Gaslink Independent System Operator Limited

Report & Financial Statements

Year ended 31 December 2014

CONTENTS

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

B. Fehily (retired 23rd April 2015)

D.P. Cronin (retired 2nd March 2015)

D. Kelleher (retired 23rd April 2015)

W. Roche (retired 2nd March 2015)

A. O'Sullivan (retired 2nd March 2015 and reappointed 20th April 2015)

M. Lane (appointed 20th April 2015)

J. O'Neill (appointed 20th April 2015)

E. Nyhan (appointed 8th May 2015)

S. Casey (appointed 8th May 2015)

SOLICITORS

Mason Hayes & Curran,
South Bank House,
Barrow Street,
Dublin 4.

O'Flynn Exhams,
58 South Mall,
Cork.

SECRETARY AND REGISTERED OFFICE

L. O'Riordan,
Gasworks Road,
Cork.

BANKERS

Allied Irish Bank,
66 South Mall,
Cork.

AUDITOR

Deloitte & Touche,
Chartered Accountants and Statutory Audit Firm,
No. 6 Lapp's Quay,
Cork.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

As independent system operator of the Ervia (formerly Bord Gáis Éireann) transmission and distribution systems (the transportation system), Gaslink Independent System Operator Limited (the Company) is responsible for:

- Operating, maintaining and developing, under economic conditions the transportation system with due regard to the environment;
- Supplying to any other system operators, the adequate amount of information guaranteeing the possibility of conducting transport and storage of natural gas in a manner proper for the secure and safe operations of the connected systems;
- Ensuring equal access to the transportation system to undertakings participating in the gas market;
- Conducting network operations in a coordinated and effective manner in keeping the required reliability for supply of gas and its quality;
- Adopting rules for the purposes of balancing the gas system which are objective, transparent and non – discriminatory; and
- Providing system users with the relevant information for efficient access to the system.

In order to fulfil these responsibilities, Ervia provides gas transportation services on behalf of the Company. The Company is not exposed to the financial risks and benefits associated with the revenue earned for the provision of these services. These are borne by the asset owner, Ervia. Consequently, Ervia is entitled to all revenues arising in consideration for the provision of such services, save to the extent that they represent the Company's allowed revenue. This allowed revenue represents the recovery of the expected operating and establishment costs of the Company as agreed in advance with the industry regulator, the Commission for Energy Regulation (CER).

REVIEW OF THE DEVELOPMENT AND PERFORMANCE OF THE BUSINESS

The Company was incorporated as independent system operator on 18 October 2007 to meet the legal unbundling requirements of the EU Gas Directive 2003/55/EC. Trading commenced with the granting of the Transmission and Distribution Operator licences on 4 July 2008. The Company has established a business model that complies with these requirements and meets the needs of the users of the transportation system in an efficient and effective manner.

REPORT OF THE DIRECTORS (CONT'D)

FUTURE DEVELOPMENTS IN THE BUSINESS

The Company continues to evolve to meet the challenges and requirements of a constantly changing gas transportation market. In particular, the 3rd Energy Directive[1] established the European Network Transmission System Operators for Gas (ENTSOG), which is tasked with developing a harmonised set of European Network Codes based on Framework Guidelines published by the European Commission. These Network Codes will be legally binding and will lead to changes to the existing Network Code in Ireland. The Company is heavily engaged in the activities of ENTSOG representing the interests of Ireland in Europe.

Gaslink has been involved in the development of several Network Codes during 2014. The objective of harmonised Network Codes is to facilitate gas transport and gas trading across the European Union, thus supporting the development of competition and further market integration.

During 2014 a full sale of the Bord Gais Energy business led to the Full Ownership Unbundling model being adopted by Ervia in order to achieve compliance with the 3rd Energy Directive. This has implications for Gaslink's future role, as a new single entity would be created encompassing both Gaslink's and Gas Networks Ireland's (formerly Bord Gais Networks) current roles.

Gaslink is working with Ervia to ensure it can continue to fulfil its system operation responsibilities until further notice, while at the same time ensuring that the transition to any new arrangements is as smooth as possible and the impact on market participants is minimised.

PRINCIPAL RISKS AND UNCERTAINTIES

Safety: The Company is exposed to the usual risks associated with the operation of gas transportation pipelines. A major safety incident could result in injury, loss of life or a security of supply issue. Attention to safety and promoting best practices in the safe and responsible use of natural gas is the key priority and the Company operates a comprehensive safety programme in dealing with the relevant authorities, the Regulator, staff, contractors and the general public.

[1] Directive 2009/73/EC of the European Parliament and of the European Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC

Regulation: The legislative and regulatory environment in which the Company operates is constantly evolving. In particular, the unbundling requirements set out in the 3rd Energy Directive, will have significant implications for the structure of the Company.

The Board has analysed these and other risks. Appropriate actions are taken by management to mitigate these risks. Not all risks are within the Company's control and other factors besides those listed above may also have an adverse effect.

RESULTS AND DIVIDENDS

Gaslink made a profit of €324,470 (2013: loss €308,726).

SIGNIFICANT EVENTS SINCE THE YEAR END

There have been no significant events affecting the operations of the Company since the year end. No dividends have been paid in either the current or prior year.

DIRECTORS AND SECRETARY

The Directors and Secretary are as set out on page 3. The Directors' and Secretary's interests are described in Note 21.4. The Directors and Secretary all served throughout the year.

CREDITOR PAYMENT POLICY

It is the Company's policy in respect of all suppliers to settle the terms of payment with those suppliers when agreeing the terms of each transaction and also to ensure that those suppliers are aware of the terms of payment. The standard terms specified in the standard purchase order are 45 days and the Company operates a policy of paying all undisputed supplier invoices within these terms.

POLITICAL DONATIONS

There were no donations made during the year to any political party.

BOOKS AND ACCOUNTING RECORDS

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the Company. To achieve this, the directors have appointed appropriate personnel to ensure that those requirements are complied with. These books and accounting records are maintained at Gasworks Road, Cork.

Going Concern

The Financial Statements are prepared on a going concern basis as the Directors are satisfied that, having secured the regulatory allowance for the 2014/15 gas year, Gaslink has sufficient resources to continue in operation for the foreseeable future. While the sale of Bord Gais Energy has been completed Gaslink will continue to provide full service until the licence transfer to Gas Networks Ireland is complete, and it is the intention that, beyond this, Gaslink will continue to remain a registered company.

AUDITOR

The auditor, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, has expressed its willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

For and on behalf of Gaslink Independent System Operator Limited:

A. O'Sullivan	***S. Casey***	13/05/2015
Director	**Director**	**Date of Approval**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of Gaslink Independent System Operator Limited:

A. O'Sullivan	***S.Casey***	13/05/2015
Director	**Director**	**Date of Approval**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED

We have audited the financial statements of Gaslink Independent System Operator Limited for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cashflows and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements for the year ended 31 December 2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the company as at 31 December 2014 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the directors' report is consistent with the financial statements.
- The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception
We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Ke Bull
Kevin Butler

For and on behalf of Deloitte & Touche

Chartered Accountants and Statutory Audit Firm

Cork

Date: 13/5/15

GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Revenue	4	3,231,697	2,147,157
Other operating income	5	217,397	228,662
Operating costs	6	(3,074,630)	(2,729,338)
Profit/(Loss) from operating activities		374,464	(353,519)
Net finance income/(expense)	7	36	(152)
Profit/(Loss) before income tax		374,500	(353,671)
Income tax (charge)/credit	10	(50,030)	44,945
Profit/(Loss) for the year	19	324,470	(308,726)
Other Comprehensive Income			
Total comprehensive income/(expense) for the year		324,470	(308,726)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		324,470	(308,726)

All results for the year derive from continuing operations.

For and on behalf of Gaslink Independent System Operator Limited:

A. O'Sullivan | *S. Casey* | 13/05/2015 **Date of Approval**

Director Director

GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Notes	31 December 2014 €	31 December 2013 €
Assets			
Non-current assets			
Property, plant & equipment	11	22,971	42,463
Intangible assets	12	1	21,170
Deferred tax assets	10	5,718	47,206
Total non-current assets		28,690	110,839
Current assets			
Trade and other receivables	13	6,127	34,891
Cash and cash equivalents	14	119,774	2,519,662
Amounts owed from group companies	21	2,139,092	-
Current tax asset	9	23,209	73,698
Total current assets		2,288,202	2,628,251
Total assets		2,316,892	2,739,090
Equity			
Share Capital	17	(1)	(1)
Retained earnings	19	(1,995,116)	(1,670,646)
Total equity attributable to equity holders of the Parent		(1,995,117)	(1,670,647)
Liabilities			
Non-current liabilities			
Amounts owed to group companies	21	-	(661,880)
Current liabilities			
Trade and other payables	15	(321,775)	(406,563)
Total current liabilities		(321,775)	(406,563)
Total liabilities		(321,775)	(1,068,443)
Total equity and liabilities		(2,316,892)	(2,739,090)

For and on behalf of Gaslink Independent System Operator Limited:

A. O'Sullivan S. Casey 13/05/2015 Date of Approval

Director **Director**

GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Attributable to equity holders of the Parent		
	Share Capital	*Retained Earnings*	*Total Equity*
	€	€	€
Balance at 1 January 2013	1	1,979,372	1,979,373
Total comprehensive expense for the year	-	(308,726)	(308,726)
Balance at 31 December 2013	1	1,670,646	1,670,647
Balance at 1 January 2014	1	1,670,646	1,670,647
Total comprehensive income for the year	-	324,470	324,470
Balance at 31 December 2014	1	1,995,116	1,995,117

GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED
STATEMENT OF CASHFLOWS
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Cashflows from operating activities			
Profit / (Loss) for the year		**324,470**	**(308,726)**
Adjustments for:			
Depreciation and amortisation		40,661	26,683
Interest Income		(585)	(85)
Interest Expense		549	237
Income Taxes	10	50,030	(44,945)
		415,125	**(326,836)**
Working Capital Changes:			
(Increase)/Decrease in trade & other receivables amounts owed from group companies	22	(2,068,381)	1,812
Cash used in operating activities		**(1,653,256)**	**(325,024)**
Interest received		585	85
Interest paid		(549)	(237)
Income tax		-	(147,395)
Net cash used in operating activities		**(1,653,220)**	**(472,571)**
Cashflows from financing activites			
Decrease in amounts owed to group companies	22	(746,668)	(416,627)
Net cash from financing activites		**(746,668)**	**(416,627)**
Net decrease in cash and cash equivalents		**(2,399,888)**	**(887,198)**
Cash and cash equivalents at 1 January		2,519,662	3,406,860
Cash and cash equivalents at 31 December	22	**119,774**	**2,519,662**

NOTES TO THE FINANCIAL STATEMENTS

1. *General Information*

Gaslink Independent System Operator Limited is the Transmission System Operator (TSO) and Distribution System Operator (DSO) and is responsible for operating, maintaining and developing Ireland's natural gas transmission and distribution systems.

2. *Basis of Preparation*

The financial statements are presented in Euro have been prepared under the historical cost convention.

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies Acts, 1963 to 2013.

They have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective for accounting periods ending on or before 31 December 2014.

(b) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS's requires the use of judgements, estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the period and positive and negative contingencies at year-end. Actual results in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions.

The principal estimates and judgements are described below. Given their importance in the Company's financial statements, the impact of any change in assumption in these areas could be significant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which these estimates are revised and in any future periods affected.

The principal estimates and judgements applied in the preparation of the financial statements are:

Useful lives of property, plant and equipment
Realisable value of software

Other judgements
When there is no standard or interpretation applicable to a specific transaction, the Company exercises judgement to determine the most appropriate accounting policy that will supply relevant, reliable information for preparation of its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(c) New Accounting Standards and Interpretations

There are no new standards applied by the company in the year. A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014 and have not been applied in preparing these financial statements. The application of these new standards, amendments and interpretations is either not expected to have a material impact on the financial statements or is still under assessment:

Standard/Amendment	Effective Date (EU IFRS)	Endorsed by the EU
Annual Improvements to IFRS 2010-2012 Cycle	1 July 2014	1 February 2015
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014	1 February 2015
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016 [1]	(Outstanding)
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016 [1]	(Outstanding)
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016 [1]	(Outstanding)
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016 [1]	(Outstanding)
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016 [1]	(Outstanding)
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016 [1]	(Outstanding)
Amendments to IAS 1: Disclosure Initiative	1 January 2016 [1]	(Outstanding)
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016 [1]	(Outstanding)
IFRS 15 Revenue from Contracts with Customers	1 January 2017 [1]	(Outstanding)
IFRS 14 Regulatory Deferral Accounts	1 January 2016 [1]	(Outstanding)
IFRS 9 (2010 and 2009) Financial Instruments	1 January 2018 [1]	(Outstanding)

[1] *represents the IASB effective date. Effective date under IFRS, as endorsed by the EU, may change depending on EU endorsement status*

3. _**Summary of Significant Accounting Policies**_

The policies set out below have been consistently applied to all years presented in these financial statements.

a) Revenue Recognition

Ervia provides gas transportation services on behalf of the Company. The Company is not exposed to the financial risks and benefits associated with the revenue earned for the provision of these services. These are borne by the asset owner, Evia. Consequently, Ervia is entitled to all revenues arising in consideration for the provision of such services; save to the extent that they represent the recovery of the Company's allowed revenue. This allowed revenue represents the recovery of the expected operating and establishment costs of the Company as agreed in advance with the industry regulator, the Commission for Energy Regulation (CER).

This expenditure is recorded on an accruals basis and therefore the associated revenue is also recorded on an accruals basis.

Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the financial year. Any over or under recovery may be included, within certain parameters, in the calculation of the following year's regulatory revenue. No adjustment is made for over or under recoveries in the year that they arise.

b) Pension Costs

The Company has both defined benefit and Personal Retirement Savings Account (PRSA) pension arrangements.

A number of employees are members of a defined benefit pension scheme through participation in a combined Ervia scheme. The contributions payable by the Company under the defined benefit and PRSA schemes are charged to the Statement of Comprehensive Income in the year in which they become payable.

Defined benefit accounting for these employees has not been applied, as it is not feasible to identify the share of the underlying assets and liabilities in the Ervia scheme attributable to Gaslink on a consistent and reliable basis. As Ervia is the sponsoring employer of the Defined Benefit Plan, the obligation is not presented in these financial statements. This scheme is recognised in the financial statements of the parent entity.

c) Property, Plant and Equipment and Depreciation

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses thereon. Cost includes direct costs (including direct labour), overheads, decommissioning or restoration costs and interest incurred in financing the construction of the asset. Capitalisation of interest ceases when the asset is commissioned or where active development has been interrupted for an extended period.

3. Summary of Significant Accounting Policies (continued)

c) Property, Plant and Equipment and Depreciation (continued)

The charge for depreciation is calculated to write down the cost of property, plant and equipment, less estimated residual value, on a straight-line basis over their expected useful lives. Depreciation is provided on a straight-line basis over the estimated useful lives.

Major asset classifications and their estimated useful lives are:

Plant and Equipment	7 years
Computer Hardware	3 years
Vehicles	5 years

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

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 Company, 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.

d) Intangible Assets

Software costs include both internally developed and externally purchased assets.

Internally developed software refers to costs directly associated with the production of identifiable and unique software products controlled by the Company, which will probably generate economic benefits exceeding costs. These are recognised as intangible assets. These costs are capitalised only if the criteria set out in IAS 38 *Intangible Assets* 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 to use the specific assets.

These costs are amortised over their estimated useful lives on a straight-line basis.

Computer Software	3 years

e) Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Summary of Significant Accounting Policies (continued)

f) Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

g) Financial Assets and Liabilities

Receivables from/payables to group companies
Receivables from/payables to Group companies are non-derivative financial assets or liabilities which are not quoted in an active market. They are in current assets or liabilities on the statement of financial position, except for those with maturities greater than twelve months after the reporting date, which are included in non-current assets or liabilities. Receivables and payables are initially recorded at fair value and thereafter at amortised cost.

Trade and other receivables
Trade and other receivables are recognised at fair value, which is the original invoiced amount less any impairment losses.

Impairment losses are recognised where there is objective evidence of a dispute or an inability to pay. No impairements have been made in the years reported on.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Summary of Significant Accounting Policies (continued)

g) Financial Assets and Liabilities (continued)

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

Trade and other payables
Trade and other payables are recorded at fair value, which is the original invoiced amount.

h) Operating Profit/(Loss)
Operating profit/(loss) is stated before net finance income.

i) Finance Income
Finance income comprises interest income on funds invested.

j) Finance Costs
Finance costs comprises interest expense on borrowings.

k) Impairment of assets
The carrying amounts of these assets that are subject to depreciation/amortisation 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and it's 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.

4. Revenue

The Company's Revenue reflects the allowed revenue as agreed in advance with the industry regulator, the Commission for Energy Regulation (CER). This allowed revenue represents the recovery of the expected establishment and ongoing operating costs of the Company for the year.

Revenue arises solely in Ireland.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. Other Operating Income

In 2011, the Company entered into secondment agreements with the European Network of Transmission System Operators for Gas (ENTSOG). This continued in the current year.

6. Operating Costs

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Payroll expense	607,031	902,410
Other operating costs	2,467,599	1,826,928
Total	***3,074,630***	***2,729,338***

Operating costs are stated after charging:

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Board members' fees	20,700	20,700
Depreciation and amortisation	40,661	26,683
Total	***61,361***	***47,383***

7. Net Finance Income/(Expense)

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Bank deposit interest income	585	85
Interest expense	(549)	(237)
Net finance income/(expense)	**36**	***(152)***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Employees

Average number of employees in year, including temporary employees:

	Year ended 31 December 2014 No.	*Year ended 31 December 2013 No.*
Employees	6	10

Their total remuneration comprised:

	Year ended 31 December 2014 €	*Year ended 31 December 2013 €*
Wages and salaries	501,733	760,440
Social welfare costs	49,973	79,776
Pension costs	55,325	62,194
Payroll costs charged to profit or loss	***607,031***	***902,410***

9. Current Tax Asset

	Year ended 31 December 2014 €	*Year ended 31 December 2013 €*
Current tax asset	23,209	73,698
Total current tax asset	**23,209**	**73,698**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. Income Tax

	Year ended 31 December 2014 €	Year ended 31 December 2013 €
Current tax expense/(credit)		
Current tax	50,489	-
Prior year under provision	-	(1,176)
	50,489	(1,176)
Deferred tax		
Origination and reversal of temporary differences	(1,195)	(42,690)
Prior year under/(over) provision	736	(1,079)
	(459)	(43,769)
Total charge/(credit)	***50,030***	***(44,945)***
Reconciliation of effective tax rate		
	€	**€**
Profit/(Loss) before tax	**374,500**	**(353,671)**
Taxed at 12.5% (2013 : 12.5%)	46,812	(44,209)
Expenses not deductible for tax purposes	1,927	1,191
Income taxed at higher rates	73	12
Capital allowances less than depreciation on owned assets	482	316
Prior year under provisions current tax	-	(1,176)
Prior year under/(over) provisions deferred tax	736	(1,079)
Income tax charge/(credit)	***50,030***	***(44,945)***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Deferred Tax

	Property, plant and equipment and intangible assets €	*Other* €	*Total* €
At 1 January 2014	**3,293**	**43,913**	**47,206**
Losses surrendered to Group	-	(41,947)	(41,947)
Credit to income statement	1,090	(631)	459
At 31 December 2014	***4,383***	***1,335***	***5,718***

A deferred tax provision has been made in respect of accelerated capital allowances and other temporary differences. As required by IAS 12 *Income Taxes*, deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Potential deferred tax asset utilisation falling outside that planning horizon is not currently recognised on the statement of financial position. As encouraged by IAS 12, deferred tax asset recognition is regularly reassessed.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. *Property, Plant and Equipment*

	Vehicles	Computer Hardware	Plant & Equipment	Total
	€	€	€	€
Cost				
At 01 January 2013	40,229	102,721	22,811	165,761
At 31 December 2013	40,229	102,721	22,811	165,761
At 01 January 2014	40,229	102,721	22,811	165,761
At 31 December 2014	40,229	102,721	22,811	165,761
Accumulated depreciation				
At 01 January 2013	4,022	88,701	13,439	106,162
Charged in year	8,046	5,831	3,259	17,136
At 31 December 2013	12,068	94,532	16,698	123,298
At 01 January 2014	12,068	94,532	16,698	123,298
Charged in year	8,046	8,189	3,257	19,492
At 31 December 2014	20,114	102,721	19,955	142,790
Net Book Value				
At 31 December 2013	28,161	8,189	6,113	42,463
At 31 December 2014	20,115	-	2,856	22,971

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. Intangible Assets

	Computer Software €	*Total* €
Cost		
At 01 January 2013	82,406	82,406
At 31 December 2013	82,406	82,406
At 01 January 2014	82,406	82,406
At 31 December 2014	82,406	82,406
Accumulated amortisation		
At 01 January 2013	51,689	51,689
Charged in year	9,547	9,547
At 31 December 2013	61,236	61,236
At 01 January 2014	61,236	61,236
Charged in year	21,169	21,169
At 31 December 2014	82,405	82,405
Net Book Value		
At 31 December 2013	***21,170***	***21,170***
At 31 December 2014	***1***	***1***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. Trade and Other Receivables

	31 December 2014 €	31 December 2013 €
Prepayments and Other Balances	-	9,955
VAT Receivable	6,127	24,936
Total Trade and Other Receivables	***6,127***	***34,891***

14. Cash and Cash Equivalents

	31 December 2014 €	31 December 2013 €
Bank Balances	119,774	2,519,662
Total Cash and Cash Equivalents	***119,774***	***2,519,662***

15. Trade and Other Payables

	31 December 2014 €	31 December 2013 €
Trade Creditors	24,940	62,887
Accruals	230,113	293,683
Employee Related Liabilities	10,686	9,854
Employment and Other Taxes	56,036	40,139
Total Trade and Other Payables	***321,775***	***406,563***

It is the Company's policy in respect of all suppliers to settle the terms of payment with those suppliers when agreeing the terms of each transaction and also to ensure that those suppliers are aware of the terms of payment.

The standard terms specified in the standard purchase order are 45 days and the Company operates a policy of paying all undisputed supplier invoices within these terms.

16. *Operating Lease*

At 31 December 2014, the Company had no outstanding commitments for future minimum lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17. Share Capital

	31 December 2014 €	31 December 2013 €
Authorised:		
1,000,000 ordinary shares of €1 each	***1,000,000***	***1,000,000***
Allotted and fully paid:		
1 ordinary share of €1 each	***1***	***1***

18. Pensions

A number of employees are members of a defined benefit pension scheme through participation in a combined Ervia scheme.

Defined benefit accounting for these employees has not been applied, as it is not feasible to identify the share of the underlying assets and liabilities in the Ervia scheme attributable to Gaslink on a consistent and reliable basis.

The contributions payable by the Company under the defined benefit and PRSA schemes are charged to the Statement of Comprehensive Income in the year in which they become payable.

The pension charge for the defined benefit scheme in the Statement of Comprehensive Income for the year was €55,325 (2013: €53,697).

During 2008 and in compliance with the provisions of the Pensions Act 1990 (as amended), the Company appointed Personal Retirement Savings Account (PRSA) providers. During the year ended 31 December 2014 the Company contributed €Nil (2013: €8,497) on behalf of its employees, which was charged to the Statement of Comprehensive Income.

19. Movement on Reserves

	Share Capital €	Retained Earnings €	Total €
Balance at 1 January 2013	1	1,979,372	1,979,373
Loss for the year	-	(308,726)	(308,726)
At 31 December 2013	**1**	***1,670,646***	***1,670,647***

At 1 January 2014	1	1,670,646	1,670,647
Profit in the year	-	324,470	324,470
At 31 December 2014	***1***	***1,995,116***	***1,995,117***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. Ultimate Parent Undertaking

The ultimate parent undertaking and wholly controlling party, for which group financial statements are drawn up, is Ervia, established under the Gas Act 1976. Copies of the Group financial statements can be obtained from the secretary of Ervia at Webworks, Eglinton Cork, Ireland.

21. Related Party Note

21.1 Related Party Transactions

21.1.1 **Semi-state bodies:** In common with many other entities, Gaslink Independent System Operator Limited deals in the normal course of business with other Government sponsored bodies, such as the Electricity Supply Board.

21.1.2 **Banks owned by the Irish State:** In the normal course of business, Gaslink Independent System Operator Limited transacts with certain Irish banks which have become wholly or partially controlled by the Irish government. All such transactions carried out by the Company are on normal commercial terms. Cash and cash equivalents with such banks amounted to €119,774 at 31 December 2014 (2013:€2,519,662).

21.1.3 A number of agreements exist between Gaslink Independent System Operator Limited and Ervia which underpin the relationships between the subsidiary and the parent company. The following agreements relate to financial transactions:

- Operating Agreement
- Service Level Arrangements for the Provision of Services

A fee in respect of the Service Level Agreement is payable by Gaslink Independent System Operator Limited annually in the amount of €600,000.

	Year ended 31 December 2014	*Year ended 31 December 2013*
	€	*€*
Ervia	600,000	600,000
	600,000	***600,000***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Related Party Note (continued)

21.2 Revenue

Ervia provides gas transportation services on behalf of the Company. The Company is not exposed to the financial risks and benefits associated with the revenue earned for the provision of these services. These are borne by the asset owner, Ervia. Consequently, Ervia is entitled to all revenues arising in consideration for the provision of such services; save to the extent that they represent the recovery of the Company's allowed revenue. This allowed revenue represents the recovery of the expected operating and establishment costs of the Company as agreed in advance with the industry regulator, the Commission for Energy Regulation (CER).

This expenditure is recorded on an accruals basis and therefore the associated revenue is also recorded on an accruals basis.

Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the financial year. Any over or under recovery may be included, within certain parameters, in the calculation of the following year's regulatory revenue. No adjustment is made for over or under recoveries in the year that they arise.

	Year ended 31 December 2014 €	*Year ended 31 December 2013 €*
CER allowed revenue from Ervia	3,231,697	2,147,157
	3,231,697	***2,147,157***

21.3 Balances with Related Parties

	31 December 2014 €	*31 December 2013 €*
Opening balance as at 1 January	(661,880)	(1,186,758)
Payments to Ervia	4,455,030	4,003,037
Losses surrendered to Eriva	41,947	-
Cash received from Ervia	(1,696,005)	(3,478,159)

Closing balance	2,139,092	(661,880)
Amounts owed from/(to) group companies	***2,139,092***	***(661,880)***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Related Party Note (continued)

21.4 Interests of Board Members, Secretary and Key Management Personnel

The General Manager was appointed to the Board on 7 April 2011. None of the Board Members, Company Secretary or key management personnel had any interests in the Company during the year or at year end. Three internal directors A. O'Sullivan, D. Cronin, W. Roche and the Company Secretary are the only members of the Company who hold a beneficial interest in the parent through their participation in the BGE Employee Share Ownership scheme. The details of this scheme will be included in the Ervia Group Annual Report for the year ended 31 December 2014. Details of the key management personnel are included in the annual Gaslink Operational Review published on the Gaslink website.

21.5 Compensation of Key Management

The remuneration of directors and other members of key management personnel during the year were as follows:

	Year ended 31 December 2014 €	*Year ended 31 December 2013 €*
Short-term benefits	208,000	202,000
	208,000	***202,000***

The key management compensation amounts disclosed above represent compensation to those people having the authority and responsibility for planning, directing and controlling the activities of Gaslink. Included in the balance are salaries and other short term employee benefits including pension costs.

22. Notes to the Statement of Cashflows

Change in Trade and Other Receivables

	Year ended 31 December 2014	*Year ended 31 December 2013*

	€	€
Prepayments & other balances	28,764	1,812
Amounts owed from group companies	(2,139,092)	-
Losses surrendered	41,947	
	(2,068,381)	***1,812***

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22. Notes to the Statement of Cashflows (continued)

Change in Trade and Other Payables

	31 December 2014 €	*31 December 2013* €
Trade and other payables	(84,788)	110,251
Amounts owed to group companies	(661,880)	(524,878)
	(746,668)	***(414,627)***

Cash and Cash Equivalents

For the purpose of the Statement of Cashflows, cash and cash equivalents include cash on hand and in bank. Cash and cash equivalents at the end of the reporting period as shown in the Statement of Cashflows can be reconciled to the related items in the Statement of Financial Position as follows:

	31 December 2014 €	*31 December 2013* €
Cash and bank balances	119,774	2,519,662
	119,774	*2,519,662*

23. Events After the Reporting Period

There have been no events, including the decisions referred to in the Report of the Directors, between 31 December 2014 and the date on which the financial statements were approved by the Directors, which would require adjustment to the financial statements or any additional disclosures.

24. Approval of Financial Statements

The financial statements were approved and authorised for issue on 13th May 2015.