5,752)
Effect of movement in exchange rates	99	-	99
At 31 December 2022	(150,121)	-	(150,121)
Amortisation charge	**(6,972)**	**-**	**(6,972)**
Effect of movement in exchange rates	**(40)**	**-**	**(40)**
At 31 December 2023	**(157,133)**	**-**	**(157,133)**
Carrying amounts			
At 31 December 2022	22,960	4,068	27,028
At 31 December 2023	**19,606**	**6,190**	**25,796**

Notes to the Group financial statements (continued)

13. Trade and other receivables

	31-Dec-23 €'000	31-Dec-22 €'000
Use of system receivable - billed[1]	**50,403**	4,388
Use of system receivable - unbilled	**47,579**	45,585
Other trade receivables - billed	**1,278**	7,940
Other trade receivables - unbilled	**4,572**	2,793
Other receivables	**486**	7,099
Sub-total	**104,318**	67,805
Prepayments	**9,279**	7,433
Total	**113,597**	75,238

Analysed as follows:		
Non-current	**-**	-
Current	**113,597**	75,238
Total	**113,597**	75,238

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

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

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

Use of System Receivables:

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

Notes to the Group financial statements (continued)

13. Trade and other receivables (continued)

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

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

The Group's maximum exposure of trade receivables and other receivables to credit risk at the reporting date is €104.3 million (2022: €67.8 million). Prepayments are excluded as no credit exposure arises.

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

	31-Dec-23 €'000	31-Dec-22 €'000
Republic of Ireland	**96,589**	60,213
UK (including Northern Ireland and Isle of Man)	**7,729**	7,592
Total	**104,318**	67,805

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

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

Notes to the Group financial statements (continued)

13. Trade and other receivables (continued)

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

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

	2023 €'000	2022 €'000
Not past due	**98,489**	60,062
1-30 days overdue	**3,421**	834
31-120 days overdue	**1,891**	6,904
> 120 days overdue	**517**	5
Total	**104,318**	67,805

14. Cash and cash equivalents

Available to group

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

	31-Dec-23 €'000	31-Dec-22 €'000
Short-term bank deposits	**160,000**	95,452
Cash at bank	**28,405**	36,932
Total	**188,405**	132,384

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

Restricted deposits

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

Notes to the Group financial statements (continued)

14. Cash and cash equivalents (continued)

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

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

	2023 €'000	2022 €'000
At 1 January	**172,632**	105,509
Increase in cash and cash equivalents in the statement of cash flows	**50,559**	67,974
Effect of exchange rate fluctuations on cash held	**555**	(851)
At 31 December	**223,746**	172,632

Notes to the Group financial statements (continued)

15. Cash Generated from Operations

	Notes	2023 €'000	2022 €'000 Restated[1]
Cash flows from operating activities			
Profit for the year		**96,498**	56,536
Adjustments for:			
Depreciation and amortisation	6	**147,132**	145,623
Net finance costs	7	**11,232**	12,681
Income tax expense	8	**18,533**	11,436
		273,395	226,276
Working capital changes:			
Change in trade and other receivables		**(37,823)**	16,210
Change in trade and other payables		**(14,046)**	(11,600)
Change in deferred revenue		**36,721**	28,114
Change in provisions		**(653)**	(395)
Change in inventories		**(88)**	(105)
Cash from operating activities		**257,506**	258,500
Interest paid[2]		**(18,445)**	(15,700)
Income tax paid		**(24,833)**	(11,745)
Net cash from operating activities		**214,228**	231,055

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

2 Interest paid includes €7.4 million of interest paid to the ultimate parent undertaking (2022: €5.8 million).

16. Inventory

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

No inventory was pledged as security.

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

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

Notes to the Group financial statements (continued)

17. Borrowings and other debt

This note provides information about the contractual terms of the Group's interest-bearing borrowings. Refer to note 23 for more information about the Group's exposure to interest rate, exchange rate and liquidity risk.

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

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

Net debt

		31-Dec-23 €'000	31-Dec-22 €'000
Total borrowings and other debt (excluding debt due to Parent)		**(1,023,944)**	(1,022,914)
Less cash and cash equivalents - available to Group	14	**188,405**	132,384
Net Debt[1]		**(835,539)**	(890,530)

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

Notes to the Group financial statements (continued)

17. Borrowings and other debt (continued)

Changes in liabilities arising from financing activities

		Bonds €'000	Loans from financial institutions €'000	Lease liabilities €'000	Sub-total €'000	Ultimate parent undertaking[1] €'000	Total €'000
At 01 January 2022		(920,210)	(99,966)	(3,068)	(1,023,244)	(5,229)	(1,028,473)
Lease Liabilities	11	-	-	238	238	-	238
Payment of other financing costs			1,200		1,200		1,200
Non-cash		(946)	(254)	92	(1,108)	(41)	(1,149)
At 31 December 2022		(921,156)	(99,020)	(2,738)	(1,022,914)	(5,270)	(1,028,184)
Lease Liabilities	11	**-**	**-**	**239**	**239**	**-**	**239**
Payment of withheld dividend	26	**-**	**-**	**-**	**-**	**5,100**	**5,100**
Payment of interest on withheld dividend	26	**-**	**-**	**-**	**-**	**205**	**205**
Non-cash		**(947)**	**(240)**	**(82)**	**(1,269)**	**(35)**	**(1,304)**
At 31 December 2023		**(922,103)**	**(99,260)**	**(2,581)**	**(1,023,944)**	**-**	**(1,023,944)**

[1] Liabilities from financing activities with the ultimate parent undertaking is included within the amounts owed to the ultimate parent undertaking for the year ended 31 December 2022, as disclosed in note 22.

18. Retirement benefit obligations

Defined benefit pension scheme accounted for as a Group Plan

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

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

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

Notes to the Group financial statements (continued)

18. Retirement benefit obligations (continued)

Defined contribution scheme

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

Impact of Ervia and Uisce Éireann legal separation

On 01 January 2023, Uisce Éireann, became a standalone entity through full legal separation from the Ervia Group. As part of the reorganisation, certain obligations of the Ervia group defined benefit scheme were transferred to Uisce Éireann. It is anticipated that the completion of the reorganisation will be completed in 2024, with the enactment of the Gas (Amendment) Bill 2023.

The legislation will provide for the dissolution of Ervia and the transfer of its assets and liabilities to Gas Networks Ireland on the transfer day. This will include the transfer of the remainder of the obligations of the Ervia group defined benefit pension scheme to Gas Networks Ireland. Refer to note 27 for further details.

19. Deferred Revenue

	2023 €'000	2022 €'000 Restated[1]
At 1 January	**(124,558)**	(96,444)
Received	**(48,839)**	(39,527)
Credited to the income statement	**12,118**	11,413
Effect of movement in exchange rates	**28**	-
At 31 December	**(161,251)**	(124,558)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	**(148,293)**	(113,200)
Current	**(12,958)**	(11,358)
Total	**(161,251)**	(124,558)

Customer connection contributions, which are received in advance, are recorded initially as deferred revenue. These contributions are then released to the income statement as revenue over time as access is provided to the gas network.

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

Notes to the Group financial statements (continued)

20. Grants

	2023 €'000	2022 €'000
At 01 January	**(64,520)**	(71,228)
Receivable in year	**(762)**	(681)
Amortised	**6,581**	6,615
Credited to operating costs	**-**	38
Effect of movement in exchange rates	**(285)**	736
At 31 December	**(58,986)**	(64,520)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	**(52,401)**	(57,972)
Current	**(6,585)**	(6,548)
Total	**(58,986)**	(64,520)

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

Grants receivable for 2023 of €0.8 million (2022: €0.7 million) related to grant funding from the Innovation and Networks Executive Agency (INEA), for investment in Compressed Natural Gas stations and Biogas related infrastructure and the development of policies and procedures in relation to Gas Networks Ireland Gas Operational Technology. A number of conditions relating to these grant fundings remain in progress at year end.

Notes to the Group financial statements (continued)

21. Provisions, contingencies and capital commitments

Provisions

	Restructuring €'000	Self-insured claims €'000	Total €'000
At 01 January 2023	**(25)**	**(7,391)**	**(7,416)**
Provisions made	**-**	**(447)**	**(447)**
Provisions used	**25**	**1,075**	**1,100**
At 31 December 2023	**-**	**(6,763)**	**(6,763)**

Analysed as follows:

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

Restructuring

During 2013, the Ervia Group announced a voluntary severance and early retirement programme for employees that satisfied certain qualifying criteria. The Group made termination payments of €0.025m in aggregate during 2023 in respect of 1 employee who exited under the terms of the programme. These liabilities were fully discharged in 2023.

Self-insured claims

The Group is self-insured in respect of certain injury and damage claims. The year-end provision is for the estimated costs of incidents that have occurred up to 31 December 2023. Payments are made as the cases are settled. The charge is included in the income statement under operating costs. The nature of these claims is such that a settlement date is uncertain but the Group expects the claims to be substantially settled by 2025.

Contingencies

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

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

Capital commitments

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

Notes to the Group financial statements (continued)

22. Trade and other payables

		31-Dec-23 €'000	31-Dec-22 €'000
Trade payables		**(18,939)**	(19,016)
Accrued expenses		**(78,356)**	(73,084)
Other payables		**(31,450)**	(44,333)
Amounts owed to ultimate parent undertaking	26	**(218)**	(11,865)
Taxation and social insurance creditors		**(20,044)**	(19,406)
Total		**(149,007)**	(167,704)
Analysed as follows:			
Non-current		**(6,911)**	(7,859)
Current		**(142,096)**	(159,845)
Total		**(149,007)**	(167,704)
Taxation and social insurance creditors			
PAYE/social insurance		**(2,211)**	(1,987)
VAT		**(17,833)**	(17,419)
Total		**(20,044)**	(19,406)

23. Financial risk management and financial instruments

Foreign exchange contracts and currency swaps

The Group has entered into foreign exchange contracts in relation to supplier payments (which are in US dollar and sterling) and in relation to the hedge of sterling-based operations. These contracts have maturities extending until 2024. The trades in place at 31 December 2023 were not designated for hedge accounting purposes.

Accounting classifications and fair values

The following table combines information about:

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

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

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	Fair value hierarchy	FVTPL €'000	Amortised cost €'000	Total €'000
At 31 December 2023				
Financial assets				
Foreign exchange rate contracts (undesignated)	Level 2	**218**	**-**	**218**
Trade and other receivables[2]		**-**	**104,318**	**104,318**
Cash and cash equivalents - available to group[3]		**-**	**188,405**	**188,405**
Cash and cash equivalents - restricted deposits		**-**	**35,341**	**35,341**
Total financial assets		**218**	**328,064**	**328,282**
Financial liabilities				
Borrowings and other debt (excluding debt due to ultimate parent undertaking)[4]	Level 2	**-**	**(1,023,944)**	**(1,023,944)**
Foreign exchange rate contracts (undesignated)	Level 2	**(272)**	**-**	**(272)**
Trade and other payables[1]		**-**	**(50,607)**	**(50,607)**
Total financial liabilities		**(272)**	**(1,074,551)**	**(1,074,823)**
Net financial (liabilities)		**(54)**	**(746,487)**	**(746,541)**
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts (undesignated)	Level 2	960	-	960
Trade and other receivables[2]		-	67,805	67,805
Cash and cash equivalents - available to group[3]		-	132,384	132,384
Cash and cash equivalents - restricted deposits		-	40,248	40,248
Total financial assets		960	240,437	241,397
Financial liabilities				
Borrowings and other debt (excluding debt due to ultimate parent undertaking)[4]	Level 2	-	(1,022,914)	(1,022,914)
Foreign exchange rate contracts (undesignated)	Level 2	(1,077)	-	(1,077)
Trade and other payables[1]		-	(75,214)	(75,214)
Total financial liabilities		(1,077)	(1,098,128)	(1,099,205)
Net financial (liabilities)		(117)	(857,691)	(857,808)

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

2 Prepayments have been excluded as these are not classified as a financial asset.

3 Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group has a current legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. At 31 December 2023, €28.5 million of cash and cash equivalents available to the group (2022: €37.2 million) was offset against €0.1 million of bank overdrafts (2022: €0.3 million), and a net position of €28.4 million was presented as cash and cash equivalents available to the group (2022: €36.9 million). At 31 December 2023, the Group had entered no master netting arrangements and other similar agreements.

4 The fair value of borrowings and other debt (excluding debt owed to ultimate parent undertaking) as at 31 December 2023 was €974.4 million (2022: €933.6 million).

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

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

	Non-current assets €'000	Current assets €'000	Non-current liabilities €'000	Current liabilities €'000	Total €'000
Foreign exchange contracts	-	**218**	-	**(272)**	**(54)**
At 31 December 2023	-	**218**	-	**(272)**	**(54)**
Foreign exchange contracts	58	902	(111)	(966)	(117)
At 31 December 2022	58	902	(111)	(966)	(117)

Financial risk management

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

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

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

(i) Credit risk

The Group is exposed to credit risk with counterparties the Group has entered into transactions with. It includes assets held with banks and financial institutions, transactions in relation to derivative financial instruments and credit exposures arising from trading relationships with customers. The objective of the Group's credit risk management is to manage and control credit risk exposures within acceptable parameters. Management does not expect any significant counterparty to fail to meet its obligations.

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

	31-Dec-23 €'000	31-Dec-22 €'000
Trade and other receivables (excluding prepayments)	**104,318**	67,805
Cash and cash equivalents - available to group	**188,405**	132,384
Cash and cash equivalents - restricted deposits	**35,341**	40,248
Derivative financial instruments	**218**	960
Total	**328,282**	241,397

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

(i) (a) Treasury related credit risk

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

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

Financial guarantees

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

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

(i) (b) Trade related credit risk

Refer to note 13 for an analysis of the Group's exposure to trade related credit risk.

(ii) Funding and liquidity risk

Gas Networks Ireland's approach to managing funding and liquidity risk is to ensure, as far as possible, that it has adequate resources to meet its liabilities when due, under both normal and stressed conditions. Treasury is responsible for ensuring Gas Networks Ireland has access to sufficient liquidity to ensure that Gas Networks Ireland is able to settle obligations arising through its day-to-day operations, maturing debt obligations and capital investment outlays. Treasury develops and maintains relationships with financial institutions in order to develop their understanding of the business and to build their long-term commitment to the Company. All banking and treasury services are sourced at competitive prices. Cash pooling is carried out and account balances netted where possible to minimise idle cash and interest expense.

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

(ii) (a) Funding

The Group's funding position was strong in 2023. A revolving credit facility with a group of 6 domestic and international banks provides the Group with a strong level of liquidity out to 2028. The Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk.

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

Facilities available to the Group at the reporting date;

	31-Dec-23 €'000	31-Dec-22 €'000
Borrowings (excluding lease liabilities and debt owed to Parent)	**(1,021,363)**	(1,020,176)
Committed facilities	**(1,335,577)**	(1,335,179)

Gas Networks Ireland is rated A+ (2022 A) by Standard & Poor's with outlook stable and A2 (2022 A2) rated by Moody's Investors Services. This strong credit rating enables the Company to have access to a wide diversity of funding sources and ensures it can raise funding at competitive cost.

(ii) (b) Cash surpluses

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

(ii) (c) Exposure to liquidity risk

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

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2023						
Borrowings and other debt	**(1,023,944)**	**(1,107,957)**	**(314,470)**	**(12,810)**	**(524,304)**	**(256,373)**
Trade and other payables[1]	**(50,607)**	**(50,607)**	**(50,607)**	**-**	**-**	**-**
Non-derivative financial liabilities	**(1,074,551)**	**(1,158,564)**	**(365,077)**	**(12,810)**	**(524,304)**	**(256,373)**
Foreign exchange rate contracts	**(54)**	**(54)**	**(54)**	**-**	**-**	**-**
Net derivative financial assets	**(54)**	**(54)**	**(54)**	**-**	**-**	**-**
Net financial liabilities	**(1,074,605)**	**(1,158,618)**	**(365,131)**	**(12,810)**	**(524,304)**	**(256,373)**
At 31 December 2022						
Borrowings and other debt	(1,022,914)	(1,119,969)	(13,642)	(313,730)	(531,060)	(261,537)
Trade and other payables[1]	(75,214)	(75,214)	(75,214)	-	-	-
Non-derivative financial liabilities	(1,098,128)	(1,195,183)	(88,856)	(313,730)	(531,060)	(261,537)
Foreign exchange rate contracts	(117)	(117)	(64)	(53)	-	-
Net derivative financial assets	(117)	(117)	(64)	(53)	-	-
Net financial liabilities	(1,098,245)	(1,195,300)	(88,920)	(313,783)	(531,060)	(261,537)

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

(iii) Market risk

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

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

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

(iii) (a) Exchange rate risk

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

GBP/EUR exchange rates were as follows:

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

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

Subsidiaries operating in foreign currency (sterling)

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

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

Transaction exposure

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

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

Exchange rate sensitivity analysis

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

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	Profit before taxation gain/(loss) 31-Dec-23 €'000	Other comprehensive income 31-Dec-23 €'000	Profit before taxation gain/(loss) 31-Dec-22 €'000	Other comprehensive income 31-Dec-22 €'000
5% Strengthening	**(774)**	**(2,467)**	(932)	(2,312)
5% Weakening	**774**	**2,467**	932	2,312

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

(iii) (b) Interest rate risk

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

The Group's exposure to interest rate fluctuations covers two types of risk;

(i) a risk of change in the cash flows related to floating rate financial assets and liabilities; and

(ii) a risk of change in the value of fixed rate financial assets and liabilities.

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

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

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

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

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

Notes to the Group financial statements (continued)

23. Financial risk management and financial instruments (continued)

	Redemption Amount €'000"	Issue Date	Tenor	Coupon %
Eurobond 1	**500,000**	2016	10 years	1.375
Eurobond 2	**125,000**	2016	20 years	2.25
Eurobond 3	**300,000**	2019	5 years	0.125

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

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

Cash flow sensitivity analysis for floating rate debt

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

It is estimated that a movement of 200 basis points in interest rates at 31 December 2023 would impact profit before taxation by the amounts shown below, and the fair value change in other comprehensive income would be as shown below:

	Profit before taxation gain/(loss)		Other comprehensive income	
	31-Dec-23 €'000	31-Dec-22 €'000	31-Dec-23 €'000	31-Dec-22 €'000
200 bp increase	**(1,985)**	(1,980)	**-**	-
200 bp decrease	**1,985**	1,980	**-**	-

The following assumptions were made in respect of the sensitivity analysis above:

- all other variables, in particular foreign currency rates, remain constant;
- relates only to derivative financial instruments and floating debt;
- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only; and
- the floating leg of any swap or any floating rate debt is treated as not having any interest rate already set, therefore a change in interest rates affects a full 12-month period for the accrued interest portion of the sensitivity calculations.

Notes to the Group financial statements (continued)

24. Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent that it is available.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. There were no transfers in either 2023 or 2022.

(a) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis
The following table sets out the valuation techniques applied by the Group in measuring fair value, together with any significant unobservable inputs.

Type	Valuation technique	Significant unobservable inputs
Forward exchange contracts *(Refer to note 23)*	The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated as the difference between the contractual forward price and the current forward price for the residual maturity of the contract. Fair value hierarchy: level 2	All significant inputs required to fair value the instrument are observable.

(b) Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)
The fair value of borrowings, measured at amortised cost is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date - Fair value hierarchy: level 2. There were no financial instruments that are measured at amortised cost but for which fair value was disclosed classified as Level 3 either in the current year or in the prior year.

(c) Fair value of investment properties that are not measured at fair value (but fair value disclosures are required)
Investment properties are carried at historical cost less accumulated depreciation. The fair value of the investment properties is disclosed in line with the requirements of IAS 40.79. The fair value was determined using the market approach, considering all of the market information available and was performed by Avison Young (RICS registered valuers). The fair value was primarily derived from using comparable recent transactions at arm's length and using appropriate valuation techniques -Fair value hierarchy: level 3.

Notes to the Group financial statements (continued)

25. Subsidiaries

At 31 December 2023, the Group and the Company had the following subsidiaries:

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

26. Related parties

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

	31-Dec-23 €'000	31-Dec-22 €'000
Ervia[1]	**(218)**	(11,865)
	(218)	(11,865)

[1] Amount due to Ervia as at 31 Dec 2022 of €11.865m is inclusive of dividend payable of €5.1m plus associated interest noted in (b) below.

Transactions with Ervia

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

		2023 €'000	2022 €'000
Transactional and support service agreement costs	(a)	**(169)**	(1,728)

(a) Transactional and support service costs

The level of transactional and support service costs provided by Ervia Parent to Gas Networks Ireland during 2022 and 2023 reduced significantly in comparison to prior years and consisted of certain limited Group Services and pension costs. It is expected that Ervia will be dissolved during 2024 through the enactment of the Gas (Amendment) Bill 2023, which will result in the remaining assets and liabilities of Ervia transferring to Gas Networks Ireland.

Notes to the Group financial statements (continued)

26. Related parties (continued)

(b) Dividends

(i) Dividends declared

	2023 €'000	2022 €'000
Annual dividend declared to Ervia	**(18,869)**	(20,112)
Total	**(18,869)**	(20,112)

(ii) Dividends paid

	2023 €'000	2022 €'000
Annual dividend paid to Ervia	**(18,869)**	(20,112)
Deferred dividend paid to Ervia	**(5,100)**	-
Total	**(23,969)**	(20,112)

The Company declared and paid an annual dividend to Ervia as set out above. In 2018, the Company declared an annual dividend of €54.2 million and paid €49.1 million, with the remaining €5.1 million paid in 2023 with appropriate interest (see note 17). In March 2024, the Board further approved the declaration and payment of a dividend of €44.018 million.

(c) Pension costs

	2023 €'000	2022 €'000
Pension costs	**(5,834)**	(7,701)

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

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

Notes to the Group financial statements (continued)

26. Related parties (continued)

Transactions with Uisce Éireann

(a) Operating leases

	2023 €'000	2022 €'000
	1,164	1,076

During the financial year ended 31 December 2022, Gas Networks Ireland leased a property to Uisce Éireann at an annual rent of €1.1m. The lease term expires on 31 December 2034 and is subject to break options on 31 December 2024 and 31 December 2029. Gas Networks Ireland also leased additional property to Uisce Éireann in 2023 at an annual rent of €0.1m.

Key management compensation

Key management consists of the Ervia Board, the Ervia CEO and his direct reports. Following legal separation of Uisce Éireann on 01 January 2023, all remuneration costs of the key management were apportioned to Gas Networks Ireland. Prior to 2023, remuneration costs of the key management were apportioned to individual entities within the Ervia group based on services provided.

	2023 €'000	2022 €'000
Short-term employee benefits	**(2,077)**	(1,502)
Post-employment benefits	**(203)**	(180)
Total	**(2,280)**	(1,682)

Board members

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

Government bodies

In common with many other entities, the Group deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid, Local Authorities and with certain Irish banks which are partially owned by the Irish Government. All transactions are on normal commercial terms. The Group had no material concentration of borrowings or deposits with any such banks during the year, at the reporting date, or for the comparative period end.

27. Subsequent events

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

In March 2024, the Board approved the declaration and payment of a dividend of €44.018 million.

It is expected that the dissolution of Ervia, the parent company will occur in 2024, through the enactment of the Gas (Amendment) Bill 2023 (the "Bill"). The functions, activities, and the residual assets and liabilities of the Ervia Parent will transfer to Gas Networks Ireland under a common control transaction.

Notes to the Group financial statements (continued)

28. Approval of financial statements

The Directors approved the financial statements on 29 April 2024.

29. Restatement of 2022 Group financial statements

(a) Group Statement of Other Comprehensive Income

for the year ended 31 December 2022 (restated)

	2022 As previously reported €'000	2022 Adjustment €'000	2022 Restated €'000
Revenue	498,600	(3,674)	494,926
Operating costs net (excluding depreciation and amortisation)	(268,650)	-	(268,650)
Operating profit before depreciation and amortisation	**229,950**	**(3,674)**	**226,276**
Depreciation and amortisation	(145,623)	-	(145,623)
Operating profit	**84,327**	**(3,674)**	**80,653**
Finance income	195	-	195
Finance costs	(12,876)	-	(12,876)
Net finance costs	(12,681)	-	(12,681)
Profit before income tax	**71,646**	**(3,674)**	**67,972**
Income tax	(11,895)	459	(11,436)
Profit for the year	**59,751**	**(3,215)**	**56,536**
Profit attributable to:			
Owners of the Company	59,751	(3,215)	56,536
Profit for the year	**59,751**	**(3,215)**	**56,536**

Notes to the Group financial statements (continued)

29. Restatement of 2022 Group financial statements (continued)

(b) Group Balance Sheet

as at 31 December 2022 (restated)

	31-Dec-22 As previously reported €'000	31-Dec-22 Adjustment €'000	31-Dec-22 Restated €'000
Assets			
Non-current assets			
Property, plant and equipment	2,484,941	-	2,484,941
Investment properties	7,363	-	7,363
Intangible assets	27,028	-	27,028
Derivative financial instruments	58	-	58
Total non-current assets	**2,519,390**	**-**	**2,519,390**
Current assets			
Trade and other receivables	75,238	-	75,238
Cash and cash equivalents - available to group	132,384	-	132,384
Cash and cash equivalents - restricted deposits	40,248	-	40,248
Derivative financial instruments	902	-	902
Inventories	568	-	568
Total current assets	**249,340**	**-**	**249,340**
Total assets	**2,768,730**	**-**	**2,768,730**
Equity and liabilities			
Share capital and share premium	(318,353)	-	(318,353)
Capital contribution	(369,947)	-	(369,947)
Retained earnings	(522,932)	34,748	(488,184)
Translation reserve	(939)	-	(939)
Total equity	**(1,212,171)**	**34,748**	**(1,177,423)**
Liabilities			
Non-current liabilities			
Borrowings and other debt	(1,022,695)	-	(1,022,695)
Deferred revenue	(50,527)	(62,673)	(113,200)
Grants	(57,972)	-	(57,972)
Provisions	(5,905)	-	(5,905)
Trade and other payables	(7,859)	-	(7,859)
Derivative financial instruments	(111)	-	(111)
Deferred tax liabilities	(206,903)	4,964	(201,939)
Total non-current liabilities	**(1,351,972)**	**(57,709)**	**(1,409,681)**
Current liabilities			
Borrowings and other debt	(219)	-	(219)
Deferred revenue	(34,319)	22,961	(11,358)
Grants	(6,548)	-	(6,548)
Provisions	(1,511)	-	(1,511)
Trade and other payables	(159,845)	-	(159,845)
Derivative financial instruments	(966)	-	(966)
Current tax liabilities	(1,179)	-	(1,179)
Total current liabilities	**(204,587)**	**22,961**	**(181,626)**
Total liabilities	**(1,556,559)**	**(34,748)**	**(1,591,307)**
Total equity and liabilities	**(2,768,730)**	**-**	**(2,768,730)**

Notes to the Group financial statements (continued)

29. Restatement of 2022 Group financial statements (continued)

(c) Cash generated from operations

for the year ended 31 December 2022 (restated)

	2022 As previously reported €'000	2022 Adjustment €'000	2022 Restated €'000
Cash flows from operating activities			
Profit for the year	59,751	(3,215)	56,536
Adjustments for:			
Depreciation and amortisation	145,623	-	145,623
Net finance costs	12,681	-	12,681
Income tax expense	11,895	(459)	11,436
	229,950	**(3,674)**	**226,276**
Working capital changes:			
Change in trade and other receivables	16,210	-	16,210
Change in trade and other payables	(11,600)	-	(11,600)
Change in deferred revenue	24,440	3,674	28,114
Change in provisions	(395)	-	(395)
Change in inventories	(105)	-	(105)
Cash from operating activities	**258,500**	**-**	**258,500**
Interest paid	(15,700)	-	(15,700)
Income tax paid	(11,745)	-	(11,745)
Net cash from operating activities	**231,055**	**-**	**231,055**

Company Balance Sheet
as at 31 December 2023

	Notes	31-Dec-23 €'000	31-Dec-22 Restated[1] €'000	01-Jan-22 Restated[1] €'000
Assets				
Non-current assets				
Property, plant and equipment	30A.	**2,123,890**	2,117,361	2,124,384
Investment properties	10	**7,325**	7,363	-
Intangible assets	30B.	**25,498**	26,759	28,776
Investment in subsidiaries	30C.	**515**	515	515
Trade and other receivables	30D.	**112,987**	136,624	130,658
Derivative financial instruments	30M.	**-**	-	189
Total non-current assets		**2,270,215**	2,288,622	2,284,522
Current assets				
Trade and other receivables	30D.	**103,408**	65,054	77,901
Cash and cash equivalents - available to company	30E.	**162,982**	102,070	39,459
Cash and cash equivalents - restricted deposits	30E.	**31,043**	36,116	42,022
Derivative financial instruments	30M.	**159**	700	499
Current tax assets	30L.	**8,353**	-	-
Inventories	30G.	**590**	495	405
Total current assets		**306,535**	204,435	160,286
Total assets		**2,576,750**	2,493,057	2,444,808
Equity and liabilities				
Equity				
Share capital and share premium		**(318,353)**	(318,353)	(318,353)
Capital contribution		**(369,947)**	(369,947)	(369,947)
Retained earnings		**(367,036)**	(301,450)	(266,679)
Total equity		**(1,055,336)**	(989,750)	(954,979)
Liabilities				
Non-current liabilities				
Borrowings and other debt	17	**(724,584)**	(1,022,695)	(1,022,991)
Deferred revenue	30H.	**(145,204)**	(113,201)	(86,073)
Grants	30I.	**(13,461)**	(16,688)	(20,032)
Provisions	30J.	**(5,072)**	(5,905)	(6,198)
Trade and other payables	30K.	**(4,210)**	(4,543)	(10,270)
Derivative financial instruments	30M.	**-**	-	(189)
Deferred tax liabilities	30L.	**(188,551)**	(185,322)	(187,582)
Total non-current liabilities		**(1,081,082)**	(1,348,354)	(1,333,335)
Current liabilities				
Borrowings and other debt	17	**(299,360)**	(219)	(253)
Deferred revenue	30H.	**(12,958)**	(11,357)	(10,371)
Grants	30I.	**(3,987)**	(3,987)	(3,987)
Provisions	30J.	**(1,691)**	(1,511)	(1,613)
Trade and other payables	30K.	**(122,166)**	(134,969)	(138,065)
Derivative financial instruments	30M.	**(170)**	(674)	(411)
Current tax liabilities	30L.	**-**	(2,236)	(1,794)
Total current liabilities		**(440,332)**	(154,953)	(156,494)
Total liabilities		**(1,521,414)**	(1,503,307)	(1,489,829)
Total equity and liabilities		**(2,576,750)**	(2,493,057)	(2,444,808)

The profit attributable to the Company for the year ended 31 December 2023 was €84.5 million (2022: €54.9 million).

[1] See note 1 to the Group financial statements and note 30R for details of restatement.

For and on behalf of the Board:

Kevin Toland
Chairperson

Keith Harris
Director

29 April 2024
Date of Approval

Company Statement of Changes in Equity
for the year ended 31 December 2023

		Share capital and share premium €'000	Capital contribution €'000	Retained earnings €'000	Total €'000
At 01 January 2022 (as previously reported)		(318,353)	(369,947)	(298,212)	(986,512)
Impact of accounting policy change on opening reserves[1]				31,533	31,533
At 01 January 2022 (as restated)		(318,353)	(369,947)	(266,679)	(954,979)
Profit for the year (as restated)[1]		-	-	(54,883)	(54,883)
Total other comprehensive income for the year, (as restated)				(54,883)	(54,883)
Dividends	30O.	-	-	20,112	20,112
At 31 December 2022		(318,353)	(369,947)	(301,450)	(989,750)
Profit for the year		**-**	**-**	**(84,455)**	**(84,455)**
Total other comprehensive income for the year		**-**	**-**	**(84,455)**	**(84,455)**
Dividends	30O.	**-**	**-**	**18,869**	**18,869**
At 31 December 2023		**(318,353)**	**(369,947)**	**(367,036)**	**(1,055,336)**

All attributable to owners of the Company.

[1] See note 1 to the Group financial statements and note 30R for details of restatement.

Company Statement of Cash Flows
for the year ended 31 December 2023

	Notes	2023 €'000	2022 €'000
Net cash from operating activities	30F.	**193,201**	192,919
Cash flows from investing activities			
Payments for property, plant and equipment		**(119,960)**	(120,180)
Payments for intangible assets		**(6,532)**	(4,307)
Grants received	30I.	**762**	643
Interest received		**4,576**	1,180
Dividend received	30O.	**8,000**	8,000
Net cash used in investing activities		**(113,154)**	(114,664)
Cash flows from financing activities			
Payment of other financing costs	17	**-**	(1,200)
Repayment of lease liabilities	11	**(239)**	(238)
Dividends paid	30O.	**(23,969)**	(20,112)
Net cash used in financing activities		**(24,208)**	(21,550)
Net increase in cash and cash equivalents	30E.	**55,839**	56,705
Cash and cash equivalents at 1 January	30E.	**138,186**	81,481
Cash and cash equivalents at 31 December	30E.	**194,025**	138,186

Notes to the Company financial statements

Notes to the Company financial statements (continued)

30A. Property, Plant and Equipment

		31-Dec-23 €'000	31-Dec-22 €'000
Property, plant and equipment - owned assets		**2,119,714**	2,112,853
Property, plant and equipment - right-of-use assets	11	**4,176**	4,508
Property, plant and equipment - as presented on the balance sheet		**2,123,890**	2,117,361

Property, plant and equipment - owned assets

		Land and buildings €'000	Plant, pipeline and machinery €'000	Assets under construction €'000	Total €'000
Cost					
At 01 January 2022		80,986	3,830,314	39,834	3,951,134
Additions		-	11,180	106,342	117,522
Disposals		-	(1,880)	-	(1,880)
Transfers		2,740	85,863	(88,603)	-
Transferred to Investment property	10	(22,496)	(655)	-	(23,151)
At 31 December 2022		61,230	3,924,822	57,573	4,043,625
Additions		**395**	**11,284**	**115,097**	**126,776**
Disposals		**-**	**(3,892)**	**-**	**(3,892)**
Transfers		**3,513**	**91,245**	**(94,758)**	**-**
At 31 December 2023		**65,138**	**4,023,459**	**77,912**	**4,166,509**
Accumulated depreciation and impairment losses					
At 01 January 2022		(37,671)	(1,794,092)	-	(1,831,763)
Depreciation charge		(1,223)	(113,212)	-	(114,435)
Impairment charge		-	(1,003)	(802)	(1,805)
Transferred to Investment property	10	14,883	468	-	15,351
Disposals		-	1,880	-	1,880
At 31 December 2022		(24,011)	(1,905,959)	(802)	(1,930,772)
Depreciation charge		**(1,748)**	**(115,903)**	**-**	**(117,651)**
Impairment charge		**-**	**(1,864)**	**-**	**(1,864)**
Transferred from Investment property	10	**(314)**	**(86)**	**-**	**(400)**
Disposals		**-**	**3,892**	**-**	**3,892**
At 31 December 2023		**(26,073)**	**(2,019,920)**	**(802)**	**(2,046,795)**
Carrying amounts					
At 31 December 2022		37,219	2,018,863	56,771	2,112,853
At 31 December 2023		**39,065**	**2,003,539**	**77,110**	**2,119,714**

Notes to the Company financial statements (continued)

30A. Property, plant and equipment (continued)

Impairment losses recognised in respect of plant and machinery in the year amounted to €1.9m, (2022 €1m). These losses are attributable to greater than anticipated wear and tear. The impairment loss in 2022 of €0.8m in respect of assets under construction relates to development projects which will no longer proceed.

The carrying value of property, plant and equipment includes assets that are subject to operating lease arrangements as described in note 11 'The Group as Lessor'. The carrying value of these assets at 31 December 2023 was €45.0 million (31 December 2022: €55.1 million) and is included in plant, pipeline and machinery.

30B. Intangible assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 01 January 2022	160,981	10,464	171,445
Additions (including internally developed)	-	3,483	3,483
Transfers	9,900	(9,900)	-
At 31 December 2022	170,881	4,047	174,928
Additions (including internally developed)	**-**	**5,642**	**5,642**
Transfers	**3,595**	**(3,595)**	**-**
At 31 December 2023	**174,476**	**6,094**	**180,570**
Accumulated amortisation			
At 01 January 2022	(142,669)	-	(142,669)
Amortisation charge	(5,500)	-	(5,500)
At 31 December 2022	(148,169)	-	(148,169)
Amortisation charge	**(6,903)**	**-**	**(6,903)**
At 31 December 2023	**(155,072)**	**-**	**(155,072)**
Carrying amount			
At 31 December 2022	22,712	4,047	26,759
At 31 December 2023	**19,404**	**6,094**	**25,498**

Notes to the Company financial statements (continued)

30C. Investment in subsidiaries

	2023 €'000	2022 €'000
Cost		
At 1 January	**515**	515
At 31 December	**515**	515
Impairment		
At 1 January	**-**	-
At 31 December	**-**	-
Carrying amount		
At 31 December	**515**	515

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

30D. Trade and other receivables

		31-Dec-23 €'000	31-Dec-22 €'000
Use of system receivable - billed		**47,867**	1,938
Use of system receivable - unbilled		**44,439**	43,417
Other trade receivables - billed		**455**	7,189
Other trade receivables - unbilled		**3,342**	571
Amounts due from subsidiaries	30O.	**113,614**	136,858
Other receivables		**487**	7,098
Sub-total		**210,204**	197,071
Prepayments		**6,191**	4,607
Total		**216,395**	201,678
Analysed as follows:			
Non-current		**112,987**	136,624
Current		**103,408**	65,054
Total		**216,395**	201,678

Notes to the Company financial statements (continued)

30D. Trade and other receivables (continued)

Trade and other receivables include use of system receivables, other trade receivables and amounts due from subsidiaries - refer to notes 13 to the Group financial statements and 30O for further details on each of these.

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

The Company applies the IFRS 9 simplified approach (which uses a lifetime expected credit losses (ECL)) to measure ECL for all trade and other receivables, with the exception of certain amounts due from subsidiaries, which are measured using the IFRS 9 general approach. The following table analyses total trade and other receivables by the ECL measurement approach applied by the Company.

	31-Dec-23 €'000	31-Dec-22 €'000
Simplified approach	**96,590**	60,213
General approach	**113,614**	136,858
Total	**210,204**	197,071

Simplified approach - Expected Credit Losses

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

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

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

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

	2023 €'000	2022 €'000
Not past due	**93,478**	52,717
1-30 days overdue	**1,002**	631
31-120 days overdue	**1,595**	6,865
> 120 days overdue	**515**	-
Total	**96,590**	60,213

Notes to the Company financial statements (continued)

30D. Trade and other receivables (continued)

General approach - Expected Credit Losses

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

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

- **Stage 1** is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.
- **Stage 3** is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

At 31 December 2023, the Company had amounts due from subsidiaries of €113.6 million (2022: €136.9 million). In determining ECL (including probability of default and loss given default), amounts due from subsidiaries were classified as low credit risk receivables. There were no amounts classified as payable on demand or for which there has been a substantial increase in credit risk since initial recognition. In determining an expected credit loss, regard is given to the historic performance of the relevant loan as well as forward looking information for the relevant subsidiary, including detailed discounted cash flow forecasts and macro-economic factors. Further to this assessment, no ECL allowance is recognised in respect of these amounts at 31 December 2023 (2022: €nil) and no ECL was recognised during the year in respect of these amounts (2022: €nil) due to ECL being assessed as immaterial.

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

	2023 €'000	2022 €'000
Stage 1 - 12 month ECL (not credit impaired)	**113,614**	136,858
Total	**113,614**	136,858

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

	2023 €'000	2022 €'000
Ireland	**96,590**	60,213
UK (including Northern Ireland and Isle of Man)	**113,614**	136,858
Total	**210,204**	197,071

Notes to the Company financial statements (continued)

30E. Cash and cash equivalents

Available to group

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

		31-Dec-23 €'000	31-Dec-22 €'000
Short-term bank deposits		**160,000**	91,500
Cash at bank	30M.	**2,982**	10,570
Total		**162,982**	102,070

Restricted deposits

	31-Dec-23 €'000	31-Dec-22 €'000
Cash at bank	**31,043**	36,116
Total	**31,043**	36,116

Restricted deposits include amounts held in respect of gas network shipper security deposits (note 30E) and certain connection agreements (note 30H). The level of shipper security in place is assessed on a regular basis, and further deposits or refunds are made if required, in accordance with the Gas Networks Ireland Code of Operations. Connection agreement security deposits are held to underwrite the capital cost of large connection projects (returned to the customers on a phased basis over 2-3 years) and to underwrite capacity payments (returned to the customer over a period of up to 7 years). Customers have the option of replacing existing security deposits with other forms of financial security at any time. Corresponding payables due have been recorded for all restricted cash balances recorded in cash and cash equivalents. Refer to note 30M for treasury related credit risk disclosures.

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

	2023 €'000	2022 €'000
At 1 January	**138,186**	81,481
Increase in cash and cash equivalents in the statement of cash flows	**55,839**	56,705
At 31 December	**194,025**	138,186

Notes to the Company financial statements (continued)

30F. Cash generated from operations

	2023 €'000	2022 €'000 Restated[1]
Cash flows from operating activities		
Profit for the year	**84,455**	54,883
Adjustments for:		
Depreciation and amortisation	**123,281**	118,599
Net finance (costs)/income	**(1,799)**	2,451
Income tax expense	**12,688**	8,329
	218,625	184,262
Working capital changes:		
Change in trade and other receivables	**(14,352)**	16,720
Change in trade and other payables	**(12,506)**	(15,677)
Change in deferred revenue	**33,604**	28,114
Change in provisions	**(653)**	(395)
Change in inventories	**(95)**	(90)
Cash from operating activities	**224,623**	212,934
Interest paid	**(11,374)**	(9,867)
Income tax paid	**(20,048)**	(10,148)
Net cash from operating activities	**193,201**	192,919

[1] See note 1 to the Group financial statements and note 30R for details of restatement.

30G. Inventory

	31-Dec-23 €'000	31-Dec-22 €'000
Stocks and materials	**590**	495

No Inventory was pledged as security.

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

In 2023, the value of inventory recognised as maintenance costs amounted €1.8m (2022 €1.5m).

Notes to the Company financial statements (continued)

30H. Deferred revenue

	2023 €'000	2022 €'000 Restated[1]
At 01 January	**(124,558)**	(96,444)
Received	**(45,717)**	(39,527)
Credited to the income statement	**12,113**	11,413
At 31 December	**(158,162)**	(124,558)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	**(145,204)**	(113,201)
Current	**(12,958)**	(11,357)
Total	**(158,162)**	(124,558)

[1] See note 1 to the Group financial statements and note 30R for details of restatement.

30I. Grants

	2023 €'000	2022 €'000
At 1 January	**(20,675)**	(24,019)
Received	**(762)**	(681)
Amortised	**3,989**	3,987
Credited to income statement	**-**	38
At 31 December	**(17,448)**	(20,675)

Analysed as follows:

	31-Dec-23 €'000	31-Dec-22 €'000
Non-current	**(13,461)**	(16,688)
Current	**(3,987)**	(3,987)
Total	**(17,448)**	(20,675)

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

Notes to the Company financial statements (continued)

30I. Grants (continued)

Grants receivable for 2023 of €0.8 million (2022: €0.7 million) related to grant funding from the Innovation and Networks Executive Agency (INEA), for investment in Compressed Natural Gas stations and Biogas related infrastructure and the development of policies and procedures in relation to Gas Networks Ireland Gas Operational Technology. A number of conditions relating to these grant fundings remain in progress at year end.

30J. Provisions, contingencies and capital commitments

Provisions

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

Contingencies

Contingent liabilities with respect to grants are disclosed in note 30I.

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

Capital commitments

	2023 €'million	2022 €'million
Capital expenditure that has been contracted for but has not been provided for	**67**	50

Notes to the Company financial statements (continued)

30.K Trade and other payables

	31-Dec-23 €'000	31-Dec-22 €'000
Trade payables	**(16,053)**	(16,176)
Accrued expenses	**(60,931)**	(57,003)
Other payables	**(29,024)**	(42,028)
Amounts owed to ultimate parent undertaking	**(218)**	(4,854)
Taxation and social insurance creditors	**(20,150)**	(19,451)
Total	**(126,376)**	(139,512)
Analysed as follows:		
Non-current	**(4,210)**	(4,543)
Current	**(122,166)**	(134,969)
Total	**(126,376)**	(139,512)
Taxation and social insurance creditors		
PAYE/social insurance	**(2,283)**	(2,040)
VAT	**(17,867)**	(17,411)
Total	**(20,150)**	(19,451)

30L. Tax

Current tax assets and liabilities

	31-Dec-23 €'000	31-Dec-22 €'000
Current tax asset [1]/(liabilities)	**8,353**	(2,236)

Notes to the Company financial statements (continued)

30L. Tax (continued)

Deferred tax assets and liabilities

	Accelerated tax depreciation €'000	Interest charges payable €'000	Other[2] €'000	Total €'000
At 01 January 2022	(192,222)	380	4,260	(187,582)
Recognised in income statement	1,758	20	482	2,260
At 31 December 2022[3]	(190,464)	400	4,742	(185,322)
Recognised in income statement	**1,852**	**(138)**	**(4,943)**	**(3,229)**
At 31 December 2023	**(188,612)**	**262**	**(201)**	**(188,551)**

1 Current tax asset arises primarily due the current and prior year tax impacts of the change in accounting policy as described in note 1 to the Group financial statements.

2 Includes deferred tax asset of €0.3m in relation to lease liabilities (2022 €0.3m). Deferred tax liability in relation to right-of-use assets amounts to €0.5m, (2022 €0.6m).

3 See note 1 to the Group financial statements and note 30R for details of restatement.

30M. Financial risk management and financial instruments

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

The following table combines information about:

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

Refer to note 24 to the Group financial statements for IFRS 13 disclosures in respect of fair value measurement.

Notes to the Company financial statements (continued)

30M. Financial risk management and financial instruments (continued)

		FVTPL €'000	Amortised cost €'000	Total €'000
At 31 December 2023				
Financial assets				
Foreign exchange rate contracts (undesignated)	Level 2	**159**	**-**	**159**
Trade and other receivables[2]		**-**	**210,204**	**210,204**
Cash and cash equivalents - available to group[3]		**-**	**162,982**	**162,982**
Cash and cash equivalents - restricted deposits		**-**	**31,043**	**31,043**
Total financial assets		**159**	**404,229**	**404,388**
Financial liabilities				
Borrowings and other debt (excluding debt owed to ultimate parent undertaking)[4]	Level 2	**-**	**(1,023,944)**	**(1,023,944)**
Foreign exchange rate contracts (undesignated)	Level 2	**(170)**	**-**	**(170)**
Trade and other payables[1]		**-**	**(45,295)**	**(45,295)**
Total financial liabilities		**(170)**	**(1,069,239)**	**(1,069,409)**
Net financial (liabilities)		**(11)**	**(665,010)**	**(665,021)**
At 31 December 2022				
Financial assets				
Foreign exchange rate contracts (undesignated)	Level 2	700	-	700
Trade and other receivables[2]		-	197,071	197,071
Cash and cash equivalents - available to group[3]		-	102,070	102,070
Cash and cash equivalents - restricted deposits		-	36,116	36,116
Total financial assets		700	335,257	335,957
Financial liabilities				
Borrowings and other debt (excluding debt owed to ultimate parent undertaking)[4]	Level 2	-	(1,022,914)	(1,022,914)
Foreign exchange rate contracts (undesignated)	Level 2	(674)	-	(674)
Trade and other payables[1]		-	(63,058)	(63,058)
Total financial liabilities		(674)	(1,085,972)	(1,086,646)
Net financial (liabilities)		26	(750,715)	(750,689)

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

2 Prepayments have been excluded as these are not classified as a financial asset.

3 Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Parent has a current legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 31 December 2023, €3.1 million of cash and cash equivalents available to the group (2022: €10.9 million) is offset against €0.1 million of bank overdrafts (2022: €0.3 million), and a net position of €3.0 million is presented as cash and cash equivalents available to the group (2022: €10.6 million). As at 31 December 2023, the Parent had entered no master netting arrangements and other similar agreements.

4 The fair value of borrowings and other debt (excluding debt owed to ultimate parent undertaking) as at 31 December 2023 was €974.4 million (2022: €933.6 million).

Notes to the Company financial statements (continued)

30M. Financial risk management and financial instruments (continued)

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

	Non-current assets €'000	Current assets €'000	Non-current liabilities €'000	Current liabilities €'000	Total €'000
Fair value of financial instruments					
Foreign exchange contracts	**-**	**159**	**-**	**(170)**	**(11)**
At 31 December 2023	**-**	**159**	**-**	**(170)**	**(11)**
Fair value of financial instruments					
Foreign exchange contracts	-	700	-	(674)	26
At 31 December 2022	-	700	-	(674)	26

Financial risk management

Refer to note 23 to the Group financial statements for details of the Group's financial risk management policies. These objectives, policies and processes are also adopted by the Company.

(i) Credit risk

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

	31-Dec-23 €'000	31-Dec-22 €'000
Trade and other receivables (excluding prepayments)	**210,204**	197,071
Cash and cash equivalents - available to group	**162,982**	102,070
Cash and cash equivalents - restricted deposits	**31,043**	36,116
Derivative financial instruments	**159**	700
Total	**404,388**	335,957

(i) (a) Treasury related credit risk

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

Financial guarantees

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

(i) (b) Trade related credit risk

Refer to note 30D for an analysis of the Company's exposure to trade related credit risk.

Notes to the Company financial statements (continued)

30M. Financial risk management and financial instruments (continued)

(ii) Funding and liquidity risk

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

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

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2023						
Borrowings and other debt	**(1,023,944)**	**(1,110,538)**	**(314,705)**	**(13,545)**	**(524,304)**	**(257,984)**
Trade and other payables[1]	**(45,295)**	**(45,295)**	**(45,295)**	**-**	**-**	**-**
Non-derivative financial liabilities	**(1,069,239)**	**(1,155,833)**	**(360,000)**	**(13,545)**	**(524,304)**	**(257,984)**
Foreign exchange rate contracts	**11**	**11**	**11**	**-**	**-**	**-**
Net derivative financial assets	**11**	**11**	**11**	**-**	**-**	**-**
Net financial liabilities	**(1,069,228)**	**(1,155,822)**	**(359,989)**	**(13,545)**	**(524,304)**	**(257,984)**
At 31 December 2022						
Borrowings and other debt	(1,022,914)	(1,119,969)	(13,642)	(313,730)	(531,060)	(261,537)
Trade and other payables[1]	(63,058)	(63,058)	(63,058)	-	-	-
Non-derivative financial liabilities	(1,085,972)	(1,183,027)	(76,700)	(313,730)	(531,060)	(261,537)
Foreign exchange rate contracts	26	26	26	-	-	-
Net derivative financial assets	26	26	26	-	-	-
Net financial liabilities	(1,085,946)	(1,183,001)	(76,674)	(313,730)	(531,060)	(261,537)

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

Notes to the Company financial statements (continued)

30M. Financial risk management and financial instruments (continued)

(iii) Market risk

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

(iii) (a) Exchange rate risk

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

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

Exchange rate sensitivity analysis

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

	Profit before taxation gain/(loss) 31-Dec-23 €'000	Other comprehensive income 31-Dec-23 €'000	Profit before taxation gain/(loss) 31-Dec-22 €'000	Other comprehensive income 31-Dec-22 €'000
5% Strengthening	**(514)**	**-**	(748)	-
5% Weakening	**514**	**-**	748	-

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

(iii) (b) Interest rate risk

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

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

Notes to the Company financial statements (continued)

30N. Issued share capital

	2023 €'000	2022 €'000
Authorised:		
1,000,000 ordinary shares of €1.00 each	**1,000**	1,000
Allotted, called-up and fully paid:		
1 ordinary share of €1.00	**-**	-

30O. Related parties

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

	31-Dec-23 €'000	31-Dec-22 €'000
Ervia	**(218)**	(4,854)
Subsidiaries	**113,614**	136,858
	113,396	132,004

Transactions with Ervia

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

		2023 €'000	2022 €'000
Transactional and support service agreement costs	(a)	**(169)**	(1,728)
Dividends	(b)	**(18,869)**	(20,112)
Pension costs	(c)	**(5,834)**	(7,701)

(a) Transactional and support service agreement costs

The level of transactional and support service costs provided by Ervia Parent to Gas Networks Ireland during 2022 and 2023 reduced significantly in comparison to prior years and consisted of certain limited Group Services and pension costs. It is expected that Ervia will be dissolved during 2024 through the enactment of the Gas (Amendment) Bill 2023, which will result in the remaining assets and liabilities of Ervia transferring to Gas Networks Ireland.

Notes to the Company financial statements (continued)

30O. Related parties (continued)

(b) Dividends

(i) Dividends declared

	2023 €'000	2022 €'000
Annual dividend declared to Ervia	**(18,869)**	(20,112)
Total	**(18,869)**	(20,112)

(ii) Dividends paid

	2023 €'000	2022 €'000
Annual dividend paid to Ervia	**(18,869)**	(20,112)
Deferred dividend paid to Ervia	**(5,100)**	-
Total	**(23,969)**	(20,112)

The Company declared and paid an annual dividend to Ervia as set out above. In 2018, the Company declared an annual dividend of €54.2 million and paid €49.1 million, with the remaining €5.1 million paid to Ervia in 2023 with appropriate interest (see note 17). In March 2024, the Board further approved the declaration and payment of a dividend of €44.018 million.

(c) Pension costs

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

Transactions with Uisce Éireann

Refer to note 26 to the Group financial statements for details of related party transactions with Uisce Éireann.

Transactions with subsidiaries

		2023 €'000	2022 €'000
Transactional and support service agreement costs	(a)	**3,882**	3,650
Interest income	(b)	**5,523**	1,758
Transportation supply services	(c)	**(50,625)**	(39,706)
Dividend received from subsidiary	(d)	**8,000**	8,000

Notes to the Company financial statements (continued)

30O. Related parties (continued)

(a) Transactional and support service agreement costs

Gas Networks Ireland provides strategic, governance, risk management, operational and capital delivery management and financial and transactional services costs to Gas Networks Ireland (UK) Ltd and Gas Networks Ireland (IOM) DAC Ltd.

(b) Interest income

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

(c) Transportation services

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

(d) Dividend

In April 2023, the Board of Gas Networks Ireland (IOM) DAC approved the payment of a special dividend of €8.0 million to its parent, Gas Networks Ireland (2022 €8.0 million).

Board members

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

Key management compensation

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

Government bodies

In common with many other entities, the Company deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, Eirgrid, Local Authorities and with certain Irish banks which are partially owned by the Irish Government. All transactions are on normal commercial terms. The Company had no material concentration of borrowings or deposits with any such banks during the year, at the reporting date, or for the comparative period end.

30P. Subsequent events

Refer to Note 27 to the Group financial statements for details of subsequent events.

Notes to the Company financial statements (continued)

30Q. Companies Act Disclosures

(a) Auditor's remuneration

	2023 €'000	2022 €'000
Audit of the Company financial statements	**(129)**	(121)
Other assurance services	**(30)**	(28)
Tax advisory services	**-**	-
Other non-audit services	**(6)**	(6)
Total	**(165)**	(155)

(b) Companies Act Payroll Disclosures

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

(i) Aggregate employee benefits

	2023 €'000	2022 €'000
Staff short-term benefits	**(58,121)**	(50,636)
Retirement benefit costs	**(4,586)**	(6,383)
Social insurance costs	**(6,410)**	(5,681)
	(69,117)	(62,700)
Capitalised payroll	**12,960**	10,686
Employee benefit expense charged to profit or loss	**(56,157)**	(52,014)

Notes to the Company financial statements (continued)

30Q. Companies Act Disclosures (continued)

(ii) Staff short-term benefits

	2023 €'000	2022 €'000
Wages and salaries	**(54,666)**	(47,224)
Overtime	**(1,380)**	(1,167)
Allowances	**(762)**	(755)
Other[1]	**(1,313)**	(1,490)
Total	**(58,121)**	(50,636)

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

The average monthly number of employees with a contract of employment with Gas Networks Ireland for the year was 707 (2022: 601).

(c) Directors' remuneration

Refer to note 4 to the Group financial statements for the Company's Directors' remuneration disclosures.

(d) Capitalised interest and capitalised payroll

During the year, the Company capitalised €0.2 million (2022: €0.2 million) in borrowing costs. The capitalisation rate was 1.45% (2022: 1.19%). The Company also capitalised €13.0 million in payroll costs during the year (2022: €10.7 million).

Notes to the Company financial statements (continued)

30R. Restatement of 2022 Parent financial statements

(a) Company Balance Sheet

as at 31 December 2022 (restated)

	31-Dec-22 As previously reported €'000	31-Dec-22 Adjustment €'000	31-Dec-22 Restated €'000
Assets			
Non-current assets			
Property, plant and equipment	2,117,361	-	2,117,361
Investment properties	7,363	-	7,363
Intangible assets	26,759	-	26,759
Investment in subsidiaries	515	-	515
Trade and other receivables	136,624	-	136,624
Total non-current assets	**2,288,622**	**-**	**2,288,622**
Current assets			
Trade and other receivables	65,054	-	65,054
Cash and cash equivalents - available to the company	102,070	-	102,070
Cash and cash equivalents - restricted deposits	36,116	-	36,116
Derivative financial instruments	700	-	700
Inventories	495	-	495
Total current assets	**204,435**	**-**	**204,435**
Total assets	**2,493,057**	**-**	**2,493,057**
Equity and liabilities			
Share capital and share premium	(318,353)	-	(318,353)
Capital contribution	(369,947)	-	(369,947)
Retained earnings	(336,198)	34,748	(301,450)
Total equity	**(1,024,498)**	**34,748**	**(989,750)**
Liabilities			
Non-current liabilities			
Borrowings and other debt	(1,022,695)	-	(1,022,695)
Deferred revenue	(50,528)	(62,673)	(113,201)
Grants	(16,688)	-	(16,688)
Provisions	(5,905)	-	(5,905)
Trade and other payables	(4,543)	-	(4,543)
Deferred tax liabilities	(190,286)	4,964	(185,322)
Total non-current liabilities	**(1,290,645)**	**(57,709)**	**(1,348,354)**
Current liabilities			
Borrowings and other debt	(219)	-	(219)
Deferred revenue	(34,318)	22,961	(11,357)
Grants	(3,987)	-	(3,987)
Provisions	(1,511)	-	(1,511)
Trade and other payables	(134,969)	-	(134,969)
Derivative financial instruments	(674)	-	(674)
Current tax liabilities	(2,236)	-	(2,236)
Total current liabilities	**(177,914)**	**22,961**	**(154,953)**
Total liabilities	**(1,468,559)**	**(34,748)**	**(1,503,307)**
Total equity and liabilities	**(2,493,057)**	**-**	**(2,493,057)**

Notes to the Company financial statements (continued)

30R. Restatement of 2022 Parent financial statements (continued)

(b) Cash generated from operations

for the year ended 31 December 2022 (restated)

	2022 As previously reported €'000	2022 Adjustment €'000	2022 Restated €'000
Cash flows from operating activities			
Profit for the year	58,098	(3,215)	54,883
Adjustments for:			
Depreciation and amortisation	118,599	-	118,599
Net finance income	2,451	-	2,451
Income tax expense	8,788	(459)	8,329
	187,936	**(3,674)**	**184,262**
Working capital changes:			
Change in trade and other receivables	16,720	-	16,720
Change in trade and other payables	(15,677)	-	(15,677)
Change in deferred revenue	24,440	3,674	28,114
Change in provisions	(395)	-	(395)
Change in inventories	(90)	-	(90)
Cash from operating activities	**212,934**	**-**	**212,934**
Interest paid	(9,867)	-	(9,867)
Income tax paid	(10,148)	-	(10,148)
Net cash from operating activities	**192,919**	**-**	**192,919**

Gas Networks Ireland