

Gaslink Independent System Operator Limited

Report & Financial Statements

Year Ended 31 December 2015

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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, reappointed 20th April 2015 and retired 1st July 2015)

M. Lane (appointed 20th April 2015 and retired 1st July 2015)

J. O'Neill (appointed 20th April 2015 and retired 1st July 2015)

E. Nyhan (appointed 8th May 2015)

S. Casey (appointed 8th May 2015)

SECRETARY AND REGISTERED OFFICE

***L. O'Riordan,
Gasworks Road,
Cork.***

AUDITOR

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

BANKERS

***Allied Irish Bank,
66 South Mall,
Cork.***

SOLICITORS

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

***O'Flynn Exhams,
58 South Mall,
Cork.***



REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

Gaslink Independent System Operator Limited ("the company" or "Gaslink") ceased to trade on 1st August 2015 and the company's trade was transferred to Gas Networks Ireland. The directors consider that the company will remain dormant into the future.

Up until the transfer date Gaslink was responsible for:

- Operating, maintaining and developing, under economic conditions the Ervia transmission and distribution systems (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 were 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 through its division Gas Networks Ireland provided gas transportation services on behalf of the company, prior to the transfer date. The company was not exposed to the financial risks and benefits associated with the revenue earned for the provision of these services. These were borne by the asset owner Ervia. Consequently, Ervia was 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 costs of the company as agreed in advance with the industry regulator, the Commission for Energy Regulation (CER).

REVIEW OF THE DEVELOPMENT, SIGNIFICANT EVENTS AND PERFORMANCE OF THE BUSINESS

The company was incorporated as independent system operator on 18th 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 4th July 2008. The company established a business model that complied with these requirements and met the needs of the users of the transportation system in an efficient and effective manner.

Ministerial approval of the Network Transfer Plan under Section 13 of the Gas Regulation Act 2013 was obtained in July 2015. Under this plan Gaslink ceased to trade on 1st August 2015 and the company's business and activities were transferred to Gas Networks Ireland. As part of the Transfer Plan, a dividend of €2,347,502 was made to Ervia. Gaslink also became a subsidiary of Gas Networks Ireland. Gaslink has not recommenced trading since year end. The directors consider that the company will remain dormant into the future.



REPORT OF THE DIRECTORS (CONT'D)

PRINCIPAL RISKS AND UNCERTAINTIES

Safety: The company was 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 CER, staff, contractors and the general public.

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, have had significant implications for the structure of the company.

Gaslink ceased to trade on 1st August 2015 and the company's trade was transferred to Gas Networks Ireland. The above risks were then assumed by Gas Networks Ireland.

Until the transfer of the trade the Board had analysed these and other risks. Appropriate actions were 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 effect.

RESULTS AND DIVIDENDS

Gaslink made a profit of €352,386 in the 7 month period to 1st August 2015, at which point the trade was transferred to Gas Networks Ireland (2014: €324,470). Assets and liabilities were transferred to Ervia by way of a dividend of €2,347,502.

DIRECTORS AND SECRETARY

The Directors and Secretary are as set out on page 3.

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. Five retired internal directors (A. O'Sullivan, D.P. Cronin, W. Roche, M. Lane, J. O'Neill), two appointed internal directors (E. Nyhan and S. Casey) and the company secretary were the only members of the company who held a beneficial interest in the parent through their participation in the Ervia Employee Share Ownership scheme. The details of this scheme will be included in the Ervia Annual Report for the financial year ended 31st December 2015. Details of the key management personnel are included in the annual Gaslink Operational Review and are available on request from the company secretary.



REPORT OF THE DIRECTORS (CONT'D)

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 financial year to any political party.

ACCOUNTING RECORDS

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 281 to 285 of the Companies Act, 2014, 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.

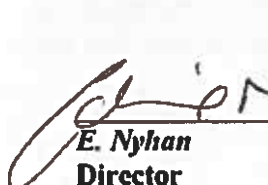
GOING CONCERN


Gaslink transferred its trade and the associated licenses to Gas Networks Ireland on 1st August 2015, this together with a dividend to Ervia eliminated virtually all the assets and liabilities of the company. While Gaslink is a non trading company since 1st August 2015, the financial statements are prepared on a going concern basis as the directors consider that the company will remain dormant into the future.

AUDITOR

The auditor, Deloitte, Chartered Accountants and Statutory Audit Firm, has expressed its willingness to continue in office in accordance with Section 383(2) of the Companies Act, 2014.

For and on behalf of Gaslink Independent System Operator Limited:


E. Nyhan
Director


S. Casey
Director


Date of Approval



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors' are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

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

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

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

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the 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:


E. Nyhan
Director


S. Casey
Director


Date of Approval



We have audited the financial statements of Gaslink Independent System Operator Limited for the financial year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 24. The relevant financial reporting framework that has been applied in their preparation is the Companies Act, 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("relevant financial reporting framework").

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act, 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act, 2014 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 Reports and Financial Statements for the financial year ended 31 December 2015, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2015 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act, 2014.

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

Matters on which we are required to report by the Companies Act, 2014

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

Matters on which we are required to report by exception

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



Kevin Butler

For and on behalf of Deloitte

Chartered Accountants and Statutory Audit Firm

Cork

Date: 27/9/16



GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	<i>Notes</i>	<i>2015</i>	<i>2014</i>
		<i>€</i>	<i>€</i>
<u>Discontinued Operations</u>			
Revenue	4	2,307,662	3,231,697
Other operating income	5	140,833	217,397
Operating costs	6	(2,095,699)	(3,074,630)
Profit from operating activities		352,796	374,464
Net finance (expense)/income	8	(410)	36
Profit before income tax		352,386	374,500
Income tax charge	9	-	(50,030)
Profit for the financial year from discontinued operations	19	352,386	324,470
<u>Other Comprehensive Income</u>			
Total comprehensive income for the financial year		352,386	324,470
Total comprehensive income attributable to:			
Owners of the company		352,386	324,470

All results for the year derive from discontinued operations.

For and on behalf of Gaslink Independent System Operator Limited:


E. Nyhan
Director


S. Casey
Director


31/01/2016
Date of Approval

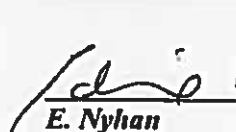


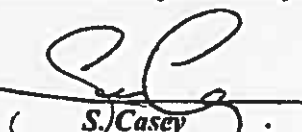
GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED
STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

		<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>Notes</i>	<i>€</i>	<i>€</i>
Assets			
Non-current assets			
Property, plant & equipment	11	-	22,971
Intangible assets	12	-	1
Deferred tax assets	10	-	5,718
Total non-current assets		-	28,690
Current assets			
Trade and other receivables	13	-	6,127
Cash and cash equivalents	14	-	119,774
Amounts owed from group companies	21	1	2,139,092
Current tax asset	10	-	23,209
Total current assets		1	2,288,202
Total assets		1	2,316,892
Equity			
Called up share capital presented as equity	18	(1)	(1)
Retained earnings	19	-	(1,995,116)
Total equity attributable to equity holders of the company		(1)	(1,995,117)
Liabilities			
Current liabilities			
Trade and other payables	15	-	(321,775)
Total current liabilities		-	(321,775)
Total liabilities		-	(321,775)
Total equity and liabilities		(1)	(2,316,892)

For and on behalf of Gaslink Independent System Operator Limited:


E. Nyhan
 Director


S. Casey
 Director


Date of Approval



GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED
STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2015

*Attributable to equity holders of the
company*

	<i>Share Capital</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
	€	€	€
Balance at 1 January 2014	1	1,670,646	1,670,647
Total comprehensive income for the financial year	-	324,470	324,470
Balance at 31 December 2014	1	1,995,116	1,995,117
Total comprehensive income for the financial year	-	352,386	352,386
Dividend paid	-	(2,347,502)	(2,347,502)
Balance at 31 December 2015	1	-	1



GASLINK INDEPENDENT SYSTEM OPERATOR LIMITED
STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2015

	Notes	2015 €	2014 €
<u>Discontinued Operations</u>			
Cash flows from operating activities			
Profit for the financial year from discontinued operations		352,386	324,470
Adjustments for:			
Depreciation and amortisation		4,815	40,661
Interest income		-	(585)
Interest expense		410	549
Income tax charge	9	-	50,030
		357,611	415,125
<u>Working Capital Changes:</u>			
Increase in trade and other receivables and amounts owed from group companies	22	(189,232)	(2,068,381)
Cash generated from/(used in) operating activities		168,379	(1,653,256)
Interest received		-	585
Interest paid		(410)	(549)
Net cash generated from/(used in) operating activities		167,969	(1,653,220)
Cash flows from financing activities			
Increase/(decrease) in amounts owed from group companies	22	1,280,356	(746,668)
Dividend		(1,568,092)	-
Net cash used in financing activities		(287,745)	(746,668)
Net decrease in cash and cash equivalents			
		(119,774)	(2,399,888)
Cash and cash equivalents at 1 January		119,774	2,519,662
Cash and cash equivalents at 31 December	14	-	119,774



NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Gaslink was the Transmission System Operator (TSO) and Distribution System Operator (DSO) responsible for operating, maintaining and developing Ireland's natural gas transmission and distribution systems. Gaslink ceased to trade on 1st August 2015 and the company's business and activities were transferred to Gas Networks Ireland. As part of the Network Transfer Plan, a dividend of €2,347,502 was made to Ervia. Gaslink also became a subsidiary of Gas Networks Ireland.

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 Act 2014.

They have been prepared in accordance with those IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective for accounting periods ending on or before 31 December 2015.

(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 underlying assets to which the principle estimates and judgements were applied, were transferred as part of the Network Transfer Plan.

Other judgements

When necessary, 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)

(b) New Accounting Standards and Interpretations

In the current year, the company has applied a number of new and revised IFRS, as set out below, that are mandatorily effective under IFRS, as endorsed by the EU, for accounting periods beginning on or after 1 January 2015. The application of these amendments to standards did not have a material impact on the Gaslink Independent System Operator Limited financial statements for 2015.

Standard/Amendment	Effective Date (as endorsed by the EU)	Endorsed by the EU
Annual Improvements to IFRS 2010-2012	1 July 2014	December 2014
Annual Improvements to IFRS 2011-2013	1 July 2014	December 2014
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014	December 2014

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015 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	IASB Effective Date	Endorsed by the EU
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016 ¹	November 2015
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016 ¹	December 2015
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016 ¹	November 2015
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	December 2015
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016 ¹	(Outstanding)
Amendments to IAS 1: Disclosure Initiative	1 January 2016 ¹	(Outstanding)



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(b) New Accounting Standards and Interpretations (cont'd)

Standard/Amendment	IASB Effective Date	Endorsed by the EU
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 2018 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.

IFRS 16 Leases was issued on 13 January 2016 with an IASB effective date of 1 January 2019 (not yet endorsed by the EU). This new standard will replace IAS 17 Leases (and associated interpretative guidance), and offers a new comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The most significant change will be to lessee accounting, where the distinction between operating and finance leases is removed, and will effectively bring onto the balance sheet the accounting for assets and liabilities associated with operating leases. There will be no significant changes in respect of lessor accounting.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Summary of Significant Accounting Policies

The policies set out below were appropriate and have been consistently applied to all years presented in these financial statements up until the execution of the transfer plan on 1st August 2015.

a) Revenue Recognition

Ervia provided gas transportation services on behalf of the company. The company was not exposed to the financial risks and benefits associated with the revenue earned for the provision of these services. These were borne by the asset owner, Ervia up until the date of transfer to Gas Networks Ireland. Consequently, Ervia was entitled to all revenues arising in consideration for the provision of such services; save to the extent that they represented 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 was recorded on an accruals basis and therefore the associated revenue was 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 was made for over or under recoveries in the year that they arose. Revenue arose solely in Ireland.

b) Retirement benefits

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

All employees of Gaslink transferred to Ervia, the parent company, on 1st August 2015, payroll costs up to this date were charged to Gaslink. A number of these 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.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Summary of Significant Accounting Policies (continued)

c) Property, Plant and Equipment

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.

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
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NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Summary of Significant Accounting Policies (continued)

e) 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

f) 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 in the statement of financial position. 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 impairments have been made in the years reported on.

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 net of transaction costs, and subsequently carried at amortised cost using the effective interest rate method.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. Summary of Significant Accounting Policies (continued)

g) Operating Profit

Operating profit is stated before net finance income.

h) Finance Income

Finance income comprises interest income on funds invested.

i) Finance Costs

Finance costs comprises interest expense on borrowings as they are incurred.

j) 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 its 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 financial year. Revenue arose solely in Ireland.

5. Other Operating Income

In 2011, the company entered into secondment agreements with the European Network of Transmission System Operators for Gas (ENTSOG). This income stream continued in 2015 but was transferred to Gas Networks Ireland on 1st August 2015 as part of the Network Transfer Plan.

The company ceased to trade on 1st August 2015 and the company's trade was transferred to Gas Networks Ireland.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6. Operating Costs

	<i>Year ended</i> <i>31 December 2015</i>	<i>Year ended</i> <i>31 December 2014</i>
	€	€
Payroll expense	274,224	607,031
Other operating costs	1,821,475	2,467,599
Total	2,095,699	3,074,630

Operating costs are stated after charging:

	<i>Year ended</i> <i>31 December 2015</i>	<i>Year ended</i> <i>31 December 2014</i>
	€	€
Board members' fees	8,625	20,700
Depreciation and amortisation	4,815	40,661
Total	13,440	61,361

7. Employees

Average monthly number of employees, including temporary employees:

	<i>2015</i>	<i>2014</i>
	No.	No.
Employees	3	6

All employees of Gaslink transferred to Ervia, the parent company, on 1st August 2015 as part of the Network Transfer Plan.

Their total remuneration comprised:

	<i>Year ended</i> <i>31 December 2015</i>	<i>Year ended</i> <i>31 December 2014</i>
	€	€
Wages and salaries	214,846	501,733
Social security costs	25,099	49,973
Other retirement benefits	34,279	55,325
Payroll costs charged to profit or loss	274,224	607,031

All other required disclosures under section 305 and 306 of the Companies Act 2014 are €nil (2014: €nil)



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

8. Net Finance (Expense)/ Income

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
Bank deposit interest income	-	585
Interest expense	(410)	(549)
Net finance (expense)/income	(410)	36

9. Income Tax and Deferred Tax Assets

	Year ended 31 December 2015 €	Year ended 31 December 2014 €
<i>Note</i>		
Current tax expense		
Current tax	44,403	50,489
Prior year over provision	(127)	-
	44,276	50,489
Deferred tax		
Origination and reversal of temporary differences	1,502	(1,195)
Prior year under provision	-	736
	1,502	(459)
Transfer to Ervia	(45,778)	-
Total charge	-	50,030
Reconciliation of effective tax rate		
	€	€
Profit before income tax	352,386	374,500
Taxed at 12.5% (2014: 12.5%)	44,048	46,812
Expenses not deductible for tax purposes	1,800	1,927
Income taxed at higher rates	-	73
Capital allowances less than depreciation on owned assets	57	482
Prior year over provision - current tax	(127)	-
Prior year under provision - deferred tax	-	736
Transfer to Ervia	(45,778)	-
Income tax charge	-	50,030



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. Income Tax and Deferred Tax Assets (cont'd)

The tax liability as at 1 August 2015 is borne by GNI as part of the Network Transfer Plan.

10. Current Tax Asset

	<i>Total</i> €
At 1 January 2015	23,209
Transferred to Ervia	(23,209)
At 31 December 2015	-

Deferred Tax

	<i>Property, plant and equipment and intangible assets</i> €	<i>Other</i> €	<i>Total</i> €
At 1 January 2015	4,383	1,335	5,718
Credit to income statement	(1,502)	-	(1,502)
Transferred to Ervia	(2,881)	(1,335)	(4,216)
At 31 December 2015	-	-	-

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. As required 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 1 January 2014	40,229	102,721	22,811	165,761
At 31 December 2014	40,229	102,721	22,811	165,761
At 1 January 2015	40,229	102,721	22,811	165,761
Transferred to Ervia	(40,229)	(102,721)	(22,811)	(165,761)
At 31 December 2015	-	-	-	-
Accumulated depreciation				
At 1 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
At 1 January 2015	20,114	102,721	19,955	142,790
Charged in year	4,023	-	791	4,814
Transferred to Ervia	(24,137)	(102,721)	(20,746)	(147,604)
At 31 December 2015	-	-	-	-
Net Book Value				
At 31 December 2014	<u>20,115</u>	<u>-</u>	<u>2,856</u>	<u>22,971</u>
At 31 December 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. Intangible Assets

	Computer Software €	Total €
Cost		
At 1 January 2014	82,406	82,406
At 31 December 2014	82,406	82,406
At 1 January 2015	82,406	82,406
Transferred to Ervia	(82,406)	(82,406)
At 31 December 2015	-	-
Accumulated amortisation		
At 1 January 2014	61,236	61,236
Charged in year	21,169	21,169
At 31 December 2014	82,405	82,405
At 1 January 2015	82,405	82,405
Charged in year	1	1
Transferred to Ervia	(82,406)	(82,406)
At 31 December 2015	-	-
Net Book Value		
At 31 December 2014	1	1
At 31 December 2015	-	-



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. Trade and other receivables

	31 December 2015	31 December 2014
	€	€
VAT receivable	-	6,127
Total Trade and other receivables	-	6,127

Prepaid expenses and debtors of €18,748 were transferred to Ervia on 1st August 2015.

14. Cash and cash equivalents

	31 December 2015	31 December 2014
	€	€
Bank balances	-	119,774
Total Cash and cash equivalents	-	119,774

Cash of €1,568,099 was transferred to Ervia on 1st August 2015.

15. Trade and other payables

	31 December 2015	31 December 2014
	€	€
Trade creditors	-	24,940
Accruals	-	230,113
Employee related liabilities	-	10,686
Employment and other taxes	-	56,036
Total Trade and other payables	-	321,775

Trade and other payables totalling €321,624 transferred to Ervia on 1st August 2015.

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 2015, the company had no outstanding commitments for future minimum lease payments.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17. Retirement benefits

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 retirement benefit charge for the defined benefit scheme in the statement of comprehensive income for the year was €34,279 (2014: €55,325).

During 2008 and in compliance with the provisions of the Pensions Act 1990 (as amended), the company appointed Personal Retirement Savings Account (PRSA) providers. No contributions were made on behalf of employees to this scheme in 2014 or 2015.

18. Called up share capital presented as equity

	31 December 2015	31 December 2014
	€	€
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

19. Retained Earnings

	Share Capital	Retained Earnings	Total
	€	€	€
Balance at 1 January 2014	1	1,670,646	1,670,647
Profit for the financial year	-	324,470	324,470
At 31 December 2014	1	1,995,116	1,995,117
At 1 January 2015	1	1,995,116	1,995,117
Profit for the financial year	-	352,386	352,386
Dividends paid	-	(2,347,502)	(2,347,502)
At 31 December 2015	1	-	1



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. Ultimate Parent Undertaking

The ultimate parent undertaking and ultimate 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 St, Cork, Ireland. As part of the Network Transfer Plan, the following assets and liabilities of Gaslink were transferred to Ervia on 1st August 2015 by way of a dividend. Subsequently Ervia transferred its assets and liabilities to Gas Networks Ireland on 1st August 2015.

	<i>Assets Transferred</i> <i>1st August 2015</i> <i>€</i>
<i>Non-current assets</i>	
Property plant & equipment	18,157
Deferred tax asset	<u>5,718</u>
Total non-current assets	23,875
<i>Current assets</i>	
Trade & other receivables	18,748
Cash & cash equivalent	1,568,099
Amounts owed from group companies	1,035,195
Current tax asset	<u>23,209</u>
Total current assets	2,645,251
<i>Current liabilities</i>	
Trade creditors	(98,856)
Employee related liabilities	(27,727)
Accruals	<u>(95,041)</u>
Total liabilities	(321,624)
Net assets transferred to Ervia on 1st August 2015/dividend paid	<u>2,347,502</u>



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Related Party Note

21.1 Related Party Transactions

21.1.1 Ervia: Ervia is the ultimate parent undertaking of Gaslink. On 1st August, all assets, liabilities, rights and licenses of Gaslink as detailed in note 20 were transferred to Ervia by way of a dividend amount of €2,347,502 as part of the Network Transfer Plan. Subsequently Ervia transferred its assets and liabilities to, Gas Networks Ireland, Ervia being its immediate parent.

21.1.2 Gas Networks Ireland: The Gaslink trade was transferred to Gas Networks Ireland on 1st August 2015 as part of the Network Transfer Plan. In addition, Ervia transferred its assets, liabilities, rights and licenses to Gas Networks Ireland.

21.1.3 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.

21.1.4 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.

21.1.5 A number of agreements existed between Gaslink Independent System Operator Limited and Ervia which underpinned the relationship 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 was payable by Gaslink Independent System Operator Limited annually in the amount of €600,000.

	<i>Year ended</i> <i>31 December 2015</i>	<i>Year ended</i> <i>31 December 2014</i>
	€	€
Ervia	350,000	600,000
	350,000	600,000



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Related Party Note (cont'd)

21.2 Revenue

Ervia provided gas transportation services on behalf of the company. The company was not exposed to the financial risks and benefits associated with the revenue earned for the provision of these services. These were borne by the asset owner, Ervia. Consequently, Ervia was 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 represented 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.

	<i>Year ended</i> <i>31 December 2015</i>	<i>Year ended</i> <i>31 December 2014</i>
	<i>€</i>	<i>€</i>
CER allowed revenue from Ervia	2,307,662	3,231,697
	2,307,662	3,231,697

21.3 Balances with Related Parties

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>€</i>	<i>€</i>
Opening balance as at 1 January	2,139,092	(661,880)
Payments to Ervia	847,547	4,455,030
Losses surrendered to Ervia	-	41,947
Cash received from Ervia	(1,951,443)	(1,696,005)
Balance transferred to Ervia	(1,035,195)	-
Amounts owed from group companies	1	2,139,092



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. Related Party Note (cont'd)

21.4 Interests of Board Members, Secretary and Key Management Personnel

The General Manager was appointed to the Board on 7th April 2011. None of the Board Members, Company Secretary or key management personnel had any interests in the Company during the financial year or at financial year end. Five retired internal directors (A. O'Sullivan, D.P. Cronin, W. Roche, M. Lane, J. O'Neill), two appointed internal directors (E. Nyhan and S. Casey) and the Company Secretary were the only members of the Company who held a beneficial interest in the parent through their participation in the Ervia Employee Share Ownership scheme. The details of this scheme are included in the Ervia Annual Report for the financial year ended 31 December 2015. Details of the key management personnel are included in the annual Gaslink Operational Review which are available on request from the company secretary.

21.5 Compensation of Key Management

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

	<i>Year ended 31 December 2015</i>	<i>Year ended 31 December 2014</i>
	€	€
Salaries & short-term benefits	121,950	208,000
	121,950	208,000

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 Cash flows

Change in trade and other receivables

	<i>1 August 2015</i>	<i>31 December 2014</i>
	€	€
Prepayments & other balances	(12,620)	28,764
Amounts owed from group companies	(176,612)	(2,139,092)
Losses surrendered	-	41,947
	(189,232)	(2,068,381)



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22. Notes to the Statement of Cash flows (continued)

Change in Trade and Other Payables

	<i>1 August 2015</i>	<i>31 December 2014</i>
	€	€
Trade and other payables – not financing activities	(151)	(84,788)
Amounts owed to group companies	1,280,507	(661,880)
	1,280,356	(746,668)

Cash and Cash Equivalents

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

	<i>1 August 2015</i>	<i>31 December 2014</i>
	€	€
Net cash generated from/(used in) operating activities	167,969	(1,653,220)
Increase/(decrease) in amounts to group companies and trade and other payables	1,280,356	(746,668)
Transfer of cash to parent company	<u>(1,568,099)</u>	—
Net decrease in cash and cash equivalents	(119,774)	(2,399,888)
<i>Cash and cash equivalents at 31 December</i>	-	119,774

Cash of €1,568,099 was transferred to Ervia on 1st August 2015.

23. Events After the Reporting Period

There have been no events, including the decisions referred to in the Report of the Directors, between 31st December 2015 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 30/08/2016

