ervia

Annual Report and Financial Statements 2021

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Strategic Report

Ervia is a commercial semi-state company providing the strategic national gas and water infrastructure and services that underpin the growth of the Irish economy. We have a pivotal role to play in enhancing the environment, leading the transition to a low carbon energy system, protecting precious water resources and increasing resilience. We provide governance and central support services to our regulated businesses Gas Networks Ireland and Irish Water.

Gas Networks Ireland

Gas Networks Ireland, owns and operates one of the most modern and safest gas networks in the world.

Aurora TELECOM

Aurora Telecom, provides high quality dark fibre broadband infrastructure.

UISCE ÉIREANN : IRISH WATER

Irish Water is responsible for the operation and maintenance of Ireland's water and wastewater assets. Information relating to its performance in 2021 can be found in the Irish Water Annual Report and Financial Statements at www.water.ie

Headquarters
Gasworks Road, Cork, T12 RX96

The Chairman's Report

Tony Keohane
Chairman

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

The grave crisis of the conflict in Ukraine is a geo-politically destabilising event that requires a robust and proportionate humanitarian response. We are closely monitoring the potential impacts for our operations as the situation continues to evolve.

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

COVID-19 continued to present significant challenges as we managed our operations in line with public health guidelines. A comprehensive response ensured continuity of service throughout the year, a testament to our robust business continuity plans and the dedication and hard work of our staff and service providers.

Nonetheless, in 2021 we continued to create economic benefit for our employees, shareholders, contractors, partners and investors. Some of the value created is retained in the organisation to maintain and replace assets. Detailed information on how Gas Networks Ireland created value for our stakeholders is laid out on pages 9-17 of this report. Irish Water's operational and financial performance for the year is outlined in the Irish Water 2021 Annual Report and Financial Statements which can be found at www.water.ie.

A comprehensive response ensured continuity of service throughout the year, a testament to our robust business continuity plans and the dedication and hard work of our staff and service providers.

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

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

The Board continues to ensure that Ervia's strategic objectives and operations are both sustainable and socially responsible. We have undertaken significant work to achieve compliance as appropriate with the relevant principles, requirements and guidelines of the Public Spending Code. We will continue to govern Irish Water and Gas Networks Ireland until the two standalone, publicly owned, regulated utilities are established during 2023. Legislation is required to facilitate the separation of Irish Water from the Ervia Group, however this separation has already effectively been put in place on a non-statutory basis following the recent appointment of a CEO for Irish Water, Niall Gleeson.

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

I express my appreciation to my colleagues on the Board and the Executive Team for their continued commitment, support and effective governance of the business in 2021.

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

Tony Keohane
Chairman

The Chief Executive Officer's Review

Cathal Marley
Chief Executive Officer

Creating value for the people of Ireland

Our principal activity is the transportation of natural gas on behalf of over 711,000 business and residential gas customers regardless of which natural gas supply company they choose. As a vital national asset, the gas network transported 34% of Ireland's primary energy needs in 2021.

We own, operate, build and maintain the natural gas network in Ireland. This includes over 14,600 km of pipelines, including two sub-sea interconnectors and pipelines in Scotland, Northern Ireland and the Isle of Man. We also provide wholesale telecom fibre services under the business name Aurora Telecom.

Our 'Work Safe Home Safe' programme continues to promote the right behaviours and drives our safety culture. It is supported by the necessary safety management systems. ”

Gas continues to be a major contributor to electricity supplies, generating 46% of Ireland's electricity. The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 84% of demand during 2021, reiterating the importance of having a flexible and reliable gas supply. In 2021 the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was approximately 74.3 TWh.

We attach great importance to ensuring that our investment policies are aligned to the national strategic outcomes outlined in the National Development Plan 2018–2027, the Climate Action Plan 2021 and the Government's wider energy policy.

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

How we create value over the longer term is impacted by macro trends and developments in the wider economy, some of which are outlined on page 13. Sometimes these trends create uncertainty for us, our customers and wider stakeholders. Details on our key risks and the mitigating actions we are taking can be found on pages 28-31.

The conflict in Ukraine is causing tragic loss of life and human suffering, huge refugee flows and mass destruction. The evolving conflict has exacerbated the pre-existing effects of global market conditions arising from surging post COVID-19 consumer demand factors and poses increased levels of risks across many aspects of our business. These range from energy price increases, possible gas security and disruptions to supply chains. The biggest impact experienced to date has been the significant increase in wholesale gas pricing and we are closely monitoring the potential impacts for our operations as the situation continues to evolve.

Performance in 2021

Once again we had an excellent safety performance in 2021. Our 'Work Safe Home Safe' programme continues to promote the right behaviours and drives our safety culture. It is supported by the necessary safety management systems. In July 2021, Gas Networks Ireland was named as the winner in the 'Utilities' category at the Health & Safety Excellence Awards 2021.

In 2018 the Government announced that by 2023 Gas Networks Ireland and Irish Water would become two

The Chief Executive Officer's Review (continued)

standalone, publicly owned, commercial, regulated utilities during 2023. In June of 2020 we commenced the work programme to establish two standalone independent utilities. A huge body of work was carried out during 2021 to achieve operational separation as of January 2022. The Ervia Board will continue to remain the ultimate governing authority for Irish Water until full legal separation in 2023.

In 2021, we proudly launched our mental health programme 'Time to Talk'. 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. The aim is to build a positive work environment, through our individual and collective actions and behaviours and to help to break the stigma associated with mental health in the workplace.

I am delighted to share that through our ongoing commitment to sustainability, we achieved a B rating in the carbon disclosure programme, up from a B- in 2020. In addition, we won an Outstanding Community Support Award at the CCA Excellence Awards and two Green Awards for Green Business of the year and Green Large Organisation of the year 2021.

COVID-19 was a stubborn intrusion on our way of life and work, and its impact cannot be overstated. Nonetheless, very significant progress was made on our climate action, sustainability and growth agendas; on capital projects and programmes; in maintaining gas operations; in developing new customer and safety initiatives, in crisis management and in supporting our teams with best in class professional services. This year we:

- Successfully delivered a new Networks Services and Works Contract with a seamless transition of staff and activities to the new service provider in August.
- Completed critical security of supply projects such as the Ballough Bypass project and Beattock Compressor Station reconfiguration project, along with a comprehensive programme of fieldworks.
- We entered into a new 15 year Transportation Agreement with Premier Transmission Limited for the transportation of natural gas in Scotland to the Northern Ireland gas network.
- Submitted our five year Price Control submissions, which are currently under review by the Utility Regulator Northern Ireland and the Commission for Regulation of Utilities.
- Commissioned 70km of new fibre network, supporting high-speed data connection with subsea fibre cable between Ireland, Isle of Man and mainland UK.

You can read the full 2021 operating review on pages 40-51.

2022 strategic priorities

We welcomed the publication in December 2021 of the Annex of Actions that accompanies the Climate Action Plan 2021. It reinforces some key activities and roles for Gas Networks Ireland and outlines how the decarbonisation plans for the gas network will be delivered. However, the Climate Action Plan 2021 acknowledges that further measures are required to deliver the scale of Ireland's emissions reduction ambitions by 2030. These further measures will address the role of the gas network and will be refined in future Climate Action Plans. The gas network will continue to play a critical role in Ireland's energy sector and I look forward to working closely in the coming years with the Department of Environment, Climate and Communications and the Commission for Regulation of Utilities to develop renewable gas in the gas grid.

For more information on our 2022 priorities please see page 53.

Acknowledgements

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

Finally and most importantly, I would like to express my sincere gratitude to all our staff and delivery partners for their hard work and commitment. I am proud of the way in which we responded to the challenges and the progress we made in 2021.

Cathal Marley
Chief Executive Officer


SUPERIOR
MOTORCYCLE

Governance Structure

Gas Networks Ireland

- Established under the Gas Regulation Act 2013.
- Responsible for the ownership and operation of the gas network transmission and distribution systems.
- Aurora Telecom is a carrier and enterprise service provider that operates a modern, carrier grade, backhaul dark fibre network.

Strategic Objectives

- **Business Delivery**
- **Sustainability**
- **Customer**
- **People & Culture**
- **Growth**

Information relating to Gas Networks Ireland's performance in 2021 can be found on pages 40-51.

ervia

A commercial State body established under Gas Act 1976, (as amended).

A holding company with two principal operating subsidiaries, both of which are supported by central support services.

UISCE ÉIREANN : IRISH WATER

- The National Water Services Authority, a commercial State body, established under the Water Services Act 2013.
- Responsible for the provision of collection systems and treatment of wastewater and the provision of water supplies, including water treatment facilities.

Strategic Objectives

- **Water**
- **Sustainability**
- **Wastewater**
- **People & Culture**
- **Customer**

Information relating to Irish Water's performance in 2021 can be found in the Irish Water Annual Report and Financial Statements at www.water.ie.

Material Issues

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

Security of Supply and Competitiveness

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

Climate Action

Play a strong role in the transition to a low carbon energy system and explore investment opportunities to reduce greenhouse gas emissions within the scope of our commercial mandate.

Capability

Develop the skills and capabilities within Irish Water and Gas Networks Ireland to allow them to become two stand-alone publicly owned, regulated utilities by 2023.

How we Create Value

Strategic Framework

Purpose

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

Values

Our five shared values define the character of our organisation, they guide our actions and decisions, and provide a framework for how we communicate with each other, our customers and our stakeholders.

Performance

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

Integrity

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

Safety

We put safety at the heart of what we do.

Collaboration

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

Customer Service

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

Strategic Objectives

Our strategy is to provide essential gas, water and wastewater infrastructure and services efficiently and safely in accordance with our long term plan. At Ervia we have a pivotal role to play in enhancing the environment, leading the transition to a low carbon energy system, protecting precious water resources and increasing resilience. We will:

1. Organisation

Develop an organisation model appropriately structured and governed for the range and nature of businesses managed.

2. Climate Action in Energy Sector

Advocate and demonstrate how the gas network can play a central role in decarbonising Ireland's economy and realise the supporting national infrastructure to deliver a fully decarbonised network by 2050.

3. Financial Strength

Sustain a strong financial position and leverage this to access secure competitive funding to meet business needs and maximise shareholder value.

4. Sustainability

Be a leading green and sustainable Irish business by 2025.

5. Innovation

Investigate the potential of new infrastructure related business opportunities which address shareholder priority agenda items, with a focus on energy decarbonisation, and produce a commercial return.

6. People and Culture

Support a culture that engages, excites and empowers our people and business partners through a collaborative team environment we are proud of and that delivers safely to the citizens of Ireland.

Factors Influencing Value Creation

	The challenge is to	This means we must	And we will create value by
Security of Supply	Maintain economic competitiveness in the face of rising energy prices and geopolitical instability arising from the conflict in Ukraine.	Ensure a secure and reliable supply of gas.	Co-operating with stakeholders to prepare for contingencies on the network
Climate Action	Reduce carbon emissions in Ireland by 51% by 2030.	Decarbonise the gas network.	Continuing to deliver and support the Government's decarbonisation ambitions.
Customer	Deliver a customer experience that meets their needs.	Continue to capture the voice of the customer and stakeholders to ensure value add service.	Driving continuous improvement to reduce effort across the customer's engagement. We are committed to delivering cost efficient customer operations.
Economic Growth	Support the development of Ireland's National Economic Plan with a focus on efforts to address climate change.	Provide affordable & clean energy.	Investing in infrastructure in support of national economic growth. Developing a sustainable business model. Promoting innovation.
Sustainability	Protect the environment, respect resources and value employees.	Become a leading green and sustainable business by 2025.	Operating a sustainable business, minimising our emissions and waste, enhancing biodiversity and supporting our people and communities.

Ervia's Business Model

How we create value

Inputs

Financial

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

Total Assets	
Gas Networks Ireland	**€2.7bn**
Aurora Telecom	**€32m**

Networks

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

Km Of Networks	
Gas Networks Ireland	**14,664 km**
Aurora Telecom	**1,200 km**

People and Partners

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

538 employees in Gas Networks Ireland

along with 551 employees in Central Services who also supply services to Irish Water

Stakeholders

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

Natural Resources

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

Transport **74.3** TWh of Natural Gas annually

Business Activities

Operate the Systems

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

Continuously Improve our Offering

- Compressed Natural Gas
- Hydrogen
- Improve efficiency

Serve our Customers Well

- Easy to work with
- New connections

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

Maintain our Asset Base

- System security
- Asset strategy
- Maintenance programmes

Invest in Assets

- Growth
- Refurbishment
- Capacity
- Security of Supply
- Protection

Develop and Fund the Future Plans

- Business plan
- Investment priorities
- Climate Action

Outputs

Efficient, cost effective customer centric services

Robust and resilient infrastructure

Benefits

Customers

- Serving over **711,000** gas customers
- Providing continuous, safe, high quality supplies
- Delivering increasingly efficient services

Employees

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

Communities

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

Regulators

- Improving performance versus regulatory standards

Shareholder

- Dividends

Economy

- Enabling economic development
- Supporting employment
- Investing in infrastructure

Stakeholder Engagement

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

	Representative Bodies include	Priorities
General Public and Communities	Individuals, communities, environmental groups, consumer groups, business interest groups, farming bodies etc.	• Ensure safe, secure and reliable supplies of natural gas. • Maintain competitiveness. • Support social and economic growth.
Partners	Partners, third party service providers and suppliers.	• Work effectively together to deliver quality services.
Regulators	Commission for Regulation of Utilities, Utility Regulator (Northern Ireland), Office of Gas and Electricity Markets.	• Deliver initiatives to implement energy and climate policies. • Continue to roll out the Business Plans including the delivery of the Capital Investment Plan. • Operate efficiently and reduce costs.
Shareholders	Department of Housing, Local Government and Heritage, Department of Environment, Climate and Communications, Department of Public Expenditure and Reform.	• Implement Government policy. • Communicate accurately and transparently and demonstrate progress against plans. • Establish Irish Water as a stand-alone organisation and develop skills and capabilities within Irish Water to allow it to become a stand-alone publicly owned, commercial, regulated utility.

Response	Surveys	Face to Face	Roundtables	Information events	Working groups	Website	Social media	Multi-stakeholder meetings
• Focus on engagement at local and community level. • Maintain excellent performance in responding promptly to reports of escaped gas. • Continue to operate efficiently. • Provide infrastructure to facilitate economic growth.	●	●	●	●	●	●	●	●
• Hold frequent performance reviews and forward looking planning discussions with our service partners.	●	●	●	●	●	●	●	●
• Continue to roll out the Gas Networks Ireland Business Plan, including the delivery of actions attributed under the Climate Action Plan 2021. • Invest in Compressed Natural Gas projects.		●			●			
• Operate, maintain, develop and decarbonise a safe, reliable and efficient network. • Develop and deliver business plans that are aligned with Government policies. • Regular performance reports and updates are issued to monitoring and oversight bodies. • Prepare for legal separation during 2023.	●	●	●	●	●	●	●	●


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Carbon
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Delivering on Our Strategy

Highlights

The majority of the incremental volume delivered in 2021 came from the Power Generation and Data Centre sectors with two large Exceptional Loads contracted in 2021.

These contracts were executed to supply gas to a Digital Data and Energy Centre and a new Data Centre development, both in Clondalkin, south west of Dublin city.

Gas Networks Ireland worked closely with Eirgrid and the Commission for Regulation of Utilities during 2021 on the issue of security of electrical supply for the country. Multiple gas connection enquiries were processed and offers made to the Power Generation sector with a view to supporting the increase in power generation capacity required during the coming years. Gas networks Ireland also secured approval from the Commission for Regulation of Utilities to proceed, in certain cases, with advanced design works for strategic generation projects prior to the execution of contracts. Gas Networks Ireland expects to execute multiple Transmission connection contracts during 2022 and the proceeding years to support the development of flexible gas-fired power generation plant.

Gas Networks Ireland secured a total of 12 Apartment Block connection contracts during 2021 resulting in 2,864 apartments being supplied with heating and hot water from gas-fired central plant solutions. The technical solution chosen in most of these developments was a hybrid combination of gas-fired Combined Heat and Power (CHP) equipment in conjunction with commercial electric Heat Pump technologies to provide a low cost, high efficiency solution meeting and exceeding the Near Zero Energy Buildings (NZEB) requirements of the latest Building Regulations. These connection orders included the Grand Canal Harbour development, one of the largest Apartment and Commercial developments in the country, including 596 apartments and 7,000m^2 of commercial retail space in the centre of Dublin city.

708 GWh
31
Large industrial users

71 GWh
547
Commercial businesses

33 GWh
2,726
Mature homes

12 GWh
1,254
New homes

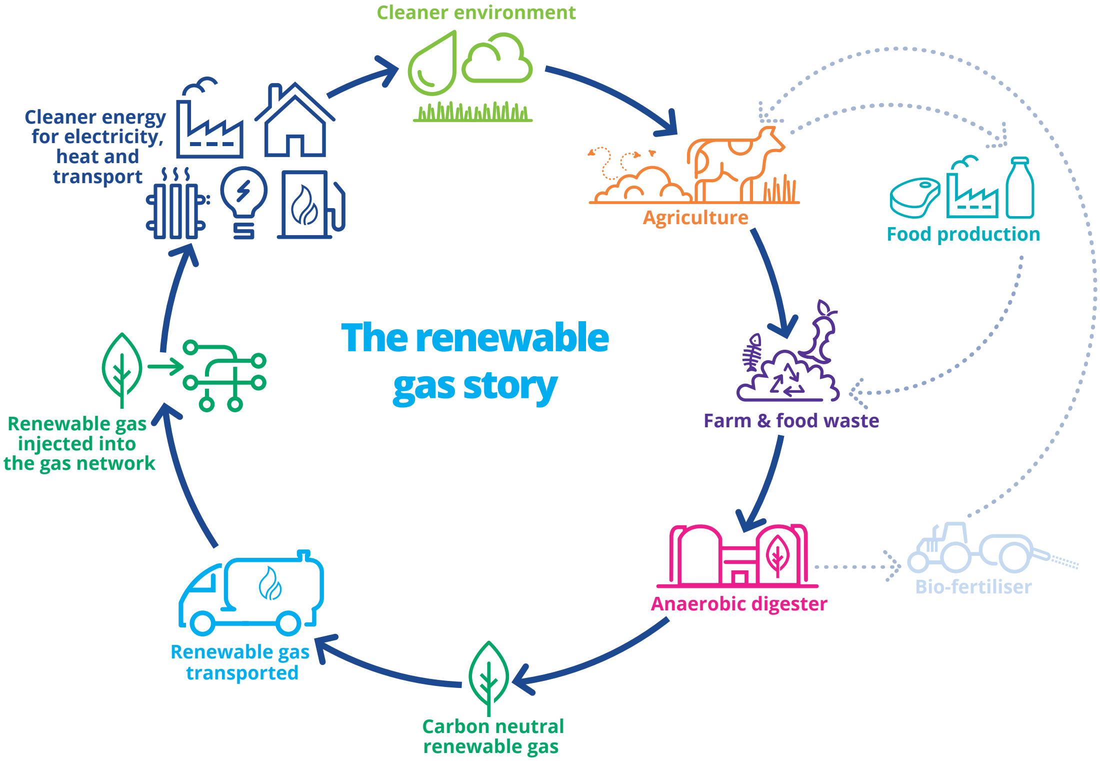
19 GWh
12
New apartment blocks

Powering over
34%
primary energy needs

Powering over
40%
of heating

Powering over
46%
of electricity generation

Biomethane: a sustainable solution for Irish farmers and energy security



Included in the small-to-medium-enterprise connection orders were 22 connections to schools across the country. Gas Networks Ireland worked with all stakeholders including the Department of Education, the Office of Public Procurement, Boards of Management and Principals and Facility Managers to assist with selection of the best technologies to meet their requirements.

2,726 homeowners made the decision in 2021 to switch from other fuels to natural gas. The majority of these customers also installed solar technologies to compliment the solution with renewable electricity generation.

Highlights (continued)

1. Gas remained the backbone of Ireland's energy mix

In 2021 gas generated 46% of Ireland's electricity; 43% on an all-island basis. Wind's share of electricity generation fell from 35% in 2020 to 29% in 2021, and coal's generation climbed from 5% in 2020 to 11% in 2021.

At their peak, gas and wind powered up to 84% and 77% of Ireland's electricity needs respectively, but the intermittent nature of wind saw it drop lower than 1% at times, while the contribution of gas didn't drop below 10% during 2021. Coal provided as much as 29%.

2. New connections

A total of 547 small-to-medium-enterprises, 31 large industrial customers, almost 4,000 homes and 12 apartment blocks contracted to be connected to the gas network in 2021. A total of over 6,200 new connections were completed in 2021 with all works carried out in accordance with the Government's public health guidelines.

- 708 GWh - 31 Large industrial users
- 71 GWh - 547 Commercial businesses
- 33 GWh - 2,726 Mature homes
- 12 GWh - 1,254 New homes
- 19 GWh – 12 New apartment blocks

3. €147m investment into Ireland's gas network as it transitions to cleaner energy future

Ireland's gas network is already delivering for Ireland, supporting the transition to a cleaner energy future. In line with our counterparts in the UK and Europe, our focus is also on transitioning our gas supply to renewable technologies such as biomethane and hydrogen.

4. Responding within the hour, every hour

In 2021 we responded to 14,646 suspected gas escapes, carbon monoxide issues and incidents within an average of 29 minutes.

5. Hydrogen research collaboration with UCD

Using the testing facilities at both UCD and Gas Networks Ireland's new hydrogen innovation facility in west Dublin, which enables the safe testing of pipelines, meters and appliances off-network; in 2021 a team of researchers began working to understand the full potential of hydrogen and ensure Ireland's gas pipelines are capable of safely transporting and storing this vital carbon free gas.

6. Ireland's road to net-zero commercial transport

In 2021 we added Circle K's forecourts at Clonshaugh in Dublin and Ballysimon Road in Limerick City to the expanding network of publicly accessible Compressed Natural Gas (CNG) refuelling stations and have another 11 in development.

Additionally, to help Ireland's fleet operators and hauliers transition to cleaner, affordable CNG vehicles, we launched a €2.9m CNG Vehicle Grant Scheme, co-financed by the European Union's TEN-T Programme under the Connecting Europe Facility as part of the Green Connect Project.

7. Biomethane: a sustainable solution for Irish farmers and energy security

With small volumes of indigenously produced biomethane flowing into Ireland's gas network at the country's only purpose-built gas injection facility in Cush Co. Kildare, in 2021 we began the detailed design and development of a second renewable gas injection facility in Mitchelstown in Co. Cork.

8. Aurora Telecom

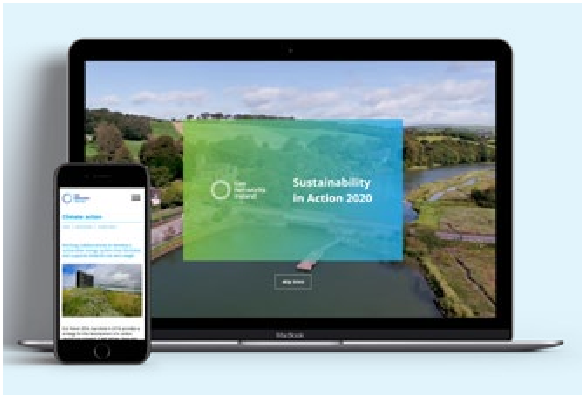
Aurora continued to expand its national footprint in 2021, connecting the main cities; key urban centres and datacentres across 15 counties. The Aurora team also successfully commissioned a 70km dual feed connection to interconnect a new subsea cable that links Ireland to the Isle of Man, to mainland UK. This critical infrastructure provides one of the shortest and most secure networks between both countries.

9. Green business of the year 2021

Through our ongoing commitment to sustainability, we achieved a B rating in the carbon disclosure programme (CDP), up from a B- in 2020. In addition, we won an Outstanding Community Support Award at the CCA Excellence Awards and two Green Awards for Green Business of the year and Green Large Organisation of the year 2021.

10. Third sustainability report

In 2021 we published our third annual sustainability report in alignment with the United Nations Sustainability Development Goals in 2021, outlining progress in implementing the principles of sustainable development across all aspects of our operations. This year's report met the Global Reporting Initiative standard for sustainability reporting for the first time.



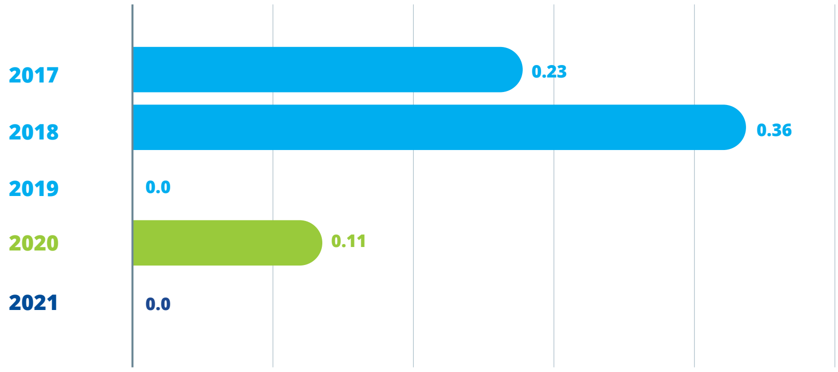
11. Response to the COVID-19 pandemic

Our robust and tested procedures ensured that Ireland's essential gas network continued to operate safely and without interruption throughout the pandemic in 2021.

Gas Networks Ireland Operating Performance

Safety

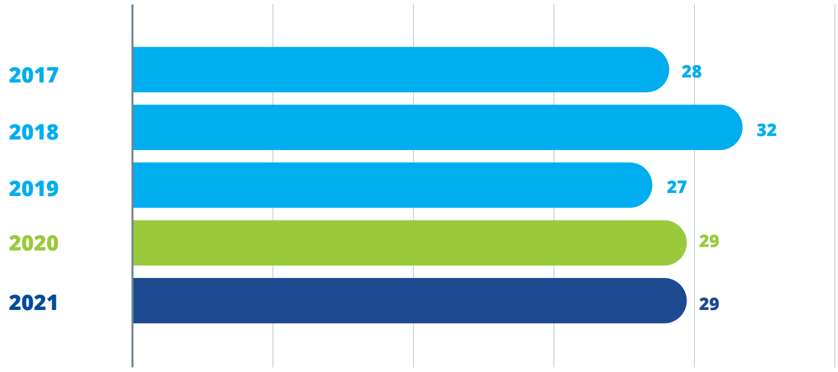
Total LTIFR – Employees (>1 day)#/100k hours



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

Safety

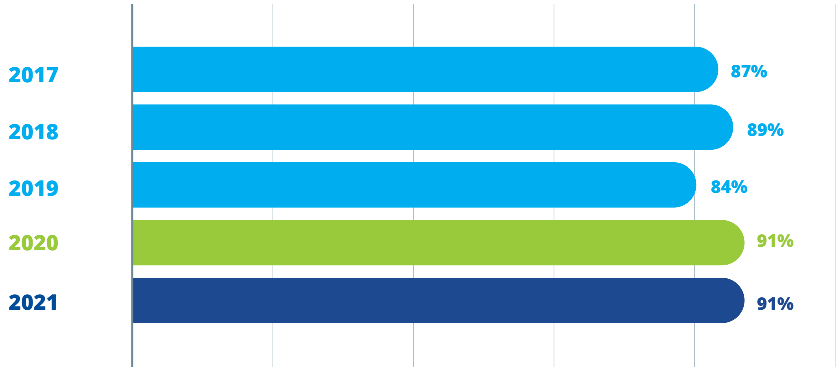
Average # mins to respond to Public Reports of Escapes



- This measure tracks how quickly we respond, on average, to reports of gas escapes as reported by the public. Our agreed metric with the CRU is 97% response within 1 hour, in 2021 a 100% compliance rate was achieved.
- This is a core safety metric. Maintaining these high performance standards consistently over time shows how important this is to us.

Customer Service

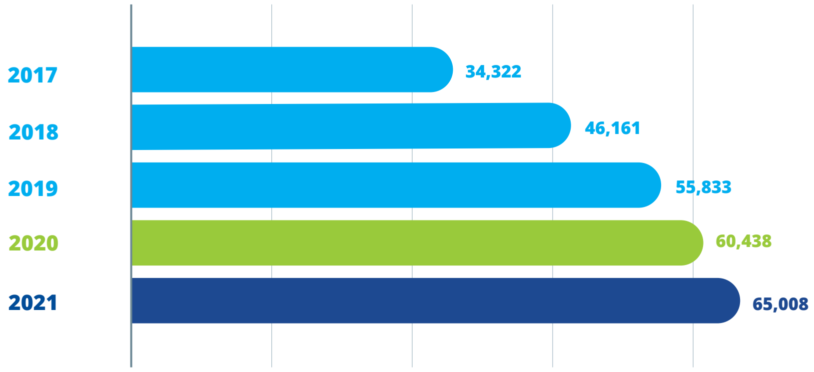
First Contact Resolution



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

Growth

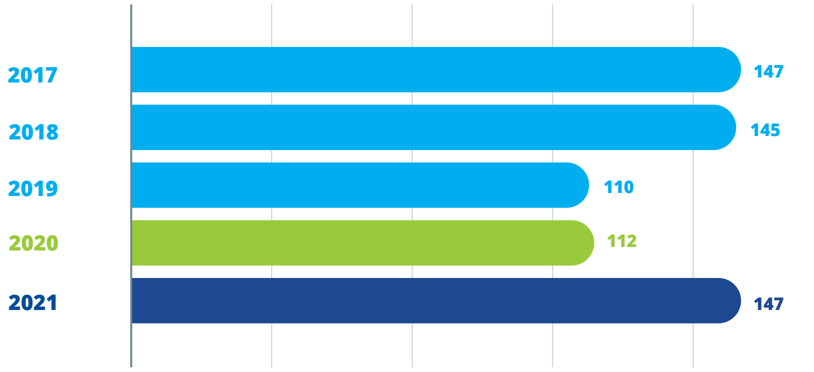
New Connections Cumulative 2014–2021



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

Capital Expenditure

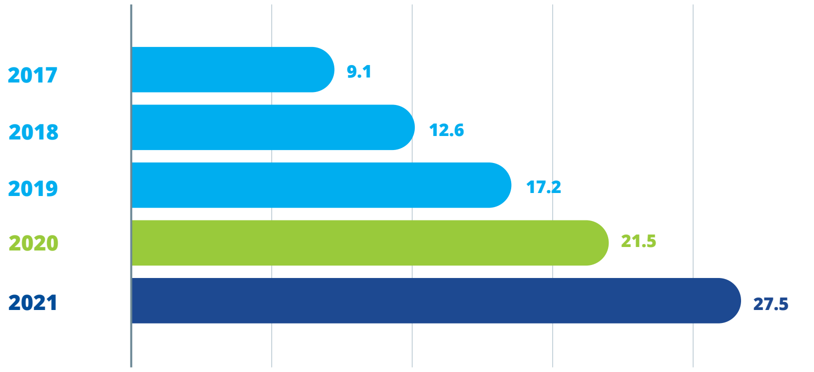
Capex €m



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

Cumulative Operating Efficiencies

Opex Efficiencies €m



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

Risk Management

The risk management landscape for Gas Networks Ireland is ever evolving and risk management is an Integral part of all our activities.

Risk Management assists us to navigate challenges and seize opportunities in order to achieve our short and longer term strategic objectives.

The nature of our business operations is long term, resulting in many of our risks being enduring in nature. These risks can develop and evolve over time, as their potential impact or likelihood changes in response to internal and external events. At the same time new risks are constantly emerging. Proactive risk management allows us to create added value for our shareholders, customers and the wider community.

The 2021 risk landscape was challenging, however Gas Networks Ireland managed these challenges effectively and continues to do so. The ongoing Covid-19 pandemic meant there was ongoing crisis management and business continuity activities throughout the year to ensure we prepared for and responded to any disruptive factors and protected our staff and ensured continuity of service. Other challenges facing GNI are highlighted in the principal risks and uncertainties section below. The external environment was closely monitored for any impact to GNI such as macro impacts arising from Covid-19, Energy Price volatility and meeting increased demand for gas.

Risk Management Framework

Gas Networks Ireland has well established governance structures which include comprehensive risk management to manage, monitor and report on the principal risks and uncertainties that could impact our ability to deliver our strategic objectives. The system of risk management and policy is well established and is consistently operated across the organisation.

The Board have ultimate responsibility for risk management, with risk management activities also taking place at all levels across the organisation to ensure the effective day-to-day management of risk and the proactive management of emerging risks. Annually the risk appetite is set by the Board by determining the nature and extent of the risks we are willing to accept in pursuit of our strategic objectives.

The Audit and Risk Committee has the delegated authority to support the Board with these obligations. They are supported in maintaining an effective risk management environment by a dedicated risk team and, a top-down, bottom-up governance committee model. This model has been further enhanced and integrated to ensure that there is clarity of ownership and responsibility for risk management.

ERM 4 Step Process

Step 01 — Define context and objectives

Step 02 — Assess risks

Step 03 — Manage risks

Step 04 — Monitor, review and report

Figure 1.1 - ERM 4 Step Process

A focus on ensuring an ongoing proactive risk management culture at all organisational levels was enhanced by the successful delivery of a risk awareness training campaign during 2021.

Ervia uses a simple four-step process to ensure the consistent identification, assessment, response and monitoring of risk across the organisation. (see figure 1.1.)

Our Risk Management Activities

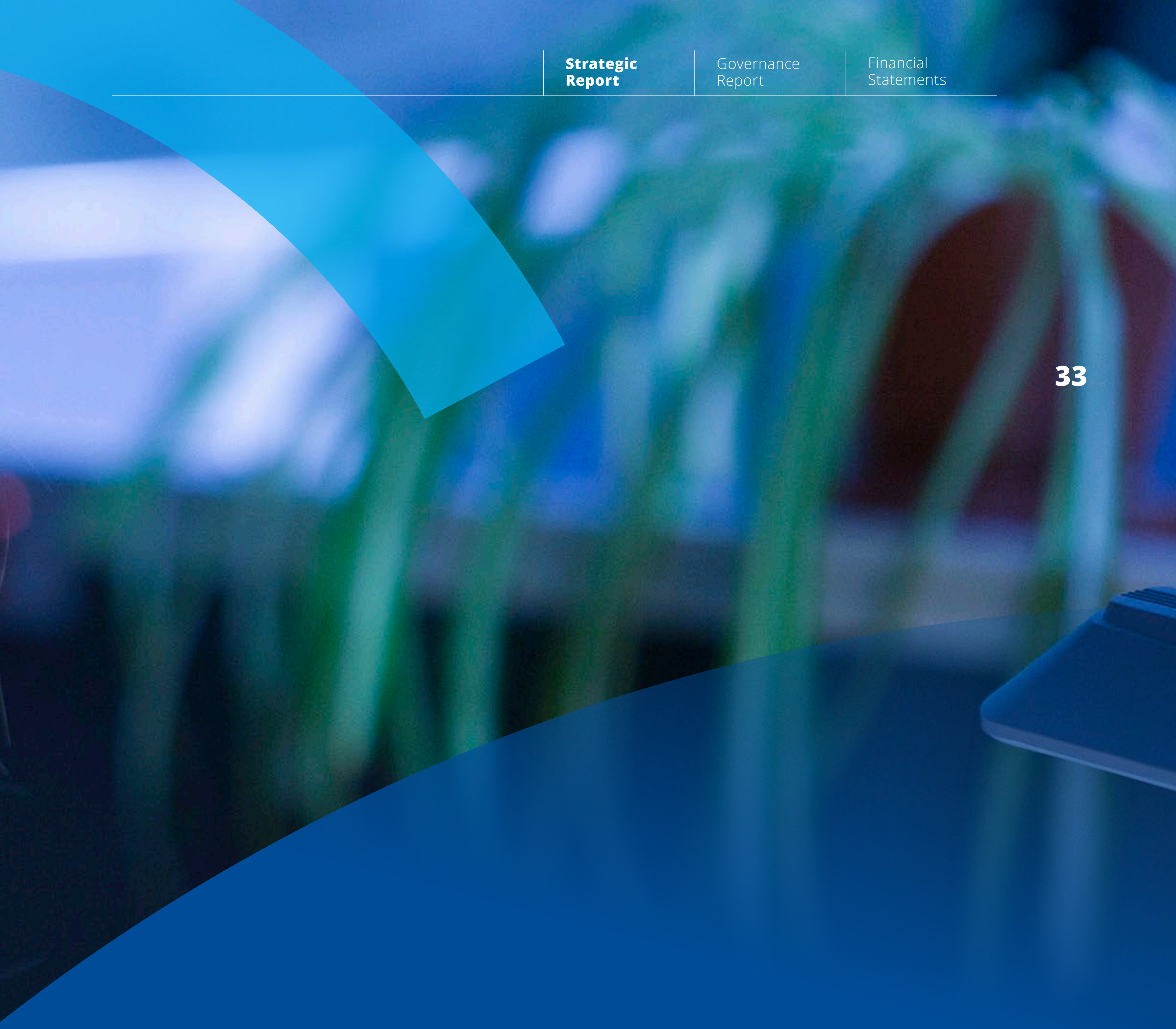
Day to Day	Integrating with strategy & process	Governance
Operational areas	Operational areas	Operational areas
Identify, manage, challenge and report risks.	Risk assessment is integral to strategic planning, investment prioritisation and project appraisal.	Functional and Executive Risk Committees support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

Risk Management (continued)

The Principal Risks and Uncertainties and key mitigations

	Risk	Context	Mitigation
Health, Safety and Environment			
1	There is a risk that we fail to prepare and respond to significant disruptive factors caused by the COVID-19 pandemic to ensure the safety of our staff and continued delivery of services.	Large scale employee illness due to an epidemic or pandemic (e.g. COVID-19) that affects Ireland's population, potentially impacting employee health and wellbeing, operations, service delivery and supply chain.	• Ervia and Gas Networks Ireland COVID-19 response plan in place - Crisis Management Teams operating for crisis duration. • Business continuity, contingency arrangements activated. • COVID-19 Response Plan and living with COVID-19 Plan continuously updated in line with government guidelines. • Engagement with key stakeholders (HSE, HSA, CRU, Government Departments etc.) and peer utility benchmarking. • Clear communications plan. • Essential workers identified for office/field/site work with supporting COVID-19 controls in place as per response plans.
2	A significant safety incident resulting in a risk of serious injury/ fatality to staff, delivery partner 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 Central Safety Committee (which is an Executive Committee) oversees Health & Safety performance. • Certified to the ISO45001 Safety Management System and the ISO14001 Environmental Management System. • Internal and external assurance activity, audits, emergency exercises and reviews.
Security of Supply			
3	The security of Ireland's natural gas supply is dependent on its ability to access imports, and the capacity and integrity of the supply and distribution infrastructure. An inability to meet the required gas demand could result in reputational and financial damage.	Gas Networks Ireland is responsible for operating the natural gas pipeline network to ensure gas supply to the Republic of Ireland.	• Twinning of the onshore gas pipeline in Scotland reinforces security of Supply for Ireland and the UK. • Completion of the Ballough Bypass project in 2021 provides increased resilience to the network. • The Corrib gas field provides an indigenous supply of gas and enhances security of supply for Ireland for next number of years. • To support meeting Irelands increased demand for new power generation, GNI is actively engaging with Eirgrid and the CRU on potential projects. • Strategic communications strategies which develop as policy evolves, setting out Gas Networks Ireland's role in achieving energy policy. • The National Risk Assessment is required under Article 7 of Regulation (EU) 2017 / 1938 (Gas Security of Supply). GNI work with the CRU to complete this risk assessment as required every 4 years. • In 2021 DECC initiated a review of energy security of supply.
Securing the Future – Decarbonisation and Climate Change			
4	Failure to secure a role for natural and renewable gas in Irelands energy transition or to secure an enduring role for the gas network in Irelands decarbonised energy system.	Decarbonisation of energy remains one of the biggest challenges facing the world. EU and Irish energy policies are targeting the long-term elimination of fossil fuels, including natural gas (which is the cleanest fossil fuel). Inability to decarbonise the gas network will result in underutilisation and a risk of continued adverse energy emissions. This could lead to tariff increases and potentially stranded assets.	• Strategy under ongoing review and development with clear Governance and monitoring. • Ongoing investment in sustainable initiatives in support for new gas technologies and renewable gas sources e.g. hydrogen, bio-methane, CNG. • Stakeholder engagement on a domestic and European level to underline the importance of the gas grid in the decarbonisation of EU energy systems. • Key engagement with the CRU through the price control process (latest price control - PC5 - submitted for CRU determination in 2022) to ensure alignment in delivering the commitments under the Governments Climate Action Plan and Network Development Plans.

	Risk	Context	Mitigation
Infrastructure and Service Delivery			
5	An inability to fully deliver on capital investment plans and programmes resulting in failing to achieve network capacity or sustain asset health due to limited supply chain capacity within the construction industry or a failure of a key supplier.	Large capital programme agreed with the Commission for Regulation of Utilities (CRU) for 2017-2022. Similar programme being planned for period 2022-2027. GNI strategy to decarbonise the gas network requires significant investment.	• Engagement with Commission for Regulation of Utilities (CRU) on future spend and targets.(Price Control – PC5). • Corporate plans in place with Gas demand planning and business planning. • Internal supply chain expertise and Proactive supply chain interactions. • New construction and engineering contracts (NSWC) in place which ensures partners right sized for GNI workload. • Broad recognition across Government, Regulators and Energy industry that the growth of renewables is complimented and supported by Natural Gas.
6	A cyber-attack targeting systems or infrastructure causing serious loss of service, data leakage or restriction to information and/ or operational technology would impact service delivery and infrastructure.	An incident could result in potential business delivery disruption, safety issues, reputational damage or potential regulatory fines - likelihood potentially increased in current remote working environment (due to COVID-19).	• Security Operations Centre operating 24/7 monitoring IT & OT assets. • Cyber Response Plan and Runbook under ongoing review and simulation exercises undertaken. • Training and Awareness programmes for all staff. • Ongoing investment in prevention and pro-active controls across all critical systems. • Ongoing risk assessments, IT expertise procured and external independent assurance reviews.
Our People			
7	Not having the right organisational structure and the right people and culture in place would undermine the ability to deliver our business objectives.	Significant organisational transformation undertaken during 2021.	• Organisation Design Steering Group and work force planning process are in place to plan, manage and support all organisational transformations. • Engagement and culture approaches, including regular surveys, alongside continuous improvement processes in place. • Significant Health & Wellbeing programmes in place to support staff. • HR strategy is being implemented which includes initiatives such as an IBelong diversity and inclusion programmes, agile working and employee development programmes.
Financial and Economic			
8	Our activities expose us to a number of global macroeconomic and financial risks - credit risk, funding and operational allowance model risk, liquidity risk, currency risk and interest rate risk.	Macro-economic impacts such as increasing market interest rates, fluctuating Fx rates or commodity price risk (Carbon/ Electricity price increases) impacting on GNI directly or indirectly through an impact on our Customers or Suppliers.	• Defined risk limits, delegations of authority and exposure monitoring in place. • Close monitoring of gas and electricity and energy market volatility, the impact of increased electricity costs on gas demand the indirect impacts to suppliers and customers. • Ongoing engagement and relationships with Government, institutions and potential investors. • Close monitoring and impact assessment for any macro-economic events e.g. COVID-19.



Performance in 2021

Financial Review

Ronan Galwey
Group Chief Financial Officer

Ervia delivered a satisfactory financial performance during 2021, particularly in the context of a volatile market for wholesale gas prices and the continued challenges of COVID-19.

Ervia recorded a Profit before Tax of €82m and made an annual dividend payment of €38m to the Exchequer. Capital investment of €147m in critical gas infrastructure was achieved.

Gas Networks Ireland, an Ervia subsidiary, maintained its investment grade credit ratings with Moody's and S&P in 2021. The strong credit rating enables Gas Networks Ireland to have access to a wide diversity of funding sources and ensures its continued access to competitively priced funding.

We are closely monitoring the developing situation arising from the conflict in Ukraine and are assessing the potential impacts for our operations as the situation continues to evolve.

Key Highlights 2021

Revenue

€476m

EBITDA

€238m

Profit before income tax

€82m

Capex

€147m

Dividends paid

€38m

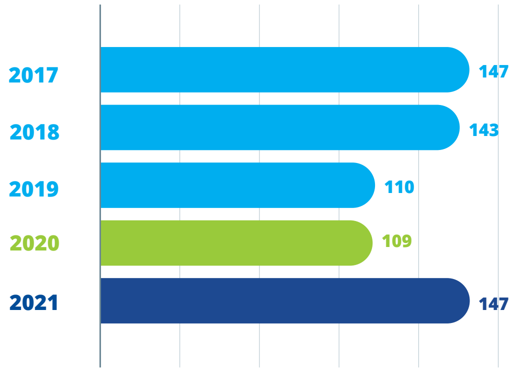
Net debt

€948m

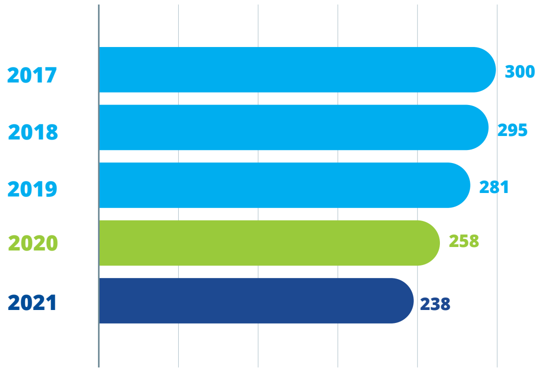
Key Financial Trends

Revenue
€m

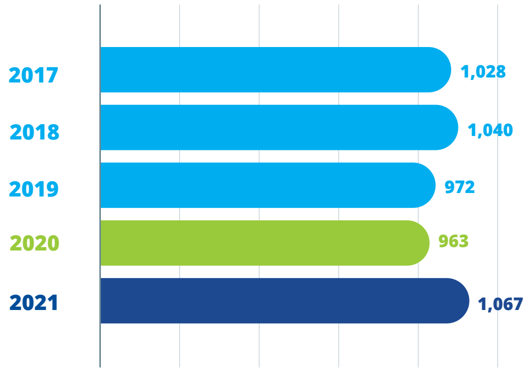
Capex*
€m



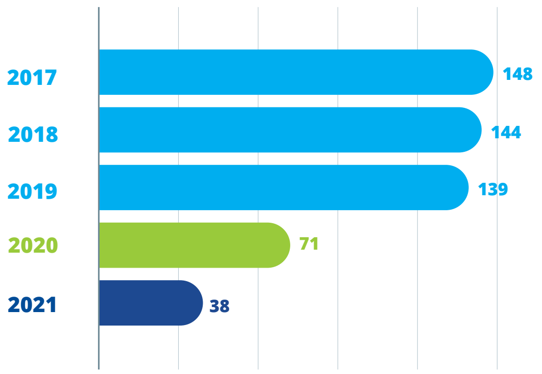
EBITDA
€m



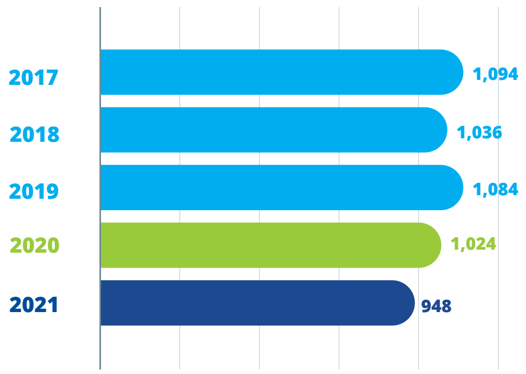
Net Assets
€m



Dividends
€m



Net Debt
€m



*2020 capital expenditure has been adjusted to exclude 2020 cloud computing spend (see note 1 of the Financial Statements)

Summary Income Statement

	2021 €m	2020 €m
Revenue	**476**	447
Operating costs	**(238)**	(189)
EBITDA	**238**	258
Depreciation and amortisation	**(141)**	(135)
Finance costs	**(16)**	(19)
Profit before income tax	**82**	104
Dividend paid to Exchequer	**38**	71

Revenue

Revenue was €476m for the year to December 31st 2021, increasing by €29m compared to 2020. This increase was primarily due to regulated revenue increases from a combination of higher demand for capacity and higher transportation tariffs.

Operating Costs

Operating costs of €238m have increased by €49m compared to 2020. This is primarily due to higher gas commodity costs to run the compressor stations and by general inflationary cost pressures, offset by the delivery of further operating cost efficiencies. Wholesale gas prices were extremely volatile in 2021, reaching a peak in late December of 450p/therm.

Depreciation

Depreciation and amortisation of €141m is €5m higher than the prior year, primarily as a result of our continued capital investment.

Profit before Income Tax

Profit before tax decreased by €22m to €82m for 2021 due to:

- Lower EBITDA of €20m,
- Higher depreciation charges of €5m, partially offset by
- Lower finance costs of €3m, primarily due to lower financing costs and the reduction in debt during 2021.

Summary Balance Sheet

	2021 €m	2020 €m
Infrastructure assets	**2,499**	2,496
Other assets	**233**	231
Total assets	**2,732**	2,728
Borrowings and other debt	**(1,035)**	(1,151)
Pension liability (IAS 19)	**(109)**	(183)
Other liabilities	**(521)**	(431)
Total liabilities	**(1,666)**	(1,764)
Net assets	**1,067**	963
Net debt	**(948)**	(1,024)

Dividends

An annual dividend of €38m was paid in 2021. The annual dividend is based on 45% of the previous year's profit before certain exceptional items. The dividend paid in 2020 of €71m included a special dividend of €24m in respect of the sale of the Bord Gáis Energy business.

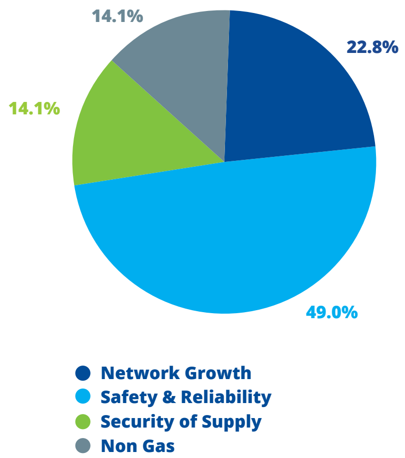
Infrastructure Assets and Capital Expenditure

Ervia continued the delivery of scheduled capital investments with total investments of €147m between gas and telecoms infrastructure.

This investment included key strategic projects such as the Ballough Bypass project, an increase in the number of network connections and refurbishments, and investment in Aurora Telecom's national fibre network.

Capex

%



Financial Review (continued)

Net Debt and Cash Flows

- Net debt was €948m at December 31st 2021, compared to €1,024m in the prior year.
- Operating cash flows of €285m were primarily used to fund critical capex investments in gas infrastructure, repay borrowings and fund the dividend payment to the exchequer.
- Capital expenditure in cash outlay terms was €134m.
- Net decrease in borrowings and other debt of €112m.
- Ervia made an annual dividend payment to the Exchequer of €38m.

Net Pension Deficit

Ervia Group has an accounting pension deficit (IAS 19) of €109m as of December 31st 2021, a decrease in deficit of €74m compared to 2020. In accordance with IAS 19 requirements, corporate bond yields are used as the basis to determine an appropriate discount rate to calculate the present value of long-term pension scheme liabilities irrespective of the nature of the scheme's assets or their expected returns. Strong asset performance is the primary driver of the decrease in the deficit compared to the prior year. The discount rate used to value pension liabilities has increased by 0.55% during the year, which was offset by an increase of 0.55% in the inflation rate applied.

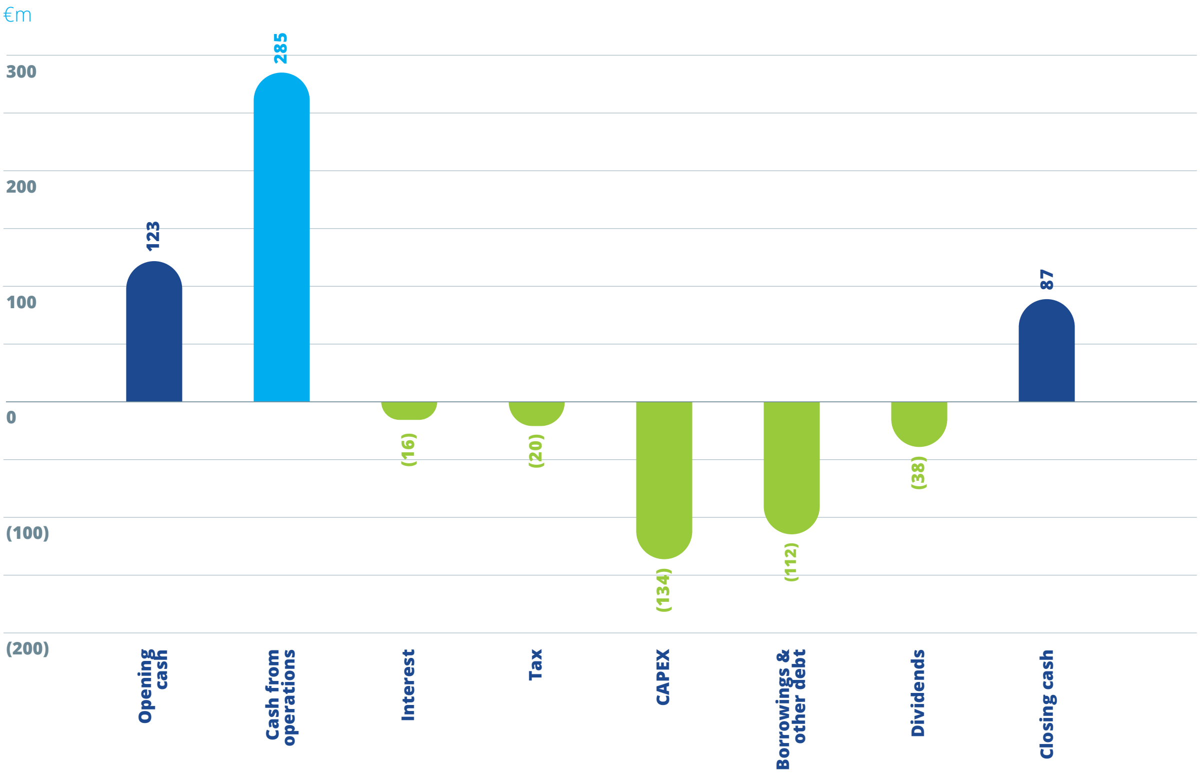
Capital Resources and Treasury Governance

Capital Resources

Ervia had total borrowings and other debt of €1,035m at December 31st 2021 (2020: €1,151m). There were undrawn committed facilities of €462m and €87m of cash and cash equivalents at December 31st 2021.

90% of Gas Networks Ireland's debt (excluding lease liabilities) was at fixed rates at December 31st 2021 (2020: 91%). The weighted average interest rate on Gas Networks Ireland's portfolio of outstanding borrowings was 0.98% (2020: 1.3%) and the average maturity of its debt was 6.05 years (2020: 6.4 years). In 2021, Gas Networks

How Cash Was Used in 2021



Ireland improved its long-term credit rating with Moody's Investors Services to A2 from A3 and maintained its long-term credit rating of A with Standard & Poor's.

In 2021 Gas Networks Ireland commenced the process of refinancing its Revolving Credit Facility (RCF), the Group's principal liquidity facility. This process was concluded in January 2022 with the entry by Gas Networks Ireland into a new €300m RCF with a syndicate of international and domestic banks. The new five-year facility has an initial maturity date of January 2027 and will be used for general corporate purposes.

Treasury Governance

In 2021 Ervia operated a centralised treasury function. The responsibility for treasury activity and its performance rested with the Board, which exercised its responsibility through regular review.

The Ervia Audit and Risk Committee provided oversight of the risk and control environment on behalf of the Ervia Board. Ervia complied with the requirements and conditions of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992. Ervia's treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited. Further details of our treasury governance financial risk management policies are set out in the Financial Statements note 23.

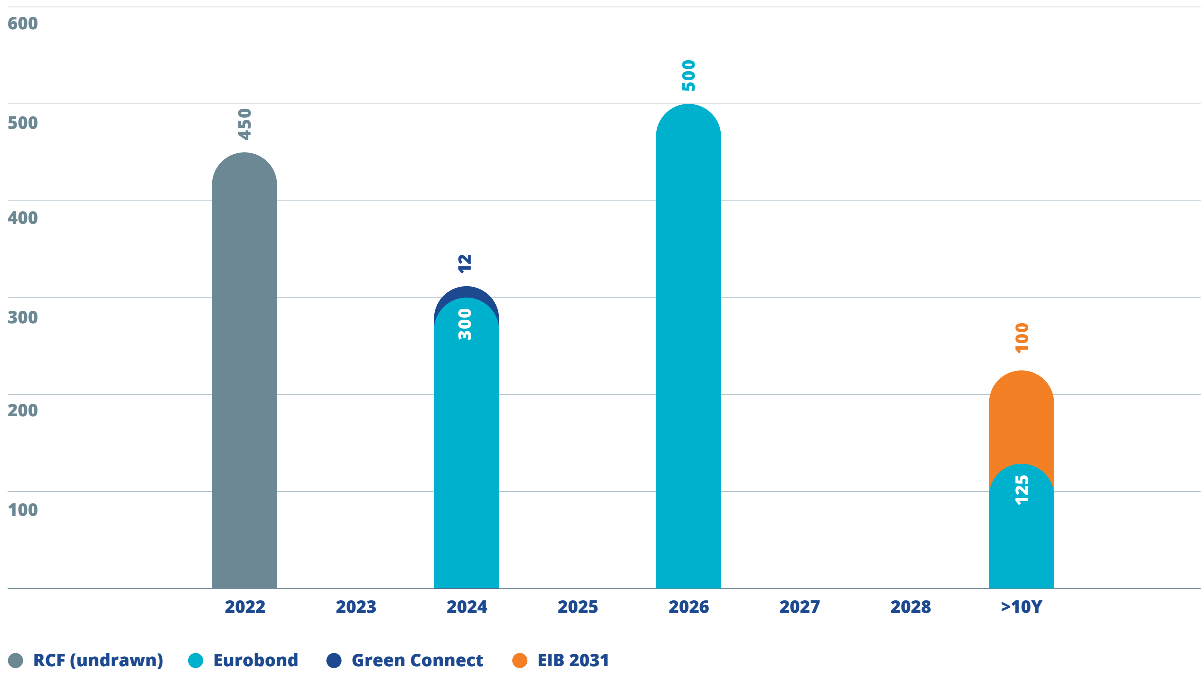
Financial Outlook

Ervia, through Gas Networks Ireland, is set to play a key role in the programme for national economic development, with an ambitious capital investment programme for 2022. The Price Control Review for the next price control period is expected to conclude in 2022, with an objective to maintain a strong financial position and ability to fund future investment, including delivering on planned climate action initiatives.

We are closely monitoring the potential impacts on our operations as the conflict in Ukraine continues to evolve, including the significant volatility on wholesale gas prices.

Debt Maturity Profile

at 31 December 2021 €m



Operating Review

Denis O'Sullivan
Chief Operating Officer Gas Networks Ireland

Natural gas continued to play a critical role in providing a safe and secure energy supply for Ireland in 2021. As a vital national asset, the gas network transported 34% of Ireland's primary energy needs.

In 2021, COVID-19 continued to present our business with significant challenges as we managed our operations in line with public health guidelines. Throughout the year we have adapted our approach accordingly, seeing a partial phased return for office based staff in September with those staff resuming working from home in November due to the Omicron variant. We also implemented measures for our frontline staff and contracted partners, ensuring a safe working environment while delivering a high-quality service. Our comprehensive response has ensured continuity of service throughout the year for our shippers and customers, testament to our robust business continuity plans and the dedication and hard work of our staff and service providers.

Despite the challenges of COVID-19 and a volatile wholesale gas market, we continued to operate, maintain and develop the network safely, economically and efficiently. We delivered €147 million of critical investment infrastructure and obtained recertification of our five ISO standards. We completed critical security of supply projects such as the Ballough Bypass project and the Beattock Compressor Station reconfiguration project, along with a comprehensive programme of fieldworks.

In 2021 we successfully delivered a new Networks Services and Works Contract (NSWC) with a seamless transition of 300 staff and activities to the new service provider in August.

In 2021 we successfully delivered a new Networks Services and Works Contract (NSWC) with a seamless transition of 300 staff and activities to the new service provider in August.

We prepared and submitted our five year Price Control submissions to the Utility Regulator Northern Ireland (UR) and the Commission for Regulation of Utilities (CRU) in 2021. These submissions outline in detail our activities, expenditure and revenue requirements over the coming five years and are fundamental to delivery of our business plan.

In 2021, two additional public CNG stations opened at Ballysimon Road, County Limerick and Clonshaugh, County Dublin. As part of our commitment to delivering a cleaner energy future for Ireland, Gas Networks Ireland is developing a Hydrogen Innovation Centre in West Dublin which will allow for the testing of hydrogen blends on our network. We completed a Hydrogen Safety Strategy in 2021 identifying the health and safety consideration and actions required for the introduction of Hydrogen on the natural gas network.

Through our ongoing commitment to sustainability, we achieved a B rating in the carbon disclosure programme (CDP), up from a B- in 2020. In addition, we won an Outstanding Community Support Award at the CCA Excellence Awards and two Green Awards for Green Business of the year and Green Large Organisation of the year 2021.

We entered into a new 15 year Transportation Agreement (TA) with Premier Transmission Limited (PTL) for the transportation of natural gas in Scotland to the Northern Ireland gas network.

Through our Aurora telecom business, we commissioned 70km of new fibre network, supporting high-speed data connection with subsea fibre cable between Ireland, Isle of Man and mainland UK.

As a vital national asset, the gas network transported 34% of Ireland's primary energy needs. Gas continues to be a major contributor to electricity supplies, generating 46% of Ireland's electricity. The variability of fuel types in the electricity generation mix, particularly wind and solar, saw gas electricity generation peaking at 84% of demand during 2021, reiterating the importance of having a flexible and reliable gas supply.

Overview

Gas Networks Ireland owns, operates and maintains the natural gas network in Ireland. Our gas network is one of the most modern and safest in the world and comprises 14,664 km of gas pipelines including two sub-sea interconnectors.

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

Currently over 711,000 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 34% of the country's primary energy needs. On average 46% of Ireland's annual electricity is produced using natural gas.

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

Operating Environment

Demand and Supply

In 2021, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was 74.3TWh. This was supplied through the Moffat Interconnector and the Corrib gas field. Small volumes of gas were also delivered through the biomethane injection point in Co. Kildare. The continued impact of COVID-19, sustained outages at two gas power generation plants and relatively milder weather conditions contributed to a 1.96TWh decrease in gas demand from 2020 to 2021. During the year, 28% of all gas requirements in the Republic of Ireland were supplied by the Corrib gas field, while UK imports met 72% of demand.

Regulation

The Commission for Regulation of Utilities regulates 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) pipelines in the Northern Ireland transmission system. GNI and GNI (UK) also each hold a UK interconnector licence from Ofgem in respect of the subsea interconnectors to Scotland.

During 2021, Gas Networks Ireland continued to actively participate in various EU gas association 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 influencing the gas legislative review and inputting into associated technical and regulatory studies.

The European Commission published its 'Fit for 55' package in July 2021, in which 13 revisions and initiatives linked to the EU Green Deal climate actions were presented.

In December 2021, the European Commission published its much-awaited gas legislative review i.e. the Hydrogen and Gas Decarbonisation Package. The Package as proposed sets out ambitious plans to facilitate renewable gases in the existing gas networks across Europe and the development of a framework for hydrogen networks. The Package will go under consultation and refinement during 2022. In December, in a first for Gas Networks Ireland, the company secured representation on the Board of the European Network of Transmission System Operators for Gas (ENTSOG) for a three-year term, commencing in January 2022.

Tariffs

The gas network tariffs for the 2021/22 year were calculated based on the complete set of decisions arising from the EU Tariff Network Code (EU 2017/460).

This included the decision to recover the shrinkage gas costs within the regulated revenue. The transmission tariffs for 21/22 reflect circa 6% increase on the previous year, which is primarily driven by the increased cost of shrinkage and CO_2. The distribution tariffs for 21/22 reflect circa 2% decrease on the previous year.

The Tariff Network Code Article 28 consultation, which is a review to consult on the current level of multipliers and seasonal factors for non-annual capacity products, and the level of discounts on products (e.g. Virtual Reverse Flow) was completed with the decision being made not to change the multipliers from the current levels.

Gas Networks Ireland Price Control

Gas Networks Ireland operates transmission and distribution assets in Ireland and Scotland under a price control regime with the regulator, the Commission for Regulation of Utilities (CRU). A new price control regime is set every five years by the regulator and this process sets out the allowed revenues/expenditure for the gas network. The existing price control (PC4) will expire on 30 September 2022 and new price control (PC5) will come into effect on 01 October 2022 for a period of five years.

> In 2021, the total amount of gas transported through the gas network for Ireland, Northern Ireland and the Isle of Man was 74.3TWh.
>
> ”

In late 2021, Gas Networks Ireland finalised its submission to the CRU for PC5, setting out its planned operational activities and capital programme during the PC5 period. It is expected that the CRU will finalise a determination for PC5 in Q3 2022.

National Gas Emergency Manager – COVID-19

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

From early in 2020, Gas Networks Ireland began to track and prepare for the possibility that the novel coronavirus first reported in China might spread to Ireland. Scenarios were identified which could impact Gas Networks Ireland's operations and people, Personal Protective Equipment was procured, and training provided.

Like many businesses in Ireland, Gas Networks Ireland moved most of its staff to working from home and instigated its Pandemic Plan and Business Continuity Plans. Critical processes and positions were identified, and measures put in place to maintain key services such as control rooms and emergency response services, whilst protecting staff and customers from the spread of the virus.

When the Irish Government published its 5-Level Plan for Living with COVID-19 in October 2020, Gas Networks Ireland developed its own version of the plan to give staff, the wider gas industry and gas consumers, clarity over the services that would continue, be restricted or suspended at the different public health levels.

Operating Review (continued)

Overview (continued)

In the early part of 2021, GNI once again restricted many of its operations in line with public health restrictions imposed at the time. Activities were risk assessed and activities were maintained or suspended depending on their criticality and the risk of spreading COVID-19 amongst staff, contractors and the public. As public health restrictions were eased during the course of the year, GNI resumed activities which had previously been fully or partially restricted on a risk basis.

The majority of staff have worked from home since March of 2020. Gas Networks Ireland has provided IT and home working supports to these staff and has made considerable efforts to support the health and wellbeing of all its staff over the course of the pandemic.

A partial and phased return to the office commenced in September 2021 in line with the easing of public health restrictions and with a comprehensive set of COVID-19 controls in place. Staff have since resumed full time working from home on foot of the reintroduction of public health advice to do so.

Despite the significant impact of the COVID-19 pandemic and the associated public health restrictions, not only on Irish business and society, but globally, Gas Networks Ireland's health, safety and environmental performance was not impacted and gas supplies and core services have been maintained throughout.

Safety

Delivering the highest health and safety standards

Gas Networks Ireland is committed to the highest possible safety standards and during 2021 we continued to manage all aspects of operations in a safe and environmentally responsible manner. Our comprehensive Safety, Environmental, Quality, Energy and Asset Management Systems, independently certified to ISO 45001, ISO 14001, ISO 9001, ISO 50001 and ISO 55001, ensure our activities are managed in accordance with international best practice.

Our Combined Lost Time Incident Frequency Rate for staff and key service providers stood at 0.13, having been as low as 0.04 in July 2021 – the lowest since we began measuring. We recorded over 408 Safety Leadership Conversations and undertook 33 Internal management system audits along with over 721 safety, technical and environmental inspections.

In 2021 Gas Networks Ireland retained certification of all five individual ISO systems certified during a surveillance audit by the National Standards Authority of Ireland.

In July 2021, Gas Networks Ireland was named as the winner in the 'Utilities' category at the Health & Safety Excellence Awards 2021. The hydrogen safety strategy commenced in 2020 was completed in 2021. The strategy has identified the activities required to safely introduce hydrogen to the natural gas network.

During 2021, GNI has replaced all of its 1850 public telephone numbers with 1800 or 0818 numbers. This follows a decision by the telecommunications regulator ComReg to abolish certain Non-Geographic Numbers (NGNs) at the end of 2021 due to perceived customer confusion and high costs of using NGNs. All replacement numbers went live during 2021 and locations where these numbers are displayed such as the GNI website, van liveries, brochures and leaflets have, or are being changed over. GNI have engaged closely with ComReg, the Commission for Regulation of Utilities, ESB Networks and Irish Water and have agreed with ComReg that utility emergency/ safety related 1850 numbers (including the GNI 24/7 gas emergency number) will remain operational after 31st December 2021 date by which other NGNs will cease operating. These safety/ emergency related numbers are displayed widely on assets which are not easily changed and so the "old" 1850 numbers will operate until at least 30th November 2023, prior to which an evidence based review will be undertaken to determine whether they should be terminated.

Throughout the year GNI has continued to promote public safety awareness via a range of campaigns, including the Gas Emergency Service, Dial-Before-You-Dig, Meter Tampering, Always Use a Registered Gas Installer and Carbon Monoxide campaigns. During 2021, a new campaign, featuring the banjo-playing canary character "Tommy McAnairey" was launched for carbon monoxide awareness, promoting the importance of regular testing of carbon monoxide alarms. The latest consumer awareness research conducted on behalf of Gas Networks Ireland at the end of 2021 shows that 75% of people now have a carbon monoxide alarm at home up from 25% in 2014 prior to the launch of the original Tommy McAnairey carbon monoxide advertising campaign. New advertising campaigns were also developed and launched in 2021 for the Gas Emergency Service and Meter Tampering.

> In July 2021, Gas Networks Ireland was named as the winner in the 'Utilities' category at the Health & Safety Excellence Awards 2021.

Business Delivery

Operating, developing and maintaining the existing gas transmission and distribution networks both economically and efficiently

Operating, maintaining and developing our network in an efficient and economic manner is a key element of our strategy. In 2021 we delivered over 40,000 planned maintenance work orders on the transmission and distribution networks and a capital expenditure programme of €147 million which included ongoing programmes to improve the safety and reliability of the network. In contrast to 2020, construction activities were not significantly impacted by the COVID-19 pandemic. The exception was a small number of distribution programmes which required access to customer homes – these programmes were suspended for a period at the start of 2021.

99% of all planned maintenance was completed and there were no gas quality non-conformances. We continued to operate the network 24*7 continuously across the year. Grid Control also operated independent shifts from separate locations in Midleton compressor station and Gasworks road as a protective measure to prevent the spread of COVID-19. Gas Control operated independent shifts from NSC and the new business continuity site in Brownsbarn. We responded to 14,646 Public reported escapes with 100% compliance with the one hour response criteria. We delivered the Ballough Bypass project in north Dublin which optimised the configuration of the networks and removed a potential single point of failure on the transmission system.

Operating Review (continued)

Overview (continued)

In South West Scotland we carried out a major upgrade of our Compressor Station in Beattock splitting the station in two to provide greater flexibility and enhance security of supply.

Key Projects 2021:

- Completed construction of a bypass of the Ballough Above Ground Installation in county Dublin to enhance security of supply at a critical hub of the network.
- Construction largely complete on a major upgrade of Beattock Compressor Station to improve the environmental performance of the station, enhance security of supply and make occupational safety improvements at the site.
- Constructed and commissioned boiler upgrades at four Above Ground Installation sites across the network.
- Constructed and commissioned an upgrade of the heating system at Loughshinny AGI, a landfall station.
- Constructed and commissioned a new Gas Quality monitor at Moneynierin AGI.
- Connected 6,219 new customers to the distribution network.

Customers

Delivering excellent customer services

We delivered high quality services to over 711,000 domestic and commercial customers during 2021. There were:

- 40,918 customer appointments made with 99% compliance rate.
- 56,046 customer appointment kept with 99% compliance rate.
- 1.57 million meter reads.
- 506,864 customer contacts handled by our Contact Centre, inbound and outbound.

We met our customer satisfaction score targets across all activities surveyed and there has been a reduction of 2% in complaints made by our customers compared to 2020. We made a number of changes to our SME connections process and this resulted in greatly improved Net Promoters scores and satisfaction for this activity.

Despite challenges faced due to COVID-19, our customers continued to score us strongly on service and in living our brand values of Safety, Integrity, Performing, Collaboration, and Customer Service.

In 2021 two surveys were conducted (one operational survey, one management) to assess the performance of Gas Networks Ireland as perceived by Shippers and Suppliers and to identify areas for improvement. Both the Operational and Management survey results demonstrated strong satisfaction with the service provided. The operations satisfaction score was the same as 2020 at 8.3 out of 10, the management survey results remain equally strong at 7.7 out of 10. Respondents identified Gas Networks Ireland's helpfulness, responsiveness, and high levels of customer service, in explaining their responses. This is also reflected in that 90% of respondents agreed with the brand value statement that 'Gas Networks Ireland delivers great customer service', up from 82% in 2020. Across the board, agreement was up that Gas Networks Ireland was performing in accordance with its values, particularly in relation to collaboration (89% in 2021, up from 81% in 2020) and customer service (90% in 2021, up from 82% in 2020). These positive scores were achieved despite the uncertainty and difficulties stemming from COVID-19 restrictions.

Gas Networks Ireland facilitates the process of gas customers switching from one gas supplier to another. In 2021, there were 9 competing retail suppliers active in the Irish market. During the period from January 2021 to December 2021, over 122,000 gas customers changed supplier. Since the gas market opened to competition in 2004, over 1.38 million changes of supplier have been processed.

Climate Action

Securing our future – Working collaboratively to develop a sustainable energy system that facilitates and supports Ireland's net zero target.

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

The European Union, through its 2021 Climate Target Plan Impact Assessment, concluded that gas will continue to provide 20% of Europe's energy in 2050. The EU Energy System Integration stating that of this 20%, "80% should be of renewable origin".

We are currently working to meet the Government's 2021 Climate Action Plan (CAP) target of 1.6TWh/yr of biomethane on the national gas network by 2030, noting the Government's intent to explore opportunities to increase production and further reduce emissions in the agri-food sector, which we believe is possible.

In 2021, we commissioned 'The Sustainability of Biomethane Production in Ireland' report, which undertaken by Devenish Nutrition and KPMG Sustainable Futures. It concluded that agriculturally produced biomethane can be delivered sustainably and at scale to help reduce on-farm emissions and decarbonise Ireland's energy system. The report found that there is sufficient capacity from improved efficiency across land already in agricultural production to produce up to 9.5TWh of biomethane.

The Renewable Heat Obligation (RHO) consultation launched in August 2021 called for the development of renewable heat sources and if enacted will drive growth in biomethane production. This model of targets and market support is the basis of the successful growth of renewable electricity in Ireland and of renewable gas throughout Europe. While current volumes of biomethane entering Ireland's gas network are minimal, volumes are expected to increase significantly in line with the CAP and proposed RHO.

In 2021 two more publicly accessible fast-fill Compressed Natural Gas (CNG) stations, opened at Circle K's forecourt at Clonshaugh in Dublin and Ballysimon Road in Limerick City bringing the country's total number of public stations to four. The country's four publicly accessible, fast-fill CNG stations, form part of the developing national network of CNG stations aimed at providing clean fuel to the HGV sector. Strategically located to support prominent haulier routes, the state-of-the-art stations have the capacity to fill 50 Heavy Good Vehicles (HGVs) a day, with each fill taking no more than five minutes. The new stations allow hauliers and fleet operators in the region to begin the journey to sustainable transport by switching their fuel from diesel to CNG today and ultimately transition to networked renewable gases, including biomethane and hydrogen, in the future.

The country's first CNG tipper grab truck is now on the road. The vehicle generates well-to-wheel CO_2 emissions reductions of up to 23%[1] and nitrous oxide (NOx) by up to 50%[2] compared to its diesel counterparts and is a strong example of how Ireland can decarbonise a transport sector for which electric vehicles are not a viable option.

1 CENEX, 2019
2 UK Department of Transport, 2018

Operating Review (continued)

Overview (continued)

Kerry County Council became the first local authority in Ireland to trial a zero carbon Heavy Goods Vehicle (HGV) powered by renewable gas. During the two-week trial, Kerry County Council used this clean transport solution to move road salt from Co. Tipperary.

To support more hauliers in making the sustainable switch, we launched a €2.9m CNG Vehicle Grant scheme in 2021 to support the purchase of up to 400 gas-powered trucks, buses and vans to help drive a more sustainable transport sector. The Grant covers 20% of the difference between CNG and diesel-powered vehicles, capped at €5,000, with a maximum €60,000 available to any one applicant.

Following the seamless introduction of small volumes of renewable gas into the network since 2019, Gas Networks Ireland was granted planning permission by An Bord Pleanála in December 2020 for a proposed development of a renewable gas injection facility near Mitchelstown in Co. Cork. The time period for Judicial Review lapsed in February 2021 and the project land purchased completed during 2021. The Mitchelstown facility is part of the GRAZE Gas project, short-listed for funding by the Department of Environment, Climate and Communications under the Climate Action Fund.

Gas Networks Ireland has operated a scheme for the issuance of electronic certificates to track Renewable Gas delivered to the Irish gas system. Input to the Statutory Instrument was submitted to the Department of Climate Communications and Environment in 2021.

If implemented it would appoint Gas Networks Ireland as the Issuing Body for Guarantees of Origin for renewable gas in Ireland in accordance with Article 19 of the Renewable Energy Directive II.

We continue to participate in a number of Irish and European gas fora and research initiatives, which are assessing how hydrogen could be transported using existing gas networks. We have built an independent distribution network in our facility in Brownsbarn to allow us to test how blends of natural gas and hydrogen perform in the network and also with downstream appliances.

Hydrogen Case Study

Investigating various blends of hydrogen for use on the gas distribution system and for gas customers.

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

A hydrogen research project investigating the use of blends of hydrogen and natural gas for use in Irish homes and on the distribution gas network commenced in the summer of 2021. Led by Gas Networks Ireland's Innovation Delivery team, together with Dr Ali Ekhtiari and Dr Eoin Syron from University College Dublin's Energy Institute (UCDEI) the research team is testing the operation and performance of household appliances with varying levels of hydrogen and natural gas blends.

Using the testing facilities at both UCDEI's Integrated Energy Lab and Gas Networks Ireland's new hydrogen innovation facility in west Dublin, which enables the safe testing of pipelines, meters and appliances off-network; the team is working to understand the full potential of hydrogen and ensure Ireland's gas pipelines are capable of safely transporting and storing this vital carbon free gas.

The decarbonisation of Ireland's gas network is essential if we are to transition to a net-zero energy system in Ireland by 2050. This project will provide the data needed to understand how adding hydrogen to the gas network will impact the devices and appliances to ensure a smooth transition with minimal cost and disruption to consumers.

Sustainability

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

For more detail on our commitment to sustainability please see pages 54-66.

Our People

Building a culture that engages, excites and empowers our people and business partners

During 2021, Gas Networks Ireland continued to focus on the support, development and wellbeing of all our employees. There were many engagements during the year including regular all staff briefings, focused round table sessions, monthly employee forums and comprehensive all company sessions.

In 2021, we proudly launched our mental health programme 'Time to Talk'. 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 plan builds on the initiatives we already have in place or have previously undertaken. It also identifies new initiatives to address areas which can be improved. As part of this programme we have delivered awareness training to managers and staff whilst also training Mental Health First Aiders across the organisation. The aim of this programme is to build a positive work environment, through our individual and collective actions and behaviours and to help to break the stigma associated with mental health in the workplace. We want 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. In addition we continued to deliver other health and wellbeing initiatives including nutrition, fitness programmes and mindfulness sessions.

We also continued to deliver our ibelong Diversity and Inclusion programme and in addition to our Women's, Rainbow and Family networks we launched our Ethnicity and Culture network to support our colleagues.

In addition, our commitment to our apprenticeship programme continues with the ongoing development of our current apprentices. We continue to invest in the development of our staff with a number of

Overview (continued)

development programmes delivered throughout 2021 including our quarterly bite size training calendar, leadership development programmes and our female talent programme.

The continuation of the COVID-19 pandemic emphasised the continued need of the core elements of our people strategy including employee engagement, leadership, health and wellbeing and open communications with all our staff.

Technical Training

In 2021 the training and technical competency development of Gas Networks Ireland personnel continued successfully against the challenging background of the COVID-19 pandemic. Training was delivered face-to-face in small groups, online via Zoom and Teams and through the delivery of e-learning modules. Safety controls remained in place throughout training delivery to safeguard both the trainees and the trainers.

A technical training programme was delivered in 2021 to support the mobilisation of new contractor partners for the Networks Services Works Contracts. These new works contracts now include an enhanced framework for the management of training, technical competency development and for competency assurance.

Following the allocation of nine apprenticeships to full time positions within the business in 2020, a further seven apprentices are now making their way through phases three and four of their apprenticeships of Plumbing, Mechanical Automation and Maintenance Fitting, and Electrical Instrumentation.

Practical training delivered in the Gas Networks Ireland Technical Training Centre included the revised leak management procedures, distribution specialist training on branch saddle connections and flow limiter replacement training. Each of these training programmes delivered have a positive safety, efficiency and environmental impact.

The Gas Networks Ireland Technical Training Centre is accredited with Technological University Dublin (TU Dublin). Works on reconfiguration and upgrades in the centre continued in 2021 to facilitate the development and delivery of new courses for TU Dublin accreditation. These accredited training courses are delivered by experienced Gas Networks Ireland trainers.

Other activities in 2021 included the development of a new programme for IT systems applications training to support systems users and improve the efficiency of our business processes. Support and monitoring for our competency assurance programme consisting of competency assessments of Gas Networks Ireland and contractor technicians was successfully delivered.

Overall more than 1,200 technical training days were delivered in 2021 to Gas Networks Ireland staff, engineering service providers and contractor partners.

Aurora

A carrier-neutral operator, Aurora specialises in Dark Fibre services for telecommunications carriers, corporate organisations and government services.

Aurora continued to expand its national footprint in 2021, connecting the main cities; key urban centres and datacentres across 15 counties. The Aurora team also successfully commissioned a 70km dual feed connection to interconnect a new subsea cable that links Ireland to the Isle of Man, continuing on to mainland UK. This critical infrastructure provides one of the shortest and most secure networks between both countries.

In 2022, Aurora is due to commence works to provide both primary and secondary fibre backhaul connections for multiple international submarine cable systems due to land on the west and south of the country.

Aurora continues to grow in a highly competitive market with the most modern, lowest latency network in the country, coupled with the highest level of network availability.

GNI (UK) Ltd

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

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

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

GNI (UK)'s existing price control (GT17) for its pipelines in Northern Ireland will expire on 30 September 2022. During 2021, GNI (UK) submitted its proposed cost requirements to the Utility Regulator for the next price control period, GT22, which will cover the period 01 October 2022 to 30 September 2027 inclusive. The Utility Regulator published a draft determination in respect of GNI (UK)'s submission in December 2021 and is expected to finalise its determination during Q2 2022.

Key projects for 2022

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

Focus on continued engagement with all stakeholders, including DECC's Energy Security Review & Energy Storage Review.

Supporting GNI's participation in the Government's interdepartmental hydrogen working group.

The incorporation of the Price Control outcomes.

Continue to roll-out a national network of CNG stations.

Aurora to commence works on fibre backhaul connections for multiple international submarine cable systems.

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

Progress a number of Capital Works including:

- Commencement of construction on major security upgrades of the Compressor Stations in Scotland.
- Capacity upgrade of Collinstown and Diswellstown AGIs.
- Upgrade of the heating system at Gormanston AGI, a landfall station.
- Construction of 1.7km Transmission pipeline and capacity upgrade at Nangor AGI to facilitate a new connection to a Power Station customer.

Sustainability

During 2021 we continued to embed sustainability in our strategy and purpose.

Our sustainability strategy has three pillars, Environment, Social and Economic, and is aligned with the United Nations' Sustainable Development Goals.

Sustainability is one of the five pillars of Gas Networks Ireland's business strategy and we are committed to ensuring these areas are at the core of our business decisions strategy.

Economic

Social

Environment

We are ever mindful of our sustainability responsibilities and aim to contribute to the protection of the environment while supporting the social and economic development of the communities we operate in. We are proud of the fact that we are one of only 46 companies in Ireland to hold the Business Working Responsibly (BWR) mark and are committed to ensuring that sustainability is at the forefront of everything we do and help Ireland to reduce its carbon emissions.

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

2021 Highlights

This year we:

- Continued to publish our annual sustainability report "Sustainability in Action" highlighting progress in implementing the principles of the UN Sustainable Goals. This year's report met the Global Reporting Initiative standard for sustainability reporting for the first time.
- Participated in the Carbon Disclosure Platform (CDP) for the second time. We improved our rating from a B- to a B which demonstrates our commitment to improving our carbon performance year on year.
- Recertified to ISO26000 Business Working Responsibly Mark for responsible and sustainable business practices for the fourth time.
- Maintained 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.
- Exceeded the Public Sector Energy Efficiency target (33% by 2020) and achieved a 52% energy efficiency improvement.
- Won the CCA Global Outstanding Community Support Award - one of five new categories introduced to this year to recognise effort and response to Covid-19.
- Won the inaugural Age Action BIG Corporate Challenge for fundraising efforts demonstrated by colleagues across the business.
- Won Green Business of the Year 2021, and for the second year running won the Green Large Organisation of the Year at the 2021 Green Awards.

This is an excellent achievement for Gas Networks Ireland as the Green Awards are seen by many as Ireland's leading environmental event for businesses.

Sustainability (continued)

Environmental impact

Investment in leading edge asset management systems and processes will contribute to enhanced network asset performance and energy efficiency. In 2021, Gas Networks Ireland maintained certification to ISO14001 and ISO5001 along with ISO systems, ISO45001, ISO55001 and ISO9001.

Gas Networks Ireland has adopted an iterative multi-year approach to reducing the environmental impact of its business activities. Significant milestones on this journey have been the implementation of an Environmental Management System (certified to ISO14001) in 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 2021, outlining progress in implementing the principles of sustainable development across all aspects of our operations. This year's report met the Global Reporting Initiative standard for sustainability reporting for the first time.

Gas Networks Ireland won both the Green Business of the Year Award and the Green Large Organisation of the Year Award at the 2021 Green Awards.

This was the second time Gas Networks Ireland has won at these awards, at what is seen by many as Ireland's leading environmental event for businesses. The winner of the Green Business of the Year Award is chosen by a panel of judges and selected from the winners of all other categories. The Green Large Organisation of the Year Award goes to the large business who can demonstrate a bottom-up best environmental practice in all aspects of running a large business. Judges examined all aspects of the business including waste management, biodiversity, use of green suppliers or materials, transport, energy and water efficiencies, staff engagement and community involvement.

To reduce our impact on the environment we have developed objectives in a number of areas including air/carbon emissions, energy use, waste generation and efficient use of resources all of which are verifiable within our certified Environmental Management System ISO14001 and Energy Management System ISO50001. Our Green House Gas (GHG) inventory was independently verified according to ISO14064-3:2019 specifications with guidance for the Validation and Verification of Greenhouse Gas Statements.

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

In 2021 we continued to focus on the areas of biodiversity, GHG emissions/carbon management, waste, energy and procurement.

Biodiversity

The Company's multifaceted award winning Biodiversity Enhancement Programme is in place since 2017 and ongoing ever since.

Through the Biodiversity Enhancement Programme the Company supports the All Ireland Pollinator Plan. With assets all over the island of Ireland, the Company recognise the potential to create a network of pollinator friendly habitats across the country and to share our knowledge with other businesses.

In 2020, Gas Networks Ireland joined leading companies around the world to call for ambitious and collective action on nature by signing up to the Business for Nature Call to Action. The Company has made nature a priority through its Biodiversity commitments and strives to have a net gain impact on biodiversity across its operations by 2025.

In 2021 we developed a GNI Biodiversity Action Plan which outlines action to be taken by the business to help achieve its Biodiversity Commitments. Examples of actions taken in 2021 include the development of GNI Landscape Guidelines to help support the business with regards to management and maintenance of our Facilities including our Above Ground Installations, Offices and Compressor Stations. Our two main contractors, who carry out work on our behalf, signed up as Business Supporters of the All Ireland Pollinator Plan which GNI are Business Partners.

In 2021 Gas Networks Ireland continued our work as a member of the Irish Business and Biodiversity Platform.

The Biodiversity programme also aims to increase biodiversity knowledge and awareness among staff and stakeholders. Biodiversity awareness initiatives undertaken during the year include conducting Biodiversity webinars with staff and also for children of staff. We also sponsored a Biodiversity Booklet for Gardeners which was made available via the Irish Examiner as part of National Biodiversity week.

Climate Change and CDP

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

Improving on its inaugural rating of a 'B-' last year to scoring a 'B' in 2021, Gas Networks Ireland exceeded the global and European averages, as well as the sector average to finish in the top quartile of the 11,759 firms world-wide assessed by the Carbon Disclosure Project (CDP). 73 Irish companies were included.

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

Green House Gas Emissions and Carbon Performance

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

In 2021 GNI's GHG inventory was independently verified according to the ISO 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

Sustainability (continued)

Environmental impact (continued)

Waste Reduction

Gas Networks Ireland is committed to reducing our waste to landfill. Monthly KPI's are recorded and reported. The Company's long term target is zero waste to landfill by 2025. All of our waste suppliers are audited to assess operational practice and to ensue adherence to Gas Networks Ireland's standards. Our two main contractors who carry out work on our behalf also report monthly on their waste KPIs and are also striving to meet GNI'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.

> All of our waste suppliers are audited to assess operational practice and to ensue adherence to Gas Networks Ireland's standards. ”

Sustainable Procurement

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

Social impact

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

In 2021 Gas Networks Ireland was recertified 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 Network Ireland was announced as the winner of the Outstanding Community Support Award for exceptional customer service and support to communities at the 2021 CCA Excellence Awards.

We were also nominated for a number of Chambers Ireland Sustainable Business Impact Awards in 2021 including Excellence in Community, Excellence in Volunteering, Best Charity Partnership and Excellence in Environment.

Our Colleagues

Our overarching ambition at Ervia is that the people who work across our company feel like this is a great place to work, and that their experience of coming to work every day is enriching and rewarding. As an organisation we are committed to listening to our people in a number of ways. This includes engagement surveys, through our employee forums and a program of two-way leadership communications. By continuing to listen and address areas that are important for our people we can take really positive steps to shape our culture, improve how we do things and how we support our people. We aim to create an environment where all of our people find their role both personally and professionally rewarding.

2021 was a challenging year as we continued to live with COVID-19 and the impact it has had on our lives as well as on our business. At the beginning of the pandemic we adjusted our ways of working and adapted effectively to ensure we continued to deliver essential services and to support our employees and to ensure their safety while working on site, in the office or at home. Throughout 2021 we considered future ways of working, post pandemic, and commenced our Future Ways of Working project in readiness for the future.

Sustainability (continued)

Social impact (continued)

Together we made great progress in 2021 and we continued to deliver essential services

Over the course of the past 12 months, teams across the business implemented local action plans to address areas of engagement that were of most relevance and importance to them.

Across the organisation we have also delivered national programmes such as the completion of our health screening; we progressed our ibelong diversity and inclusion agenda and we delivered wellbeing activities including nutrition, fitness programmes and mindfulness sessions. We continued to support collaboration with technology supports like Zoom, conference calls, instant messaging and lots more.

Communicating with our people continues to be a priority – making sure our people have clear, relevant, timely information.

In 2021, we also held our People Awards, our annual recognition awards ceremony. This event was held virtually, with close to 800 employees taking part. Staff had the opportunity to nominate people from across the organisation for one of the awards which included 'unsung hero' and 'exceptional citizen awards'.

In 2021 we completed two significant change programmes; Project Horizon and Project 23. Project Horizon was the Gas Networks Ireland organisation redesign as we create the organisation structure to support our future business ambitions. Project 23 was the change programme to facilitate the separation of Irish Water from Ervia and Gas Networks Ireland. These changes had large impacts on people across the organisation and there was a significant level of consultation, collaboration and communication across the year.

Engagement surveys

In December we completed our annual engagement survey and during the year we also delivered a pulse survey. These surveys allow us to fully understand what is important to employees so that we can deliver the right initiatives to support them. They also help to ensure that local teams can continue to make progress in areas of engagement that are important to them.

Environment

In 2021 Gas Networks Ireland launched a new partnership with Leave no Trace Ireland.

In a European first, Gas Networks Ireland marked the launch of its 2020 sustainability report by partnering with environmental group, Leave No Trace Ireland, to help restore Glengarra Wood in Co. Tipperary as part of the international "Hot Spot" programme.

As part of our commitment to supporting environmental, social and economic sustainability in 2021, Gas Networks Ireland worked with Leave no Trace, Coillte and the Burncourt Community Group to help the former demesne woodland recover the natural qualities lost through the impact by littering and trail erosion.

The Leave No Trace Hot Spot programme is a critical initiative designed to address areas impacted by outdoor activities and heavy use so they can be restored and thrive again.

Glengarra Wood received a unique, site-specific blend of training, expert consulting, education programmes, service projects, monitoring programmes and more, resulting in a sustainable outdoor area that is on the road to recovery.

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 your carbon footprint.

Over 50 Gas Networks Ireland volunteers took part in six 'Impact Days' involving the removal of invasive species, clearing access for recreation and removal of litter and waste.

The teams also took part in a Hot Spot "BioBlitz", recording all species sightings and collating them into one database to compliment the development of the biodiversity action plan.

Building strong relationships in the communities where we operate is fundamental to carrying out our business effectively.

Representatives from Leave no Trace and Gas Networks Ireland also presented findings from the project to a number of local schools in the Glengarra area.

The work, which was funded by Gas Networks Ireland, will help form the basis for a bio-diversity plan for the future of the wood.

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 social inclusion programme focuses on the core areas of education, employability and accessibility.

Sustainability (continued)

Social impact (continued)

Education

In 2021 we continued with our Science, Technology, Engineering and Maths (STEM) education programme, Energize, in partnership with Junior Achievement Ireland in primary schools across the country. The Energize programme was relaunched virtually last year to facilitate business volunteers to deliver the programme remotely to schools nationwide. 2021 marked the 12th 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.

We also supported other STEM initiatives including sponsoring a penal event at iWish, STEM SW exhibition, Science Week and Engineers Week with 890 volunteering hours delivered by Gas Networks Ireland employees in 2021. The Gas Networks Ireland team was featured in Business Plus magazine's Corporate Social Responsibility special which detailed the continued support for education and social inclusion throughout COVID-19.

iWish

iWish is an award-winning initiative to inspire, encourage and motivate secondary school female students to consider careers in Science, Technology, Engineering and Maths.

iWish 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 and Irish Water worked together to sponsor a panel event focused on sustainability.

Time to Count

Gas Networks Ireland launched a new community programme in 2021 – Time to Count. Time to Count is supported by Business in the Community Ireland and is a wonderful opportunity for colleagues to provide numeracy support through the medium of fun, interactive games and activities with 8-9 year old children from local DEIS (designated disadvantaged) primary schools. This new programme replaced our previous Time to Read programme but ran with our long-term partner schools Mother of Divine Grace in Finglas and Scoil Aiséirí Christ in Cork.

Webinars

As part of Gas Networks Ireland's efforts to adapt to delivering community programmes remotely, teams across the business worked together to deliver a number of webinars to promote awareness of sustainability topics.

The Laois Barn Owl Project and Don Conroy

Gas Networks Ireland teamed up with artist, activist and TV legend Don Conroy for a special free 'Draw with Don' online event in March 2021 to celebrate the launch of its partnership with the Laois Barn Owl Project.

To help broaden awareness of Barn Owls, increase their conservation and grow their population locally, Gas Networks Ireland funded 20 outdoor Barn Owl nesting boxes made from a material intended to last for 20 years in an outdoor environment.

Don spent many years merging his love of drawing and wildlife to highlight the importance of barn owl conservation and shared his passion with event attendees which included a drawing competition with a prize of an original creation by Don himself.

Fota Wildlife Park

Gas Networks Ireland joined forces with Fota Wildlife Park to host a free online 'Wild about Sustainability' event in June 2021.

The Director of Fota Wildlife Park brought attendees behind the scenes and shared what Fota is doing to support its animals and the environment, with quizzes and family passes up for grabs.

In 2021 Gas Networks Ireland continued to support the World of Work programme which promotes education for secondary school students.

Attendees learned about the most sustainable ways to feed giraffes and how they make bison's bedding from leftover giraffe feed, how geothermal heating is used in the tropical house and why it's so important to reptiles and cold-blooded animals, even discovering how useful the animals' dung is.

Sustainability (continued)

Social impact (continued)

The Grow Dome Project

The Grow Dome Project is an award- winning social enterprise which transforms unused land into a community resource through the installation of grow domes. Again this year we continued our support for this project through our partnership with Inner City Enterprise.

Accessibility

During 2021 we accelerated our partnership with Age Action by taking part in the inaugural BIG Corporate Challenge.

The Age Action BIG Corporate Challenge is a six-month Corporate Social Responsibility (CSR) programme that encourages corporate teams to promote intergenerational connection whilst raising funds and awareness to support Age Action's work. By pledging to "Be Intergenerational," participants will increase understanding across generations, which is key to transforming attitudes towards ageing and achieving a more inclusive society that values all of us as we age.

The fundraising team from across Gas Networks Ireland raised almost €15,000 through a series of planet friendly themed fundraising events entitled 'Strong Roots, Green Shoot's' winning the first year of the BIG competition.

Separately our colleagues volunteered to tutor older people in the use of smartphone and video calling technology, helping them to keep in touch with their families whilst cocooning.

We also donated proceeds from our customer surveys and our colleagues raised funds throughout the year.

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 expanding is recognised. 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.

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

Gas Networks Ireland joined forces with Dr Shaw to host a free online 'My Place in Space' event to celebrate Science Week in November. Dr Shaw shared her experience of taking a zero-gravity parabolic flight, participating in a simulated mission to Mars in the Utah desert and witnessing Alexander Gerst launch into Space from Baikonur Cosmo drome in Kazakhstan.

Employability

World of Work
In 2021 Gas Networks Ireland continued to support the World of Work programme which promotes education for secondary school students. We have worked with Nagle College Cork on the programme since 2006, celebrating our 15th year working with the school this year. 2021 marked Gas Networks Ireland 12th year partnering with Beneavin College in Finglas.

> The fundraising team from across Gas Networks Ireland raised almost €15,000 through a series of planet friendly themed fundraising events entitled 'Strong Roots, Green Shoot's' winning the first year of the BIG competition. ”

Sustainability (continued)

Economic Impact

Natural gas is of key strategic importance to the Irish economy, representing 34 percent of Ireland's primary energy mix and generating 46 percent of Ireland's electricity.

Gas Networks Ireland's aim is to deliver an excellent, efficient and cost-effective service that benefits all customers.

Ireland's gas network is a valuable national asset which will play a major role in achieving a clean energy future in a least cost, safe and secure manner.

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

Investment in Our Future

We serve over 711,000 gas customers in Ireland, including over 27,000 businesses. Ireland's national gas network infrastructure, which is valued at €2.7 billion, is 14,664 km long and connects towns and villages in multiple counties across the country.

In 2021 we connected 6,219 new commercial and residential customers to the gas network and contracted 848 GWh of new natural gas demand.

In 2021 we delivered a strong financial performance. With safety as a priority for our assets and operations, we invested €147m in our gas and telecoms network infrastructure with a strong focus on driving growth and increasing new connections to the network, developing Compressed Natural Gas as a transportation fuel and delivering programmes to improve the safety and reliability of the network.

Governance Report

The Board

Tony Keohane
(Chairman)

Appointed: June 22nd 2022 (having previously been appointed July 5th 2016)

Term: 3 years

Board Committees: Remuneration

Career: Alumni of INSEAD, expert in strategic development of businesses and organisations, Ex-Chairman of Tesco Ireland, CEO of Tesco Ireland from February 2006 until July 2013.

External Appointments: Chairman of Repak and the Malone Group, Board of Sam McCauley Chemists and An Bord Bia, strategic advisor in his own consultancy business.

Cathal Marley

Appointed: August 10th 2020

Term: 5 years

Board Committees: Investment/Infrastructure

Career: Group CEO of Ervia having previously held the role of Group CFO of Ervia. He joined Ervia in 2016 and has worked for over 20 years in the energy and infrastructure sectors, including electricity, gas and water. Having operated in a number of senior roles within large organisations both in Ireland and in Eastern Europe, he brings extensive utility, commercial and fund raising experience to Ervia.

External Appointments: Fellow of the Institute of Chartered Accountants in Ireland and holds an MBA from the UCD Michael Smurfit Business School, serves on the Audit Committee of Dublin City University and member of the IMI Council.

Fred Barry

Appointed: January 10th 2020 (having previously been appointed July 5th 2016)

Term: 4 years

Board Committees: Investment/Infrastructure, Project 23

Career: CEO of the National Roads Authority 2005-2015, Group Managing Director of various Jacobs companies.

External Appointments: Chairman of the National Transport Authority, Non-Executive Director of the PM Group, Fellow of Engineers Ireland and of the Irish Academy of Engineering.

Geraldine Kelly

Appointed: October 12th 2021

Term: 3 years

Board Committees: Audit and Risk, Investment/Infrastructure

Career: 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.

External Appointments: Currently serving as a non-executive director on a number of boards including Bank of Ireland Mortgage Bank, she is Chair of Accountant Online Limited and SnapDragon Monitoring Limited. Previous experience includes serving as Chair of Plan Ireland and Microfinance Ireland as well as a non-executive director of Cenergise Energy Trading Limited, Gaelectric Limited and Tyndall National Institute.

Chris Banks

Appointed: June 22^{nd} 2022 (having previously been appointed July 5^{th} 2016)

Term: 3 years

Board Committees: Investment/Infrastructure, Project 23

Career: Commercial Director at Scottish Water from 2002–2014 during its formative period and business transformation within public sector ownership. Held responsibility for Procurement Asset Delivery partnerships, energy management, property & facilities, IT, fleet, non-regulated businesses in renewables, contracting and international consultancy, and overseeing market opening for water retail competition. Previously worked at board and senior management level in building products, minerals and shipping industries.

External Appointments: Non-executive Director, Interim Commercial Director, and strategic advisor to a number of utility, consultancy, technology services and supply companies in water, waste and renewable energy sectors.

Sean Hogan

Appointed: January 10^{th} 2020 (having previously been appointed January 20^{th} 2015)

Term: 4 years

Board Committees: Audit and Risk, Project 23

Career: Chartered Director, Chairman of WRAS Ltd in the UK, Chair of expert advisory committee on bovine tuberculosis for the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

External Appointments: Chairman of Northern Ireland Water Limited from March 2011–March 2015.

Liz Joyce

Appointed: October 12^{th} 2021

Term: 3 years

Board Committees: Project 23 and Remuneration

Career: Previously held senior executive roles in the Central Bank of Ireland, Pioneer Investments, Greenstar Ltd., Diageo and Concern International. Extensive experience in governance, leading change and engaging stakeholders in international and complex environments.

External Appointments: Independent Director with the board of the Football Association of Ireland. Previously held a range of non-executive roles including with Aware and Concern International. Practices as a Leadership/Executive Coach and OD Advisor/Consultant.

Keith Harris

Appointed: July 5^{th} 2019 (having previously been appointed on July 5^{th} 2016)

Term: 4 years

Board Committees: Audit and Risk, Remuneration, Project 23

Career: Senior Executive and Board positions at Wessex Water, Global Head of Regulation at Enron/Azurix.

External Appointments: Director of South Staffordshire plc, Owner of private infrastructure advisory business Lorraine House, Industry partner in AIP Asset Management, associate of OXERALLP.

Finbarr Kennelly

Appointed: December 12^{th} 2017 (having previously been appointed on December 11^{th} 2012)

Term: 5 years

Board Committees: Audit & Risk, Remuneration

Career: Currently Finance Director with Procuro Euro and previously held senior positions with the Gardiner Group, Financial Controller of Alcatel Business Systems Ireland, Finance and Operations Director of Golf Vacations Ireland.

External Appointments: Former Board Member of the Housing Finance Agency plc, mentor with Plato Ireland.

Joe O'Flynn

Appointed: June 22^{nd} 2021 (having previously been appointed in July 2018, January 2015, November 2013 and November 2008)

Term: 3 years

Board Committees: Project 23, Investment/Infrastructure

Career: Former Lord Mayor of Cork and former city councillor. Former General Secretary of SIPTU, Treasurer of the Irish Congress of Trade Unions and a member of its Executive Council.

External Appointments: Former director of 2 SIPTU affiliated bodies; the Institute for the Development of Employment Advancement Services and the Larcon Centre. Member of the Executive Board of the International Transport Federation. Chairman of the One Cork Group and a member of the Cork Airport Development Council.

Report of the Board

Governance Statement

Ervia is a statutory body existing under the laws of Ireland and established pursuant to the Gas Act1976 (as amended).

Governance

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

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

As a statutory body, Ervia is not subject to the provisions of the Companies Act 2014. For details of the principal legislation under which Ervia and its subsidiaries (Gas Networks Ireland and Irish Water) operate and to access the key documentation which underpins Ervia's corporate structure, refer to our website at www.ervia.ie.

Roles and Responsibilities of the Board

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

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

The Board has put in place a corporate governance structure which delegates authority to its Committees to carry out certain tasks on its behalf so that it can give the right level of attention and consideration to those and other matters. Ervia's Board Committees are outlined in further detail on pages 74-75.

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

Standing items considered by the Board at each meeting include:

- Declaration of any conflicts of interests.
- Reports from Committees.
- Financial reports/management accounts.
- Chief Executive Report.
- Safety including COVID-19.

Formal Schedule of Matters Reserved for the Ervia Board

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

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

Matters Considered by the Board in 2021

Strategy	• Strategic Direction of Ervia, Gas Networks Ireland and separation of Irish Water in 2023. • Board transition arrangements for integration/separation. • Updates on Project 23. • Updates on Single Public Utility. • 2021 Balanced Scorecards. • Ongoing dialogue with Ervia's shareholder on strategic issues. • Sustainability and bio-diversity strategy. • Updates on the Climate Action Plan. • IT and digitisation strategy. • Price Control Submission for Gas Networks Ireland and GNI (UK) Limited. • Approval of the release for public consultation of the Regional Water Resources Plan Eastern and Midlands region. • Water Supply Project and Abstraction legislation.
Safety	• Monthly updates on management of the Group's response to the COVID-19 pandemic. • Monthly health and safety metrics for the Group. • Implementation of mental health awareness initiative across the organisation. • Bi-annual safety updates.
Operations	• CEO's Operations Report including Key Performance Indicators. • Capital investment evaluations. • Delivery of critical projects safely throughout the COVID-19 pandemic. • Quarterly water leakage performance updates. • Updates on Water Treatment Plant incidents.
Corporate Governance	• Annual Board evaluation. • Review of Board and Board Committee Terms of Reference. • Monitoring compliance with the Code of Practice for the • Governance of State Bodies. • Appointment of Level 1 and Level 2 Executive Roles and Target Operating Models. • Appointment of Directors to Gas Networks Ireland and Irish Water. • Revised constitutions for Gas Networks Ireland and Irish Water. • Review of the Code of Business Conduct Anti-Fraud Policy , • Protected Disclosures Policy and Anti-Bribery and Anti-Corruption Policy. • Review of Governance framework and associated policies in preparation for operational separation of Gas Networks Ireland/Ervia and Irish Water.
Finance	• Annual published results. • Monthly trading results including performance versus budget and forecast and COVID-19 implications. • COVID-19 contract claims strategy. • Annual budget and funding. • Quarterly re-forecasts. • Updates on efficiencies. • Dividends. • Business Plans.

Board Responsibilities Statement for the Annual Report and Financial Statements

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

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

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

- Suitable accounting policies have been selected and applied consistently.
- Judgements and estimates used are reasonable and prudent.
- Preparation of the Financial Statements on a going concern basis is appropriate.
- The Financial Statements give a true and fair view of the financial position of Ervia at 31 December 2021 and for the year ended.

The Board

Board members are outlined on pages 68-69.

Board Composition

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

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

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

As the company progresses the separation of the Irish Water business from the Ervia group, new operational structures in Irish Water and Gas Networks Ireland remain subject to the overall governance of the Ervia board. The overall governance structure of the group will remain unchanged until legal separation.

Induction and Development of New Board Members

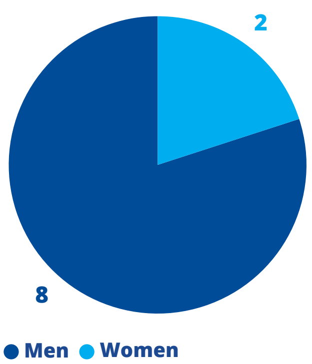
On appointment, Board Members are provided with detailed briefing documents covering governance, financial and operational information and an opportunity to be briefed by the Executive team on the different aspects of the business of the Group.

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

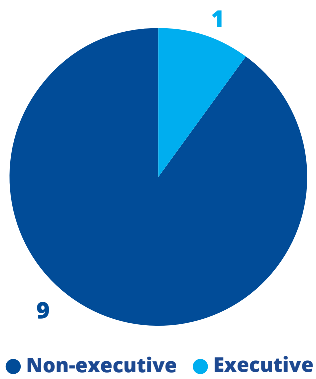
Independence

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

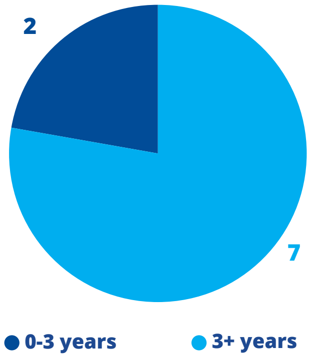
Board Gender



Executive and non-executive Board Members



Non-executive Board Member tenure



Board Members' Remuneration, Expenses and Attendance

The Minister determines the fees payable to Board members. A schedule of attendance at the Board and Committee meetings for 2021 is set out below, including the fees and expenses received by each member.

Board Member	Remuneration (€)	Expenses (€)	Board (attended/ eligible)	Audit and Risk (attended/ eligible)	Remuneration (attended/ eligible)	Investment/ Infrastructure (attended/ eligible)	Project 23 (attended/ eligible)
Tony Keohane (Board and Remuneration Committee Chairperson)	31,500	-	16/16	-	11/11	-	-
Chris Banks	15,750	-	15/16	-	-	11/11	7/8
Fred Barry (Investment/ Infrastructure Chairman)	15,750	-	15/16	-	-	10/11	7/8
Celine Fitzgerald (resigned 30th April 2021)	5,250	-	5/6	-	3/3	-	3/3
Keith Harris (Audit and Risk Committee Chairperson)	15,750	-	15/16	5/5	11/11	-	8/8
Sean Hogan (Project 23 Committee Chairman)	15,750	-	15/16	5/5	-	-	5/5
Mari Hurley (resigned 28th August 2021)	10,399	-	9/9	3/3	8/8	-	-
Liz Joyce (appointed 12th October 2021)	3,473	-	4/4	-	1/1	-	1/1
Geraldine Kelly (appointed 12th October 2021)	3,473	-	4/4	1/1	-	2/2	-
Finbarr Kennelly	15,750	-	15/16	4/5	11/11	-	-
Cathal Marley (CEO)	Note 1	-	16/16	-	-	11/11	-
Joe O'Flynn	15,750	-	14/16	-	-	10/11	7/8

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

The Board (continued)

Board and Committee Effectiveness and Evaluation

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

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

Board Committees

The overall governance structure of the group will remain unchanged until legal separation, and it is anticipated that the existing Ervia sub-committees would continue to support the Ervia and subsidiary boards in the period to legal separation.

The Board has an effective Committee structure in place to assist in the discharge of its responsibilities. Four committees of the Board assist in the discharge of its responsibilities and are delegated specific responsibilities by the Board as set out in their Terms of Reference.

Audit and Risk Committee

Activities undertaken by the Audit and Risk Committee in 2021 are outlined in the Audit and Risk Committee Report on page 82. The Audit and Risk Committee held 5 meetings during the year.

Investment/Infrastructure Committee

The Investment/Infrastructure Committee's responsibilities are set out in its Terms of Reference, which is available at www.ervia.ie. The Investment/Infrastructure Committee held 11 meetings during the year.

Key activities undertaken by the Investment/Infrastructure Committee in 2021 include the:

- Capital project evaluation and investment planning approach.
- Examination of impact of COVID-19 pandemic on delivery of capital projects.
- Updates on Major Projects and related cost estimates.
- All capital expenditure proposals in excess of €10m.
- Upcoming tenders.
- Early contractor involvement programme.
- Quarterly updates on critical assets.
- Portfolio planning and investment prioritisation.
- Electricity supply framework.
- Strategies including waste management, climate change and CO_2 footprint.
- Post project reviews.

Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference, which is available at www.ervia.ie. The Remuneration Committee held 11 meetings during the year.

Key activities undertaken by the Remuneration Committee in 2021 include:

- Review of the CEO's and other senior managers' performance for 2020.
- Review and consideration of Talent and Succession plans.
- Review of the Ervia pay model.
- Appointment of Level 1 and Level 2 Executive roles as part of the separation of Gas Networks Ireland/Ervia and Irish Water.
- Set and review performance as per 2021 scorecards.
- Consideration of the results of the employee engagement survey.
- Annual review of executive pay.
- Single Public Utility pension implications.
- Project 23 pension implications.

Project 23 Committee

The Project 23 Committee was established by the Board to consider the development of a separation plan further to the Government decision that Irish Water would become a standalone, publicly owned, commercial, regulated utility separated from the Ervia Group during 2023 and to ensure that the separation plan addresses the legal, financial, governance and operational issues involved in the creation of both Irish Water, and also the remaining Energy business, as standalone fully functioning entities capable of delivering on their respective purposes. The Committee met 8 times during the year.

Key activities undertaken by the Project 23 Committee in 2021 include:

- Stakeholder engagement.
- Updates on Project 23.
- Updates on the Single Public Utility.
- Single Public Utility Business Case.
- Consideration of necessary property transfers.

Ervia Annual Report

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

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

Analysis of Employee Benefits

Details of the number of employees whose total employee benefits (excluding employer pension costs and termination benefits) for the financial year for each band of €25,000 from €50,000 upwards are set out below.

	2021	2020
€50,000-€75,000	**415**	430
€75,001-€100,000	**285**	266
€100,001-€125,000	**141**	115
€125,001-€150,000	**58**	53
€150,001-€175,000	**24**	26
€175,001 and above	**36**	26

Note: 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.

The Board (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. Where consultancy work is contracted by Ervia on behalf of Irish Water, the related costs are included in the Irish Water disclosure only.

	2021 €'000	2020 €'000
Legal advice	**83**	165
Financial advice	**550**	485
Business improvement/change	**1,978**	2,248
Other	**252**	185
Total consultancy costs	**2,863**	3,083
Capitalised	**-**	-
Income statement	**2,863**	3,083
Total consultancy costs	**2,863**	3,083

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.

	2021 €'000	2020 €'000
Legal fees & costs	**1,535**	1,940
Settlements	**599**	402
Total	**2,134**	2,342
Number of legal cases	**23**	11

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

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

Note 3: The 2020 legal costs included an amount of €80,946 in relation to a legal matter involving Coillte.

Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2021 €'000	2020 €'000
Domestic		
Board *	**-**	4
Employee	**884**	1,237
International		
Board	**-**	-
Employee	**22**	80
Total	**906**	1,321

* includes travel and subsistence of €nil paid directly to Board members in 2021 (2020: €668). The balance of €153 (2020: €2,961) relates to expenditure paid by Ervia on behalf of the Board members. Travel and subsistence expenditure incurred by the executive Board member is deemed to be incurred in their capacity as an employee.

Hospitality

The income statement includes the following hospitality expenditure:

	2021 €'000	2020 €'000
Staff hospitality	**146**	78
Client hospitality	**17**	45
Total	**163**	123

Transparency

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

Protected Disclosures and Raising Concerns

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

Section 22 of the Protected Disclosures Act 2014 requires Ervia to publish an Annual Report relating to protected disclosures made under the Act In accordance with this requirement, Ervia confirms that in the year ending 31 December 2021, there was one protected disclosure reported. The matter reported was investigaged in accordance with Ervia's Protected Disclosures Policy and is now concluded.

Regulation of Lobbying

Ervia and its subsidiaries (Gas Networks Ireland and Irish Water) 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 2021 in accordance with the requirements of the Regulation of Lobbying Act 2015.

Prompt Payments

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

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

Model Publication Schemes

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

Publication Schemes for each of Irish Water and Gas Networks Ireland are published on their respective websites, www.water.ie and www.gasnetworks.ie. Although Ervia is not itself subject to Freedom of Information legislation, it strives to apply the principle of transparency and therefore adheres to the model publication scheme by publishing relevant information on its website, www.ervia.ie

Gender Balance, Diversity and Inclusion

Throughout 2021, Ervia's iBelong Diversity and Inclusion Programme continued to focus on creating a dynamic, diverse and inclusive working community where employees feel a sense of belonging, and embedding a diversity and inclusion strategy within the organisation. Working to achieve the goals outlined in the iBelong Strategic Plan 2019 to 2023, the year saw another number of important milestones reached, including; our first company-wide acknowledgement and celebration of Pride Month, the launch of the iBelong Ethnicity and Cultural Network, the commencement of our support of neurodiversity in the workplace and the homes of our employees, and the addition of diversity-related demographic questions to our annual employee engagement survey, to help further inform our work in supporting Diversity and Inclusion in our two Utilities in 2022 and beyond. Progress was also made in identifying and making improvements in recruitment and selection as we completed a review of gender coding in job descriptions, added an inclusion statement to our job advertisement template, and also made process changes to avoid single sex candidate shortlists wherever possible.

Our iBelong Women's, Rainbow, Family and Ethnicity and Cultural Networks continued to grow and develop in 2021. A key resource and a forum of positive support for their members, the networks held numerous membership events, created connections between employees and engaged in discussions with leadership to help shape our organisations in the future.

2021 also saw increased external awareness of Ervia's commitment to and investment in Diversity and Inclusion. Ervia became a signatory to the Diversity Charter of Ireland; Irish Water and Gas Networks Ireland signed the Business in the Community Pledge; and members of the iBelong Ethnicity and Cultural Network represented our organisation and presented on the creation of an Inclusive Workplace at the annual conference of the Irish Human Rights and Equality Commission. Ervia and iBelong was part of a programme of work awarded the Most Effective Employee Engagement Strategy at the HR Leadership and Management Awards.

Statement on the System of Internal Controls

Scope of Responsibility

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

Purpose of the System of Internal Control

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

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in Ervia for the year ended 31 December 2021 and up to the date of approval of the Financial Statements.

Management of Risk

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

Risk and Control Environment

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

Audit and Risk Committee

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 a substantive review of the Group risk register, which is prepared by management, ensuring oversight of the key risks and reviewing the effectiveness of management's responses to key risk exposures facing the Group. The ARC also reviews the overall integrity of the risk management system including the effectiveness of the risk and internal audit functions.

Integrated Assurance Forum

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

The IAF meets quarterly to confirm all assurance activities and required signoffs are co-ordinated and evidenced in a structured manner. This culminates with the IAF, at year-end, providing assurance to the Board on the effectiveness of the controls. The IAF process, along with numerous other governance, risk and control activities across Ervia, supports the Board in signing-off on the Statement on the System of Internal Controls.

The Integrated Assurance framework further consolidates and co-ordinates in a structured manner all assurance activities in the organisation across the "Three Lines" risk management model. This ensures that Ervia maximises risk and governance oversight and control to build organisational resilience and follows leading practice to support compliance obligations and governance requirements. The ARC is appraised of the results of the IAF on a quarterly basis.

Internal Audit

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

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

In particular the Internal Audit function:

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

Risk Management Function

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

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

In particular, the risk management function:

- Ensures that adequate and consistent processes and oversight are in place for identifying, measuring, managing, monitoring and reporting the risks to which Ervia is exposed.
- Ensures that oversight is maintained and an assessment is undertaken of the Ervia risk profile including principal risks, emerging and trending risks and high impact low probability risks, including a description of these risks and associated mitigation measures or strategies and their effectiveness.
- Embeds an appropriate risk management culture.

Elements of Control Environment

In addition to the key structures referred to above a control environment, containing the following elements, is in place:

- Responsibility by management at all levels for internal control and risk management over respective business functions.
- A Corporate Governance Framework, including financial control and risk assessment. This is monitored by management and by the Internal Audit and Risk Management functions.
- Clearly defined organisational structure, with defined authorisation limits and reporting mechanisms to higher levels of management and to the Board.
- A comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require Board approval, and are closely monitored on an ongoing basis by the Board's Investment/Infrastructure Committee.
- Established processes to identify and evaluate business risks by identifying the nature, extent and financial implication of risks facing the Group including the extent and categories which it regards as acceptable.
- Other processes to identify and evaluate business risks include assessing the likelihood of identified risks occurring and assessing the Group'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 subject to Board approval.
- A comprehensive system of financial reporting. Cumulative monthly actual results are reported against budget and considered by the Board on a monthly basis. The Board questions variances and remedial action is taken where appropriate.
- A comprehensive set of management information and performance indicators is produced quarterly, enabling progress against longer-term objectives and annual budgets to be monitored, trends evaluated and variances acted upon.
- Internal policies requiring all employees to act with integrity and maintain the highest ethical standards. These policies include the Code of Conduct, Anti-Fraud Policy, Anti-Bribery and Anti-Corruption Policy, Regulation of Lobbying Policy and Protected Disclosures Policy.

Statement on the System of Internal Controls (continued)

- A comprehensive anti-fraud programme including anti-fraud policy, training and communication and a fraud response plan.
- Systematic reviews of internal financial and operational controls by internal audit and risk management. In these reviews, emphasis is focused on areas of greater risk as identified by risk assessment.
- An internal control framework assessment that involves undertaking an extensive risk assessment, reviewing the operation and effectiveness of key control policies and processes, internal control self-assessment reporting, monthly performance reporting, supported by the assurance activities of Risk, Internal and External Audit.

There were no material issues highlighted in our internal control environment in 2021.

Ongoing Monitoring and Review

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

The Board is satisfied that the system of internal control in place is appropriate for the business. Ervia's monitoring and review of the effectiveness of the system of internal control is informed by the senior management within Ervia responsible for the development and maintenance of the internal control framework. This is supplemented by the ARC who oversee the work of the Ervia Risk and Internal Audit functions 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, where relevant, in a timely way.

The Board confirms that the following ongoing monitoring, by the ARC on behalf of the Board, is in place:

- Review and consideration of the programme of internal audit and consideration of its reports and findings.
- Review of regular reporting from internal audit on the status of the internal control environment, and the status of issues raised previously from their own reports.
- Review of the quarterly risk management reports from the Group Risk Management Committee on risks, controls and implementation status of action plans.
- Review and consideration of the report by the Chief Executive Officer on the effectiveness of the operation of the systems of internal control, both financial and operational.
- Review of reports from the external auditors, which contain details of any material internal financial control issues.
- Review of integrated assurance reports on Business Unit assurance over the system of internal control.

Capital and Operational Expenditure

Robust and effective systems are in place to ensure compliance, as appropriate, with the relevant principles, requirements and guidelines of the Public Spending Code. Transitioning activity related to the updated Public Spending Code (2019) continued during 2021 to ensure compliance with the additional requirements of the Public Spending Code (2019) is achieved.

The Ervia Procurement Policy (PD02) details the procedures to be followed by the 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 Group.

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

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

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

The capital commitments process for Ervia, Irish Water and Gas Networks Ireland operates on the basis that each company requests the relevant Ministerial consents in advance for an overall envelope of capital commitments to be entered into by each company during the following financial year. Separate Ministerial consents are requested by Ervia and Gas Networks Ireland in advance of committing to any individual capital project costing €20m or greater for regulated expenditure and €10m or greater for unregulated expenditure. Ministerial consents are submitted to the parent 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 parent Department, prior to the granting of Ministerial consent.

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

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

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

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

General Data Protection Regulation (GDPR)

The Ervia Group Data Protection Officer has not raised any areas of significant concern regarding non-compliance with legislative requirements under GDPR.

Review of Effectiveness

The Board confirms that it has reviewed the effectiveness of the system of internal control up to the date of approval of the Financial Statements, covering financial, operational and compliance controls and risk management systems for 2021 and will ensure a similar review is performed for 2022. A detailed review was performed by the ARC.

Internal Control Reporting

Irish Water continues to manage an ageing infrastructure which includes a large number of assets that require significant investment. During 2021, Irish Water continued to implement the required systems, processes and procedures necessary to ensure robust internal controls through applying Ervia's policies and internal control framework.

Irish Water works with its Local Authority partners under Service Level Agreements to deliver water services. Therefore, as part of its control framework in 2021, it should be noted that Irish Water continued to rely on a range of controls operated by Local Authorities on its behalf. These controls and associated processes and procedures continue to evolve and develop.

Plans to transform public water services to a modern single public utility continued to progress throughout 2021. Engagement under the auspices of the Workplace Relations Commission with a number of parties including Irish Water, Local Authority management, the Department of Housing, Local Government and Heritage and various trade unions who represent Local Authority Water Services staff, took place throughout the year. In 2022 the focus will be on negotiating a transformation agreement which will facilitate the longer term objectives of Irish Water to fully manage and control all public water services from 2023 onwards, and the subsequent transformation activities required.

Conclusion

Going Concern

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

Risk Management

The Board carried out a robust assessment of the principal risks facing the organisation throughout 2021. These risks and mitigating controls or actions are set out on pages 27-31.

Shareholder Relationship

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

Board Members' Interests

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

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

Performance Evaluation

The Board approves an annual budget that supports the corporate plans. Actual performance versus plan and budget is evaluated annually. Detailed consideration is provided in the Financial and Operating Reviews on pages 33 and 39.

Accounting Records

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

External Auditor

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

For and on behalf of the Board:

Tony Keohane
Chairman

Keith Harris
Member of the Board

Date: 29 March 2022

Audit and Risk Committee Report

Keith Harris
Chair of the Committee

As Chairman of the Ervia Audit and Risk Committee, I am pleased to present the Audit and Risk Committee Report for the year ended December 31st 2021.

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

During the year the Committee dedicated significant time to fulfilling its key oversight responsibilities and continued to meet remotely throughout the COVID-19 pandemic. It has engaged regularly with senior management, internal audit, risk management and the Group's statutory auditor. In addition, in order to discharge its duties effectively, it has pursued a full agenda of reviews in its meetings throughout the year. In fulfilling his key oversight responsibilities the Chairman of the Committee meets separately with senior management, internal audit, risk management and the Group's statutory auditor on a regular basis.

Role and responsibilities of the Audit and Risk Committee

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

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

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

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

Membership

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

Audit and Risk Committee Report (continued)

Financial Reporting

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

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

Risk Management

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

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

Internal Controls

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

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

The Committee continued to monitor the potential changes in the control environment as the organisation continued to work remotely as a response to the COVID-19 pandemic.

Internal Audit

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

During 2021 the Committee reviewed the plans and work undertaken throughout the year by Internal Audit and the consequent actions to be taken by management. The Committee was informed regularly by the Head of Internal Audit of the findings of internal audit reviews. The Committee also considered management's progress in addressing relevant issues, including the nature, extent and timeliness of its responses. The Committee reviewed and agreed a risk-based internal audit annual plan for 2022, including the resources required, and considered the alignment of internal audit focus and key risk areas for the Group.

During 2021 the Ervia Group continued to promote the integrity value and to emphasise the importance of ethical behaviour across the organisation through the roll-out of the 'Doing the Right Thing' campaign.

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

External Audit

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

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

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

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

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

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

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

Audit and Risk Committee Effectiveness

The Committee completes an annual review of its own effectiveness. For 2021, the review was conducted internally through the completion of self-evaluation questionnaires and the overall review was satisfactory.

I would like to acknowledge the contribution of Mari Hurley, former Committee member who resigned from the Board and the Audit and Risk Committee in 2021.

On behalf of the Audit and Risk Committee:

Keith Harris
Chairman, Audit and Risk Committee

29th March 2022

Financial Statements

Independent Auditor's Report to the Members of Ervia

Report on the audit of the financial statements

Opinion on the financial statements of Ervia

In our opinion the Group and Parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and Parent company as at 31December 2021 and of the profit of the Group and Parent company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Gas Acts 1976 to 2009.

The financial statements we have audited comprise:

the Group financial statements:

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

the Parent company financial statements:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Board

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- •Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Report on other legal and regulatory requirements

Matters on which we are required to report

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

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

Matters on which we are required to report by exception

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

Use of our report

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

Honor Moore

Honor Moore

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

Date: 30 March 2022

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

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

Group Income Statement
for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Continuing operations			
Revenue	3	**476,197**	447,277
Operating costs net (excluding depreciation and amortisation)	4	**(238,295)**	(189,323)
Operating profit before depreciation and amortisation (EBITDA)		**237,902**	257,954
Depreciation and amortisation	6	**(140,811)**	(135,317)
Operating profit		**97,091**	122,637
Finance income	7	**667**	2,782
Finance costs	7	**(16,233)**	(21,531)
Net finance costs	7	**(15,566)**	(18,749)
Profit before income tax		**81,525**	103,888
Income tax	8	**(16,624)**	(15,990)
Profit for the year		**64,901**	87,898
Profit attributable to:			
Owners of the Parent		**64,901**	87,898
Profit for the year		**64,901**	87,898

For and on behalf of the Board:

Tony Keohane	**Keith Harris**	29th March 2022
Chairman	Member of the Board	Date of Approval

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

Group Balance Sheet
as at 31 December 2021

	Notes	31-Dec-21 €'000	31-Dec-20 €'000
Assets			
Non-current assets			
Property, plant and equipment	9	**2,470,170**	2,468,875
Intangible assets	11	**29,089**	27,405
Derivative financial instruments	23	**378**	-
Total non-current assets		**2,499,637**	2,496,280
Current assets			
Trade and other receivables	12	**97,351**	83,280
Cash and cash equivalents	13	**87,297**	122,887
Restricted deposits	14	**46,348**	17,603
Derivative financial instruments	23	**896**	4,518
Current tax assets	8	**249**	-
Inventories	16	**463**	3,016
Total current assets		**232,604**	231,304
Total assets		**2,732,241**	2,727,584
Equity and liabilities			
Equity			
Retained earnings		**(1,063,053)**	(963,783)
Translation reserve		**(3,650)**	(657)
Cash flow hedge reserve		**-**	1,199
Total equity		**(1,066,703)**	(963,241)
Liabilities			
Non-current liabilities			
Borrowings and other debt	17	**(1,034,241)**	(1,035,075)
Retirement benefit obligations	18	**(108,804)**	(182,534)
Deferred revenue	19	**(47,469)**	(16,927)
Grants	20	**(64,883)**	(69,857)
Provisions	21	**(6,198)**	(3,391)
Trade and other payables	22	**(15,751)**	(15,709)
Derivative financial instruments	23	**(189)**	-
Deferred tax liabilities	8	**(190,215)**	(179,846)
Total non-current liabilities		**(1,467,750)**	(1,503,339)
Current liabilities			
Borrowings and other debt	17	**(1,188)**	(115,777)
Deferred revenue	19	**(12,937)**	(8,682)
Grants	20	**(6,638)**	(6,613)
Provisions	21	**(1,613)**	(4,758)
Trade and other payables	22	**(174,988)**	(122,191)
Derivative financial instruments	23	**(424)**	(277)
Current tax liabilities	8	**-**	(2,706)
Total current liabilities		**(197,788)**	(261,004)
Total liabilities		**(1,665,538)**	(1,764,343)
Total equity and liabilities		**(2,732,241)**	(2,727,584)

For and on behalf of the Board:

Tony Keohane	**Keith Harris**	29th March 2022
Chairman	Member of the Board	Date of Approval

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

Group Statement of Other Comprehensive Income
for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Profit for the year		**64,901**	87,898
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains/(losses)	18	**83,162**	(34,670)
Remeasurement of other pension assets	18	**46**	9,047
Deferred tax relating to defined benefit obligations	8	**(10,401)**	3,203
Total items that will not be reclassified to profit or loss		**72,807**	(22,420)
Items that may be reclassified subsequently to profit or loss:			
Translation differences on consolidation of foreign subsidiaries		**2,993**	(2,464)
Fair value gains/(losses) on cash flow hedges		**1,370**	(795)
Deferred tax on cash flow hedge movement	8	**(171)**	99
Total items that may be reclassified subsequently to profit or loss		**4,192**	(3,160)
Total other comprehensive income for the year		**76,999**	(25,580)
Total comprehensive income for the year		**141,900**	62,318
Total comprehensive income attributable to:			
Owners of the Parent		**141,900**	62,318
Total comprehensive income for the year		**141,900**	62,318

For and on behalf of the Board:

Tony Keohane	**Keith Harris**	29th March 2022
Chairman	Member of the Board	Date of Approval

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

Group Statement of Changes in Equity

for the year ended 31 December 2021

		Retained earnings €'000	Translation reserve €'000	Cash flow hedge reserve €'000	Total €'000
At 1 January 2020		(969,263)	(3,121)	503	(971,881)
Profit for the year		(87,898)	-	-	(87,898)
Other comprehensive income for the year		22,420	2,464	696	25,580
Total comprehensive income for the year		(65,478)	2,464	696	(62,318)
Dividends	25	70,958	-	-	70,958
At 31 December 2020		(963,783)	(657)	1,199	(963,241)
Profit for the year		**(64,901)**	**-**	**-**	**(64,901)**
Other comprehensive income for the year		**(72,807)**	**(2,993)**	**(1,199)**	**(76,999)**
Total comprehensive income for the year		**(137,708)**	**(2,993)**	**(1,199)**	**(141,900)**
Dividends	25	**38,438**	**-**	**-**	**38,438**
At 31 December 2021		**(1,063,053)**	**(3,650)**	**-**	**(1,066,703)**

All attributable to owners of the Parent.

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

Group Statement of Cash Flows
for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Net cash from operating activities	15	**248,654**	240,439
Cash flows from investing activities			
Payments for property, plant and equipment		**(124,637)**	(105,333)
Payments for intangible assets		**(10,367)**	(10,468)
Grants received	20	**1,327**	7,998
Receipt relating to the sale of Energy division	7	**-**	375
Net cash used in investing activities		**(133,677)**	(107,428)
Cash flows from financing activities			
Proceeds from borrowings		**40,000**	-
Repayment of borrowings		**(151,200)**	(42,692)
Repayment of lease liabilities	10	**(1,200)**	(1,140)
Dividends paid	25	**(38,438)**	(70,958)
Net cash used in financing activities		**(150,838)**	(114,790)
Net (decrease)/increase in cash and cash equivalents	13	**(35,861)**	18,221
Cash and cash equivalents at 1 January	13	**122,887**	105,086
Effect of exchange rate fluctuations on cash held	13	**271**	(420)
Cash and cash equivalents at 31 December	13	**87,297**	122,887

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

Notes to the Group Financial Statements

1. Statement of Accounting Policies

Basis of Preparation

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

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

The Group and Parent financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) agenda decisions, as endorsed by the EU, and effective for accounting periods beginning on or after 1 January 2021. The financial statements are presented in euro, rounded to the nearest thousand and are prepared on a historical cost basis, except for certain derivative financial instruments which are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These policies have been consistently applied to all years presented in these financial statements with the exception of adoption of new standards (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 Parent financial statements are prepared on the going concern basis of accounting.

The Group and Parent have considerable financial resources and the Board believes that the Group is well placed to manage its risks successfully. The Group had €87 million of cash and cash equivalents at 31 December 2021 (2020: €123 million) and committed undrawn bank facilities of €462 million at 31 December 2021 (2020: €462 million). 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 Board has considered the conflict between Russia and Ukraine, as detailed in note 28 and Climate, as detailed in the Operating Review report on page 47.

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

In 2018 the Government announced that Gas Networks Ireland and Irish Water would become two standalone, publicly owned, commercial, regulated utilities during 2023. It is expected that the Ervia Parent will be dissolved following the completion of the legal separation process. The Board is satisfied that the dissolution of the Ervia Parent will be completed in an orderly wind up.

New IFRS accounting standards effective for the year ended 31 December 2021

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9
- Amendment to IFRS 16 Leases Covid 19 - Related Rent Concessions

IFRS Interpretations Committee final agenda decisions published

In April 2021, the IFRS Interpretations Committee published a final agenda decision clarifying how to recognise certain configuration and customisation expenditures related to cloud computing arrangements, in particular Software as a Service (SaaS) arrangements. The Company has amended its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the amendments as a result of changing this policy are described below.

1. Statement of Accounting Policies (continued)

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates. Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Company with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract.

As a result, the Group has amended its accounting policy in relation to capitalisation of cloud computing software. The change in policy has been applied in the current period as the impact of retrospective application was not material. The impact of the adoption of the agenda decision on the Group's financial statements is set out in notes 4, 6, 11 and 15.

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 IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts

It is anticipated that application of the remaining IFRS amendments and annual improvements, in issue at 31 December 2021, but not yet effective, will not have a significant impact on the Group's financial statements.

Significant Accounting Policies

a) Basis of Consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

Business combinations

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

1. Statement of Accounting Policies (continued)

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.

b) Property, Plant and Equipment

Recognition

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

Subsequent expenditure

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

Depreciation

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

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

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

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

Borrowing costs

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

1. Statement of Accounting Policies (continued)

c) 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. These costs are recognised as intangible assets as it is considered probable that these products will generate economic benefits exceeding the recognised costs. These costs are capitalised only if the criteria set out in IAS 38 are met. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific assets, 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

d) Impairment of Assets

Assets that are not subject to amortisation

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

Assets that are subject to depreciation/amortisation

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

Recognition of an impairment loss

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

Reversal of an impairment loss

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

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

e) 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.

1. Statement of Accounting Policies (continued)

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

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

f) 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 g below).

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

If it is considered that the criteria for revenue recognition are not met for a contract, revenue recognition is delayed until such time as collectability is considered probable. Where required, 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.

g) 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.

1. Statement of Accounting Policies (continued)

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

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

Right-of-use assets (presented within 'Property, plant and equipment') are measured 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 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 pipelines, these leases are classified as operating leases. Rental income from 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 (see f above). 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.

h) Retirement Benefit Obligations

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

Defined benefit pension scheme

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

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

1. Statement of Accounting Policies (continued)

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

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

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

Defined contribution pension scheme

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

i) Grants

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

j) Provisions and Contingent Liabilities

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

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

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

k) Inventories

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

l) Financial Assets and Liabilities

Derivative financial instruments

Following the maturity of the Private Placement debt and associated cross currency interest rate swaps (CCIRS) on 31 March 2021, foreign exchange forward contracts are the only derivative financial instruments used by the Group to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 23.

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

1. Statement of Accounting Policies (continued)

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.

In the comparative period the Group designated certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Following the maturity of the Private Placement debt and associated CCIRS, on 31 March 2021, the Group no longer carries derivatives designated for hedge accounting purposes.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time are immediately reclassified to profit or loss.

i. Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from other comprehensive income and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from other comprehensive income and recognised in profit or loss at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the relevant Group entity and counterparty where appropriate.

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

1. Statement of Accounting Policies (continued)

ii. Fair value hedges

Where a derivative financial instrument is designated as a fair value hedge, changes in the fair value of the derivative are recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss (same line item as the derivative) with an adjustment to the carrying amount of the hedged item. The ineffective portion is recognised in the income statement immediately. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the relevant Group entity and counterparty where appropriate.

Borrowings

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

Trade and other receivables

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

Amounts due from subsidiary companies (Parent)

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

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

Cash and cash equivalents

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 legally not available for operational purposes nor are they held for the purpose of meeting short-term cash commitments.

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.

1. Statement of Accounting Policies (continued)

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

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

Financial guarantees
During the normal course of business, the Group provides guarantees and bonds to third parties and subsidiary companies. Where claims are assessed as probable, the expected credit loss model is applied.

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

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

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

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

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

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

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

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

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

1. Statement of Accounting Policies (continued)

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

p) 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.

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

Critical Accounting Judgements and Estimates
In the process of applying these accounting policies, the Group is required to make certain estimates, assumptions and judgements that it believes are reasonable based on the information available. These are assessed in the preparation of these financial statements. The Group has also considered the implications of climate change on its operations and activities, further details of which are set out below. Due consideration has also been given to relevant macro-economic factors, including the Covid-19 pandemic.

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

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

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

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

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

(a) Infrastructure assets and the assets we use in our business
As of 31 December 2021, the aggregate of the Group's property, plant and equipment and intangible assets was €2,499.3 million (2020: €2,496.3 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.

1. Statement of Accounting Policies (continued)

The Group recognises depreciation and amortisation charges annually (2021: €140.8 million and 2020: €135.3 million) which are primarily calculated to write down the cost of property, plant and equipment and intangible assets over their expected useful economic lives (UELs).

In the case of property, plant and equipment in particular, the determination of estimated UELs of assets requires significant judgement, that are based on experience, expectations about the future and other factors. The estimated UELs for major asset classifications are set out in these accounting policies. The Group reviews assets' UELs annually and any required changes are adjusted prospectively. This review includes consideration of the Group's decarbonisation ambitions and consideration of Government policies and plans in the area of climate action and greenhouse emissions targets. 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 property, plant and equipment.

(b) Retirement benefit obligations

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

(c) Provisions and other liabilities

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

(iii) Climate change

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

2. Divisional Information

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

Division	Geographical location	Description of products and services
Gas Networks Ireland	Ireland and UK	The Gas Networks Ireland business develops, operates and maintains the natural gas transmission and distribution networks in Ireland and provides gas transportation services to suppliers and shippers. The Gas Networks Ireland business division also operates and owns the two Interconnector gas pipelines between Scotland and Ireland and has network infrastructure assets in Northern Ireland and the Isle of Man. Revenues are principally derived from gas transportation services. The Aurora Telecom business, which provides high quality dark fibre broadband infrastructure, is also included within this division.
Ervia Parent	Ireland	During 2021, the operations of Ervia Parent included areas not falling within the Gas Networks Ireland business division, including; • Business Services, providing support services to the Group in the areas of Transactional Services, Finance, HR, IT, Insurance, Facilities and Project Support. • Group Centre consisting of the Group Chief Executive Officer's office, Group Finance, Group HR, Legal, Strategy and Commercial Regulation, and • Major Projects, a centre of excellence for the delivery of key strategic gas and water infrastructure projects. • Supply Chain also provide support for the entire Group. Costs in respect of Ervia Parent are recharged to the Gas Networks Ireland and Irish Water business divisions. The operating costs of this division set out below are net of these recharges and primarily represent non-cash pension costs.

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

(a) Revenue by geographic location

	2021 €'000	2020 €'000
Ireland	**433,189**	410,972
UK (including Northern Ireland and Isle of Man)	**43,008**	36,305
Total	**476,197**	447,277

Included in the Group's total revenue are revenues of €127.8 million (2020: €121.3 million), €75.7 million (2020: €70.5 million) and €49.9 million (2020: €48.3 million) which arose from sales to the Group's three largest customers.

2. Divisional Information (continued)

(b) Capital expenditure

	Capital additions to property, plant and equipment (note 9)		Capital additions to intangible assets (note 11)	
	2021 €'000	2020 €'000	2021 €'000	2020 €'000
Gas Networks Ireland	**135,850**	101,689	**11,174**	10,430
Ervia Parent	**165**	87	**-**	-
Total	**136,015**	101,776	**11,174**	10,430

(c) Non-current assets by geographic location

	31-Dec-21 €'000	31-Dec-20 €'000
Ireland	**2,131,104**	2,135,308
UK (including Northern Ireland and Isle of Man)	**368,533**	360,972
Total	**2,499,637**	2,496,280

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

	Gas Networks Ireland (Statutory results) 2021 €'000	Consolidation and eliminations 2021 €'000 Note (i)	a Gas Networks Ireland (Segment results) 2021 €'000	Ervia Parent (Statutory results) 2021 €'000	Consolidation and eliminations 2021 €'000 Note (ii)	b Ervia Parent (Segment results) 2021 €'000	a + b = c Ervia Group (Statutory results) 2021 €'000
Revenue	476,197	-	476,197	-	-	-	476,197
Operating costs net	(231,100)	-	(231,100)	(7,195)	-	(7,195)	(238,295)
Operating profit/(loss) before depreciation and amortisation (EBITDA)	**245,097**	**-**	**245,097**	**(7,195)**	**-**	**(7,195)**	**237,902**
Depreciation and amortisation	(143,358)	3,896	(139,462)	(1,349)	-	(1,349)	(140,811)
Operating profit/(loss)	**101,739**	**3,896**	**105,635**	**(8,544)**	**-**	**(8,544)**	**97,091**
Finance income	671	-	671	15,361	(15,365)	(4)	667
Finance costs	(14,198)	-	(14,198)	(2,039)	4	(2,035)	(16,233)
Net finance (costs)/ income	**(13,527)**	**-**	**(13,527)**	**13,322**	**(15,361)**	**(2,039)**	**(15,566)**
Profit before income tax	**88,212**	**3,896**	**92,108**	**4,778**	**(15,361)**	**(10,583)**	**81,525**

2. Divisional Information (continued)

			a			b	a + b = c
	Gas Networks Ireland (Statutory results)	Consolidation and eliminations	Gas Networks Ireland (Segment results)	Ervia Parent (Statutory results)	Consolidation and eliminations	Ervia Parent (Segment results)	Ervia Group (Statutory results)
	31-Dec-21	31-Dec-21	31-Dec-21	31-Dec-21	31-Dec-21	31-Dec-21	31-Dec-21
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
		Note (i)			Note (iii)		
Infrastructure assets	2,541,783	(54,375)	2,487,408	11,851	-	11,851	2,499,259
Other assets	199,485	-	199,485	756,304	(722,807)	33,497	232,982
Total assets	**2,741,268**	**(54,375)**	**2,686,893**	**768,155**	**(722,807)**	**45,348**	**2,732,241**
Borrowings and other debt	(1,023,244)	-	(1,023,244)	(12,185)	-	(12,185)	(1,035,429)
Retirement benefit obligations	-	-	-	(108,804)	-	(108,804)	(108,804)
Other liabilities	(542,781)	8,389	(534,392)	(21,445)	34,532	13,087	(521,305)
Total liabilities	**(1,566,025)**	**8,389**	**(1,557,636)**	**(142,434)**	**34,532**	**(107,902)**	**(1,665,538)**
Net assets	**1,175,243**	**(45,986)**	**1,129,257**	**625,721**	**(688,275)**	**(62,554)**	**1,066,703**
Net debt	**(964,083)**		**(964,083)**	**15,951**		**15,951**	**(948,132)**

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

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

Note (iii): During 2021, the following Ervia Parent assets are either eliminated or reclassified (offset) on consolidation:

- The Ervia Parent investment in Gas Networks Ireland of €688.3 million is eliminated against the Gas Networks Ireland net assets (equity). Refer to note 29H.
- The Ervia Parent intercompany receivable from Gas Networks Ireland Group of €23.7 million is eliminated against the corresponding liability in Gas Networks Ireland Group. Refer note 29I.
- The Ervia Parent deferred tax asset of €10.5 million is offset against deferred tax liabilities recognised in the Gas Networks Ireland Group.

3. Revenue

	2021 €'000	2020 €'000
Regulated	**425,240**	400,235
Unregulated - transportation contracts	**27,337**	25,908
Unregulated - new connections contracts	**4,368**	4,442
Unregulated - other	**19,252**	16,692
Total	**476,197**	447,277

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

Refer to note 1 f) for details of the Group's revenue accounting policy and revenue streams. Refer to note 12 for details of the Group's trade receivables from these revenue streams.

4. Operating Costs Net (excluding depreciation and amortisation)

		2021 €'000	2020 €'000
Employee benefit expense		**(100,831)**	(101,232)
Hired and contracted services		**(11,747)**	(11,185)
Materials, maintenance and sub-contractor costs		**(69,246)**	(57,429)
Rates and facilities		**(33,988)**	(32,964)
Gas system shrinkage and gas losses		**(41,523)**	(7,973)
Other operating expenses		**(30,164)**	(32,543)
Recharges to Irish Water	27	**49,320**	52,403
Cloud computing transition adjustment	11	**(3,616)**	-
Other operating income		**3,500**	1,600
Total		**(238,295)**	(189,323)

Certain corresponding amounts have been adjusted so that they are directly comparable with the amounts shown in respect of the current year.

Operating costs are stated after charging:

(a) Auditor's remuneration

	2021 €'000	2020 €'000
Audit of the Group financial statements[1]	**(172)**	(177)
Other assurance services	**(63)**	(63)
Other non-audit services	**(18)**	(18)
Tax advisory services	**-**	-
Total	**(253)**	(258)

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

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

(b) Board members' emoluments

	2021 €'000	2020 €'000
Fees	**(149)**	(156)
Remuneration of the Group Chief Executive Officer	**(278)**	(301)
Total	**(427)**	(457)

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

	2021 €'000	2020 €'000
Basic salary	**(225)**	(225)
Other short-term employee benefits	**(13)**	(38)
Post-employment benefits - pension contributions	**(40)**	(38)
Total	**(278)**	(301)

5. Employee Benefits

(a) Aggregate employee benefits

	2021 €'000	2020 €'000
Staff short-term benefits	**(92,311)**	(94,102)
Post-employment benefits - defined benefit scheme	**(15,723)**	(14,971)
Post-employment benefits - defined contribution scheme	**(4,149)**	(4,146)
Social insurance costs	**(10,138)**	(10,144)
	(122,321)	(123,363)
Capitalised payroll	**11,910**	11,269
Other payroll transfers	**9,580**	10,862
Employee benefit expense charged to profit or loss	**(100,831)**	(101,232)

(b) Staff short-term benefits

	2021 €'000	2020 €'000
Wages and salaries	**(87,593)**	(89,623)
Overtime	**(1,204)**	(1,144)
Allowances	**(1,202)**	(991)
Other[1]	**(2,312)**	(2,344)
Total	**(92,311)**	(94,102)

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

The average monthly number of employees providing services to the Group for the year was 1,112 (2020: 1,154).

The Group recognised employee termination expenses of €nil for 2021 (2020: €nil). Refer to note 21 for details of termination benefits charged against the restructuring provision.

6. Depreciation and Amortisation

		2021 €'000	2020 €'000
Depreciation of property, plant and equipment	9	**(140,119)**	(134,460)
Depreciation of right-of-use assets	10	**(1,374)**	(1,371)
Amortisation of intangible assets*	11	**(6,465)**	(5,986)
Cloud computing transition adjustment	11	**564**	-
Grant amortisation	20	**6,583**	6,500
Total		**(140,811)**	(135,317)

7. Net Finance Costs

		2021 €'000	2020 €'000
Before remeasurements			
Interest and finance costs		**(13,891)**	(19,675)
Interest capitalised		**716**	270
Change in estimate of cash flow on contingent consideration		**-**	375
Lease liability finance charge	10	**(337)**	(360)
Net interest on the net defined benefit liability	18	**(1,297)**	(1,766)
Net interest on other pension assets	18	**63**	-
Total before remeasurements		**(14,746)**	(21,156)
Remeasurements			
Net changes in fair value of undesignated derivatives		**667**	2,335
Net changes in fair value of financial instruments designated in a fair value hedging relationship		**(1,487)**	72
Total remeasurements		**(820)**	2,407
Total			
Finance income		**667**	2,782
Finance costs		**(16,233)**	(21,531)
Net finance costs		**(15,566)**	(18,749)

8. Tax

Income tax

	2021 €'000	2020 €'000
Current tax		
Current tax	**(17,210)**	(20,543)
Adjustments in respect of previous years	**(276)**	100
	(17,486)	(20,443)
Deferred tax		
Origination and reversal of temporary differences	**(208)**	5,500
Adjustments in respect of previous years	**1,070**	(1,047)
	862	4,453
Total income tax	**(16,624)**	(15,990)

Reconciliation of effective tax rate

	2021 €'000	2020 €'000
Profit before tax	**81,525**	103,888
Taxed at 12.5% (2020: 12.5%)	**(10,191)**	(12,986)
Depreciation on capital expenditure that is not deductible for tax purposes	**(1,780)**	(1,867)
Other expenses not deductible for tax purposes	**(499)**	367
Income not taxable	**496**	540
UK subsidiary profits taxed at higher rates	**(1,287)**	(1,358)
Effect of tax rate change[1]	**(4,277)**	-
Exchange adjustments	**120**	261
Adjustments in respect of previous years	**794**	(947)
Total income tax	**(16,624)**	(15,990)

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

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

Current tax assets and liabilities

	31-Dec-21 €'000	31-Dec-20 €'000
Current tax assets/(liabilities)	**249**	(2,706)

8. Tax (continued)

Deferred tax assets and liabilities

	Pension obligations €'000	Derivative financial instruments €'000	Accelerated tax depreciation €'000	Interest charges payable €'000	Other €'000	Total €'000
At 1 January 2020	18,576	72	(204,096)	(2,438)	(127)	(188,013)
Recognised in income statement	1,201	-	1,032	2,096	124	4,453
Recognised in equity	3,203	99	-	-	-	3,302
Exchange adjustments	-	-	849	(437)	-	412
At 31 December 2020	22,980	171	(202,215)	(779)	(3)	(179,846)
Recognised in income statement	**1,169**	**-**	**(609)**	**435**	**(133)**	**862**
Recognised in equity	**(10,401)**	**(171)**	**-**	**-**	**-**	**(10,572)**
Exchange adjustments	**-**	**-**	**(974)**	**315**	**-**	**(659)**
At 31 December 2021	**13,748**	**-**	**(203,798)**	**(29)**	**(136)**	**(190,215)**

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

	2021 €'000	2020 €'000
Capital losses	**3,600**	3,600

Deferred tax has not been provided for in relation to unremitted reserves of the Group's overseas subsidiary which were €169.5 million as at 31 December 2021 (2020 €160.1 million).

9. Property, Plant and Equipment

		31-Dec-21 €'000	31-Dec-20 €'000
Property, plant and equipment - owned assets		**2,453,306**	2,451,544
Property, plant and equipment - right-of-use assets	10	**16,864**	17,331
Property, plant and equipment - as presented on the balance sheet		**2,470,170**	2,468,875

9. Property, Plant and Equipment (continued)

Property, plant and equipment - owned assets

	Land and buildings €'000	Plant, pipeline and machinery €'000	Assets under construction €'000	Total €'000
Cost				
At 1 January 2020	89,336	4,410,226	48,841	4,548,403
Additions	-	11,935	89,841	101,776
Disposals	-	(4,017)	-	(4,017)
Transfers	-	68,564	(68,564)	-
Effect of movement in exchange rates	-	(13,189)	(102)	(13,291)
At 31 December 2020	89,336	4,473,519	70,016	4,632,871
Additions		**10,437**	**125,578**	**136,015**
Disposals	**-**	**(5,027)**	**-**	**(5,027)**
Transfers	**-**	**126,957**	**(126,957)**	**-**
Effect of movement in exchange rates	**-**	**14,834**	**199**	**15,033**
At 31 December 2021	**89,336**	**4,620,720**	**68,836**	**4,778,892**
Accumulated depreciation and impairment losses				
At 1 January 2020	(39,537)	(2,018,592)	-	(2,058,129)
Depreciation charge	(1,779)	(132,681)	-	(134,460)
Disposals	-	4,017	-	4,017
Effect of movement in exchange rates	-	7,245	-	7,245
At 31 December 2020	(41,316)	(2,140,011)	-	(2,181,327)
Depreciation charge	**(1,884)**	**(138,235)**	**-**	**(140,119)**
Disposals	**-**	**4,781**	**-**	**4,781**
Effect of movement in exchange rates	**-**	**(8,921)**	**-**	**(8,921)**
At 31 December 2021	**(43,200)**	**(2,282,386)**	**-**	**(2,325,586)**
Carrying amounts				
At 31 December 2020	48,020	2,333,508	70,016	2,451,544
At 31 December 2021	**46,136**	**2,338,334**	**68,836**	**2,453,306**

The carrying value of property, plant and equipment includes assets that are subject to operating lease arrangements as described in note 10 'The Group as Lessor'. The carrying value of these assets at 31 December 2021 was €70.0 million (31 December 2020: €82.0 million) and is included in plant, pipeline and machinery.

Depreciation sensitivity

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

	2021 €'000	2020 €'000
UEL limited to 2050	**12,149**	11,284
UEL limited to 2060	**3,160**	2,892
UEL limited to 2070	**533**	448

10. 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

	Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Right-of-use assets			
Cost			
At 1 January 2020	15,444	4,629	20,073
Additions	-	-	-
At 31 December 2020	15,444	4,629	20,073
Additions	**-**	**907**	**907**
At 31 December 2021	**15,444**	**5,536**	**20,980**
Accumulated depreciation and impairment losses			
At 1 January 2020	(1,106)	(265)	(1,371)
Depreciation charge	(1,106)	(265)	(1,371)
At 31 December 2020	(2,212)	(530)	(2,742)
Depreciation charge	**(1,106)**	**(268)**	**(1,374)**
At 31 December 2021	**(3,318)**	**(798)**	**(4,116)**
Carrying amounts			
At 31 December 2020	13,232	4,099	17,331
At 31 December 2021	**12,126**	**4,738**	**16,864**
Lease liabilities			
At 1 January 2020	(14,493)	(3,100)	(17,593)
Interest expense	(265)	(95)	(360)
Lease payments	1,260	240	1,500
At 31 December 2020	(13,498)	(2,955)	(16,453)
Additions	**-**	**-**	**-**
Interest expense	**(247)**	**(90)**	**(337)**
Lease payments	**1,297**	**240**	**1,537**
At 31 December 2021	**(12,448)**	**(2,805)**	**(15,253)**

Analysed as follows:	2021 €'000	2020 €'000
Non-current	**(14,065)**	(15,289)
Current	**(1,188)**	(1,164)
Total	**(15,253)**	(16,453)

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.

10. Lease Assets and Liabilities (continued)

The Group as Lessor

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 the lease income is recognised as revenue in the income statement. During 2021, lease income of €22.1 million was recognised (2020: €23.0 million), including €12.7 million in respect of variable lease payments that do not depend on an index or a rate (2020 €13.8 million). Below is a profile of undiscounted non-cancellable future operating lease income to be recognised as revenue in future years. The unexpired lease terms range from 1 to 9 years (2020: 3 to 11 years).

Maturity analysis	31-Dec-21 €'000	31-Dec-20 €'000
Year 1	**21,019**	22,185
Year 2	**16,806**	20,889
Year 3	**8,296**	16,708
Year 4	**6,741**	8,296
Year 5	**3,909**	6,887
Year 6 onwards	**48**	4,234
Total	**56,819**	79,199

11. Intangible Assets

	Software and other €'000	Software under development €'000	Total €'000
Cost			
At 1 January 2020	147,253	8,405	155,658
Additions (incl internally developed)	-	10,430	10,430
Transfers	10,328	(10,328)	-
Effect of movement in exchange rates	(68)	(4)	(72)
At 31 December 2020	157,513	8,503	166,016
Additions (incl internally developed)	**3,522**	**7,652**	**11,174**
Transfers	**5,457**	**(5,457)**	**-**
Cloud computing transition adjustment	**(3,472)**	**(144)**	**(3,616)**
Effect of movement in exchange rates	**120**	**4**	**124**
At 31 December 2021	**163,140**	**10,558**	**173,698**
Amortisation and impairment losses			
At 1 January 2020	(132,682)	-	(132,682)
Amortisation charge	(5,986)	-	(5,986)
Effect of movement in exchange rates	57	-	57
At 31 December 2020	(138,611)	-	(138,611)
Amortisation charge	**(6,465)**	**-**	**(6,465)**
Cloud computing transition adjustment	**564**	**-**	**564**
Effect of movement in exchange rates	**(97)**	**-**	**(97)**
At 31 December 2021	**(144,609)**	**-**	**(144,609)**
Carrying amounts			
At 31 December 2020	18,902	8,503	27,405
At 31 December 2021	**18,531**	**10,558**	**29,089**

As described in further detail in note 1, in April 2021 the IFRS Interpretations Committee published a final agenda decision clarifying how to recognise certain configuration and customisation expenditures related to cloud computing arrangements. Costs that do not meet the capitalisation criteria should be expensed as incurred. The Group changed its accounting policy to align with the agenda decision and previously capitalised costs that no longer qualify for capitalisation were expensed in the current period (retrospective application not applied as the amount is not material). A net cloud computing transition adjustment of €3.1 million is presented above, with corresponding income statement impacts presented in notes 4 and 6 and a cashflow statement (non-cash) adjustment presented in note 15.

12. Trade and Other Receivables

		31-Dec-21 €'000	31-Dec-20 €'000
Use of system receivable - billed		**31,508**	2,888
Use of system receivable - unbilled		**39,533**	39,977
Other trade receivables - billed		**6,250**	2,518
Other trade receivables - unbilled		**5,002**	2,556
Amounts due from Irish Water	27	**4,849**	24,444
Other receivables		**3,375**	1,397
Sub-total		**90,517**	73,780
Prepayments		**6,834**	9,500
Total		**97,351**	83,280
Analysed as follows:			
Non-current		**-**	-
Current		**97,351**	83,280
Total		**97,351**	83,280

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

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

Use of system receivables:

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

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

12. Trade and Other Receivables (continued)

Other trade receivables and other receivables:

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

The Group's maximum exposure of trade and other receivables to credit risk at the reporting date is €90.5 million (2020: €73.8 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-21 €'000	31-Dec-20 €'000
Republic of Ireland	**77,369**	67,290
UK (including Northern Ireland and Isle of Man)	**13,148**	6,490
Total	**90,517**	73,780

The majority of the Group's trade and other receivables are collected within 30 days of the invoice date. Customer payment behaviour has remained unchanged throughout the Covid-19 pandemic. 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).

	2021 €'000	2020 €'000
At 1 January	**(596)**	(507)
Impairment losses on financial assets	**(14)**	(110)
Allowance utilised	**93**	21
At 31 December	**(517)**	(596)

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

	31-Dec-21 €'000	31-Dec-20 €'000
Not past due	**56,226**	47,582
1 – 30 days	**29,111**	1,621
31 – 120 days	**329**	119
> 120 days	**2**	14
Total	**85,668**	49,336

13. Cash and Cash Equivalents

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

	31-Dec-21 €'000	31-Dec-20 €'000
Short-term deposits	**62,500**	85,000
Cash on hand	**24,797**	37,887
Total	**87,297**	122,887

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.

	2021 €'000	2020 €'000
At 1 January	**122,887**	105,086
(Decrease)/increase in cash and cash equivalents in the statement of cash flows	**(35,861)**	18,221
Effect of exchange rate fluctuations on cash held	**271**	(420)
At 31 December	**87,297**	122,887

14. Restricted Deposits

	31-Dec-21 €'000	31-Dec-20 €'000
Security deposits	**46,348**	17,603
Total	**46,348**	17,603

Restricted deposits include amounts held in respect of gas network shipper financial security deposits (note 12) and financial security on certain connection agreements (note 19). The level of shipper financial 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 financial 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).

Refer to note 23 for treasury related credit risk disclosures.

15. Cash Generated from Operations

	Notes	2021 €'000	2020 €'000
Cash flows from operating activities			
Profit for the year		**64,901**	87,898
Adjustments for:			
Depreciation and amortisation	6	**140,811**	135,317
Cloud computing adjustment		**3,616**	-
Net finance costs	7	**15,566**	18,749
Retirement benefit cost		**8,274**	7,799
Income tax expense	8	**16,624**	15,990
		249,792	265,753
Working capital changes:			
Change in trade and other receivables		**(20,154)**	(2,153)
Change in trade and other payables		**18,795**	9,868
Change in deferred revenue		**34,797**	6,817
Change in provisions		**(338)**	(2,872)
Change in inventories		**2,553**	(438)
Cash from operating activities		**285,445**	276,975
Interest paid		**(16,441)**	(15,575)
Income tax paid		**(20,350)**	(20,961)
Net cash from operating activities		**248,654**	240,439

16. Inventory

	31-Dec-21 €'000	31-Dec-20 €'000
Stocks and materials	**463**	3,016

No inventory was pledged as security.

17. Borrowings and Other Debt

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

	31-Dec-21 €'000	31-Dec-20 €'000
Bonds	**(920,210)**	(919,270)
Loans from financial institutions[1]	**(99,966)**	(215,129)
Lease liabilities	**(15,253)**	(16,453)
Total	**(1,035,429)**	(1,150,852)

[1] Balance at 31 December 2020 includes private placement notes that expired in March 2021.

	31-Dec-21 €'000	31-Dec-20 €'000
Analysed as follows:		
Non-current	**(1,034,241)**	(1,035,075)
Current	**(1,188)**	(115,777)
Total	**(1,035,429)**	(1,150,852)
Less than one year	**(1,188)**	(115,777)
Between one and five years	**(801,057)**	(302,339)
More than five years	**(233,184)**	(732,736)
Total	**(1,035,429)**	(1,150,852)

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

Net debt

		31-Dec-21 €'000	31-Dec-20 €'000
Total borrowings and other debt		**(1,035,429)**	(1,150,852)
Less fair value hedges recognised within borrowings	23	**-**	4,131
Less cash and cash equivalents	13	**87,297**	122,887
Net debt		**(948,132)**	(1,023,834)

17. Borrowings and Other Debt (continued)

Changes in liabilities arising from financing activities

		Bonds €'000	Loans from financial institutions €'000	Lease liabilities €'000	Total €'000
At 1 January 2020		(918,297)	(268,344)	(17,593)	(1,204,234)
Repayment		-	42,692	-	42,692
Repayment of lease liabilities	10	-	-	1,140	1,140
Change in fair value of financial liabilities		-	11,187	-	11,187
Non-cash		(973)	(664)	-	(1,637)
At 31 December 2020		(919,270)	(215,129)	(16,453)	(1,150,852)
Proceeds		**-**	**(40,000)**	**-**	**(40,000)**
Repayment		**-**	**151,200**	**-**	**151,200**
Repayment of lease liabilities	10	**-**	**-**	**1,200**	**1,200**
Change in fair value of financial liabilities		**-**	**4,131**	**-**	**4,131**
Non-cash		**(940)**	**(168)**	**-**	**(1,108)**
At 31 December 2021		**(920,210)**	**(99,966)**	**(15,253)**	**(1,035,429)**

18. Retirement Benefit Obligations

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

Defined benefit scheme

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

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

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

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

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

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

18. Retirement Benefit Obligations (continued)

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

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

	31-Dec-21 €'000	31-Dec-20 €'000
Investments quoted in active markets:		
Equities	**239,635**	217,337
- developed markets	**217,821**	193,817
- emerging markets	**21,814**	23,520
Bonds	**234,889**	199,405
- Government debt	**171,511**	170,163
- Non-government debt	**63,378**	29,242
Investment funds	**78,941**	77,154
Cash	**805**	711
Unquoted investments:		
Property/forestry	**3,290**	3,282
Infrastructure	**11,328**	5,037
Private equity/venture capital	**1,702**	1,961
Fair value of plan assets	**570,590**	504,887
Defined benefit obligation	**(688,316)**	(696,468)
Net defined benefit obligation (before reimbursement rights)	**(117,726)**	(191,581)
Reimbursement rights	**8,922**	9,047
Total	**(108,804)**	(182,534)

Investment strategy
The Group and Trustees have agreed an initial investment strategy that is growth orientated (58% growth / 42% liability matching).

18. Retirement Benefit Obligations (continued)

Movement in net defined benefit liability before reimbursement rights

	Defined benefit liability		Fair value of plan assets		Net defined benefit obligation	
	2021 €'000	2020 €'000	2021 €'000	2020 €'000	2021 €'000	2020 €'000
At 1 January	**(696,468)**	(621,351)	**504,887**	473,875	**(191,581)**	(147,476)
Income Statement:						
Current service cost	**(15,723)**	(14,971)	**-**	-	**(15,723)**	(14,971)
Interest on liabilities and assets	**(4,830)**	(7,692)	**3,533**	5,926	**(1,297)**	(1,766)
	(20,553)	(22,663)	**3,533**	5,926	**(17,020)**	(16,737)
Other Comprehensive Income:						
Return on plan assets excl. interest income	**-**	-	**62,459**	24,854	**62,459**	24,854
Experience gains/(losses) on liabilities	**11,190**	(5,263)	**-**	-	**11,190**	(5,263)
Changes in financial assumptions	**9,513**	(74,909)	**-**	-	**9,513**	(74,909)
Changes in demographic assumptions	**-**	20,648	**-**	-	**-**	20,648
	20,703	(59,524)	**62,459**	24,854	**83,162**	(34,670)
Contributions by employers	**-**	-	**8,832**	8,545	**8,832**	8,545
Contributions by members	**(3,700)**	(3,598)	**3,700**	3,598	**-**	-
Benefits paid	**13,055**	11,911	**(12,821)**	(11,911)	**234**	-
Current service costs - provisions	**(200)**	(224)	**-**	-	**(200)**	(224)
Current service costs - Irish Water	**(1,153)**	(1,019)	**-**	-	**(1,153)**	(1,019)
	8,002	7,070	**(289)**	232	**7,713**	7,302
At 31 December	**(688,316)**	(696,468)	**570,590**	504,887	**(117,726)**	(191,581)

The weighted average duration of the defined benefit obligation at 31 December 2021 was approximately 22 years (2020: 22 years). The Group expects to contribute €8.3 million to its pension plan in 2022.

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate	**1.25%**	0.70%
Inflation assumption	**1.90%**	1.35%
Rate of increase in salaries	**2.40%**	1.85%
Rate of increase in pensions payment	**1.90%**	1.35%

18. Retirement Benefit Obligations (continued)

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

	2021	2020
Retiring today		
Females	**24.6**	24.6
Males	**22.9**	22.8
Retiring in 25 years		
Females	**26.9**	26.8
Males	**25.1**	25.0

Sensitivity analysis for principal assumptions used to measure scheme liabilities

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease by 5.2%/increase by 5.6%
Price inflation	Increase/decrease by 0.25%	Increase by 5.3%/decrease by 4.9%
Salary	Increase/decrease by 0.25%	Increase by 2.2%/decrease by 2.1%
Mortality	Increase/decrease by one year	Increase by 3.4%/decrease by 3.4%

Defined benefit obligation - reimbursement rights

Ervia participates in the Public Service Transfer Network (PSTN). The PSTN is governed by Section 4 of the Superannuation and Pensions Act 1963 and allows qualifying employees to transfer their pensionable service entitlements, arising from service with other participating public sector bodies, to the Ervia scheme. Ervia is entitled to recover the cost of funding this prior pensionable service from the relevant public bodies in accordance with the provision of the PSTN, when the relevant employee superannuation benefits are paid. Ervia recovered €0.2 million in funding during the year. At 31 December 2021, the fair value of the reimbursement rights, which is deemed to be the present value of the related obligations, was valued at €8.9 million by the scheme actuary under IAS 19 assumptions (2020: €9.0 million).

Defined contribution pension scheme

The Group makes contributions to the Ervia Defined Contribution Scheme on behalf of its employees. These costs are charged to the income statement and are disclosed in note 4.

19. Deferred Revenue

	2021 €'000	2020 €'000
At 1 January	**(25,609)**	(18,792)
Received	**(39,036)**	(12,291)
Credited to the income statement	**4,239**	5,474
At 31 December	**(60,406)**	(25,609)

19. Deferred Revenue (continued)

Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	**(47,469)**	(16,927)
Current	**(12,937)**	(8,682)
Total	**(60,406)**	(25,609)

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

20. Grants

	2021 €'000	2020 €'000
At 1 January	**(76,470)**	(83,206)
Receivable in year	**(1,327)**	(1,213)
Amortised	**6,583**	6,500
Credited to the income statement	**738**	395
Effect of movement in exchange rates	**(1,045)**	1,054
At 31 December	**(71,521)**	(76,470)

Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	**(64,883)**	(69,857)
Current	**(6,638)**	(6,613)
Total	**(71,521)**	(76,470)

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

Grants receivable for 2021 of €1.3 million (2020: €1.2 million) related to grant funding from the Innovation and Networks Executive Agency (INEA) for Carbon Capture utilisation and storage work studies, for investment in Compressed Natural Gas stations and Biogas related infrastructure and the development of policies and procedures in relation to Gas Networks Ireland Gas Operational Technology. A number of conditions relating to these grant fundings remain in progress at year end.

21. Provisions, Contingencies and Capital Commitments

Provisions

	Restructuring €'000	Self-insured claims €'000	Total €'000
At 1 January 2021	(82)	(8,067)	(8,149)
Provisions made	-	(468)	(468)
Provisions used	34	772	806
At 31 December 2021	(48)	(7,763)	(7,811)

Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	(6,198)	(3,391)
Current	(1,613)	(4,758)
Total	(7,811)	(8,149)

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 and related pension payments of €0.034 million in aggregate during 2021 in respect of two employees who exited under the terms of the programme. These liabilities are expected to be substantially discharged by 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 2021. 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 2024.

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

	2021 €'million	2020 €'million
Capital expenditure that has been contracted for but has not been provided for	56	55

22. Trade and Other Payables

	31-Dec-21 €'000	31-Dec-20 €'000
Trade payables	**(18,866)**	(9,778)
Accrued expenses	**(100,451)**	(80,174)
Other payables	**(51,775)**	(30,514)
Taxation and social insurance creditors	**(19,647)**	(17,434)
Total	**(190,739)**	(137,900)
Analysed as follows:		
Non-current	**(15,751)**	(15,709)
Current	**(174,988)**	(122,191)
Total	**(190,739)**	(137,900)
Taxation and social insurance creditors		
PAYE/social insurance	**(3,143)**	(3,843)
VAT	**(16,504)**	(13,591)
Total	**(19,647)**	(17,434)

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 2021 were not designated for hedge accounting purposes.

Cross currency interest rate swaps (CCIRS) and interest rate swaps

The Group's final tranche of Private Placement debt, €111 million, was repaid on 31 March 2021 in line with schedule. The associated CCIRS and interest rate swaps which were used to hedge this exposure also matured on 31 March 2021. The CCIRS was designated as a hedging instrument. Under the hedge accounting relationship the CCIRS was disaggregated into two separate components and part designated as fair value hedge (FVTPL - designated) and cash flow hedge (FVTOCI). The interest rate swaps were not designated for hedging 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.

23. Financial Risk Management and Financial Instruments (continued)

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

	Fair value hierarchy	FVTPL - undesignated €'000	FVTPL - designated €'000	FVTOCI €'000	Total at amortised cost €'000	Total €'000
At 31 December 2021						
Financial assets						
Foreign exchange rate contracts	Level 2	**1,273**	**-**	**-**	**-**	**1,273**
Trade and other receivables[2]		**-**	**-**	**-**	**90,517**	**90,517**
Cash and cash equivalents[3]		**-**	**-**	**-**	**87,297**	**87,297**
Restricted deposits		**-**	**-**	**-**	**46,348**	**46,348**
Total financial assets		**1,273**	**-**	**-**	**224,162**	**225,435**
Financial liabilities						
Borrowings and other debt[4]		**-**	**-**	**-**	**(1,035,429)**	**(1,035,429)**
Foreign exchange rate contracts	Level 2	**(612)**	**-**	**-**	**-**	**(612)**
Trade and other payables[1]		**-**	**-**	**-**	**(70,641)**	**(70,641)**
Total financial liabilities		**(612)**	**-**	**-**	**(1,106,070)**	**(1,106,682)**
Net financial (liabilities)/assets		**661**	**-**	**-**	**(881,908)**	**(881,247)**
At 31 December 2020						
Financial assets						
Cross currency interest rate swaps	Level 2	-	5,618	(1,371)	-	4,247
Foreign exchange rate contracts	Level 2	271	-	-	-	271
Trade and other receivables[2]		-	-	-	73,780	73,780
Cash and cash equivalents[3]		-	-	-	122,887	122,887
Restricted deposits		-	-	-	17,603	17,603
Total financial assets/(liabilities)		271	5,618	(1,371)	214,270	218,788
Financial liabilities						
Borrowings and other debt[4]	Level 2	-	(4,131)	-	(1,146,721)	(1,150,852)
Interest rate swaps	Level 2	(132)	-	-	-	(132)
Foreign exchange rate contracts	Level 2	(145)	-	-	-	(145)
Trade and other payables[1]		-	-	-	(40,292)	(40,292)
Total financial liabilities		(277)	(4,131)	-	(1,187,013)	(1,191,421)
Net financial (liabilities)/assets		(6)	1,487	(1,371)	(972,743)	(972,633)

[1] Accrued expenses and taxation liabilities 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 2021, €25.1 million of cash and cash equivalents (2020: €66.1 million) was offset against €0.3 million of bank overdrafts (2020: €28.1 million), and a net position of €24.8 million was presented as cash and cash equivalents (2020: €37.9 million). At 31 December 2021, the Group had entered no master netting arrangements and other similar agreements.

[4] The fair value of borrowings and other debt as at 31 December 2021 was €1,073.8 million (2020: €1,227.5 million).

23. Financial Risk Management and Financial Instruments (continued)

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

	Non-current assets €'000	Current assets €'000	Non-current liabilities €'000	Current liabilities €'000	Total €'000
Foreign exchange contracts	378	896	(189)	(424)	661
At 31 December 2021	**378**	**896**	**(189)**	**(424)**	**661**
Interest rate swaps	-	-	-	(132)	(132)
Cross currency interest rate swaps	-	4,247	-	-	4,247
Foreign exchange contracts	-	271	-	(145)	126
At 31 December 2020	-	4,518	-	(277)	4,241

Derivative assets and liabilities designated as hedges

The Group applies the criteria defined by IFRS 9 in classifying derivates as hedges. Only derivative instruments external to the Group qualify for consideration for hedge accounting. Following the maturity of the Private Placement debt and associated CCIRS, on 31 March 2021, the Group no longer carries derivatives designated for hedge accounting purposes.

Hedge effectiveness was determined on the derivatives designated in a hedging relationship at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The Group used the following categories for hedges:

(i) Fair value hedges (FVTPL - designated)

There were no hedges designated in a fair value hedging relationship at 31 December 2021. The ineffective portion of fair value hedges in 2020 and 2021 was €nil.

(ii) Cash flow hedges (FVTOCI)

There were no hedges designated in a cash flow hedging relationship at 31 December 2021. The amount recognised in profit or loss due to ineffectiveness on cash flow hedges was €nil during 2021 (2020: €nil).

The movements on the Group's cash flow hedge reserve (pre-tax) is as follows:

	CCIRS €'000	Total €'000
At 1 January 2021	**(1,371)**	**(1,371)**
Net change in fair values	**1,371**	**1,371**
At 31 December 2021	**-**	**-**

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.

23. Financial Risk Management and Financial Instruments (continued)

(i) Credit risk

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

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

	31-Dec-21 €'000	31-Dec-20 €'000
Trade and other receivables (excluding prepayments)	**90,517**	73,780
Cash and cash equivalents	**87,297**	122,887
Restricted deposits	**46,348**	17,603
Derivative financial instruments	**1,273**	4,518
Total	**225,435**	218,788

(i) (a) Treasury related credit risk

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

All derivative trades are transacted in compliance with the Requirements and the Conditions of the Minister of Finance, issued in accordance with provisions of the Financial Transaction of Certain Companies and Other Bodies Act 1992, most recently issued in December 2020. This outlines the criteria that must be satisfied regarding each derivative counterparty with which the Group transacts. Group Treasury regularly evaluates and measures its treasury counterparty exposures. Where the exposure on derivative instruments has the potential to be material to the Group's net worth, the Group will consider entering into credit support arrangements.

Financial guarantees

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

	31-Dec-21 €'000	31-Dec-20 €'000
Letters of credit	**700**	1,400
Total	**700**	1,400

(i) (b) Trade related credit risk

Refer to note 12 for an analysis of the Group's exposure to trade related credit risk.

23. Financial Risk Management and Financial Instruments (continued)

(ii) Funding and liquidity risk

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

(ii) (a) Funding

The Group 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-21 €'000	31-Dec-20 €'000
Borrowings (excluding lease liabilities)	**(1,020,176)**	(1,134,399)
Committed facilities	**(1,484,783)**	(1,595,600)

The Group's Private Placement debt matured on 31 March 2021. This redemption was funded through existing cash resources and operating cashflows. In 2021 Gas Networks Ireland commenced the process of refinancing its Revolving Credit Facility (RCF), the Group's principal liquidity facility. This process was concluded in January 2022 with the entry by Gas Networks Ireland into a new €300 million RCF with a syndicate of international and domestic banks. The new five-year facility has an initial maturity date of January 2027 and will be used for general corporate purposes.

The Group credit rating was moved to Gas Networks Ireland in 2015. Gas Networks Ireland is rated A by Standard & Poor's (2020: A) and A2 by Moody's Investors Services (2020: A3). This strong credit rating enables Gas Networks Ireland to have access to a wide diversity of funding sources and ensures it can raise funding at competitive cost.

(ii) (b) Cash surpluses

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

(ii) (c) Exposure to liquidity risk

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

23. Financial Risk Management and Financial Instruments (continued)

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2021						
Borrowings and other debt	**(1,035,429)**	**(1,123,345)**	**(11,264)**	**(11,468)**	**(834,441)**	**(266,172)**
Trade and other payables	**(70,641)**	**(70,641)**	**(65,224)**	**(5,417)**	**-**	**-**
Non-derivative financial liabilities	**(1,106,070)**	**(1,193,986)**	**(76,488)**	**(16,885)**	**(834,441)**	**(266,172)**
Foreign exchange rate contracts	**661**	**661**	**472**	**170**	**19**	**-**
Net derivative financial assets	**661**	**661**	**472**	**170**	**19**	**-**
Net financial liabilities	**(1,105,409)**	**(1,193,325)**	**(76,016)**	**(16,715)**	**(834,422)**	**(266,172)**
At 31 December 2020						
Borrowings and other debt	(1,150,852)	(1,235,070)	(128,499)	(10,095)	(330,437)	(766,039)
Trade and other payables	(40,292)	(40,292)	(32,408)	(7,884)	-	-
Non-derivative financial liabilities	(1,191,144)	(1,275,362)	(160,907)	(17,979)	(330,437)	(766,039)
Interest rate swaps	(132)	(266)	(266)	-	-	-
Cross currency interest rate swaps	4,247	5,628	5,628	-	-	-
Foreign exchange rate contracts	126	126	126	-	-	-
Net derivative financial assets	4,241	5,488	5,488	-	-	-
Net financial liabilities	(1,186,903)	(1,269,874)	(155,419)	(17,979)	(330,437)	(766,039)

(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.

Group 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 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, most recently issued in December 2020. Group Treasury seeks to apply hedge accounting in order to manage volatility in profit or loss where material in the context of the Group.

(iii) (a) Exchange rate risk

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

GBP/EUR exchange rates were as follows:

	2021	2020
Average rate	**0.860**	0.889
Year end rate	**0.841**	0.895

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

23. Financial Risk Management and Financial Instruments (continued)

• Subsidiaries operating in foreign currency (sterling)

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

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

• Transaction exposure

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

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

Exchange rate sensitivity analysis

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

	Profit before taxation gain/ (loss) 31-Dec-21 €'000	Other comprehensive income 31-Dec-21 €'000	Profit before taxation gain/ (loss) 31-Dec-20 €'000	Other comprehensive income 31-Dec-20 €'000
5% Strengthening	**(1,280)**	**(2,319)**	(241)	(1,991)
5% Weakening	**1,280**	**2,319**	241	1,991

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

- changes in the carrying value of derivative financial instruments not in hedging relationships affect the income statement only, and
- changes in the carrying value of derivative financial instruments that are cash flow hedges impact other comprehensive income only (applicable to 2020 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 fixed interest rates with a minimum of 60% of net debt fixed on a one year and 50% on a 3 year basis. The Group uses a number of methods, including entering into fixed rate debt and interest rate derivatives to manage the interest rate risk on its debt portfolio.

23. Financial Risk Management and Financial Instruments (continued)

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

	2021 €'000	2021 %	2020 €'000	2020 %
At fixed rates[1]	**(920,210)**	**90.2%**	(1,034,553)	91.2%
At floating rates	**(99,966)**	**9.8%**	(99,846)	8.8%
Total	**(1,020,176)**	**100.0%**	(1,134,399)	100.0%

[1] The 2020 comparative figure includes interest rate swaps. The Group had €922.4 million of fixed rate debt excluding interest rate swaps at 31 December 2020. The Group held no interest rate swaps at 31 December 2021.

On 31 December 2020, the Group had US$140 million fixed rate debt outstanding (€111.2 million equivalent) in a US dollar Private Placement transaction which was completed on 31 March 2009. In order to hedge the associated US dollar exchange rate exposures and convert the underlying interest rates to floating euro, the Group had a cross currency interest rate swap which matched the maturity profile of the debt. At 31 December 2020, the Group had outstanding interest rate swaps with a notional principal of €111.2 million, which commenced in H2 2017 and were swapped for four years effectively fixing the Private Placement debt instrument until its maturity in March 2021.

At 31 December 2021, the weighted average interest rate of the fixed debt portfolio was 1.09% (2020: 1.33%), which comprised three bonds totalling €925.0 million.

	2021	2020
Fixed rate debt had an average duration of	**5.63 years**	5.94 years

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

Cash flow sensitivity analysis for floating rate debt

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

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

	Profit before taxation 31-Dec-21 €'000	Profit before taxation 31-Dec-20 €'000	Other comprehensive income 31-Dec-21 €'000	Other comprehensive income 31-Dec-20 €'000
50 bp increase	**(500)**	(499)	**-**	-
50 bp decrease	**500**	499	**-**	-

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

- all other variables, in particular foreign currency rates, remain constant;
- relates only to derivative financial instruments and floating debt;
- derivatives designated as cash flow hedges against movements in interest rates are assumed to be fully effective, recorded fully within equity with no impact on the income statement (applicable to 2020 only);
- 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.

24. Fair Value Measurement

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers in both 2021 and 2020.

(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.
Interest rate swaps and cross currency interest rate swaps* *(Refer to note 23)*	The fair value of interest rate swaps and cross currency interest rate swaps took into account the fixed, floating and market rates prevailing at the reporting date. Fair values reflected the credit risk of the instrument and include adjustments to take account of the credit risk of the relevant Group entity and counterparty when appropriate. Fair value hierarchy: level 2	All significant inputs required to fair value the instrument are observable.
Private Placement *(fair value hedge portion)** *(Refer to note 23)*	The fair value of the fixed rate debt was estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date. Fair value hierarchy: level 2	All significant inputs required to fair value the instrument are observable.

*only relevant to prior period following the maturity of the Private Placement debt and associated cross currency interest rate swaps on 31 March 2021.

24. Fair Value Measurement (continued)

(b) Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)

The fair value of borrowings, measured at amortised cost is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date - Fair value hierarchy: level 2. There were no financial instruments that are measured at amortised cost but for which fair value was disclosed classified as Level 3 either in current year or in prior year.

25. Dividends

Dividend declared

	2021 €'000	2020 €'000
To the Exchequer	**38,438**	70,958
Total	**38,438**	70,958

Dividend paid

	2021 €'000	2020 €'000
Annual dividend paid to the Exchequer	**38,438**	47,283
Special dividend on sale of the Energy business paid to the Exchequer	**-**	23,675
Total	**38,438**	70,958

Ervia is 100% beneficially owned by the Irish State. Annual dividends are based on 45% (2020: 45%) of the previous year's adjusted profit, as directed by the Government. In March 2022, the Board further approved the declaration and payment of an annual dividend of €30.1 million, based on 45% of the 2021 adjusted profit, subject to the Government's noting of the 2021 Financial Statements of Ervia.

In 2018, following agreement with the Department of Housing, Local Government and Heritage, Ervia withheld €5.1 million of the dividend. This is due to be paid in 2023 with an appropriate interest rate accruing annually.

26. Subsidiaries

At 31 December 2021 the Group and the Parent had the following subsidiaries:

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

Non-controlled Undertaking	Nature of Business	Registered Office	Notes
Irish Water	Water and Waste Water Services	Colvill House, 24/26 Talbot Street, Dublin 1, Ireland.	(i)

26. Subsidiaries (continued)

(i) At 31 December 2021, the Group held a single voting share in Irish Water, with no economic rights attributable to that share. The Minister for Finance and the Minister for Housing, Local Government and Heritage each held 325 (2020: 325) Water Economic Rights ('WER') shares which carried no voting rights but carried all the economic rights to obtain benefit from the activities of Irish Water.

IFRS 10 states "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". The Group's single voting share in Irish Water represents an existing right at 31 December 2021 that gives the Group the power to govern the financial and operating policies of Irish Water. However, as this power cannot be used to obtain variable returns, as the Group does not have rights to the variable returns of Irish Water at that date, as required by IFRS 10, and therefore in order to comply with the requirements of IFRS, the financial statements of Irish Water are not consolidated with the results of the Group.

27. Related Parties

Ervia is a corporate body established under the Gas Act 1976. Ervia is 100% beneficially owned by the Irish State. Refer to note 25 for disclosures in respect of the Group's dividends.

Irish Water

Irish Water is deemed to be a related party of the Group, on the basis of the fact pattern set out in note 26.

Balances receivable at the reporting date, in respect of the transactions detailed below, are as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Irish Water	**4,849**	24,444
	4,849	24,444

Transaction values during the year:

		2021 €'000	2020 €'000
Central transactional and support services	(a)	**49,320**	52,403
Capital expenditure costs recharged	(b)	**11,764**	21,706
Pension costs	(c)	**1,153**	1,019

(a) Transactional and support service costs

The Group provides strategic, governance, risk management, capital delivery management and transactional and support services to Irish Water, through the Group Centre, Major Projects area and Business Services. The Business Services organisation is designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, Insurance, Project Support, HR and IT. The costs relating to the secondment of employees are recharged to Irish Water on a full cost recovery method with no margin earned. Refer to note 29P for further details on central transactional and support service costs.

(b) Capital expenditure costs incurred by Ervia Group and recharged to Irish Water

Irish Water transacts with the Group in respect of centrally delivered and business delivered projects including the payroll costs incurred by the Major Projects area. The directly attributable Irish Water costs are re-charged on a monthly basis with no overhead or margin applied by Ervia Group.

(c) Pension cost

The Group operates a defined benefit pension scheme. A number of Irish Water employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Irish Water recognises only the cost of contributions payable for the year in respect of Irish Water employees. The Group's current service costs for 2021 (as set out in note 18) includes the contributions payable for the year in respect of Irish Water employees (as set out above). These costs are not included in the Group's employee benefit expense.

27. Related Parties (continued)

Key management compensation

Key management consists of the Ervia Board, the Ervia CEO and his direct reports. Key management costs are apportioned to individual entities within the Ervia group based on services provided. The costs disclosed are net of an apportionment of costs to Irish Water, being a non-controlled undertaking.

	2021 €'000	2020 €'000
Short-term employee benefits	**(1,532)**	(1,529)
Post-employment benefits	**(155)**	(150)
Total	**(1,687)**	(1,679)

Board members

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

Government bodies

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

28. Subsequent Events

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

As described in the Chairman's Statement and the Chief Executive Officer Review, we are closely monitoring the developing situation arising from the conflict between Russia and Ukraine and are assessing the potential impacts for our operations as the situation continues to evolve. This is a non-adjusting event for these financial statements.

Parent Income Statement
for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Continuing operations			
Revenue		**-**	-
Operating costs net (excluding depreciation and amortisation)	29A.	**(7,195)**	(7,400)
Operating loss before depreciation and amortisation (EBITDA)		**(7,195)**	(7,400)
Depreciation and amortisation	29C.	**(1,349)**	(1,426)
Operating loss		**(8,544)**	(8,826)
Finance income	29D.	**15,361**	48,045
Finance costs	29D.	**(2,039)**	(2,520)
Net finance income	29D.	**13,322**	45,525
Profit before income tax		**4,778**	36,699
Income tax	29E.	**(322)**	2,028
Profit for the year		**4,456**	38,727
Profit attributable to:			
Owners of the Parent		**4,456**	38,727
Profit for the year		**4,456**	38,727

For and on behalf of the Board:

Tony Keohane	**Keith Harris**	29th March 2022
Chairman	Member of the Board	Date of Approval

Parent Statement of Other Comprehensive Income
for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Profit for the year		**4,456**	38,727
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gain/(losses)	18	**83,162**	(34,670)
Remeasurement of other pension assets	18	**46**	9,047
Deferred tax relating to defined benefit obligations	29E.	**(10,401)**	3,203
Total items that will not be reclassified to profit or loss		**72,807**	(22,420)
Total other comprehensive income for the year		**72,807**	(22,420)
Total comprehensive income for the year		**77,263**	16,307
Total comprehensive income attributable to:			
Owners of the Parent		**77,263**	16,307
Total comprehensive income for the year		**77,263**	16,307

For and on behalf of the Board:

Tony Keohane	**Keith Harris**	29th March 2022
Chairman	Member of the Board	Date of Approval

Parent Balance Sheet
as at 31 December 2021

	Notes	31-Dec-21 €'000	31-Dec-20 €'000
Assets			
Non-current assets			
Property, plant and equipment	29F.	**11,851**	20,217
Investment in subsidiary	29H.	**688,298**	681,436
Trade and other receivables	29I.	**5,229**	5,188
Deferred tax assets	29E.	**10,527**	16,324
Total non-current assets		**715,905**	723,165
Current assets			
Trade and other receivables	29I.	**24,049**	62,832
Cash and cash equivalents	29J.	**28,136**	25,982
Derivative financial instruments	29N.	**65**	69
Total current assets		**52,250**	88,883
Total assets		**768,155**	812,048
Equity and liabilities			
Equity			
Retained earnings		**(625,721)**	(586,896)
Total equity		**(625,721)**	(586,896)
Liabilities			
Non-current liabilities			
Retirement benefit obligations	18	**(108,804)**	(182,534)
Lease liabilities	29G.	**(11,250)**	(12,221)
Grants	29L.	**(293)**	(210)
Trade and other payables	29M.	**(5,417)**	(5,609)
Total non-current liabilities		**(125,764)**	(200,574)
Current liabilities			
Lease liabilities	29G.	**(935)**	(917)
Trade and other payables	29M.	**(15,542)**	(20,965)
Current tax liabilities	29E.	**(193)**	(2,696)
Total current liabilities		**(16,670)**	(24,578)
Total liabilities		**(142,434)**	(225,152)
Total equity and liabilities		**(768,155)**	(812,048)

For and on behalf of the Board:

Tony Keohane	**Keith Harris**	29th March 2022
Chairman	Member of the Board	Date of Approval

Parent Statement of Changes in Equity
for the year ended 31 December 2021

	Notes	Retained earnings €'000
At 1 January 2020		(641,547)
Profit for the year		(38,727)
Other comprehensive income for the year		22,420
Total comprehensive income for the year		(16,307)
Dividends	25	70,958
At 31 December 2020		(586,896)
Profit for the year		**(4,456)**
Other comprehensive income for the year		**(72,807)**
Total comprehensive income for the year		**(77,263)**
Dividends	25	**38,438**
At 31 December 2021		**(625,721)**

All attributable to owners of the Parent.

Parent Statement of Cash Flows
for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
Net cash from operating activities	29K.	**11,743**	12,501
Cash flows from investing activities			
Payments for property, plant and equipment		**(165)**	(87)
Dividends received	29D.	**15,361**	47,283
Repayment received (loan to subsidiary)		**-**	23,000
Interest repayment received (loan to subsidiary)		**14,606**	10,955
Receipt relating to the sale of Energy division		**-**	375
Net cash from investing activities		**29,802**	81,526
Cash flows from financing activities			
Repayment of lease liabilities	29G.	**(953)**	(899)
Dividends paid	25	**(38,438)**	(70,958)
Net cash used in financing activities		**(39,391)**	(71,857)
Net increase in cash and cash equivalents	29J.	**2,154**	22,170
Cash and cash equivalents at 1 January	29J.	**25,982**	3,812
Cash and cash equivalents at 31 December	29J.	**28,136**	25,982

Notes to the Parent financial statements

29A Operating Costs Net (excluding depreciation and amortisation)

		2021 €'000	2020 €'000
Employee benefit expense	29B.	**(54,042)**	(56,311)
Hired and contracted services		**(4,404)**	(3,366)
Materials, maintenance and sub-contractor costs		**(10,640)**	(11,738)
Rates and facilities		**(622)**	(695)
Other operating expenses		**(11,603)**	(13,686)
Recharges to Irish Water		**49,320**	52,403
Recharges to subsidiary - Gas Networks Ireland		**24,796**	25,993
Total		**(7,195)**	(7,400)

Refer to note 4 for disclosures in respect of the Auditor remuneration and Board members' emoluments.

29B Employee Benefits

(a) Aggregate employee benefits

	2021 €'000	2020 €'000
Staff short-term benefits	**(46,483)**	(50,174)
Post-employment benefits - defined benefit scheme[1]	**(11,372)**	(10,663)
Post-employment benefits - defined contribution scheme	**(2,677)**	(2,837)
Social insurance costs	**(5,045)**	(5,392)
	(65,577)	(69,066)
Capitalised payroll and other payroll transfers	**11,535**	12,755
Employee benefit expense charged to profit or loss	**(54,042)**	(56,311)

[1] Includes unallocated non-cash pension costs attributable to non-Parent company employees (i.e. eligible subsidiary and Irish Water employees) who participate in the Ervia defined benefit scheme (refer to notes 18 and 29P).

(b) Staff short-term benefits

	2021 €'000	2020 €'000
Wages and salaries	**(44,820)**	(48,412)
Overtime	**(2)**	(19)
Allowances	**(309)**	(309)
Other[1]	**(1,352)**	(1,434)
Total	**(46,483)**	(50,174)

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

The average monthly number of employees providing services to the Parent was 550 for 2021 (2020: 608).

29C Depreciation and Amortisation

		2021 €'000	2020 €'000
Depreciation of property, plant and equipment	29F.	**(340)**	(417)
Depreciation of right-of-use assets	29G.	**(1,009)**	(1,009)
Total		**(1,349)**	(1,426)

29D Net Finance Income

		2021 €'000	2020 €'000
Before remeasurements			
Dividends received		**15,361**	47,283
Change in estimate of cash flow on contingent consideration		**-**	375
Lease liability finance charge	29G.	**(243)**	(260)
Net interest on the net defined benefit liability	18	**(1,234)**	(1,766)
Other finance costs		**(558)**	(494)
Total before remeasurements		**13,326**	45,138
Remeasurements			
Net changes in fair value of financing undesignated derivatives		**(4)**	387
Total remeasurements		**(4)**	387
Total			
Finance income		**15,361**	48,045
Finance costs		**(2,039)**	(2,520)
Net finance income		**13,322**	45,525

29E Tax

Income tax

	2021 €'000	2020 €'000
Current tax		
Current tax	**(4,163)**	(2,696)
Adjustments in respect of previous years	**(763)**	126
	(4,926)	(2,570)
Deferred tax		
Origination and reversal of temporary differences	**4,563**	4,630
Adjustments in respect of previous years	**41**	(32)
	4,604	4,598
Total income tax	**(322)**	2,028

29E Tax (continued)

Reconciliation of effective tax rate

	2021 €'000	2020 €'000
Profit before tax	**4,778**	36,699
Taxed at 12.5% (2020: 12.5%)	**(597)**	(4,587)
Expenses not deductible for tax purposes	**(413)**	279
Income not taxable	**1,868**	5,957
Profits taxed at higher rates	**-**	285
Adjustments to income	**(458)**	-
Adjustments in respect of previous years	**(722)**	94
Total income tax	**(322)**	2,028

Current tax assets and liabilities

	31-Dec-21 €'000	31-Dec-20 €'000
Current tax liabilities	**(193)**	(2,696)

Deferred tax assets and liabilities

	Pension obligations €'000	Accelerated tax depreciation €'000	Interest charges payable €'000	Other €'000	Total €'000
At 1 January 2020	18,576	(163)	(9,924)	34	2,868
Recognised in income statement	1,201	(18)	3,306	109	4,598
Recognised in equity	3,203	-	-	-	3,203
At 31 December 2020	22,980	(181)	(6,618)	143	16,324
Recognised in income statement	**1,133**	**181**	**3,287**	**3**	**4,604**
Recognised in equity	**(10,401)**	**-**	**-**	**-**	**(10,401)**
At 31 December 2021	**13,712**	**-**	**(3,331)**	**146**	**10,527**

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

	2021 €'000	2020 €'000
Capital losses	**3,600**	3,600

29F Property, Plant and Equipment

		31-Dec-21 €'000	31-Dec-20 €'000
Property, plant and equipment - owned assets		-	7,357
Property, plant and equipment - leased assets	29G.	**11,851**	12,860
Property, plant and equipment - as presented on the balance sheet		**11,851**	20,217

Property, plant and equipment - owned assets

		Land and buildings €'000	Plant, pipeline and machinery €'000	Total €'000
Cost				
At 1 January 2020		21,345	299	21,644
Additions		-	87	87
At 31 December 2020		21,345	386	21,731
Additions		**-**	**165**	**165**
Disposals		**-**	**(539)**	**(539)**
Transferred under common control transaction	29P.	**(21,345)**	**-**	**(21,345)**
At 31 December 2021		**-**	**12**	**12**
Accumulated depreciation and impairment losses				
At 1 January 2020		(13,881)	(76)	(13,957)
Depreciation charge		(343)	(74)	(417)
At 31 December 2020		(14,224)	(150)	(14,374)
Depreciation charge		**(257)**	**(83)**	**(340)**
Disposals		**-**	**221**	**221**
Transferred under common control transaction	29P.	**14,481**	**-**	**14,481**
At 31 December 2021		**-**	**(12)**	**(12)**
Carrying amounts				
At 31 December 2020		7,121	236	7,357
At 31 December 2021		**-**	**-**	**-**

29G Lease Assets and Liabilities

The Parent as Lessee

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

29G Lease Assets and Liabilities (continued)

Amounts recognised on the balance sheet

	Land and buildings €'000	Total €'000
Right-of-use assets		
Cost		
At 1 January 2020	14,878	14,878
Additions	-	-
At 31 December 2020	14,878	14,878
Additions	**-**	**-**
At 31 December 2021	**14,878**	**14,878**
Accumulated depreciation and impairment losses		
At 1 January 2020	(1,009)	(1,009)
Depreciation charge	(1,009)	(1,009)
At 31 December 2020	(2,018)	(2,018)
Depreciation charge	**(1,009)**	**(1,009)**
At 31 December 2021	**(3,027)**	**(3,027)**
Carrying amounts		
At 31 December 2020	12,860	12,860
At 31 December 2021	**11,851**	**11,851**
Lease liabilities		
At 1 January 2020	(14,037)	(14,037)
Interest expense	(260)	(260)
Lease payments	1,159	1,159
At 31 December 2020	(13,138)	(13,138)
Additions	**-**	**-**
Interest expense	**(243)**	**(243)**
Lease payments	**1,196**	**1,196**
At 31 December 2021	**(12,185)**	**(12,185)**

Analysed as follows:

	2021 €'000	2020 €'000
Non-current	**(11,250)**	(12,221)
Current	**(935)**	(917)
Total	**(12,185)**	(13,138)

Lease liabilities are monitored within the relevant business functions. The Parent does not face significant liquidity risk with regard to its lease liabilities. Refer to note 29N for a maturity analysis of lease liabilities.

29H Investment in Subsidiary

		2021 €'000	2020 €'000
Cost			
At 1 January		**681,436**	681,436
Additions	29P.	**6,862**	-
At 31 December		**688,298**	681,436
Impairment			
At 1 January		**-**	-
At 31 December		**-**	-
Carrying amount			
At 31 December		**688,298**	681,436

The Parent's subsidiary is Gas Networks Ireland.

29I Trade and Other Receivables

		31-Dec-21 €'000	31-Dec-20 €'000
Amounts due from subsidiaries	29P.	**23,671**	39,268
Amounts due from Irish Water	29P.	**4,967**	24,427
Other receivables		**-**	66
Sub-total		**28,638**	63,761
Prepayments		**640**	4,259
Total		**29,278**	68,020
Analysed as follows:			
Non-current		**5,229**	5,188
Current		**24,049**	62,832
Total		**29,278**	68,020

Refer to note 29P for further details in respect of balances with subsidiaries and Irish Water.

The maximum exposure of trade and other receivables to credit risk at the reporting date is €28.6 million (2020: €63.8 million). Prepayments are excluded as no credit exposure arises.

The Parent applies the IFRS 9 simplified approach (which uses a lifetime ECL) to measure ECL for all trade and other receivables, with the exception of certain amounts due from subsidiaries, which are measured using the IFRS 9 general approach. There are no material expected credit loss allowances recognised by the Parent and the Parent does not expect any significant losses of receivables that have not been provided.

At 31 December 2021, the Company had amounts due from subsidiaries and Irish Water of €28.6 million (2020: €63.7 million). In determining ECL (including probability of default and loss given default), amounts due from subsidiaries were classified as low credit risk receivables. There were no amounts classified as payable on demand or for which there has been a substantial increase in credit risk since initial recognition. In determining an ECL, regard is given to the historic performance of the relevant loan as well as forward looking information for the relevant subsidiary, including detailed discounted cash flow forecasts and macro-economic factors. Further to this assessment, no ECL allowance is recognised in respect of these amounts at 31 December 2021 (2020: €nil) and no ECL was recognised during the year in respect of these amounts (2020: €nil).

29J Cash and Cash Equivalents

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

	31-Dec-21 €'000	31-Dec-20 €'000
Short-term deposits	**26,500**	25,500
Cash on hand	**1,636**	482
Total	**28,136**	25,982

	2021 €'000	2020 €'000
At 1 January	**25,982**	3,812
Increase in cash and cash equivalents in the statement of cash flows	**2,154**	22,170
At 31 December	**28,136**	25,982

29K Cash Generated from Operations

	Notes	2021 €'000	2020 €'000
Cash flows from operating activities			
Profit for the year		**4,456**	38,727
Adjustments for:			
Depreciation and amortisation	29C.	**1,349**	1,426
Net finance income	29D.	**(13,322)**	(45,525)
Retirement benefit cost		**8,274**	7,799
Income tax expense/(credit)	29E.	**322**	(2,028)
		1,079	399
Working capital changes:			
Change in trade and other receivables		**19,139**	228
Change in trade and other payables		**1,283**	10,227
Cash from operating activities		**21,501**	10,854
Interest (paid)/received		**(2,329)**	1,324
Income tax (paid)/received		**(7,429)**	323
Net cash from operating activities		**11,743**	12,501

Notes to the Parent
Financial Statements (continued)

29L Grants

	2021 €'000	2020 €'000
At 1 January	**(210)**	-
Receivable in year	**(520)**	(314)
Amortised	**-**	-
Credited to the income statement	**437**	104
At 31 December	**(293)**	(210)

Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	**(293)**	(210)
Current	**-**	-
Total	**(293)**	(210)

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

Grants receivable for 2021 of €0.5 million (2020: €0.3 million) related to grant funding from the Innovation and Networks Executive Agency (INEA) for Carbon Capture utilisation and storage work studies. A number of conditions relating to these grant fundings remain in progress at year end.

29M Trade and Other Payables

		31-Dec-21 €'000	31-Dec-20 €'000
Trade payables		**(3,576)**	(2,701)
Accrued expenses		**(11,587)**	(15,551)
Other payables		**(5,541)**	(6,121)
Amounts due to subsidiaries	29P.	**-**	(84)
Taxation and social insurance creditors		**(255)**	(2,117)
Total		**(20,959)**	(26,574)
Analysed as follows:			
Non-current		**(5,417)**	(5,609)
Current		**(15,542)**	(20,965)
Total		**(20,959)**	(26,574)
Taxation and social insurance creditors			
PAYE/social insurance		**(861)**	(2,204)
VAT		**606**	87
Total		**(255)**	(2,117)

29N Financial Risk Management and Financial Instruments

The following table combines information about:

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

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

	Fair value hierarchy	FVTPL - undesignated €'000	FVTPL - designated €'000	FVTOCI €'000	Total at amortised cost €'000	Total €'000
At 31 December 2021						
Financial assets						
Foreign exchange rate contracts	Level 2	65	-	-	-	65
Trade and other receivables[2]		-	-	-	28,638	28,638
Cash and cash equivalents[3]		-	-	-	28,136	28,136
Total financial assets		65	-	-	56,774	56,839
Financial liabilities						
Foreign exchange rate contracts	Level 2	-	-	-	-	-
Trade and other payables[1]		-	-	-	(9,117)	(9,117)
Total financial liabilities		-	-	-	(9,117)	(9,117)
Net financial assets		65	-	-	47,657	47,722
At 31 December 2020						
Financial assets						
Foreign exchange rate contracts	Level 2	69	-	-	-	69
Trade and other receivables[2]		-	-	-	63,761	63,761
Cash and cash equivalents[3]		-	-	-	25,982	25,982
Total financial assets		69	-	-	89,743	89,812
Financial liabilities						
Trade and other payables[1]		-	-	-	(8,906)	(8,906)
Total financial liabilities		-	-	-	(8,906)	(8,906)
Net financial assets		69	-	-	80,837	80,906

[1] Accrued expenses and taxation liabilities 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 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 2021, there was a net position of €1.6 million of cash and cash equivalents (2020: €0.5 million). As at 31st December 2020, €1.3 million of cash and cash equivalents were offset against €0.8 million of bank overdrafts. As at 31 December 2021, the Parent had entered no master netting arrangements and other similar agreements.

Notes to the Parent
Financial Statements (continued)

29N Financial Risk Management and Financial Instruments (continued)

Financial risk management

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

(i) Credit risk

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

	31-Dec-21 €'000	31-Dec-20 €'000
Trade and other receivables (excluding prepayments)	**28,638**	63,761
Cash and cash equivalents	**28,136**	25,982
Derivative financial instruments	**65**	69
Total	**56,839**	89,812

(i) (a) Treasury related credit risk

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

(i) (b) Trade related credit risk

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

(ii) Liquidity risk

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

The Group's funding position remained strong in 2021.The Group seeks to ensure it has a mix of funding sources at acceptable terms and conditions to finance the development of the business and to meet financial obligations as they fall due. The Group maintains a balanced maturity profile to minimise, insofar as possible, peaked repayments and refinancing risk.

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

29N Financial Risk Management and Financial Instruments (continued)

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
At 31 December 2021						
Lease liabilities	**(12,185)**	**(12,185)**	**(935)**	**(953)**	**(2,974)**	**(7,323)**
Trade and other payables	**(9,117)**	**(9,117)**	**(3,700)**	**(5,417)**	**-**	**-**
Non-derivative financial liabilities	**(21,302)**	**(21,302)**	**(4,635)**	**(6,370)**	**(2,974)**	**(7,323)**
Foreign exchange rate contracts	**65**	**65**	**65**	**-**	**-**	**-**
Net derivative financial assets	**65**	**65**	**65**	**-**	**-**	**-**
Net financial liabilities	**(21,237)**	**(21,237)**	**(4,570)**	**(6,370)**	**(2,974)**	**(7,323)**
At 31 December 2020						
Lease liabilities	(13,138)	(13,138)	(917)	(935)	(2,918)	(8,368)
Trade and other payables	(8,906)	(8,906)	(3,297)	(5,609)	-	-
Non-derivative financial liabilities	(22,044)	(22,044)	(4,214)	(6,544)	(2,918)	(8,368)
Foreign exchange rate contracts	69	69	69	-	-	-
Net derivative financial assets	69	69	69	-	-	-
Net financial liabilities	(21,975)	(21,975)	(4,145)	(6,544)	(2,918)	(8,368)

(iii) Market risk

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

(iii) (a) Exchange rate risk

Exchange rate risk derives from the fact that some of the Parent's transactions may be conducted in currencies other than euro (mainly sterling).

Transaction exposure

From time to time the Parent makes purchases in foreign currencies. The Group's policy is to manage these transaction exposures by seeking to match purchases and sales denominated in foreign currencies as far as possible. Where this is not possible, exposures will be hedged using derivatives permitted under the Group's treasury policy. Exposures will be hedged taking account of the business risks.

Also, the Group's treasury policy is that all expected exposures in excess of €300,000 equivalent in foreign currencies will be evaluated with respect to the business risks and, where appropriate, currency risks will be hedged to minimise the potential for adverse variances arising from currency movements.

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

(iii) (b) Interest rate risk

Refer to note 23 for details of the Group's objectives, policies and processes for managing interest rate risk and the methods used to measure interest rate risk. These objectives, policies and processes are also adopted by the Parent. The Parent carries no interest rate risk at the reporting date.

29O Contingencies and Capital Commitments

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

In 2021, Ervia Parent provided resourcing and contractor support to the delivery of IT, telecommunication and network infrastructure capital projects that were managed directly by Irish Water and Gas Networks Ireland. These projects were managed directly by Irish Water and Gas Networks Ireland from an overall operational delivery and budgetary control perspective. Directly attributable costs were recharged to Irish Water and Gas Networks Ireland with no overhead or margin applied. At 31 December 2021, Ervia Parent had entered into contractual commitments amounting to €nil million (2020: €1.8 million) in respect of these projects. The relevant capital commitments at 31 December 2020 attributable to Irish Water was €1.2 million) and the relevant capital commitments attributable to Gas Networks Ireland was €0.6 million. These capital commitments as at 31 December 2020 are included within the overall capital commitments notes in the respective financial statements of Irish Water and Gas Networks Ireland.

29P Related Parties

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

Transactions with Irish Water and subsidiaries

Irish Water is deemed to be a related party of the Parent, on the basis of the fact pattern set out in note 26. A listing of Ervia Parent's subsidiaries is also provided in note 26.

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

	31-Dec-21 €'000	31-Dec-20 €'000
Irish Water	**4,967**	24,427
Subsidiaries	**23,671**	39,184
	28,638	63,611

(a) Transactional and support service costs
During 2021, Ervia Parent provided strategic, governance, risk management, capital delivery management and transactional and support services to Irish Water and Gas Networks Ireland, through the Group Centre, Major Projects area and Business Services. The Business Services organisation is designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, Insurance, Project Support, HR and IT.

29P Related Parties (continued)

Transactional and support services provided by Ervia Parent

Business Services	Group	Other
Finance services	Governance and control	Major projects
Procurement services	Financial planning	Supply chain
HR services	Risk management	
IT services	Group services	
Insurance services	Stakeholder relationships	
Project support services		
Facilities services		
Management and administration		

Operating costs incurred by Ervia Parent and recharged to Irish Water and Gas Networks Ireland

	2021 €'000	2020 €'000
Employee benefit expense	**(54,042)**	(56,311)
Hired and contracted services	**(4,404)**	(3,366)
Materials, maintenance and sub-contractor costs	**(10,640)**	(11,738)
Rates and facilities	**(622)**	(695)
Other operating expenses	**(11,603)**	(13,686)
Sub-total before recharges	**(81,311)**	(85,796)
Recharges to Irish Water	**49,320**	52,403
Recharges to Gas Networks Ireland	**24,796**	25,993
Total after recharges[1]	**(7,195)**	(7,400)

[1] Total operating costs after recharges primarily represent non-cash pension costs, which are not recharged to Ervia Group companies.

Basis for the apportionment of Ervia Parent operating costs

- Operating costs incurred by the Ervia Parent in the provision of services to Irish Water and Gas Networks Ireland (and its subsidiaries) are recovered on a costs recoupment basis.
- Operating costs incurred in the provision of such services are recharged to Irish Water and Gas Networks Ireland based on a cost causation basis, reflective of the underlying cost driver associated with each of the cost centres within Ervia Parent. For example, the relevant cost driver for the Finance Services - Accounts Payable cost centre has been identified as the "number of invoices processed". Therefore the costs of the Accounts Payable cost centre are recharged to Irish Water and Gas Networks Ireland based on the relative proportion of number of invoices processed.
- The identified cost drivers for each individual cost-centre are reviewed annually to ensure that operating costs are recharged in line with the underlying levels of activity.
- Operating costs directly attributable to Irish Water and Gas Networks Ireland are either charged directly or are recharged in full.
- The overarching objective of the apportionment of operating costs as set out above is to ensure operating costs are recharged to Irish Water and Gas Networks Ireland based on a fair and transparent methodology, reflective of the underlying cost drivers.

29P Related Parties (continued)

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

	2021 €'000	2020 €'000
Capital expenditure costs recharged to Irish Water	**11,764**	21,706
Capital expenditure costs recharged to Gas Networks Ireland	**4,807**	7,472

Ervia Parent interacts with Irish Water and Gas Networks Ireland in respect of centrally delivered and business delivered projects including the payroll costs incurred by the Major Projects area. The directly attributable Irish Water and Gas Networks Ireland costs are re-charged on a monthly basis with no overhead or margin applied by Ervia Parent.

(c) Pension costs

	2021 €'000	2020 €'000
Contributions payable for the year in respect of Irish Water employees	**1,153**	1,019
Contributions payable for the year in respect of Gas Networks Ireland employees	**5,823**	5,617

Ervia Parent operates defined benefit and defined contribution pension schemes. A number of Irish Water and Gas Networks Ireland employees participate in these schemes. The defined benefit scheme is accounted for as a Group Plan in accordance with IAS 19. The Parent, as the sponsoring employer for the plan, recognises the net defined benefit cost, while Irish Water and Gas Networks Ireland recognises only the cost of contributions payable for the year in respect of their respective employees. The Parent's current service costs, as set out in note 18, includes the defined benefit contributions payable for the year in respect of these employees. These costs were recharged to Irish Water and Gas Networks Ireland on a full cost recovery method with no margin earned. These costs are not included in the Parent's employee benefit expense.

(d) Dividend

	2021 €'000	2020 €'000
Dividend received from Gas Networks Ireland	**15,361**	47,283

The annual dividend received by the Parent from Gas Networks Ireland is set out above. In 2018 the Parent received a dividend of €49.1 million with the remaining €5.1 million receivable in 2023 (with appropriate interest). This dividend receivable is included in the related party balances table above.

(e) Common control transaction

As previously noted, in 2018 the Government announced that Gas Networks Ireland and Irish Water would become two standalone, publicly owned, commercial, regulated utilities during 2023. It is expected that the Ervia Parent will be dissolved following the completion of the legal separation process. To achieve this, during 2021, property was transferred from Ervia Parent to Gas Networks Ireland at its carrying value of €6.9 million for nil consideration, as a common control transaction (see note 29F), thereby increasing Ervia Parent's investment in Gas Networks Ireland by the same value (see note 29H).

Key management compensation

Refer to note 27 for details in respect of the Group's key management compensation.

Board members

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

Government bodies

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

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